FORM 10-K

Annual report pursuant to section 13 and 15(d)

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Momentive Performance Materials Inc.	Mailing Address	Business Address
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)
R **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended Dec ember 31, 2010
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 333-146093

Momentive Performance Materials Inc.
(Exact name of registrant as specified in its charter)

Delaware	**20-5748297**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
22 Corporate Woods Blvd., 2nd Fl Albany, NY 12211	**(518) 533-4600**
(Address of principal executive offices including zip code)	**(Registrant's telephone number, including area code)**

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No R

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No R

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. R

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer R Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No R

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: Not Applicable.

The number of shares of common stock of the Company, par value $0.01 per share, outstanding as of the close of business on February 21, 2011 was 100 shares, all of which were held by Momentive Performance Materials Holdings Inc.

TABLE OF CONTENTS

PART I

Forward-Looking and Cautionary Statements

Certain statements in this report, including, without limitation, statements made under the caption "Business" are forward-looking statements within the meaning of and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In addition, our management may from time to time make oral forward-looking statements. Forward-looking statements may be identified by the words "believe," "expect," "anticipate," "project," "plan," "estimate," "will" or "intend" and similar expressions. The forward-looking statements contained herein reflect our current views with respect to future events and are based on our currently available financial, economic and competitive data and on current business plans. Actual results could vary materially depending on risks and uncertainties that may affect our operations, markets, services, prices and other factors. Important factors that could cause actual results to differ materially from those in the forward- looking statements include, but are not limited to: our substantial leverage; limitations in operating our business contained in the documents governing our indebtedness, including the restrictive covenants therein; the recent global financial crisis and recession; changes in prices and availability of raw materials and key intermediates; rising energy costs, increases in interest rates; fluctuations in currency exchange rates; changes in government regulation or the costs of compliance with such regulation; our reliance on patents, unpatented proprietary know-how and trade secrets; risks of exposure of workers, customers or users of end-products to hazardous materials; and disputes with the unions or works councils to which our employees belong. See Item 1A, "Risk Factors." We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information or future events, except as otherwise required by law.

ITEM 1. BUSINESS

Overview

Momentive Performance Materials Inc., a Delaware corporation, together with its subsidiaries (collectively referred to herein as "we," "us," "our," "MPM" or the "Company" and, together with our direct parent company, Momentive Performance Materials Holdings Inc., the "MPM Group") is one of the world's largest producers of silicones and silicone derivatives and a global leader in the development and manufacture of products derived from quartz and specialty ceramics. Silicones are a multi-functional family of materials used in a wide variety of products and serve as a critical ingredient in many construction, transportation, healthcare, personal care, electronic, consumer and agricultural uses. Silicones are generally used as an additive to a wide variety of end products in order to provide or enhance certain of their attributes, such as resistance (heat, ultraviolet light and chemical), lubrication, adhesion or viscosity. Some of the most well-known end-use product applications include bath and shower caulk, pressure-sensitive adhesive labels, foam products, cosmetics and tires. Due to the versatility and high-performance characteristics of silicones, they are increasingly being used as a substitute for other materials. Our Quartz division manufactures quartz, specialty ceramics and crystal products for use in a number of high-technology industries , which typically require products made to precise specifications. The cost of our products typically represents a small percentage of the overall cost of our customers' products.

We were created on December 3, 2006 through the acquisition of certain assets, subsidiaries and liabilities of GE Advanced Materials, an operating unit within the Industrial Segment of General Electric Company ("GE"), by the MPM Group (the "GE Advanced Materials Acquisition"). Affiliates of Apollo Management Holdings, L.P. (together with the investment funds they manage (the "Apollo Funds") and Apollo Global Management, LLC and its subsidiaries, "Apollo") formed MPM and Momentive Performance Materials Holdings Inc ., our direct parent company ("MPM Holdings"), for the purpose of consummating the GE Advanced Materials Acquisition. On October 1, 2010, MPM Holdings and Momentive Specialty Chemicals Holdings LLC (formerly known as Hexion LLC), the direct parent company of Momentive Specialty Chemicals Inc. (formerly known as Hexion Specialty Chemicals, Inc. and referred to herein as "MSC"), became subsidiaries of a new holding company, Momentive Performance Materials Holdings LLC (referred to herein as "Momentive Holdco"). We refer to this event as the "MSC Transaction".

We believe that our scale and global reach provide significant efficiencies in our fixed and variable cost structure and that our breadth of related products provides significant operational, technological and commercial advantages. We internally produce the s ubstantial majority of one of our key intermediates, siloxane, which facilitates a low-cost operating structure and provides security of supply.

We are one of two producers in the silicones market with global production capacity. As of December 31, 2010, we had 24 production sites strategically located around the world, which allows us to produce the substantial majority of our key products locally in the Americas, Europe and Asia. Through this worldwide network of production facilities, we serve more than 9,800 customers between our Silicones and Quartz businesses in over 100 countries. Our customers include leading companies in their respective industries, such as Procter & Gamble, 3M, Goodyear, Unilever, Saint Gobain, Motorola, L'Oreal, BASF, The Home Depot and Lowe's.

We believe we have created a value-added, technical service-oriented business model that enables us to target and participate in high-margin and high-growth specialty markets. These specialty markets account for the majority of our revenues and continue to be a growing part of our business.

Our Strengths

Our company has the following competitive strengths:

Leading Global Silicones Producer. We are one of the world's largest producers of silicones and silicone derivatives, with leading positions in various product lines and geographic areas. We believe our scale, global reach and breadth of product offerings provide us with significant advantages over many of our competitors by allowing us to serve global customers with precise specifications, particularly those expa nding production in developing nations.

Attractive Industry Growth Profile. The broad molecular characteristics of silicones continually lead to new uses and applications, which have led to worldwide industry growth in excess of GDP over the past 20 years. Drivers of growth include end-market growth and increased market penetration, with silicones increasingly being used as a value-added substitute for traditional materials or as a functional additive, which yields new properties for our customers' products. For instance, silicones act as the conditioning ingredient in “2-in-1” shampoo.

Broad-Based Diversification.

Industry Diversification. Our Silicones business has a diversified revenue base across a variety of end-markets, reducing our vulnerability to macroeconomic trends. Furthermore, our products are often used in niche applications that represent a small portion of our customers' material costs. Our leading end-markets are building and construction, which consists of industrial and infrastructure construction and repair, urethane foam additives, and a number of other specialty products.

Customer Diversification. We have a diverse customer base of more than 9,800 customers between our Silicones and Quartz businesses and are well balanced across multiple geographies. In 2010, our top 20 customers accounted for less than 17% of our total revenues, and no single customer accounted for more than 3% of our total revenues. We have maintained long-standing relationships with many of our customers.

Geographic Diversification. We have a global sales presence, with approximately 38%, 30% and 32% of our 2010 revenues generated in the Americas, Europe and Asia, respectively, compared to 37%, 33% and 30% in 2009.

Global Infrastructure. We are a global company with significant manufacturing capacity in each of the Americas, Europe and Asia. We have 24 production facilities located around the world, R&D centers on three continents and sales to customers in over 100 countries. The Silicones business has three siloxane production facilities located in Waterford, New York, Ohta, Japan and Leverkusen, Germany and two silanes production facilities in Sistersville, West Virginia and Termoli, Italy. The Quartz production sites are located in Ohio, U.S., Geesthacht, Germany, Kozuki, Japan and in Wuxi, China.

We use our global platform to deliver products to companies efficiently on a worldwide basis. Many of our customers are expanding internationally to serve developing areas in Asia, Eastern Europe, Latin America, India and Russia. Maintaining close proximity to our international customers allows us to serve them more quickly and efficiently and thus build strong relationships.

Attractive Intermediate Position. We maintain our own manufacturing capacity sufficient to meet the substantial majority of our current requirements for siloxane, the key intermediate required to produce silicones, and source a portion of our requirements through long-term and/or supply agreements. We believe this combination of siloxane supply, along with our ability to purchase siloxane from other suppliers when pricing is advantageous, reduces our overall cost structure and strengthens our overall competitiveness.

Leading Fused Quartz and Specialty Ceramics Producer. We are a global leader in the fused quartz and ceramics product markets in which we compete. In particular, we are the largest manufacturer of quartz products for the semiconductor end-market and the second largest manufacturer of quartz products for fiber optics. Our leadership position and profitability are driven by several factors, including strong customer relationships and the precise quality and purity specifications of our products. Additionally, we believe we are a leader in several ceramic materials end-markets, including cosmetic additives.

Our Strategy

We are focused on increasing cash flow through the following strategies:

Increase Shift to High-Margin Specialty Products. We plan to continue to utilize our global platform and research and development application capabilities to develop new silicone specialty products. We believe that our focus on sales and research will foster future growth.

Expand Global Reach and Presence in Faster Growing Regions. The Silicones division's most significant growth opportunity is in emerging countries, most notably China, India and Brazil. Historically, we have had a strong presence in these areas and we continue to expand our operations. At the end of the fourth quarter of 2010, our siloxane manufacturing joint venture in Jiande, China began start-up operations. Our new finishing plant in Chennai, India also came on-line in mid 2010. These facilities complement our global footprint and will help us generat e future growth in these regions.

Pursue New End-Markets and Product Opportunities. We have identified a number of end-markets in which we believe we are presently under-penetrated. For instance, we have historically not participated significantly in the healthcare industry, where we believe several growth opportunities exist for the manufacture of silicone products with medical applications. We believe that we can apply our technical capabilities to enter these end-markets and capture market share.

Implement Strategic Cost and Working Capital Reduction Initiatives to Dri ve Free Cash Flow. In October 2010, we entered into a Shared Services Agreement with MSC to generate cost savings and other synergies through a shared service model in a number of areas, such as executive and senior management, administrative support, human resources, information technology support, accounting, finance, legal and procurement services. As of December 31, 2010, we have approximately $50 million of in-process cost savings and synergies that we expect to achieve over the next eighteen to twenty-four months in connection with the Shared Services Agreement. We have also completed a number of projects aimed at increasing our margins through cost reduction and efficiency improvements. In 2009 and 2010, these programs achieved total annualized cost savings of approximately $65 million. These program savings were primarily in selling, general and administrative expenses, indirect expenses, material productivity and facility rationalization. In 2010, we also successfully managed our net working capital (defined as trade receivables and inventories less trade payables) with net working capital rising only $9 million on a sales increase of $505 million, compared to last year. We expect to continue to focus on working capital reductions in 2011.

Accelerate Growth and Improve Cost Structure through Relationship with MSC. As a result of the MSC Transaction, we are working closely with MSC to benefit from shared services and our complementary technologies, product offerings and global footprint. We believe that our relationship with MSC will enable us to achieve results that otherwise would not be attainable.

Our Business Segments

Silicones

We are one of the world's largest producers of silicones and silicone derivatives, manufacturing a wide range of high-performing elastomers, engineered materials and fluids. Product families within our silicones business include fluids (textiles, personal care, home care, agriculture and oil and gas applications), silanes and resins (tires, additives for coatings, masonry water repellents and protective coatings for plastics and rubber), elastomers (healthcare and automotive applications), intermediates, engineered materials, urethane additives (polyurethane foam additives) and general consumer sealants and adhesives. Silicones are used in product formulations primar ily due to two distinguishing factors: (1) their high degree of inertness (*i.e.*, resistance to heat, electricity and chemical reactions); and (2) their ability during manufacturing to greatly modify their viscosity, enabling production of end-products with a significant variation in levels of lubricity or adhesion. Silicones are developed using separate finishing processes to generate a wide variety of different performance characteristics and are typically used in applications where traditional materials cannot perform under required conditions. Entirely new applications for silicones continue to emerge as a result of their versatility and broad range of properties. We have a broad range of specialty silicones technologies, with highly advanced research, applications development and technical service capabilities.

Silicones comprises of both specialty and core products. Core products consist of a variety of elastomers, fluids and silanes that have more standardized specifications than our specialty products. These products are often sold to other silicone formulators, who upgrade them through further processing or mixing with other materials. Core products are sold to virtually every silicone and silane end-market, including personal care, construction, automotive, cable and wire and electronic end-markets. Core products require lower sales force dedication, less application development and minimum technology investment as compared to our specialty products. Core products represented approximately 27% of Silicones revenues for the fiscal years ended December 31, 2010 and 2009 .

For the fiscal year ended December 31, 2010, our Silicones division generated revenues of $2,286.1 million compared to

$1,912.9 ;million and $2,383.3 million for the fiscal years ended December 31, 2009 and 2008, respectively.

Product Portfolio

Our silicones product portfolio consists primarily of the segments set forth below.

- *Fluids.* Fluids products are polydimethylsiloxane polymers, co-polymers, elastomers and gel networks, high-performance antifoams and emulsions. Silicone fluids exhibit low surface tension, excellent gloss, excellent sensory, softening and conditioning properties, good thermal stability and excellent viscosity over a wide temperature range, which permits usage in a number of applications. Fluids are used primarily in the personal care, home care and auto care, textiles, oil and gas, agriculture and industrial end-markets and are sold under the *Magnasoft*, Sagtex, *Formasil*, *Silwet*, *Silsoft, Silshine*, *Tospearl* and *Velvesil* brands. Fluids products represented approximately 27% of Silicones revenues for the fiscal year ended December 31, 2010 compared to approximately 28% in 2009.

