Open Meetings Notice

The meeting of the Board of Directors for the Wisconsin Economic Development Corporation will be held on January 29, 2019 in WEDC's First Floor Conference Room, located at 201 West Washington Avenue, Madison, WI 53703. The items to be discussed are included below. Note that some members of the Board may attend by phone. Note also that the meeting may be closed under Wis. Stat. § 19.85(1) if indicated below.

Agenda

Wisconsin Economic Development Corporation
Meeting of the Board of Directors

WEDC
First Floor Conference Room
201 West Washington Avenue
Madison, WI 53703

January 29, 2019
1:00-2:00 pm

1. Call to Order and Roll Call

2. Chair Introduction

3. Introductions

4. Vote on Officer Elections

5. Review and Vote on the Seventh Amended and Restated Bylaws

6. Vote on CEO

7. Approval of Minutes from the November 20, 2018 and December 12, 2018 Meetings

8. Review Update to the Awards Administration Committee Charter

9. Review and Vote on Responses to the Legislative Audit Bureau Wis. Stat §13.94(1)(u) EITMZ Evaluation

10. Review Electronics and Information Technology Manufacturing Zone Program Procedures

11. Adjournment

Wisconsin Economic Development Corporation
Resolution of the Board of Directors

January 29, 2019

Re: Resolution on Officer Elections

The following resolution of the Board of Directors of the Wisconsin Economic Development Corporation (WEDC), a public body corporate and politic, is adopted at a meeting of the Board of Directors held on the date set forth above, following the required notice and with quorum of the Board of Directors present pursuant to Chapter 238 of the Wisconsin Statutes:

WHEREAS, Article IV, Section 2 of the Bylaws requires the Board of Directors elect at its annual meeting a Chair, Vice Chair, Secretary, and Treasurer

WHEREAS, NOW, THE BOARD OF DIRECTORS RESOLVES:

RESOLVED, Lisa Mauer is elected Chair of the Board of Directors.

RESOLVED, Nancy Hernandez is elected Vice Chair of the Board of Directors.

RESOLVED, Nancy Hernandez is elected Secretary of the Board of Directors.

RESOLVED, _____ is elected Treasurer of the Board of Directors.

RESOLVED, the Board of Directors of WEDC authorizes and approves the CEO or his designee, to do or cause to be done all other actions, and to execute all documents necessary or convenient in order to accomplish the intent and objectives of the foregoing resolutions.

This Resolution shall take effect immediately upon its adoption on January 29, 2019.

Wisconsin Economic Development Corporation

Resolution of the Board of Directors

January 29, 2019

Re: Resolution on Seventh Amended & Restated Bylaws

The following resolution of the Board of Directors of the Wisconsin Economic Development Corporation (WEDC), a public body corporate and politic, is adopted at a meeting of the Board of Directors held on the date set forth above, following the required notice and with quorum of the Board of Directors present pursuant to Chapter 238 of the Wisconsin Statutes:

WHEREAS,§ 238.04(1) of the Wisconsin Statutes permits the Board of Directors to adopt, amend, and repeal any bylaws, policies, and procedures for regulating its affairs and the conduct of its business.

WHEREAS, Now, THE BOARD OF DIRECTORS RESOLVES:

RESOLVED, the Seventh Amended and Restated Bylaws of the Corporation, attached as Exhibit A, are approved and adopted as the Seventh Amended and Restated Bylaws of the Corporation.

RESOLVED, the Board of Directors of WEDC authorizes and approves the CEO or his designee, to do or cause to be done all other actions, and to execute all documents necessary or convenient in order to accomplish the intent and objectives of the foregoing resolutions.

This Resolution shall take effect immediately upon its adoption on January 29, 2019.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

~~SIXTH~~ SEVENTH AMENDED & RESTATED BYLAWS

Effective ~~July 13~~December 16, 2018~~7~~

ARTICLE I
Purposes of the Corporation

The purposes of Wisconsin Economic Development Corporation, a public body corporate and politic (the "Corporation"), shall be as set forth in Chapter 238 of the Wisconsin Statutes (the "Authorizing Statute"). These Bylaws specify various matters affecting the operations and governance of the Corporation.

ARTICLE II
Members

The Corporation shall have no members but shall be managed by its Board of Directors as set forth in Article III of these Bylaws and the Authorizing Statute.

ARTICLE III
Directors

Section 1. Powers. Subject to the limitations of the Authorizing Statute and these Bylaws, the affairs of the Corporation shall be managed by the Board of Directors.

Section 2. Number, Qualification & Term.

(a) Until September 1, 2019, ~~T~~the number of Directors of the Corporation shall be ~~fourteen~~twenty, ~~twelve~~ eighteen of which shall be voting and two of which shall be nonvoting. After September 1, 2019, the number of Directors of the Corporation shall be eighteen, sixteen of which shall be voting and two of which shall be nonvoting.

(b) The Governor of the State of Wisconsin (the "Governor") shall nominate, and with the advice and consent of the Wisconsin Senate (the "Senate"), appoint six Directors of the Corporation (each a "Governor Appointed Director" and collectively, the "Governor Appointed Directors"). The Governor Appointed Directors shall serve at the pleasure of the Governor~~. The Governor Appointed Directors shall serve staggered four-year terms~~ or until such Governor Appointed Director's death or resignation.

(c) The Speaker of the Wisconsin Assembly (the "Assembly") shall appoint ~~three~~ four Directors of the Corporation (each a "Speaker Appointed Director" and collectively, the "Speaker Appointed Directors"). The Speaker Appointed Directors shall consist of no more than two members of the legislature~~: one Representative to the Assembly from the Speaker's party; one Representative to the Assembly from the minority party (or, if there is more than one minority party, then from the largest party other than the Speaker's party); and one person who is not directly employed by a governmental agency or authority. Each of the Representatives who shall serve as Speaker Appointed Directors shall be chosen in the same manner in which Representatives of the Assembly are appointed to standing committees in the Assembly.~~ The

Speaker Appointed Directors shall serve ~~at the pleasure of the Speaker of the Assembly~~four-year staggered terms or until such Speaker Appointed Director's death or resignation~~, except that the Speaker Appointed Director who is a Representative in the minority party in the Assembly shall serve at the pleasure of the Minority Leader of the Assembly or until such Director's death or resignation~~. The Speaker may also appoint one additional Director to serve one term that expires on September 1, 2019.

(d) The minority leader of the Assembly shall appoint one Director of the Corporation ("Assembly Minority Appointed Director") to serve a 4-year term or until such Assembly Minority Appointed Director's death or resignation.

(e) The Majority Leader of the Senate shall appoint ~~three~~ four Directors of the Corporation (each a "Majority Leader Appointed Director" and collectively, the "Majority Leader Appointed Directors"). The Majority Leader Appointed Directors shall consist of no more than two members of the legislature~~: one Wisconsin state Senator from the Majority Leader's party; one Wisconsin state Senator from the minority party (or, if there is more than one minority party, then from the largest party other than the Majority Leader's party); and one person who is not directly employed by a governmental agency or authority. Each of the Wisconsin state Senators who serve as Directors shall be chosen in the same manner in which Wisconsin state Senators are appointed to standing committees in the Senate.~~ The Majority Leader Appointed Directors shall serve four-year staggered terms ~~at the pleasure of the Majority Leader of the Senate~~ or until such Majority Leader Appointed Director's death or resignation~~, except that the Majority Leader Appointed Director who is a Senator in the minority party in the Senate shall serve at the pleasure of the Minority Leader of the Senate or until such Director's death or resignation~~. The Majority Leader may also appoint one additional Director to serve one term that expires on September 1, 2019.

~~(e)~~(f) The minority leader of the Senate shall appoint one Director of the Corporation ("Senate Minority Appointed Director") to serve a 4-year term or until such Director's death or resignation.

~~(f)~~(g) The Secretary of Administration for the State of Wisconsin and the Secretary of Revenue for the State of Wisconsin shall each serve as nonvoting Directors of the Corporation, commencing on the date of each Secretary's term and terminating when each Director no longer serves as a Secretary of the departments set forth herein, at which time the succeeding Secretary shall become a non-voting Director.

Section 3. Resignation. A Director may resign at any time by giving written notice to the Secretary of the Corporation, who shall advise the Board of Directors of such resignation. Such resignation shall take effect at the time specified therein or, if no time is specified, then upon receipt of the resignation by the Secretary of the Corporation, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective. This section shall not apply to the Secretary of Administration, or the Secretary of Revenue, who may not resign from the Corporation so long as he or she holds the office giving rise to his or her position as a Director of the Corporation. In the event one of the public officials who serves as a Director by virtue of holding such office (i.e., Representative, Senator, Secretary of Administration, or Secretary of Revenue) ceases to serve in the public office that gave rise to his or her appointment as a Director of the Corporation, such public official shall be deemed to

tender his or her resignation when he or she is no longer serving in the public office that gave rise to his or her appointment. For example, if a Speaker Appointed Director who is a Representative ceases to be a Representative, that Speaker Appointed Director shall be deemed to have resigned.

Section 4. Removal. Any Governor Appointed Director may be removed from office at any time, with or without cause, by the Governor. ~~Any Speaker Appointed Director may be removed from office, at any time, with or without cause, by the Speaker. Any Majority Leader Appointed Director may be removed from office at any time, with or without cause, by the Majority Leader.~~

Section 5. Vacancies. A vacancy or vacancies in the Board of Directors occurring for any reason may be filled by the individual who has the authority to appoint a Director to the vacated seat, under the same terms and provisions as set forth in this ARTICLE III. Each Director so appointed shall hold office until such Director's successor is ~~elected and qualified~~duly appointed, or until such Director's death, resignation or removal.

Section 6. Meetings.

(a) Annual Meeting. A regular meeting of the Board of Directors, designated as the annual meeting, shall be held each year at such time and place as may be designated by the Chairperson of the Corporation, or by any Vice Chairperson if the Chairperson is unable to act, for the election of officers and the transaction of such other business as may properly come before the meeting. In the event of failure, through oversight or otherwise, to hold the annual meeting of Directors in any year, the meeting, upon waiver of notice or upon due notice, may be held at a later date.

(b) Other Regular Meetings. Other regular meetings of the Board of Directors of the Corporation may be held at such regularly recurring time and place as the Board of Directors may designate.

(c) Special Meetings. Special meetings of the Board of Directors for any purpose or purposes shall be held whenever called by the CEO of the Corporation (as defined below), by a majority of the Directors, or by the Chairperson of the Corporation or if the Chairperson is absent or is unable or refuses to act, by any Vice Chairperson.

(d) Open Meetings. All meetings of the Board of Directors shall be held in compliance with Wisconsin's Open Meetings Law, Wis. Stats. §§ 19.81-98.

Section 7. Notices. Except as otherwise provided in these Bylaws, notice of any meeting of the Board of Directors, in each case specifying the place, date and hour of the meeting, shall be given to each Director by written notice delivered in person, by electronic mail, or by mail or private carrier, not more than sixty days prior to the date of the meeting, but at least twenty-four hours before the time set for such meeting or, if notification is by mail, by mailing such notice at least five days before the day set for such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, with postage prepaid, addressed to the Director at the Director's address as it appears on the records of the Corporation. Except as otherwise provided in these Bylaws, neither the business to be transacted

at, nor the purpose of, any meeting of the Board of Directors need be specified in the notice or waiver of such notice of such meeting.

Section 8. Waiver of Notice. The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though held at a meeting duly held after regular call and notice, if a quorum is present and if, either before or after the meeting, a written waiver of notice of the meeting, containing the same information as would have been required to be included in a proper notice of the meeting, is signed by (a) each Director not present at the meeting and (b) each Director present at the meeting who objected to the transaction of any business because the meeting was not lawfully called or convened. All such waivers shall be filed with and made a part of the minutes of the meeting. Notwithstanding anything contained in this Section, no Director or Directors have the authority to waive any requirements pursuant to Wisconsin's open meetings law.

Section 9. Quorum; Action of Directors. A majority of the number of ~~voting~~ appointed Directors ~~appointed to and~~currently serving as Directors of the Corporation pursuant to these Bylaws shall constitute a quorum for the transaction of business. The act of a majority of the appointed Directors present at a meeting at which a quorum is present shall be the act or decision of the Board of Directors~~,~~ unless the act of a greater proportion is required by law~~, the Authorizing Statute or these Bylaws~~. The voting on all questions at a meeting shall be by voice vote, unless a Director requests a roll call vote, in which case each Director's vote shall be reflected in the meeting minutes.

Section 10. Adjournment. Any meeting of the Board of Directors, whether regular or special, and whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the Directors present. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting adjourned.

Section 11. Organization. The Chairperson of the Corporation, or in the absence of the Chairperson, the Vice-Chairperson, shall act as chair at every meeting of the Board of Directors. The Secretary of the Corporation, or in the absence of the Secretary, any person appointed by the chairperson of the meeting, shall act as Secretary of the meeting.

Section 12. Methods of Conducting Meetings. Directors may participate in any regular or special meeting or in any meeting of a committee of Directors by any means of communication by which either (1) all participating Directors may simultaneously hear each other during the meeting or (2) all communication during the meeting is immediately transmitted to each participating Director and each participating Director is able to immediately send messages to all other participating Directors. If a meeting is conducted through the use of one of the foregoing means, all participating Directors must be informed that a meeting is taking place at which official business may be transacted. A Director participating in such a meeting is deemed to be present in person at the meeting. If requested by any Director, minutes of the meeting shall be prepared and distributed to each Director.

Section 13. Compensation. The Directors shall not receive compensation for their service on the Board of Directors; provided, however, that Directors of the Corporation shall be entitled to reimbursement of necessary expenses, including travel expenses.

Section 14. Committees. The Board of Directors or the Chairperson of the Board may authorize the creation of any standing and/or temporary committees to consider appropriate matters, make reports to the Chairperson and/or Board of Directors, and fulfill such other advisory and decision making functions as may be designated. The Board of Directors or the Chairperson of the Board may appoint or remove committee members (whether or not the committee member is a Director). The designation of such standing and/or temporary committees, and the committee members thereof, shall be recorded in the minutes of the Board of Directors at the immediately following meeting.

ARTICLE IV
Officers

Section 1. Officers. The Corporation shall have a CEO, a Chairperson, one or more Vice Chairpersons, a Secretary, a Treasurer and such other officers or assistant officers as the Directors may from time to time elect. The Chairperson shall be a Director employed in the private sector. Any two or more of said offices may be held by the same person, except that (a) no person may serve as CEO and any one of the other offices; (b) the offices of Chairperson and Secretary may not be held by the same person; and (c) the offices of Chairperson and Vice Chairperson may not be held by the same person.

Section 2. Election. Other than the office of CEO, the officers of the Corporation shall be chosen annually by the Board of Directors at its annual meeting, and each officer shall hold office until such officer's successor shall have been duly elected and qualified, or until such officer's death, resignation or removal as either an officer or as a Director. Election or appointment as an officer shall not of itself create contract rights.

Section 3. Resignation. Any officer may resign at any time by giving written notice to the Board of Directors or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein or, if no time is specified, then upon receipt of the resignation by the Secretary or the Board of Directors as the case may be, and, unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective. If an officer resigns as a Director of the Corporation, it shall be deemed a resignation as an officer as well.

Section 4. Removal. Until September 1, 2019, ~~A~~any officer ~~other than the CEO,~~ may be removed from office by the action of the Board of Directors, whenever in its judgment the best interests of the Corporation will be served thereby, without prejudice to the contract rights, if any, of the officer so removed. After September 1, 2019, only the Governor can remove the CEO.

Section 5. Vacancies. Until September 1, 2019, a~~A~~ vacancy occurring in any office ~~other than the office of CEO~~, for any reason, may be filled for the unexpired portion of the term of said office by the Board of Directors. After September 1, 2019, a vacancy in the office of CEO shall be filled in accordance with Section 10(a) of~~this~~ ARTICLE IV by appointment of the Governor.

Section 6. Chairperson. The Chairperson shall have such duties, responsibilities and powers as may be necessary to carry out the directions and policies of the Board of Directors or as are prescribed in these Bylaws or otherwise delegated by the Board of

Directors and shall at all times be subject to the policies, control and direction of the Board of Directors. The Chairperson shall preside at all meetings of the Corporation. The Chairperson shall have authority, subject to the rules as may be prescribed by the Board of Directors, to sign, execute, and acknowledge, on behalf of and in the name of the Corporation, any instrument or document consistent with the foregoing general delegation of authority or any other instrument or document specifically authorized by the Board of Directors, except when the signing and execution thereof shall have been expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation. Notwithstanding the foregoing, neither the Chairperson nor any other officer other than the CEO may sign any deed or instrument of conveyance or endorse any security or execute any checks, drafts, or other orders for payment of money, notes, acceptances, or other evidence of indebtedness without the specific authority of the Board of Directors pursuant to ARTICLE V below of these Bylaws dealing with such matters. The Chairperson shall, whenever it may in the Chairperson's opinion be necessary, prescribe the duties of other officers and employees of the Corporation, in a manner not inconsistent with the provisions of these Bylaws and the directions of the Board of Directors.

Section 7. Vice Chairpersons. In the absence or disability of the Chairperson, the Vice Chairperson shall perform the duties of the Chairperson, and when so acting shall have all the powers of, and be subject to all the restrictions on, the Chairperson. If at any such time the Corporation has more than one Vice Chairperson, the duties and powers of the Chairperson shall pass to the Vice Chairpersons in order of their rank as fixed by the Board of Directors, or if they are not so ranked, to the Vice Chairperson designated by the Board of Directors. The Vice Chairpersons shall have such other powers and perform such other duties as may be prescribed for them from time to time by the Board of Directors, or these Bylaws.

Section 8. Secretary. The Secretary shall perform, or have performed under the Secretary's direction, the following functions:

(a) Certify and keep at the principal office of the Corporation a copy of the Authorizing Statute and an original or copy of these Bylaws, as amended or otherwise altered to date.

(b) Keep at the principal office of the Corporation or such other place as the Board of Directors may direct, a book of minutes of all meetings of the Board of Directors and committees thereof, with the time and place of holding, whether regular or special and, if special, how authorized, the notice thereof given, and the names of those present at the meetings.

(c) See that all notices are duly given in accordance with the provisions of these Bylaws or as required by law.

(d) Be custodian of the records and of the seal of the Corporation, if any, and see that it is engraved, lithographed, printed, stamped, impressed upon, or affixed to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these Bylaws.

(e) See that the books, reports, statements and all other documents and records required by law are properly kept and filed.

(f) In general, perform all duties incident to the office of Secretary, and such other duties as from time to time may be assigned by the Board of Directors.

Section 9. Treasurer. The Treasurer shall perform, or have performed under the Treasurer's direction, the following functions:

(a) Have charge and custody of, and be responsible for, all funds and securities of the Corporation, and deposit all such funds in the name of the Corporation in such banks, trust companies or other depositaries as shall be selected by the Board of Directors.

(b) Keep and maintain adequate and correct accounts of the Corporation's properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital and surplus.

(c) Receive, and give receipt for, moneys due and payable to the Corporation from any source whatsoever.

(d) In general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Board of Directors.

Section 10. Chief Executive Officer.

(a) Appointment Process. Until September 1, 2019, the Chief Executive Officer of the Corporation (the "CEO") shall be appointed by the Board of Directors of the Corporation. After September 1, 2019, ~~T~~the Governor shall nominate~~,~~ and, with the advice and consent of the Senate, appoint~~,~~ the Chief Executive Officer of the Corporation (the "CEO"), to serve at the pleasure of the Governor. For avoidance of doubt, when a new Governor takes office, the CEO shall remain as CEO of the Corporation unless and until the CEO is removed. The CEO may resign at any time by filing his or her written resignation with the Secretary of the Corporation. If the office of CEO is vacant, the COO may exercise all powers and duties of the CEO as otherwise assigned by these Bylaws, the Authorizing Statute, or the Board of Directors.

(b) Authority of CEO.

(1) *General Authority*. The Board of Directors may delegate to the CEO or other WEDC employee any powers and duties the Board of Directors deems necessary, appropriate, or proper. The powers and duties delegated here are subject to the Board reserving for itself – through the Board or a Committee of the Board – the delineated power or duty.

(2) *Execution of Documents for Administration of the Corporation*. The CEO shall have authority (or delegate authority), subject to rules as may be prescribed by the Board of Directors, to sign, execute, and acknowledge, on behalf of and in the name of the Corporation, any instrument or document the CEO deems necessary, appropriate, or proper in the day-to-day management of the Corporation, or any other instrument or document specifically authorized by the Board of Directors, except when the signing and execution thereof shall have been expressly

delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation. For the avoidance of doubt, this subsection conveys to the CEO the authority to execute documents, contracts, and other instruments required for the day-to-day operation of the Corporation, including all day-to-day purchases by the CEO (or his or her delegate) that are deemed necessary or appropriate for the efficient functioning of the Corporation. The CEO may execute, or may delegate authority to execute, any checks, drafts, or other orders for payment of money, notes, acceptances, or other evidence of indebtedness (other than bonds) without the specific authority of the Board of Directors, provided that such checks, draft, or indebtedness is in furtherance of the operation of the Corporation or is otherwise authorized by the Authorizing Statute. Nothing in this subsection, or anywhere else in these Bylaws, shall be deemed to convey to the CEO the authority to incur debt on behalf of the Corporation unless such debt is specifically set forth in a budget approved by the Board of Directors or is otherwise in the ordinary course of business.

(3) *Execution of Documents Related to Economic Development Programs*. In furtherance of the Corporation's mission to foster economic development (as defined in Wis. Stat. § 238.01(3)) within the State of Wisconsin, the CEO may execute (or delegate authority to execute) contracts or other documents related to the Corporation's economic development programming, including loans, grants, and/or tax credits. The CEO shall provide reports to the Board of Directors conveying the amount of any loans, grants, and/or tax credits, broken down by organization or entity to which those funds are allocated. The Board of Directors must approve ~~the designation of an~~all enterprise zones (as designated by the Corporation from time to time) and the amount and type of tax credits allocated to such enterprise zone.

(4) *Acceptance of Gifts from Private Sources*. Only the CEO may accept gifts, contributions, donations, and bequests from private sources (collectively "gifts") for the benefit of the Corporation. However, the CEO's authority under this subsection is limited to gifts of up to $25,000 in a twelve-month period by any one individual, an individual and his or her immediate family, or an individual and any organization in which the individual (or a member of the individual's immediate family) owns or controls at least 10% of the outstanding equity, voting rights, or indebtedness.

(5) *Acceptance of Grants, and Gifts from Public Sources*. Only the CEO may accept grants from public and private sources, and gifts, contributions, donations, and bequests from public sources (collectively "gifts") for the benefit of the Corporation.

(6) *Budget*. The CEO may establish (or delegate the establishment of) the Corporation's budget, and may monitor (or delegate

the monitoring of) the Corporation's fiscal management.

(7) *Employment Matters*. The CEO may (or may delegate authority to), from time to time, employ any officers, agents, and/or employees that the CEO deems necessary or appropriate to fulfill the Corporation's needs, and the CEO may determine those officers', agents', and/or employees' qualifications, duties, compensation, and benefits. The CEO may also establish and enforce the Corporation's personnel and human resources policies and procedures.

(8) *Bonding Authority*. The CEO may, from time to time, issue (or delegate the authority to issue) bonds on behalf of the Corporation but only after obtaining the approval by the Board of Directors.

(9) *Separate Corporation.* Upon approval by the Board of Directors and as authorized by the appropriate organizational documents, the CEO may create and manage (or delegate authority to create and manage) a corporation organized under chapter 181 of the Wisconsin Statutes for the benefit of the Corporation. Such management shall include the authority to exercise the powers reserved to the Corporation under the separate corporation's organizational documents.

