

MEGA TAX CREDIT AGREEMENT

Standard and Retention Credit Agreement

Production Engineering, Inc.

This Agreement is made between the Michigan Economic Growth Authority ("MEGA"), whose address is 300 North Washington Square, Lansing, Michigan 48913 and Production Engineering, Inc. (the "Company"), a corporation, whose address is 2400 Enterprise Drive, Jackson, MI 49203, 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, office operations, qualified high-technology business or certain tourism attractions.

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

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

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

NOW, THEREFORE, the parties agree as follows:

1.0 DEFINITIONS

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

(e) "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.

(f) "Base Employment Level" means the minimum number of Full-Time Jobs to be maintained at the Company or a Related Company, in Michigan, as specified in Schedule A attached to this Agreement.

(g) "Beginning of Operations" means June 1, 2009.

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

(i) "Certificate" or "Tax Credit Certificate" means the certificate required to be issued by Public Act 36 of 2007, as amended, 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 or Michigan Treasury number.

(j) "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.

(k) "Company" means Production Engineering, Inc., [REDACTED] which is an authorized business as defined in the Act, upon execution of this Agreement.

(l) "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.

(m) "Facility" means the "Project" or the site within this state at which the Company has committed to creating Retained Jobs.

(n) "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 company withholds income and social security taxes.

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

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

(q) "New Capital Investment" means investment as defined in the Act.

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

(s) "Project" means the facility at which the Company will Retain Jobs as described under Project Description.

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

- (1) pays a minimum of 150 percent of the Federal Minimum Wage on each and every employee;
- (2) is created by the Company on or after the date of execution of this Agreement;
- (3) is in excess of the Base Employment Level.

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

- (1) pays a minimum of 150 percent of the Federal Minimum Wage on each and every employee;
- (2) is retained by the Company on or after the date of execution of this Agreement;
- (3) is in excess of the Base Employment Level.

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

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

2.0 REPRESENTATIONS

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

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

(b) The MEGA has the necessary power under the Act to grant MEGA Tax Credits and has duly taken all action on its part required to authorize, execute and deliver this Agreement. This Agreement, when executed, will be valid, binding and enforceable in accordance with its terms.

(c) The MEGA will issue the Company's Initial Tax Credit Certificate upon execution of this Agreement 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 , 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, 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 will retain and create jobs in this state as a generally classified under NAICS Code 33271.

(e) Project Description. The Company will retain jobs and make investment for the production of small components and high precision axle components for various customers in the City of Jackson, Jackson County (the "Project"). The Project will result in the minimum statutory creation of at least 25 new jobs and the retention of at least 50 jobs. The Qualified New Jobs will pay an average weekly wage of at least \$604 and the Retained Jobs will pay an Average Weekly Wage of at least \$670 and at no time will the wages paid for these Retained Jobs be less than 150 percent of the federal minimum wage which shall, from time to time, be in effect.

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

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

(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) Certifications. The Company has made the certifications required by Sections 8(3)(f) and 8(9)(c), (d), (e) and (f) of the Act. Certification documents are attached to this Agreement as Schedule B and Schedule C.

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

3.1 Employment Credit.

a) An Employment Credit equal to 100 percent of the state's personal income tax rate, as it exists at the beginning of the Company's tax year for which the credit is being sought, multiplied by the total Salaries and Wages and Employer-Paid Health Care Benefits, after deducting any personal or dependency exemptions, of employees performing Retained Jobs. The Employment Credit is authorized for ten consecutive tax years beginning with the Company's tax year ending December 31, 2009, and ending not later than the December 31, 2018.

b) No more than 112 Retained Jobs may be used in calculating the Employment Credit as provided in Section 431 of Public Act 36 of 2007.

c) No more than 122 Qualified New Jobs may be used in calculating the Employment Credit as provided in Section 431 of Public Act 36 of 2007.

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

3.2 Advancing the Scheduled Years of the Credit

If the Company meets the requirements of Section 4.1, the Company may elect to begin the credits authorized by Section 3.1 with its tax year ending December 31, 2008. If this option is elected, the last year of the credits will be 2017 and not 2018 as provided in Schedule A.

4.0 CONDITIONS OF THE MEGA TAX CREDITS

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

(a) The statutory minimum of 50 Retained Jobs have been located and retained at the Project.

(b) The statutory minimum of 25 Qualified New Jobs have been created at the Project.

(c) The Average Weekly Wage paid to all employees performing Retained Jobs is at least \$670.

(d) The Average Weekly Wage paid to all employees performing Qualified New Jobs is at least \$604.

(e) The minimum Base Employment Level as required by Schedule A has been maintained.

(f) The minimum amount of New Capital Investment of \$100,000 per retained job has been made at the project. In order to collect the credit in the first year, an investment of at least \$5,000,000 must be made by December 31, 2009. The Company must then make additional New Capital Investment in subsequent years in increments of at least \$500,000. For each additional \$500,000 increment, the Company will be eligible to receive credits for five additional Retained Jobs, up to the maximum of 112 Retained Jobs.