- *Silanes and Resins.* Silane and resin products are primarily used as components in a variety of specialty applications where improved performance is desired. Resins are used as binders in the production of f ormulated products such as adhesives, laminates, paints and coatings, and sealants and caulks. Their use is generally focused on situations where required performance characteristics, such as paintability, high-temperature or harsh environmental resistance, are beyond the scope of traditional materials. Our *Tospearl* resins are also used as light diffusion aids in LCD/LED screens, lighting and as slip agents in plastic packaging materials and paints & coatings. Silanes are used as high-performance coupling agents, adhesion promoters or as reactive intermediates. Silane and resin products are sold into a diverse range of end-markets, including aerospace, construction, coatings and inks, paint, adhesives, electronics, motor vehicles, sealants, rubber and plastics. We sell silane and specialty resins brands including: Silblock, *A-Link,Wetlink*, *Silquest*, *NXT*, *Pearlene*, *SPUR*, *Tospearl* and *CoatOSil. Silane and resin products represented approximately 14% of Silicones revenues for the fiscal year ended December 31, 2010 compared to 12% in 2009.*

- *Intermediates.* Intermediate products are a broad set of Siloxane, Silane, and by-product materials produced in chemical operation and primarily used as inputs for other product portfolios. Intermediate products represented approximately 2% of Silicones revenues for the fiscal years ended December 31, 2010 and 2009, respectively.

- *Elastomers.* Silicone elastomers are blends of silicone polymers and various fillers and include solid and liquid elastomers. Favorable performance characteristics include a broad temperature range, excellent resistance to weathering, low toxicity, good electrical insulation properties and acoustical damping qualities. Silicone elastomers are used in the production of a variety of products, including gaskets, seals, hoses and tubing, as well as numerous consumer items. Elastomers products are used primarily in the healthcare, consumer products, energy and automotive end-markets and are sold under the *Tufel*, *Ultra Tufel*, *Silplus*, *LSR / LIM*, *Silopren*, and *Addisil* brand names. Elastomers products represented approximately 19% of Silicones revenues for the fiscal year ended December 31, 2010 compared to 18% in 2009.

- *Engineered Materials.* Engineered Materials consist of two product groups, Specialty Coating and RTV (Room Temperature Vulcanization) products. Specialty coatings products are fully formulated solutions designed to enhance performance and drive productivity in various applications. Performance attributes include high-temperature re sistance, abrasion resistance, pressure sensitive adhesion or release and weatherability. Coatings products are sold into a diverse range of end-markets, including construction, tape and label, adhesives, electronics and automotive. Specialty coatings brands include *SilForce*, *Silgrip*, *Silblock*, *Baysilone*, and *Anchorsil*. RTV products consist of highly engineered gels, greases, adhesives, encapsulants and sealants. Different types of chemistries are employed based on the application to cure the material at room temperature, with heat or by UV light. Custom fillers and additives are used to enhance performance in areas such as electrical and thermal conductivity, cure speed, adhesion to plastics and metals, optical clarity and resistance to heat. RTV products are used primarily in micro- and macro-electronics assembly, consumer electronics, automotive, aerospace, consumer goods and industrial sealing applications. RTV products include the *TSE*, *SilCool*, *InvisiSil* and *SnapSil* brand names. Engineered material products represented approximately 15% of Silicones revenues for the fiscal year ended December 31, 2010 compared to 14% in 2009.

- *Urethane Additives.* Urethane Additive’s product portfolio includes silicone surfactants used essentially for stabilizing polyurethane foam and a diverse line of tertiary amines to provide blow, gel and balanced catalysis in polyurethane foam reaction. Polyurethane applications include furniture, bedding, auto interior, appliances, construction, carpet backing, footwear and PU leather. Urethane additive products are sold under the *Niax* and *Geolite* brands. Urethane additive products represented approximately 11% of Silicones revenues for both the fiscal year ended December 31, 2010 and 2009.

- *Consumer And Construction Sealants.* Consumer sealants are used by homeowners, builders and contractors for a variety of projects throughout the home including increasing energy efficiency, reducing damaging effects of moisture and protecting the home from pollen, pollution and pests. Construction sealants are used in structural glazing, weather-sealing, and insulated glass applications in new and remedial large-scale commercial building projects. We have an exclusive royalty-free right to use the GE brand for these products through December 3, 2013, with a five-year renewal option that would require payment of royalties. Our consumer and construction sealant produc ts are also sold under various private labels for a number of hardware and paint retailers. Consumer and construction sealants represented approximately 12% of Silicones revenues for the fiscal year ended December 31, 2010 compared to 15% in 2009.

End-Markets and Applications. The physical properties of silicones, such as weather-ability, longevity and tolerance to a wide temperature range, make them versatile products with broad commercial applications. In the building and construction industry, silicone sealants and caulks are used to seal expansion and control joints in pre-cast exterior concrete panels and metal curtain walls, as well as in siding, window and door perimeters. In the transportation industry, silicones are used in a variety of original equi pment manufacturer and aftermarket applications. In the electronics industry, silicones' tolerance to high temperatures give them a considerable advantage relative to other, traditional materials in a variety of computers and electronics manufacturing applications. In the personal care industry, silicones are used in consumer goods such as hair care and shaving products, antiperspirants and deodorants, cosmetics and shower and bath products. In the healthcare industry, silicones are used in medical equipment, as well as in surgeries and other general medical procedures. We believe that such a broad range of commercial uses not only helps to maintain a steady demand for our products in industries that are less vulnerable to economic cycles but also allows us to explore new applications for our products in high-growth industries.

Customers. Our Silicones division had sales to more than 8,550 different customers in 2010 in a variety of industries. In 2010, our top 20 customers accounted for less than 18% of our total revenues, and no single customer accounted for more than 3% of total revenues. We have maintained long-standing relationships with many of our customers. For example, we have served one of our largest customers, The Home Depot, Inc., for over 20 years.

Key Materials.

- *Silicon Metal.* Silicon metal is an inorganic material that is not derived from petrochemicals. Major silicon metal suppliers include Becancour, Globe, Elkem Norway, Ferropem, Itochu and other smaller vendors located around the world. We currently purchase silicon metal under multi-year, one-year or short-term fixed-price contracts and in the spot market. We typically purchase silicon metal under fixed priced contracts in the U.S. and Europe and in the spot market in Asia Pacific. Our silicon metal contracts in the U.S. and Europe ty pically are for a one-year term with fixed prices determined on an annual basis.

- *Siloxane.* Siloxane is a key intermediate required to produce the silicones polymer. We produce siloxane for our internal use in Waterford, New York; Leverkusen, Germany and Ohta, Japan. We maintain our own manufacturing capacity sufficient to meet our current siloxane requirement and purchase a portion of our requirements under an existing off-take agreement with Asia Silicones Monomer Limited ("AS M") at a cost-plus pricing formula. In addition, from time to time, we enter into supply agreements with third parties to take advantage of favorable pricing and minimize our cost. In connection with the GE Advanced Materials Acquisition, MPM Holdings and our subsidiary, Momentive Performance Materials (Thailand) Ltd., formerly known as GE Toshiba Silicones Thailand Ltd., entered into a 20-year supply arrangement with GE and GE Monomer (Holdings) Pte. Ltd., formerly known as GETOS Singapore Pte. Ltd., to obtain a supply of siloxane from ASM or an alternative source in certain circumstances. See Item 13, "Certain Relationships and Related Transactions, and Director Independence."

- *Methanol.* Methanol is a key raw material for the production of methyl chloride, which is used to produce chlorosilanes. Major methanol suppliers include Methanex, MHTL and Saudi Basic Industries Corporation (formerly GE Plastics, referred to herein as "SABIC"). We typically enter into annual or quarterly contracts for methanol.

Quartz

Our Quartz division is a global leader in the development and manufacturing of fused quartz and ceramic materials. Fused quartz, a man-made glass manufactu red principally from quartz sand, is used in processes requiring extreme temperature, high purity and other specific characteristics. Fused quartz and ceramic materials are used in a wide range of industries, including semiconductor, lamp tubing, manufacturing, packaging, cosmetics and fiber optics. Our Quartz division is a leading global producer of quartz tubing, ingots and crucibles and high-performance, non-oxide ceramic p owders, coatings and solids.

Our Quartz division's products are used as a superior substitute for glass. On a microscopic level, normal glass is filled with impurities, bubbles and other flaws. For this reason, applications that require transparency and a high level of purity or stress-resistance (such as process equipment for semiconductor manufacturing or lamp lenses for video projectors) require the use of quartz. A significant driver of our Quartz volumes derives from microchip makers adding to or adjusting their manufacturing lines for newly developed products. The manufacture of quartz products for use in the production of semiconductors generated approximately 63% of our Quartz division's revenue for the fiscal year ended December 31, 2010 compared to 52% for 2009 and 59% in 2008. For the fiscal year ended December 31, 2010, our Quartz division generated revenues of $302.3 million compared to $170.6 million and $255.9 million for the fiscal years ended December 31, 2009 and 2008, respectively.

Customers. Our Quartz division had sales to over 1,250 different customers in 2010 in a variety of industries. In 2010, our top 20 customers accounted for 57% of total revenues of the Quartz division, and the largest customer accounted for approximately 7% of total revenues of the Quartz division.

Raw Materials. Naturally occurring quartz sand is the key raw material for fused quartz products. The natural quartz sand market is dominated by the Unimin Corporation, which owns the Harris and Hawkins District mine in North Carolina. This is substantially the only mine in the world currently identified as having the high quality quartz sand required for semiconductor quartz fabrication and is believed to maintain approximately 20 years of proven reserves.

Because Unimin controls more than 90% of this market, they exercise significant control over quartz sand prices, which have been steadily increasing. In recent years, these increases have been approximately 3-5% per year. Our long-term agreement with Unimin that spanned from 2005-2010 expired on December 31, 2010. We recently amended this agreement to extend the term through December 31, 2011 and amend certain provisions regarding pricing and volume purchase requirements, among others. We anticipate ultimately negotiating a long term contract with Unimin. We also periodica lly evaluate other quartz sand sources around the world.

Competition

We compete with a variety of companies, including large global chemical companies and small specialty chemical companies, in each of our product lines. The principal factors of competition in our industry include product quality, customer service and breadth of product offerings, product innovation, manufacturing efficiency, distribution and price. Some of our competitors are larger, have greater financial resources and have less debt than we do and may, as a result, be better able to withstand changes in conditions throughout our industry relating to pricing or otherwise and the economy as a whole. We believe that no single company competes with us across all o f our existing product lines.

Marketing and Distribution

We market an extensive product line to meet a wide variety of customer needs. We focus on customers who are, or have the potential to be, leaders in their industries and have growth objectives that support our own growth objectives. In addition, we focus on customers who value our service-oriented business model. This approach includes high-quality, reliable products backed by local sales support and technical expertise. An important component of our strategy is to utilize our broad product capabilities to win high-end specialty business from our customers. These customers value these capabilities and, as a result, we are able to become a supplier of choice, given our relat ionship and ability to develop solutions to meet their precise needs.

Intellectual Property

We own or have licenses to use a large number of patents relating to our products and processes. We currently have the right to utilize approximately 800 active patents in the United States, approximately 2,500 active patents in the other countries of the world and approximately 2,400 pending patent applications worldwide. While the remaining durations of these patents range from less than one year to almost twenty years, the portion of the portfolio dealing with our new products comprises patents with durations of fourteen to twenty years. We also have the right to utilize approximately 100 registered U.S. trademarks protecting our produc ts, with counterpart registrations in commercially significant non-U.S. countries. Our rights under such patents and licenses are a significant strategic asset in the conduct of our business. Patents, patent applications, trademark applications and trademarks relating to our *Velvesil*, *Silwet*, *Silsoft*, *Spur*, and *NXT* brands, technologies and products are consider ed material to our business. See Item 13, "Certain Relationships and Related Transactions, and Director Independence" for a description of our licensing arrangements with GE.

Governmental Regulation and Environment

Our operations are subject to extensive legal requirements intended to protect human health and the environment. These

requirements govern, among other things, air emissions, wastewater discharges, waste disposal, health and safety of employees, and the use, management, and transportation of hazardous chemicals. In addition, some countries in which we sell products have regulations governing the registration and sale of chemical products, including products that we sell. Government agencies responsible for such regulations periodically revise these regulations and also enact new requirements. Revised and/or new requirements enacted in the future may require us to incur additional capital costs and/or operating expenses. New requirements could also result in increases in the cost of products and services that we purchase from others. Finally, such new or revised requirements may adversely impact our ability to sell our produ cts in certain countries.

Financial Information for Segments and Geographical Areas

For information regarding revenues from external customers, measures of profit or loss and total assets by segment and revenues from external customers and net long-lived assets by geographic area, see note 17 to our Consolidated Financial Statements.

Research and Development

Research and development expenses include wages and benefits for research personnel inclu ding engineers and chemists; payments to consultants and outside testing services, costs of supplies and chemicals used in in-house laboratories and costs of research and development facilities. Our research and development efforts focus on the development of new applications for our existing products and technological advances that we hope will lead to new products. For the years ended December 31, 2010, 2009 and 2008, we spent $73.0 million, $62.8 million and $75.7 million, respectively, on research and development. These annual research and development expenditu res equaled approximately 3% of the revenues in such year.

Seasonality

We do not experience significant seasonality of demand, although sales have historically been slightly higher during the second and fourth quarters due to increased industrial activity. Seasonality trends, however, have been skewed in recent years primarily due to the economic downturn in late 2008 and 2009 and the subsequent recovery in 2010.

Employees

As of December 31, 2010, we had 4,719 employees. Approximately 50% of our employees are members of a labor union or are represented by workers' councils that have collective bargaining agreements.

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Our headquarters is located at 22 Corporate Woods Blvd., Albany, New York 12211 and our general telephone number is (518) 533-4600. We maintain an Internet site at http://www.momentive.com. Our website address is provided as an inactive textual reference. Our website and the information contained on that site, or connected to that site, are not incorporated by reference into thi s Annual Report.

ITEM 1A. RISK FACTORS

Based on the information currently known to us, we believe that the following information identifies the most significant risk factors affecting our Company. However, the risks and uncertainties affecting our Company are not limited to those set forth in the risk factors described below. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially adversely affect our business, financial condition or results of operations. In addition, past fi nancial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

Risks Related to Our Business

We may not be able to generate sufficient cash flows from operations to meet our debt service payments. In addition, our interest could increase if interest rates increase.

