

**MEGA TAX CREDIT AGREEMENT**

**High-Tech Credit**

**MAHLE Industries Incorporated**

This Agreement is made between the Michigan Economic Growth Authority ("MEGA"), whose address is 300 North Washington Square, Lansing, Michigan 48913 and MAHLE Industries Incorporated (the "Company"), 23030 Haggerty Road, Farmington Hills, Michigan and whose Employer Identification Number is 58-2431334.

**RECITALS**

WHEREAS, the MEGA has been created by the Michigan Economic Growth Authority Act, Act No. 24 of Public Acts of 1995, as amended (the "Act"), with the power to provide tax credits to businesses involved in manufacturing, mining, research, development, wholesale, trade and/or office operations, and enterprise.

WHEREAS, the Legislature has determined that it is in the public interest to promote economic growth and to encourage private investment, job creation and job upgrading for the residents of the State of Michigan.

WHEREAS, the MEGA has determined that providing tax credits to the Company for job expansion will promote and serve the intended purposes of and in all respects will conform to the provisions and requirements of the Act.

WHEREAS, the MEGA and the Company desire to set forth the terms and conditions of the MEGA Tax Credit that the MEGA has authorized to the Company.

NOW, THEREFORE, the parties agree as follows:

**1.0 DEFINITIONS**

(a) "Agreement" means this written agreement.

(b) "Application" means any information submitted to the MEGA in support of the Company's request for a Tax Credit.

(l) "MEGA Employment Credit" or "Employment Credit" means a credit against the Michigan Business Tax authorized by Section 431 of Public Act 36 of 2007.

(m) "MEGA Tax Credit" or "Tax Credit" means a MEGA Employment Credit.

(n) "Person" means an individual or a Business.

(o) "Primary Business Activity" means the activity first in degree or importance among the business activities of the Company.

(p) "Project" means the facility at which the Company will create Qualified New Jobs as described under Project Description.

(q) "Qualified New Job" means a Full-time Job at the Project held by a Michigan resident employed by the Company, that:

(1) pays a minimum of 150 percent of the Federal Minimum Wage on each and every employee;

(2) is in excess of the Base Employment Level.

(3) created by the Company on or after the date of execution of this Agreement.

(r) "Relocation" means Qualified New Jobs related to the Project that move out of the State of Michigan during the term or after the term of the agreement.

(s) "Salaries and Wages" means wages, tips and other compensation reported in Box 1 of the employees' W-2 forms.

## **2.0 REPRESENTATIONS**

**2.1 Representations by the MEGA.** With respect to the Agreement, the MEGA makes the following representations and warranties as of the date of execution of this Agreement:

(a) The MEGA is a public body established and acting pursuant to the Act.

(b) The MEGA has the necessary power under the Act to grant MEGA Tax Credits and has duly taken all action on its part required to authorize, execute and deliver this

no time will the wages paid for these Qualified New Jobs be less than 150 percent of the federal minimum wage which shall, from time to time, be in effect.

The Company believes that the Project is economically sound and affirms that the investment capital and/or financing needed to complete the Project is now committed or will soon be available to the Company. As of June 17, 2008, construction of the Project had not begun.

(e) Need for MEGA Tax Credits. The Tax Credits authorized by this Agreement address the competitive disadvantages of locating in Michigan instead of a site outside this State.

(f) Site Reuse. The Company has considered the reuse or redevelopment of property previously used for an industrial or commercial purpose and the Company has determined the use of such property is feasible in locating the Project.

(g) Certification. The Company has made the certifications required by Section 8(3)(f) of the Act, which are attached to this Agreement as Schedule B.

(h) Binding. When executed by both parties, this agreement will be a valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

### **3.0 MEGA TAX CREDIT**

Based upon the Company's Application and the Representations and Warranties made in this Agreement, the Authority has authorized the following tax credits subject to the conditions specified in Section 4.0 of this Agreement.

#### **3.1 Employment Credit.**

(a) An Employment Credit equal to 100 percent of the state's personal income tax rate, as it exists at the beginning of the Company's tax year for which the credit is being sought, multiplied by the total Salaries and Wages, before deducting any personal or dependency

Company's Application, or (ii) a Michigan location of a Business that, on or after the date of the Company's Application, acquires or otherwise gains control of the Company, is acquired or controlled by the Company, or comes under common control with the Company.

(f) Administrative Fee. A one-time Administrative Fee of \$14,875 is due and payable with the submission of the initial application for a MEGA Tax Credit Certificate, which is required under section 4.2. The Administrative Fee is one-half of one percent of the MEGA Cost, as reported in current dollars, in the cost/benefit analysis of the Project, as presented to the MEGA at the time the Tax Credit was authorized, except that in no case shall the Administrative Fee exceed \$100,000.

