

OHIO ENTERPRISE ZONE AGREEMENT
City of North Royalton, Ohio

This agreement made and entered into by and between the City of North Royalton in Cuyahoga County, Ohio, a Municipality, with its main offices located at 13834 Ridge Road, Ohio, 44133-4896 (hereinafter referred to as the “City of North Royalton”) and Induction Tooling, Inc., an Ohio Corporation with its main offices located at 9980 York-Theta Drive, North Royalton, Ohio, 44133 and Stuehr Properties, LLC, (hereinafter collectively referred to as “Induction Tooling, ”),
WITNESSETH;

WHEREAS, The City of North Royalton, in Cuyahoga County, Ohio has encouraged
The development of real property and the acquisition of personal property located in the area designated as an Enterprise Zone; and

WHEREAS, Induction Tooling, Inc., is desirous of expanding its business operations and preserving employment within the City through the construction and establishment of a new (25,000 SF) twenty-five thousand square foot manufacturing facility to be owned by Stuehr Properties, LLC to both preserve and create employment opportunities (hereinafter referred to as the "PROJECT") within the boundaries of the aforementioned Enterprise Zone, provided that the appropriate development incentives are available to support the economic viability of said PROJECT; and

WHEREAS, the City Council of the City of North Royalton, Ohio by Ordinance No. 93-156 adopted July 7, 1993, designated the area as an "Enterprise Zone" pursuant Chapter 5709 of the Ohio Revised Code; and

WHEREAS, effective November 9, 1993, the Director of Development of the State of Ohio determined that the aforementioned area designated in said Ordinance No. 93-156 contains the characteristics set forth in R.C. 5709.61(A) and certified said area as an Enterprise Zone under said Chapter 5709; and

WHEREAS, The City of North Royalton having the appropriate authority for the stated type of project is desirous of providing Induction Tooling, Inc., with incentives available for the development of the PROJECT in said Enterprise Zone under Chapter 5709 of the Ohio Revised Code; and

WHEREAS, Induction Tooling, Inc., has submitted a proposed agreement application to the City of North Royalton, said application (hereinafter referred to as "APPLICATION"); and

WHEREAS, Induction Tooling, Inc., has remitted the required state application fee of \$750.00 made payable to the Ohio Department of Development with the application to be forwarded with the final agreement; and

WHEREAS, the City's Director of Community Development and Enterprise Zone Program Committee of the City of North Royalton has investigated the application of Induction Tooling, Inc., and has recommended the same to the Council (and/or Board of Commissioners) of the City of North Royalton in Cuyahoga County, Ohio on the basis that Induction Tooling, Inc., is qualified by financial responsibility and business experience to create and preserve employment

opportunities in said Enterprise Zone and improve the economic climate of the City of North Royalton in Cuyahoga County, Ohio; and

WHEREAS, the project site as proposed by Induction Tooling, Inc., is located in the City of North Royalton School District and the Cuyahoga Valley Career Center School District and the Board of Education of the City of North Royalton School District and the Cuyahoga Valley Career Center School District have been notified in accordance with Section 5709.83 and been given a copy of the APPLICATION; and

WHEREAS, pursuant to R.C. 5709.62(C), 5709.63(A) or 5709.632 and in conformance with the format required under R.C. 5709.631, the parties hereto have completed and executed an agreement authorized by North Royalton City Council pursuant to Ordinance 05-28 and the parties desire to amend the agreement to include Stuehr Properties, LLC as a party to the agreement as required by Ohio law because Stuehr Properties will be the owner of the real property where the project site is located and Stuehr Properties agrees to be bound by the terms and conditions of this agreement as required by law.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained and the benefit to be derived by the parties from the execution hereof, the parties herein agree as follows:

1. Induction Tooling, Inc., shall construct a new (25,000 sf) twenty-five thousand square foot facility in the City's Phase II Industrial Park on York Delta Drive, North Royalton, Ohio 44133. Said facility shall be a state of the art facility for supplying all types of selective hardening inductors for both the OEM market and end users. The facility shall also permit Induction Tooling, Inc., to purchase and install (5) five new CNC machining centers, and the installation of an R&D lab for customer product experiment testing and training. The facility shall be constructed on PPN 483-05-004 as the same is known and designed on the Auditor's revised list of lots in the City's 3rd Ward.

