

MEGA TAX CREDIT AGREEMENT: RETENTION CREDIT

AXLETECH, LLC

This Agreement is between the Michigan Economic Growth Authority (MEGA) and AxleTech, LLC, a Michigan Limited Liability Company. As used in this Agreement, the MEGA and AxleTech, LLC are sometimes referred to individually as a "Party" and collectively as "Parties".

The Michigan Economic Growth Authority Act, 1995 PA 24, as amended, created the MEGA with the power to provide tax credits to businesses involved in manufacturing, mining, research and development, wholesale and trade, office operations, qualified high-technology business, film and digital media production, or certain tourism attractions;

The Michigan Legislature determined that it is in the public interest to promote economic growth and to encourage private investment, job creation and job upgrading for Michigan residents;

The MEGA determined that providing tax credits to the Company for job creation will promote and serve the intended purposes of and conform with the Act; and

The MEGA and the Company desire to set forth the terms and conditions of the tax credits that the MEGA authorized for the Company by Resolution dated January 19, 2010.

The Parties, therefore, agree as follows:

1.0 DEFINITIONS

(a) "Act" means the Michigan Economic Growth Authority Act, 1995 PA 24, as amended.

(b) "Affiliated Business" means AxleTech North American Aftermarket, Inc., with federal employer identification number [REDACTED]

(c) "Agreement" means this written agreement.

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

(e) "Average Weekly Wage" means the total Salaries and Wages paid during the applicable tax year to employees performing Qualified New Jobs, divided by 52, divided by the number of Qualified New Jobs.

(f) "Business" means a proprietorship, joint venture, partnership, limited liability, partnership, trust, business trust, syndicate, association, joint stock company, corporation, cooperative, limited liability company, or any other organization.

(g) "Certificate Application" means the written information submitted each year in support of the Company's request for a Tax Credit Certificate that complies with Section 7.0 of this Agreement.

(h) "Company" means AxleTech, LLC, with the federal employer identification number [REDACTED] As of the Effective Date, Company is an authorized business under the Act.

(i) "Effective Date" means February 12, 2010.

(j) "Employer-paid Health Care Benefits" means all costs paid for a self-funded health care benefit plan or for an expense-incurred hospital, medical or surgical policy or certificate, nonprofit health care corporation certificate, or health maintenance organization contract. "Employer-paid Health Care Benefits" do not include accident-only, credit, dental, or disability income insurance; long-term care insurance; coverage issued as a supplement to liability insurance; coverage only for a specified disease or illness; worker's compensation or similar insurance; or automobile medical payment insurance.

(k) "Facility" means the Company's location in Michigan identified in Section 2.0(b)(4) at which the Company and Affiliated Business will maintain Qualified Retained Jobs.

(l) "Full-time Job" means a job performed by an individual who is employed for at least 35 hours of work each week and for whom the Company or an Affiliated Business withholds income and social security taxes. In this Agreement, the terms "Affiliated Business" and "Associated Business" shall have the same meaning as defined in the Act.

(m) "MEGA" means the Michigan Economic Growth Authority created by the Act.

(n) "MEGA Tax Credit" means a credit against the Michigan Business Tax authorized by Section 431 of Public Act 36 of 2007, as amended.

(o) "New Capital Investment" means the Company's investment in the facility, through construction, acquisition, transfer, purchase, contract or any other method approved by the MEGA equal to at least \$50,000 per Qualified Retained Job.

(p) "Person" means an individual or business.

(q) "Project" means the project described in Section 2.0(b)(4) of this Agreement.

(r) "Qualified Retained Job" means a Full-time Job maintained at the Facility.

(s) "Related Company" means General Dynamics Land Systems, Inc., EIN 54-0582680, General Dynamics Advanced Information Systems, Inc., EIN 45-0484950, and General Dynamics Land Systems Customer Service & Support Company, EIN 43-1139568.

(t) "Relocation" means the transfer of a 33 percent or more of the Qualified Retained Jobs out of the State of Michigan.

(u) "Salaries and Wages" means wages, tips and other compensation reported in Box 1 of an employee's W-2 form.

(v) "Tax Credit Certificate" means the certificate required to be issued by 2007 PA 36, as amended, which states that the Company is an authorized business, the amount of the MEGA Tax Credit authorized for a tax year, and the Company's federal employer identification number or Michigan Treasury number.

