

MICHIGAN BUSINESS DEVELOPMENT PROGRAM
GRANT AGREEMENT

THIS GRANT AGREEMENT (this "Agreement"), effective as of April 4, 2013 (the "Effective Date"), is between the Michigan Strategic Fund, a public body corporate and politic within the Department of Treasury of the State of Michigan (the "MSF"), whose address is 300 North Washington Square, Lansing, Michigan 48913, and Challenge Mfg. Company, a Michigan corporation, (the "Grantee" or "Company"), whose address and principal office is 3079 Three Mile Road NW, Walker, Michigan 49534. As used in this Agreement, the MSF and the Company are, individually, a "Party" and, collectively, the "Parties".

RECITALS

A. PA 250 of 2011 amended the Michigan Strategic Fund Act (MCL 125.2001 et seq.) to add Section 88r (MCL 125.2088r), to enable the MSF to create and operate the Michigan business development program to provide grants, loans or other economic assistance to qualified businesses that make qualified investments or create qualified new jobs in the State of Michigan.

B. Under the control and direction of the MSF Board, staff of the Michigan Economic Development Corporation, a public body corporate (the "MEDC"), provides administrative services for the MSF.

C. On December 21, 2011, the MSF Board established the Michigan Business Development Program (the "MBDP").

D. The Company submitted to the MEDC an Application for Incentive Assistance under the MBDP dated February 28, 2013.

E. On March 11, 2013, the MSF approved a performance based MBDP grant award to the Company in the amount of up to One Million Dollars (\$1,000,000) to be disbursed under the terms of this Agreement (the "Grant").

F. The Company desires to obtain the Grant to create qualified new jobs within the State of Michigan consistent with this Agreement.

In consideration of the recitals and promises in this Agreement, the Parties agree:

ARTICLE I

DEFINITIONS

Section 1.1 Defined Terms. Except as otherwise defined in this Agreement, all capitalized terms in this Agreement shall have the respective meanings set forth on Exhibit A, which contains the defined terms for this Agreement.

Section 1.2 Construction of Certain Terms. Unless the context of this Agreement otherwise requires: (i) words of any gender include each other gender; and (ii) words using the singular or plural number also include the plural or singular number.

ARTICLE II

GRANT

Section 2.1 Grant Commitment. Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties of the Company set forth in this Agreement, the MSF agrees to make the Grant to the Company in the amount of up to the Maximum Grant in installments as specified in Section 2.3.

Section 2.2 Grant Manager. The MSF Fund Manager shall designate a Grant Manager to administer this Agreement and monitor the performance of the Company and Grant Disbursements under this Agreement. The Grant Manager may be changed at the discretion of the MSF Fund Manager. The MSF Fund Manager shall give the Company notice of the designated Grant Manager, and any change.

Section 2.3 Grant Disbursement Procedure.

(a) **Vendor Registration.** To receive payments under this Agreement, the Company must register as a vendor with the State. All payments will be made via electronic funds transfer.

(b) **Grant Disbursement Requests.** The Company, at its discretion, may request a Grant Disbursement of a portion of the Maximum Grant no more frequently than once every thirty (30) calendar days by submitting to the Grant Manager a completed Grant Disbursement Request and a Milestone Report. The initial Grant Disbursement Request must be accompanied by a Milestone Report demonstrating achievement of Key Milestone Number One as set forth on Exhibit B, and must not exceed Six Hundred Thousand Dollars (\$600,000).

Only after complete achievement of Key Milestone Number One and Key Milestone Number Two may the Company request the final Grant Disbursement. The final Grant Disbursement, together with all other Grant Disbursements to the Company, cannot exceed the Maximum Grant, and may be disbursed provided the Company has achieved all of the Key Milestones set forth on Exhibit B, submitted its final Grant Disbursement Request and Milestone Report demonstrating achievement of all of its Key Milestones, and is otherwise in compliance with this Agreement.

(c) **Grant Manager Review.** The Grant Manager shall within thirty (30) calendar days of receipt of a Grant Disbursement Request and accompanying Milestone Report, do one or more of the following:

(i) request to review Company records, request additional information, or request a site visit to the Company, or any combination, all of which shall be determined in the sole discretion of the Grant Manager. The Company shall comply with the written request, to the satisfaction of the Grant Manager, or the Grant Manager shall reject the Grant Disbursement Request in the manner provided in Section 2.3(c)(ii); or

(ii) reject the Grant Disbursement Request, by providing an explanation of the reason for the rejection, which may be based on any one or more of the following: (A) the failure of the Company to demonstrate achievement of the applicable Key Milestone, (B) there is an outstanding Event of Default, or (C) the Company is otherwise not in compliance with this Agreement; or

(iii) approve the Grant Disbursement provided there is no outstanding Event of Default, the Company is otherwise in compliance with this Agreement, and the Company has achieved all of its then required Key Milestones to the satisfaction of the Grant Manager.