We have a substantial amount of indebtedness. As of December 31, 2010, we had $2,978.8 million of outstanding indebtedness (including payments due within the next twelve months and short-term borrowings). After giving effect to our recent amendment to our Credit Agreement and based on the amount of indebtedness outstanding at December 31, 2010, our annualized cash interest expense is approximately $234.6 million based on interest rates at December 31, 2010, of which $192.2 million represents cash interest expense on fixed-rate obligations.

Our ability to generate sufficient cash flow from operations to make schedu led debt service payments depends on a range of economic, competitive and business factors, many of which are outside of our control. Our business may not generate sufficient cash flow from operations to meet our debt service and other obligations, and currently anticipated cost savings, working capital reductions and operating improvements may not be realized on schedule, or at all. If we are unable to meet our expenses and d ebt service obligations, we may need to refinance all or a portion of our indebtedness on or before maturity, sell assets or raise equity. We may not be able to refinance any of our indebtedness, sell assets or raise equity on commercially reasonable terms, or at all, which could cause us to default on our obligations and result in the acceleration of our debt obligations. Our inability to generate sufficient cash flow to satisfy our outstanding debt obligations, or to refinance our obligations on commercially reasonable terms, would have a material adverse effect on our business, financial condition and results of operations.

In addition, certain of our borrowings, primarily borrowings under our senior secured credit facilities, are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligatio ns on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease. Assuming the amount of our variable rate indebtedness outstanding as of December 31, 2010 remains the same, an increase of 1% in the interest rates payable on our variable rate indebtedness would increase our annual estimated debt-service requirements by approximately $10.7 million. Accordingly, an increase in interest rates from current levels could cause our annual debt-service obligations to increase significantly.

Our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations and limit our ability to react to changes in the economy or our industry.

Our substantial indebtedness could have other important consequences to our financial position and results of operations, including the following:

- it may limit our flexibility in planning for, or reacting to, changes in our operations or business;
- we are more highly leveraged than many of our competitors, which may place us at a competitive disadvantage;
- it may make us more vulnerable to downturns in our business or the economy;
- a substantial portion of our cash flows from operations will be dedicated to the repayment of our indebtedness and will not be available for other purposes;
- it may restrict us from making strategic acquisitions, introducing new technologies, or exploiting business opportunities;
- it may make it more difficult for us to satisfy our obligations with respect to our existing indebtedness;
- it may adversely affect terms under which suppliers provide material and services to us;
- it may limit, along with the financial and other restrictive covenants in the agreements governing our indebtedness, among other things, our ability to borrow additional funds (which may already be severely limited by availability and increased cost of credit in the current market) or dispose of assets;
- it may limit our ability to fully achieve possible cost savings from the MSC Transaction; and
- there would be a material adverse effect on our business and financial condition if we were unable to service our indebtedness or obtain additional financing, as needed.

Despite our substantial indebtedness, we may still be able to incur significant additional indebtedness. This could intensify the risks described above.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the terms of the agreements governing our indebtedness contain restrictions on our ability to incur additional indebtedness, these restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial.

Repayment of our debt, including required principal and interest payments on our indebtedness, is dependent on cash flow generated by our foreign subsidiaries, which may be subject to limitations beyond our control.

Our foreign subsidiaries own a significant portion of our assets and conduct a significant portion of our operations. Accordingly, repayment of our indebtedness is dependent, to a significant extent, on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, intercompany loan or otherwise. Our subsidiaries

may not be able to, or may not be permitted to , make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While there are limitations on the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we are unable to receive distributions from our subsidiaries we may be unable to make required principal and interest payments on our indebtedness.

The terms of our senior secured credit facilities and indentures, including the restrictive covenants therein, may adversely affect our operations.

The credit agreement governing our senior secured credit facilities and the indentures governing our existing notes contain, and any future indebtedness we incur would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on our ability to, among other things:

- incur or guarantee additional debt;
- pay dividends and make other distributions to our stockholders;
- create or incur certain liens;
- make certain loans, acquisitions, capital expenditures or investments;
- engage in sales of assets and subsidiary stock;
- enter into sale/leaseback transactions;
- enter into transactions with affiliates; and
- transfer all or substantial ly all of our assets or enter into merger or consolidation transactions.

As a result of these covenants, we are limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

In addition, at any time that loans or letters of credit are outstanding (and not cash collateralized) thereunder, the agreement governing our revolving credit facility (which is part of our senior secured credit facilities) requires us to maintain a specified net first-lien indebtedness to Adjusted EBITDA ratio, referred to as the “Senior Secured Leverage Ratio”. Specifically, the ratio of our “Total Senior Secured Net Debt” (as defined in the credit agreement which excludes the Second-Lien Notes) to trailing twelve-month Adjusted EBITDA (as adjusted per the credit agreement) may not exceed 4.25 to 1 as of the last day of any fiscal quarter. At December 31, 2010, we were in compliance with the Senior Secured Leverage Ratio maintenance covenant set forth in the Credit Agreement. If business conditions deteriorate, we may not comply with our Senior Secured Leverage Ratio for future periods. If we are at risk of failing to comply with our Senior Secured Leverage Ratio covenant, we would pursue additional cost saving actions, restructuring initiatives or other business or capital structure optimization measures available to us to remain in compliance with this covenant, but there can be no assurances that any such measures will be successful or will be sufficient to maintain compliance with our Senior Secured Leverage Ratio covenant.

A failure to comply with the covenants contained in our senior secured credit facilities, the indentures governing the notes or our other existing indebtedness could result in an event of default under the existing agreements that, if not cured or waived, would have a material adverse effect on our business, financial condition and results of operations.

In particular, a breach of our Senior Secured Leverage Ratio covenant would result in an event of default under our revolving credit facility. Pursuant to the Credit Agreement, MPM Holdings has the right but not the obligation to cure such default through the purchase of additional equity in the Company in up to three of any four consecutive quarters. If a breach of the Senior Secured Leverage Ratio covenant is not cured or waived, or if any other event of def ault under our senior secured credit facilities occurs, the lenders under the Credit Agreement:

- would not be required to lend any additional amounts to us;
- could elect to declare all borrowings outstanding under the revolving credit facility, together with accrued and unpaid interest and fees, due and payable and could demand cash collateral for all letters of credit issued thereunder;

- could elect to declare all borr owings outstanding under the term loan facilities, together with accrued and unpaid interest and fees, due and payable and could demand cash collateral for all letters of credit issued under the synthetic letter of credit facility (provided that, if triggered by a breach of the Senior Secured Leverage Ratio covenant, certain other conditions are met);

- could require us to apply all of our available cash to repay these borrowings; and/or
- could prevent us from making payments on our notes;

any or all of which could result in an event of default under our notes.

If the indebtedness under our senior secured credit facilities or our existing notes were to be accelerated after an event of default, our assets may not be sufficient to repay such indebtedness in full and our lenders could foreclose on our pledged assets. Under these circumstances, we cannot give assurance that a refinancing would be possible or that any additional financing could be obtained on acceptable terms, or at all, and we may be forced to explore a restructuring.

If global economic conditions weaken again, it will negatively impact our business operations, results of operations and financial condition.

Global economic and financial market conditions, including severe disruptions in the credit markets and the potential for a significant and prolonged global economic downturn, have impacted our business operations since late 2008 in a number of ways including, but not limited to, the following:

- reduced demand in key customer segments, such as automotive, building, construction and electronics, compared to prior years. Although our revenues for the year ended December 31, 2010 have increased compared to the year ended December 31, 2009, our revenues have declined compared to the year ended December 31, 2008;
- payment delays by customers and reduced demand for our products caused by customer insolvencies and/or the inability of customers to obtain credit to finance purchases of our products;
- insolvency of suppliers resulting in product delays;
- more onerous credit and commercial terms from our suppliers; and
- potential delays in accessing our current senior secured credit facilities or obtaining new credit facilities on terms we deem commercially reasonable or at all, and the potential inability of one or more of the financial institutions included in our syndicated revolving credit facility to fulfill their funding obligations. Should a bank in our syndicated revolving credit facility be unable to fund a future draw request, we could find it difficult to replace that bank in the facility.

Global economic conditions may deteriorate in future periods. Any further deterioration of economic conditions would likely exacerbate the negative effects described above and could result in a wide-ranging and prolonged impact on general business conditions, thereby negatively impacting our business, results of operations and financial condition.

Cha nges in the pricing, supply or regulation of silicon metal may adversely affect the results of our operations.

Our Silicones business is highly dependent upon access to silicon metal. While silicon is itself abundant, silicon metal is produced through a manufacturing process and, in certain geographic areas, is currently available through a limited number of suppliers. Two of our competitors have also recently acquired silicon metal manufacturing assets in North America and Europe, respectively, becoming vertically integrated in silicon metal for a portion of their supply requirements and reducing the manufacturing base of certain independent silicon metal producers. In North America, there are only two significant silicon metal suppliers. Silicon metal producers face a number of regulations that affect the supply or price of silicon metal in some or all of the jurisdi ctions in which we operate. For example, significant anti-dumping duties of up to 139.5% imposed by the United States Department of Commerce and the International Trade Commission against producers of silicon metal in China and Russia effectively block the sale by all or most producers in these jurisdictions to U.S. purchasers, which restricts the supply of silicon metal and results in increased prices. We cannot predict whether additional restrictions may be imposed in the future in these or other jurisdictions, which may result in reduced supply of silicon metal or further increases in silicon metal prices. We currently purchase silicon metal under multi-year, one-year or short-term fixed-price contracts and in the spot market. We cannot assure investors that we will be able to purchase sufficient quantities in the spot market on commercially acceptable terms or renew our current contracts or enter into replacement contracts on commercially acceptable terms, or at all. Fluctuations in the price of silicon metal, the loss of a key source of supply or any delay in the supply of silicon metal could result in a material adverse effect on our business. See "—Recent or new regulations may increase our compliance costs and reduce our ability to compete in certain markets."

Changes in the pricing, supply or regulation of intermediates, such as siloxane, may adversely affect the results of our operatio ns.

Our Silicones business relies heavily on siloxane as an intermediate product. We maintain our own manufacturing capacity sufficient to meet the substantial majority of our current siloxane requirements and purchase a portion of our requirements from Asia Silicones Monomer Limited ("ASM") under an existing off-take agreement. In addition, from time to time we enter into supply agreements with other third parties to take advantage of favorable pricing and minimize our cost. There are a limited number of third-party siloxane providers, and the supply of siloxane may be limited from time to time. If we were unable to produce siloxane as expected, if ASM, General Electric Company or GE Monomer (Holdings) Pte. Ltd. (formerly GETOS Singapore Pte. Ltd.) fail to perform under our off-take or long-term supply agreements to provide us with siloxane in Asia, or if other suppliers were to terminate or fail to perform under our other supply agreements, our results of operations could be adversely affected. In addition, regulation of siloxane producers can also affect the supply of siloxane. For example, in January 2006, the Ministry of Commerce of the People's Republic of China issued a final determination of an anti-dumping investigation that imposed anti-dumping duties on all siloxane manufacturers, including us, ranging from 13% to 22%. These duties were terminated in January 2011. In late May 2009, China's Ministry of Commerce also concluded an anti-dumping investigation of siloxane manufacturers in Thailand and South Korea, which resulted in an imposition of a 5.4% duty against our supplier, ASM, in Thailand, a 21.8% duty against other Thailand companies and a 25.1% duty against Korean companies. We cannot predict any future actions by China's Ministry of Commerce or other government or regulatory bodies that may reduce the supply of siloxane or i ncrease our costs, which may adversely affect the results of our operations.

Fluctuations in other direct or indirect raw material costs or an inadequate supply of other direct or indirect raw materials could have an adverse impact on our business.

During the past three years, the prices of our direct and indirect raw materials have been volatile. If the cost of direct or indirect raw materials increases significantly and we are unable to offset the increased costs with higher selling prices, our profitability will decline. Increases in prices for our products could also hurt our ability to remain both competitive and profitable in the markets in which we compete.

Although some of our contracts include competitive price clauses that allow us to buy outside the contract if market pricing falls below contract pricing, and certain contracts have minimum-maximum monthly volume commitments that allow us to take advantage of spot pricing, we may not be able to purchase raw materials at market prices. In addition, some of our customer contracts have fixed prices for a certain term, and as a result, we may not be able to pass on raw material price increases to our customers immediately, if at all. Due to differences in timing of the pricing trigger points between our sales and purchase contracts, there is often a "lead-lag" impact that can negatively impact our margins in the short term in periods of rising raw material prices and positively impact them in the short term in periods of falling raw material prices. Future raw material prices ma y be impacted by new laws or regulations, suppliers' allocations to other purchasers, changes in our supplier manufacturing processes as some of our products are byproducts of these processes, interruptions in production by suppliers, natural disasters, volatility in the price of crude oil and related petrochemical products and changes in exchange rates.

Our manufacturing operations require adequate supplies of raw materials on a timely basis. The loss of a key source or a delay in shipments could have an adverse effect on our business. Raw material availability may be subject to curtailment or change due to, among other things, new laws or regulations, suppliers' allocations to other purchasers, interruptions in production by suppliers and natural disasters. Should any of our key suppliers fail to deliver raw materials to us, we may not be able to purchas e these materials in necessary quantities, which could adversely affect our volumes, or may not be able to purchase them at prices that would allow us to remain competitive. During the past several years, certain of our suppliers have experienced force majeure events rendering them unable to deliver all, or a portion of, the contracted-for raw materials. On these occasions, we were forced to purchase replacement raw materials in the open market at significantly higher costs or place our customers on an allocation of our products.

Apollo controls us and our affiliate, MSC, and may have conflicts of interest with our investors or us in the future.