**4.2** Tax Credit Certificate. To obtain a Tax Credit Certificate in connection with the tax credits authorized in this Agreement for any tax year, the Company shall:

(a) Maintain the minimum number of Qualified New Jobs, as required by Schedule A of this Agreement, for the applicable tax year. In computing the number of Qualified New Jobs in any tax year except the tax years ending in 2011 and in 2015 (the first and fifth year of the credit), the Company shall determine the number of Qualified New Jobs as of the last day of each of the four quarters of the applicable tax year, total the results for the four quarters, and divide the sum by four (4).

In computing the number of Qualified New Jobs for the tax year ending in 2011 (the first year of the credit), the Company shall determine the number of Qualified New Jobs as of the last day of each quarter of the applicable tax year and beginning with the first quarter in which there are at least 5 Qualified New Jobs, compute the average number of Qualified New Jobs over the remaining quarters of the tax year.

In computing the number of Qualified New Jobs for the tax year ending in 2015 (the fifth year of the credit), the Company shall determine the number of Qualified New Jobs as of the last day of each quarter of the applicable tax year and beginning with the first quarter in which there are at least 25 Qualified New Jobs, compute the average number of Qualified New Jobs

include, but are not limited to, those relevant to wage and hour records, job classification, job assignments and employment histories.

The Authority or its designee shall use all information received pursuant to inspection of the Company's files solely for the purpose of verifying eligibility for the Tax Credits authorized under this Agreement. The Company may request confidentiality pursuant to Section 5(3) of the Act on financial or proprietary information retained by the Authority in the course of its inspection of the files.

## **5.0 ANNUAL APPLICATION FOR TAX CREDIT CERTIFICATE**

**5.1** For each year that it seeks a Tax Credit under this Agreement, the Company shall complete an Application for a MEGA Tax Credit Certificate.

**5.2** The Certificate Application shall be filed with the Authority at least 45 days prior to the day the Company's Michigan Business Tax return is due. If the Company receives an extension of the deadline to file its Michigan Business Tax return for the applicable tax year, the Company shall notify the MEGA of the extension and the Certificate Application shall be filed with the Authority at least 45 days prior to the extended deadline.

**5.3** The form of the Certificate Application shall be as specified by the Authority from time to time. The Certificate Application shall contain the following information:

- (a) The Base Employment Level.
- (b) The number of Qualified New Jobs at the Project as of the end of each of the four quarters in the applicable tax year.
- (c) The number of Full-time Jobs at the Company, in Michigan, other than Qualified New Jobs at the Project for which the Company is seeking a Tax Credit, as of the end of each of the four quarters in the applicable tax year.

**6.3** A Tax Credit authorized by the Authority is subject to adjustment in any tax year following the tax year for which a Tax Credit Certificate was issued, if the information on which the tax credit certification was based is found to be incorrect or cannot be verified.

**6.4** If the Authority determines that the Company misrepresented information in order to qualify for, or increase the amount of a Tax Credit, the Authority may revoke the Company's designation as an authorized business and notify the Michigan Department of Treasury of that revocation. Any tax credits that have been received based upon a misrepresentation may be subject to recovery by the State of Michigan.

**6.5** Prior to taking any adverse action against the Company under Sections 6.1, 6.2, 6.3, or 6.4, the Authority shall provide the Company with written notice of its intent to take such action and of the basis for that action and shall provide the Company with a reasonable opportunity to respond.

## **7.0 MISCELLANEOUS**

**7.1 Reporting.** The Company shall provide the MEGA with such information regarding its participation in the Tax Credit Program as the MEGA may reasonably require for so long as this Agreement is effective.

**7.2 Repayment Provision.** If the Company moves a substantial portion of Qualified New Jobs related to the Project out of the State of Michigan ("Relocation") during the term or after the term of this Agreement, the following shall apply:

(a) If the Relocation occurs on or before the fourth year from the date that the first tax credit certificate can be utilized (Company's tax year ending date as outlined in Schedule A) of this Agreement, the Company shall repay 100 percent of the total amount of credits received thus far.

7.5 Notices. All notices, certificates, requests or other communications shall be sufficiently given when delivered, if delivered by registered or certified mail, postage prepaid, return receipt requested, or by messenger or professional courier service, addressed as follows:

**If to the MEGA by mail:** Michigan Economic Development Corp.  
Michigan Economic Growth Authority  
300 North Washington Square  
Lansing, Michigan 48909  
Attention: MEGA Board Secretary

**If to the Company:** MAHLE Industries Incorporated  
23030 Haggerty Road  
Farmington Hills, Michigan  
Attention: Wolfgang O. Rein  
Senior Vice President

7.6 Entire Agreement and Amendment. Subject to the Act, this Agreement and the Schedules attached to it contain the entire Agreement between the Company and the MEGA with respect to the matters described herein and supersede any and all previous Agreements. This Agreement may not be amended except with the written consent of the Authority and the Company.

