

MEGA TAX CREDIT AGREEMENT

Federal Mogul

This Agreement between the Michigan Economic Growth Authority ("MEGA"), whose address is Post Office Box 30234, Lansing, Michigan 48909 and Federal-Mogul Corporation, (the "Company") a Michigan corporation, whose address is 26555 Northwestern Highway, Southfield, Michigan 48034, and whose Employer Identification Number is [REDACTED]

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 and development, wholesale and trade, or office operations.

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 creation and retention will promote and serve the purposes of the Act.

WHEREAS, the MEGA and the Company desire to set forth the terms and conditions for a MEGA Tax Credit.

NOW, THEREFORE, the parties agree as follows:

1.0 DEFINITIONS

(a) "Act" means Public Act 24 of 1995, as amended.

(b) "Agreement" means this written agreement.

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

(d) "Anniversary Date" means December 31, 2005.

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

(f) "Average Weekly Wage" means the total salaries and wages paid during the applicable tax year to employees performing Retained Jobs at the Project, divided by 52, divided by the number of Retained Jobs at the Project.

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

(h) "Certificate Application" or "Application for a MEGA Tax Credit Certificate" means the written information submitted each year in support of the Company's request for a Tax Credit Certificate.

(i) "Facility" means any of the following sites within this state at which the Company or a Subsidiary Company has committed to locating Retained Jobs:

Southfield World Headquarters
Federal-Mogul Corporation World Headquarters
26555 Northwestern Highway
Southfield, Michigan 48034

Ann Arbor/Plymouth Research & Development Facilities

Federal-Mogul Corporation
ATC Advanced Technology Center
560 Avis Drive
Ann Arbor, Michigan 48108

Federal-Mogul Corporation
Sealing Systems
3874 Research Park Drive
Ann Arbor, Michigan 48108

Federal-Mogul Corporation
Bearings
3990 Research Park Drive
Ann Arbor, Michigan 48108

Federal-Mogul Corporation
Bearings
3935 Research Park Drive
Ann Arbor, Michigan 48108

Federal-Mogul Corporation
Friction
44064 Plymouth Oaks Boulevard
Plymouth, Michigan 48170

Federal-Mogul Corporation
Powertrain/Sealing
47001 Port Street
Plymouth, Michigan 48170

Greenville Manufacturing Facility

Federal-Mogul Corporation
510 East Grove Street
Greenville, Michigan 48838

Sparta Manufacturing Facility

Federal-Mogul Piston Rings, Inc.
200 South Maple Street
Sparta, Michigan 49345

St. Johns Manufacturing Facility

Federal-Mogul Corporation
410 Steel Street
St. Johns, Michigan 48879

(j) "Full-time Job" means a job performed by an individual who is employed for consideration for 35 hours or more each week and for which the employer withholds income and social security taxes.

(k) "MEGA Employment Credit" or "Employment Credit" means a credit against the Single Business Tax authorized by Section 38g(19)(a) of Public Act 143 of 2000.

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

(m) "Person" means an individual, proprietorship, joint venture, partnership, trust, business trust, syndicate, association, joint stock company, corporation, cooperative, limited liability company or any other organization.

(n) "Project" means the investment and maintenance of Retained Jobs as described under Project Description.

(o) "Project Facilities" means the Southfield World Headquarters; Ann Arbor/Plymouth Research & Development Facilities; Greenville Manufacturing Facility; Sparta Manufacturing Facility; and St. Johns Manufacturing Facility of the Company and Subsidiary Companies, as detailed in Section 1(i) of this agreement.

(p) "Retained Job" means a Full-Time Job held by a Michigan resident employed by the Company that is maintained at one of the Project Facilities by the Company or a Subsidiary Company after the date of execution of this Agreement.

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

(r) "Subsidiary Company" means Federal-Mogul Piston Ring, Inc., FEIN 38-3605957 and Federal-Mogul Word Wide, Inc. FEIN 38-3010848 so long as each is directly or indirectly controlled by, or is 80 percent owned by the Company. For purposes of this definition "controlled" means the power to direct or cause the direction of the management and policies of the business.

(s) "Statement of Eligibility" or "Statement" means the certified statement required by Section 4.2 of this Agreement.

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 Agreement. This Agreement, when executed, will be valid, binding and enforceable in accordance with its terms.

(c) Upon execution of this Agreement, the MEGA will issue the Company's initial Tax Credit Certificate in the form attached to this Agreement.

