

## OFFICE & INDUSTRIAL INCENTIVE AGREEMENT

This agreement made and entered into by and between the City of Gahanna, Ohio, a municipal government, with its main offices located at 200 S. Hamilton Road, Gahanna, Ohio, hereinafter referred to as "Gahanna" and **Momentive Specialty Chemicals** with its main offices located at 180 East Broad Street, Columbus Ohio 43215 hereinafter referred to as "**Momentive**", WITNESSETH;

WHEREAS, Gahanna has encouraged the creation of new jobs opportunities in the community; and

WHEREAS, **Momentive** is desirous of locating their operation in Gahanna, Ohio; and

WHEREAS, the Gahanna City Council, by Ordinance ORD-0212-2002, enabled Gahanna to offer an "Office & Industrial Incentive"; and

WHEREAS, Gahanna, having the appropriate authority for the stated type of project, is desirous of providing **Momentive** with incentives for the development of the project; and

WHEREAS, the Director of Planning & Development has investigated the Application of **Momentive** and the Incentive Advisory Board has recommended the same to the Gahanna City Council on the basis that **Momentive** is qualified by financial responsibility and business experience to create new employment opportunities and improve the economic climate of Gahanna; and

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. **Momentive** intends to create 40 jobs resulting in approximately \$4,000,000 of annual payroll.
2. The City shall grant **Momentive** a refundable credit of 75 % of the net municipal income tax revenue the City derives from new employees of **Momentive** for a term of 2 years; 50% of the net municipal income tax revenue the City derives from new employees of **Momentive** for a term of 2 years and 25% of the net municipal income tax revenue the City derives from new employees of **Momentive** for a term of 2 years.
3. If **Momentive** materially fails to fulfill its obligation under this agreement, Gahanna may terminate or modify the provisions granted under this agreement.
4. This agreement is not transferable or assignable without the express, written approval of Gahanna.
5. **Momentive** agrees to remain in business in Gahanna, Ohio, for the term of the Incentive Agreement plus three years, and failure to do so may result in **Momentive** repaying any funds received.
6. **Momentive** must provide the City with verification of wages paid and taxes withheld annually for jobs during the period outlined under this agreement.

7. This agreement may be revised and/or amended throughout its term through the mutual agreement of the parties hereto. Such revisions and/or amendments are and will be subject to applicable Federal, State of Ohio and local laws or ordinances, and any applicable regulations and/or rules of Federal, State of Ohio and local department or agencies possessing authority to implement and/or administer such applicable Federal, State of Ohio and local laws or ordinances.

### **Program Compliance**

1. **Momentive** shall pay all federal, state and local taxes and shall file all tax reports and returns as required by law. If **Momentive** 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.
2. If for any reason the Office & Industrial Incentive Program expires or is rescinded by the City of Gahanna, entitlements granted under this agreement shall continue for the number of years specified under this agreement, unless **Momentive** materially fails to fulfill its obligations under this agreement and Gahanna terminates or modifies the incentives granted under this agreement.
3. If **Momentive** materially fails to fulfill its obligations under this agreement, or if Gahanna determines that the certification as to the delinquent taxes required by this agreement is fraudulent, Gahanna may terminate or modify the incentives granted under this agreement and may require the repayment of the amount of taxes that would have been payable without this agreement.
4. **Momentive** hereby certifies that at the time this agreement is executed, **Momentive** 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 **Momentive** is liable under Chapter 5733, 5735, 5739, 5741, 5743, 5747, or 5753 of the Ohio Revised Code, or, if such delinquent taxes are owed, **Momentive** is currently paying the delinquent taxes pursuant to an undertaking enforceable by the State of Ohio, or an agent or instrumentality thereof has filed a petition for bankruptcy under 11 U.S.C.A. 101, et seq., or such a petition has been filed against **Momentive**. 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.
5. **Momentive** affirmatively covenants that it has made no false statements to the State or City of Gahanna in the process of obtaining approval for an Office & Industrial Incentive. If any representative of **Momentive** has knowingly made a false statement to the State or City of Gahanna to obtain an Office & Industrial Incentive, **Momentive** shall be required immediately to return all benefits received under the Office & Industrial Incentive pursuant to ORC Section 9.66 (C)(2) and shall be ineligible for any future economic development assistance from the City of Gahanna. 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 Section 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.