(10) *Procuring Insurance*. The CEO may procure (or delegate authority to procure) any insurance the CEO deems necessary, appropriate, or proper for management of the Corporation.

Section 11. Compensation. The salary of the CEO shall be fixed from time to time by the Board of Directors or a duly authorized committee thereof. Salaries of other principal officers and personnel shall be fixed from time to time by the CEO or by a duly authorized committee of the Board of Directors and shall be consistent with policies determined by the Board of Directors.

ARTICLE V
Instruments; Bank Accounts; Checks and Drafts; Loans; Securities

Section 1. Execution of Instruments. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authorization may be general or confined to specific instances. In the absence of other requirements as set forth herein or in Board resolutions, the CEO may execute or delegate the execution, of all contracts and other instruments required for the operation of the Corporation, together with any documents necessary to issue bonds, notes, to incur other debt obligations or to provide grants (if so approved by the Board either specifically or generally) and, when necessary, shall ensure that the Corporation's seal is affixed to any such document.

Section 2. Bank Accounts. The Board of Directors or the CEO from time to time may authorize the opening and keeping of general and/or special bank accounts with such

banks, trust companies or other depositaries as may be selected by the Board or by any officer or officers, agent or agents of the Corporation.

Section 3. Checks and Drafts. All checks, drafts or other orders for the payment of money, notes, acceptances, or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents, of the Corporation, and in such manner, as shall be determined from time to time by resolution of the Board of Directors or as otherwise set forth in these Bylaws. Endorsements for deposit to the credit of the Corporation in any of its duly authorized depositaries may be made without counter-signature by the CEO, Chairperson or any Vice Chairperson or the Treasurer, or by any other officer or agent of the Corporation.

Section 4. Loans. No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors or as otherwise provided pursuant to ARTICLE IV. Such authority may be general or confined to specific instances.

Section 5. Facsimile Signatures and Seal. The seal of the Corporation on any document referenced in this ARTICLE V may be a facsimile. The signatures of the Chairperson, Vice Chairperson, and CEO may be facsimiles.

Section 6. Signatures by Former Officers. In case any officer, who has signed or whose facsimile signature has been placed upon any document referenced in this ARTICLE V, shall have ceased to be such officer before such evidence is issued, it may be issued by the Corporation with the same effect as if he or she were such officer at the date of its issue.

ARTICLE VI
Miscellaneous

Section 1. Fiscal Year. The fiscal year of the Corporation shall Commence on the first day of July in each year and close on the next succeeding June 30.

Section 2. Corporate Seal. The seal of the Corporation shall contain the name of the Corporation and the word “Wisconsin.”

Section 3. Resolutions as Severable, Superseding, and Authorizing. Unless otherwise expressly provided, if any one or more of the provisions of any resolution of the Corporation should be determined by a court of competent jurisdiction to be contrary to law, then such provision or provisions shall be deemed and construed to be severable from the remaining provisions therein contained and shall in no way affect the validity of the other provisions of such resolution. Unless otherwise expressly provided, each resolution of the Corporation shall be deemed to rescind and repeal all prior resolutions, rules or other actions, or part thereof, of the Corporation in conflict with such subsequent resolution insofar (and only insofar) as such conflict exists. This provision shall not apply to conflicts between resolutions and the Bylaws of the Corporation, as such conflicts shall be resolved in accordance with ARTICLE VIII’s provisions on conflict. The officers of the Corporation, attorneys, agents or employees of the Corporation shall be automatically authorized to do all acts and things required of them by any resolution of the Corporation for the full, punctual and complete performance of all of the

provisions of such resolution.

ARTICLE VII
Indemnification

Section 1. Indemnification for Successful Defense. The Corporation shall indemnify a Director, officer or employee to the extent he or she has been successful on the merits or otherwise in the defense of a proceeding, for all reasonable expenses incurred in the proceeding if the Director, officer or employee was a party because he or she is a Director, officer or employee of the Corporation.

Section 2. Other Indemnification. In cases not included under ARTICLE VII, Section 1, the Corporation shall indemnify a Director or officer against liability incurred by the Director or officer in a proceeding to which the Director or officer was a party because he or she is a Director or officer of the Corporation, unless liability was incurred because the Director or officer breached or failed to perform a duty that he or she owes to the Corporation and the breach or failure to perform constitutes any of the following:

(a) A willful failure to deal fairly with the Corporation in connection with a matter in which the Member or officer has a material conflict of interest;

(b) A violation of the criminal law, unless the Director or officer has reasonable cause to believe that his or her conduct was lawful or has no reasonable cause to believe that his or her conduct was unlawful;

(c) A transaction from which the Director or officer derived an improper personal profit; or

(d) Willful misconduct, including a violation of the ethics laws as set forth in Wis. Stat. Chapter 19 (as amended and modified from time to time) to which Directors are subject.

The termination of a proceeding by judgment, order, settlement or conviction, or upon a plea of no contest or an equivalent plea, does not, by itself, create a presumption that indemnification of the Director or officer is not required under this Section.

Section 3. Allowance of Expenses. Within 10 days after receipt of a written request by a Director or officer who is a party to a proceeding, the Corporation shall pay or reimburse his or her reasonable expenses as incurred if the Director or officer provides the Corporation with all of the following:

(a) A written affirmation of his or her good faith belief that he or she has not breached or failed to perform his or her duties to the Corporation; and

(b) A written undertaking, executed personally or on his or her behalf, to repay the allowance (together with reasonable interest thereon) to the extent that it is ultimately determined under ARTICLE VII, Sections 1 and 2 that indemnification is not required. The undertaking under this Section shall be an unlimited general obligation of the Director or officer, and may be accepted without reference to his or her ability to repay the allowance. The undertaking may be secured or unsecured as determined by the Board of Directors.

Section 4. Determination of Right to Indemnification. Unless otherwise provided by written agreement between the Director or officer and the Corporation, a decision on whether the Director or officer seeking indemnification under this ARTICLE VII shall be indemnified will be determined by one of the following means for establishing his or her right to indemnification:

(a) By a majority vote of a quorum of the Directors who are not at the time parties to the same or related proceedings. If a quorum of disinterested Directors cannot be obtained, then the disinterested Directors shall select by majority vote from among subsections (b) and (c), below.

(b) By independent legal counsel selected by a majority vote of a quorum of the Directors at the time parties to the same or related proceedings or, if (and only if) unable to obtain such a quorum, by a majority vote of all of the Directors, including Directors who are parties to the same or related proceedings.

(c) By a panel of three arbitrators consisting of one arbitrator selected by those Directors entitled under the previous subsection to select independent legal counsel, one arbitrator selected by the Director or officer seeking indemnification, and one arbitrator selected by the two arbitrators previously selected.

Section 5. Other Rights. The indemnification provided by this ARTICLE VII shall not be deemed exclusive of any other indemnity which the Directors, or the Corporation, may lawfully grant or any other rights to which any officer, Director, employee or agent may be entitled, and shall continue as to a person who has ceased to be a Director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 6. Insurance. The Corporation may, but shall not be required to, purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Corporation would be obligated to indemnify him or her against such liability under the provisions of this ARTICLE VII. Such insurance may, but need not, be for the benefit of all Directors, officers, employees and agents.

ARTICLE VIII
Amendment

These Bylaws may be amended or amended and restated by the Board of Directors. The amendment must be approved by a vote of a majority of the appointed ~~two-thirds majority of the~~ Directors present at a duly authorized meeting that fulfills the quorum requirements set forth herein. To the extent any action by the Board of Directors is inconsistent with these Bylaws, as in effect at the time of the action, but the action is taken by at least the number of Directors that would be necessary to amend the Bylaws, then such action shall be given the same effect as though the Bylaws had been temporarily amended to the extent necessary to permit the specific action to be authorized and taken by the Board of Directors.

Wisconsin Economic Development Corporation

Resolution of the Board of Directors

January 29, 2019

Re: Resolution on Seventh Amended & Restated Bylaws

The following resolution of the Board of Directors of the Wisconsin Economic Development Corporation (WEDC), a public body corporate and politic, is adopted at a meeting of the Board of Directors held on the date set forth above, following the required notice and with quorum of the Board of Directors present pursuant to Chapter 238 of the Wisconsin Statutes:

WHEREAS,§ 238.04(1) of the Wisconsin Statutes permits the Board of Directors to adopt, amend, and repeal any bylaws, policies, and procedures for regulating its affairs and the conduct of its business.

WHEREAS, Now, THE BOARD OF DIRECTORS RESOLVES:

RESOLVED, the Seventh Amended and Restated Bylaws of the Corporation, attached as Exhibit A, are approved and adopted as the Seventh Amended and Restated Bylaws of the Corporation.

RESOLVED, the Board of Directors of WEDC authorizes and approves the CEO or his designee, to do or cause to be done all other actions, and to execute all documents necessary or convenient in order to accomplish the intent and objectives of the foregoing resolutions.

This Resolution shall take effect immediately upon its adoption on January 29, 2019.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

SEVENTH AMENDED & RESTATED BYLAWS

Effective December 16, 2018

ARTICLE I
Purposes of the Corporation

The purposes of Wisconsin Economic Development Corporation, a public body corporate and politic (the "Corporation"), shall be as set forth in Chapter 238 of the Wisconsin Statutes (the "Authorizing Statute"). These Bylaws specify various matters affecting the operations and governance of the Corporation.

ARTICLE II
Members

The Corporation shall have no members but shall be managed by its Board of Directors as set forth in Article III of these Bylaws and the Authorizing Statute.

ARTICLE III
Directors

Section 1. Powers. Subject to the limitations of the Authorizing Statute and these Bylaws, the affairs of the Corporation shall be managed by the Board of Directors.

Section 2. Number, Qualification & Term.

(a) Until September 1, 2019, the number of Directors of the Corporation shall be twenty, eighteen of which shall be voting and two of which shall be nonvoting. After September 1, 2019, the number of Directors of the Corporation shall be eighteen, sixteen of which shall be voting and two of which shall be nonvoting.

(b) The Governor of the State of Wisconsin (the "Governor") shall nominate, and with the advice and consent of the Wisconsin Senate (the "Senate"), appoint six Directors of the Corporation (each a "Governor Appointed Director" and collectively, the "Governor Appointed Directors"). The Governor Appointed Directors shall serve at the pleasure of the Governor or until such Governor Appointed Director's death or resignation.

(c) The Speaker of the Wisconsin Assembly (the "Assembly") shall appoint four Directors of the Corporation (each a "Speaker Appointed Director" and collectively, the "Speaker Appointed Directors"). The Speaker Appointed Directors shall consist of no more than two members of the legislatureThe Speaker Appointed Directors shall serve four-year staggered terms or until such Speaker Appointed Director's death or resignation. The Speaker may also appoint one additional Director to serve one term that expires on September 1, 2019.

(d) The minority leader of the Assembly shall appoint one Director of the Corporation ("Assembly Minority Appointed Director") to serve a 4-year term or until such Assembly Minority Appointed Director's death or resignation.

(e) The Majority Leader of the Senate shall appoint four Directors of the Corporation (each a "Majority Leader Appointed Director" and collectively, the "Majority Leader Appointed Directors"). The Majority Leader Appointed Directors shall consist of no more than two members of the legislatureThe Majority Leader Appointed Directors shall serve four-year staggered terms or until such Majority Leader Appointed Director's death or resignation. The Majority Leader may also appoint one additional Director to serve one term that expires on September 1, 2019.

(f) The minority leader of the Senate shall appoint one Director of the Corporation ("Senate Minority Appointed Director") to serve a 4-year term or until such Director's death or resignation.

(g) The Secretary of Administration for the State of Wisconsin and the Secretary of Revenue for the State of Wisconsin shall each serve as nonvoting Directors of the Corporation, commencing on the date of each Secretary's term and terminating when each Director no longer serves as a Secretary of the departments set forth herein, at which time the succeeding Secretary shall become a non-voting Director.

Section 3. Resignation. A Director may resign at any time by giving written notice to the Secretary of the Corporation, who shall advise the Board of Directors of such resignation. Such resignation shall take effect at the time specified therein or, if no time is specified, then upon receipt of the resignation by the Secretary of the Corporation, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective. This section shall not apply to the Secretary of Administration, or the Secretary of Revenue, who may not resign from the Corporation so long as he or she holds the office giving rise to his or her position as a Director of the Corporation. In the event one of the public officials who serves as a Director by virtue of holding such office (i.e., Representative, Senator, Secretary of Administration, or Secretary of Revenue) ceases to serve in the public office that gave rise to his or her appointment as a Director of the Corporation, such public official shall be deemed to tender his or her resignation when he or she is no longer serving in the public office that gave rise to his or her appointment. For example, if a Speaker Appointed Director who is a Representative ceases to be a Representative, that Speaker Appointed Director shall be deemed to have resigned.

Section 4. Removal. Any Governor Appointed Director may be removed from office at any time, with or without cause, by the Governor.

Section 5. Vacancies. A vacancy or vacancies in the Board of Directors occurring for any reason may be filled by the individual who has the authority to appoint a Director to the vacated seat, under the same terms and provisions as set forth in this ARTICLE III. Each Director so appointed shall hold office until such Director's successor is duly appointed, or until such Director's death, resignation or removal.

Section 6. Meetings.

(a) Annual Meeting. A regular meeting of the Board of Directors, designated as the annual meeting, shall be held each year at such time and place as may be designated by the Chairperson of the Corporation, or by any Vice Chairperson if the Chairperson is unable to act,

for the election of officers and the transaction of such other business as may properly come before the meeting. In the event of failure, through oversight or otherwise, to hold the annual meeting of Directors in any year, the meeting, upon waiver of notice or upon due notice, may be held at a later date.

(b) Other Regular Meetings. Other regular meetings of the Board of Directors of the Corporation may be held at such regularly recurring time and place as the Board of Directors may designate.

(c) Special Meetings. Special meetings of the Board of Directors for any purpose or purposes shall be held whenever called by the CEO of the Corporation (as defined below), by a majority of the Directors, or by the Chairperson of the Corporation or if the Chairperson is absent or is unable or refuses to act, by any Vice Chairperson.

(d) Open Meetings. All meetings of the Board of Directors shall be held in compliance with Wisconsin's Open Meetings Law, Wis. Stats. §§ 19.81-98.

Section 7. Notices. Except as otherwise provided in these Bylaws, notice of any meeting of the Board of Directors, in each case specifying the place, date and hour of the meeting, shall be given to each Director by written notice delivered in person, by electronic mail, or by mail or private carrier, not more than sixty days prior to the date of the meeting, but at least twenty-four hours before the time set for such meeting or, if notification is by mail, by mailing such notice at least five days before the day set for such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, with postage prepaid, addressed to the Director at the Director's address as it appears on the records of the Corporation. Except as otherwise provided in these Bylaws, neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be specified in the notice or waiver of such notice of such meeting.

Section 8. Waiver of Notice. The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though held at a meeting duly held after regular call and notice, if a quorum is present and if, either before or after the meeting, a written waiver of notice of the meeting, containing the same information as would have been required to be included in a proper notice of the meeting, is signed by (a) each Director not present at the meeting and (b) each Director present at the meeting who objected to the transaction of any business because the meeting was not lawfully called or convened. All such waivers shall be filed with and made a part of the minutes of the meeting. Notwithstanding anything contained in this Section, no Director or Directors have the authority to waive any requirements pursuant to Wisconsin's open meetings law.

Section 9. Quorum; Action of Directors. A majority of the number of appointed Directors currently serving as Directors of the Corporation pursuant to these Bylaws shall constitute a quorum for the transaction of business. The act of a majority of the appointed Directors present at a meeting at which a quorum is present shall be the act or decision of the Board of Directors unless the act of a greater proportion is required by law. The voting on all questions at a meeting shall be by voice vote, unless a Director requests a roll call vote, in which case each Director's vote shall be reflected in the meeting minutes.

Section 10. Adjournment. Any meeting of the Board of Directors, whether

regular or special, and whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the Directors present. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting adjourned.

Section 11. Organization. The Chairperson of the Corporation, or in the absence of the Chairperson, the Vice-Chairperson, shall act as chair at every meeting of the Board of Directors. The Secretary of the Corporation, or in the absence of the Secretary, any person appointed by the chairperson of the meeting, shall act as Secretary of the meeting.

Section 12. Methods of Conducting Meetings. Directors may participate in any regular or special meeting or in any meeting of a committee of Directors by any means of communication by which either (1) all participating Directors may simultaneously hear each other during the meeting or (2) all communication during the meeting is immediately transmitted to each participating Director and each participating Director is able to immediately send messages to all other participating Directors. If a meeting is conducted through the use of one of the foregoing means, all participating Directors must be informed that a meeting is taking place at which official business may be transacted. A Director participating in such a meeting is deemed to be present in person at the meeting. If requested by any Director, minutes of the meeting shall be prepared and distributed to each Director.

Section 13. Compensation. The Directors shall not receive compensation for their service on the Board of Directors; provided, however, that Directors of the Corporation shall be entitled to reimbursement of necessary expenses, including travel expenses.

Section 14. Committees. The Board of Directors or the Chairperson of the Board may authorize the creation of any standing and/or temporary committees to consider appropriate matters, make reports to the Chairperson and/or Board of Directors, and fulfill such other advisory and decision making functions as may be designated. The Board of Directors or the Chairperson of the Board may appoint or remove committee members (whether or not the committee member is a Director). The designation of such standing and/or temporary committees, and the committee members thereof, shall be recorded in the minutes of the Board of Directors at the immediately following meeting.

ARTICLE IV
Officers

Section 1. Officers. The Corporation shall have a CEO, a Chairperson, one or more Vice Chairpersons, a Secretary, a Treasurer and such other officers or assistant officers as the Directors may from time to time elect. The Chairperson shall be a Director employed in the private sector. Any two or more of said offices may be held by the same person, except that (a) no person may serve as CEO and any one of the other offices; (b) the offices of Chairperson and Secretary may not be held by the same person; and (c) the offices of Chairperson and Vice Chairperson may not be held by the same person.

Section 2. Election. Other than the office of CEO, the officers of the Corporation shall be chosen annually by the Board of Directors at its annual meeting, and each officer shall hold office until such officer's successor shall have been duly elected and qualified,

or until such officer's death, resignation or removal as either an officer or as a Director. Election or appointment as an officer shall not of itself create contract rights.

Section 3. Resignation. Any officer may resign at any time by giving written notice to the Board of Directors or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein or, if no time is specified, then upon receipt of the resignation by the Secretary or the Board of Directors as the case may be, and, unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective. If an officer resigns as a Director of the Corporation, it shall be deemed a resignation as an officer as well.

Section 4. Removal. Until September 1, 2019, any officer may be removed from office by the action of the Board of Directors, whenever in its judgment the best interests of the Corporation will be served thereby, without prejudice to the contract rights, if any, of the officer so removed. After September 1, 2019, only the Governor can remove the CEO.

Section 5. Vacancies. Until September 1, 2019, a vacancy occurring in any office, for any reason, may be filled for the unexpired portion of the term of said office by the Board of Directors. After September 1, 2019, a vacancy in the office of CEO shall be filled in accordance with Section 10(a) of ARTICLE IV by appointment of the Governor.

Section 6. Chairperson. The Chairperson shall have such duties, responsibilities and powers as may be necessary to carry out the directions and policies of the Board of Directors or as are prescribed in these Bylaws or otherwise delegated by the Board of Directors and shall at all times be subject to the policies, control and direction of the Board of Directors. The Chairperson shall preside at all meetings of the Corporation. The Chairperson shall have authority, subject to the rules as may be prescribed by the Board of Directors, to sign, execute, and acknowledge, on behalf of and in the name of the Corporation, any instrument or document consistent with the foregoing general delegation of authority or any other instrument or document specifically authorized by the Board of Directors, except when the signing and execution thereof shall have been expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation. Notwithstanding the foregoing, neither the Chairperson nor any other officer other than the CEO may sign any deed or instrument of conveyance or endorse any security or execute any checks, drafts, or other orders for payment of money, notes, acceptances, or other evidence of indebtedness without the specific authority of the Board of Directors pursuant to ARTICLE V below of these Bylaws dealing with such matters. The Chairperson shall, whenever it may in the Chairperson's opinion be necessary, prescribe the duties of other officers and employees of the Corporation, in a manner not inconsistent with the provisions of these Bylaws and the directions of the Board of Directors.

Section 7. Vice Chairpersons. In the absence or disability of the Chairperson, the Vice Chairperson shall perform the duties of the Chairperson, and when so acting shall have all the powers of, and be subject to all the restrictions on, the Chairperson. If at any such time the Corporation has more than one Vice Chairperson, the duties and powers of the Chairperson shall pass to the Vice Chairpersons in order of their rank as fixed by the Board of Directors, or if they are not so ranked, to the Vice Chairperson designated by the Board of Directors. The Vice Chairpersons shall have such other powers and perform such other duties as may be prescribed for them from time to time by the Board of Directors, or these Bylaws.

Section 8. Secretary. The Secretary shall perform, or have performed under the Secretary's direction, the following functions:

(a) Certify and keep at the principal office of the Corporation a copy of the Authorizing Statute and an original or copy of these Bylaws, as amended or otherwise altered to date.

(b) Keep at the principal office of the Corporation or such other place as the Board of Directors may direct, a book of minutes of all meetings of the Board of Directors and committees thereof, with the time and place of holding, whether regular or special and, if special, how authorized, the notice thereof given, and the names of those present at the meetings.

(c) See that all notices are duly given in accordance with the provisions of these Bylaws or as required by law.

(d) Be custodian of the records and of the seal of the Corporation, if any, and see that it is engraved, lithographed, printed, stamped, impressed upon, or affixed to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these Bylaws.

(e) See that the books, reports, statements and all other documents and records required by law are properly kept and filed.

(f) In general, perform all duties incident to the office of Secretary, and such other duties as from time to time may be assigned by the Board of Directors.

Section 9. Treasurer. The Treasurer shall perform, or have performed under the Treasurer's direction, the following functions:

(a) Have charge and custody of, and be responsible for, all funds and securities of the Corporation, and deposit all such funds in the name of the Corporation in such banks, trust companies or other depositaries as shall be selected by the Board of Directors.

(b) Keep and maintain adequate and correct accounts of the Corporation's properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital and surplus.

(c) Receive, and give receipt for, moneys due and payable to the Corporation from any source whatsoever.

(d) In general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Board of Directors.

Section 10. Chief Executive Officer.

(a) Appointment Process. Until September 1, 2019, the Chief Executive Officer of the Corporation (the "CEO") shall be appointed by the Board of Directors of the Corporation. After September 1, 2019, the Governor shall nominate and, with the advice and consent of the Senate, appoint the Chief Executive Officer of the Corporation (the "CEO"), to

serve at the pleasure of the Governor. For avoidance of doubt, when a new Governor takes office, the CEO shall remain as CEO of the Corporation unless and until the CEO is removed. The CEO may resign at any time by filing his or her written resignation with the Secretary of the Corporation. If the office of CEO is vacant, the COO may exercise all powers and duties of the CEO as otherwise assigned by these Bylaws, the Authorizing Statute, or the Board of Directors.

(b) Authority of CEO.

(1) *General Authority*. The Board of Directors may delegate to the CEO or other WEDC employee any powers and duties the Board of Directors deems necessary, appropriate, or proper. The powers and duties delegated here are subject to the Board reserving for itself – through the Board or a Committee of the Board – the delineated power or duty.