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

(a) Existence and Power. The Company is validly existing and is in good standing under the laws of the State of Michigan, and is duly qualified to transact business in Michigan.

(b) Corporate Authority. The execution, delivery and performance by the company of this Agreement have been duly authorized by all necessary corporate action and will not violate any provision of law or of its articles of incorporation or its bylaws.

(c) Full Disclosure. Neither this Agreement, the Company's Application, nor any written statements furnished by the Company or the Subsidiary Companies to the MEGA in connection with the authorization of a MEGA Tax Credit contain any untrue statement of a material fact or omit a material fact.

(d) Eligibility. The Company and Subsidiary Companies will maintain Retained Jobs at the Project Facilities generally classified under SIC Code 3562.

(e) Project Description. The Company and Subsidiary Companies will retain operations at each of the Project Facilities, and make New Capital Investment at the Greenville Manufacturing Facility and the St. Johns Manufacturing Facility to reduce the lead used in manufacturing various products.

The Project will result in the maintenance by the Company and Subsidiary Companies of the statutory minimum of 1000 Retained Jobs at the Project Facilities, including a minimum of 150 Retained Jobs at the Company's Southfield World Headquarters, no later than December 31, 2004. The Retained Jobs created will pay an Average Weekly Wage of at least \$1,174 and at no time will the average wage paid for the Retained Jobs be less than 150 percent of the federal minimum wage.

To qualify for a MEGA Tax Credit for Retained Jobs, the Company will make New Capital Investments, as defined in the Act, in the Project no later than December 31, 2005. The company will invest in and install a new lead-free plater at the Greenville Manufacturing Facility and will invest in and install a new 200 Ton press at the St. Johns Manufacturing Facility. The Project is economically sound and the investment capital and/or financing needed to complete the Project is now committed or will soon be available to the Company. As of December 14, 2004 the Project had not begun.

(f) Need for MEGA Tax Credits. The Tax Credits authorized by this Agreement address the competitive disadvantages of remaining in Michigan instead of a site outside this State. The Project will not occur in Michigan without the tax credits offered by this Agreement and the Act.

(g) 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.

(h) 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.

(i) Binding Agreement. 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 Application and the Company's representations and warranties in this Agreement, the Authority authorizes the following tax credits subject to the conditions in Section 4.9 of this Agreement.

3.1 Employment Credit

(a) An Employment Credit of up 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 exemptions of employees performing Retained Jobs. The Employment Credit is authorized for twenty consecutive tax years beginning with the Company's tax year ending December 31, 2005.

(b) The percentage of the Employment Credit claimed in any tax year shall be the same as the percentage that the average number of Retained Jobs in the Company and Subsidiary Companies in Michigan is to 1,700, in that tax year, but in no case more than 100 percent.

(c) No more than 1,866 Retained Jobs may be used in calculating the Employment Credit as provided in Section 38g(20)(b) of Public Act 143 of 2000.

4.0 CONDITIONS OF THE MEGA TAX CREDITS

4.1 Eligibility, Retained Jobs. The Company shall not be eligible for the Tax Credit on Retained Jobs as provided in Section 3.0 of this Agreement unless:

(a) The statutory minimum of 1000 Retained Jobs are maintained at the Project Facilities, no later than the Anniversary Date.

(b) The Average Weekly Wage paid to all employees with Retained Jobs is at least \$1,174.

(c) The Company has made New Capital Investment as defined in the Act, at the Greenville Manufacturing Facility and the St. Johns Manufacturing Facility, no later than the Anniversary Date.

(d) The Company and Subsidiary Companies have maintained the minimum number of Retained Jobs as provided in Schedule A for that particular Project Facility, at any three of the five Project Facilities, no later than the Anniversary Date.

(e) In any given tax year, the Company may receive a Tax Credit for Retained Jobs only at those Project Facilities which maintained the minimum number of Retained Jobs required by Schedule A for that particular Project Facility.

4.2 Statement of Eligibility (Retention). Any time after an aggregate of 1000 Retained Jobs have been maintained at the Project Facilities, and 150 Retained Jobs have been maintained at the Company's Southfield World Headquarters, but in no case later than 30 days after the Anniversary Date, and in all cases prior to or concurrent with the first application for a Tax Credit Certificate, the Company shall file a Certified Statement of Eligibility (Retention) in a form specified by the Authority. The Statement shall contain the following information:

- (a) The number of Retained Jobs at each of the Project Facilities.
- (b) The Average Weekly Wage paid to employees with Retained Jobs at each of the Project Facilities.
- (c) The dollar amount of New Capital Investment in the Project Facilities in the period beginning on the date of execution of this Agreement, and ending on the date of the Company's most recent fiscal year end.
- (d) A certification by an authorized officer of the Company that the information provided in the Statement of Eligibility is true.