(g) Administrative Fee. A one-time Administrative Fee of \$20,935 is due and payable with the submission of the initial application for a MEGA Tax Credit Certificate, which is required under section 4.2. The Administrative Fee is one-half of one percent of the MEGA Cost, as reported in current dollars, in the cost/benefit analysis of the Project, as presented to the MEGA at the time the Tax Credit was authorized, except that in no case shall the Administrative Fee exceed \$100,000.

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

(a) Maintain the minimum number of Retained Jobs at the Project, and create the minimum number of Qualified New Jobs at the Project, as required by Schedule A of this Agreement, for the applicable tax year. In computing the number of Qualified New Jobs at the

Project in any tax year except the first year of the credit, the Company shall determine the number of Qualified New Jobs at the Project as of the last day of each of the four quarters of the applicable tax year, total the results for the four quarters, and divide the sum by four (4).

In computing the number of Qualified New and Retained Jobs at the Project in any tax year, the Company shall determine the number of Qualified New and Retained Jobs at the Project 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) Pay an Average Weekly Wage in connection with the Retained Jobs of at least the amount required by Schedule A of this Agreement for the applicable tax year.

(c) Pay an Average Weekly Wage in connection with the Qualified New Jobs of at least the amount required by Schedule A of this Agreement for the applicable tax year.

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

(e) Maintain its Base Employment Level as required by Schedule A. In computing the Base Employment Level in any tax year, the Company shall determine the aggregate number of Full-time Jobs at all Michigan locations of the Company and/or a Related Company, excluding the Retained Jobs at the Project for which it is seeking a Tax Credit, as of the last day of each of the four quarters in that tax year. The sum of the results for the four quarters, divided by four, is the Base Employment Level for that year.

(f) Make an Application to the MEGA for a Tax Credit Certificate as provided in Section 5.0 of this Agreement.

(g) Provided that the Company has initially satisfied the requirements of Section 4.1, failure of the Company to satisfy the requirements of Section 4.3 in any given year does not preclude the Company from qualifying for and obtaining a Tax Credit in any other year authorized by Section 3.1 of this Agreement.

4.3 Audit and Verification. The information provided in the Application and the Application for a MEGA Tax Credit Certificate are subject to audit and verification by the Authority or its designee. Upon reasonable advance notice to the Company by the Authority, the Company shall permit the Authority or its designee, during normal business hours, to inspect its files solely for the purpose of verifying eligibility for the Tax Credits authorized under, and compliance with, this Agreement. The files subject to inspection include, but are not limited to, those relevant to wage and hour records, job classification, job assignments and employment histories.

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

5.0 ANNUAL APPLICATION FOR TAX CREDIT CERTIFICATE

5.1 For each year the Company is authorized to receive a credit under this Agreement, the Company shall complete an Application for a MEGA Tax Credit Certificate.

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

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

(a) The Base Employment Level.

(b) The number of Retained Jobs at the Project as of the end of each of the four quarters in the applicable tax year.

(c) The number of Qualified New Jobs at the Project as of the end of each of the four quarters in the applicable tax year.

(d) The number of Full-time Jobs, in Michigan, in the Company, other than Retained Jobs and the Qualified new Jobs at the Project for which the Company is seeking a Tax Credit, as of the end of each of the four quarters in the applicable tax year.

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

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

(g) 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 in accordance with the provisions of 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.

5.6 The Company must submit the completed Certificate Application even if the requirements outlined in Section 4.2 are not attained for that year. If the Company does not meet the requirements, the Credit Certificate will not be issued for that particular year and one year of the credit will be forfeited, but the credit will remain in effect for any remaining years.

6.0 ADJUSTMENT, REDUCTION, OR TERMINATION OF CREDITS

6.1 If the Company does not comply with the conditions required in Section 4.1, this Agreement is null and void, the Company is no longer an authorized business, and no Tax Credits are, or 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 recovery by the State of Michigan.

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

7.0 MISCELLANEOUS

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

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

- (a) If the Relocation occurs on or before the fourth year from the date that the first tax credit certificate can be utilized (Company's tax year ending date as outlined in Schedule A)

of this Agreement, the Company shall repay 100 percent of the total amount of credits received thus far.

(b) If the Relocation occurs after the fourth year and on or before the seventh year of the Company's tax year ending date as outlined in Schedule A, the Company shall repay 50 percent of the total amount of credits received thus far.

(c) If the Relocation occurs after the seventh year and on or before the tenth year of the Company's tax year ending date as outlined in Schedule A, the Company shall repay 25 percent of the total amount of credits received thus far.

(d) If the Relocation occurs after the tenth year of the Company's tax year ending date as outlined in Schedule A, the Company shall repay 10 percent of the total amount of credits received thus far.

7.3 Assignment of Credits. The Tax Credits authorized by this Agreement shall not be transferred or assigned to any other Person provided, however, that 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 duties and responsibilities of the Company under this Agreement.