(2) *Execution of Documents for Administration of the Corporation*. The CEO shall have authority (or delegate authority), subject to rules as may be prescribed by the Board of Directors, to sign, execute, and acknowledge, on behalf of and in the name of the Corporation, any instrument or document the CEO deems necessary, appropriate, or proper in the day-to-day management of the Corporation, or any other instrument or document specifically authorized by the Board of Directors, except when the signing and execution thereof shall have been expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation. For the avoidance of doubt, this subsection conveys to the CEO the authority to execute documents, contracts, and other instruments required for the day-to-day operation of the Corporation, including all day-to-day purchases by the CEO (or his or her delegate) that are deemed necessary or appropriate for the efficient functioning of the Corporation. The CEO may execute, or may delegate authority to execute, any checks, drafts, or other orders for payment of money, notes, acceptances, or other evidence of indebtedness (other than bonds) without the specific authority of the Board of Directors, provided that such checks, draft, or indebtedness is in furtherance of the operation of the Corporation or is otherwise authorized by the Authorizing Statute. Nothing in this subsection, or anywhere else in these Bylaws, shall be deemed to convey to the CEO the authority to incur debt on behalf of the Corporation unless such debt is specifically set forth in a budget approved by the Board of Directors or is otherwise in the ordinary course of business.

(3) *Execution of Documents Related to Economic Development Programs*. In furtherance of the Corporation's mission to foster economic development (as defined in Wis. Stat. § 238.01(3)) within the State of Wisconsin, the CEO may execute (or delegate authority to execute) contracts or other documents related to the Corporation's economic development programming, including loans, grants, and/or tax credits. The CEO shall provide reports to the Board of Directors conveying the amount of any loans, grants, and/or tax credits, broken down by

organization or entity to which those funds are allocated. The Board of Directors must approve all enterprise zones (as designated by the Corporation from time to time) and the amount and type of tax credits allocated to such enterprise zone.

(4) *Acceptance of Gifts from Private Sources*. Only the CEO may accept gifts, contributions, donations, and bequests from private sources (collectively "gifts") for the benefit of the Corporation. However, the CEO's authority under this subsection is limited to gifts of up to $25,000 in a twelve-month period by any one individual, an individual and his or her immediate family, or an individual and any organization in which the individual (or a member of the individual's immediate family) owns or controls at least 10% of the outstanding equity, voting rights, or indebtedness.

(5) *Acceptance of Grants, and Gifts from Public Sources*. Only the CEO may accept grants from public and private sources, and gifts, contributions, donations, and bequests from public sources (collectively "gifts") for the benefit of the Corporation.

(6) *Budget*. The CEO may establish (or delegate the establishment of) the Corporation's budget, and may monitor (or delegate the monitoring of) the Corporation's fiscal management.

(7) *Employment Matters*. The CEO may (or may delegate authority to), from time to time, employ any officers, agents, and/or employees that the CEO deems necessary or appropriate to fulfill the Corporation's needs, and the CEO may determine those officers', agents', and/or employees' qualifications, duties, compensation, and benefits. The CEO may also establish and enforce the Corporation's personnel and human resources policies and procedures.

(8) *Bonding Authority*. The CEO may, from time to time, issue (or delegate the authority to issue) bonds on behalf of the Corporation but only after obtaining the approval by the Board of Directors.

(9) *Separate Corporation.* Upon approval by the Board of Directors and as authorized by the appropriate organizational documents, the CEO may create and manage (or delegate authority to create and manage) a corporation organized under chapter 181 of the Wisconsin Statutes for the benefit of the Corporation. Such management shall include the authority to exercise the powers reserved to the Corporation under the separate corporation's organizational documents.

(10) *Procuring Insurance*. The CEO may procure (or delegate authority to procure) any insurance the CEO deems necessary, appropriate, or proper for management of the Corporation.

Section 11. Compensation. The salary of the CEO shall be fixed from time to time by the Board of Directors or a duly authorized committee thereof. Salaries of other principal officers and personnel shall be fixed from time to time by the CEO or by a duly authorized committee of the Board of Directors and shall be consistent with policies determined by the Board of Directors.

ARTICLE V
Instruments; Bank Accounts; Checks and Drafts; Loans; Securities

Section 1. Execution of Instruments. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authorization may be general or confined to specific instances. In the absence of other requirements as set forth herein or in Board resolutions, the CEO may execute or delegate the execution, of all contracts and other instruments required for the operation of the Corporation, together with any documents necessary to issue bonds, notes, to incur other debt obligations or to provide grants (if so approved by the Board either specifically or generally) and, when necessary, shall ensure that the Corporation's seal is affixed to any such document.

Section 2. Bank Accounts. The Board of Directors or the CEO from time to time may authorize the opening and keeping of general and/or special bank accounts with such banks, trust companies or other depositaries as may be selected by the Board or by any officer or officers, agent or agents of the Corporation.

Section 3. Checks and Drafts. All checks, drafts or other orders for the payment of money, notes, acceptances, or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents, of the Corporation, and in such manner, as shall be determined from time to time by resolution of the Board of Directors or as otherwise set forth in these Bylaws. Endorsements for deposit to the credit of the Corporation in any of its duly authorized depositaries may be made without counter-signature by the CEO, Chairperson or any Vice Chairperson or the Treasurer, or by any other officer or agent of the Corporation.

Section 4. Loans. No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors or as otherwise provided pursuant to ARTICLE IV. Such authority may be general or confined to specific instances.

Section 5. Facsimile Signatures and Seal. The seal of the Corporation on any document referenced in this ARTICLE V may be a facsimile. The signatures of the Chairperson, Vice Chairperson, and CEO may be facsimiles.

Section 6. Signatures by Former Officers. In case any officer, who has signed or whose facsimile signature has been placed upon any document referenced in this ARTICLE V, shall have ceased to be such officer before such evidence is issued, it may be issued by the Corporation with the same effect as if he or she were such officer at the date of its issue.

ARTICLE VI
Miscellaneous

Section 1. Fiscal Year. The fiscal year of the Corporation shall Commence on the first day of July in each year and close on the next succeeding June 30.

Section 2. Corporate Seal. The seal of the Corporation shall contain the name of the Corporation and the word "Wisconsin."

Section 3. Resolutions as Severable, Superseding, and Authorizing. Unless otherwise expressly provided, if any one or more of the provisions of any resolution of the Corporation should be determined by a court of competent jurisdiction to be contrary to law, then such provision or provisions shall be deemed and construed to be severable from the remaining provisions therein contained and shall in no way affect the validity of the other provisions of such resolution. Unless otherwise expressly provided, each resolution of the Corporation shall be deemed to rescind and repeal all prior resolutions, rules or other actions, or part thereof, of the Corporation in conflict with such subsequent resolution insofar (and only insofar) as such conflict exists. This provision shall not apply to conflicts between resolutions and the Bylaws of the Corporation, as such conflicts shall be resolved in accordance with ARTICLE VIII's provisions on conflict. The officers of the Corporation, attorneys, agents or employees of the Corporation shall be automatically authorized to do all acts and things required of them by any resolution of the Corporation for the full, punctual and complete performance of all of the provisions of such resolution.

ARTICLE VII
Indemnification

Section 1. Indemnification for Successful Defense. The Corporation shall indemnify a Director, officer or employee to the extent he or she has been successful on the merits or otherwise in the defense of a proceeding, for all reasonable expenses incurred in the proceeding if the Director, officer or employee was a party because he or she is a Director, officer or employee of the Corporation.

Section 2. Other Indemnification. In cases not included under ARTICLE VII, Section 1, the Corporation shall indemnify a Director or officer against liability incurred by the Director or officer in a proceeding to which the Director or officer was a party because he or she is a Director or officer of the Corporation, unless liability was incurred because the Director or officer breached or failed to perform a duty that he or she owes to the Corporation and the breach or failure to perform constitutes any of the following:

(a) A willful failure to deal fairly with the Corporation in connection with a matter in which the Member or officer has a material conflict of interest;

(b) A violation of the criminal law, unless the Director or officer has reasonable cause to believe that his or her conduct was lawful or has no reasonable cause to believe that his or her conduct was unlawful;

(c) A transaction from which the Director or officer derived an improper personal profit; or

(d) Willful misconduct, including a violation of the ethics laws as set forth in Wis. Stat. Chapter 19 (as amended and modified from time to time) to which Directors are subject.

The termination of a proceeding by judgment, order, settlement or conviction, or upon a plea of no contest or an equivalent plea, does not, by itself, create a presumption that indemnification of the Director or officer is not required under this Section.

Section 3. Allowance of Expenses. Within 10 days after receipt of a written request by a Director or officer who is a party to a proceeding, the Corporation shall pay or reimburse his or her reasonable expenses as incurred if the Director or officer provides the Corporation with all of the following:

(a) A written affirmation of his or her good faith belief that he or she has not breached or failed to perform his or her duties to the Corporation; and

(b) A written undertaking, executed personally or on his or her behalf, to repay the allowance (together with reasonable interest thereon) to the extent that it is ultimately determined under ARTICLE VII, Sections 1 and 2 that indemnification is not required. The undertaking under this Section shall be an unlimited general obligation of the Director or officer, and may be accepted without reference to his or her ability to repay the allowance. The undertaking may be secured or unsecured as determined by the Board of Directors.

Section 4. Determination of Right to Indemnification. Unless otherwise provided by written agreement between the Director or officer and the Corporation, a decision on whether the Director or officer seeking indemnification under this ARTICLE VII shall be indemnified will be determined by one of the following means for establishing his or her right to indemnification:

(a) By a majority vote of a quorum of the Directors who are not at the time parties to the same or related proceedings. If a quorum of disinterested Directors cannot be obtained, then the disinterested Directors shall select by majority vote from among subsections (b) and (c), below.

(b) By independent legal counsel selected by a majority vote of a quorum of the Directors at the time parties to the same or related proceedings or, if (and only if) unable to obtain such a quorum, by a majority vote of all of the Directors, including Directors who are parties to the same or related proceedings.

(c) By a panel of three arbitrators consisting of one arbitrator selected by those Directors entitled under the previous subsection to select independent legal counsel, one arbitrator selected by the Director or officer seeking indemnification, and one arbitrator selected by the two arbitrators previously selected.

Section 5. Other Rights. The indemnification provided by this ARTICLE VII shall not be deemed exclusive of any other indemnity which the Directors, or the Corporation, may lawfully grant or any other rights to which any officer, Director, employee or agent may be entitled, and shall continue as to a person who has ceased to be a Director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 6. Insurance. The Corporation may, but shall not be required to,

purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Corporation would be obligated to indemnify him or her against such liability under the provisions of this ARTICLE VII. Such insurance may, but need not, be for the benefit of all Directors, officers, employees and agents.

ARTICLE VIII
Amendment

These Bylaws may be amended or amended and restated by the Board of Directors. The amendment must be approved by a vote of a majority of the appointed Directors present at a duly authorized meeting that fulfills the quorum requirements set forth herein. To the extent any action by the Board of Directors is inconsistent with these Bylaws, as in effect at the time of the action, but the action is taken by at least the number of Directors that would be necessary to amend the Bylaws, then such action shall be given the same effect as though the Bylaws had been temporarily amended to the extent necessary to permit the specific action to be authorized and taken by the Board of Directors.

Wisconsin Economic Development Corporation

Resolution of the Board of Directors

January 29, 2019

Re: Resolution of Appointment of WEDC CEO

The following Resolution of the Board of Directors of the Wisconsin Economic Development Corporation (WEDC), a public body corporate and politic, is adopted at a meeting of the Board of Directors held on the date set forth above, following the required notice and with the quorum of the Board of directed present pursuant to WEDC's enabling statues, Chapter 238 of the Wisconsin Statutes.

Whereas, Wis.Stat. § 238.02(3) empowers the Governor to nominate and with the advice and consent of the Senate appoint WEDC's CEO.

Whereas, Wis. Stat § 238.04(8) empowers the Board of Directors to "employ any officers, agents, and employees that it may require and determine their qualifications, duties, and compensation."

Whereas, Notwithstanding s. 238.02 (3), the chief executive officer of the Wisconsin Economic Development Corporation shall be appointed by the board of directors of the Wisconsin Economic Development Corporation. This subsection does not apply after September 1, 2019, per 2017 Wis. Act 369, Sec 102. Nonstatutory provisions. (2v).

Whereas, Now, The Board of Directors Resolves:

Resolved, the Board of Directors approves the WEDC CEO Appointment of Mark R. Hogan.

This resolution shall take effect immediately upon its adoption on January 29, 2019.

Wisconsin Economic Development Corporation
Meeting of the WEDC Board

WEDC
First Floor Conference Room
201 West Washington Avenue
Madison, WI 53703

November 20, 2018
1:00 - 4:00 P.M.

(These minutes should be read in conjunction with the agenda and documents prepared for the meeting.)

BOARD MEMBERS PRESENT IN PERSON:

- Lisa Mauer, Rickert Industries (Chair)
- Senator Caleb Frostman
- Senator Dan Feyen
- Representative Rob Hutton
- Randy Hopper, Mountain Dog Media
- David Drury, WING Capital Group
- Secretary Rick Chandler, Department of Revenue

BOARD MEMBERS PRESENT VIA TELECONFERENCE

- Nancy Hernandez, ABRAZO, LLC
- Raymond Dreger, Seeds 'N Stuff Farm Market, Inc.
- Secretary Ellen Nowak, Department of Administration
- Jim Ladwig, SC Johnson

BOARD MEMBERS EXCUSED

- Representative Dana Wachs

CALL TO ORDER AND ROLL CALL

WEDC Chair Lisa Mauer called the meeting to order at 1:00 p.m.

Lisa Mauer requested a motion to approve the minutes from the July 11, 2018, August 27, 2018, September 18, 2018, September 26, 2018, and October 25, 2018 Meetings. A motion was made by Senator Dan Feyen with a second by David Drury. The motion to approve the minutes was passed unanimously.

COO Report

COO Tricia Braun presented the COO report to the Board. Tricia Braun highlighted WEDC's commitment to small businesses and communities around the state, explaining that out of the 342 financial awards WEDC provided in the past year, 98% of them were to small and medium sized businesses and communities around Wisconsin. She also noted that WEDC's strong commitment to the Veterans Talent Outreach Initiative has been recognized by "Hiring Our Heroes", the non-profit organization that hosts the transition summits at which the Wisconsin team has participated, noting they are using Wisconsin as a best practice in showcasing what the state has to offer for U.S. service members and their families as they transition to civilian life, beyond just a job.

Manufacturing Ready in Wisconsin

Business and Investment Attraction Director Jela Trask and Executive Director and CEO Buckley Brinkman from the Wisconsin Center for Manufacturing & Productivity presented Manufacturing Ready in Wisconsin to the Board. Jela Trask and Buckley Brinkman provided overview and updates on supplier readiness, productivity and Industry 4.0 in the current competitive global marketplace. The presentation highlighted WEDC's commitment to the access of information for small and medium sized manufacturing businesses in Wisconsin as well as the catalysts needed to elevate competitiveness, create improvements by utilizing the Transformational Productivity Initiative (TPI), and help small and medium size manufacturers navigate their resources in favorable ways.

Chair Report

Lisa Mauer presented the Chair Report to the Board. Lisa Mauer recognized multiple WEDC internal staff for receiving several awards. The awards for recognition include:

- The International Economic Development Counsel's Gold Excellence in Economic Development Award for WEDC's Think-Make-Happen Wisconsin video
- UK-based City Nation Place Awards recognizing WEDC's talent attraction marketing initiative as one of 10 finalists for "Best Communication Strategy", a global competition that attracted 100 entries from 16 countries across the globe
- Government Finance Officers Association of the United States and Canada awards WEDC for the fifth consecutive year the "Certificate of Achievement for Excellence" for the Comprehensive Annual Financial Report
- FaB Wisconsin, the state's food and beverage industry cluster, named Cate Rahmlow as one of the organization's "FaB Five" for the support that she and WEDC has provided to the organization for the development of the state's food and beverage sector

- UW-WEDC Ideadvance Lean- Start Up program was a national award of excellence finalist in the Innovation category

Lisa Mauer also recognized Tricia Braun as being awarded one of North America's Top 50 Economic Developers.

Board Ethics Policy

Lisa Mauer identified that updates were made to the Board Ethics Policy. The changes were made primarily to align with changes to the WEDC Code of Ethics and Conduct.

CEO Report

Secretary and CEO Mark Hogan presented the CEO Report to the Board. Mark Hogan started by addressing the Gubernatorial transition for Governor-Elect Tony Evers and identified that he would be meeting with Governor-Elect Evers as part of the transition process to discuss how WEDC operates and how it can support the new administration's economic development goals. Mark Hogan then discussed the China International Export Summit and the economic support provided by Foxconn to ten Wisconsin companies to showcase at the event pavilion.

Mark Hogan presented the Credit and Risk report to the Board. As part of the report, he provided updates for the Kestrel and Green Box collection matters.

In his WEDC in the News presentation, Mark Maley highlighted the work WEDC has been doing out in the communities, including top stories appearing in local newspapers and T.V. stations statewide.

CFO Report

CFO Brian Nowicki presented, and the Board discussed, the Quarterly Financial Report from September 30th. The unassigned fund balance from this quarter reflects the excess balance at the end of the previous fiscal year from SEG funding. Brian Nowicki described the seasonality of business at WEDC, pointing to a lag between revenues and expenses within the first quarter.

Review and Vote on Submission of Programmatic Report under Wis. Stat. 238.07(1)

Senior Director of Public Policy Amy Young presented, and the Board discussed, the Submission of the Programmatic Report. This plan, which must be approved by the end of the calendar year, highlights the current operating plan in place and information on how the fiscal year plan will develop.

Lisa Mauer requested a motion to approve the report. A motion was made by David Drury with a second by Randy Hopper. The motion to approve the report was passed unanimously.

Committee Reports

Budget and Finance Committee Report

The Board was provided a summary of the September 7, 2018 and October 12, 2018 meetings.

Audit Report

The Board was provided a summary of the November 9, 2018 meeting.

AUDIT OF ANNUAL PERFORMANCE MEASUREMENT FOR WEDC AWARDS

CFO Brian Nowicki introduced Bill Judd and Jake Lenell from Clifton Larson Allen (CLA) to present on the Audit of Annual Performance Measurement for WEDC Awards. CLA performed a sample selection of awards to "perform an adequate sample selection, and verify, through source documentation obtained directly from selected Awardees, that the information provided by the Awardee to WEDC, under both performance reports and compliance/workbook reports, is accurate and complete". CLA presented on the process in which the awardees from FY17 were selected, source documentation to support information within the Performance Report and Compliance Workbook was requested, and documentation providing supporting information was reported to WEDC.

CLA found that 63.2% of the Awardees provided documentation with no exceptions. 3.2% had paid off the loan, withdrew from their award contract, or had their award contract revoked. 2.4% did not respond or responded but did not provide the requested information, and 31.2% reported some form of exceptions. Narrowing the population to exceptions that had a negative effect on reported outcomes, the exception rate falls to 8%. The total net effect on jobs reporting in our ARED database was a net loss of 11 jobs on 37,422 jobs verified.

Lisa Mauer requested a motion to approve the Audit of Annual Performance Measurement for WEDC Awards. Motion was made by David Drury with a second by Randy Hopper. The motion to approve Audit of Annual Performance Measurement for WEDC Awards was passed unanimously.

YEAR END COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Dan Berg from Sikich presented the CAFR, Management Communications Letter, and Federal Single Audit to the Committee. Sikich issued a 'clean opinion' of WEDC. They did not encounter any difficulties in performing their audit, there were no disagreements with WEDC management, and there were no management issues or adjusting journal entries reported.

CLOSED SESSION

Lisa Mauer requested a motion to approve entering closed session to discuss specific personnel matters. Motion was made by Senator Dan Feyen with a second by Nancy Hernandez. The motion to move to closed session was passed unanimously. All WEDC staff and attendees exited the room and reconvened upon conclusion of the closed session deliberations.

Lisa Mauer requested a motion to approve the CAFR. A motion was made by Senator Dan Feyen and David Drury. The motion to approve the CAFR was passed unanimously.

Awards Administration Committee

The Board was provided a summary of the July 9, 2018, August 23, 2018, September 18, 2018, September 25, 2018, and October 23, 2018 meetings.

CLOSED SESSION

Lisa Mauer requested a motion to approve entering closed session. Motion was made by David Drury with a second by Caleb Frostman. The motion to move to closed session was passed unanimously.

Members of the public excused themselves for closed session.

See separate minutes for closed session.

RESUMPTION OF OPEN MEETING

The meeting reconvened in open session at 2:52 pm.

ADJOURNMENT

Lisa Mauer requested a motion to adjourn the meeting. A motion was made by David Drury with a second by Randy Hopper. The motion to adjourn the meeting was passed unanimously. Lisa Mauer adjourned the meeting at 2:52 pm.

Wisconsin Economic Development Corporation
Teleconference of the WEDC Board

WEDC
Sixth Floor Conference Room
201 West Washington Avenue
Madison, WI 53703

December 12, 2018
10:30 - 11:30 A.M.

(These minutes should be read in conjunction with the agenda and documents prepared for the meeting.)

BOARD MEMBERS PRESENT VIA TELECONFERENCE

- Lisa Mauer, Rickert Industries (Chair)
- Senator Caleb Frostman
- Senator Dan Feyen
- Randy Hopper, Mountain Dog Media
- David Drury, WING Capital Group
- Nancy Hernandez, ABRAZO, LLC
- Raymond Dreger, Seeds 'N Stuff Farm Market, Inc.
- Jim Ladwig, SC Johnson

BOARD MEMBERS EXCUSED

- Representative Dana Wachs
- Representative Rob Hutton
- Secretary Rick Chandler, Department of Revenue
- Secretary Ellen Nowak, Department of Administration

CALL TO ORDER AND ROLL CALL

Lisa Mauer called the meeting to order at 10:30 a.m.

Lisa Mauer explained the process of the joint Awards Administration Committee and Board teleconference to both the Awards Administration Committee and Board members. Lisa explained the first order of business will be the approval of the first 4 awards on the AAC and Board agenda. These discussions were to be held in closed session pursuant to Wisconsin law.

CLOSED SESSION

Lisa Mauer requested a motion to approve entering closed session. Motion was made by David Drury with a second by Nancy Hernandez. The motion to move to closed session was passed unanimously.

Members of the public excused themselves for closed session.

See separate minutes for closed session.

RESUMPTION OF OPEN MEETING

The meeting reconvened in open session at 10:55 a.m.

ADJOURNMENT

Lisa Mauer requested a motion to adjourn the meeting. A motion was made by Senator Feyen with a second by Nancy Hernandez. The motion to adjourn the meeting was passed unanimously. Lisa Mauer adjourned the meeting at 10:55 a.m.

AWARDS ADMINISTRATION COMMITTEE CHARTER

Mission

WEDC's Board Awards Administration Committee is charged with evaluating recommendations for and approving certain economic development awards. The committee will approve loans amounting to over $500,000 up to $1 million, grants amounting to over $500,000 and up to $2 million, tax credits (except enterprise zones which must go to the Board regardless of amount) amounting to over $3.5 million and up to $10 million, and, pursuant to the motion enacted by the Board of Directors on December 13, 2016, amendments to awards, for which the application was received after February 1, 2017, where jobs must be retained or created and there has been reduction in the awardee's statewide employment. The Board Awards Administration Committee will also approve WEDC exercising an option to convert a loan into an equity investment. In addition, the Board Awards Administration Committee will serve in an advisory capacity to WEDC to ensure the Awards Administration Policy in the WEDC Code of Ethics and Conduct remains up to date and is in compliance with current industry standards.

Authority and Responsibilities

Award Approvals

This committee will have final approval on all award requests and award amendments that fall within its approval authority. Any award or amendment that exceeds this limit will first be presented to this committee, and then will be routed to the full Board for final approval. The Board Awards Administration Committee will also approve WEDC exercising an option to convert a loan into an equity investment.

Award Charge-Off

The committee will be notified of management's award charge-off recommendations.