IN WITNESS WHEREOF, the City of Gahanna, Ohio, by Rebecca W. Stinchcomb, its Mayor, and pursuant to a pending Resolution, has caused this instrument to be executed this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ and **Momentive** by Emily Ludgate, has caused this instrument to be executed on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**Momentive**

City of Gahanna

By \_\_\_\_\_

By \_\_\_\_\_

Emily Ludgate

Rebecca W. Stinchcomb

Approved as to form:

\_\_\_\_\_  
Thomas L. Weber, City Attorney

## **EXHIBIT I**

### **Project Scope**

#### **Momentive Specialty Chemicals, Inc.**

On \_\_\_\_\_ 2011, the Gahanna City Council approved an ordinance to grant a six (6) year, tiered Office & Industrial Incentive to Momentive Specialty Chemicals, Inc. (Momentive) for the creation of at least \$4,000,000 in new payroll as a result of the company's location in the City of Gahanna. The Office & Industrial Incentive will be tiered as follows: the company will receive 75 percent of the net municipal income taxes paid to the City of Gahanna in years 1 and 2, the company will receive 50 percent of the net municipal income taxes paid to the City of Gahanna in years 3 and 4, and the company will receive 25 percent of the net municipal income taxes paid to the City of Gahanna in years 5 and 6. As part of the incentive agreement, the City of Gahanna requires the company to repay 200 percent of all incentive payments if the company relinquishes its site and is no longer located in Gahanna prior to the end of the agreement period.

In October 2010, Momentive Performance Materials, Inc. and Hexion Specialty Chemicals, Inc. combined to form Momentive Specialty Chemicals, Inc. The new Momentive is a global leader in specialty chemicals and materials, with a broad range of advanced specialty products that supply diverse industrial and consumer companies. The combination of the two companies formed a \$7.5 billion specialty chemicals and materials company, one of the world's largest, with balanced sales across North America, Europe, Brazil, Russia, India and China. Momentive is organized into three global business divisions: Silicones and Quartz; Epoxy, Phenolic and Coating Resins, and Forest Products and is the world's largest producer of binder, adhesive, coating and ink resins for industrial applications.

The company will lease approximately 10,000 to 20,000 additional square feet at their current location, 630 Morrison Road, Gahanna, OH, for increased office space. Momentive will invest up to \$1 million in leasehold improvements and furniture and fixtures.

The company will create 40 full-time jobs, including 27 existing jobs located in Gahanna, with potential for additional growth. The company will create skilled, high wage jobs at an average annual salary of \$100,000.

The Office & Industrial Incentive is a major factor in Momentive's decision to retain their operations and grow in Gahanna. The City was in competition with the downtown Columbus sites, the company's headquarters, and another company site in Albany, NY.

Additional public assistance to this project may be provided through an Ohio Job Creation Tax Credit.

**Project Summary--Revised  
Momentive Specialty Chemicals**

<b>Project Site:</b>	Momentive is proposing to lease an add'l 12,000-20, 000 s.f. of office space in their current facility at <b>630 Morrison Rd.</b> The building at 630 Morrison Road is marketed as Class A office space. This 63,000 s.f. building currently has 25,000 s.f. vacant (39%). This building was tax abated when it was built in 1995, the 15 yr, 100% tax abatement expires 12/31/10.
<b>Company Description:</b>	The new Momentive is the merger of Hexion Specialty Chemicals and Momentive Performance Materials. The new company will serve more than 20,000 customers from 115 global sites. The merger of the two companies has created the world's largest specialty chemical portfolio with industry leadership in 80% of their industries including Silicones, Quartz, and Specialty Epoxy resins.
<b>Project Description:</b>	The Gahanna location established by Hexion is the supply chain and strategic sourcing business unit. The office handles back office functions and currently overlaps other units within Momentive. There is a opportunity to eliminate redundancy elsewhere and consolidate these functions in Gahanna. Momentive is also considering their existing offices in Columbus and in Albany, NY, the headquarters of Momentive.
<b>Investment:</b>	Approx. \$1 million, \$300k-500k in leasehold improv, \$600k in F&F
<b>Jobs:</b>	<b>40 FT</b> in 3 yrs with add'l job growth potential. Average wage of <b>\$100,000/yr.</b> Approx. \$4 million annual payroll. 40 job commitment includes the retention of 27 jobs currently in Gahanna.

Fiscal Impact	Office & Industrial Incentive					
		Jobs	Payroll*	Total Withholding	Tiered Incentive	City Withholding
	Yr1	40	\$ 4,000,000	\$ 60,000	\$ 45,000	\$ 15,000
	Yr2	40	\$ 4,000,000	\$ 60,000	\$ 45,000	\$ 15,000
	Yr3	40	\$ 4,000,000	\$ 60,000	\$ 30,000	\$ 30,000
	Yr4	40	\$ 4,000,000	\$ 60,000	\$ 30,000	\$ 30,000
	Yr5	40	\$ 4,000,000	\$ 60,000	\$ 15,000	\$ 45,000
	Yr6	40	\$ 4,000,000	\$ 60,000	\$ 15,000	\$ 45,000
	Yr7	40	\$ 4,000,000	\$ 60,000	\$ -	\$ 60,000
	Yr8	40	\$ 4,000,000	\$ 60,000	\$ -	\$ 60,000
	Yr9		\$ -	\$ -	\$ -	\$ -
	Yr10		\$ -	\$ -	\$ -	\$ -