In exchange for the real and personal property (inventory included) tax incentives described herein, Induction Tooling, Inc., will make the following PROJECT commitments, including a real property investment of one million six hundred thousand dollars (\$1.6 million) for a new building, an investment of one hundred and fifty

thousand dollars (\$150,000) in Machinery and Equipment (M&E), an investment of fifty thousand dollars (\$50,000) in new inventory, and an investment of fifty thousand dollars (\$50,000) in new furniture and fixtures. The TOTAL PROJECT COST commitment made by Induction Tooling, Inc., will be one million eight hundred and fifty thousand dollars (\$1,850,000). A detailed list of investments at the new facility is provided under Exhibit A.

Existing inventory, or base level inventory, that must be listed in the personal property tax return for Induction Tooling, Inc., for tax year 2005, the year that this agreement has been entered into, totals ninety-two thousand seven hundred and seventy-seven dollars (\$92,777), as listed and set forth in Exhibit B.

The PROJECT will begin **March 31, 2005** and all acquisition, construction and installation will be completed by **July 1, 2006**. Any changes to the beginning and completion dates must be agreed to by formal resolution and an amended agreement.

Project eligibility determination.

The total investment of an EXPANSION project must be greater than 10% of the market value of the facility assets already owned at the site prior to such expenditures as evidenced in Exhibit A. RENOVATION projects must exceed 50% and OCCUPYING a vacant facility must exceed 20%. Projects establishing a new facility must represent a "significant" new investment.

2. Induction Tooling, Inc., shall create within a time period not exceeding 36 months after the commencement of construction of the aforesaid facility, the equivalent of five (5) new full-time permanent job opportunities, zero (0) new part-time permanent job opportunities, zero (0) full-time temporary job opportunities and zero (0) part-time temporary job opportunities. And, Induction Tooling, Inc., will use its best efforts to retain twenty-four (24) existing full-time equivalent jobs and two (2) part-time permanent jobs at its new North Royalton facility.

Induction Tooling, Inc.'s schedule for hiring is as follows: create up to thirty new full-time temporary construction jobs in year one; **two (2)** new full-time permanent jobs in year one; **two (2)** new full-time permanent jobs in year two; and **one (1)** new full-time permanent job in year three. The job creation period begins **March 31, 2005** and all jobs will be in place by **March 31, 2008**.

In total, Induction Tooling, Inc., currently has twenty-four (24) full-time permanent employees, two (2) part-time permanent employees, zero (0) full-time temporary employees, and zero (0) part-time temporary employees at the project site.

Induction Tooling, Inc., will commit to retaining twenty-four (24) full-time permanent jobs, along with retaining two (2) part-time permanent jobs, and create at minimum five (5) new permanent full-time jobs within a thirty-six month period (defined above) as a result of the PROJECT.

This increase in the number of employees will result in approximately One hundred forty-four thousand five hundred dollars (\$144,500) of additional annual payroll for Induction Tooling, Inc. The following is an itemization by the type of new jobs created: full-time permanent \$144,500, full-time temporary \$0.00, part-time permanent \$0.00, and part-time temporary \$0.00. The retention of the existing jobs will maintain the current annual payroll of one million three hundred and forty-six thousand eight hundred and thirty dollars (\$1,346,830).

3. Induction Tooling, Inc., shall provide to the proper Tax Incentive Review Council (TIRC) any information reasonably required by the TIRC to evaluate the enterprise's compliance with the agreement, including returns filed pursuant to section 5711.02 and 5727.08 of the Ohio Revised Code if requested by the Council.