Program Guidelines

The committee will review new program guidelines which will be routed to the full Board for final approval. The committee will approve substantive midyear revisions to existing program guidelines.

Inform the Board

Inform the full Board of Directors of substantive actions taken by the Board Awards Administration Committee and of issues arising at committee meetings.

Organization

Membership, Structure, Quorum

The Board Awards Administration Committee shall consist of~~: two~~ at least: two Board members, but not more than four Board members, WEDC's Chief Executive Officer, WEDC's Chief Operating Officer, WEDC's Chief Financial Officer, and at least two individuals with experience in the financial services industry or other related experience. The committee chair shall be appointed by the Board chair or elected by the committee. A quorum of any meeting of the Board Awards Administration Committee shall consist of one WEDC Board member, one outside committee member, and one WEDC staff member of the committee. Committee members may participate by teleconference. If a committee member is unable to attend a meeting, they may provide written notice designating an individual to participate in that particular meeting on their behalf. The designee may not vote on behalf of the Awards Committee member.

Staff Designee

WEDC legal counsel and administrative support will be provided at the committee meetings.

Agenda, Minutes, and Reports

The committee chair and WEDC staff, shall be responsible for establishing the agendas for meetings. An agenda, together with the relevant materials, shall be sent to committee members in advance of the meeting.

Minutes for all meetings shall be drafted by WEDC staff, reviewed by the committee chair, and approved by the committee members at the following meeting. Committee meetings are subject to the open meetings laws.

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Wisconsin Economic Development Corporation
Resolution of the Board of Directors

January 29, 2019

Re: Resolution Approving the Responses to the Legislative Audit Bureau
Wis. Stat §13.94(1)(u) EITMZ Evaluation

The following Resolution of the Board of Directors of the Wisconsin Economic Development Corporation (WEDC), a public body corporate and politic, is adopted at a meeting of the Board of Directors held on the date set forth above, following the required notice and with quorum of the Board of Directors present pursuant to WEDC's enabling statutes, Chapter 238 of the Wisconsin Statutes:

WHEREAS, Wis. Stat. § 238.04(1) empowers the Board to adopt, among other things, policies and procedures for the regulation of its affairs and the conduct of its business; and

WHEREAS, the Board has reviewed the WEDC Response to the Legislative Audit Bureau Wis. Stat §13.94(1)(u) EITMZ Evaluation ("WEDC EITMZ Response") on January 29, 2019.

WHEREAS, NOW, THE BOARD OF DIRECTORS RESOLVES:

RESOLVED, the Board approves the WEDC EITMZ Response accompanying this resolution for submission to the Joint Legislative Audit Committee.

This Resolution shall take effect immediately upon its adoption on January 29, 2019.

To: WEDC's Board of Directors
From: Mark R. Hogan, Secretary & CEO
Date: January 29, 2019
Subject: Response to LAB Report 18-18

The purpose of this memo is to provide WEDC's Board of Directors with an update on our response to the Legislative Audit Bureau's ("LAB") Report 18-18. Please note LAB's recommendations have been accepted and implemented, and upon formal review by the Board at our January 29, 2019 meeting, the Joint Legislative Audit Committee ("JLAC") will also receive an update before January 31, 2019.

Background

Enacted in September 2017, Wisconsin Act 58 created the Electronics and Information Technology Manufacturing Zone ("EITMZ") which provided the statutory guidelines for WEDC's contract with Foxconn. WEDC signed a contract with Foxconn on November 10, 2017 which outlines the terms, conditions, and requirements for Foxconn to receive up to $2.85 billion in performance-based tax credits over a 15-year period in exchange for Foxconn investing up to $10 billion and creating up to 13,000 jobs.

WEDC created Program Guidelines for the EITMZ program which were approved by WEDC's Board of Directors in November 2017. WEDC also created internal procedures to address the verification process specific to the EITMZ program. Both actions are standard practice for all WEDC's programs.

Legislative Audit Bureau Report 18-18

Act 58 also required the Legislative Audit Bureau ("LAB") to annually evaluate, for five years, WEDC's process for verifying information submitted by Foxconn, including whether WEDC is adhering to statutory and contractual requirements when verifying tax credits. LAB's Report 18-18, which is included with your board materials, was issued in December 2018 and it represents LAB's first review as required by Act 58.

In its initial report, LAB noted that under the terms of its contract with WEDC, Foxconn would not be eligible to receive performance-based tax credits until 2019. Since tax credits had not yet been issued, LAB's Report 18-18 focused on a review of WEDC's Program Guidelines and procedures. As a further update, Foxconn recently notified WEDC (the letter is included in your board materials) that it would not meet the minimum jobs required as of December 31, 2018 to access tax credits in 2019. As a result, the earliest WEDC will be issuing tax credits will be in 2020.

LAB's Recommendations & WEDC's Response

LAB's report mentions WEDC's written procedures allow WEDC to award program tax credits for "any employee that does not live in Wisconsin" as long as these employees are paid in the zone. LAB has indicated these written procedures "do not comply with (the Act 58) statutes or WEDC's Foxconn contract because they allow WEDC to award program tax credits for the wages of employees who do not perform services in Wisconsin."

To address this issue, LAB recommended WEDC:

(1) "modify its written procedures to require it to award tax credits under the EITMZ program only for the wages of employees who perform services in Wisconsin";
(2) "provide these modified procedures to its governing board"; and
(3) "report to the Joint Legislative Audit Committee by January 31, 2019, on the status of its efforts to implement these recommendations."

WEDC has modified its written procedures (please see the attached copy) to align with LAB's recommendations and a status report will be sent to the JLAC by January 31, 2019.

Report 18-18
December 2018

Electronics and Information Technology Manufacturing Zone Program

Wisconsin Economic Development Corporation

State of Wisconsin



Legislative Audit Bureau

Report 18-18
December 2018

Electronics and Information Technology Manufacturing Zone Program

Wisconsin Economic Development Corporation

Report 18-18
December 2018

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LEGISLATIVE AUDIT BUREAU

The Bureau is a nonpartisan legislative service agency responsible for conducting financial audits and performance evaluations of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau.

The Bureau accepts confidential tips about fraud, waste, and mismanagement in any Wisconsin state agency or program through its hotline at 1-877-FRAUD-17.

For more information, visit *www.legis.wisconsin.gov/lab.*

Contact the Bureau at 22 East Mifflin Street, Suite 500, Madison, Wisconsin 53703; *AskLAB@legis.wisconsin.gov;* or (608) 266-2818.

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STATE OF WISCONSIN | Legislative Audit Bureau
22 East Mifflin St., Suite 500 ▪ Madison, WI 53703 ▪ (608) 266-2818 ▪ Hotline: 1-877-FRAUD-17 ▪ www.legis.wisconsin.gov/lab

Joe Chrisman
State Auditor

December 19, 2018

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

As required by s. 13.94 (1) (u), Wis. Stats., we have evaluated the Wisconsin Economic Development Corporation's (WEDC's) process for verifying information submitted by recipients of the tax credits allocated under the Electronics and Information Technology Manufacturing Zone program. Beginning in 2018, statutes require us to complete such an evaluation annually for five years.

In November 2017, WEDC executed a $2.85 billion tax credit contract under the program with three corporations, which are collectively referred to as "Foxconn," to create jobs and make capital investments over the 15-year period from January 2018 through December 2032.

Statutes and WEDC's contract require WEDC to award program tax credits for the wages of employees who perform services in Wisconsin. However, WEDC established written procedures that allow it to award program tax credits for certain employees who do not perform services in Wisconsin, as long as these employees are paid in the zone. In this way, these written procedures do not comply with statutes or WEDC's contract. WEDC indicated that it intends to award Foxconn program tax credits for the wages of employees who are directed from and paid in the zone. We note that employees who are directed from and paid in the zone may not necessarily perform services in Wisconsin.

Statutes require our annual evaluations to analyze whether WEDC adhered to statutory and contractual requirements when it verified the amount of program tax credits awarded to Foxconn. WEDC's contract with Foxconn stipulates that WEDC may first award program tax credits in 2019, based on the jobs Foxconn created in 2018. Thus, our second evaluation, which we will publish in 2019, will include our first analysis of WEDC's compliance with these statutory and contractual requirements.

We appreciate the courtesy and cooperation extended to us by WEDC. A response from WEDC's chief executive officer follows the report.

Respectfully submitted,

Joe Chrisman
State Auditor

JC/DS/ss

Electronics and Information Technology Manufacturing Zone Program ■

2017 Wisconsin Act 58, which was enacted in September 2017, created the Electronics and Information Technology Manufacturing Zone program. The Wisconsin Economic Development Corporation (WEDC) administers the program. Statutes allow WEDC to designate not more than one electronics and information technology manufacturing zone that shall remain in effect for no more than 15 years. Statutes stipulate that WEDC may award no more than $2.85 billion in tax credits under the program, including $1.5 billion for creating jobs and $1.35 billion for making capital investments. These tax credits are refundable, meaning that if a recipient's tax credits exceed its Wisconsin income tax liability, a recipient receives a payment from the Department of Revenue (DOR).

In November 2017, WEDC executed a $2.85 billion contract with Foxconn.

In November 2017, WEDC executed a $2.85 billion contract with three corporations that agreed to build a facility to fabricate thin-film transistor liquid-crystal displays, which are used in electronic appliances such as televisions and computer monitors. If these three corporations, which are collectively referred to as "Foxconn," create contractually specified jobs and make contractually specified capital investments, WEDC will award them up to $2.85 billion in program tax credits over the 15-year period of the contract and will inform DOR that they may claim these tax credits.

Beginning in 2018, statutes require the Legislative Audit Bureau to annually evaluate for five years:

- WEDC's process for verifying information that was submitted by recipients of program tax credits and that indicates the extent to which

these recipients created contractually specified jobs and made contractually specified capital investments; and

- whether WEDC adhered to statutory and contractual requirements when it verified the amount of program tax credits to award recipients as a result of their efforts to create jobs and make capital investments.

To complete this evaluation, we interviewed WEDC staff, examined WEDC's contract with Foxconn, and analyzed the policies and written procedures WEDC established to verify information submitted by recipients of program tax credits. As separately required by statutes, our biennial financial audit of WEDC and program evaluation audit of WEDC's economic development programs will analyze WEDC's overall management of its finances and administration of its programs. We anticipate completing this biennial audit in spring 2019.

WEDC established written procedures that allow it to award program tax credits for certain employees who do not perform services in Wisconsin, as long as these employees are paid in the zone.

Statutes and WEDC's contract require WEDC to award program tax credits to recipients for the wages of employees who perform services in Wisconsin. However, WEDC established written procedures that allow it to award program tax credits for certain employees who do not perform services in Wisconsin, as long as these employees are paid in the zone. In this way, these written procedures do not comply with statutes or WEDC's contract. WEDC will not award any program tax credits in 2018 because its contract stipulates that it may first award program tax credits in 2019, based on the jobs Foxconn created in 2018.

Contractual Provisions

WEDC's contract establishes annual minimum numbers of jobs that Foxconn must create in order to be awarded program tax credits for job creation in that year.

WEDC's contract establishes annual minimum numbers of jobs that Foxconn must create in order to be awarded program tax credits for job creation in that year. For example, Foxconn must create at least 260 jobs in 2018 in order to be awarded any program tax credits in 2019. Foxconn may be awarded program tax credits for creating jobs in each year of the 15-year contract, but program tax credits for capital investments may be awarded only during the seven-year period from 2019 through 2025. After Foxconn creates jobs or makes capital investments in a given year, WEDC will award it program tax credits in subsequent years.

WEDC's contract stipulates the annual amounts of program tax credits that WEDC may award Foxconn for creating jobs and making capital investments. However, if Foxconn is not awarded all available program tax credits in a given year, some or all of these unawarded tax credits will carry forward and may be awarded in future years. The precise amounts of program tax credits that carry

forward varies by year, and Foxconn must create a contractually specified minimum number of jobs in a given year in order for capital investment tax credits to carry forward.

WEDC may award Foxconn up to $9.5 million in program tax credits for creating jobs in 2018.

The table below shows the contractually specified annual amounts of program tax credits that WEDC may award to Foxconn, although the actual amounts awarded may vary because certain tax credits that were not awarded in prior years may be carried forward. In 2018, WEDC may award Foxconn up to $9.5 million in program tax credits for creating jobs, but it cannot award Foxconn any tax credits for making capital investments. If Foxconn does not create at least 260 contractually specified jobs in 2018, all $9.5 million in program tax credits will carry forward and may be awarded in future years.

Amounts of Program Tax Credits WEDC May Award Foxconn[1]
(in millions)

Calendar Year	Minimum Number of Jobs[2]	Job Creation	Capital Investment	Total
2018	260	$ 9.5	–	$ 9.5
2019	520	19.1	$ 192.9	212.0
2020	1,820	47.8	192.9	240.7
2021	3,640	84.0	192.9	276.9
2022	5,200	120.3	192.9	313.2
2023	7,150	120.6	192.9	313.5
2024	7,800	120.9	192.9	313.8
2025	8,450	121.1	192.9	314.0
2026	9,100	121.5	–	121.5
2027	10,400	121.7	–	121.7
2028	10,400	122.0	–	122.0
2029	10,400	122.3	–	122.3
2030	10,400	122.7	–	122.7
2031	10,400	123.0	–	123.0
2032	10,400	123.5	–	123.5
Total		**$1,500.0**	**$1,350.0**	**$2,850.0**

[1] Contractually specified amounts of program tax credits that are not awarded in a given year may be carried forward and awarded in future years.

[2] Foxconn must create a minimum number of jobs in order to be awarded tax credits for job creation in a given year.

Job Creation

Statutes and WEDC's contract stipulate that Foxconn is to be awarded program tax credits for creating jobs filled by employees paid at least $30,000 annually and offered retirement, health, and other benefits that are equivalent to such benefits offered to employees required to work at least 2,080 hours annually. Statutes and WEDC's contract stipulate that Foxconn is to be awarded program tax credits equal to 17.0 percent of the wages of such employees, but it cannot be awarded tax credits for any wages exceeding $100,000.

Statutes and WEDC's contract require WEDC to award program tax credits for the wages of employees who perform services in Wisconsin.

Statutes and WEDC's contract require WEDC to award program tax credits for the wages of employees who perform services in Wisconsin. Section 238.396 (3s) (c), Wis. Stats., stipulates that WEDC may not certify Foxconn to claim program tax credits for the wages of employees who perform services outside of Wisconsin. In addition, ss. 71.07 (3wm) and 71.28 (3wm), Wis. Stats., require WEDC to award program tax credits based on a tax credit recipient's zone payroll, which is statutorily defined to be the wages of employees who perform services in Wisconsin. The text of each of these statutory provisions is shown in the Appendix.

In November 2017, WEDC established program policies that were approved by its governing board. Although these policies contain information about how WEDC will award program tax credits, they do not specify how WEDC will ensure that program tax credits are awarded only for the wages of employees who perform services in Wisconsin. WEDC established written procedures that specify in greater detail how it will award program tax credits. WEDC's governing board does not approve written procedures. These written procedures allow WEDC to award program tax credits for "any employee that does not live in Wisconsin and is designated as 'remote', 'working at home', or 'sales'" as long as these employees are paid in the zone. These written procedures do not comply with statutes or WEDC's contract because they allow WEDC to award program tax credits for the wages of employees who do not perform services in Wisconsin.

WEDC indicated that it intends to award Foxconn program tax credits for the wages of employees who are directed from and paid in the zone. It indicated that it plans to do so based on s. 71.25 (8) (b), Wis. Stats., which pertains to the determination of corporate income taxes and indicates that a corporation's state payroll includes certain employees who are not residents of Wisconsin and do not perform services in Wisconsin. However, ss. 71.07 (3wm) and 71.28 (3wm), Wis. Stats., and WEDC's contract require WEDC to award program tax credits based on the zone payroll, which is a subset of the state

payroll and includes only the wages of those employees who perform services in Wisconsin. We note that employees who are directed from and paid in the zone may not necessarily perform services in Wisconsin.

When awarding program tax credits, WEDC should ensure that it will comply with statutes and its contract, which require that program tax credits be awarded for the wages of employees who perform services in Wisconsin. WEDC should also modify its written procedures to require it to award program tax credits only for the wages of employees who perform services in Wisconsin. Doing so will ensure that its written procedures comply with statutes and its contract. Given the amount of tax credits that may be awarded through this program, WEDC should provide its modified written procedures to its governing board, which may review them and ensure that they comply with statutes and its contract. WEDC should then follow its modified written procedures when it awards program tax credits.

☑ Recommendation

We recommend the Wisconsin Economic Development Corporation:

- *ensure that it will comply with statutes and its contract, which require that Electronics and Information Technology Manufacturing Zone program tax credits be awarded for the wages of employees who perform services in Wisconsin;*
- *modify its written procedures to require it to award tax credits under the Electronics and Information Technology Manufacturing Zone program only for the wages of employees who perform services in Wisconsin;*
- *provide these modified written procedures to its governing board; and*
- *report to the Joint Legislative Audit Committee by January 31, 2019, on the status of its efforts to implement these recommendations.*

We noted three other job creation-related provisions in WEDC's contract with Foxconn. First, statutes indicate that WEDC may require a recipient of program tax credits to repay any tax credits that a recipient claimed for a year in which the recipient failed to maintain contractually specified employment levels. WEDC's policies require a recipient to maintain all created jobs for which it

received program tax credits for the duration of its contract with WEDC. However, WEDC's contract does not require Foxconn to repay any program tax credits if it does not maintain all created jobs during the first five years of the contract.

Second, WEDC's policies indicate that if award recipients do not create at least a contractually specified minimum number of jobs annually, the program tax credits that could have been awarded for these jobs cannot be carried forward and awarded in future years. However, WEDC's contract allows unawarded program tax credits for creating jobs to be carried forward, even if Foxconn does not create a contractually specified minimum number of jobs annually. After we identified this discrepancy between the policies and the contract, WEDC indicated that it plans to modify its policies so that they comply with the contract.

Third, WEDC's contract stipulates that Foxconn must create a minimum of 10,400 jobs over the 15-year period of the contract, but it indicates that Foxconn may create up to 13,000 jobs. Foxconn does not need to create 13,000 jobs in order to be awarded all program tax credits for job creation. Contractual provisions pertaining to job creation indicate that Foxconn could be awarded all available program tax credits in the final year of the contract if, for example, Foxconn created:

- 10,400 jobs and paid each of the employees in these jobs an average of $69,900; or

- 13,000 jobs and paid each of the employees in these jobs an average of $55,900.

Capital Investments

Statutes allow WEDC to award Foxconn program tax credits over a seven-year period if WEDC determines that Foxconn made a significant capital investment in the electronics and information technology manufacturing zone, which is contractually defined to be Foxconn's business facilities within contractually specified geographic boundaries in Racine County. These program tax credits must not exceed 15.0 percent of Foxconn's capital expenditures. As required by statutes, WEDC adopted policies and procedures for defining a significant capital investment.

WEDC's contract indicates that Foxconn will make up to $10.0 billion in capital investments to complete the fabrication facility. However, contractual provisions related to how the tax credits will be calculated allow Foxconn to be awarded all

$1.35 billion in program tax credits that are available for capital investment if it makes at least $9.0 billion in capital investments.

Reporting Requirements

Foxconn is contractually required to report to WEDC by April 1 of each year on the numbers of jobs it created and capital investments it made in the prior calendar year.

Foxconn is contractually required to report to WEDC by April 1 of each year on the numbers of jobs it created and capital investments it made in the prior calendar year. Its first report is due by April 1, 2019, and will include information on the jobs created from January 2018 through December 2018. WEDC's contract further stipulates that Foxconn must hire and pay for a nationally recognized certified public accountant (CPA) to perform an attestation of the job creation and capital investment information submitted by Foxconn. WEDC's contract stipulates that this CPA must report to WEDC on the results of this attestation within 45 days after April 1.

■ ■ ■ ■

Appendix ■

Appendix

Statutory Requirements for Awarding Program Tax Credits

Statutes indicate how WEDC is required to award program tax credits. Statutes refer to WEDC as "the corporation" and a tax credit recipient as a "claimant."

Section 238.396 (3s) (c), Wis. Stats., states that "The corporation may not certify a business to claim tax benefits under ss. 71.07 (3wm) (b) and 71.28 (3wm) (b) for services performed outside this state."

Sections 71.07 (3wm) (b) and 71.28 (3wm) (b), Wis. Stats., require WEDC to award program tax credits based on the "zone payroll" of a tax credit recipient. Sections 71.07 (3wm) (a) 6. and 71.28 (3wm) (a) 6., Wis. Stats., define zone payroll as "the amount of state payroll that is attributable to wages paid by the claimant to full-time employees for services that are performed in the zone or that are performed outside the zone, but within the state, and for the benefit of the operations within the zone, as determined by the Wisconsin Economic Development Corporation."

Response ■

Mark R. Hogan
Secretary and CEO

December 18, 2018

Mr. Joseph Chrisman
State Auditor
Legislative Audit Bureau
22 E. Mifflin Street, Suite 500
Madison, WI 53703

Dear Mr. Chrisman:

Thank you for the opportunity to respond to the Legislative Audit Bureau's (LAB's) evaluation of the Wisconsin Economic Development Corporation's (WEDC's) process for verifying information submitted by recipients (collectively referred to as "Foxconn") under the Electronics and Information Technology Manufacturing Zone (EITMZ) program.

Enacted in September 2017, Wisconsin Act 58 created the EITMZ and provided the statutory guidelines for WEDC's contract with Foxconn. WEDC signed a contract with Foxconn on November 10, 2017 which outlines the terms, conditions, and requirements for Foxconn to receive up to $2.85 billion in tax credits over a 15-year period in exchange for Foxconn investing up to $10 billion and creating up to 13,000 jobs. WEDC created Program Guidelines for the EITMZ program which were approved by WEDC's Board of Directors in November 2017. WEDC also created internal procedures to address the verification process specific to the EITMZ program. Both actions are standard practice for all WEDC's programs.

Act 58 required LAB to annually evaluate for five years WEDC's process for verifying information submitted by Foxconn and whether WEDC adhered to statutory and contractual requirements when verifying the tax credits. This report represents LAB's initial review of WEDC's process. As noted in LAB's report, Foxconn is first eligible to receive performance-based tax credits in 2019 at which time the company may receive up to $9.5 million in tax credits for creating jobs in 2018.

Since tax credits cannot be issued until 2019, LAB's report focuses on a review of WEDC's Program Guidelines and procedures. This provides WEDC the unique opportunity to consider LAB's observations and recommendations, and to research and implement, if necessary, changes to our Program Guidelines and/or procedures well in advance of when the first tax credits might be issued in 2019.

LAB's Recommendations

LAB's report mentions WEDC's written procedures allow WEDC to award program tax credits for "any employee that does not live in Wisconsin" as long as these employees are paid in the zone. LAB has indicated these written procedures "do not comply with (the Act 58) statutes or WEDC's Foxconn contract because they allow WEDC to award program tax credits for the wages of employees who do not perform services in Wisconsin."

Specifically, both Act 58 [Wis. Stat. 238.396 (3wm) (6)] and WEDC's contract with Foxconn [Section 1(w)] indicate:

- "Zone Payroll means the amount of State Payroll that is attributable to wages paid by the claimant (Foxconn) to full-time employees for services that are performed in the zone (EITMZ), or that are performed outside the zone, but within the state, and for the benefit of the operations within the zone, as determined by WEDC."
- Note: In both the statutes and contract, "State Payroll" is determined by Wis. Stat. 71.25 (8).

In addition, given the uniqueness of the Foxconn contract, and acknowledging WEDC's procedures do not normally require Board approval, LAB recommended for WEDC to provide its governing Board its modified procedures for the EITMZ program.