(d) **Additional Grant Manager Review.** If after receipt of a Grant Disbursement Request and Milestone Report, the Grant Manager requests to review Company records, requests additional

information or otherwise conducts a site visit, the Grant Manager shall within an additional thirty (30) calendar days after the last to occur of: (A) the date the Company provides the Company records or additional information to the Grant Manager as requested by, and to the satisfaction of, the Grant Manager, or (B) the date of the site visit conducted by the Grant Manager, either:

(i) reject the Grant Disbursement Request, by providing an explanation of the reason for the rejection, which may be based on any one or more of the following: (A) the failure of the Company to demonstrate achievement of the applicable Key Milestone, (B) there is an outstanding Event of Default, or (C) the Company is otherwise not in compliance with this Agreement; or

(ii) approve the Grant Disbursement provided there is no outstanding Event of Default, the Company is otherwise in compliance with this Agreement, and the Company has achieved all of its then required Key Milestones to the satisfaction of the Grant Manager.

ARTICLE III

REPRESENTATIONS AND COVENANTS OF THE COMPANY

The Company represents and warrants to the MSF:

Section 3.1 Organization. The Company is duly organized, is validly existing and in good standing in the State of Michigan and has the power and authority to enter into and perform its obligations under this Agreement. On the Effective Date, the Company has business operations and employees located within the State.

Section 3.2 Company Authority. The execution, delivery and performance by the Company of this Agreement has been duly authorized and approved by all necessary and proper action on the part of the Company and will not: (i) violate any provision of law or of the Company's articles of incorporation; (ii) violate any provision of the Company's bylaws; or (iii) result in the breach, be a default of, or require any consent under, any agreement or instrument to which the Company is a party, or by which the Company or its property may be bound or affected. The Company shall comply with all obligations under its articles of incorporation, bylaws and this Agreement. This Agreement is valid, binding, and enforceable in accordance with its terms, except as limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws or principles of equity affecting the enforcement of creditors' rights generally or by general principles of equity.

Section 3.3 Consent. Except as has been disclosed in writing to the MSF, or the Grant Manager, no consent or approval is necessary from any governmental or other entity, except the MSF, as a condition to the execution and delivery of this Agreement by the Company or the performance of any of its obligations under this Agreement.

Section 3.4 Full Disclosure. Neither this Agreement, the Application, nor any written statements or certificates furnished by the Company to the MEDC or the MSF in connection with the making of the Grant and Agreement contain any untrue statement of material fact, or to the best of the Company's knowledge, omit a fact necessary to make the statements true. There are no undisclosed facts, which materially adversely affect or, to the best of the Company's knowledge, are likely to materially adversely affect the properties, business, or condition (financial or otherwise) of the Company or the ability of the Company to perform its obligations under this Agreement.

Section 3.5 Litigation or Other Proceedings. Except as has been disclosed in writing to the MSF, to the knowledge of the Company and its officers and directors, there are no suits or proceedings pending or, to the knowledge of the Company and its officers and directors, threatened, before any court, governmental commission, board, bureau, or other administrative agency or tribunal,

which, if resolved against the Company, would have a material adverse effect on the financial condition or business of the Company or impair the Company's ability to perform its obligations under the Agreement.

Section 3.6 Compliance with Laws. To its knowledge, the Company is not and will not during the Term of the Grant be in violation of any laws, ordinances, regulations, rules, orders, judgments, decrees or other requirements imposed by any governmental authority to which it is subject and will not knowingly fail to obtain any licenses, permits or other governmental authorizations necessary to the ownership of its properties or to the conduct of its business, which violation or failure to obtain might materially and adversely affect its business, profits, properties or condition (financial or otherwise).

Section 3.7 Prohibited Use of Grant Disbursements. The Company shall not use any Grant Disbursements for the development of a stadium or arena for use by a professional sports team or development of a casino or property associated or affiliated with the operation of a casino as prohibited by the Act (see MCL 125.2088(c)(3)(c)), or to induce the Company, a qualified business, or small business to leave the State of Michigan, or to contribute to the violation of internationally recognized workers' rights, of workers in a country other than the US, as prohibited by the Act (see MCL 125.2088(c)(4)(c) and (d)).

Section 3.8 Criminal or Civil Matters. The Company affirms that to the best of its knowledge that it or its Affiliates, subsidiaries, officers, directors, managerial employees, and any person who, directly or indirectly, holds a pecuniary interest in the Company of 20% or more: (i) do not have any criminal convictions incident to the application for or performance of a state contract or subcontract; and (ii) do not have any criminal convictions or have not been held liable in a civil proceeding, that negatively reflects on the person's business integrity, based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or violation of state or federal antitrust statutes.