Induction Tooling, Inc., shall be required to supply a copy of the Ohio Department of Taxation Form 913 Return of Exempt Property to the Tax Incentive Review Council for each year the agreement is in effect or required to be reviewed.

- a. Induction Tooling, Inc., shall give preference to residents of the zone within which the agreement applies relative to residents of this state who do not reside in the zone when hiring new employees under the agreement.
 - b. Induction Tooling, Inc., will create one or more temporary internship positions for students enrolled in a course of study at a North Royalton school or other educational institution, and to create a scholarship or provide another form of educational financial assistance for students holding such a position in exchange for the student's commitment to work for the enterprise at the completion of the internship.
 - c. Induction Tooling, Inc., shall maintain a membership in the North Royalton Chamber of Commerce for the full term of this Agreement.
4. The City of North Royalton, Ohio hereby grants a tax exemption pursuant to R.C. 5709.62, 5709.63 or 5709.632 of the Revised Code for eligible new tangible personal property including inventory acquired in conjunction with the PROJECT and will only apply to the investment limits expressed in the project description as defined in Sections 1 and 4 of this agreement.

Induction Tooling, Inc., acknowledges making specific tangible personal property investments for this PROJECT before signing this Agreement. A list of these investments is set forth in Exhibit C, attached hereto and incorporated herein by reference. Induction Tooling, Inc., agrees that it shall not place any of these investments into use or operation at its current facility, nor place any of them into use or operation until the new PROJECT is complete. Induction Tooling, Inc., will follow the "first used in business standard" for all tangible personal property exemptions defined in R.C. 5709.61(O).

50% on all machinery, equipment and inventory acquired as part of the PROJECT as defined in Section 1 of this agreement. Each identified project improvement will receive a ten year exemption period.

The minimum investment for tangible personal property to qualify for the exemption is \$120,000 to purchase machinery and equipment first used in business at the facility as a result of the project, \$40,000 for furniture and fixtures and other non-inventory personal property first used in business at the facility as a result of the project, and \$40,000 for new inventory. The maximum investment for tangible personal property to qualify for exemption is \$180,000 to purchase machinery and equipment first used in business at the facility as a result of the project, \$60,000 for furniture and fixtures and other non-inventory personal property first used in business at the facility as a result of the project, and \$60,000 for new inventory. The exemption commences the first year for which the tangible personal property would first be taxable were that property not exempted from taxation. No exemption shall commence after tax return year 2006 nor extend beyond tax return year 2014. In no instance shall any tangible personal property be exempted from taxation for more than ten return years unless under division (D) (2) of section 5709.62 or under division (C) (1) (b) of section 5709.63 of the Revised Code, the board of education approves exemption for a number of years in excess of ten, in which case the tangible personal property may be exempted from taxation for that number of years, not to exceed fifteen return years.

5. The City of North Royalton, Ohio hereby grant Induction Tooling, Inc., a tax exemption for real property improvements made to the PROJECT site pursuant to Section 5709.62, 5709.63 or 5709.632 of the Ohio Revised Code and shall be in the following amounts:

The exemption commences the first year for which the real property would first be taxable were that property not exempted from taxation. No exemption shall commence after 2006 nor extend beyond 2020.

<u>Year of Tax Exemption</u>	<u>Tax Exemption Amount</u>
YR 1	75%
YR 2	75%
YR 3	75%
YR 4	65%
YR 5	60%
YR 6	55%
YR 7	55%
YR 8	50%
YR 9	50%
YR 10	40%
YR 11	40%
YR 12	35%
YR 13	30%

YR 14	25%
YR 15	20%

Induction Tooling, Inc., must file the appropriate tax forms (DTE 23) with the County Auditor and (#913) with the State Department of Taxation to effect and maintain the exemptions covered in the agreement. The #913 Ohio tax form **must** be filed annually.