4.3 Tax Credit Certificate (Retention). To obtain a Tax Credit Certificate in connection with the tax credits authorized in this Agreement for Retained Jobs in any tax year, the Company and Subsidiary Companies shall do all of the following:

- (a) Maintain the minimum aggregate number of 1,000 Retained Jobs at the combined Project Facilities, for the applicable tax year. In computing the number of Retained Jobs at the combined Project Facilities in any tax year, the Company shall determine the aggregate number of Retained Jobs at all the Project Facilities 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).

(b) Maintain a minimum number of 150 Retained Jobs at the Southfield World Headquarters for the applicable tax year. In computing the number of Retained Jobs at Southfield World Headquarters in any tax year, the Company shall determine the aggregate number of Retained Jobs at that Project Facility 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).

(c) Maintain the minimum number of Retained Jobs at each of any three of the Project Facilities, as required by Schedule A of this Agreement for each of the Project Facilities, for the applicable tax year. In computing the number of Retained Jobs at any three of the Project Facilities in any tax year, the Company shall determine the number of Retained Jobs at each of the three Facilities 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).

(d) Pay an Average Weekly Wage in connection with all the Retained Jobs of \$1,74 for the applicable tax year.

(e) Pay an average hourly wage in connection with all the Retained Jobs that equals or exceeds 150 percent of the highest hourly federal minimum wage in effect for the applicable tax year.

(f) MEGA Benefits will be earned by only those Project Facilities that meet the minimum number of Retained Jobs for the Facility, as required by Schedule A of this Agreement.

4.5 Administrative Fee. The Company must pay an administrative fee of \$100,000 to MEGA upon submission of the Certified Statement of Eligibility (Retention) required by Section 4.2.

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 Single Business Tax return is due. If the Company receives an extension of the deadline to file its Michigan Single Business Tax return, 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 number of Retained Jobs at each of the Project Facilities as of the end of each of the four quarters in the applicable tax year.

(b) The total Salaries and Wages, before deducting any personal or dependency exemptions, paid to employees who performed Retained Jobs at each of the Project Facilities during the applicable tax year.

(c) Any other information which is reasonably related to determining the applicable Tax Credit.

(d) A certification by an Authorized Officer of the Company that the information provided in a Certificate Application is true.

5.4 The information in a Certificate Application is subject to audit and verification by the Authority or its designee consistent with Section 4.4 of this Agreement.

5.5 Within 45 days of receiving a complete Certificate Application, the MEGA will review that application to determine whether the requirements of this Agreement have been satisfied and, if so, will calculate the credit authorized under this Agreement and issue a Tax Credit Certificate to the Company.

6.0 ADJUSTMENT, REDUCTION, OR TERMINATION OF CREDITS

6.1 If the Company does not comply with the conditions required in either Section 4.1 or Section 4.2, this Agreement is void, the Company is no longer an authorized business for purposes of the Act and no Tax Credits will be authorized under this Agreement.

6.2 Failure of the Company to comply with any provision of this Agreement, other than as a result of a clerical or technical error which is corrected when it is discovered to be an error, may result in revocation of the Company's designation as an authorized business or the reduction or loss of Tax Credits for which a Certificate has not yet been issued.

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 recover 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 notification of its intent to take such action and the basis for that action shall provide the Company with a reasonable opportunity to respond.

7.0 RECOVERY OF CREDIT FOR JOB REDUCTIONS

7.1 Credits collected pursuant to this Agreement are subject to repayment as provided in this Section 7, if the Company and Subsidiary Companies fail to:

(a) Maintain a minimum of 1,000 Retained Jobs at the Project Facilities of the Company and Subsidiary Companies each year.

(b) Maintain a minimum of 150 Retained Jobs at the Southfield World Headquarters each year.

(c) Maintain the minimum number of Retained Jobs, as specified in Schedule A for each Project Facility, at any three of the five Project Facilities, in any two consecutive years.

7.2 The MEGA will determine the number of Retained Jobs at each Project Facility 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). The result must equal or exceed the minimum employment level for each Project Facility as specified in Schedule A.