Section 3.9 Conflict of Interest. The Company affirms that there exists no actual or potential conflict of interest between the Company, the Company's key personnel or its family, its business, or any financial interest and the performance by the Company under this Agreement. The Company affirms that it has, and during the Term of the Grant, will have a procedure in place to require disclosure and subsequent management of conflicts of interest between the Company's key personnel, its family's, or business's financial interests and its activities under the Agreement. In the event of a change in either its private interests or activities under this Grant, Company will inform the MSF regarding possible conflicts of interest that may arise as a result of such change that would conflict with the Company's performance of its obligations under this Agreement or otherwise create the appearance of impropriety with respect to this Agreement. Company agrees that conflicts of interest shall be resolved to the MSF's satisfaction. As used in this paragraph, "conflict of interest" shall include, but not be limited to, conflicts of interest that are defined under the laws of the State of Michigan.

Company further affirms that neither Company nor any Affiliates or their officers, directors, or employees, have accepted or shall accept anything of value based on an understanding that the actions of the Company or its Affiliates or either's employees on behalf of the MSF or MEDC would be influenced. Company shall not attempt to influence any MSF Board member or MEDC employee by the direct or indirect offer of anything of value. Company also affirms that neither Company, nor its Affiliates or their officers, directors, or their employees has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Company or its Affiliates, any fee, commission, percentage, brokerage fee, gift or any other consideration contingent upon or resulting from the execution of this Agreement.

Section 3.10 Key Milestones. The Company agrees to the Key Milestones set forth as Exhibit B. The Grant Manager determines compliance with the Key Milestones. All material changes to any of the Key Milestones must be pre-approved in writing by the MSF Fund Manager.

Section 3.11 Discharge of Obligations. During the Term of the Grant, unless contested in good faith by appropriate proceedings, the Company shall promptly pay and discharge all taxes, assessments, and governmental charges lawfully levied or imposed upon it (in each case before they become delinquent and before penalties accrue).

Section 3.12. Maintain the Base. During the Term of the Grant, the Company shall maintain the Base.

Section 3.13 Change of Legal Status. During the Term of the Grant, the Company shall (a) give the MSF notice of any change in its name, its organizational identification number, if it has one, its type of organization, its jurisdiction of organization, and (b) not make any change in its legal structure that would, as a matter of law, affect its surviving obligations under this Agreement, without the prior written consent of the MSF, provided however, that no such notice or consent shall be required in connection with an initial public offering. This Section shall survive the end of the Term of the Grant for a period of three (3) years.

Section 3.14 Company Investment. The Company intends to invest up to \$10,290,000 for the Project in the purchase of machinery and equipment, furniture and fixtures, computers, special tooling, or any combination thereof.

ARTICLE IV

REPRESENTATIONS AND COVENANTS OF THE MSF

The MSF represents and warrants to the Company:

Section 4.1 Organization. The MSF is a public body corporate and politic within the Department of Treasury of the State of Michigan created under the Act. The MSF has the power and authority to enter into and perform its obligations under this Agreement.

Section 4.2 Consent. Except as disclosed in writing to the Company, or provided by law, no consent or approval is necessary from any governmental authority as a condition to the execution and delivery of this Agreement by the MSF or the performance of any of its obligations under this Agreement.

ARTICLE V

DEFAULT, SUSPENSION AND TERMINATION OF GRANT DISBURSEMENTS, AND REPAYMENT PROVISIONS

Section 5.1 Events of Default. Notwithstanding anything to the contrary, the MSF's obligation to disburse any portion of the Maximum Grant shall automatically be suspended, and may be terminated as provided by this Agreement, upon the occurrence, and during the continuance, of an Event of Default or as otherwise specified in this Agreement. The occurrence of any one or more of the following events or conditions shall constitute an "Event of Default" under this Agreement, unless a written waiver of the Event of Default is signed by the MSF Fund Manager:

- (a) any representation made by the Company shall prove incorrect at the time that such representation was made in any material respect, including, but not limited to, any information provided in the Application;
- (b) any material breach by the Company of an obligation of the Company under this Agreement, including failure to submit reports when due, or failure to maintain the Base, which is not cured by the Company to the satisfaction of the MSF Fund Manager within the Cure Period;
- (c) the Company's failure to timely meet one of the Key Milestones by the applicable date for such Key Milestone as set forth in Exhibit B, which failure is not cured by the Company to the satisfaction of the MSF Fund Manager within the Cure Period;
- (d) the Company is in default, violation, breach, or non-compliance, of any kind or nature under any agreement or requirement, including submission of reports, with the MEDC, or for any department or agency within the State, including without limitation, the Department of Licensing and Regulatory Affairs, the Department of Environmental Quality, the Department of Treasury, the MSF, the Michigan Economic Growth Authority (or any successors or assigns to any of the foregoing), which is not cured by the Company to the satisfaction of the MSF Fund Manager within the Cure Period;
- (e) any occurrence (after the expiration of any applicable cure period without the required cure) giving rise to a Repayment Event (as described in Section 5.2);
- (f) any voluntary bankruptcy or insolvency proceedings are commenced by the Company;
- (g) any involuntary bankruptcy or insolvency proceedings are commenced against the Company, which proceedings are not set aside within sixty (60) calendar days from the date of institution thereof;
- (h) the Company's failure to comply with Section 3.9.