(w) "Term" means the time period beginning with the Effective Date and ending on the last day of the last tax year in which the Company is eligible to receive a MEGA Tax Credit under this Agreement.

2.0 REPRESENTATIONS

(a) Representations by the MEGA. The MEGA makes the following representations and warranties as of the Effective Date:

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

(2) *Authority.* The MEGA has the necessary authority under the Act to grant MEGA Tax Credits and has taken all action necessary to authorize, execute and deliver this Agreement.

(3) *Tax Credit Certificate.* The MEGA will issue the Company's initial Tax Credit Certificate, in the form attached to this Agreement, upon execution of this Agreement.

(b) Representations by the Company. The Company makes the following representations and warranties as of the Effective Date:

(1) *Existence and Power.* The Company validly exists and is in good standing under the laws of the State of Michigan and is qualified to transact business in Michigan.

(2) *Corporate Authority.* The Company's execution, delivery and performance of this Agreement is authorized by all necessary corporate action and will not violate any provision of law or of the Company's articles of incorporation or bylaws.

(3) *Full Disclosure.* Neither this Agreement nor the Application contain any untrue statement of or omit a material fact.

(4) *Project Description.* The Company will retain employees, make capital investment and consolidate facilities in the City of Troy, Oakland County. The Company believes that the Project is economically sound and affirms that the investment capital or financing needed to complete the Project is now committed or soon will be available to the Company. Any investment in the Project prior to January 19, 2010, will not be considered eligible capital investment for purposes of this Project.

(5) *Job Retention.* The Project will result in the retention of 107 Full-time Jobs. The company, and related entities, must also maintain a total statewide employment threshold of 2,334 full-time jobs, including the 107 Qualified Retained Jobs for the Project.

(6) *Certification.* The Company made the certifications required by Sections 8(3)(f) and 9(c)-(f) of the Act, which are attached to the Agreement as Schedule B.

3.0 MEGA TAX CREDIT

The MEGA authorized the MEGA Tax Credit described in this Agreement for the Company, subject to the conditions specified in Section 4.0 of this Agreement and the Company's compliance with this Agreement.

(a) MEGA Tax Credit for Qualified Retained Jobs. The MEGA Tax Credit shall be equal to 50 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 sought, multiplied by the sum of the Salaries and Wages and Employer-paid Health Care Benefits, before deducting any personal or dependent exemptions, of employees performing Qualified Retained Jobs, multiplied by a fraction, the numerator of which is the cumulative New Capital

Investment made at the Project from the execution date of the agreement and the denominator of which is the number of Qualified Retained Jobs multiplied by \$50,000. The MEGA Tax Credit is authorized for five (5) consecutive tax years, beginning no later than the Company's tax year ending December 31, 2011, except as provided under Section 3(b).

(1) No more than 107 Qualified Retained Jobs may be used in calculating the MEGA Tax Credit, as provided in Section 431 of 2007 PA 36;

(2) To be eligible for the maximum Tax Credit for Qualified Retained Jobs or 50 percent, the Company must invest \$50,000 per Qualified Retained Job.

(3) The maximum amount of total Salaries and Wages that may be used in a single tax year in calculating the MEGA Tax Credit for any one Qualified Retained Job is \$250,000.

(b) Advancing the Scheduled Years of the Credit. The Company may elect to begin the MEGA Tax Credit described in Section 3.0(a) in its tax year ending December 31, 2010. If the Company elects to advance the MEGA Tax Credit as provided in this Section, the last year in which the Company may receive the MEGA Tax Credit will be December 31, 2014.

4.0 CONDITIONS OF THE MEGA TAX CREDIT

(a) *Eligibility*. The Company shall not be eligible for the MEGA Tax Credit described in Section 3.0 of this Agreement unless:

(1) The Company retains at least 50 Qualified Retained Jobs, as required under the Act. The company, and related entities, must also maintain a total statewide employment threshold of 2,334 full-time jobs, including the 107 Qualified Retained Jobs for the Project. Failure to do so will result in the remaining years of credit to be forfeited;

(2) The Average Weekly Wage paid to employees performing a Qualified Retained Job is at least \$1,608;

(3) The Company agrees, as part of its certification to use best efforts to maintain jobs in Michigan when making plant location and closing decisions, to meet annually with a Michigan Economic Development Corporation representative and to disclose its base employment numbers at all facilities when submitting its annual tax credit certificate application;

(4) The Company invested in the Facility, through construction, acquisition, transfer, purchase or contract, at least \$50,000 per Qualified Retained Job.