Background

To provide context, the primary purpose of the "Zone Payroll" definition, which was created by WEDC during the Foxconn contract negotiations, was to limit Foxconn's ability to earn capital investment tax credits to only those expenditures which were made in the geographic zone located in Mount Pleasant, Racine County, Wisconsin. At the same time, the definition was meant to encourage Foxconn to expand its employment opportunities throughout the entire state of Wisconsin by offering tax credits for wages of full-time employees (as defined in the contract) whose services were for the benefit of Foxconn's operations in the geographic zone.

For example, Foxconn's investment in the corporate headquarters in Milwaukee and the innovation centers it has purchased in Green Bay, Eau Claire and Racine would not qualify for capital expenditure tax credits. However, the wages of the related full-time employees would qualify for jobs tax credits if their services are for the benefit of, and directed by, Foxconn's operation in the Mount Pleasant zone.

As further background, and during public hearings around the Act 58 legislation, questions arose as to whether the wages of Foxconn employees who are not Wisconsin residents would qualify for tax credits. In response to these questions, it was indicated WEDC's intent was for these non-resident wages to qualify if they met the Wisconsin Department of Revenue's definition for compensation that is subject to Wisconsin state income taxes [Wis. Stat 71.25 (8)(b)]. In addition, it was indicated the wages earned by residents of states having reciprocity agreements with the state of Wisconsin would also be eligible for tax credits. These provided the basis for WEDC including these wages as those eligible to receive tax credits in its procedures.

Summary

LAB concludes the portion of WEDC's procedures covering these non-resident wages do not comply with statutes or WEDC's contract because they allow WEDC to award program tax credits for the wages of employees who do not perform services in Wisconsin. WEDC believes these services are being performed in Wisconsin because they are being directed by Foxconn's operation in the EITMZ, resulting in the related wages being subject to Wisconsin income taxes per Wisconsin's Department of Revenue.

WEDC is researching LAB's specific recommendation regarding the eligibility of non-resident wages and will modify its procedures, if necessary, to comply with statutes and its contract. WEDC will also provide its Board a copy of these procedures prior to any tax credits being awarded to Foxconn. Finally, WEDC will report to the Joint Legislative Audit Committee by January 31, 2019, on the status of its efforts to implement these recommendations.

Thank you again to you and the LAB staff for the constructive discussions and recommendations that resulted in the issuance of this report.

Sincerely,

FEWI DEVELOPMENT CORP.
611 E. Wisconsin Avenue,
Milwaukee, WI, USA 53202

January 17, 2019

Mr. Mark R. Hogan
Secretary and CEO
Wisconsin Economic Development Corporation

Dear Mr. Hogan,

On behalf of the Foxconn leadership team and members of the Foxconn family here and around the world, I am pleased to share with you some highlights of our Wisconn Valley Science and Technology Park (WVSTP) project and the development of the Innovation Centers established throughout Wisconsin to support the important initiative.

In 2018, Foxconn and our partners in academic and business communities made good progress on all fronts related to our significant investments in the state and our goal of contributing to Wisconsin's transformation into a high-tech hub. As part of our commitment to the state, below is a summary of some of the accomplishments thus far.

Overall Investment

- **Invested over $200 million to date in Wisconsin** while adopting a "Wisconsin First" approach and awarding 95% of all contracts to date to Wisconsin companies, with almost 16% going to minority, women and veteran owned businesses. Contracts were awarded to 93 companies in 17 counties throughout Wisconsin.

- **Expanded our presence around the state** through the purchase of a total of three buildings and ongoing fit-out of what will become technology-focused Innovation Centers at our Foxconn Places in Racine, Green Bay, and Eau Claire. As a sign of our commitment to talent retention and attraction in the State of Wisconsin, we also purchased a building in Milwaukee and established that facility as our North American headquarters.

Construction and Environmental Sustainability

- **Moved 4 million cubic yards of dirt** in the construction of Wisconn Valley Science and Technology Park (WVSTP) campus while construction moves forward on schedule.

- **Completed the construction of a 120,000 square foot Multipurpose Building at WVSTP.**

- **Ensured that the WVSTP project would meet our commitment to promote environmental sustainability** by selecting a $30 million Zero Liquid Discharge water recycling system to dramatically reduce water usage at the facility.

Hiring

- **Created 1,032 direct jobs and many more indirect jobs in support of the Wisconsin project.** This figure includes 178 full-time Foxconn employees and 854 employees involved in the construction of WVSTP, who are residents of 54 counties in Wisconsin.

- **Initiated a veteran hiring program** by welcoming 22 veterans, including CAPT Christopher "Tank" Murdoch, USN (Ret.) as Foxconn's first employee in Wisconsin. In line with Foxconn's commitment to hire veterans, this was followed by the hire of LTC Scott E. Rubitsky, USA (Ret.) who became Foxconn's Director of Business Development and Plans in Wisconsin, and COL Peter Buck, USMC (Ret.) who assumed the position of Executive Director of the WVSTP. Recently, MAJ GEN Timothy Zadalis, USAF (Ret.) also joined Foxconn as Senior Counselor. We are committed to hiring many other veterans as part of the project workforce.

- **Held and participated in 34 recruitment and job fairs** for the public (in Mount Pleasant, Racine, Green Bay, Eau Claire, and Milwaukee), for university students (at UW-Milwaukee, St. Norbert College, UW-Madison, UW-Platteville, Marquette University, UW-Eau Claire, Milwaukee School of Engineering, UW-Green Bay, UW-Stout, Waukesha County Technical College), and for former military personnel at various veteran career fairs such as the Milwaukee Vet Job Fair in Wisconsin, at Fort Bragg in North Carolina, and at Joint Base Lewis-McChord in Washington state.

Educational Initiatives & Community Engagement

- **Made a $100 million commitment to the University of Wisconsin-Madison** to help establish the Foxconn Institute for Research in Science and Technology which will help develop the state's research and engineering talent.

- **Supported Wisconsin students, staff, and faculty from higher education communities around the state through the ongoing $1 million "Smart Cities – Smart Futures" competition.**

- **Co-established a $100 million Wisconn Valley Venture Fund** with Advocate Aurora Health, Johnson Controls, and Northwestern Mutual.

- **Established numerous other partnerships with Wisconsin educational institutions**, including The University of Wisconsin System, University of Wisconsin-Madison, Wisconsin Association of Independent Colleges and Universities, Wisconsin Technical College System, University of Wisconsin-Milwaukee, University of Wisconsin-Parkside Gateway Technical College, Carthage College, Milwaukee Area Technical College, Marquette University, and Medical College of Wisconsin.

- **Engaged the Wisconsin business community** to outline our project objectives and the opportunities for participation in our supply chain in a wide array of events hosted by Wisconsin Manufacturers and Commerce, Blackhawk Technical College, Madison College, the La Crosse Chamber Foundation, Chippewa Valley Technical College, Northeast Wisconsin Technical College, Superior Government Center, UW Platteville, Gateway Technical College, the Wausau Entrepreniual Enterprise Center, the Metropolitan Milwaukee Association of Commerce, the Wisconsin Technology Council, the Racine County Economic Development Corporation, the Greater Milwaukee Committee, The New North, the Wisconsin Veterans Chamber of Commerce, the University Economic Development Association, the Wisconsin Economic Development Corporation, and Manufacturing First, among others.

- **Supported Wisconsin businesses** by investing in the state's gingseng industry and helping to facilitate and fund the participation of Wisconsin businesses at the first China International Import Expo (CIIE) in November 2018.

In 2018, we made the strategic decision to broaden the base of our investment within the State of Wisconsin, far beyond what we initially planned, to ensure the company and our workforce will be positioned for long-term success.

While we remain committed to creating 13,000 jobs in Wisconsin, we have adjusted our recruitment and hiring timeline. As a company with operations around the world, we need to have the agility to adapt to a range of factors including global economic conditions. We have done so while simultaneously progressing on other aspects of the project and achieving our foremost priority for 2018 – creating a solid foundation upon which the Wisconsin project can continue to grow further.

Among the 1,032 jobs we created in support of the project, 178 of those jobs met the requirement for the 2018 round of investment tax credits/co-investment from the state. For that reason, we will not seek the first round of co-investment from the state.

In 2019, we look forward to making continued progress on the construction of the Wisconn Valley Science and Technology Park campus. We will be conducting further information sessions for contractors in coming months. As part of the first phase of the project, we expect to start construction of facilities to house cutting-edge display development, advanced manufacturing, and 8K+5G research and development capabilities in the spring.

Thank you for the support your agency has provided to our company throughout these important stages of our project; we assure you we will maintain regular contact with you regarding the continued progress of the project.

Regards,

Dr. Louis Woo
Special Assistant to CEO

WEDC PROCEDURE

C&R 0412 - Enterprise Zone Tax Credit and Electronics & Information Technology Manufacturing Zone Procedures
OWNER: Senior Financial Servicing Director
RESPONSIBLE ROLES: Senior Financial Servicing Director, Senior Financial Servicing Analyst, Financial Servicing Analyst
APPLICABLE TO: WEDC Staff.

SUMMARY:

These work instructions detail the methodology and process by which Enterprise Zone tax credits are awarded and verified. The below process is a general guideline; any specific contract language will always take precedence.

This procedure is effective for the processing of all tax credit verifications for period end date 12/30/2017 and prior.

GOVERNING SOURCE REFERENCE(S):

- Wisconsin State Statute 238.396 - Electronics and information technology manufacturing zone.
- Wisconsin State Statute 238.399 - Enterprise zone program.
- Enterprise Development Zone Program Guidelines
- Electronics and Information Technology Manufacturing Zone Program Guidelines
- Specific Award Contract Language

DEFINITIONS:

Project Scope

Recipient

The Recipient is the entity with whom WEDC contracts and which claims the credits WEDC verifies on their Wisconsin state income taxes. The Recipient and scope of statewide employment is determined by the Recipient's Federal Employment Identification Number (FEIN).

Even if the Recipient files a combined Wisconsin tax return with other related entities, WEDC can provide tax credits to the Recipient based on their unique FEIN. If multiple related entities

are included in the project, WEDC will work with the company(ies) involved to determine their relationships, who is conducting the relevant activities, and how the award should be set up.

If there are multiple related entities that use the same FEIN to file their Wisconsin taxes, employees of all entities included under that FEIN will be counted in the statewide employment. If there are multiple related entities with different FEINs involved in the project, each entity will be defined as a claimant in the contract, and tax credits will be verified to the claimants in proportion to their eligible activity earnings.

Project Location

An Enterprise Zone designation can be made location-specific or statewide. The base payroll spreadsheet will provide the necessary information on the Recipient's statewide employment and identify employees by facility location.

Tiers:

Tier 1 include those locations which are designated as distressed by WEDC.

Tier 2 include those locations which are not designated as distressed by WEDC.

If the Enterprise Zone includes facilities in both distressed and non-distressed locations WEDC will design the entire zone as non-distressed. The applicable tier for the award will be determined based on WEDC's designations of distressed/non-distressed in effect as of the Certification Date.

Eligible Employees

Eligible Full-Time Employee

In a Tier I Enterprise Zone:

> A "Full-Time Employee": means an individual who is employed in a regular, non-seasonal job for which the annual pay is more than the amount determined by multiplying 2,080 by 150 percent of the federal minimum wage, and an individual in the position is offered the retirement, health, and other benefits that are equivalent to the retirement, health, and other benefits offered to an individual who is required to work at least 2,080 hours per year.

In a Tier II Enterprise Zone:

> A "Full-Time Employee": means an individual who is employed in a regular, non-seasonal job for which the annual pay is more than thirty thousand dollars ($30,000), and an individual in the position is offered the retirement, health, and other benefits that are equivalent to the retirement, health, and other benefits offered to an individual who is required to work at least 2,080 hours per year.

While there are two statutory definitions of Full-Time Employee, WEDC utilizes the above identified definition in its contracts: Wis. Stat. Sec. 238.399(1)(am)2.[1]

Partial-Year Employees

"Partial-Year Employees" are those employees who only worked part of the year due to their hiring or termination dates, who would have met the Full-Time Employee definition if they had worked the full year. Partial-Year Employees whose employment was terminated during the year will have their wages earned during the period of their employment counted in the calculations, but not their hours/headcount. Partial-Year Employees who are employed as of the period end will have their wages earned during the period of their employment counted in the calculations, along with their hours/headcount.

Eligible Wages

"Eligible Wages" considered for the calculation of tax credits are those wages up to one hundred thousand dollars ($100,000) for each Eligible Employee and includes any commission, bonus, overtime, but not health insurance, or other benefits compensation or severance/separation payments paid to the Eligible Employee.

Eligible Wages include wages which are greater than the amount determined by multiplying 2,080 by 150 percent of the federal minimum wage* in a Tier I county or municipality or greater than $30,000 in a Tier II county or municipality.

* The amount will be determined by the federal minimum wage as of the certification date.

Certification Date and Baseline

Certification Date

"Certification Date": means the date, designated by WEDC, on which the eligibility to earn Tax Credits begins. No activities occurring prior to the Certification Date will be considered in allocating Tax Credits.

Tax credit Certification Dates should be set to align with the beginning of the project. Certification Dates may not precede WEDC's sending of an application to the applicant unless a prior Certification Date is approved in writing by WEDC's CEO and where it can be demonstrated that the Certification Date does not allow for expenditures or jobs that have already been incurred or created prior to engaging WEDC for assistance.

Base Year

"Base Year": means the taxable year beginning during the calendar year prior to the calendar year in which the enterprise zone in which the Certified Business is located takes effect.

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[1] Previous statutory language allowed for a tier at $20,000 referred to as "Tier 20"; while this language is not currently allowed for, older contracts may have language similar to the following:
"Full-Time Position" means any permanent, non-seasonal position where an employee is required, as a condition of employment, to work at least 2,080 hours per year, including paid leave and holidays, and for which the individuals receives annual pay that is equal to at least $20,000 and benefits that are not required by federal or state law.

The Base Year must align with the Recipients taxable year and may overlap the Certification Date. However, in no circumstances can credits be earned for job creation or job retention prior to the end of the base year period.

Example 1: Base Year Corresponds with Certification Date:

- Recipient's taxable year ends 12/31 and the Certification Date is 1/1/17.
- Recipient's taxable year beginning during the calendar year prior to the calendar year in which the Enterprise Zone takes effect will be 1/1/16-12/31/16.
- Job retention and job creation tax credit earnings and calculations will be based on employment beginning 1/1/17, the Certification date, and there will be no overlapping or gaps from the Base Year.

Example 2: Base Year Overlaps Certification Date:

- Recipient's taxable year ends 9/30 and the Certification Date is 8/1/17.
- Recipient's taxable year beginning during the calendar year prior to the calendar year in which the Enterprise Zone takes effect will be 10/1/16-9/30/17, creating an overlap between the end of the Base Year and the Certification Date.
- Job retention and job creation tax credit earnings and calculations will begin 10/1/17, the start of the Recipient's next taxable year. Capital investment, training, and supply chain tax credit earnings and calculations may begin on the Certification Date, as those calculations do not rely on the Base Year.

Example 3: Base Year Ends Prior to Certification Date:

- Recipient's taxable year ends 7/31 and the Certification Date is 9/1/17.
- Recipient's taxable year beginning during the calendar year prior to the calendar year in which the Enterprise Zone takes effect (Base Year) will be 8/1/16-7/31/17, creating a gap between the end of the Base Year and the Certification Date.
- No tax credit earnings or calculations may begin prior to the Certification Date, but because the calculations of job retention and job creation tax credits are based on comparisons with the Base Year, the Recipient may inadvertently receive benefit for job growth during the gap between the Base Year and the Certification Date.

For awards where the Certification Date is a date prior to award approval, WEDC will have the baseline information at the time of contracting and will insert the number of baseline employees into the contract. For awards where the Certification Date is a date after contracting, WEDC will require that the company submit their baseline information along with their first-year performance report and set the baseline number of employees at that time.

PROCEDURE DETAILS:

CALCULATING INCENTIVES

The maximum tax credit award amount for a project will be determined by calculating the maximum amount the Recipient could earn cumulatively under job creation, job retention, capital investment, supply chain, and/or training. Credits shall be calculated by using the appropriate EZ tax credit calculator, which can be obtained by contacting the Senior Servicing Analyst or Senior Financial Servicing Director, it is currently housed here: G:\ED\G DRIVE - NEW\Tax Credit Central\Verification Documents & Tools\EZ.

WEDC does not have to award the Recipient the maximum amount allowed for under the calculation, and the award amount will be based upon multiple factors (including ROI) to optimize the effectiveness of the award to the State of Wisconsin.

Once the maximum tax credit award amount for a project is determined, staff will evaluate all aspects of the project to determine which eligible activities to incent with tax credits. A project may receive tax credits for multiple eligible activities. The amount of tax credits awarded for each activity shall align with the calculations prescribed in the Statute and Program Guideline.

An Enterprise Zone may be designated for a period of up to 12 years.

Certification of an Enterprise Zone

A business may qualify for an EZ certification if one of the five circumstances is met. For additional detail please see the Program Guideline.

1. Begins operations in the EZ
2. Relocates to the EZ from out of state
3. Expands operations within the EZ
4. Retains jobs in the EZ
5. The business in the EZ purchases substantially from a Wisconsin Supply Chain.

Earning Requirements

Job Creation Tax Credits:

Job creation tax credits are calculated at a rate of up to 7% of the Creditable Wage paid to the New Full-Time Employees in the Zone

Job creation credits will be based on the lesser of either (1) the increase in the number of Full-Time Employees in the State of Wisconsin as compared to the Base Year, or (2) the increase in the number of Full-Time Employees in the Enterprise Zone as compared to the Base Year. The contract may require the Recipient to create a specific number of new jobs to be eligible for any credits.

Job Retention Tax Credits:

Job Retention will be based on the creditable wage in the base period. The Recipient may be eligible for an amount of up 7% of the base period creditable wage for no more than five consecutive years. The Recipient will be required to maintain the number of eligible Full-Time Employees as defined in the contract in the Base Year to be eligible for credits. The Recipient's annual creditable wage must not fall below the Base Year creditable wage established to qualify for any retention credits.

Capital Investment Tax Credits

If the Significant Capital Investment is at least $10,000,000, Capital investment tax credits are calculated at a rate of up to 10% of the Recipient's real and personal property investment. Capital Expenditures are generally defined as those which would be to lease or purchase depreciable, tangible assets such as land, buildings, software and equipment. Generally

operating lease payments are not eligible. Eligible expenditures must be made after the Certification Date.

Training Tax Credits

Training credits are calculated at a rate of up to 100% of the Recipient's eligible training costs incurred to undertake activities to enhance an Eligible Employee's general knowledge, employability, and flexibility in the workplace; to develop skills unique to the Recipient's workplace or equipment; or to develop skills that will increase the quality of the Recipient's product.

Eligible training costs include (1) the cost of the trainer, (2) the cost of training materials, (3) the wages of the trainee while in a classroom setting, or (4) the costs of the trainer and the wages of the trainee while in an on-the-job or job shadowing setting. Eligible training may include: Lean training (Six Sigma), technical college courses specific to equipment or processes, or courses designed specifically for equipment/processes. Tuition reimbursement costs can be included if the degree being obtained will enhance the employee's employability or skills. Tuition reimbursement will be based on the individual classes taken vs the degree being pursued. General education courses unrelated to the industry may be excluded (such as art history or general health

courses). On the job or job shadowing costs for the trainee may be included as training expenses but not also as job creation or job retention expenses. That is; if an employee is in a job shadowing role 100% of the time and wages are claimed towards a job training credit, the wages and hours for this period may not also be claimed under a job creation or job retention credit.

Ineligible training costs include travel expenses, food, or lodging. Other ineligible training activities would include: general HR courses, general safety procedures, orientation, and routine training not project-related.

Supply Chain Tax Credits:

Supply Chain Tax Credits are intended to incentivize the awardee for external inputs that are 1) directly responsible in the production or distribution of the output/commodity, 2) purchased from a Wisconsin Supplier, and 3) incremental to the current supply chain footprint of the awardee.

Supply chain activities involve the transformation of natural resources, raw materials, and components into a finished product that is delivered to the end customer. Supply chain is the sequence of processes involved in the production and distribution of a commodity, product, or service.

Supply chain is comprised of vendors that supply raw material, producers who convert the material into products, warehouses that store, distribution centers that deliver to the retailers, and retailers who bring the product to the ultimate user.

The Recipient may earn Supply Chain Tax Credits at a rate of up to 1% of the Eligible Supply Chain Expenditures. Eligible Supply Chain expenditures include those vendors within the State of Wisconsin which contribute directly to the manufacture, distribution or production of the

commodity, product or service. Ineligible activities or expenditures will include: The Recipient's internal costs to produce the output/commodity (e.g. payroll, benefits, insurance, financing charges, travel/lodging/expenses), charitable donations, political contributions and costs such as snow removal and landscaping. If an expense is claimed under a Capital Investment Credit, it may not also be claimed under Supply Chain.

Generally, if the recipient is not at risk for moving current operations out of state, only the incremental change in supply chain expenditures year-over-year should be considered eligible expenditures, which will require a baseline measurement at the time of application.

Provisions to earnings

The below provisions represent possible language variations found in existing contracts. These provisions are not standard language and are not guaranteed to be available in future negotiations.

80% Rule

As a threshold to be eligible to earning Tax Credits in a particular year, the Recipient must not have decreased the number of Existing Full-Time Employees from the base period and must meet in such year at least eighty percent (80%) of the cumulative New Full-Time Employees to be created in the Enterprise Zone, as detailed in the Disbursement Schedule exhibit of the contract. WEDC may require this threshold for any or all earnings categories.

Carryforward

WEDC may provide the opportunity for a company to carry-forward un-earned tax credits to be earned & verified in future years. This may be applicable for any or all earnings categories.

As long as the Recipient has met the "Minimum Cumulative New Full-Time Employees to Qualify" threshold as set forth in the Disbursement Schedule Exhibit, any unearned Tax Credits in a year may be rolled forward to be earned and verified in subsequent years.

Excess

WEDC may provide the opportunity for a company to carryforward tax credits earned in excess of the allocation for the given period. Excess may be limited to the same category in future years or may be available for any category

If in any fiscal year, the amount of tax credits earned exceeds the amount of such credits authorized in that category for that period, the excess earned may be carried over to the next period and added to the amount of tax credits authorized for that subsequent period. This may be applicable for any or all earnings categories.

Shifting

WEDC may provide the opportunity for a company to shift excess credits earned in a tax credit category to be verified in a different tax credit category within the same earnings period. This may be applicable for any or all earnings categories.

If in any period, the amount of Enterprise Zone Tax Credits earned through any tax credit category exceeds the amount of Tax Credits authorized for such tax credit category in the

period as set forth in the Disbursement Schedule Exhibit, such excess amount may be used to offset short falls in any other tax credit category during such calendar year.

Obligations

Contractual obligations will include completing the project as contemplated by the Recipient's applications, maintaining the baseline Existing Full-Time Employees (if any), making a Significant Capital Investment (if applicable), and maintaining the Significant Capital Investment and Full-Time Employees for which the Recipient has earned credits. The length of the maintenance period may go beyond the tax credit earning period at WEDC's discretion, but the maintenance period will not be shorter than the tax credit earning period.

The obligations will not typically require the Recipient to create a specific number of jobs, as the tax credits are performance-based and determined based on the calculations and threshold requirements noted above. WEDC may add additional obligations and thresholds to earning on a case-by-case basis depending on the factors surrounding the award.

Default Provisions and Claw-backs

Event of Default and Remedies language in the contract will reflect statutory requirements.