Section 5.2 Repayment Events. The occurrence of any one or more of the following through the end of the Term of the Grant, shall constitute a "Repayment Event", and if not cured by the Company in accordance with Section 5.3, the Company shall repay the MSF Grant Disbursements then made to the Company as set forth below (each a "Repayment Amount"):

(a) **Full Repayment of Grant Disbursements.** The Company shall repay the MSF an amount equal to One Hundred percent (100%) of all Grant Disbursements then made to the Company in the event of any of the following:

(i) **Prohibited by the Act.** If any of the Grant Disbursements are used by the Company toward development of a stadium or arena for use by a professional sports team or development of a casino or property associated or affiliated with the operation of a casino as prohibited by the Act (see MCL 125.2088(c)(3)(c)), or to induce the Company, a qualified business, or small business to leave the State of Michigan, or to contribute to the violation of internationally recognized workers' rights, of workers in a country other than the US, as prohibited by the Act (see MCL 125.2088(c)(4)(c) and (d)).

(ii) **Materially Incorrect Information to Support Grant Disbursement Request.** If any information provided by the Company in support of any Grant Disbursement Request or Milestone Report is found to be incorrect by the MEDC or MSF in any material respect, including without limitation, any Base or QNJ .

(iii) **Jobs Transferred Out of the State.** If at any time during the Term of the Grant, the Company transfers out of the State twenty-five (25%) or more of the total number of jobs determined by adding (A) the Base, plus (B) the number of any QNJ's which provided a basis for any Grant Disbursement, rounded down to the nearest whole number.

(b) **Partial Repayment of Grant Disbursements.** The Company shall repay the MSF a portion of all Grant Disbursements then made to the Company in the event of any of the following and as set forth below:

(i) **Eliminated QNJ's.** If at any time during the Term of the Grant, the Company eliminates (which includes the effect of backfilling jobs with QNJ's to meet the required number of jobs to comprise the Base) or otherwise fails to pay consideration in Michigan for the number of any QNJ's for which Grant Disbursements have been made (the "Eliminated QNJ's"), the Company shall repay the MSF an amount determined by the following formula:

$$\frac{\text{Maximum Grant}}{\text{RQNJ}} \times \text{Eliminated QNJ's} = \text{Repayment Amount}$$

Section 5.3 Repayment By Company.

(a) The Company shall notify the Grant Manager of any Repayment Event (the "Company Notice"). The Company shall have sixty (60) calendar days from the date of the Company Notice to cure the Repayment Event to the satisfaction of the MSF Fund Manager, or such longer period as may be agreed to in writing by the MSF Fund Manager, and upon failure of the Company to cure within the time required, the Company shall immediately remit the Repayment Amount to the MSF.

(b) In the event the Grant Manager has not received any Company Notice as required by Section 5.3(a), upon the failure of the Company to cure a Repayment Event to the satisfaction of the MSF Fund Manager within thirty (30) calendar days after written notice thereof by the MSF Fund Manager, or within such longer period of time as determined in writing and at the sole discretion of the MSF Fund Manager, the Company shall immediately remit the Repayment Amount to the MSF.

(c) In addition to paying any required Repayment Amount, the Company shall pay interest on the Repayment Amount at the rate of seven percent (7%) per annum, which interest shall accrue on the Repayment Amount beginning on the date such Repayment Amount is due and continue until the Repayment Amount, any interest, and all costs and expenses as set forth in Section 5.4, are paid in full to the MSF. All payments by the Company shall first be applied to reimburse permitted costs and expenses, then to satisfy permitted interest, then to satisfy the Repayment Amount.

(d) Notwithstanding anything to the contrary, the MSF Fund Manager reserves the right to require the Company to pay the higher Repayment Amount resulting from one or more of the same circumstances which give rise to more than one Repayment Event; provided however, except as to the payment of any interest, costs and expenses as provided by this Agreement, in no event shall the Company be required to repay the MSF any amount in excess of Grant Disbursements received by the Company.

This Section shall survive the end of the Term of the Grant for a period of three (3) years.