7.3 The benefits earned by Project Facilities that fail to maintain their minimum employment level shall be subject to repayment. The repayment shall not exceed the

credits collected in the preceding two years attributable to Project Facilities failing to meet this requirement.

7.4 Notwithstanding any other provision of this Section 7.0, no credits collected based on Retained Jobs at a particular Project Facility are subject to repayment if the Company and/or a Subsidiary Company failed to maintain the minimum employment level at that Project Facility because the Company and/or the Subsidiary Company was unable to reach agreement on a new contract or a contract extension with the United Auto Workers Union for the year the minimum employment level was not achieved. This Subsection 7.4 shall not apply if the National Labor Relations Board determines that the Company and/or the Subsidiary Company was engaged in an unlawful lockout at the particular Project Facility or failed to bargain in good faith on the contract or contract extension.

7.5 A Tax Credit required to be repaid pursuant to this section shall be repaid no later than ninety days after the date the Company receives notice from the MEGA of a determination pursuant to Subsection 7.3 or Subsection 7.4. No further Tax Credit Certificates will be issued pursuant to Section 5.5 of this Agreement until all amounts required to be repaid pursuant to this Section 7 are received by the Michigan Department of Treasury.

8.0 REPORTING

8.1 General. The Company shall provide the MEGA with the information regarding its participation in the Tax Credit Program as the MEGA may reasonably require while this Agreement is effective.

8.2 WARN Act. The Company shall provide the MEGA with copies of any notices required pursuant to the federal Worker Adjustment and Retraining Notification Act (Public Law 100-379).

9.0 MISCELLANEOUS

9.1 Assignment of Credits. The Tax Credits authorized by this Agreement shall not be transferred or assigned to any other Person. In the event a Person acquires all or substantially all of the assets of the Company in Michigan, after the date of this Agreement, the Authority shall authorize the transfer of the company's rights under this Agreement to that Person if:

(a) The Person agrees in writing to assume all of the responsibilities of the Company under this Agreement.

(b) The Authority determines that the transfer would serve the purposes of the Act and this Agreement.

9.2 Severability. If any provision of this Agreement is held illegal or invalid by any court, the invalidity of that provision shall not affect the remainder of this Agreement, and the Agreement shall be construed and enforced as if such illegal or invalid provision had not been in the Agreement.

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

If to the MEGA by mail:

Michigan Economic Development Corporation
Michigan Economic Growth Authority
300 North Washington Square
Lansing, Michigan 48913
Attention: Jim Paquet

If to the MEGA by messenger or professional courier service:

Michigan Economic Growth Authority
Michigan Economic Development Corporation
300 North Washington Square
Lansing, Michigan 48913
Attention: Jim Paquet

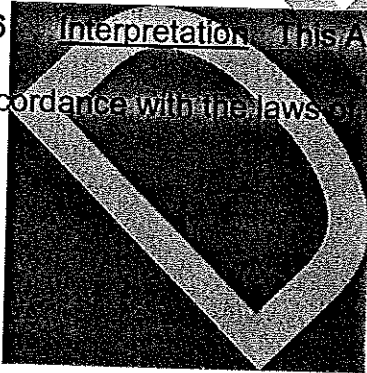
If to the company:

Federal-Mogul Corporation.
26555 Northwestern Highway
Southfield, MI 48034
Attention: Mr. Robert Rozycki

9.4 Entire Agreement and Amendment. Subject to the Act, this Agreement and the attached Schedules contain the entire Agreement between the Company and the MEGA with respect to the matters described in the Agreement. This Agreement may not be amended except with the written consent of the Authority and the Company.

9.5 Captions. The captions in this Agreement are for convenience only and in no way limit the intent of any provision of this Agreement.

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



9.7 Acceptance. The terms of this Agreement are accepted this ____ day of December, 2004.

Michigan Economic Growth Authority

By _____

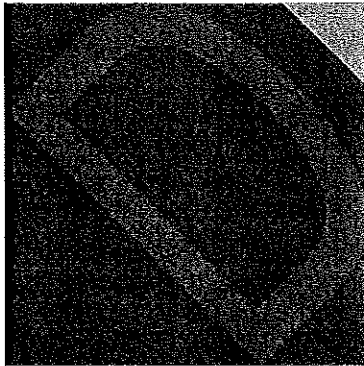
Jim Paquet
Secretary to the MEGA Board

Federal-Mogul Corporation

By _____

Mr. Robert Rozycki
Vice President and Chief Tax Officer

(Form 5-7-01)