Apollo controls our ultimate parent company, Momentive Performance M aterials Holdings LLC ("Momentive Holdco"), which indirectly owns 100% of our common equity. In addition, representatives of Apollo comprise a majority of our directors. As a result, Apollo can control our ability to enter into significant corporate transactions such as mergers, tender offers and the sale of all or substantially all of our assets. The interests of Apollo and its affiliates could conflict with or differ from our interests. For example, the concentration of ownership held by Apollo could delay, defer or prevent a change in control of our company or impede a merger, takeover or other business combination, which may otherwise be favorable to us.

Additionally, Momentive Holdco, is the ultimate parent company of our affiliate, MSC. Therefore, in addition to controlling our activities through its control of Momentive Holdco, Apo llo can also control the activities of MSC through this same ownership and control structure. There can be no assurance that Apollo (and our senior management team, many of whom hold the same position with, or also provide services to, MSC) will not decide to focus their attention and resources on matters relating to MSC or Momentive Holdco that otherwise could be directed to our business and operations. If Ap ollo determines to focus attention and resources on MSC or any new business lines of MSC instead of us, it could adversely affect our ability to expand our existing business or develop new business.

Additionally, Apollo is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete, directly or indirectly, with us. Apollo may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. Additionally, even if Apollo invests in competing businesses through Momentive Holdco, such investments may be made through MSC or a newly-formed subsidiary of Momentive Holdco. Any such investment may increase the potential for the conflicts of interest discussed in this risk factor.

So long as Apollo continues to indirectly own a significant amount of the equity of Momentive Holdco, even if such amount is less than 50%, they will continue to be able to strongly influence or effectively control our decisions.

Because our equity securities are not registered under the securities laws of the United States or in any other jurisdiction and are not listed on any U.S. securities exchange, we are not subject to certain of the corporate governance requirements of U.S. securities authorities or to any corporate governance requirements of any U.S. securities exchanges.

The diversion of our key personnel's attention to other businesses could adversely affect our business and results of operations.

Certain members of our senior management team, including Mr. Morrison, our CEO, and Mr. Carter, our CFO, and other individuals who provide services to our businesses, are employed by our affiliate, MSC. Certain of our employees, who provide substantial services to our businesses, also provide services to MSC. The services of such individuals are provided by MSC to MPM, or by MPM to MSC, pursuant to a shared services agreement that we entered into with MSC on October 1, 2010. Any or all of these individuals may be required to focus their time and energies on matters relating to MSC that otherwise could be directed to our business and operations. If the attention our senior management team, and/or such other individuals providing substantial services to our business, is significantly diverted from their responsibilities to us, it could affect our ability to service our existing business and develop new business, which could have a material adverse effect on our business and results of operations. Mr. Morrison, Mr. Carter and certain other key personnel became members of our management team in early October 2010. We cannot assure you that the transition to new members of our management team, the transition of other employees to their additional roles with MSC or MPM, or the shared services arrangement with MSC will not be disruptive to our business.

A downgrade in our debt ratings could restrict our access to, and negatively impact the terms of, current or future financings.

Standard & Poor’s Ratings Services and Moody’s Investors Service maintain credit ratings on the Company and certain of our debt. Each of these ratings is currently below investment grade. Any decision by these ratings agencies to downgrade such ratings or put us on negative watch in the future could restrict our access to, and negatively impact the terms of, current or future financings and trade credit extended by our suppliers of raw materials.

Our Quartz division is dependent upon a particular type of sand currently available from a single source.

Our Quartz production relies heavily on a specific type of sand, which is currently available in the necessary quality and quantity from one supplier, Unimin Corporation. Our long-term agreement with Unimin that spanned from 2005-2010 expired on December 31, 2010. We recently amended this agreement to extend the term through December 31, 2011 and amend certain provisions regarding pricing and volume purchase requirements, among others. We anticipate ultimately negotiating a long term contract with Unimin. If Unimin does not continue to supply us or breaches its supply contract with us, we would not be able to produce quartz on a cost-effective basis or at all, and our business could suffer a material adverse effect.

Any rise in energy costs could increase our operating expenses, reduce net income and negatively affect our financial condition.

Natural gas and electricity are essential to our manufacturing processes, which are energy-intensive. The costs of these resources can vary widely and unpredictably. Our energy costs represented approximately 8% of our total cost of sales for the fiscal years ended December 31, 2010, 2009 and 2008 respectively. Energy costs have fluctuated greatly over the past several years due to volatility in the prices of oil and natural g as. For example, operating expenses increased in 2009 and 2008 due to the increase in energy costs. Although our energy costs have declined in 2010 compared to 2009, our operating expenses will increase if there is inflation in energy prices. Increased energy prices may also result in greater costs for our raw materials. If we cannot pass these costs through to our customers, our profitability may decline. In addition, any rise in energy prices may also negatively affect our customers and the demand for our products.

As a global business, we are subject to risks associated with our operations that are not present in the United States.

We have significant manufacturing and other operations outside the United States. Some of these operations are in jurisdictions with unstable political or economic conditions. There are inherent risks in international operations due to:

- exchange controls and currency restrictions;
- currency fluctuations and devaluations;
- tariffs and trade barriers;
- export duties and quotas;
- changes in local economi c conditions;
- changes in laws and regulations;
-   exposure to possible expropriation or other government actions;
- hostility from local populations;
- diminished ability to legally enforce our contractual rights in non-U.S. countries;
- restrictions on our ability to repatriate dividends from our subsidiaries; and
- unsettled political conditions and possible terrorist attacks against American interests.

Our international operations expose us to different local political and business risks and challenges. For example, we are faced with potential difficulties in staffing and managing local operations, and we have to design local solutions to manag e credit risks of local customers and distributors. In addition, certain jurisdictions in which we operate may be politically unstable. We also operate in jurisdictions where our status as a United States company may expose us to increased risk of terrorist attacks, or to greater impact from the national and global military, diplomatic and financial response to any future attacks or other threats.

Some of our operations are located in regions with particular exposure to storms, floods, riots, fires, sabotage, terrorism, civil commotion or civil unrest, interference by civil or military authorities, acts of war (declared or undeclared) or armed hostilities or other national or international calamity, or failure of energy sources. Production efficiency prevents us from relocating such operations and, as a result, any of the aforementioned occurrences could materiall y adversely affect our business.

In addition, intellectual property rights may be more difficult to enforce in non-U.S. countries.

Our overall success as a global business depends, in part, upon our ability to succeed under different economic, social and political conditions. We may not continue to succeed in developing and implementing policies and strategies that are effective in each location where we do business, and failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to foreign currency risk.

In 2010, approximately 67% of our revenues originated outside the United States, compared to 68% in 2009. In our consolidated financial statements, we translate our local currency financial results into U.S. dollars based on average exchange rates prevailing during a reporting period or the exchange rate at the end of that period. During times of a strengthening U.S. dollar, at a constant level of business, our reported international revenues and earnings would be reduced because the local currency would translate into fewer U.S. dollars.

In addition to currency translation risks, we incur a currency transaction risk whenever one of our operating subsidiaries enters into either a purchase or a sales transaction using a different currency from the currency in which it records revenues. Given the volatility of exchange rates, we may not be able to manage our currency transaction and/or translation risks effectively, and volatility in currency exchange rates may materially adversely affect our financial condition or results of operations. Since most of our indebtedness is denominated in U.S. dollars, a strengthening of the U.S. dollar could make it more difficult for us to repay our indebtedness.

We may, from time to time, enter into various hedging and other programs to protect against adverse changes in the non-U.S. exchange markets and attempt to minimize potential adverse effects. We cannot ensure that these programs will be successful in protecting against these risks. Our results of operations could be materially adversely affected if the U.S. dollar strengthens against non-U.S. currencies and our protective strategies are not successful. Likewise, a strengthening dollar provides opportunities to source raw materials more cheaply from foreign countries.

We may be required to expend greater time and expense than other companies in dealing with our employees, some of whom are unionized, represented by works councils or subject to local laws that are less favorable to employers than the laws of the United States.

As of December 31, 2010, approximately 50% of our employees were unionized or represented by works councils that have collective bargaining agreements. In addition, some of our employees reside in countries in which employment laws provide greater bargaining or other rights to employees than the laws of the United States. These employment rights may require us to expend more time and money altering or amending emp loyees' terms of employment or making staff reductions. For example, most of our employees in Europe are represented by works councils, which generally must approve changes in conditions of employment, including restructuring initiatives and changes in salaries and benefits. While we believe that we maintain good relationships with our employees and their representatives, a significant dispute could divert management's attention and otherwise hinder our ability to conduct our business or to achieve planned cost savings.

If we fail to extend or renegotiate our collective bargaining agreements with our labor unions as they expire from time to time, if disputes with our unions arise or if our unionized employees were to engage in a strike or other work stoppage, our business and operating results could be materially adversely affected.

We cannot assure investors that we will be able to successfully extend or renegotiate our collective bargaining agreements as they expire from time to time. A majority of the manufacturing personnel at our Waterford, New York; Sistersville, West Virginia and Willoughby, Ohio sites are covered by collective bargaining agreements that expire in June 2013, July 2013 and June 2013, respectively. We also may be subject to strikes or work stoppages by, or disputes with, our labor unions. In January 2011, the union at our Waterford, NY facility representing approximately 780 employees went on strike for two days in response to specific grievances that are now concluded. In addition, in January and November 2009, this union fi led a variety of unfair labor practice charges against us with the National Labor Relations Board (the "NLRB"), arising from our implementation of a new wage rate schedule, a new job classification structure and a new overtime procedure at our Waterford, NY facility. In January 2010, the NLRB filed a complaint against us relating to a portion of these charges, and in July 2010 we reached a settlement with respect to these claims and the complaint was withdrawn. If we fail to extend or renegotiate our collective bargaining agreements, if additional disputes with our unions arise or if our unionized workers engage in a further strike or other work stoppage, we could incur higher labor costs or experience a significant disruption of operations, which could have a material adverse effect on our business, financial position and results of operations.

Our future success will depend in part on our ability to protect our intellectual property rights, and our inability to enforce these rights could have an adverse effect on our competitive position.

We rely on the patent, trademark, copyright and trade-secret laws of the United States and the countries where we do business to protect our intellectual property rights. Despite the protection afforded by these laws, we may be unable to prevent third parties from using our intellectual property without our authorization. The unauthorized use of our intellectual property could reduce any competitive advantage we have developed, reduce our market share or otherwise harm our business. In the event of unauthorized use of our intellectual property, litigation to protect or enforce our rights could be costly, and we may not prevail.

Although we have numerous issued and pending U.S. and non-U.S. patents, these patents, issued or pending, may not provide us with any competitive advantage and could be challenged by third parties. Our inability to secure issuance of our pending patent applications may limit our ability to protect the intellectual property rights these pending patent applications were intended to cover. Our competitors may attempt to design around our patents to avoid liability for infringement and, if successful, our competitors could adversely affect our market share. Moreover, the expiration of our patents may lead to increased competition.

We have obtained and applied for several U.S. and non-U.S. trademark registrations, and we will continue to evaluate the registration of additional trademarks and service marks where appropriate. Our pending trademark applications may not be approved by the responsible governmental authorities and, even if these trademark applications are granted, third parties may seek to oppose or otherwise challenge these trademark applications. A failure to obtain trademark registrations in the United States and in other countries could limit our ability to protect our products and their associated trademarks and impede our marketing efforts in those jurisdictions.

Where a product formulation or process is kept as a trade secret, third parties may independently develop or invent and patent products or processes identical to our trade-secret products or processes. This could have an adverse impact on our ability to make and sell products or use such processes and could potentially result in costly litigation in which we might not prevail.

Our production facilities are subject to operating and other hazards.

Our production facilities are subject to hazards associated wit h the manufacturing, handling, storage and transportation of chemical materials and products, including exposure to hazardous substances, pipeline leaks and ruptures, explosions, fires, inclement weather and natural disasters, mechanical failures, unscheduled downtime, transportation interruptions, remedial complications, chemical spills, discharges or releases of toxic or hazardous substances or gases, storage tank leaks and other environmental risks. Additionally, some of our operations, such as those in Antwerp, Belgium; Bergen Op Zoom, The Netherlands; Leverkusen, Germany; Shanghai, China; and Map Ta Phut, Thailand, are adjacent to operations of independent entities that engage in hazardous and potentially dangerous activities. While we manufacture our products in a large number of diversified facilities and maintain insurance covering our facilities, including business interruption insurance, a loss of the use of all or a portion of one of our key manufacturing facilities due to any such hazards, at our facilities or adjacent third-party facilities, could have a material adverse effect on us. Moreover, our management systems and engineering controls may not be successful in preventing all potential hazards and could fail to prevent personal injury and loss of life, severe damage to or destruction of property and equipment, and environmental damage, each of which could have a material adverse effect on our business.

We may be adversely affected by environmental, climate change, health, safety, production and product regulations or concerns.