Section 5.4 Available Remedies. Upon the occurrence of any one or more of the Events of Default (after the expiration of any applicable Cure Periods without the required cure), in addition to the automatic suspension of any Grant Disbursements, the MSF may terminate any further obligation to make any Grant Disbursements or payment of any kind to the Company, and the MSF may also terminate this Agreement, all at the option of the MSF. The suspension or termination of payments to the Company or of this Agreement are not intended to be the sole and exclusive remedy available to the MSF, and each remedy shall be cumulative and in addition to every other provision or remedy given herein or now or hereafter existing at law, in equity, by statute or otherwise. The Company shall also pay all costs and expenses, including, without limitation, reasonable attorney's fees and

expenses incurred by the MSF in collecting any sums due the MSF under this Agreement, in enforcing any of its rights under this Agreement, or in exercising any remedies available to the MSF.

This Section shall survive the end of the Term of the Grant for a period of three (3) years.

ARTICLE VI

MISCELLANEOUS

Section 6.1 Notice. Any notice or other communication under this Agreement shall be in writing and e-mailed, or faxed, or mailed by first class mail, postage prepaid, or sent by express, overnight courier to the respective Party at the address listed at the beginning of this Agreement or such other last known addresses or e-mail accounts, and shall be deemed delivered one business day after the delivery or mailing date.

Section 6.2 Entire Agreement. This Agreement, together with the Exhibits, sets forth the entire agreement of the Parties with respect to the subject matter, and supersedes all prior agreements, understandings and communications, whether written or oral, with respect to the subject matter of this Agreement.

Section 6.3 Counterparts; Facsimile/Pdf Signatures. This Agreement may be signed in counterparts and delivered by facsimile or in pdf form, and in any such circumstances, shall be considered one document and an original for all purposes.

Section 6.4 Severability. All of the clauses of this Agreement are distinct and severable and, if any clause shall be deemed illegal, void or unenforceable, it shall not affect the validity, legality or enforceability of any other clause or provision of this Agreement.

Section 6.5 Captions. The captions or headings in 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.

Section 6.6 Governing Law. This Agreement is a contract made under the laws of the State, and for all purposes shall be governed by, and construed in accordance with, the laws of the State.

Section 6.7 Relationship between Parties. The Company and its officers, agents and employees shall not describe or represent themselves as agents of the State, the MSF, or the MEDC to any individual person, firm or entity for any purpose.

Section 6.8. Successors and Assigns. The MSF may at any time assign its rights in this Agreement. The Company may not assign its rights or obligations under this Agreement without the prior written consent of the MSF. The terms and conditions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

Section 6.9 Waiver. A failure or delay in exercising any right under this Agreement will not be presumed to operate as a waiver unless otherwise stated in this Agreement, and a single or partial exercise of any right will not be presumed to preclude any subsequent or further exercise of that right or the exercise of any other right.

Section 6.10 Termination of Agreement. Except as to this Article VI which shall survive indefinitely, and except as to other terms and conditions which shall survive as provided in this Agreement, this Agreement shall terminate at the end of the Term of the Grant.

Execullon Copy

Section 6.11 Amendment. This Agreement may not be modified or amended except pursuant to a written instrument signed by the Company and the MSF Fund Manager.

The Parties have executed this Agreement effective on the Effective Date.

CHALLENGE MFG. COMPANY



Andrew Washburn
Treasurer & Assistant Secretary

MICHIGAN STRATEGIC FUND



Karla K. Campbell
Fund Manager

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EXHIBIT A

DEFINED TERMS

- (a) "Act" means the Michigan Strategic Fund Act, MCL 125.2001 et seq., including, in particular, MCL 125.2088r which authorized the creation of the MBDP.
- (b) "Affiliate" means any person or entity that directly or indirectly owns, is owned by or is under common ownership with another person or entity to the extent of at least fifty percent (50%) of the equity (or such lesser percentage which is the maximum allowed to be owned by a foreign corporation in a particular jurisdiction or such lesser percentage provided the operational control is held by such other person or entity) having the power to vote on or direct the affairs of such person and any person, firm, partnership, corporation or other entity actually controlled by, controlling or under common control with such other person or entity.
- (c) "Agreement" means this Agreement, including the Exhibits to this Agreement.
- (d) "Application" means the Application for Incentive Assistance, dated February 28, 2013, submitted by the Company to the MEDC.
- (e) "Auditor General" means the auditor general of the State of Michigan.
- (f) "MBDP" has the meaning set forth in Recital C.
- (g) "Base Employment Level" or "Base" means the 1,672 jobs maintained by the Company on a statewide basis in the State as set forth in the Application.
- (h) "Company" means the Grantee as identified in the preamble.
- (i) "Company Notice" has the meaning set forth in Section 5.3.
- (j) "Confidential Information" has the meaning set forth in Section D.2 of Exhibit D.
- (k) "Cure Period" means within ten (10) business days after written notice by the MSF Fund Manager, or within such longer period of time as determined in writing and at the sole discretion of the MSF Fund Manager.
- (l) "Effective Date" has the meaning set forth in the preamble.
- (m) "Eliminated QNJ's" has the meaning set forth in Section 5.2(b)(i).
- (n) "Event of Default" means any one or more of those events described in Section 5.1.
- (o) "Exhibit" means each of the documents or instruments attached to this Agreement.
- (p) "Grantee" means the Company as identified in the preamble.
- (q) "Grant" has the meaning set forth in Recital E.
- (r) "Grant Disbursement" means Grant funds paid to the Company by the MSF under this Agreement.
- (s) "Grant Disbursement Request" means a written request from the Company for a Grant Disbursement in form and substance required from time to time by the MBDP.