(5) The Company invests in the Facility, through the construction, acquisition, transfer, purchase, contract or other method approved by the MEGA, at least \$2,500,000 on or before December 31, 2011;

(6) The Company pays the administrative fee described in Section 4.0(b);

(7) The Company obtains a Tax Credit Certificate, as provided in Section 5.0; and

(8) The Company participates in a MEGA technical assistance meeting with representatives of the MEDC, at a mutually agreed upon time, unless waived by the MEDC.

(b) *Administrative Fee.* The Company shall pay a one-time administrative fee of \$5,210 upon the submission of its first Certificate Application.

5.0 TAX CREDIT CERTIFICATE

To obtain a Tax Credit Certificate in connection with the MEGA Tax Credit described in this Agreement, the Company shall:

(a) Retain the minimum number of Qualified Retained Jobs, as required by Schedule A of this Agreement, for the applicable tax year.

To compute the number of Qualified Retained Jobs in any tax year, except the first year of the credit, as determined in Section 3.0 and Schedule A, the Company shall determine the number of Qualified Retained 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.

To compute the number of Qualified Retained Jobs for the first tax year of the credit, as determined in Section 3.0 and Schedule A, the Company shall determine the number of Qualified Retained Jobs as of the last day of each quarter of that year and, beginning with the first quarter in which there are at least 50 Qualified Retained Jobs, compute the average number of Qualified Retained Jobs over the remaining quarters of the tax year;

(b) Pay at least the Average Weekly Wage provided in Section 4(a)(2) to employees in Qualified Retained Jobs;

(c) Pay each employee working in Qualified Retained Jobs an average hourly wage of at least 150 percent of the federal minimum wage in effect for the applicable tax year; and

(d) Provide a Certificate Application to the MEGA that satisfies the requirements of Section 7.0 of this Agreement.

Provided that the Company satisfied the requirements of Section 4.0, the Company's failure to satisfy the requirements of this Section in any given year does not preclude the Company for qualifying for and obtaining a MEGA Tax Credit in any other year during the Term.

6.0 AUDIT AND VERIFICATION

The information provided by the Company in connection with the MEGA Tax Credit is subject to audit and verification by the MEGA or its designee both prior to and after receiving a Tax Credit. Upon reasonable advance notice to the Company by the MEGA, the Company shall permit the MEGA or its designee, at the MEGA's sole expense and during normal business hours, to inspect the Company's files solely for the purpose of verifying eligibility for the MEGA Tax Credits authorized for the Company. The files subject to inspection include, but are not limited to, those relevant to wage and hour records, Employer-paid Health Care Benefits records, job classification, job assignments and employment histories. To the extent permitted under Section 5(3) of the Act, the Company may request confidential treatment of its financial or proprietary information retained by the MEGA in the course of its inspection.

7.0 ANNUAL CERTIFICATE APPLICATION

(a) For each year in which the Company seeks a MEGA Tax Credit under this Agreement, the Company shall complete a Certificate Application.

(b) The Company shall file the Certificate Application with the MEGA at least 90 days prior to the day the Company's Michigan Business Tax return is due to the Michigan Department of Treasury. If the Michigan Department of Treasury grants the Company 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 must be filed with the MEGA at least 90 days prior to the extended deadline.

(c) The form of the Certificate Application shall be as specified by the MEGA. The Certificate Application must contain the following information:

(1) The number of Full-time Jobs at all of the Company's locations in Michigan, excluding the Qualified Retained Jobs for which the Company is seeking the MEGA Tax Credit, as of the end of each of the four quarters in the applicable tax year;

(2) The total Salaries and Wages paid to and Employer-paid Health Care Benefits provided to employees who performed Qualified Retained Jobs during the applicable tax year;

(3) A certification by an authorized officer of the Company that the information provided in the Certificate Application is accurate;

(4) The total capital investment related to the Project for the applicable tax year; and

(5) Any other information reasonably related to determining the MEGA Tax Credit.