Our operations are subject to a wide variety of U.S. Federal, state, local and non-U.S. national, provincial, and local environmental, health and safety laws and regulations, including those governing emissions to air, discharges to waters, the generation, use, storage, transportation, treatment and disposal of hazardous materials and wastes, and employee health and safety matters and those requiring permits, licenses, or other government approvals for specified operations or activities. Our products are also subject to a variety of national, regional, state, and provincial requirements and restrictions applicable to the manufacture, import, export or subsequent use of such products. In addition, we are required to maintain, and may be required to obtain in the future, environmental, health and safety permits, licenses, or government approvals to continue current operations at most of our manufacturing and research facilities throughout the world. Compliance with environmental, health and safety laws and regulations, and maintenance of permits, can be costly, and we have incurred and will continue to incur costs, including capital expenditures and costs associated with the issuance and maintenan ce of letters of credit, to comply with these requirements. If we are unable to comply with environmental, health and safety laws and regulations, or maintain our permits, we could incur substantial costs, including fines and civil or criminal sanctions, or costs associated with upgrades to our facilities or changes in our manufacturing processes in order to achieve and maintain compliance, and may also be required to halt permitted activities or operations until any necessary permits can be obtained or complied with. Actual and alleged environmental violations have previously been, and continue to be, identified at our facility in Waterford, New York. We are cooperating with the New York State Department of Environmental Conservation and the U.S. Environmental Protection Agency and Department of Justice in their respective investigations of that facility's compliance with certain applicable environmental requirements, including certain requirements governing the operation of the facility's hazar dous waste incinerators. These investigations may result in administrative, civil or criminal enforcement by the State of New York and/or the United States and resolution of such enforcement actions will likely require payment of a monetary penalty and/or the imposition of other civil or criminal sanctions. Environmental, health and safety requirements change frequently and have tended to become more stringent over time. We cannot predict what environmental, health and safety laws and regulations or permit requirements will be enacted or amended in the future, how existing or future laws or regulations will be interpreted or enforced or the impact of such laws, regulations or permits on future production expenditures, supply chain or sales. Our costs of compliance with current and future environmental, health and safety requirements could be material. Such future requirements include legislation designed to reduce emissions of carbon dioxide and other substances associated with climate change ("greenho use gases"). The European Union has enacted greenhouse gas emissions legislation, and is considering expanding the scope of such legislation. The U.S. Environmental Protection Agency has promulgated new regulations applicable to projects involving greenhouse gas emissions above a certain threshold, and the United States and certain states within the U.S. have enacted, or are considering, limitations on greenhouse gas emissions. These requirements to limit greenhouse gas emissions could increase our energy costs, and may also require us to incur capital costs to modify our manufacturing facilities.

In addition, as an owner and operator of real property and a generator of hazardous waste, we may be subject to environmental cleanup liability, regardless of fault, pursuant to Superfund or analogous state or non-U.S. laws. Thus, we could incur substantial costs, inclu ding cleanup costs and costs arising from third-party property damage, personal injury claims or claims for damages to natural resources, relating to environmental contamination at properties currently or formerly operated by us or at third-party sites at which wastes from our operations have been disposed. Contaminants have been discovered in soil and groundwater at some of our facilities, including our facilities at Waterfo rd, New York, Sistersville, West Virginia, and Euless, Texas. As of December 31, 2010, we have a reserve in the amount of approximately $6.5 million to cover costs associated with environmental contamination identified at certain of our facilities to the extent in each case that the costs are currently probable and reasonably estimable. We have discovered soil contamination at our Sistersville, West Virginia facility that was the result of operations of prior owners. We are currently in the process of investigating the extent of this contamination. Although the cost of this remediation is not yet estimable, it may be material. We are seeking to recover from the prior owners these remedial costs. However, it is not clear to what extent we will be able to obtain reimbursement from the prior owners. Because some of the costs of environmental contamination and other environmental liabilities are not yet probable or reasonably estimable - and therefore not reflected in our current reserves - or may be subject to future adjustments, we will likely incur additional costs above the reserve amount. Thus, there is a risk that these costs may ultimately exceed the amount of our current remedial reserves by a material amount. In addition, while we are not aware of any other contaminated sites as to which material outstanding obligations exist, the discovery of additional contaminants or the imposition of additional cleanup obligations at these or other sites could result in significant liability.

Future chemical regulatory actions may decrease profitability.

Several governmental entities have enacted, are considering or may consider in the future, regulations that may impact our ability to sell certain chemical products in certain geographic areas. In December 2006, the European Commission enacted a regulation known as REACH, which stands for Registration, Evaluation and Authorization of Chemicals. This regulation requires manufacturers, importers and consumers of certain chemicals manufactured in, or imported into, the European Union to register such chemicals and evaluate their potential impacts on human health and the environment. The implementing agency is currently in the process of determining if any chemicals should be further tested, regulated, restricted or banned from use in the European Union. Other countries have implemented, or are considering implementation of, similar chemical regulatory programs. When fully implemented, REACH and other similar regulatory programs may result in significant adverse market impacts on the affected chemical products. If we fail to comply with REAC H or other similar laws and regulations, we may be subject to civil remedies, including fines, injunctions, recalls or seizures, which would have an adverse effect on our financial condition, cash flows and profitability.

Similarly, the Canadian government is implementing an initiative to review certain chemical products for potential environmental and human health and safety impacts. The list of products being reviewed includes several chemicals sold by us. We are part of an industry organization that is working with the Canadian government to develop relevant data and information. Upon review of such data and information, the Canadian government may enact regulations that would limit our ability to sell the affected chemicals in Canada. As part of this initiative, the Canadian government has listed as toxic one chemical substance that we manufacture and has proposed listing as toxic a second chemical substance that we manufacture. The Canadian government is in process of developing regulations for the listed chemical substances and has issued draft regulations for one of the substances we manufacture. The Canadian government will likely finalize and adopt regulations for substances that are listed as toxic. These regulations once in effect will likely limit the discharge into the environment of the listed chemical substances and include limitations on the import into Canada, or the use in Canada, of certain products containing more than a specified amount of these chemical substances. The European Union is also reviewing these two chemicals, and may, pursuant to REACH, regulate the manufacture, import and/or use of these two chemical substances in the European Union. Finally, the U.S. Environmental Protection Agency has stated that they are reviewing the potential risks from these two substances to determine whether regulatory measures are warranted. Regulation of ou r products containing such substances by the European Union, Canada and/or the U.S. would likely reduce our sales within the jurisdiction and possibly in other geographic areas as well. These reductions in sales could be material.

Recent or new regulations may increase our compliance costs and reduce our ability to compete in certain markets.

On October 4, 2006, President Bush signed a bill authorizing the Department of Homeland Security to regulate security at certain chemical facilities. Our U.S. chemical manufacturing facilities are subject to this law. It is likely that one or more of our facilities will be required to implement additional security measures to comply with the law. The cost of such new measures may b e significant.

We participate with other companies in trade associations and regularly contribute to the research and study of the safety and environmental impact of our products and raw materials, including siloxanes and silica. These programs are part of a program to review the environmental impacts, safety and efficacy of our products. In addition, government and academic institutions periodically conduct research on potential environmental and health concerns posed by various chemical substances, including substances we manufacture and sell. These research results are periodically reviewed by state, national and international regulatory agencies and potential customers. Such research could result in future regulations restricting the manufacture or use of our products, liability for adverse environmental or health effects linked to our products, and/or de-selection of our products for specific applications. These restrictions, liability, and product de-selection could have an adverse effect on our business, our financial condition and liquidity.

Some of our pension plans are unfunded or underfunded.

We sponsor various pension plans worldwide. All of our non-U.S. defined benefit plans are underfunded, except for the German plans, which are unfunded. Our non-U.S. defined benefit pension plans are underfunded in the aggregate by approximately $112.8 million as of December 31, 2010, which has been recorded as a liability in the Company's consolidated financial statements incorporated by reference herein. In 2011, we expect to contribute approximately $3.0 million to the non-U.S. defined benefit pension plans, which we believe is sufficient to meet the minimum funding requirements as set forth in employee benefit and tax laws.

In connection with the GE Advanced Materials Acquisition, we assumed certain pension obligations from GE for our U.S. employees of approximately $43.8 million. We established our pension plan for U.S. employees in August 2007. The pension obligations assumed from GE and those arising from subsequent employee service will be administered under this plan. Our U.S. defined benefit pension plans are underfunded in the aggregate by approximately $56.5 million as of December 31, 2010, which has been recorded as a liability in the Company's consolidated financial statements. Although there is no minimum funding requirement for 2011, we expect to contribute approximately $14.5 million to our U.S. defined benefit pension plans.

In the future, if the performance of assets in the funded plans does not meet our expectations, our cash contributions for these plans could be higher than we expect, which could have an adverse effect on our financial condition and liquidity.

We are dependent on certain of our key executives and our ability to attract and retain qualified employees.

Our ability to operate our business and implement our strategies depends, in part, on the efforts of our chief executive officer and key members of our leadership team. In addition, our future success will depend on, among other factors, our ability to attract and retain other qualified personnel, particularly research scientists, technical sales professionals and en gineers. The loss of the services of any of our key employees or the failure to attract or retain other qualified personnel could have a material adverse effect on our business or business prospects.

We are subject to certain risks related to litigation filed by or against us, and adverse results may harm our business.

We cannot predict with certainty the cost of defense, of prosecution or of the ultimate outcome of litigation and other proceedings filed by or against us, including penalties or other civil or criminal sanctions, or remedies or damage awards, and adverse results in any litigation and other proceedings may materially harm our business. Litigation and other proceedings may include, bu t are not limited to, actions relating to intellectual property, international trade, commercial arrangements, product liability, environmental, health and safety, joint venture agreements, labor and employment or other harms resulting from the actions of individuals or entities outside of our control. In the case of intellectual property litigation and proceedings, adverse outcomes could include the cancellation, invalidation or other loss of material intellectual property rights used in our business and injunctions prohibiting our use of business processes or technology that are subject to third-party patents or other third-party intellectual property rights. Litigation based on environmental matters or exposure to hazardous substances in the workplace or from our products could result in significant liability for us.

We may be unable to achieve the cost savings or synergies that we expect to achieve from our strategic initiatives, including the MSC Transaction.

We have not yet realized all of the cost savings and synergies we expect to achieve from our current strategic initiatives (including the MSC Transaction), including those related to shared services and logistics optimization, best-of-source contractual terms, procurement savings, regional site rationalization, administrative and overhead savings, and new product development, and may not be able to realize such cost savings or synergies. A variety of risks could cause us not to realize the expected cost savings and synergies, including, among others, the following:

- higher than expected severance costs related to staff reductions;
- higher than expected retention costs for employees that will be retained;
- higher than expected stand-alone overhead expenses;
-

- applicable limitations under the terms of our debt instruments;
- increased com plexity and cost in collaborating with MSC and establishing and maintaining shared services; and
- other unexpected costs associated with operating our business.

In addition, subsequent to the quarter ended December 31, 2009, we successfully implemented certain cost savings initiatives and, as permitted under our Credit Agreement, our Adjusted EBITDA for the twelve-month period ended December 31, 2010 also includes the similar variety of risks could cause us not to realize these additional cost savings.

We may not realize all of the intended benefits of our shared services agreement with M SC.

Although we expect to achieve approximately $50 million of savings in connection with the shared services agreement with MSC entered into in Transaction, we may not realize all of the intended benefits. We cannot assure you that the shared services agreement with MSC will be viewed posi financing sources. Our ability to realize the intended benefits of the shared services agreement will depend, in part, on our ability to integrate shared the coordination of shared services is a complex, costly and time consuming process, and there can be no assurance that we will be able to coordinat short-term, our ability to realize the intended sa vings also may be limited by existing contracts to which we are a party, the need for consents with r and other logistical difficulties associated with integration. The shared services agreement expires in October 2015 (subject to one-year renewals eve notice from either party). Moreover, the shared services agreement is also subject to termination by either MSC or MPM, without cause, on not less subject to a one year transition assistance period. If the shared services agreement is terminated, it could have a negative effect on our business opera financial condition, as we would need to replace the services that were being provided by MSC, and would lose the benefits we were generating und

Limitations on our use of certain product-identifying information, including the GE name and monogram, could adversely affect our business ar

Historically, we have marketed our products and services using the GE brand name and monogram, and we believe the association with GE has among our customers and employees due to GE's globally recognized brands and perceived high quality products and services. GE and Holdings are agreement that granted us a limited right to, among other things, use the GE mark and monogram on our sealant, adhesive and certain other products term of seven years that commenced on December 3, 2006, with a one-time option that allows us to renew the license for an additional five-year per conditions, including the payment of royalties. We also retained the right to use numerous product specifications that contain the letters “GE” for the we continue to use the GE mark and monogram on these products and continue to use these product specifications, we will not be able to use the GE products, use GE as part of our name or advertise ourselves as a GE company. While we have not yet experienced any significant loss of business as mark and monogram, our business could be disadvantaged in the future by the loss of association with the GE name.

I TEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The following table sets forth our manufacturing facilities and research centers as of December 31, 2010

Location	Real Property Interest
Americas	
Waterford, NY	Owned
Tarrytown, NY (2)	Leased
Sistersville, WV	Owned
Chino, CA	Leased
Garrett, IN	Leased
New Smyrna Beach, FL	Owned
Itatiba, Brazil	Owned
Strongsville, OH	Owned
Willoughby, OH	Owned
Richmond Heights, OH	Owned
Newark, OH	Owned
Europe	
Leverkusen, Germany	Leased
Bergen op Zoom, Neth.	Leased
Lostock, U.K.	Leased
Termoli, Italy	Owned
Antwerp, Belgium	Leased
Bangalore, India (2)	Leased
Chennai, India	Owned
Geesthacht, Germany	Owned
Asia Pacific	
Nantong, China	Leased
Ohta, Japan	Owned
Rayong, Thailand	Leased
Shanghai, China	Leased
Shenzhen, China (1)	Leased
Kobe, Japan (2)	Leased
Kozuki, Japan	Owned
Wuxi, China	Leased

(1) The building is owned by an entity that is 51% owned by MPM. The remaining 49% is owned by a Chinese partner.

(2) Technology research center.

We believe that our property and equipment are well maintained, in good operating condition and adequate for our pr

ITEM 3. LEGAL PROCEEDINGS

Various claims, lawsuits and administrative proceedings are pending or threatened against us and our subsidiaries, arising from the ordinary commercial, product liability, employee, environmental and toxic exposure matters. Historically, we have not faced any litigation matters or serie material adverse impact on our business. In addition, we do not believe that there is any pending or threatened litigation, either individually or in material adverse effect on our business. We have a number of lawsuits pending against us alleging personal injury due to exposure to hazardous defendant lawsuits on behalf of large groups of plaintiffs. We have been indemnified by GE for any liability arising from any such lawsuits existing Advanced Materials Acquisition. We cannot predict with certainty the outcome of any litigation or the potential for future litigation and any such r adversely affect our business and operations.