- (t) **"Grant Manager"** means that individual person designated by the MSF Fund Manager from time to time to provide administrative services for the MSF under this Agreement.
- (u) **"Indemnified Persons"** has the meaning set forth in Section D.6 of Exhibit D.
- (v) **"Key Milestones"** means major achievements of the Company described in Exhibit B.
- (w) **"Maximum Grant"** means One Million Dollars (\$1,000,000).
- (x) **"MEDC"** has the meaning set forth in Recital B.
- (y) **"Milestone Report"** means the report submitted by the Company to demonstrate and certify the completion of one or more sets of Key Milestones in form and substance required from time to time by the MBDP.
- (z) **"MSF"** has the meaning set forth in the preamble.
- (aa) **"MSF Fund Manager"** means the person designated by the Board of Directors of the MSF from time to time to serve as the manager for the MSF programs.
- (bb) **"Party"** or **"Parties"** has the meaning set forth in the preamble.
- (cc) **"Progress Report"** means the annual report submitted no later than October 10 of each year during the Term of the Grant that consists of the quantitative or numerical data required by the Act, as more particularly described in Section D.1 of Exhibit D, and otherwise in form and substance required from time to time by the MBDP.
- (dd) **"Project"** means the Company's plan, more particularly described in the attached Exhibit C, for the facilities located at 1401 South Washington Avenue, Holland, Michigan 49423, 3079 Three Mile Road NW, Walker, Michigan 49534, and 3200 Fruit Ridge Avenue NW, Walker, Michigan 49544.
- (ee) **"Qualified New Job"** or **"QNJ"** means a new job created by the Company, in excess of the Base, after March 11, 2013, and performed for the Company for consideration by an individual who is a resident of the State, and whose income taxes are withheld by the Company (or, to the satisfaction of the Grant Manager, an employee leasing company or professional employer organization on behalf of the Company); provided however, unless a job of an Affiliate is part of the Base, in no event shall any job transferred (or otherwise eliminated) from an Affiliate in the State, to a job at the Company or Affiliate in the State, be considered a QNJ.
- (ff) **"Required Qualified New Jobs"** or **"RQNJ"** means 180 Qualified New Jobs.
- (gg) **"Repayment Amount"** has the meaning set forth in Section 5.2.
- (hh) **"Repayment Event"** has the meaning set forth in Section 5.2.
- (ii) **"State"** means the State of Michigan.
- (jj) **"Term of the Grant"** means from the Effective Date and, unless earlier terminated as provided by this Agreement, through June 30, 2017.

EXHIBIT B
KEY MILESTONES*

***Subject to the terms and conditions of the Agreement, including the terms and conditions of Section 2.3 of the Agreement which include the required submission of a Grant Disbursement Request, a Milestone Report, and any other information as may be required under Section 2.3, the following Grant Disbursements may be requested by the Company:**

Key Milestone Number One:

Grant Disbursement: Not to exceed \$600,000

The Company must demonstrate to the satisfaction of the Grant Manager by no later than June 30, 2014 all of the following, and must otherwise be in compliance with the Agreement:

1. The Company has maintained the Base Employment Level, including providing employee identification numbers (or other identification information) for each employee comprising the Base, hiring date for each employee comprising the Base, as well as the location where the Base job is located;
2. The Company shall provide all documentation to the satisfaction of Grant Manager that the City of Holland, Michigan has formally approved a personal property tax abatement for the Project on terms and conditions acceptable to the Grant Manager;
3. The Company has created a minimum of one hundred (100) Qualified New Jobs, including providing employee identification number (or other identification information) for the QNJ's, hiring date for each employee comprising the QNJ, as well as the location where each QNJ is located; and
4. The Company has provided all copies of documents requested by, and to the satisfaction of, the Grant Manager, including without limitation, copies of any requested Form W-2's, payroll reports, employment or other reports, including any unemployment insurance agency reports, and any other information deemed necessary by the Grant Manager to support the Grant Disbursement Request.

Key Milestone Number Two:

Grant Disbursement: Up to \$400,000, and when taken together with any prior Grant Disbursement, cannot exceed the Maximum Grant.