(d) Within 90 days of its receipt of the Certificate Application, the MEGA shall determine whether the requirements of this Agreement and the Act have been met and, if so, will calculate the amount of the MEGA Tax Credit and issue a Tax Credit Certificate to the Company.

(e) For each year during the Term, the Company must submit a completed Certificate Application even if the requirements described in Section 5.0 are not satisfied for that year. If the Company does not satisfy the requirements in Section 5.0 for a particular tax year, the MEGA will not issue a Tax Credit Certificate for that year and one year of the MEGA Tax Credit is forfeited. The Company, however, will continue to be eligible for the MEGA Tax Credit in any remaining years of the Term in which the requirements of Section 5.0 are met subject to Section 8.0(a).

(f) The Company shall not use Social Security Numbers for documentation purposes at any time. Documents containing Social Security Numbers may not be used to satisfy any of the reporting requirements contained in this Agreement and the MEDC will destroy any documents provided by the Company that contain Social Security Numbers.

8.0 ADJUSTMENT, REDUCTION OR TERMINATION OF CREDITS

(a) If the Company does not satisfy the conditions described in Section 4.0 by December 31, 2013, this Agreement is void, the Company no longer qualifies as an authorized business, and no MEGA Tax Credits are, or will be, authorized under this Agreement.

(b) The Company's failure to comply with any provision of this Agreement, other than as a result of a clerical or technical error which is corrected upon its discovery, may result in revocation of the Company's designation as an authorized business or in the reduction or loss of any MEGA Tax Credits for which a Tax Credit Certificate has not been issued.

(c) A MEGA Tax Credit is subject to adjustment in any tax year following the tax year in which a Tax Credit Certificate is issued if the MEGA finds that the information on which the Tax Credit Certificate was based was incorrect or cannot be verified.

(d) If the MEGA determines that the Company misrepresented information in order to qualify for, or increase the amount of, a MEGA Tax Credit, the MEGA may revoke the Company's designation as an authorized business and shall notify the Michigan Department of Treasury of the revocation. The State of Michigan may require repayment of any MEGA Tax Credits received by the Company, plus a ten percent penalty, as a result of a misrepresentation.

(e) Prior to taking any adverse action against the Company under this Section, the MEGA shall provide the Company with written notice of its intended action and the basis for that action. The Company shall have a reasonable opportunity to respond, as identified in the notice.

9.0 REPAYMENT PROVISION

Should a Relocation occur, the following shall apply:

(a) If the Relocation occurs on or before the fourth year from the year in which the Company may first receive a MEGA Tax Credit under Section 3.0 and Schedule A of this Agreement, the Company shall repay 100 percent of the total amount of the MEGA Tax Credit received;

(b) If the Relocation occurs after the fourth year and on or before the end of the fifth year from the year in which the Company may first receive a MEGA Tax Credit under Section 3.0 and Schedule A of this Agreement, the Company shall repay up to 50 percent of the total amount, as determined by the MEGA, of the MEGA Tax Credit received;

(c) If the Relocation occurs within 12 months after the fifth year from the year in which the Company may first receive a MEGA Tax Credit under Section 3.0 and Schedule A of this Agreement, the Company shall repay up to 50 percent of the total amount, as determined by the MEGA, of the MEGA Tax Credit received.

This Section shall survive the termination of this Agreement.

10.0 MISCELLANEOUS

(a) *Reporting.* The Company shall provide the MEGA with information regarding its MEGA Tax Credit as the MEGA may reasonably require. The Company shall meet annually, at a mutually agreed upon time and location, with a Michigan Economic Development Corporation representative.

(b) *Assignment of MEGA Tax Credit.* The MEGA Tax Credit described in this Agreement shall not be transferred or assigned provided, however, that in the event of a merger or a Person acquires all or substantially all of the assets or stock of the Company in Michigan after the Effective Date, the MEGA shall authorize the transfer of the Company's rights under this Agreement to that Person if:

(1) The Person agrees in writing to assume all of the duties and responsibilities of the Company under this Agreement; and

(2) The MEGA determines that the transfer is consistent with and will serve the purposes of the Act.