- Continuation of this agreement is subject to the validity of the circumstances upon which Induction Tooling, Inc., applied for, and the Director of the Ohio Department of Development issued, the waiver pursuant to Section 5709.633 of the Ohio Revised Code. If, after formal approval of this agreement by the City of North Royalton, Ohio, the Director or the City of North Royalton, Ohio discovers that such a circumstance did not exist, Induction Tooling, Inc., shall be deemed to have materially failed to comply with this agreement. The waiver condition of this paragraph does not apply to this PROJECT because Induction Tooling, Inc.'s one and only facility in Ohio is already located within the corporate boundaries of the City of North Royalton, Ohio.

The formal waiver document shall be incorporated as an exhibit to this agreement and must state the specific conditions enumerated in Section 5709.633 of the Revised Code upon which the waiver was issued. Since no waiver is required under this PROJECT or Agreement, no exhibit relating to the formal waiver document is incorporated in this Agreement.

- Induction Tooling, Inc., shall pay an annual fee equal to the greater of one percent of the dollar value of incentives offered under the agreement or five hundred dollars: provided, however, that if the value of the incentives exceeds two hundred fifty thousand dollars, the fee shall not exceed two thousand five hundred dollars.

The fee shall be made payable to the City of North Royalton, Ohio once per year for each year the agreement is effective on the days and in the following form of a certified check. The fee is to be paid to the Director of Community Development and made out to the City of North Royalton, Ohio. This fee shall be deposited in a special fund created for such purpose and shall be used exclusively for the purpose of complying with Section 5709.68 of the Revised Code and by the Tax Incentive Review Council created under Section 5709.85 of the Revised Code exclusively for the purposes of performing the duties prescribed under that section.

- Induction Tooling, Inc., shall pay such real and tangible personal property taxes as are not exempted under this agreement and are charged against such property and shall file all tax reports and returns as required by law. If Induction Tooling, Inc., fails to pay such taxes or file such returns and reports, all incentives granted under this agreement are rescinded beginning with the year for which such taxes are charged or such reports or returns are required to be filed and thereafter. Induction Tooling, Inc., agrees to waive its right to challenge real property tax valuation for a period of five years from the date of this agreement.

9. The City of North Royalton, Ohio shall perform such acts as are reasonably necessary or appropriate to effect, claim, reserve, and maintain exemptions from taxation granted under this agreement including, without limitation, joining in the execution of all documentation and providing any necessary certificates required in connection with such exemptions.
10. If for any reason the Enterprise Zone designation expires, the Director of the Ohio Department of Development revokes certification of the zone, or the City of North Royalton, Ohio revokes the designation of the zone, entitlements granted under this agreement shall continue for the number of years specified under this agreement, unless Induction Tooling, Inc., materially fails to fulfill its obligations under this agreement and the City of North Royalton, Ohio terminates or modifies the exemptions from taxation granted under this agreement.
11. If Induction Tooling, Inc., materially fails to fulfill its obligations under this agreement, other than with respect to the number of employee positions estimated to be created or retained under this agreement, or if the City of North Royalton, Ohio determines that the certification as to delinquent taxes required by this agreement is fraudulent, the City of North Royalton, Ohio may terminate or modify the exemptions from taxation granted under this agreement and may require the repayment of the amount of taxes that would have been payable had the property not been exempted from taxation under this agreement.
12. Induction Tooling, Inc., hereby certifies that at the time this agreement is executed, Induction Tooling, Inc., does not owe any delinquent real or tangible personal property taxes to any taxing authority of the State of Ohio, and does not owe delinquent taxes for which Induction Tooling, Inc., is liable under Chapter 5733., 5735., 5739., 5741., 5743., 5747., or 5753. of the Revised Code, or, if such delinquent taxes are owed, Induction Tooling, Inc., currently is paying the delinquent taxes pursuant to an undertaking enforceable by the State of Ohio or an agent or instrumentality thereof, has filed a petition in bankruptcy under 11 U.S.C.A. 101, et seq., or such a petition has been filed against Induction Tooling, Inc. For the purposes of the certification, delinquent taxes are taxes that remain unpaid on the latest day prescribed for payment without penalty under the chapter of the Revised Code governing payment of those taxes.
13. Induction Tooling, Inc., affirmatively covenants that it does not owe: (1) any delinquent taxes to the State of Ohio or a political subdivision of the State; (2) any moneys to the State or a state agency for the administration or enforcement of any environmental laws of the State; and (3) any other moneys to the State, a state agency or a political subdivision of the State that are past due, whether the amounts owed are being contested in a court of law or not.
14. Induction Tooling, Inc., and the City of North Royalton, Ohio acknowledge that this agreement must be approved by formal action of the legislative authority of the City of North Royalton, Ohio and the Cuyahoga County Board of Commissioners as a condition for the agreement to take effect. This agreement takes effect upon such approval.