SAMPLE REPORTING SCHEDULE & ALLOCATION TABLE:

Fiscal Year:10/01 – 09/30

Certification Date: August 1, 2015

Base: 10/01/14 – 09/30/2015

Jobs to be created: 500

Eligible Period	Minimum Cumulative New Full Time Employees to Qualify	Job Creation	Job Retention	Capital Investment	Supply Chain	Training	Annual Total
08/01/2015 - 09/30/2015				$ 1,000,000	$ 125,000		$ 1,125,000
10/01/2015 - 09/30/2016			$ 500,000	$ 1,000,000	$ 125,000		$ 1,625,000
10/01/2016 - 09/30/2017	50	$ 200,000	$ 500,000	$ 1,000,000	$ 125,000	$ 90,000	$ 1,915,000
10/01/2017 - 09/30/2018	130	$ 200,000	$ 500,000	$ 1,000,000	$ 125,000	$ 90,000	$ 1,915,000
10/01/2018 - 09/30/2019	200	$ 400,000	$ 500,000	$ 1,000,000	$ 125,000	$ 80,000	$ 2,105,000
10/01/2019 - 09/30/2020	265	$ 400,000			$ 125,000	$ 80,000	$ 605,000
10/01/2020 - 09/30/2021	335	$ 400,000			$ 125,000	$ 80,000	$ 605,000
10/01/2021 - 09/30/2022	400	$ 400,000			$ 125,000	$ 80,000	$ 605,000
Total		**$ 2,000,000**	**$ 2,000,000**	**$ 5,000,000**	**$ 1,000,000**	**$ 500,000**	**$ 10,500,000**

Annual Performance Report Period Covered	Payroll and Verification Report Period Covered	Due Date
August 1, 2015 – September 30, 2015	August 1, 2015 – September 30, 2015	January 1, 2016
August 1, 2015 – September 30, 2016	October 1, 2015 – September 30, 2016	January 1, 2017
August 1, 2015 – September 30, 2017	October 1, 2016 1 – September 30, 2017	January 1, 2018
August 1, 2015 – September 30, 2018	October 1,2017 – September 30, 2018	January 1, 2019
August 1, 2015 – September 30, 2019	October 1,2018 – September 30, 2019	January 1, 2020
August 1, 2015 – September 30, 2020	October 1,2019 – September 30, 2020	January 1, 2021
August 1, 2015 – September 30, 2021	October 1,2020 – September 30, 2021	January 1, 2022
August 1, 2015 – September 30, 2022	October 1,2021 – September 30, 2022	January 1, 2023

WORK INSTRUCTIONS:

TAX CREDIT VERIFICATION - DETERMINE ELIGIBILITY

1. Find the executed contract and, if applicable, most recent amendment
2. Review the contract for which Full-Time Employee definition is used
3. Review the Full-Time Employee definition and/or the Job Creation section for appropriate wage tier
    a. Tier 1 will read 150% of minimum wage (Which is currently $22,620)
    b. Tier 2 will read $30,000
    c. Tier 20 will read $20,000
    d. It is possible that the tier for eligible headcount and eligible creditable wage are different. In this instance, the Full-Time Employee definition is used for headcount and the wage listed under the calculating Job Creation section is used for creditable wages.
4. In the Eligibility for Tax Credits section, the contract will detail eligibility broken down by category
    a. Look for total award amount per category
        i. Job Creation
        ii. Job Retention
        iii. Training
        iv. Supply Chain

v. Capital Investment

b. Review for specific stipulations that may be listed such as:

i. Ability to carryforward unearned credits

ii. Ability to carryforward credits earned in excess of annual limit

iii. Ability to shift credits earned from one category to another

iv. The allocation table may or may not include a minimum job creation number that must be reached to be eligible for credits in one or more categories

5. Read the reporting schedule to verify the payroll dates required for the current submission

REVIEWING PAYROLL FILES

Review payroll to ensure that the data is in an acceptable format with all appropriate data points

1. The Operations and Program Performance Reporting team will perform a preliminary review of the data upon the initial submission using the following guidelines:
    a. If earning on job creation/retention payroll is required for ALL periods where job creation or job retention is earned
        i. Payroll must be in the template format provided
        ii. Check that:
            1. All fields are complete
            2. The company provided data for all employees employed during the period
                a. Data provided is not just for new hires – i.e. there should be hire dates prior to the current period.
                b. Data is included for employees that terminated during the period
            3. Hours/wages look “logical” – i.e. a variety. Not all very low or all exactly the same.
2. Payroll should be in Salesforce saved within the Performance Reporting Folder.
    a. If payroll is not located, ask the Program Analyst (Operations and Program Reporting Team)
3. Prior to beginning the analysis, the reviewer will check the following:
    a. Payroll must be in the excel format provided to the company
    b. Must be for the entire reporting period (4th quarter payroll is not acceptable)
    c. Must be actual wages and hours provided
        i. Annual salaries, contracted rates, etc., are <u>not</u> acceptable
    d. If hourly wage is not provided
        i. Ask for clarification from the company unless employees are noted as salary
    e. Document any clarification provided from the company by:
        i. Saving a copy of the email to the performance report section of salesforce

ii. Save a copy of the email in the current year verification folder in the project folder in G: Drive

f. Current payroll template includes the following columns:
   i. Employee ID
   ii. Hours worked – Period
   iii. Hourly Wage
   iv. Period Wages
   v. Hire Date
   vi. Term Date
   vii. PT/FT
   viii. Residency (state)
   ix. Worksite

PAYROLL - MANUAL CALCULATIONS

How to manually calculate eligible employee headcounts and creditable wages used for Job creation & Job Retention.

At this time, the Tax Credit Calculator is not set up with any Enterprise Zone calculations. Instead, two different reviewers will complete an independent manual review of the payroll using the below instructions and a third will approve. If at any time the reviewer questions the validity of the data or discovers any discrepancies, a request for clarification from the company should be made and all responses saved in the project folder and Salesforce.

1. Initial Sorting:
   a. Sort by employment status
      i. Move any employees which are not listed as Full Time to the bottom of the list and highlight the entire row using red.
   b. Residency
      i. Any employee that does not live in Wisconsin and is designated as “remote”, “working at home”, or “sales” can be eligible. The employee must be paid out of the designated Enterprise Zone.
      ii. This should be confirmed by the company that all wages paid to such employees are paid out of a location within the Zone.
      iii. Confirmation should be documented in writing and saved to Salesforce and the G Drive project folder.
   c. Sort by Hourly Wage
      i. If hourly wage is not provided by the company, calculate the hourly wage by dividing Total Period Wages by Period Hours Worked.
      ii. Employees must earn 150% of minimum wage at the time of contracting, currently this is $10.875.
      iii. Move all employees with an hourly wage < $10.875 to the bottom of the file and highlight the entire row in red.

d. Check for any employees with start dates after the period end date
    i. If there is an employee with a hire date after the period, move to the bottom and highlight in red
    ii. If an employee is listed with a start date after the start of the period but has wages listed, ask for clarification from company
    iii. The employees highlighted in red are disqualified and there are no further calculations performed.
e. Sort by termination date
    i. Move all employees with a termination on or before the last day of the period to the bottom of the sheet, but above all other ineligible employees that have been moved to the bottom and highlight in orange. These are the "Terminated Employees".
f. This will leave a group of potentially eligible employees that are not highlighted; these are the "Potentially Eligible Employees".

2. Wage Check
    a. "Days" Calculations
        i. Calculate the number of days the employee was employed during the period.
        ii. No calculation is needed for employees excluded and now highlighted red.
        iii. Days calculation should be labeled as such and stored in the column right of the "Comments" column.
        iv. Sort Terminated Employees (orange) by hire date
            1. For terminated employees hired *prior* to the period start date use the "Days" functions to calculate the number of days between the employee's Termination Date and the Period Start Date.
            2. For the Terminated Employees hired *after* the period start date use the "Days" functions to calculate the number of days between the employee's Termination and Start Dates.
        v. Sort the Potentially Eligible Employees by hire date
            1. For employees hired *prior* to the period start date use the "Days" functions to calculate the number of days between the Period End Date and the Period Start Date.
            2. For the employees hired *after* the period start date use the "Days" functions to calculate the number of days between the Period End Date and the employee's Hire Date. These are referred to as "Partial Period Employees".
        vi. **Days = (Days(END DATE, START DATE)+1)**
    b. Annualized Hours
        i. Calculate the number of hours worked in the period for all Potentially Eligible, or Terminated employees

1. Include all hours worked that are listed by employer which may include overtime.

ii. No calculation is needed for excluded employees highlighted in red.

iii. Hours calculation should be labeled as such and stored in the column to right of the “Days” column created in the previous step.

iv. For contracts with the alternate Full-Time Employees definition this is only a quality check for the data; the reviewer should request clarification from the company on any unusually high hours.

v. For contracts with the standard Full-Time Employees definition, compare the annualized hours to the contractual requirement.

1. Any employee which does not reach the contractual requirement should be highlighted in red and disqualified; regardless of wages earned.

vi. **Annualized Hours: =(Period hours / Days)*365**

c. Annualized Wage

i. Calculate annual wages for all partial reporting periods, Partial Period Employees and Terminated Employees.

ii. No calculation is needed for excluded employees highlighted in red.

iii. No calculation is needed for Potentially Eligible Employees who worked an entire period **and** the period is equal to 12 months.

iv. Annual Wage calculation should be stored in the column right of the “Annualized Hours” column.

v. Terminated and Potentially Eligible Employees should be sorted separately by hire date.

vi. All wages are to be included; only exclude severance, separation payments & any insurance benefits paid on the employees’ behalf.

vii. **Annualized Wage: =(Period wages/Days)*365**

d. Creditable Wage

i. Creditable wage column should be located to the right of the annualized wage column.

ii. Sort both Potentially Eligible Employees and Terminated Employees by annualized wages separately.

iii. For employees who earn >$100K

1. If the employee is a full-year employee and the period is equal to 12 months, the creditable wage is $100,000 – Tier threshold
2. For reporting periods < 12 months, Partial Period and Terminated Employees who have annualized wages >$100K: prorate the creditable wage based on the length of employment or the period and subtract the pro-rated tier threshold.

a. Prorated creditable wage = (100,000/365) X DAYS

b. Prorated Tier threshold =(WAGE/365) X DAYS

iv. For employees who earn <$100K
    1. For full 12-month period full year employees
        a. If annual wages ≥ tier threshold, then Creditable wage = Period Wages – tier threshold
        b. If period wages < tier threshold, then Creditable wage = Zero
    2. For reporting periods < 12 months, partial period and terminated employees
        a. If Annualized wages > Tier threshold, then Creditable wage = Period Wages – Pro-rated Tier threshold
        b. If Annualized wages < Tier threshold, then Creditable wage = Zero
v. **Creditable wage Calculation**: Sum of all wages, including wages from both Terminated and Potentially Eligible Employees

e. Headcount
    i. Add a column to the right of the Creditable Wage column titled "headcount"
        1. For any contract with a different tier for headcount vs creditable wage
            a. Compare the employee's Annualized Wage to the headcount tier threshold
            b. Enter "1" for all Potentially Eligible Employees with annualized wage ≥ headcount tier wage
            c. Enter "0" for any employee with annualized wages < headcount tier wage or a Terminated Employee and highlight in red
        2. For contracts where the headcount and creditable wage tier are the same:
            a. Enter "1" for any Potentially Eligible Employee with creditable wages listed
            b. Enter "0" for any Terminated Employee or for any Potentially Eligible Employee with Zero listed in the creditable wage column and highlight in red
    ii. Highlight all employees who have not already been highlighted in red or orange, in yellow. These should all be at the top of your spreadsheet and should meet each of the following conditions
        1. Hourly wage is >$10.875
        2. Full Time or have full time equivalent benefits
        3. Not terminated
    iii. The count of the headcount column 1's = the eligible headcount

f. Exceptions

i. Review any disqualified, non-terminated, employee for a possible exception.
ii. A manual exception will be granted to allow an employee to be eligible when they do not mean the annual wage threshold when the company certifies that the employee was on an approved leave AND was eligible for benefits during leave.
iii. Approved leave includes
    1. FMLA
    2. Disability
    3. Military Leave
    4. Leave of absence
iv. If an exception is approved the reviewer should make a comment clearly indicating that an exception is granted and the reason for the exception. This should be documented in a separate column.

CALCULATING CREDITS

How to determine the amount of credits earned – Always review contract for any specific variations. Two reviewers should each complete an independent review of all credit categories and compare for accuracy.

1. <u>Job Creation</u>
    a. Number of new employees in the period = Current period headcount – base headcount
        i. Effective 07/01/2017 all new EZ and any amendment to an existing EZ the number of new employees is the lesser of:
            1. The number of new employees in the EZ or
            2. The number of new employees in the State
        ii. For any EZ existing prior to 07/01/2017 without an applicable amendment, the calculation of new employees is limited to the EZ; not the state.
    b. Current period creditable wage / total current period headcount = AVG eligible wage
        i. Tier threshold is already subtracted during the creditable wage calculation to account for pro-rating when necessary. Do not subtract the tier wage again.
        ii. Creditable wage is only calculated using wages paid to those employees in the EZ.
    c. AVG eligible wage (step b) * # New employees (step a)
    d. Multiply the result from step c by the creation percent, typically 7%
    e. The credit to be awarded is the lesser of:

i. The amount determined in step D or

ii. The amount listed in the allocation table in the contract for the current period

2. Job Retention

   a. The yearly job retention credit cannot be more than 7% of the creditable wage of the base year; the allocation table will list the maximum credit for each period.

   b. Job retention cannot be issued for more than 5 consecutive years; this does not need to begin on the certification date.

   c. In order to qualify for job retention, the number of eligible employees in the current period must be ≥than the base headcount and the current period creditable wage must be ≥than the creditable wage in the base year.

3. Job Training: Job Training credits are earned for eligible training expenses.

   a. The contract will state the rate that credits will be earned. Credits can be earned at a rate of up to 100% of eligible training expenses.

   b. See the Calculating Incentives section of this document on page 3 for more details regarding specific eligible and ineligible costs.

   c. A file must be saved clearly indicating what expenses are eligible and which are ineligible with a reason for ineligibility

   d. The credit to be awarded is the lesser of:

      i. The eligible training amount or

      ii. The amount listed in the allocation table in the contract for the current period

4. Capital Investment - earned for eligible capital expenses.

   a. Up to 10% of personal property and real property expenses.

   b. See the Calculating Incentives section of this document on page 3 for more details regarding specific eligible and ineligible costs

   c. A file must be saved clearly indicating what expenses are eligible and which are ineligible with a reason for ineligibility.

   d. The credit to be awarded is the lesser of:

      i. The calculation of eligible expenses or

      ii. The amount listed in the allocation table in the contract for the current period

5. Supply Chain – earned for expenses related to the production and distribution of a commodity, product, or service.

   a. Credits may be earned at a rate of up to 1% of eligible expenses.

b. See the Calculating Incentives section of this document on page 3 for more detail regarding specific eligible and ineligible costs.

c. Expenses that are claimed & eligible for a Capital Investment Credit are not eligible for a Supply Chain Credit.

d. A file must be saved clearly indicating what expenses are eligible and which are ineligible with a reason for ineligibility.

e. The credit to be awarded is the lesser of:

   i. The eligible expense calculation

   ii. The amount listed in the allocation table in the contract for the current period

COMPLETING THE SUMMARY DOCUMENT

The summary document will be created to track the cumulative results of the verification.

1. If this is the first verification being completed

   a. Locate the summary template

      i. G:\ED\G DRIVE - NEW\Tax Credit Central\Verification Documents & Tools\EZ\Summary Template – EZ

   b. Complete all fields of the template, verifying information from the contract as applicable

   c. Any necessary comments regarding the verification should be saved in the document.

2. If this is a second or subsequent verification

   a. Locate the previous summary completed (may be titled final comparison)

   b. Update fields as necessary, adding results and comments from the current period.

DRAFTING THE VERIFICATION LETTER & FORM

1. Determine what type of letter will be drafted:

2. Denial letter - If the company is *not* eligible to earn credits under *any* of their earnings categories due to failure to perform:

   a. Prior to drafting a denial letter, consult with the Senior Financial Servicing Director to provide direction.

   b. Located at: G:→ED→G DRIVE – NEW→Tax Credit Central→Verification Documents & Tools→ EZ

   c. Open the EZ Denial Letter.

   d. Cross reference the Salesforce Opportunity, EnABLE and the current Performance Report and determine the contact information.

e. If the company was previously sent a verification form, prepare a form, updating the job numbers and entering zero credits earned for this period.

f. Save As and save a copy of the form to the applicable earnings period verification folder.

3. Verification Letter - If the company is eligible for *any type* of credits a verification form and letter need to be completed:

   a. Located at: G:→ED→G DRIVE – NEW→Tax Credit Central→Verification Documents & Tools→ **EZ**

   b. Open the EZ Verification Letter.

   c. Cross reference the SalesForce Opportunity, EnABLE and the current Performance Report and determine the contact information.

   d. Save As and save a copy of the form to the applicable earnings period verification folder

4. Verification Form – Summarizes credits earned to date and current period credits earned

   a. If the company has received a verification previously navigate to the previous verification folder.

      i. Find the word document for the verification form. You can use this document as a template for this period by making a copy of the form: do not save over the original document

      ii. Add the most recent details to the form and updated all applicable dates.

      iii. Verify that contact information is up to date.

   b. If a verification has not been completed open a new blank copy

      i. Go to G:→ED→G DRIVE – NEW→Tax Credit Central→Verification Documents & Tools→EZ

   c. Compare the top half of section I to the current performance report to see if it needs to be updated.

      i. Update the second half of Section I with current information.

      ii. Fill in the current period tax credit amount per eligible activity.

   d. Complete Section II

      i. Update the Name on the bottom of the form to the name of the individual who completed the review and update the date to today's date.

   e. Save As and save a copy of the form to the applicable earnings period verification folder as a word document.

   f. Save a second copy of the form & letter as a PDF.

FINAL STEPS

1. Both reviewers should update the Verification Tracking Spreadsheet with the completed date & initials under the column “First Review”.
2. A third individual should review, approve the verification and update the Verification Tracking Spreadsheet approved with initials & date. The reviewers should wait for the second approval before continuing to the next step. For directions on completing the second review see the “Second Review” section of this document.
3. Email the verification letter & form or denial to the client using the “taxcredits@WEDC.org email.
4. Upload all documents to the Performance Report folder in Salesforce
    a. Manual Reviews
        i. Should be labeled with the standard naming convention with document name “Manual Review 1” & “Manual Review 2”.
        ii. All WEDC calculations should be clearly marked and labeled as such.
    b. Summary
    c. Verification Letter & Form or Denial Letter
5. In the Salesforce Opportunity chatter add a new message that says:

    Tax Credit Verification completed for the period ending: MM/DD/YY. Verification form and letter were sent to the company and uploaded to the performance reporting folder.
6. Update EnABLE Allocation Tables
    a. Go to the award in EnABLE
    b. Find the eligible credit activities listed under the Award Snapshot. **Click on the pencil to edit** the credit activity. DO NOT “ADD NEW” ALLOCATION CATEGORY.
    c. Each Credit Type will have an entry for each eligible period; only update the appropriate period.
        i. Period Ending: the end of the earnings period
        ii. Date Received: the received date of the compliance item – performance report for the period end
        iii. Amount Verified: The Tax credits awarded for that earnings period for that specific credit type.
            a. If shifting is used such that excess credits in one category are used to fill a gap in a different category; the allocation must be changed to match the verification.
            b. This means that the allocation table in the contract will not match EnABLE if excess is used.

c. Any changes should be documented in the “comments” field at the top of the allocation, indicating the original allocation, the reason for the change, where the excess was used or shifted to as well as the date of the change and name.

I.E the company is allocated to earn $100MM in creation & $50MM in training for a total of $150MM.

The company earns $75MM in creation and $100MM in training.

In EnABLE, change the allocation in the “amount field” for creation to $75MM and enter $75MM as amount verified, change the allocation in the “amount field for training to $75MM and enter $75MM as the amount verified, for a total of $150MM.

iv. Waiver: N/A – Only used for DOZ’s

v. Date processed: The date on the verification letter or form

vi. Comment: For job creation or retention enter base headcount # if calculated or enter current period headcount.

vii. Period Investment: Only entered when the credit type is Capital Investment. Add the total eligible Capital expenditures (both real and personal) as listed on the verification form.

viii. Period Jobs: Only entered when the credit type is creation or retention.

1. Creation: Add the increase in employment from the previous period.
2. Retention: Enter the lessor of the base or current headcount for retention

ix. Target jobs: not used.

b. Update Compliance item – Performance Report

i. Approver name and date should be entered

7. Email Verification to the company
8. Update the Verification Requests tracking spreadsheet with the completed date under the “date completed” column

SECOND REVIEW

Once a verification has been marked as completed on the tracking spreadsheet by both manual reviewers, a third individual will review and approve the verification prior to the initial reviewer sending the verification to the client, updating EnABLE or updating Salesforce.

1. The third reviewer is not completing an entirely separate review/analysis but reviewing the data and ensuring that the correct process was used.

2. The third reviewer should
    a. Review the contract and/or amendments for:
        i. Full time jobs definition
        ii. Tax Credit categories
        iii. Earnings period
        iv. Reporting periods
        v. Any special language/earnings provisions
    b. Verify the data submitted by the company matches the correct dates.
    c. Verify that the data used by the first two analysts matches the data submitted by the company.
    d. Review any manual exceptions made are documented correctly and are appropriate
    e. Review any analysis for capital investment, training, or supply chain
    f. Review summary document
3. Any questions or concerns should be addressed with the first two analysts.
4. Update the verification tracking spreadsheet with initials & date once approved in the "second reviewer" column.

Addendum A

Electronics & Information Technology Manufacturing Zone (EITMZ) – Specific to the Foxconn contract

The general verification process and guideline outlined above should be followed with differences outlined in this addendum.

- An EITMZ may be designed for a period of up to 15 years

JOB CREATION

Job creation calculations will follow the process outlined in section "Payroll Review - Manual Calculations" & section "Calculating credits – Job Creation" with the following exceptions:

- There are no tiers; eligible employees are those which make $30,000
- Employees must perform services in Wisconsin as set forth in Wis. Stat. § 71.28(3wm)3; Wis. Stat. §71.25(8); and Wis. Admin. Tax 2.39(5).
- In order to be eligible for any job creation credits in a period the employer must:
    - Pay an average annual wage of at least $53,875 to Full-Time Employees.
        - The annual average wage will be calculated by dividing the sum of all annualized wages paid to eligible full-time employees up to $400,000 by the total number of eligible employees as of the end of the period.
        - Terminated employees are not included in the average wage calculation in any capacity.
    - To qualify the recipient must have an eligible employee headcount which is at least the number listed in Exhibit A Column B of the contract.
- All wages up to $100K are included in the creditable wage calculation; $30,000 is not subtracted from the base wage when determining the creditable wage of eligible employees.
- Job Creation credit percentage is 17%
- Job Creation credit is calculated as: Total Creditable Wage (all eligible wages up to 100K for eligible full-time employees, actual wages paid to mid-year hires who qualify, and actual wages paid to terminated employees who would qualify if still employed) X 17% = Job Creation Credit Maximum.
- If the company does not earn the full job creation allocation ~~due to a short fall in creditable wage~~, the unearned allocation credits may be carried forward to be earned and verified in subsequent periods, subject to the limits and additional conditions below.

- ~~If unearned credits are due to not meeting the minimum job threshold in Exhibit A Column B, the credits are lost and cannot be carried forward.~~
- To be eligible for the carryforward amount the company must exceed the eligible employee headcount in Exhibit A Column C of the contract.
- Job Creation credits awarded in any period may not exceed the sum of Exhibit A Column D + Column E. and may never exceed the total in Exhibit A, Column F.
- For more details regarding carryforward creation credits see section 6(a)3 of the contract.