7.7 Captions. The captions in this Agreement are for convenience only and in no way define, limit or describe the scope of intent of any provisions or sections of this Agreement.

7.8 Interpretation. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Michigan.

**MAHLE Industries Incorporated**

**Schedule A: Minimum Employment and Wage Levels**

**to Qualify for the MEGA Tax Credits**

<u>Year of Credit</u>	<u>Company's Tax Year Ending December 31</u>	<u>Minimum # of Qualified New Jobs</u>	<u>Minimum Average Weekly Wage</u>	<u>Minimum Base Employment Level</u>
1	2011	5	\$1357	204
2	2012	5	\$1357	204
3	2013	5	\$1357	204
4	2014	5	\$1357	204
5	2015	25	\$1357	204
6	2016	25	\$1357	204
7	2017	25	\$1357	204



Certificate Number

00-428-08

**Initial Tax Credit Certificate**


Issued this 15<sup>th</sup> day of July, 2008, by the

**Michigan Economic Growth Authority**

to MAHLE Industries Incorporated Employer Identification Number 58-2431334, which is an Authorized Business pursuant to Public Act 24 of 1995, as amended.

The MEGA authorizes to MAHLE Industries Incorporated an Employment Credit of 100 percent for seven consecutive tax years, beginning with the Company's tax year ending on December 31, 2011, under Section 431 of Public Act 36 of 2007.

The Michigan Legislature encourages recipients of MEGA Tax Credits to make a good faith effort to use Michigan-based suppliers and vendors when purchasing goods and services.

By 

Secretary to the MEGA Board



MEMORANDUM

300 N. WASHINGTON SQ.  
LANSING, MI 48913

CUSTOMER  
ASSISTANCE CENTER  
517 373 9808

WWW.MICHIGAN.ORG

DATE: June 17, 2008  
TO: Michigan Economic Growth Authority  
FROM: Val Hoag, Director  
Portfolio Management & Packaging *USA*  
Steve Haakenson, Project Manager  
Portfolio Management & Packaging

SUBJECT: Briefing Memo – MAHLE Industries, Incorporated  
High Tech MEGA Credit

EXECUTIVE COMMITTEE  
MATTHEW P. CULLEN  
Chair  
General Motors Corporation

PHILIP H. POWER  
Vice-Chair  
The Center for Michigan

JAMES C. EPOLITO  
President and CEO

RICHARD E. BLOUSE JR., CCE  
Detroit Regional Chamber

JOHN W. BROWN  
Stryker Corporation

DR. DAVID E. COLE  
Center for  
Automotive Research

KEITH W. COOLEY  
Michigan Department of  
Labor & Economic Growth

JOANN CRARY  
Saginaw Future Inc.

DR. HAIFA FAKHOURI  
Arab American and  
Chaldean Council

STEVEN K. HAMP  
Hamp Advisors, LLC

HAYDEN H. HARRIS  
EDF Ventures

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Chrysler, LLC

GEORGE W. JACKSON JR.  
Detroit Economic  
Growth Corporation

MICHAEL J. JANDERNOA  
Bridge Street Capital  
Partners, LLC.

BIRGIT M. KLOHS  
The Right Place, Inc.

F. THOMAS LEWAND  
Bodman LLP

DR. IRVIN D. REID  
Wayne State University

MICHAEL B. STAEBLER  
Pepper Hamilton LLP

DENNIS R. TOFFOLO  
Oakland County

PETER S. WALTERS  
Guardian Industries Corp.

COMPANY NAME:

MAHLE Industries, Incorporated  
23030 Haggerty Road  
Farmington Hills, MI 48335

HISTORY OF COMPANY:

The MAHLE group of businesses, MAHLE GmbH, is a leading global manufacturer of components for the automotive and heavy duty engine industry. They are among the top 30 Tier 1 suppliers globally.

The Farmington Hills location was established in 1998 and serves as MAHLE's North American Technical Center and as such is devoted to Research and Development, Technical Design, Testing and Product Analysis.

MAHLE currently employs 935 employees in Michigan, which includes 161 at this Farmington Hills facility.

PROJECT DESCRIPTION:

The proposed project is an expansion of MAHLE's Farmington Hills facility, which currently houses their North American Technical Center. The company is proposing an initial 45,000 sq. ft., four story, office building expansion. In addition to an expansion of Engineering positions, MAHLE would also be consolidating NAFTA wide functions in Human Resources, Controlling, Accounting, I.T. and other administrative functions to Farmington Hills.

MAHLE estimates this expansion will create an additional 155 employees over the next 5 years, with an estimated average weekly wage of \$1,357. The company will also offer health care benefits and pay a portion of the benefit costs. The total investment for MAHLE's proposed expansion in Farmington Hills is estimated at \$27,650,000.