The Company must demonstrate to the satisfaction of the Grant Manager by no later than June 30, 2015 all of the following, and must otherwise be in compliance with the Agreement:

1. The Company has maintained the Base Employment Level, including providing employee identification numbers (or other identification information) for each employee comprising the Base, hiring date for each employee comprising the Base, as well as the location where the Base job is located;
2. The Company has created a total of a minimum of an additional eighty (80) Qualified New Jobs (for a total of one hundred eighty (180) Qualified New Jobs); including providing employee identification number (or other identification information) for each

employee comprising all QNJ's, hiring date for each employee comprising all QNJ's, as well as the location where each QNJ is located; and

3. The Company has provided all copies of documents requested by, and to the satisfaction of, the Grant Manager, including without limitation, copies of any requested Form W-2's, payroll reports, employment or other reports, including any unemployment insurance agency reports, and any other information deemed necessary by the Grant Manager to support the Grant Disbursement Request.

EXHIBIT C
PROJECT DESCRIPTION

Challenge Mfg. Company (the "Company") will expand its engineered metal stamping and modular assembly operations to support new automotive business the Company has been awarded. To accommodate this expansion, the Company will expand at three of its existing facilities in the Cities of Holland, Michigan and Walker, Michigan (1401 South Washington Avenue, Holland, Michigan; 3079 Three Mile Road NW, Walker, Michigan; and 3200 Fruit Ridge Avenue NW, Walker, Michigan).

The Company plans to invest \$10,290,000 and create 180 Qualified New Jobs in Holland, Michigan and Walker, Michigan to support this expansion.

EXHIBIT D

STATE REQUIRED TERMS

Section D.1 Progress Reports. No later than October 10th of each year during the Term of the Agreement, the Company shall submit to the Grant Manager an annual Progress Report through September 30th. Following the end of the Term of the Agreement, the Company shall submit to the Grant Manager a final Progress Report by no later than October 10th. The Progress Report shall be an all-encompassing report and shall include a description of the Key Milestones achieved during the preceding twelve (12) months, and submission of all data required for the MSF to comply with its annual reporting requirements to the Michigan legislature under the Act (see MCL 125.2088r(6) and MCL 125.2088n(5)); including reporting for the previous twelve (12) months:

- (a) the total proposed amount, and the actual amount, of investment attracted by the Company to the Project;
- (b) the total committed, and the actual number of, QNJ created by the Company;
- (c) the individuals hired by the Company, including the number and their educational attainment (including whether high school diploma or equivalent, higher education certificate or degree, or advanced degree or training), and the number of individuals hired by the Company who relocated to the State;
- (d) the number of new patents, copyrights, or trademarks applied for and issued to the Company;
- (e) the amounts of other funds leveraged by the Company;
- (f) the number of new licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and
- (g) the number of products commercialized by the Company.

This Section shall survive the end of the Term of the Agreement for a period of one (1) year.

Section D.2 Confidentiality. In connection with the transactions contemplated by this Agreement, the MSF, the MEDC or their representatives may obtain, or have access to all information or data concerning the business, operations, assets or liabilities of the Company. Under MCL 125.2005(9), the MSF Board has authority, upon the Company's request, to acknowledge financial or proprietary Company information as confidential. If the MSF acknowledges Company information as confidential (the "Confidential Information"), the MEDC and the MSF agree that they and their representatives will use the Confidential Information solely for the purpose of administering this Agreement, and that the Confidential Information will be kept strictly confidential and that neither the MEDC, the MSF, nor any of their representatives will disclose any of the Confidential Information in any manner whatsoever. However, the MSF or the MEDC may disclose Confidential Information: (i) to such of its representatives who need such information or data for the sole purpose of administering the MBDP and the transactions contemplated by this Agreement; (ii) to the extent required by applicable law (including, without limitation, the Michigan Freedom of Information Act); (iii) if, before the Effective Date, such information or data was generally publicly available; (iv) if after the Effective Date, such information or data becomes publicly available without fault of or action on the part of the MSF, the MEDC or its representatives; and (v) in all other cases, to the extent that the Company gives its prior written consent to disclosure. This Section shall survive indefinitely. Neither the MSF nor MEDC, nor any of their officers, directors, employees or agents shall be liable for any inadvertent disclosure of any of the Confidential Information.