(c) *Severability.* If any clause, provision, or section of this Agreement is held invalid by any court, the invalidity of that clause, provision or section shall not affect the remaining clauses, provisions or sections of this Agreement and this Agreement shall be construed and enforced as if such invalid clause, provision, or section had not been contained in this Agreement.

(d) *Notices.* All notices or other communications provided in connection with this Agreement shall be deemed received when delivered, if delivered by registered or certified mail, postage prepaid, return receipt requested, or by messenger or professional courier service, addressed as follows:

TO MEGA: Michigan Economic Development Corporation
Michigan Economic Growth Authority
300 North Washington Square
Lansing, Michigan 48913
ATTN: MEGA Board Secretary
E-mail address: mega-admin@michigan.org


TO Company: AxleTech, LLC
c/o General Dynamics Armament and Technical Products, Inc.
2118 Water Ridge Parkway
Charlotte, NC 28217
ATTN: Michael Mulligan, President
E-mail address: mmulligan@gdatp.com

(e) *Entire Agreement and Amendment.* Subject to the Act, this Agreement, including the attached Schedules, is the entire agreement between the Parties with respect to the subject matter described herein and supersedes any previous agreements. This Agreement may not be amended without the written consent of the Parties.

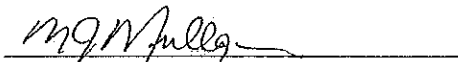
(f) *Captions.* The captions in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

(g) *Interpretation.* This Agreement shall be governed by and interpreted in accordance with the laws of the State of Michigan.

MICHIGAN ECONOMIC GROWTH AUTHORITY


Peter Anastor, Secretary

AXLETECH, LLC


Michael Mulligan, President

AxleTech, LLC
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 Retained Jobs, Required for Investment Calculation (See Sec 4.0(a)(1))</u> | <u>Minimum # of Jobs maintained in Michigan (See Sec 4.0(a)(1))</u> | <u>Minimum Average Weekly Wage</u> |
|---------------------------|--|--|---|--|
| 1 | 2011* | 50 | 2,334 | \$1,608 |
| 2 | 2012 | 50 | 2,334 | \$1,608 |
| 3 | 2013 | 50 | 2,334 | \$1,608 |
| 4 | 2014 | 50 | 2,334 | \$1,608 |
| 5 | 2015 | 50 | 2,334 | \$1,608 |

*Should the Company elect to advance the scheduled years of the MEGA Tax Credit, as permitted under Section 3.0(b) of the Agreement, the Company's Tax Year Ending years listed on this table shall be considered advanced, accordingly.

AxleTech, LLC
Schedule B

AxleTech, LLC certifies that:

(1) It will follow a competitive bid process, open to all Michigan residents and firms, for the construction, rehabilitation, development or renovation of the Facility, and that it will not discriminate against any contractor on the basis of its affiliation or non-affiliation with any collective bargaining organization.

(2) It will make a good faith effort to employ, if qualified, Michigan residents at the Facility.

(3) It will make a good faith effort to employ or contract with Michigan residents and firms to construct, rehabilitate, develop or renovate the Facility.

(4) It is encouraged to make a good faith effort to utilize Michigan-based suppliers and vendors when purchasing goods and services.


(5) Without the MEGA Tax Credits and the capital investment described in the Agreement, the Facility is at risk of closing and the work and jobs would be removed to a location outside of the state of Michigan.

(6) Its management or ownership is committed to improving the long-term viability of the Facility in meeting the national and international competition through better management techniques; best practices, including, but not limited to, state of the art lean manufacturing practices; and market diversification.

(7) It will make best efforts to keep jobs in Michigan when making location and closing decisions.

(8) The Facility's workforce demonstrates its commitment to improving productivity and profitability at the Facility through various means.

Certified on Feb 10, 2010.



Michael Mulligan, President

Certificate Number

00-612 -- 10

Initial Tax Credit Certificate

AxleTech, LLC

Issued this 12 day of February, 2010, by the

Michigan Economic Growth Authority

To AxleTech, LLC, Employer Identification Number [REDACTED] Authorized Business pursuant to Public Act 24 of 1995, as amended.

The MEGA authorizes to AxleTech, LLC a MEGA Tax Credit for Qualified Retained Jobs of up to 50 percent for five 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:


Peter Anastor

Secretary to the MEGA Board