15. The City of North Royalton, Ohio has developed a policy to ensure recipients of Enterprise Zone tax benefits practice non-discriminating hiring in its operations. By executing this agreement, Induction Tooling, Inc., is committing to following non-discriminating hiring practices acknowledging that no individual may be denied employment solely on the basis of race, religion, sex, disability, color, national origin, or ancestry.
16. Exemptions from taxation granted under this agreement shall be revoked if it is determined that Induction Tooling, Inc., any successor enterprise, or any related member (as those terms are defined in Section 5709.61 of the Ohio Revised Code) has violated the prohibition against entering into this agreement under Division (E) of Section 3735.671 or Section 5709.62, 5709.63, or 5709.632 of the Ohio Revised Code prior to the time prescribed by that division or either of those sections.
17. In any three-year period during which this agreement is in effect, if the actual number of employee positions created and/or retained by Induction Tooling, Inc., is not equal to or greater than seventy-five per cent of the number of employee positions estimated to be created and/or retained under this agreement during that three-year period, Induction Tooling, Inc., shall repay the amount of taxes on property that would have been payable had the property not been exempted from taxation under this agreement during that three-year period. In addition, the City of North Royalton, Ohio may terminate or modify the exemptions from taxation granted under this agreement.
18. Induction Tooling, Inc., affirmatively covenants that it has made no false statements to the State or local political subdivision in the process of obtaining approval for the Enterprise Zone incentives. If any representative of Induction Tooling, Inc., has knowingly made a false statement to the State or local political subdivision to obtain the Enterprise Zone incentives, Induction Tooling, Inc., shall be required to immediately return all benefits received under the Enterprise Zone Agreement pursuant to ORC Section 9.66 (C)(2) and shall be ineligible for any future economic development assistance from the State, any state agency or a political subdivision pursuant to ORC Section 9.66(C)(1). Any person who provides a false statement to secure economic development assistance may be guilty of falsification, a misdemeanor of the first degree, pursuant to ORC 2921.13(D)(1), which is punishable by a fine of not more than \$1,000 and/or a term of imprisonment of not more than six months.
19. This agreement is not transferable or assignable without the express, written approval of The City of North Royalton, Ohio.

IN WITNESS WHEREOF, the City of North Royalton, Ohio, by Cathy Luks, its Mayor, and pursuant to Ordinance 07-___, has caused this instrument to be executed this _____day of _____, 2007 and Induction Tooling, Inc. by William I. Stuehr, its President, has caused this instrument to be executed on this _____day of _____, 2007 and Stuehr Properties, LLC by William I. Stuehr, its President, has caused this instrument to be executed on this _____day of _____, 2007.

City of North Royalton, Ohio

By _____
Mayor Cathy Luks

Cuyahoga County, Ohio

By _____
Authorized County Official

Induction Tooling, Inc.

By _____
William I. Stuehr, President

Stuehr Properties, LLC

By _____
William I. Stuehr, President

Approved as to form:

Director of Law, Thomas P. O'Donnell
City of North Royalton, Ohio

NOTE:

A copy of this agreement must be forwarded to the Ohio Departments of Taxation and Development within fifteen (15) days of approval to be finalized.