Section D.3 Access to Records and Inspection Rights. During the Term of the Grant, there will be frequent contact between the Grant Manager, or other MEDC, MSF or representative of the State,

and the Company, including a minimum of an annual site visit. In addition and also until the end of the Term of the Grant, to enable the Auditor General, the Department of Technology, Management and Budget (the "DTMB"), the MSF, or the MEDC to monitor and ensure compliance with the terms of this Agreement, the Company shall permit the Auditor General, the DTMB, the MSF, or the MEDC to visit the Company, and any other location where books and records of the Company are normally kept, to inspect the books and records, including financial records and all other information and data relevant to the terms of this Agreement, including the expenditure of the Grant Disbursements; provided, however, that such audit right shall survive the end of the Term of the Grant by three (3) years. In connection with any such audit, the Company shall cooperate with the chief compliance officer, if contacted, as provided in MCL 125.2088i(6)(h). At such visits, the Company shall permit the Auditor General, the DTMB, the MSF, or any member, employee or agent of the MSF, the Grant Manager or any employee or agent of the MEDC to make copies or extracts from information and to discuss the affairs, finances and accounts of the Company related to this Agreement with its officers, employees or agents. Notwithstanding anything to the contrary, any information and data that the Company reasonably determines is Confidential Information shall be reviewed by the Auditor General, the DTMB, the MSF, and the MEDC at the offices of the Company and the Auditor General, the DTMB, the MSF, or the MEDC shall have the right to remove, photocopy, photograph or otherwise record in any way any part of such books and records with the prior written consent of the Company, which consent shall not be unreasonably withheld.

Section D.4 Termination of Funding. In the event that the State Legislature or the State Government fails to provide or terminates the funding necessary for the MSF to fund the Grant, the MSF may terminate this Agreement by providing notice to the Company not less than thirty (30) calendar days before the date of cancellation provided, however, that in the event the action of the State Legislature or State government results in an immediate absence or termination of funding, this Agreement may be terminated effective immediately upon delivery of written notice to the Company. In the event of termination of funding, the MSF has no further obligation to make Grant Disbursements beyond the date of termination of this Agreement.

Section D.5 Non-Discrimination and Unfair Labor Practices. In connection with this Agreement, the Company agrees not to discriminate against any employee or applicant for employment, with respect to their hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability unrelated to the individual's ability to perform the duties of the particular job or position. The Company further agrees that every subcontract entered into for performance of this Agreement will contain a provision requiring nondiscrimination in employment, as specified in this Agreement, binding upon each subcontractor. This covenant is required under the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.*, and any breach thereof may be regarded as a material breach of this Agreement.

Under 1980 PA 278, MCL 423.321, *et seq.*, the State shall not award a contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled under MCL 423.322. The United States Labor Relations Board compiles this information. The Company shall not enter into a contract with a subcontractor, manufacturer, or supplier whose name appears in this register. Under MCL 423.324, the State may void any contract if, subsequent to the award of the contract, the name of the Company as an employer, or the name of a subcontractor, manufacturer, or supplier of the Company appears in the register.

Section D.6 Indemnification and Hold Harmless. Except for their respective obligations to process or disburse Grant Disbursements as required in this Agreement, the MSF, the State, the MEDC, its Executive Committee and their respective directors, participants, officers, agents and employees (collectively, the "Indemnified Persons") shall not be liable to the Company for any reason.

The Company shall indemnify and hold the State, the MSF, and the MEDC and other Indemnified Person harmless against all claims asserted by or on behalf of any individual person, firm or entity (other than an Indemnified Person), arising or resulting from, or in any way connected with this Agreement or any act or failure to act by the Company under the Agreement, including all liabilities, costs and expenses, including reasonable counsel fees, incurred in any action or proceeding brought by reason of any such claim. The Company shall also indemnify the MSF, the MEDC and other Indemnified Person from and against all costs and expenses, including reasonable counsel fees, lawfully incurred in enforcing any obligation of the Company under this Agreement.

The Company shall have no obligation to indemnify an Indemnified Person under this Section if a court with competent jurisdiction finds that the liability in question was solely caused by the willful misconduct or gross negligence of the MSF, the MEDC or other Indemnified Person, unless the court finds that despite the adjudication of liability, the MSF, the MEDC or other Indemnified Person is fairly and reasonably entitled to indemnity for the expenses the court considers proper. The MSF, the MEDC and the Company agree to act cooperatively in the defense of any action brought against the MSF, the MEDC or another Indemnified Person to the greatest extent possible.

Performance of the Company's obligations contemplated under this Agreement is within the sole control of the Company and its employees, agents and contractors, and an Indemnified Person shall have no liability in tort or otherwise for any loss or damage caused by or related to the actions or failures to act, products and processes of the Company, its employees, agents or contractors. This Section shall survive indefinitely.

Section D.7 Jurisdiction. The parties shall make a good faith effort to resolve any controversies that arise regarding this Agreement. If a controversy cannot be resolved, the parties agree that any legal actions concerning this Agreement shall be brought in the Michigan Court of Claims or, as appropriate, Ingham County Circuit Court in Ingham County, Michigan. The Company acknowledges by signing this Agreement that it is subject to the jurisdiction of this court and agrees to service by first class or express delivery wherever the Company resides, in or outside of the United States. This Section shall survive indefinitely.