Total Incentive Payments paid	<b>\$ 180,000</b>
Net withholding tax revenue to the City over 8 years	<b>\$ 300,000</b>

**Staff Recommendation**

Staff recommends a six (6) year Office & Industrial Incentive with a tiered value of 75%, 50% and 25% to Momentive for the creation of 40 new FT jobs. This project will secure the growth of this company in Gahanna. Momentive is poised to having increasing market share and growth, assisting the company in this phase will provide immediate value in job creation and position Gahanna as a location for future projects. The City of Gahanna is in competition with Columbus and NY for this project.

**City of Gahanna  
Incentive Application Form**

Momentive Specialty Chemicals, Inc.

1. Company name: and Momentive Performance Materials, Inc.
2. Company address: 180 East Broad Street, Columbus, OH 43215
3. Type of business: Office in Gahanna/Specialty Chemicals
4. Company contact person: Emily Ludgate
5. Telephone number: 614-225-2035 email: emily.ludgate@momentive.com
6. Proposed location of new leased/owned space: 630 Morrison Road, Gahanna, Ohio
7. Prior or current location: 630 Morrison Road, Gahanna, Ohio
8. Number of employees to be employed at site: 40
9. Estimated payroll for employees at site: \$4,000,000
10. Company Description (i.e. Years in business, ownership): Please describe in detail on a separate sheet of paper.
11. If leased space provide the terms of the lease: See Attached
12. Growth Projections (income): See Attached

**Application Acknowledgement**

As an authorized agent of the applicant company, I hereby submit this application for consideration. I understand that any information on this application found to be false or misleading could result in the termination of this program.

Jim D. Bates Global Director of Tax 12-21-10  
Signature Title Date

Approved by: \_\_\_\_\_  
City of Gahanna

Momentive Specialty Chemicals, Inc. and Momentive Performance Materials, Inc.  
Attachment to City of Gahanna Incentive Application

10. On October 1, 2010, Momentive Performance Materials Holdings, Inc. ("MPMH"), the parent company of Momentive Performance Materials, Inc. ("MPM") and Momentive Specialty Chemicals Holding, LLC ("MSCH") (formerly known as Hexion, LLC), the parent company of Momentive Specialty Chemicals, Inc. ("MSC") (formerly known as Hexion Specialty Chemicals, Inc.) combined to form Momentive Performance Materials Holdings, LLC ("Holdings, LLC"). As a result of the combination, Holdings, LLC became the ultimate parent company. Holdings, LLC is controlled by investment funds affiliated with Apollo Global Management, LLC. Holdings, LLC is headquartered in Columbus, Ohio and leases 7 floors at 180 East Broad Street for its headquarters.

MSC is the world's largest producer of binder, adhesive, coating and ink resins for industrial applications with predecessors dating back to 1899. MSC was formed by merging Borden Chemical, Bakelite, Resolution Performance Products and Resolution Specialty Materials in 2005. MSC had sales of approximately \$4 billion in 2009 and employs over 7,000 people globally. MSC has facilities throughout the world.

MPM is one of the world's largest producers of silicones and silicone derivatives and is a global leader in the development and manufacture of products derived from quartz and specialty ceramics. MPM was formed through the acquisition of GE Advanced Materials in 2006. MPM had sales of approximately \$2.1 billion in 2009 and employs over 4,600 people globally. MPM has facilities throughout the world.

Holdings, LLC is a leading global force in the specialty chemicals and materials sector. The company has pro forma annualized sales of approximately \$7.5 billion, more than 10,000 associates and 115 production facilities serving over 20,000 customers around the world. Holdings, LLC has operations located to serve all major regions of the world with a broad portfolio of specialty performance products for industrial and consumer markets.

11. The company currently has leased space at 630 Morrison Road, Gahanna, Ohio. The current lease commenced on July 1, 2007 and is for 7 years. To add additional employees, the company will have to lease additional space. The company has the first option on additional space in their current building and upon approval of the project would enter into discussions with their landlord to lease the additional required space.
12. Financial company provided for Specialty Chemicals only. Additional information will be provided upon request.

**Momentive Specialty Chemicals Inc.  
(formerly Hexion Specialty Chemicals, Inc.)**

(US\$ in millions)

	2010E	2011E	2012E	2013E
Sales	5,125	5,279	5,437	5,600
EBITDA (Earnings before interest, taxes, depreciation and amortization)	590	620	660	695