CAPITAL INVESTMENT

Capital Investment calculations will follow the process outlined in section "Calculating credits – Capital Investment" with the following exceptions:

- Eligible expenditures are explicitly defined in the definition section of the contract as follows

(r) "Significant Capital Expenditure" means an investment in (i) machinery and equipment to be installed and used in the Zone (including "finance leases" and "operating leases" (to the extent and in the amount that such operating leases give rise to a "right-of-use asset" on the balance sheet of a Recipient upon lease commencement, but not including "short term" operating leases of such machinery and equipment, and not including consigned machinery and equipment), and (ii) in land and buildings located in the Zone that are needed to achieve the specific purpose of completing the Project; and provided that WEDC reserves the right to review leases between the Recipients and their Affiliates to confirm that such leases reflect fair market value prior to certifying Capital Investment Tax Credits. Notwithstanding any other provision of this Agreement, investments in residential or commercial, non-industrial property or construction of such property will not be considered to be eligible Significant Capital Expenditures for purposes of this Project and this Agreement. The terms "finance lease", "operating lease", "right-of-use asset" have the meanings assigned to them under GAAP ASC 842.

- Credits earned at 15% of eligible expenditures
- Capital Investment tax credits will not be verified until the period ending 12/31/2019.
    - The company may accrue expenses beginning on the certification date and carryforward any eligible expenses.
- In order to be eligible for the maximum allocation the company must have an eligible employee headcount which is at least the number listed in Exhibit B, Column B of the contract.
- If the number of eligible Full-Time employees is less than the number listed in Exhibit B Column B, the allocation maximum will be discounted by the same proportion.

- For example: In 2019 the company minimum job creation threshold is 520 employees. If the company has 468 eligible employees, which is 90% of 520, the capital investment allocation will be discounted by 10% and the company will be eligible for $173,571,429. ($192,857,143 -10%)

- Carryforward: Unearned Capital Investment Tax Credits (allocation carryforward) may only be carried forward in periods where the Recipient meets the Job Target in Exhibit B, Column B. In other words, Capital Investment Allocations can only be carried forward in circumstances where there has been a shortfall in spending. If credits are discounted due to a shortfall in headcount, the credits are lost and cannot be carried forward. See Section 6(b)6 of the contract for more details.

- Excess credits earned in job creation or capital investment may not be shifted between categories.

VERIFICATION

Per paragraph 7 of the contract WEDC will issue a separate verification form for each recipient to file a claim. The recipients are defined as SIO International Wisconsin, Inc., FEWI Development Corporation, and AFE, Inc.

- Tax credits will be verified in proportion to the capital expenditures made and wages paid by each individual entity.

- Capital Investment expenditures will be accrued and the percentage of expenses by each entity will be tracked. Credits will be issued on a first in, first out basis per period.

    - First in, first out will apply to expenditures within the period as a whole, not by individual date.

    - Any carryforward of earned credits being issued in a period, will be issued after credits earned in the period.

    - For Example: In a single period, there is $100,000 in eligible Capital investment and is eligible for $150 in Capital Investment Tax Credits

        - Recipient A has $400, or 40% of the total and is eligible for $60.

        - Recipient B has $250 or 25% of the total and is eligible for $37.50

        - Recipient C has $350 or 35% of the total and is eligible for $52.50

- Any carryforward job creation allocation credits will be awarded in the same manner; all tax credits verified for the period will be proportionate to the wages paid in the period being verified. Excess Job creation credits earned are not eligible to be carried forward.

- For example:

- For the period ending in December 31, 2019:
    - Recipient A employs 250 new employees (which represents 25% of total new employees) but the wages totaling 30% of the total wages paid.
    - Recipient B employs 300 new employees (which represents 30% of total new employees) but the wages totaling 30% of the total wages paid.
    - Recipient C employs 450 new employees (which represents 45% of total new employees) but the wages totaling 40% of the total wages paid.
  - Because the cumulative jobs (250+300+450) exceeds the Minimum Cumulative Full-Time Jobs set in Exhibit A, Column B, each of the Recipients would be entitled to credits based on their wages. In other words:
    - Recipient A would receive Job Creation Tax credits based on the 30% of wages paid.
    - Recipient B would receive Job Creation Tax credits based on the 30% of wages paid.
    - Recipient C would receive Job Creation Tax credits based on the 40% of wages paid.

RELATED DOCUMENTS:

- *Tax Credit Verification Process Exceptions, dated 6/4/2017*

WEDC PROCEDURE

C&R 0412 - Enterprise Zone Tax Credit and Electronics & Information Technology Manufacturing Zone Procedures
OWNER: Senior Financial Servicing Director
RESPONSIBLE ROLES: Senior Financial Servicing Director, Senior Financial Servicing Analyst, Financial Servicing Analyst
APPLICABLE TO: WEDC Staff.

SUMMARY:

These work instructions detail the methodology and process by which Enterprise Zone tax credits are awarded and verified. The below process is a general guideline; any specific contract language will always take precedence.

This procedure is effective for the processing of all tax credit verifications for period end date 12/30/2017 and prior.

GOVERNING SOURCE REFERENCE(S):

- Wisconsin State Statute 238.396 - Electronics and information technology manufacturing zone.
- Wisconsin State Statute 238.399 - Enterprise zone program.
- Enterprise Development Zone Program Guidelines
- Electronics and Information Technology Manufacturing Zone Program Guidelines
- Specific Award Contract Language

DEFINITIONS:

Project Scope

Recipient

The Recipient is the entity with whom WEDC contracts and which claims the credits WEDC verifies on their Wisconsin state income taxes. The Recipient and scope of statewide employment is determined by the Recipient's Federal Employment Identification Number (FEIN).

Even if the Recipient files a combined Wisconsin tax return with other related entities, WEDC can provide tax credits to the Recipient based on their unique FEIN. If multiple related entities

are included in the project, WEDC will work with the company(ies) involved to determine their relationships, who is conducting the relevant activities, and how the award should be set up.

If there are multiple related entities that use the same FEIN to file their Wisconsin taxes, employees of all entities included under that FEIN will be counted in the statewide employment. If there are multiple related entities with different FEINs involved in the project, each entity will be defined as a claimant in the contract, and tax credits will be verified to the claimants in proportion to their eligible activity earnings.

Project Location

An Enterprise Zone designation can be made location-specific or statewide. The base payroll spreadsheet will provide the necessary information on the Recipient's statewide employment and identify employees by facility location.

Tiers:

Tier 1 include those locations which are designated as distressed by WEDC.

Tier 2 include those locations which are not designated as distressed by WEDC.

If the Enterprise Zone includes facilities in both distressed and non-distressed locations WEDC will design the entire zone as non-distressed. The applicable tier for the award will be determined based on WEDC's designations of distressed/non-distressed in effect as of the Certification Date.

Eligible Employees

Eligible Full-Time Employee

In a Tier I Enterprise Zone:

> A "Full-Time Employee": means an individual who is employed in a regular, non-seasonal job for which the annual pay is more than the amount determined by multiplying 2,080 by 150 percent of the federal minimum wage, and an individual in the position is offered the retirement, health, and other benefits that are equivalent to the retirement, health, and other benefits offered to an individual who is required to work at least 2,080 hours per year.

In a Tier II Enterprise Zone:

> A "Full-Time Employee": means an individual who is employed in a regular, non-seasonal job for which the annual pay is more than thirty thousand dollars ($30,000), and an individual in the position is offered the retirement, health, and other benefits that are equivalent to the retirement, health, and other benefits offered to an individual who is required to work at least 2,080 hours per year.

While there are two statutory definitions of Full-Time Employee, WEDC utilizes the above identified definition in its contracts: Wis. Stat. Sec. 238.399(1)(am)2.[1]

Partial-Year Employees

"Partial-Year Employees" are those employees who only worked part of the year due to their hiring or termination dates, who would have met the Full-Time Employee definition if they had worked the full year. Partial-Year Employees whose employment was terminated during the year will have their wages earned during the period of their employment counted in the calculations, but not their hours/headcount. Partial-Year Employees who are employed as of the period end will have their wages earned during the period of their employment counted in the calculations, along with their hours/headcount.

Eligible Wages

"Eligible Wages" considered for the calculation of tax credits are those wages up to one hundred thousand dollars ($100,000) for each Eligible Employee and includes any commission, bonus, overtime, but not health insurance, or other benefits compensation or severance/separation payments paid to the Eligible Employee.

Eligible Wages include wages which are greater than the amount determined by multiplying 2,080 by 150 percent of the federal minimum wage* in a Tier I county or municipality or greater than $30,000 in a Tier II county or municipality.

* The amount will be determined by the federal minimum wage as of the certification date.

Certification Date and Baseline

Certification Date

"Certification Date": means the date, designated by WEDC, on which the eligibility to earn Tax Credits begins. No activities occurring prior to the Certification Date will be considered in allocating Tax Credits.

Tax credit Certification Dates should be set to align with the beginning of the project. Certification Dates may not precede WEDC's sending of an application to the applicant unless a prior Certification Date is approved in writing by WEDC's CEO and where it can be demonstrated that the Certification Date does not allow for expenditures or jobs that have already been incurred or created prior to engaging WEDC for assistance.

Base Year

"Base Year": means the taxable year beginning during the calendar year prior to the calendar year in which the enterprise zone in which the Certified Business is located takes effect.

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[1] Previous statutory language allowed for a tier at $20,000 referred to as "Tier 20"; while this language is not currently allowed for, older contracts may have language similar to the following:
"Full-Time Position" means any permanent, non-seasonal position where an employee is required, as a condition of employment, to work at least 2,080 hours per year, including paid leave and holidays, and for which the individuals receives annual pay that is equal to at least $20,000 and benefits that are not required by federal or state law.

The Base Year must align with the Recipients taxable year and may overlap the Certification Date. However, in no circumstances can credits be earned for job creation or job retention prior to the end of the base year period.

Example 1: Base Year Corresponds with Certification Date:

- Recipient's taxable year ends 12/31 and the Certification Date is 1/1/17.
- Recipient's taxable year beginning during the calendar year prior to the calendar year in which the Enterprise Zone takes effect will be 1/1/16-12/31/16.
- Job retention and job creation tax credit earnings and calculations will be based on employment beginning 1/1/17, the Certification date, and there will be no overlapping or gaps from the Base Year.

Example 2: Base Year Overlaps Certification Date:

- Recipient's taxable year ends 9/30 and the Certification Date is 8/1/17.
- Recipient's taxable year beginning during the calendar year prior to the calendar year in which the Enterprise Zone takes effect will be 10/1/16-9/30/17, creating an overlap between the end of the Base Year and the Certification Date.
- Job retention and job creation tax credit earnings and calculations will begin 10/1/17, the start of the Recipient's next taxable year. Capital investment, training, and supply chain tax credit earnings and calculations may begin on the Certification Date, as those calculations do not rely on the Base Year.

Example 3: Base Year Ends Prior to Certification Date:

- Recipient's taxable year ends 7/31 and the Certification Date is 9/1/17.
- Recipient's taxable year beginning during the calendar year prior to the calendar year in which the Enterprise Zone takes effect (Base Year) will be 8/1/16-7/31/17, creating a gap between the end of the Base Year and the Certification Date.
- No tax credit earnings or calculations may begin prior to the Certification Date, but because the calculations of job retention and job creation tax credits are based on comparisons with the Base Year, the Recipient may inadvertently receive benefit for job growth during the gap between the Base Year and the Certification Date.

For awards where the Certification Date is a date prior to award approval, WEDC will have the baseline information at the time of contracting and will insert the number of baseline employees into the contract. For awards where the Certification Date is a date after contracting, WEDC will require that the company submit their baseline information along with their first-year performance report and set the baseline number of employees at that time.

PROCEDURE DETAILS:

CALCULATING INCENTIVES

The maximum tax credit award amount for a project will be determined by calculating the maximum amount the Recipient could earn cumulatively under job creation, job retention, capital investment, supply chain, and/or training. Credits shall be calculated by using the appropriate EZ tax credit calculator, which can be obtained by contacting the Senior Servicing Analyst or Senior Financial Servicing Director, it is currently housed here: G:\ED\G DRIVE - NEW\Tax Credit Central\Verification Documents & Tools\EZ.

WEDC does not have to award the Recipient the maximum amount allowed for under the calculation, and the award amount will be based upon multiple factors (including ROI) to optimize the effectiveness of the award to the State of Wisconsin.

Once the maximum tax credit award amount for a project is determined, staff will evaluate all aspects of the project to determine which eligible activities to incent with tax credits. A project may receive tax credits for multiple eligible activities. The amount of tax credits awarded for each activity shall align with the calculations prescribed in the Statute and Program Guideline.

An Enterprise Zone may be designated for a period of up to 12 years.

Certification of an Enterprise Zone

A business may qualify for an EZ certification if one of the five circumstances is met. For additional detail please see the Program Guideline.

1. Begins operations in the EZ
2. Relocates to the EZ from out of state
3. Expands operations within the EZ
4. Retains jobs in the EZ
5. The business in the EZ purchases substantially from a Wisconsin Supply Chain.

Earning Requirements

Job Creation Tax Credits:

Job creation tax credits are calculated at a rate of up to 7% of the Creditable Wage paid to the New Full-Time Employees in the Zone

Job creation credits will be based on the lesser of either (1) the increase in the number of Full-Time Employees in the State of Wisconsin as compared to the Base Year, or (2) the increase in the number of Full-Time Employees in the Enterprise Zone as compared to the Base Year. The contract may require the Recipient to create a specific number of new jobs to be eligible for any credits.

Job Retention Tax Credits:

Job Retention will be based on the creditable wage in the base period. The Recipient may be eligible for an amount of up 7% of the base period creditable wage for no more than five consecutive years. The Recipient will be required to maintain the number of eligible Full-Time Employees as defined in the contract in the Base Year to be eligible for credits. The Recipient's annual creditable wage must not fall below the Base Year creditable wage established to qualify for any retention credits.

Capital Investment Tax Credits

If the Significant Capital Investment is at least $10,000,000, Capital investment tax credits are calculated at a rate of up to 10% of the Recipient's real and personal property investment. Capital Expenditures are generally defined as those which would be to lease or purchase depreciable, tangible assets such as land, buildings, software and equipment. Generally

operating lease payments are not eligible. Eligible expenditures must be made after the Certification Date.

Training Tax Credits

Training credits are calculated at a rate of up to 100% of the Recipient's eligible training costs incurred to undertake activities to enhance an Eligible Employee's general knowledge, employability, and flexibility in the workplace; to develop skills unique to the Recipient's workplace or equipment; or to develop skills that will increase the quality of the Recipient's product.

Eligible training costs include (1) the cost of the trainer, (2) the cost of training materials, (3) the wages of the trainee while in a classroom setting, or (4) the costs of the trainer and the wages of the trainee while in an on-the-job or job shadowing setting. Eligible training may include: Lean training (Six Sigma), technical college courses specific to equipment or processes, or courses designed specifically for equipment/processes. Tuition reimbursement costs can be included if the degree being obtained will enhance the employee's employability or skills. Tuition reimbursement will be based on the individual classes taken vs the degree being pursued. General education courses unrelated to the industry may be excluded (such as art history or general health

courses). On the job or job shadowing costs for the trainee may be included as training expenses but not also as job creation or job retention expenses. That is; if an employee is in a job shadowing role 100% of the time and wages are claimed towards a job training credit, the wages and hours for this period may not also be claimed under a job creation or job retention credit.

Ineligible training costs include travel expenses, food, or lodging. Other ineligible training activities would include: general HR courses, general safety procedures, orientation, and routine training not project-related.

Supply Chain Tax Credits:

Supply Chain Tax Credits are intended to incentivize the awardee for external inputs that are 1) directly responsible in the production or distribution of the output/commodity, 2) purchased from a Wisconsin Supplier, and 3) incremental to the current supply chain footprint of the awardee.

Supply chain activities involve the transformation of natural resources, raw materials, and components into a finished product that is delivered to the end customer. Supply chain is the sequence of processes involved in the production and distribution of a commodity, product, or service.

Supply chain is comprised of vendors that supply raw material, producers who convert the material into products, warehouses that store, distribution centers that deliver to the retailers, and retailers who bring the product to the ultimate user.

The Recipient may earn Supply Chain Tax Credits at a rate of up to 1% of the Eligible Supply Chain Expenditures. Eligible Supply Chain expenditures include those vendors within the State of Wisconsin which contribute directly to the manufacture, distribution or production of the

commodity, product or service. Ineligible activities or expenditures will include: The Recipient's internal costs to produce the output/commodity (e.g. payroll, benefits, insurance, financing charges, travel/lodging/expenses), charitable donations, political contributions and costs such as snow removal and landscaping. If an expense is claimed under a Capital Investment Credit, it may not also be claimed under Supply Chain.

Generally, if the recipient is not at risk for moving current operations out of state, only the incremental change in supply chain expenditures year-over-year should be considered eligible expenditures, which will require a baseline measurement at the time of application.

Provisions to earnings

The below provisions represent possible language variations found in existing contracts. These provisions are not standard language and are not guaranteed to be available in future negotiations.

80% Rule

As a threshold to be eligible to earning Tax Credits in a particular year, the Recipient must not have decreased the number of Existing Full-Time Employees from the base period and must meet in such year at least eighty percent (80%) of the cumulative New Full-Time Employees to be created in the Enterprise Zone, as detailed in the Disbursement Schedule exhibit of the contract. WEDC may require this threshold for any or all earnings categories.

Carryforward

WEDC may provide the opportunity for a company to carry-forward un-earned tax credits to be earned & verified in future years. This may be applicable for any or all earnings categories.

As long as the Recipient has met the "Minimum Cumulative New Full-Time Employees to Qualify" threshold as set forth in the Disbursement Schedule Exhibit, any unearned Tax Credits in a year may be rolled forward to be earned and verified in subsequent years.

Excess

WEDC may provide the opportunity for a company to carryforward tax credits earned in excess of the allocation for the given period. Excess may be limited to the same category in future years or may be available for any category

If in any fiscal year, the amount of tax credits earned exceeds the amount of such credits authorized in that category for that period, the excess earned may be carried over to the next period and added to the amount of tax credits authorized for that subsequent period. This may be applicable for any or all earnings categories.

Shifting

WEDC may provide the opportunity for a company to shift excess credits earned in a tax credit category to be verified in a different tax credit category within the same earnings period. This may be applicable for any or all earnings categories.

If in any period, the amount of Enterprise Zone Tax Credits earned through any tax credit category exceeds the amount of Tax Credits authorized for such tax credit category in the

period as set forth in the Disbursement Schedule Exhibit, such excess amount may be used to offset short falls in any other tax credit category during such calendar year.

Obligations

Contractual obligations will include completing the project as contemplated by the Recipient's applications, maintaining the baseline Existing Full-Time Employees (if any), making a Significant Capital Investment (if applicable), and maintaining the Significant Capital Investment and Full-Time Employees for which the Recipient has earned credits. The length of the maintenance period may go beyond the tax credit earning period at WEDC's discretion, but the maintenance period will not be shorter than the tax credit earning period.

The obligations will not typically require the Recipient to create a specific number of jobs, as the tax credits are performance-based and determined based on the calculations and threshold requirements noted above. WEDC may add additional obligations and thresholds to earning on a case-by-case basis depending on the factors surrounding the award.

Default Provisions and Claw-backs

Event of Default and Remedies language in the contract will reflect statutory requirements.

SAMPLE REPORTING SCHEDULE & ALLOCATION TABLE:

Fiscal Year:10/01 – 09/30

Certification Date: August 1, 2015

Base: 10/01/14 – 09/30/2015

Jobs to be created: 500

Eligible Period	Minimum Cumulative New Full Time Employees to Qualify	Job Creation	Job Retention	Capital Investment	Supply Chain	Training	Annual Total
08/01/2015 - 09/30/2015				$ 1,000,000	$ 125,000		$ 1,125,000
10/01/2015 - 09/30/2016			$ 500,000	$ 1,000,000	$ 125,000		$ 1,625,000
10/01/2016 - 09/30/2017	50	$ 200,000	$ 500,000	$ 1,000,000	$ 125,000	$ 90,000	$ 1,915,000
10/01/2017 - 09/30/2018	130	$ 200,000	$ 500,000	$ 1,000,000	$ 125,000	$ 90,000	$ 1,915,000
10/01/2018 - 09/30/2019	200	$ 400,000	$ 500,000	$ 1,000,000	$ 125,000	$ 80,000	$ 2,105,000
10/01/2019 - 09/30/2020	265	$ 400,000			$ 125,000	$ 80,000	$ 605,000
10/01/2020 - 09/30/2021	335	$ 400,000			$ 125,000	$ 80,000	$ 605,000
10/01/2021 - 09/30/2022	400	$ 400,000			$ 125,000	$ 80,000	$ 605,000
Total		**$ 2,000,000**	**$ 2,000,000**	**$ 5,000,000**	**$ 1,000,000**	**$ 500,000**	**$ 10,500,000**

Annual Performance Report Period Covered	Payroll and Verification Report Period Covered	Due Date
August 1, 2015 – September 30, 2015	August 1, 2015 – September 30, 2015	January 1, 2016
August 1, 2015 – September 30, 2016	October 1, 2015 – September 30, 2016	January 1, 2017
August 1, 2015 – September 30, 2017	October 1, 2016 1 – September 30, 2017	January 1, 2018
August 1, 2015 – September 30, 2018	October 1,2017 – September 30, 2018	January 1, 2019
August 1, 2015 – September 30, 2019	October 1,2018 – September 30, 2019	January 1, 2020
August 1, 2015 – September 30, 2020	October 1,2019 – September 30, 2020	January 1, 2021
August 1, 2015 – September 30, 2021	October 1,2020 – September 30, 2021	January 1, 2022
August 1, 2015 – September 30, 2022	October 1,2021 – September 30, 2022	January 1, 2023

WORK INSTRUCTIONS:

TAX CREDIT VERIFICATION - DETERMINE ELIGIBILITY

1. Find the executed contract and, if applicable, most recent amendment
2. Review the contract for which Full-Time Employee definition is used
3. Review the Full-Time Employee definition and/or the Job Creation section for appropriate wage tier
    a. Tier 1 will read 150% of minimum wage (Which is currently $22,620)
    b. Tier 2 will read $30,000
    c. Tier 20 will read $20,000
    d. It is possible that the tier for eligible headcount and eligible creditable wage are different. In this instance, the Full-Time Employee definition is used for headcount and the wage listed under the calculating Job Creation section is used for creditable wages.
4. In the Eligibility for Tax Credits section, the contract will detail eligibility broken down by category
    a. Look for total award amount per category
        i. Job Creation
        ii. Job Retention
        iii. Training
        iv. Supply Chain

v. Capital Investment

b. Review for specific stipulations that may be listed such as:

i. Ability to carryforward unearned credits

ii. Ability to carryforward credits earned in excess of annual limit

iii. Ability to shift credits earned from one category to another

iv. The allocation table may or may not include a minimum job creation number that must be reached to be eligible for credits in one or more categories

5. Read the reporting schedule to verify the payroll dates required for the current submission

REVIEWING PAYROLL FILES

Review payroll to ensure that the data is in an acceptable format with all appropriate data points

1. The Operations and Program Performance Reporting team will perform a preliminary review of the data upon the initial submission using the following guidelines:
   a. If earning on job creation/retention payroll is required for ALL periods where job creation or job retention is earned
      i. Payroll must be in the template format provided
      ii. Check that:
         1. All fields are complete
         2. The company provided data for all employees employed during the period
            a. Data provided is not just for new hires – i.e. there should be hire dates prior to the current period.
            b. Data is included for employees that terminated during the period
         3. Hours/wages look “logical” – i.e. a variety. Not all very low or all exactly the same.
2. Payroll should be in Salesforce saved within the Performance Reporting Folder.
   a. If payroll is not located, ask the Program Analyst (Operations and Program Reporting Team)
3. Prior to beginning the analysis, the reviewer will check the following:
   a. Payroll must be in the excel format provided to the company
   b. Must be for the entire reporting period (4th quarter payroll is not acceptable)
   c. Must be actual wages and hours provided
      i. Annual salaries, contracted rates, etc., are <u>not</u> acceptable
   d. If hourly wage is not provided
      i. Ask for clarification from the company unless employees are noted as salary
   e. Document any clarification provided from the company by:
      i. Saving a copy of the email to the performance report section of salesforce

ii. Save a copy of the email in the current year verification folder in the project folder in G: Drive

f. Current payroll template includes the following columns:
   i. Employee ID
   ii. Hours worked – Period
   iii. Hourly Wage
   iv. Period Wages
   v. Hire Date
   vi. Term Date
   vii. PT/FT
   viii. Residency (state)
   ix. Worksite

PAYROLL - MANUAL CALCULATIONS

How to manually calculate eligible employee headcounts and creditable wages used for Job creation & Job Retention.