Environmental Matters

Our operations are subject to extensive environmental regulation at the federal, state and international level and our production facilities requi renewal or modification. Our operations also involve the use, handling, processing, storage, transportation and disposal of hazardous materials, a claims for environmental remediation or restoration.

We have adopted and implemented health, safety and environmental policies, which include systems and procedures governing environmenta safety management, handling, storage and disposal of hazardous substances, worker health and safety requirements, emergency planning and res anticipate making substantial expenditures over the next two years to upgrade wastewater treatment facilities at our Waterford facility in order to co In addition, under the Federal Resource Conservation and Recovery Act ("RCRA"), we are required to maintain financial assurance sufficient to closure care of permitted hazardous waste management units at the Waterford and Sistersville facilities and also payments to third parties for person accidental occurrences at the permitted hazardous waste units located at the Waterford or Sistersville facilities. These financial assurances have be following amounts: $18.8 million and $6.5 million for closure and post-closure care for the Waterford&nbs p;and the Sistersville facility, resp aggregate) and $8 million (annual aggregate) for accidental occurrences at the Waterford and Sistersville facilities, respectively. In addition, one o future be subject to additional financial assurance requirements currently being considered by the U.S. EPA pursuant to §108(b) of the U.S. Com Compensation, and Liability Act (CERCLA). With the exception of these projects, we do not believe that compliance with environmental laws manufacturing operations will require material capital expenditures.

We are currently conducting investigations and/or cleanup of known or potential contamination at several of our facilities, and have been nam several third party Superfund sites. Pursuant to the stock and asset purchase agreement, GE has agreed to indemnify us for liabilities associated w and for liabilities associated with third-party waste disposal sites. GE has also agreed that if we suffer any losses that are the subject of an indemni contract with respect to which GE is an indemnitee, GE will pursue such indemnification on our behalf and provide us with any

While we do not anticipate material costs in excess of current reserves and/or available indemnification relating to known or potential environ additional contamination, or the imposition of more stringent cleanup requirements, could require us to make significant expenditures in excess of

We have been named as a defendant in a series of multi-defendant lawsuits based on our alleged involvement in the supply of allegedly haz damages for alleged personal injury resulting from exposure to various chemicals. These claims have not resulted in material judgments or settleme that these claims present any material risk to our business in the future. In addition, we have been indemnified by GE for any liability arising from consummation of the GE Advanced Materials Acquisition. However, we cannot predict with certainty the outcome of any such claims or the involv the future.

In 2008, the Company became aware and disclosed to the New York State Department of Environmental Conservation ("NYSDEC") that, i Waterford, New York, facility may have failed to comply with the State and Federal regulatory requirements governing the treatment of hazardou initiated an investigation into these disclosures and issued a notice of violation alleging certain noncompliances. Subsequently, in the second Environmental Protection Agency and the United States Department of Justice sought, through search warrant and subpoena, additional informatio The Company is cooperating fully with the State and Federal authorities. State and Federal authorities have the statutory auth and criminal sanctions, including but not limited to monetary penalties, for any noncompliances identifie

ITEM 4. RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCH

There is no established public trading market for any class of our common equity. Our direct parent, Momentive Performance Materials Holdin

In December 2010, we declared a dividend of $1.25 million to fund the repurchase of equity from our former CEO. In January 2011, we declare and when needed to fund the compensation for the Board of Managers of Momentive Holdco. Other than dividends that we may declare from time t direct and indirect parent companies that is attributable to the ownership or operation of the Company and the repurchase of equity from former ma any cash dividends on our common stock. We instead intend to retain earnings, if any, to fund future operations and to reduce our debt. Our senior s indentures that govern our notes impose restrictions on our ability to pay dividends. Therefore, our ability to pay dividends on our common stock w certain financial tests and whether we are in default under any of our debt instruments. Our future dividend policy will also depend on the requireme to which we may be a party and other factors that our board of directors considers relevant. Any decision to declare and pay dividends in the future board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, business opportunities, factors that our board of directors may consider relevant. For a discussion of our cash resources and liquidity needs, see Item 7 of Part II of this Ann

We have no compensation plans that authorize issuing our common stock to employees or non-employees. In addition, there have been no sales during the past fiscal year. However, our direct and indirect parent companies have issued (and may issue from time to time) equity awards to our e that are denominated in (or based upon) their common equity. As the awards were granted in exchange for service to us these awards are included i For a discussion of these equity plans see Note 12 to our Consolidated Financial Statements and Item 11 of Part III of this Annual Report on Form 1

ITEM 6. SELECTED FINANCIAL DATA

The following table presents our selected historical consolidated and combined financial data. The following information should be read in reference to, our "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated and combined the other financial information included elsewhere herein.

The consolidated statement of operations data for the years ended December 31, 2010, 2009, 2008 and 2007 and the period from December combined statement of operations data for the period from January 1, 2006 to December 3, 2006; the consolidated balance sheet data as of Decembe have been derived from our audited consolidated and combined financial statements of Momentive Performance Materials Inc. and its prede

(Dollars in millions)	Successor Year Ended December 31, 2010	20 09	2008	2007	Period from December 4, 2006 to December 31, 2006
Statement of Operations Data:					
Net sales	$2,588.4	$2,083.5	$2,639.2	$ 2,537.8	$ 246.1
Costs and expenses:					
Cost of sales, excluding depreciation	1,645.5	1,420.5	1,837.8	1,653.1	185.2
Selling, general and administrative expenses	388.2	345.4	422.6	389.2	26.0
Depreciat ion and amortization expenses	197.1	191.6	237.4	294.6	26.9
Research and development expenses	73.0	62.8	75.7	78.6	7.4
In-process research and development	—	—	—	—	52.0
Restructuring and other costs	23.1	22.9	44.8	40.1	0.2
Goodwill impairment charge	—	—	857.5	—	—
Operating income (loss)	**261.5**	**40.3**	**(836.6)**	**82.2**	**(51.6**
Other income (expense)					
Interest expense, net	(249.1)	(257.3)	(277.0)	(281.6)	(21.6
Other income (expenses), net					
	0.3 12.1 5.5 (20.0) — (4.7) (4.7)				
(Loss) gain on extinguishment and exchange of debt	(77.9)	178.7	—	—	—
Income (loss) before income taxes	**(65.2)**	**(26.2)**	**(1,108.1)**	**(219.4)**	**(73.2**
Income taxes (benefit)	(2.3)	15.5	(110.5)	34.8	(2.7
Net income (loss)	**(62.9)**	**(41.7)**	**(997.6)**	**(254.2)**	**(70.5**
Net (income) loss attributable to the noncontrolling interest	(0.8)	(0.1)	0.5	(0.1)	(0.1
Net income (loss) attributable to Momentive Performance Materials Inc.	**$ (63.7)**	**$ (41.8)**	**$(997.1)**	**(254.3)**	**$ (70.6**
Balance Sheet Data (at period end):					
Cash and cash equivalents	$254.4	$210.3	$340.5	$ 249.1	$ 198.0
Working capital (2)	492.6	388.2	550.6	589.2	741.0
Property and equipment, net	1,109.1	1,165.6	1,225.3	1,249.2	1,468.8
Total assets	3,291.8	3,306.8	3,584.4	4,447.2	4,418.2
Total debt (3)	2,978.8	3,053.5	3,239.8	3,078.1	2,972.6
Total (deficit) equity	(604.1)	(578.3)	(541.1)	322.6	5 80.8
Cash Flow Data:					
Operating activities	$262.2	$ 26.6	$ 77.0	$ 301.5	$ 100.6
Investing activities	(98.6)	(80.5)	(149.1)	(240.1)	(3,726.1
Financing activities	(112.5)	(70.6)	170.3	22.8	3,799.0
Other Financial Data:					
Capital expenditures	$ 94.8	$ 77.4	$139.5	$ 176.9	$ 21.7
Maintenance capital expenditures (4)	54.1	39.6	45.0	56.2	8.3

Ratio of earnings to fixed charges (5)	0.7	0.9	(2.8)	0.3	(2.2

(1) For comparison purposes, the financial information for December 31, 2010, 2009, 2008 and 2007 are presented on a consolidated basis is presented on a non-GAAP basis, as it combines t he historical financial information of our predecessor for the period from January 1, 20 financial information of the successor for the period from December 4, 2006 to December 31, 2006. The Predecessor and Successor use di

(2) Working capital is defined as current assets net of current liabilities.

(3) Total debt includes short-term borrowings, current installments of long-term debt, current installments of obligations under capital leases, long-term debt and obligations under capital leases.

(4) Includes maintenance and environmental, health and safety capital expenditures, which amounts are also included in to tal capital expe

(5) For the purpose of computing the ratio of earnings to fixed charges, earnings consist of income (loss) before income taxes plus fixed c interest expense, amortization of debt issuance costs and a portion of

rental expenses that management believes is representative of the interest component of rental expense. For the fiscal year ended Dec
and for the period from December 4, 2006 to December 31, 2006, earnings were insuffic ient to cover fixed charges and there was a defici
and $73.2, respectively. The ratio is not a requirement for the Predecessor period. For a breakdown of the calculation of the ratio of earnin
this Annual Report of Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF

You should read the following discussion and analysis of our results of operations and financial condition for the years ended Dece mber 31, consolidated financial statements and related notes included elsewhere herein. The following discussion and analysis contains forward-looking stat and beliefs, and which involve numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in Item 1A, "R materially from those contained in any forward-looking statements. See "Forward-Looking and Cautionary Statem

Basis of Presentation

On December 3, 2006, the MPM Group acquired GE Advanced Materials, an operating unit within the Industrial Segment of GE. The purchase approximately $3.78 billion, including purchase price adjustments paid in August 2007. Since 2006, we have operated as a stand-alone entity with t Quartz.

Components of Our Financial Presentation

Sales. Our sales consist of total sales net of rebates, discounts and allowances, and are affected by changes in the price of our products and the c customers. Sales volume growth is primarily a function of the pace of macroeconomic growth, expansion into new and growing regions and int rodu applications. Our ability to successfully introduce new products is driven by the unique properties of our materials and is dependent on our research the volume of products sold does not necessarily result in a reduction in overall sales due to our strategy of shifting sales to higher priced products a mix.

Our Silicones business has a diversified revenue base across a variety of end-markets, which has historically reduced our vulnerability to macro Silicones products are often used in niche applications that represent a small portion of our customers' material costs. Our Quartz business is more d small number of industries and generally follows trends in those industries. As a re sult of the global recession, we experienced a year-over-year dec Silicones' sales in 2009 with declines across most of our end markets and geographic areas. Our Silicones sales in 2010 were positively impacted ye global economic conditions and inventory restocking. The Quartz business experienced a sales decline during 2009 of approximately 33%, primarily cyclical downturn in demand for semiconductor capital goods exacerbated by the global recession. In 2010 sales in our Quartz business increased by result of the strong overall demand in the semiconductor industry and a rebound in global economic activity.

We have a global sales presence with 38%, 30% and 32% of our 2010 revenues compared to 37%, 33% and 30% of our 2009 revenues generate respectively. The diversity of the customer base coupled with our strategy of growing our sales of high value specialty products generally enhances respect to the Silicones business, over time, we have migrated our product mix towards more specialty formulations, which historically have tended economic downturns. With respect to our Quartz business, selling prices are relatively stable due to the high value, technology content of our applica

Cost of Sales, excluding Depreciation. The principal components of our cost of sales are raw materials, labor and energy costs. The cost of silic 26% of our tot al raw material costs in our Silicones' manufacturing processes in 2010. The spot market price of silicon metal was at an all time high quarter of the year and throughout most of 2009. In 2010, there was an increase in demand over the prior year for aluminum as well as chemical gra prices increased over the course of the year. With demand continuing to pick up in the aluminum and silicon industries we expect silicon metal spot Quartz production relies heavily on a specific type of sand, which is currently available in the necessary quality and quantity from primarily one sup Unimin controls more than 90% of the quartz sand market, it exercises significant control over quartz sand prices, which have been steadily increasi Unimin that spanned from 2005-2010 expired on December 31, 2010. We recently amended this agreement to extend the term through December 31 regarding pricing and volume purchase requirements, among others. Our

other primary raw material inputs range from platinum to hydrochloric acid with no other single raw material accounting for a material portion o
time, we expect to achieve significant cost savings and synergies in raw material procurement under the Shared Services Agreement.

The other significant components of our cost of sales are labor (which includes wages, salary, and benefit expenses attributable to our manufact
costs are primarily driven by resource levels and local wage structures along with inflation and represented approximately 14% of our cost of sales f
managerial level are primarily unionized or represented by work councils. Our energy costs represented approximately 8% of our cost of sales for 20
natural gas and electricity that are used to convert raw materials to finished goods in our production processes. As a part of our natural gas h edging
options during the fourth quarter of 2009 and throughout 2010 to limit our exposure to a portion of our costs for natural gas in the U.S. in 2010 and 2
transactions we enter into could be positive, neutral or negative in any period depending on the price changes in the hedged exposures.

We have successfully completed and continue to pursue various cost reduction initiatives focused on the efficiency of our production processes
of cost reduction projects include: energy conservation, production yield improvements, sourcing through low cost countries, overtime reduction, an

Selling, General and Administrative Expenses. The principal components of our selling, general and administrative expenses are wages and be
world relating to a variety of functions, other than research and development. Selling, general and administrative expenses include (1) commercial, m
administration, travel and entertainment expenses and (2) depreciation and amortization of property, plant and equipment and intangible assets.

Research and Development Expenses. In 2010 and 2009, we spent an amount equal to approximately 3% of such year's revenues on research a
development expenses include wages and benefits for research personnel including engineers and chemists; payments to consultants and third party
and chemicals used in in-house laboratories and costs of research and development facilities. Our research and development efforts focus on the dev
existing products and technological advances that we expect will lead to new products.

