

MEMORANDUM

Date: July 20, 2010

To: Michigan Economic Growth Authority

From: Valerie Hoag, Director
Packaging Team

Phil Santer, Project Specialist
Packaging Team

Subject: Briefing Memo – Styron, LLC
Standard MEGA Credit

COMPANY NAME

Styron, LLC
1604 Building
Midland, Michigan 48667
www.styron.com

HISTORY OF COMPANY

Styron, LLC is a global provider of plastics, performance rubber and latex products that are used in consumer electronics, appliances, packaging and automotive products. Styron had \$3.7 billion in sales in 2009. Styron was recently acquired by Bain Capital from The Dow Chemical Company.

The company currently has 0 employees in Michigan.

PROJECT DESCRIPTION

As a newly independent company, Styron is seeking to site its North American Operating Center (NAOC), which will produce various products (e.g. polycarbonate, plastics, expandable polystyrene, etc.) and provide other business functions related to their operations in North America. These functions would occur at manufacturing facilities in Midland, a leased facility in Midland and in the City of Auburn Hills. The majority of the manufacturing and research & development positions will be located in Midland. This project would continue these operations and provide Styron with a platform for continued future growth.

The company plans to invest up to \$13 million and preserve up to 202 jobs over the next five years as a result of this project (for MEGA purposes, the jobs would be considered Qualified New Jobs). The average weekly wage for the newly created jobs is anticipated to be \$1,032. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

BENEFIT TO STATE

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create or retain a total of 690 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$18 million (current dollars) due to the presence of this facility.

BUSINESS CASE

Styron operates throughout the world, including Europe, Asia and North America. As a new company, Styron could potentially move these operations to other cost competitive locations to take advantage of proximity to their customers, access to talent, and synergies with similar operating centers. In the short term, Styron's research and development customer service positions are at risk of leaving the state, while manufacturing operations are constantly evaluated for cost efficiencies. Local and state assistance provides a platform to preserve existing employees and establish a competitive basis for their future growth.

OTHER STATE AND LOCAL ASSISTANCE

The City of Midland is supportive of this project and will consider a property tax abatement under P.A. 198 of 1974 for investment made at the facility in Midland. The value of this incentive is currently unknown.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 7 years for up to 202 net new employees in excess of the company's established base of 0.

A look-back period will be established as of June 17, 2010, or 90 days prior to the execution of the Credit Agreement, whichever is shorter. Employees hired after the establishment of the look-back period will count as qualified new jobs provided that they meet all the requirements outlined in the MEGA Credit Agreement.