At this time, the Tax Credit Calculator is not set up with any Enterprise Zone calculations. Instead, two different reviewers will complete an independent manual review of the payroll using the below instructions and a third will approve. If at any time the reviewer questions the validity of the data or discovers any discrepancies, a request for clarification from the company should be made and all responses saved in the project folder and Salesforce.

1. Initial Sorting:
   a. Sort by employment status
      i. Move any employees which are not listed as Full Time to the bottom of the list and highlight the entire row using red.
   b. Residency
      i. Any employee that does not live in Wisconsin and is designated as “remote”, “working at home”, or “sales” can be eligible. The employee must be paid out of the designated Enterprise Zone.
      ii. This should be confirmed by the company that all wages paid to such employees are paid out of a location within the Zone.
      iii. Confirmation should be documented in writing and saved to Salesforce and the G Drive project folder.
   c. Sort by Hourly Wage
      i. If hourly wage is not provided by the company, calculate the hourly wage by dividing Total Period Wages by Period Hours Worked.
      ii. Employees must earn 150% of minimum wage at the time of contracting, currently this is $10.875.
      iii. Move all employees with an hourly wage < $10.875 to the bottom of the file and highlight the entire row in red.

d. Check for any employees with start dates after the period end date
    i. If there is an employee with a hire date after the period, move to the bottom and highlight in red
    ii. If an employee is listed with a start date after the start of the period but has wages listed, ask for clarification from company
    iii. The employees highlighted in red are disqualified and there are no further calculations performed.
e. Sort by termination date
    i. Move all employees with a termination on or before the last day of the period to the bottom of the sheet, but above all other ineligible employees that have been moved to the bottom and highlight in orange. These are the "Terminated Employees".
f. This will leave a group of potentially eligible employees that are not highlighted; these are the "Potentially Eligible Employees".

2. Wage Check
    a. "Days" Calculations
        i. Calculate the number of days the employee was employed during the period.
        ii. No calculation is needed for employees excluded and now highlighted red.
        iii. Days calculation should be labeled as such and stored in the column right of the "Comments" column.
        iv. Sort Terminated Employees (orange) by hire date
            1. For terminated employees hired *prior* to the period start date use the "Days" functions to calculate the number of days between the employee's Termination Date and the Period Start Date.
            2. For the Terminated Employees hired *after* the period start date use the "Days" functions to calculate the number of days between the employee's Termination and Start Dates.
        v. Sort the Potentially Eligible Employees by hire date
            1. For employees hired *prior* to the period start date use the "Days" functions to calculate the number of days between the Period End Date and the Period Start Date.
            2. For the employees hired *after* the period start date use the "Days" functions to calculate the number of days between the Period End Date and the employee's Hire Date. These are referred to as "Partial Period Employees".
        vi. **Days = (Days(END DATE, START DATE)+1)**
    b. Annualized Hours
        i. Calculate the number of hours worked in the period for all Potentially Eligible, or Terminated employees

1. Include all hours worked that are listed by employer which may include overtime.

ii. No calculation is needed for excluded employees highlighted in red.

iii. Hours calculation should be labeled as such and stored in the column to right of the “Days” column created in the previous step.

iv. For contracts with the alternate Full-Time Employees definition this is only a quality check for the data; the reviewer should request clarification from the company on any unusually high hours.

v. For contracts with the standard Full-Time Employees definition, compare the annualized hours to the contractual requirement.

1. Any employee which does not reach the contractual requirement should be highlighted in red and disqualified; regardless of wages earned.

vi. **Annualized Hours: =(Period hours / Days)*365**

c. Annualized Wage

i. Calculate annual wages for all partial reporting periods, Partial Period Employees and Terminated Employees.

ii. No calculation is needed for excluded employees highlighted in red.

iii. No calculation is needed for Potentially Eligible Employees who worked an entire period **and** the period is equal to 12 months.

iv. Annual Wage calculation should be stored in the column right of the “Annualized Hours” column.

v. Terminated and Potentially Eligible Employees should be sorted separately by hire date.

vi. All wages are to be included; only exclude severance, separation payments & any insurance benefits paid on the employees’ behalf.

vii. **Annualized Wage: =(Period wages/Days)*365**

d. Creditable Wage

i. Creditable wage column should be located to the right of the annualized wage column.

ii. Sort both Potentially Eligible Employees and Terminated Employees by annualized wages separately.

iii. For employees who earn >$100K

1. If the employee is a full-year employee and the period is equal to 12 months, the creditable wage is $100,000 – Tier threshold
2. For reporting periods < 12 months, Partial Period and Terminated Employees who have annualized wages >$100K: prorate the creditable wage based on the length of employment or the period and subtract the pro-rated tier threshold.

a. Prorated creditable wage = (100,000/365) X DAYS

b. Prorated Tier threshold =(WAGE/365) X DAYS

iv. For employees who earn <$100K
    1. For full 12-month period full year employees
        a. If annual wages ≥ tier threshold, then Creditable wage = Period Wages – tier threshold
        b. If period wages < tier threshold, then Creditable wage = Zero
    2. For reporting periods < 12 months, partial period and terminated employees
        a. If Annualized wages > Tier threshold, then Creditable wage = Period Wages – Pro-rated Tier threshold
        b. If Annualized wages < Tier threshold, then Creditable wage = Zero

v. **Creditable wage Calculation**: Sum of all wages, including wages from both Terminated and Potentially Eligible Employees

e. Headcount

i. Add a column to the right of the Creditable Wage column titled "headcount"
    1. For any contract with a different tier for headcount vs creditable wage
        a. Compare the employee's Annualized Wage to the headcount tier threshold
        b. Enter "1" for all Potentially Eligible Employees with annualized wage ≥ headcount tier wage
        c. Enter "0" for any employee with annualized wages < headcount tier wage or a Terminated Employee and highlight in red
    2. For contracts where the headcount and creditable wage tier are the same:
        a. Enter "1" for any Potentially Eligible Employee with creditable wages listed
        b. Enter "0" for any Terminated Employee or for any Potentially Eligible Employee with Zero listed in the creditable wage column and highlight in red

ii. Highlight all employees who have not already been highlighted in red or orange, in yellow. These should all be at the top of your spreadsheet and should meet each of the following conditions
    1. Hourly wage is >$10.875
    2. Full Time or have full time equivalent benefits
    3. Not terminated

iii. The count of the headcount column 1's = the eligible headcount

f. Exceptions

i. Review any disqualified, non-terminated, employee for a possible exception.
ii. A manual exception will be granted to allow an employee to be eligible when they do not mean the annual wage threshold when the company certifies that the employee was on an approved leave AND was eligible for benefits during leave.
iii. Approved leave includes
    1. FMLA
    2. Disability
    3. Military Leave
    4. Leave of absence
iv. If an exception is approved the reviewer should make a comment clearly indicating that an exception is granted and the reason for the exception. This should be documented in a separate column.

CALCULATING CREDITS

How to determine the amount of credits earned – Always review contract for any specific variations. Two reviewers should each complete an independent review of all credit categories and compare for accuracy.

1. <u>Job Creation</u>
    a. Number of new employees in the period = Current period headcount – base headcount
        i. Effective 07/01/2017 all new EZ and any amendment to an existing EZ the number of new employees is the lesser of:
            1. The number of new employees in the EZ or
            2. The number of new employees in the State
        ii. For any EZ existing prior to 07/01/2017 without an applicable amendment, the calculation of new employees is limited to the EZ; not the state.
    b. Current period creditable wage / total current period headcount = AVG eligible wage
        i. Tier threshold is already subtracted during the creditable wage calculation to account for pro-rating when necessary. Do not subtract the tier wage again.
        ii. Creditable wage is only calculated using wages paid to those employees in the EZ.
    c. AVG eligible wage (step b) * # New employees (step a)
    d. Multiply the result from step c by the creation percent, typically 7%
    e. The credit to be awarded is the lesser of:

i. The amount determined in step D or

ii. The amount listed in the allocation table in the contract for the current period

2. Job Retention

   a. The yearly job retention credit cannot be more than 7% of the creditable wage of the base year; the allocation table will list the maximum credit for each period.

   b. Job retention cannot be issued for more than 5 consecutive years; this does not need to begin on the certification date.

   c. In order to qualify for job retention, the number of eligible employees in the current period must be ≥than the base headcount and the current period creditable wage must be ≥than the creditable wage in the base year.

3. Job Training: Job Training credits are earned for eligible training expenses.

   a. The contract will state the rate that credits will be earned. Credits can be earned at a rate of up to 100% of eligible training expenses.

   b. See the Calculating Incentives section of this document on page 3 for more details regarding specific eligible and ineligible costs.

   c. A file must be saved clearly indicating what expenses are eligible and which are ineligible with a reason for ineligibility

   d. The credit to be awarded is the lesser of:

      i. The eligible training amount or

      ii. The amount listed in the allocation table in the contract for the current period

4. Capital Investment - earned for eligible capital expenses.

   a. Up to 10% of personal property and real property expenses.

   b. See the Calculating Incentives section of this document on page 3 for more details regarding specific eligible and ineligible costs

   c. A file must be saved clearly indicating what expenses are eligible and which are ineligible with a reason for ineligibility.

   d. The credit to be awarded is the lesser of:

      i. The calculation of eligible expenses or

      ii. The amount listed in the allocation table in the contract for the current period

5. Supply Chain – earned for expenses related to the production and distribution of a commodity, product, or service.

   a. Credits may be earned at a rate of up to 1% of eligible expenses.

b. See the Calculating Incentives section of this document on page 3 for more detail regarding specific eligible and ineligible costs.

c. Expenses that are claimed & eligible for a Capital Investment Credit are not eligible for a Supply Chain Credit.

d. A file must be saved clearly indicating what expenses are eligible and which are ineligible with a reason for ineligibility.

e. The credit to be awarded is the lesser of:

   i. The eligible expense calculation

   ii. The amount listed in the allocation table in the contract for the current period

COMPLETING THE SUMMARY DOCUMENT

The summary document will be created to track the cumulative results of the verification.

1. If this is the first verification being completed

   a. Locate the summary template

      i. G:\ED\G DRIVE - NEW\Tax Credit Central\Verification Documents & Tools\EZ\Summary Template – EZ

   b. Complete all fields of the template, verifying information from the contract as applicable

   c. Any necessary comments regarding the verification should be saved in the document.

2. If this is a second or subsequent verification

   a. Locate the previous summary completed (may be titled final comparison)

   b. Update fields as necessary, adding results and comments from the current period.

DRAFTING THE VERIFICATION LETTER & FORM

1. Determine what type of letter will be drafted:

2. Denial letter - If the company is *not* eligible to earn credits under *any* of their earnings categories due to failure to perform:

   a. Prior to drafting a denial letter, consult with the Senior Financial Servicing Director to provide direction.

   b. Located at: G:→ED→G DRIVE – NEW→Tax Credit Central→Verification Documents & Tools→ EZ

   c. Open the EZ Denial Letter.

   d. Cross reference the Salesforce Opportunity, EnABLE and the current Performance Report and determine the contact information.

e. If the company was previously sent a verification form, prepare a form, updating the job numbers and entering zero credits earned for this period.

f. Save As and save a copy of the form to the applicable earnings period verification folder.

3. Verification Letter - If the company is eligible for *any type* of credits a verification form and letter need to be completed:

   a. Located at: G:→ED→G DRIVE – NEW→Tax Credit Central→Verification Documents & Tools→ **EZ**

   b. Open the EZ Verification Letter.

   c. Cross reference the SalesForce Opportunity, EnABLE and the current Performance Report and determine the contact information.

   d. Save As and save a copy of the form to the applicable earnings period verification folder

4. Verification Form – Summarizes credits earned to date and current period credits earned

   a. If the company has received a verification previously navigate to the previous verification folder.

      i. Find the word document for the verification form. You can use this document as a template for this period by making a copy of the form: do not save over the original document

      ii. Add the most recent details to the form and updated all applicable dates.

      iii. Verify that contact information is up to date.

   b. If a verification has not been completed open a new blank copy

      i. Go to G:→ED→G DRIVE – NEW→Tax Credit Central→Verification Documents & Tools→EZ

   c. Compare the top half of section I to the current performance report to see if it needs to be updated.

      i. Update the second half of Section I with current information.

      ii. Fill in the current period tax credit amount per eligible activity.

   d. Complete Section II

      i. Update the Name on the bottom of the form to the name of the individual who completed the review and update the date to today's date.

   e. Save As and save a copy of the form to the applicable earnings period verification folder as a word document.

   f. Save a second copy of the form & letter as a PDF.

FINAL STEPS

1. Both reviewers should update the Verification Tracking Spreadsheet with the completed date & initials under the column “First Review”.
2. A third individual should review, approve the verification and update the Verification Tracking Spreadsheet approved with initials & date. The reviewers should wait for the second approval before continuing to the next step. For directions on completing the second review see the “Second Review” section of this document.
3. Email the verification letter & form or denial to the client using the “taxcredits@WEDC.org email.
4. Upload all documents to the Performance Report folder in Salesforce
    a. Manual Reviews
        i. Should be labeled with the standard naming convention with document name “Manual Review 1” & “Manual Review 2”.
        ii. All WEDC calculations should be clearly marked and labeled as such.
    b. Summary
    c. Verification Letter & Form or Denial Letter
5. In the Salesforce Opportunity chatter add a new message that says:

    Tax Credit Verification completed for the period ending: MM/DD/YY. Verification form and letter were sent to the company and uploaded to the performance reporting folder.
6. Update EnABLE Allocation Tables
    a. Go to the award in EnABLE
    b. Find the eligible credit activities listed under the Award Snapshot. **Click on the pencil to edit** the credit activity. DO NOT “ADD NEW” ALLOCATION CATEGORY.
    c. Each Credit Type will have an entry for each eligible period; only update the appropriate period.
        i. Period Ending: the end of the earnings period
        ii. Date Received: the received date of the compliance item – performance report for the period end
        iii. Amount Verified: The Tax credits awarded for that earnings period for that specific credit type.
            a. If shifting is used such that excess credits in one category are used to fill a gap in a different category; the allocation must be changed to match the verification.
            b. This means that the allocation table in the contract will not match EnABLE if excess is used.

c. Any changes should be documented in the “comments” field at the top of the allocation, indicating the original allocation, the reason for the change, where the excess was used or shifted to as well as the date of the change and name.

I.E the company is allocated to earn $100MM in creation & $50MM in training for a total of $150MM.

The company earns $75MM in creation and $100MM in training.

In EnABLE, change the allocation in the “amount field” for creation to $75MM and enter $75MM as amount verified, change the allocation in the “amount field for training to $75MM and enter $75MM as the amount verified, for a total of $150MM.

iv. Waiver: N/A – Only used for DOZ’s

v. Date processed: The date on the verification letter or form

vi. Comment: For job creation or retention enter base headcount # if calculated or enter current period headcount.

vii. Period Investment: Only entered when the credit type is Capital Investment. Add the total eligible Capital expenditures (both real and personal) as listed on the verification form.

viii. Period Jobs: Only entered when the credit type is creation or retention.

1. Creation: Add the increase in employment from the previous period.
2. Retention: Enter the lessor of the base or current headcount for retention

ix. Target jobs: not used.

b. Update Compliance item – Performance Report

i. Approver name and date should be entered

7. Email Verification to the company
8. Update the Verification Requests tracking spreadsheet with the completed date under the “date completed” column

SECOND REVIEW

Once a verification has been marked as completed on the tracking spreadsheet by both manual reviewers, a third individual will review and approve the verification prior to the initial reviewer sending the verification to the client, updating EnABLE or updating Salesforce.

1. The third reviewer is not completing an entirely separate review/analysis but reviewing the data and ensuring that the correct process was used.

2. The third reviewer should
    a. Review the contract and/or amendments for:
        i. Full time jobs definition
        ii. Tax Credit categories
        iii. Earnings period
        iv. Reporting periods
        v. Any special language/earnings provisions
    b. Verify the data submitted by the company matches the correct dates.
    c. Verify that the data used by the first two analysts matches the data submitted by the company.
    d. Review any manual exceptions made are documented correctly and are appropriate
    e. Review any analysis for capital investment, training, or supply chain
    f. Review summary document
3. Any questions or concerns should be addressed with the first two analysts.
4. Update the verification tracking spreadsheet with initials & date once approved in the "second reviewer" column.

Addendum A

Electronics & Information Technology Manufacturing Zone (EITMZ) – Specific to the Foxconn contract

The general verification process and guideline outlined above should be followed with differences outlined in this addendum

- An EITMZ may be designed for a period of up to 15 years

JOB CREATION

Job creation calculations will follow the process outlined in section "Payroll Review - Manual Calculations" & section "Calculating credits – Job Creation" with the following exceptions:

- There are no tiers; eligible employees are those which make $30,000
- Employees must perform services in Wisconsin as set forth in Wis. Stat. § 71.28(3wm)3; Wis. Stat. §71.25(8); and Wis. Admin. Tax 2.39(5). In order to be eligible for any job creation credits in a period the employer must:
    - Pay an average annual wage of at least $53,875 to Full-Time Employees.
        - The annual average wage will be calculated by dividing the sum of all annualized wages paid to eligible full-time employees up to $400,000 by the total number of eligible employees as of the end of the period.
        - Terminated employees are not included in the average wage calculation in any capacity.
    - To qualify the recipient must have an eligible employee headcount which is at least the number listed in Exhibit A Column B of the contract.
- All wages up to $100K are included in the creditable wage calculation; $30,000 is <u>not</u> subtracted from the base wage when determining the creditable wage of eligible employees.
- Job Creation credit percentage is 17%
- Job Creation credit is calculated as: Total Creditable Wage (all eligible wages up to 100K for eligible full-time employees, actual wages paid to mid-year hires who qualify, and actual wages paid to terminated employees who would qualify if still employed) X 17% = Job Creation Credit Maximum.
- If the company does not earn the full job creation allocation, the unearned allocation credits may be carried forward to be earned and verified in subsequent periods, subject to the limits and additional conditions below.
    - To be eligible for the carryforward amount the company must exceed the eligible employee headcount in Exhibit A Column C of the contract.

- Job Creation credits awarded in any period may not exceed the sum of Exhibit A Column D + Column E. and may never exceed the total in Exhibit A, Column F.
- For more details regarding carryforward creation credits see section 6(a)3 of the contract.

CAPITAL INVESTMENT

Capital Investment calculations will follow the process outlined in section "Calculating credits – Capital Investment" with the following exceptions:

- Eligible expenditures are explicitly defined in the definition section of the contract as follows

(r) "Significant Capital Expenditure" means an investment in (i) machinery and equipment to be installed and used in the Zone (including "finance leases" and "operating leases" (to the extent and in the amount that such operating leases give rise to a "right-of-use asset" on the balance sheet of a Recipient upon lease commencement, but not including "short term" operating leases of such machinery and equipment, and not including consigned machinery and equipment), and (ii) in land and buildings located in the Zone that are needed to achieve the specific purpose of completing the Project; and provided that WEDC reserves the right to review leases between the Recipients and their Affiliates to confirm that such leases reflect fair market value prior to certifying Capital Investment Tax Credits. Notwithstanding any other provision of this Agreement, investments in residential or commercial, non-industrial property or construction of such property will not be considered to be eligible Significant Capital Expenditures for purposes of this Project and this Agreement. The terms "finance lease", "operating lease", "right-of-use asset" have the meanings assigned to them under GAAP ASC 842.

- Credits earned at 15% of eligible expenditures
- Capital Investment tax credits will not be verified until the period ending 12/31/2019.
    - The company may accrue expenses beginning on the certification date and carryforward any eligible expenses.
- In order to be eligible for the maximum allocation the company must have an eligible employee headcount which is at least the number listed in Exhibit B, Column B of the contract.
- If the number of eligible Full-Time employees is less than the number listed in Exhibit B Column B, the allocation maximum will be discounted by the same proportion.
    - For example: In 2019 the company minimum job creation threshold is 520 employees. If the company has 468 eligible employees, which is 90% of 520, the capital investment allocation will be discounted by 10% and the company will be eligible for $173,571,429. ($192,857,143 -10%)

- Carryforward: Unearned Capital Investment Tax Credits (allocation carryforward) may only be carried forward in periods where the Recipient meets the Job Target in Exhibit B, Column B. In other words, Capital Investment Allocations can only be carried forward in circumstances where there has been a shortfall in spending. If credits are discounted due to a shortfall in headcount, the credits are lost and cannot be carried forward. See Section 6(b)6 of the contract for more details.

- Excess credits earned in job creation or capital investment may not be shifted between categories.

VERIFICATION

Per paragraph 7 of the contract WEDC will issue a separate verification form for each recipient to file a claim. The recipients are defined as SIO International Wisconsin, Inc., FEWI Development Corporation, and AFE, Inc.

- Tax credits will be verified in proportion to the capital expenditures made and wages paid by each individual entity.

- Capital Investment expenditures will be accrued and the percentage of expenses by each entity will be tracked. Credits will be issued on a first in, first out basis per period.

    - First in, first out will apply to expenditures within the period as a whole, not by individual date.

    - Any carryforward of earned credits being issued in a period, will be issued after credits earned in the period.

    - For Example: In a single period, there is $100,000 in eligible Capital investment and is eligible for $150 in Capital Investment Tax Credits

        - Recipient A has $400, or 40% of the total and is eligible for $60.

        - Recipient B has $250 or 25% of the total and is eligible for $37.50

        - Recipient C has $350 or 35% of the total and is eligible for $52.50

- Any carryforward job creation allocation credits will be awarded in the same manner; all tax credits verified for the period will be proportionate to the wages paid in the period being verified. Excess Job creation credits earned are not eligible to be carried forward.

- For example: For the period ending in December 31, 2019:

        - Recipient A employs 250 new employees (which represents 25% of total new employees) but the wages totaling 30% of the total wages paid.

- Recipient B employs 300 new employees (which represents 30% of total new employees) but the wages totaling 30% of the total wages paid.
- Recipient C employs 450 new employees (which represents 45% of total new employees) but the wages totaling 40% of the total wages paid.

- Because the cumulative jobs (250+300+450) exceeds the Minimum Cumulative Full-Time Jobs set in Exhibit A, Column B, each of the Recipients would be entitled to credits based on their wages. In other words:
  - Recipient A would receive Job Creation Tax credits based on the 30% of wages paid.
  - Recipient B would receive Job Creation Tax credits based on the 30% of wages paid.
  - Recipient C would receive Job Creation Tax credits based on the 40% of wages paid.

RELATED DOCUMENTS:

- *Tax Credit Verification Process Exceptions dated 6/4/2017*