Other Income (Expense). Other income (expense) primarily includes (loss) gain on extinguishment and exchange of debt, interest income and o
gains and losses on foreign currency forward contracts. Since the completion of the GE Advanced Materials Acquisition, we have a signific ant amo
substantial debt service requirements that has resulted in significantly higher interest expense.

Currency Exchange Rates. Assets and liabilities of non-U.S. operations have been translated into United States dollars at the applicable rates o
period and any resulting translation gains and losses are included as a separate component of shareholder's equity (deficit) in the Consolidated Balan
cash flows have been translated at the applicable weighted average rates of exchanges in effect during the applicable period and the aggregate gains
included in selling, general and administrative expenses in the Consolidated Statements of Operations. Certain non-U.S. operations use the United S
since a majority of their activities are transacted in United States dollars.

Critical Accounting Policies

Our principal accounting policies are described under note 2 of the Notes to the Consolidated Financial Statements (Summary of significant acc
herein. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect t
and liabilities and, in some instances, the reported amounts of revenues and expenses during the reporting period. Actual results could differ from th
the accounting estimates discussed below represent those accounting estimates requiring the exercise of judgment where a different set of judgments
reported results.

***Impairment of Long-Lived Assets*.** Long-lived assets such as property and equipment, and intangibles subject to amortization, are reviewed for
changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measu
amount of an asset to estimated undiscounted future cash fl ows expected to be generated by the asset. If the carrying amount of an asset exceeds its
impairment charge is recognized. The impairment charge is the amount by which the carrying amount of the asset exceeds the fair value of the asset
measurement of an impairment loss, assets are grouped at the level at which identifiable cash flows are largely independent of the cash flows of othe

and liabilities. Assets to be disposed of would be separately presented in the Consolidated Balance Sheets, reported at the lower of their carryin
and no longer depreciated. We have not recorded significant charges related to the impairment of long-lived assets and we are not aware of any even
indicate that the carrying amount of an asset may not be recoverable.

Goodwill and Other Intangible Assets. Our intangible assets with estimable useful lives of up to 20 years are amortized using the straight-line
of costs over fair value of net assets of businesses acquired. Goodwill acquired in a purchase business c ombination is not amortized, but instead test
for impairment on an annual basis and between annual tests in certain circumstances. This assessment requires us to estimate the fair market value o
that the fair values of our reporting units are less than their carrying amounts, absent other facts to the contrary, we must recognize an impairment c
reporting unit against earnings in our consolidated financial statements. Based on the guidance provided by the *Goodwill and other Topics,* ASC 35
Silicones and Quartz operating segments represent two reporting units for the purposes of the annual goodwill impairment evaluation. Segment man
business; however, discrete financial informati on is prepared for the three geographic regions of the segment and is regularly reviewed by segment
350-20-35, the three geographic regions represent components of the Silicones segment, however, based on their economic similarities, they can be
Segment management for Quartz does not review discrete financial information for its geographic regions, and therefore, it represents one reporting

Goodwill is evaluated for impairment using the two-step process as prescribed in the *Goodwill and other Topic,* ASC 350-20-35. The first step
reporting unit to its carrying amount. If the carrying amount exceeds the fair value, a second step must be followed to calculate impairment. Otherw
unit exceeds the carrying amount, the goodwill is not considered to be impaired as of the measurement date. To determine fair value for our reportin
discounted cash flow model and a market multiple model, both weighted equally. The discounted cash flow model requires management to project r
capital investment, capital spending and cash flows over a multiyear period, as well as determine the weighted average cost of capital to be used as a
rate to the multiyear projections provides an estimate of fair value for the reporting unit. The benefit to the discounted cash flow model is that it inc
of the business and factors in company specific data that may not be representative of other market participants. The market multiple method requir
ative sample of peer companies to incorporate into the model. Utilizing financial information available for the peer companies, management arrives
our projected EBITDA to arrive at the estimated fair value of the reporting unit. The benefit to the market multiple model is that it incorporates exte
performance of other similar market participants in order to arrive at an estimate of fair value. In preparing the goodwill impairment analysis, we be
two models is the most meaningful manner in which to arrive at an estimate of fair value as it incorporates both internal knowledge of the Company
to which we are exposed.

In conjunction with the 2010 and 2009 annual goodwill impairment tests, the fair value of the Silico nes reporting unit was determined to be su
value. The goodwill attributable to the Quartz reporting unit was completely written off in 2008. As such, we did not record a goodwill impairment
the fourth quarter of 2008, we recorded a pre-tax goodwill impairment charge of $700.0 million and $157.5 million for our Silicones and Quartz rep
Consolidated Statement of Operations.

Due to the numerous variables associated with our judgments and assumptions relating to the valuation of the reporting unit and the effects of c
valuation, both the precision and reliability of the resulting estimates are subject to uncertainty, and as additional information becomes known, we m

Pension Liabilities. Pension assumptions are significant inputs to the actuarial models that measure pension benefit obligations and related effe
discount rate and expected return on assets – are important elements of plan expense and asset/liability measurement. We evaluate these critical ass
country-specific basis. We periodically evaluate other assumptions involving demographic factors, such as retirement age, mortality and turnover, a
experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and oth

Accumulated and projected benefit obligations are measured as the present value of future cash payments. We discount those cash payments us
observed yields for high quality fixed income securities with maturities that correspond to the payment of benefits. Lower discount rates increase pr
pension expense; higher discount rates decrease present values and subsequent-year pension expense.

To determine the expected long-term rate of return on pension plan assets, we consider current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. In developing future return expectations for our princ general market trends as well as key elements of asset class returns such as expected earnings growth, yields and spreads across a number of potenti

Income Taxes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the fut differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and ta assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment dates. Defe allowances based upon management's estimates of realizability.

The *Income Taxes* Topic, ASC 740, clarifies the accounting for uncertainty in income taxes recognized in the financial statements. The Stateme and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in its tax return. W de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Derivative Instruments and Hedging Activities. We are exposed to market fluctuations in the price of platinum, natural gas and electricity, as w business operations. To manage our risks, we use derivative instruments, from time to time, to hedge activities that are conducted by us. We apply s risks including prohibitions on derivatives trading, derivatives market making, or other speculative activities. All derivative instruments are recorde their respective fair values, and changes in the fair value are recognized immediately in income, unless the derivatives qualify as hedges of cash flo that incorporate market-based information to value derivative contracts that are not exchange-traded instruments. Derivative contracts representing u options are recorded as assets. Derivative contracts representing unrealized losses and opt ions sold are recorded as liabilities.

2010 Overview

- Net sales increased 24% in 2010 as compared to 2009 primarily due to higher demand and inventory restocking as the global econ
- We achieved significantly higher profitability during 2010, as Adjusted EBITDA increased $240 million from 2009. As a percent increased 6.6 percentage points compared to last year. These results were primarily due to sales volume increases and plant volume le
- We generated strong cash flows from operations in 2010 primarily due to gains in operating income.
- We expanded our presence in emerging countries with the start-up of our siloxane manufacturing joint venture in Jiande, China a India in the fourth quarter and second quarter of 2010, respectively.
- On October 1, 2010, we and Momentive Specialty Chemicals Inc. (formerly known as Hexion Specialty Chemicals, Inc.) (“MSC” holding company, Momentive Performance Materials Holdings LLC. In connection with this transaction, we entered into a Shared Se to which we provide to MSC, and MSC provides to us, certain services, including, but not limited to, executive and senior manageme resources, information technology support, accounting, finance, legal and procurement services. We believe that through our relations improve o ur cost structure and accelerate our growth.
- We extended our debt maturity profile, strengthening our balance sheet, through the following actions:
    - We refinanced approximately $1.25 billion USD equivalent of senior unsecured notes due 2014 with approximately $1.3 priority springing lien notes due 2021, reducing our weighted average coupon rate on this debt from 9.6% to 9.1%. The bond and bond redemption that made up this refinancing closed on various dates in November and December 2010.

- We obtained commitments from certain existing revolving facility lenders and certain other financial institutions in Octo new and/or extended revolving facility for the full $300 million under our existing revolving credit facility. These commitmen closing conditions, will take effect at our option on or no more than five business days prior to December 3, 2012 and will ma certain exceptions.

Recent Developments

In February 2011, we amended our credit agreement governing our senior credit facilities. Under the amendment, we extended the maturity of a U.S. dollar equivalent principal amount of our U.S. dollar and Euro denominated term loans held by consenting l enders from December 4, 2013 to rate on these term loans 125 basis points to LIBOR plus 3.5% and Euro LIBOR plus 3.5%, respectively, among other actions.

Business Outlook

We achieved strong results in 2010, with Adjusted EBITDA, both in absolute dollars and as a percentage of sales, coming in at an all-time returned to 2008 pre-recessionary levels, volumes increased significantly compared to 2009 as global economic conditions improved throughout the streamlined cost structure reflecting the cost restructuring actions we took during the recession. Our strategy of providing custom ers with specialty performance served us well in the year. The emerging markets of China, India, Latin America and South Asia continued to grow much faster than th Recent investments in China and India complement our global footprint and will help us expand our business in these regions. In 2010, we also saw construction, semiconductor and furniture sectors. Customer spending behavior, however, remains cautious and heavily dependent on continued eco benefit from higher volumes in 2011 as a result of modest improvement in global economic conditions, our costs for silicon metal and petroleum-ba significantly higher based on current market prices and negotiated supply agreements. We believe our pricing actions taken in 2010 and early 2011 materials and energy costs. In 2011, we will continue to focus on effecti ve cost and working capital management, maximizing the synergies from o providing high-value specialty products to our customers.

Table of Contents

Results of Operations

The following table sets forth certain hist orical consolidated financial information, in both dollar and percentages of net sales, for the years e
2008:

	Year Ended December 31,								
	2010				2009				
	(dollars in millions)								
Net sales	$	2,588.4	100.0	%	$	2,083.5	100.0	%	$
Costs and expenses:									
Cost of sales, excluding depreciation		1,645.5	63.6	%		1,420.5	68.2	%	
Selling, general and administrative expenses		585.3	22.6	%		537.0	25.8	%	
Research and development expenses		73.0	2.8	%		62.8 bsp;	3.0	%	
R estructuring and other costs		23.1	0.9	%		22.9	1.1	%	
Goodwill impairment charge		—	—			—	—		
Operating income (loss)		**261.5**	**10.1**	**%**		**40.3**	**1.9**	**%**	
Other income (expenses)									
Interest expense, net		(249.1)	(9.6	)%		(257.3)	(12.3	)%	
Other income (expense), net		0.3	—			12.1	0.6	%	
(Loss) gain on extinguishment and exchange of debt		(77.9)	(3.0	)%		178.7	8.6	%	
Loss before income taxes		**(65.2)**	**(2.5**	**)%**		**(26.2)**	**(1.3**	**)%**	
Income taxes (benefit)		(2.3)	(0.1	)%		15.5	0.7	%	
Net loss	**$**	**(62.9)**	**(2.4**	**)%**	**$**	**(41.7)**	**(2.0**	**)%**	**$**
Net (income) loss attributable to the noncontrolling interest		(0.8)	—			(0.1)	—		
Net loss attributable to Momentive Performance Materials Inc.		**(63.7)**	**(2.4**	**)%**		**(41.8)**	**(2.0**	**)%**	**(997.**
Net Sales by Segment									
Silicones	$	2,286.1	88.3	%	$	1,912.9	91.8	%	$
Quartz		302.3	11.7	%		170.6	8.2	%	255.9
Total	$	2,588.4	100.0	%	$	2,083.5	100.0	%	$

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net Sales. Net sales in the fiscal year ended December 31, 2010 were $2,588.4 million, compared to $2,083.5 million for the same period in 20
was primarily due to an increase in sales volume of 23.6% and an increase in selling prices of 0.9%, offset by fluctuations in exchange rates of 0.
primarily related to the strengthening in the U.S. dollar against the Euro and Yen.

Net sales for our Silicones segment in the fiscal year ended December 31, 2010 were $2,286.1 million, compared to $1,912.9 million for the pr
19.5%. The increase was primarily due to an increase in sales volume of 19.2% and an increase in selling prices of 0.6%, offset by fluctuations in e
for our Silicones segment was positively impacted by stronger demand in the construction, automotive, electronics, transportation, oil and gas and
and all regions saw improvements in volume versus the prior year. We continue to focus on providing more high-value specialty products to ou
commoditized or core products.

Net sales for our Quartz segment in the fisc al year ended December 31, 2010 were $302.3 million, compared to $170.6 million for the prior-ye
The increase was primarily a result of strong overall demand on a year-over-year basis for semiconductor related products. We expect semiconducto
through the first half of 2011.

Cost of Sales, excluding Depreciation. Cost of sales, excluding depreciation, in the fiscal year ended December 31, 2010 were $1,645.5 millio
prior-year period in 2009, an increase of 15.8%. The increase was primarily due to higher sales volume of 23.6% and inflation in raw material cos
factory leverage, savings from restructuring and cost actions and deflation in energy related costs.

Cost of sales, excluding depreciation, for our Silicones segment were $1,480.8 million, compared to $1,312.7 mi the prior-year period in 2009, an increase of 12.8%. The increase was primarily due to higher sales volume of 19.2% and higher raw material r favorable factory leverage and savings from restructuring and cost actions.

Cost of sales, excluding depreciation, for our Quartz segment were $164.7 million compared to $107.8 million for the prior-year period in 200 was primarily due to higher sales volume offset by savings from restructuring and cost actions, favorable factory leverage, and deflatio

Selling, General and Administrative Expenses. Selling, general and administrative expenses in the fiscal year ended December 31, 2010 were million for the prior-year period in 2009, an increase of 9.0%. The increase was primarily due to the restoration of pay and benefits for certain sala was temporarily reduced in 2009, as well as higher sales commissions and incentives, unfavorable fluctuations in foreign currency exchange r amortization expense of $5.5 million.