(b) The Authority determines that such a transfer would be consistent with, and serve the purposes of, the Act and this Agreement.

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

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

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

If to the Company: Production Engineering, Inc.
2400 Enterprise Drive
Jackson, MI 49203
Attention: J. P. Jansen, President

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

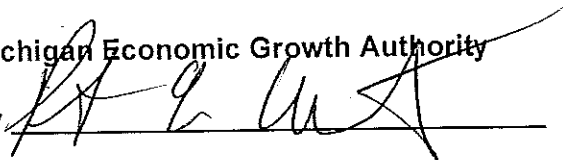
7.7 Captions. The captions in this Agreement are for convenience only and in no way define, limit or describe the scope of intent of any provisions or sections of this Agreement.

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

7.9 Acceptance. The terms of this Agreement are accepted this 19TH day of JUNE,
2008.

Michigan Economic Growth Authority

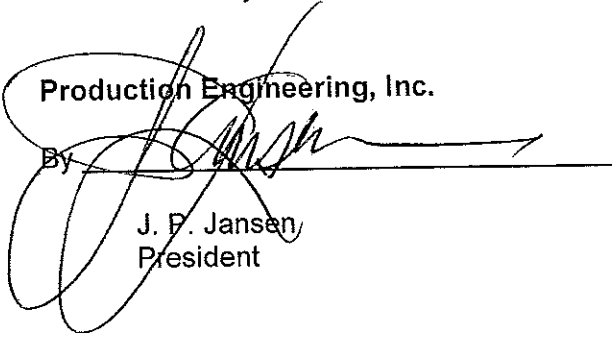
By



Peter Anastor
Secretary to the MEGA Board

Production Engineering, Inc.

By



J. P. Jansen,
President

Production Engineering, Inc.

Schedule A: Minimum Employment and Wage Levels

to Qualify for the MEGA Tax Credits

Year of Credit	Company's Tax Year Ending 31-Dec	Minimum Number Of Qualified New Jobs	Minimum Average Weekly Wage for Qualified New Jobs	Minimum Number of Retained Jobs	Minimum Average Weekly Wage for Retained Jobs	Minimum Base Employment Level
1	2009	25	\$604	50	\$670	112
2	2010	25	\$604	50	\$670	112
3	2011	25	\$604	50	\$670	112
4	2012	25	\$604	50	\$670	112
5	2013	25	\$604	50	\$670	112
6	2014	25	\$604	50	\$670	112
7	2015	25	\$604	50	\$670	112
8	2016	25	\$604	50	\$670	112
9	2017	25	\$604	50	\$670	112
10	2018	25	\$604	50	\$670	112

Production Engineering, Inc.

Schedule B

Production Engineering, Inc. 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 19TH day of JUNE, 2008.

By: _____

J. P. Jansen
President

Production Engineering, Inc.

Schedule C

Production Engineering, Inc. certifies that:

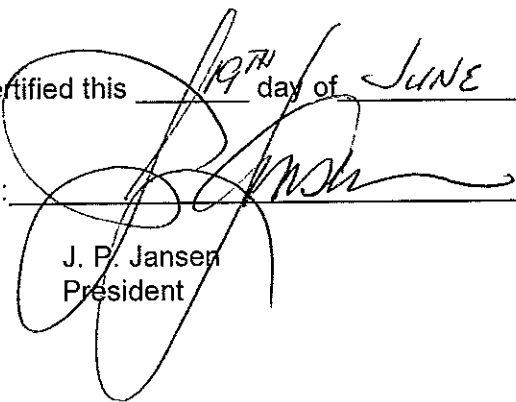
1. The company certifies that without the credits under the Act and without the new capital investment, the facility is at risk of closing and the work and jobs would be removed to a location outside of this state.

2. The company certifies that it will make best efforts to keep jobs in Michigan when making plant location and closing decisions and agrees to meet with an MEDC representative on annual basis regarding their Michigan business operations and other matters related to this agreement.

3. The company will make its best efforts to keep jobs in Michigan when making location and closing decisions.

4. The company certifies the management or ownership is committed to improving the long-term viability of the facility in meeting the national and international competition facing the facility through better management techniques, best practices, including but not limited to state-of-the-art lean manufacturing practices and market diversification.

Certified this 19TH day of JUNE, 2008.

By:  _____

J. P. Jansen
President

Certificate Number

00- 432-08

Initial Tax Credit Certificate

Issued this 26th day of August, 2008, by the

Michigan Economic Growth Authority

to Production Engineering, Inc., Employer Identification Number 38-2030019, which is an Authorized Business pursuant to Public Act 24 of 1995, as amended.

The MEGA authorizes to Production Engineering, Inc., an Employment Credit of 100 percent for ten consecutive tax years, beginning with the Company's tax year ending December 31, 2009, under Section 431 of Public Act 36 of 2007.

By 

Secretary to the MEGA Board