Federal-Mogul Corporation

Schedule A: Minimum Employment and Wage Levels

to Qualify for Retained Jobs Tax Credits

SOUTHFIELD WORLD HEADQUARTERS

Year of Credit	Tax Year Ending December 31	Project Facility Minimum Employment Level
1	2005	540
2	2006	540
3	2007	540
4	2008	540
5	2009	540
6	2010	540
7	2011	540
8	2012	540
9	2013	540
10	2014	540
11	2015	540
12	2016	540
13	2017	540
14	2018	540
15	2019	540
16	2020	540
17	2021	540
18	2022	540
19	2023	540
20	2024	540

Federal-Mogul Corporation

Schedule A: Minimum Employment and Wage Levels

to Qualify for Retained Jobs Tax Credits

ANN ARBOR/PLYMOUTH RESEARCH & DEVELOPMENT FACILITIES

Year of Credit	Tax Year Ending December 31	Project Facility Minimum Employment Level
1	2005	250
2	2006	250
3	2007	250
4	2008	250
5	2009	250
6	2010	250
7	2011	250
8	2012	250
9	2013	250
10	2014	250
11	2015	250
12	2016	250
13	2017	250
14	2018	250
15	2019	250
16	2020	250
17	2021	250
18	2022	250
19	2023	250
20	2024	250

Federal-Mogul Corporation

Schedule A: Minimum Employment and Wage Levels

to Qualify for Retained Jobs Tax Credits

GREENVILLE MANUFACTURING FACILITY

Year of Credit	Tax Year Ending December 31	Project Facility Minimum Employment Level
1	2005	220
2	2006	220
3	2007	220
4	2008	220
5	2009	220
6	2010	220
7	2011	220
8	2012	220
9	2013	220
10	2014	220
11	2015	220
12	2016	220
13	2017	220
14	2018	220
15	2019	220
16	2020	220
17	2021	220
18	2022	220
19	2023	220
20	2024	220

Federal-Mogul Corporation

Schedule A: Minimum Employment and Wage Levels

to Qualify for Retained Jobs Tax Credits

SPARTA MANUFACTURING FACILITY

Year of Credit	Tax Year Ending December 31	Project Facility Minimum Employment Level
1	2005	150
2	2006	150
3	2007	150
4	2008	150
5	2009	150
6	2010	150
7	2011	150
8	2012	150
9	2013	150
10	2014	150
11	2015	150
12	2016	150
13	2017	150
14	2018	150
15	2019	150
16	2020	150
17	2021	150
18	2022	150
19	2023	150
20	2024	150

Federal-Mogul Corporation

Schedule A: Minimum Employment and Wage Levels

to Qualify for Retained Jobs Tax Credits

ST. JOHNS MANUFACTURING FACILITY

Year of Credit	Tax Year Ending December 31	Project Facility Minimum Employment Level
1	2005	220
2	2006	220
3	2007	220
4	2008	220
5	2009	220
6	2010	220
7	2011	220
8	2012	220
9	2013	220
10	2014	220
11	2015	220
12	2016	220
13	2017	220
14	2018	220
15	2019	220
16	2020	220
17	2021	220
18	2022	220
19	2023	220
20	2024	220

Federal-Mogul Corporation

Schedule B

Federal-Mogul Corporation 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.

Certified this _____ day of December, 2004

By: _____

Signator's Name
Title

Certificate Number

00 – 26X -04

Initial Tax Credit Certificate

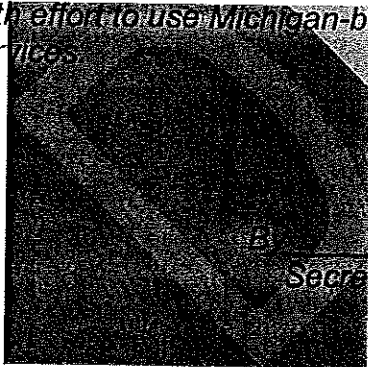
Issued this _____ day of December, 2004, by the

Michigan Economic Growth Authority

to Federal-Mogul Corporation, Employer Identification Number, 38-0533580, which is an Authorized Business pursuant to Public Act 24 of 1995, as amended.

The MEGA authorizes to Federal-Mogul Corporation, an Employment Credit of 100 percent for twenty consecutive tax years, beginning with the Company's tax year ending December 31, 2005 under Section 37c of Public Act 23 of 1995.

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.



Secretary to the MEGA Board