INTRODUCTION:

The Council Bill approves a plan for industrial development, or “Chapter 100 plan”; authorizes the execution of documents; and authorizes the issuance of Bonds for the purpose of acquiring and installing equipment to manufacture bearings (the “Project Equipment”) in a facility operated by Schaeffler Group USA, Inc. (the “Company”). The Project Equipment will be located at the Company’s facility at 3900 Range Line Road Joplin, MO 64804 (the “Facility”) and used in the manufacturing of bearings for automotive and industrial applications. The Council Bill authorizes the City to enter into certain agreements in connection with the issuance of the Bonds.

DISCUSSION:

The project involves the acquisition and installation of approximately $67,140,000 in machinery and equipment. Various portions of the Project Equipment will be depreciated, depending on type of equipment, on a 3-year or 7-year basis. The Chapter 100 Plan provides abatement for the Project Equipment as follows:

<table>
<thead>
<tr>
<th>Type</th>
<th>Rate of Abatement</th>
<th>Period of Abatement</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-year depreciable property</td>
<td>100%</td>
<td>5 years</td>
</tr>
<tr>
<td>7-year depreciable property</td>
<td>100%</td>
<td>7 years</td>
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</tbody>
</table>

Each item of Project Equipment will receive abatement starting with the calendar year after it is installed. Installation of the Project Equipment will occur starting in 2018 and ending in 2023. The final abatement period ends in 2030. The value of abatement is anticipated to be $2,506,842 over the entire period for all Project Equipment.

Due to a change in law that became effective in August of 2018, the Newton County Ambulance District has the right to reimbursement of amounts it otherwise would lose to abatement in a Chapter 100 Plan.
transaction. For this reason, it is anticipated that the Company will be required to pay a payment in lieu of tax equal to the amount that would otherwise have been due to the Newton County Ambulance District during the life of the abatement. No other taxing jurisdictions are anticipated to receive payments in lieu of tax.

The Company is expected to add 60 jobs in connection with the Project Equipment. Under the Performance Agreement, the Company is required to retain 262 jobs at the Facility and add 60 new jobs in order to retain the abatement. The jobs must pay an average wage of $20.42 (equal to 120% of the current average wage in Newton County). If these requirements are not met, the Company will be required to make penalty payments to the taxing jurisdictions proportionate to the percentage of failure. Additionally, if the Company ceases operations at the Facility, the abatement is terminated.

The Company has represented that it will use local contractors for the installation of the Project Equipment to the greatest extent possible and that every effort will be made to hire local vendors and contractors that will bring business to the Joplin area. Outside suppliers will only be used for specialized work/materials where no resources are available in the Joplin area.

Chapter 100 Bonds are authorized pursuant to Chapter 100 of the Missouri Revised Statutes. This tax abatement tool provides for the City to be the actual owner of the Project Equipment. The Project Equipment is then leased to the Company. During the time the Bonds remain unpaid and the City owns the Project Equipment, it is exempt from property taxes because title is held by the City as a tax-exempt entity. Chapter 100 Bonds are paid solely from revenue received from the lease of the Project Equipment and such Bonds are not an obligation or debt of the City, except for the obligation to apply lease payments to the bond debt service. Thus, in the unlikely event that the Company was to default on the payment of its obligations under the Bond documents, the City is not liable to make such payments from any source other than revenue received from the lease. In addition, because such Bonds do not constitute a debt of the City within the meaning of any constitutional or statutory limitation, the bonding capacity of the City is not affected by their issuance.

Under the Bond documents, the Company agrees to indemnify the City against any losses or liability that might arise out of the City’s ownership of the Project Equipment. The Company is also required to carry liability insurance to cover the City in an amount equal to the Missouri limits for waiver of sovereign immunity.