Research and Development Expenses. Research and development expenses in the fiscal year ended December 31, 2010 were $73.0 million, c year period in 2009, an increase of 16.2%. The increase was primarily due to new projects and restoration of pay and benefits for certain salaried temporarily reduced in 2009.

Restructuring and Other Costs. Restructuring and other costs in the fiscal year ended December 31, 2010 were $23.1 million, compared to $2 2009. For the fiscal year ended December 31, 2010, these costs were comprised of restructuring costs of $3.1 million and other costs of $20.0 milli settlement of all claims brought by the National Labor Relations Board arising from a dispute with one of our unions related to wage reductions a were implemented at our Waterford, NY facility in January 2009. For the fiscal year ended December 31, 2009, these costs were comprised of res payments associated with a workforce reduction) of $22.1 million and other services of $0.8 million.

Interest Expense, Net. Interest expense, net for the fiscal year ended December 31, 2010 was $249.1 million, compared to $257.3 million fo decrease was primarily due to overall lower interest rates on our variable-rate term loans, partially offset by foreign currency excha

Other Income (Expense), Net. Other income in the fiscal year ended December 31, 2010 was $0.3 million, compared to other income of $12 2009. For the year ended December 31, 2009, other income included a realized gain of $4.0 million and an unrealized gain of $6.0 million due to t forward contracts in March 2009.

(Loss) Gain on Extinguishment and Exchange of Debt. In conjunction with our debt refinancing in November 2010, we recognized a loss o and exchange of debt. In conjunction with our exchange of debt completed in June 2009, we recognized a gain on the exchange of

Income Taxes. The effective income tax rate was 3.45% for the year ended December 31, 2010 compared to -59.10% for the year ended Dece the extinguishment and exchange of debt, the effective income tax rates for the years ended December 31, 2010 and 2009 would have been- 17.71% in the effective tax rate in 2010 was primarily due to a change in the amount of loss before income taxes, geographic mix of earnings, changes in jurisdictions in which we operate, foreign exchange gains, the maintenance of a full valuation allowance against a substantial amount of our net d valuation allowance in certain non-U.S. jurisdictions. The valuation a llowance, which relates principally to U.S. deferred tax assets, was establ assessment that a portion of the deferred tax assets will likely not be realized.

Net Loss Attributable to Momentive Performance Materials Inc. Net loss attributable to Momentive Performance Materials Inc. in the fisca $63.7 million, compared to a net loss of $41.8 million for the year ended December 31, 2009. The change was a result of the effe

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Net Sales. Net sales in the fiscal year ended December 31, 2009 were $2,083.5 million, compared to $2,639.2 million for the same period in 20 was primarily due to a decrease in sales volume of 21.6% offset by an increase in selling prices and fluctuations in exchange rates of 0.6%. Forei related to the weakening in the U.S. dollar against the Euro and Yen.

Net sales for our Silicones segment in the fiscal year ended December 31, 2009 were $1,912.9 million, compared to $2,383.3 million for the sa 19.7%. The decrease was primarily due to the impact of the global recession on sales volume, which declined by 20.2% offset by an increase in selling prices and fluctuations in exchange rates of 0.6%. Sales vol negatively impacted on a year-over-year basis by weak consumer demand in the electronics, automotive, construction, textiles, industrial and furnitu exception of the first quarter, net sales for our Silicones segment in each quarter of 2009 grew sequentially due to in ventory restocking and modest throughout the year. Most product segments and regions saw improvements in volume in the second half of 2009 as compared to the first half. The I during the second half.

We continued to focus on providing more high-value specialty products to our customers versus lower-margin commoditized or core products. impacted less by the recession compared to core products.

Net sales for our Quartz segment in the fiscal year ended December 31, 2009 were $170.6 million, compared to $255.9 million for the same per decrease was primarily a re sult of weak overall demand on a year-over-year basis for semiconductor related products exacerbated by the global rece the first quarter, net sales for our Quartz segment on a sequential basis improved in each quarter of 2009 due to a recovery in semiconductor demand slightly at chipmakers.

Cost of Sales, excluding Depreciation. Cost of sales, excluding depreciation, in the fiscal year ended December 31, 2009 were $1,420.5 million same period in 2008, a decrease of 22.7%. The decrease was primarily due to lower sales volume of 21.6% and deflation in raw material and energy by significantly lower factory leverage.

Cost of sales, excluding depreciation, for our Silicones segment were $1,312.7 million, compared to $1,681.6 million for the same period in 200 was primarily due to lower sales volume of 20.2% and lower raw material and energy related costs of 8.8%, partially offset by unfavorable factory l

Cost of sales, excluding depreciation, for our Quartz segment were $107.8 million compared to $156.2 million for the same period in 2008, a de primarily due to lower sales volume and savings from restructuring and cost actions partially offset by unfavorable factory leverage.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in the fiscal year ended December 31, 2009 wer million for the same period in 2008, a decrease of 18.6%. The decrease was primarily due to lower depreciation and amortization expense of $45.9 efforts to reduce operating expenses through productivity and cost reduction initiatives, including temporary pay and benefit reductions for our sala million and $4.0 million, respectively. Selling, general and administrative expenses in 2009 also benefited from foreign currency exc

Research and Development Expenses. Research and development expenses in the fiscal year ended December 31, 2009 were $62.8 million, co period in 2008, a decrease of 17.0%. The decrease was primarily due to efficiencies and other cost reduction initiatives.

Restructuring and Other Costs. Restructuring and other costs in the fiscal year ended December 31, 2009 were $22.9 million, compared to $44 For the fiscal year ended December 31, 2009, these costs were comprised of restructuring costs (primarily severance payments associated with a wo other services of $0.8 million. For the fiscal year ended December 31, 2008, these costs were comprised of restructuring costs (primarily severance reduction) of $20.9 million and other services of $23.9 million.

Goodwill impairment charge. In conjunction with the annual goodwill impairment test, the fair value of the Silicones reporting unit was determ the carrying value. The goodwill attributable to the Quartz reporting unit was completely written off in 2008. As such, we did not record a goodwill During the fourth quarter of 2008, we recorded a pre-tax goodwill impairment charge of $700.0 million and $157.5 million for our Silico nes and Qu the Consolidated Statement of Operations.

Interest Expense, Net. Interest expense, net for the fiscal year ended December 31, 2009 was $257.3 million, compared to $277.0 million for th was primarily due to overall lower interest rates on our variable-rate term loans, partially offset by foreign currency exchange rate fluctuations.

Other Income (Expense), Net. Other income in the fiscal year ended December 31, 2009 was $12.1 million, compared to other income of $5.5 For the year ended December 31, 2009, other income included a realized gain of $4.0 million and an unrealized gain of $6.0 million due to the settle contracts in March 2009. For the year ended December 31, 2008, other income was $5.5 million and included an unrealized gain of $11.8 million pa million associated with our foreign currency forward contracts.

Table of Contents

Gain on Exchange of Debt. In conjunction with the private exchange offers to exchange $200.0 million aggregate principal amount of 12 1/2% S
2014 for certain of our outstanding unsecured notes completed in June 2009, we recognized a gain on the exchange of debt of $178.7 million.

***Income Taxes. The effective income tax rate was - 59.10% for the year ended December 31, 2009 compared to 9.97% for the year ended Dec
on the exchange of debt, the effective income tax rate for the year ended December 31, 2009 would have been - 7.55%. The change in the effecti
to a change in the amount of loss before income taxes, geographic mix of earnings, changes in the tax rates applied in the various jurisdictions t
exchange gains, goodwill impairment in 2008, the maintenance of a full valuation allowance against a substantial amount of our net deferred ta
tax liability for certain long-lived taxable temporary differences. The valuation allowance was maintained based on our assessment that a portio
not be realized.***

Net Loss Attributable to Momentive Performance Materials Inc. Net loss attributable to Momentive Performance Materials Inc. in the fiscal y
$41.8 million, compared to net loss of $997.1 million for the same period in 2008. The change was a result of the effects described above.

Liquidity and Capital Resources

		Year Ende
		2010
		(dollar
Cash provided by operating activities	$	262.2 $
Cash used in investing activities		(98.6
Cash (used in) provided by financing activities		(112.5
Increase (decrease) in cash and cash equivalents, before effect of exchange rate changes on cash	$	51.1 $

Operating Activities. Cash provided by operating activities in the fiscal year ended December 31, 2010 was $262.2 million, compared to $2
prior-year periods in 2009 and 2008, respectively. Cash provided by operating activities in 2010 was primarily due to operating income and incr
expenses and other liabilities, partially offset by increases in receivables and inventories. Cash provided by operating activities in 2009 was prin
capital associated with management's cash management initiatives. Cash provided by operating activities in 2008 was primarily due to decrease
as a result of management's working capital initiatives, partially offset by a payment made to GE associated with the settlement of a pre-Acquis
decreases in accounts payable and accrued expenses.

Investing Activities. Cash used in investing activities in the fiscal year ended December 31, 2010 was $98.6 million, compared to $80.5 mi
periods in 2009 and 2008, respectively. Cash used in investing activities in 2010 was primarily due to ongoing expenditures for environmental,
maintenance projects and increased investments in growth projects. Cash used in investing activities in 2009 was primarily due to ongoing expe
safety compliance and maintenance projects. During 2009, management made a concerted effort to preserve cash as a result of economic condit
accordingly, reduced capital spending. Cash used in investing activities in 2008 was primarily due to cash spent on the completion of our Nanto
environmental, health and safety compliance and maintenance projects.

Financing Activities. Cash used in financing activities was $112.5 million in the fiscal year ended December 31, 2010, compared to cash u
million and cash provided by financing activities of $170.3 million for the prior-year periods in 2009 and 2008, respectively. Cash used in finan
due to principal payments of $100 million against our revolving credit faci lity, scheduled principal payments of $21.8 million related to our ter
construction loan, and principal payments, debt issuance costs and payments related to the extinguishment of debt in connection with our tender
million offset by proceeds from issuance of long-term debt of $848.2 million. Cash used in financing activities in 2009 was primarily due to a n
under our revolving credit facility, payments of $6.7 million of debt issuance costs associated with the exchange of our debt, principal payments
capital contribution to our siloxane joint venture in Jiande, China, offset by a $5.7 million borrowing by our subsidiary in India related to the inv
Chennai, India. Cash provided by financing activities in 2008 was primarily due to additional long-term borrowings from China Construction B
the co nstruction of our Nantong, China

manufacturing facility, the draw down of $150.0 million against our $300.0 million revolving credit facility and short-term borrowings of $2.3 milli
partially offset by $14.4 million of principal payments on our term loans under our senior secured credit facilities, $1.2 million of principal pay
construc tion loan and a $4.9 million capital contribution to our siloxane joint venture in Jiande, China.

For 2011, we expect the following significant cash outflows: interest payments on our fixed rate Second-Priority Springing Lien Notes, Sec
Subordinated Notes (due semi-annually) of approximately $155 million in total (with a first quarter payment of approximately $24 million, pro-
Priority Springing Notes in November 2010, a third quarter payment of approximately $62 million and second quarter and fourth quarter payme
principal due quarterly and interest payments (due monthly) on our variable rate term loans under our senior secured credit facilities of approxi
(depending on interest rate and foreign exchange fluctua tions), respectively; principal (due semi-annually) and interest (due quarterly) related t
construction loan of approximately $13 million and $3 million (depending on interest rate and foreign exchange rate fluctuations), respectively;
approximately $18 million and income tax payments estimated at $15 million. Capital spending in 2011 is expected to be between $120 million
these significant outflows with cash on-hand and cash generated from operations.

Liquidity. We are a highly leveraged company. Our primary sources of liquidity are cash on-hand, cash flow from operations and funds ava
facilities. Our primary cont inuing liquidity needs are to finance our working capital, capital expenditures and debt service.

We had $2,978.8 million of indebtedness (including short-term borrowings) at December 31, 2010. Accordingly, we have significant debt s
December 31, 2010, we had $511.2 million in liquidity, including $254.4 million of unrestricted cash and cash equivalents, and $256.8 million
revolving credit facility. Our net working capital (defined as trade receivables and inventories less trade payables) at December 31, 2010 was $4

Our senior secured credit facilities at December 31, 2010 consist of two variable-rate term loans in an aggregate principal amount of approx
million revolving credit facility that includes borrowing capacity available for letters of credit of up to $100.0 million, and a $33.6 million synth
borrowers under the revolving credit facility are our subsidiaries, Momentive Performance Materials USA Inc. and Momentive Performance Ma
which is denominated in Euros, and our synthetic letter of credit facility are extended to Momentive Performance Materials GmbH.

There were no borrowings outstanding under the revolving credit facility as of December 31, 2010. The outstanding letters of credit under t
December 31, 2010 were $43.2 million, leaving unused borrowing capacity of $256.8 million. Outstanding letters of credit issued under the syn
December 31, 2010 were $31.8 million, leaving unused capacity of $1.8 million.

On February 3, 2011, we entered into an amendment agreement to amend our credit agreement governing our senior credit facilities. Under
closed on February 10, 2011, we extended the maturity of approximately $436 million and €294 million of our U.S. and Euro denominated term
December 4, 2013 to May 5, 2015 and increased the interest rate on these term loans 125 basis points to LIBOR plus 3.5% and Euro LIBOR plu
actions. The original U.S. and Euro denominated terms loans of approximately $68 million and €90 million that were not extended continue to
2013 and an interest rate of LIBOR plus 2.25% and Euro LIBOR plus 2.25%, respectively.

Principal repayments on our term loans are due and payable in quarterly installments of approximately $2.7 million (depending on exchang
original principal amounts, on the last day of each calendar quarter. We must also prepay the term loans, subject to certain exceptions, with (1)
reduced to 0% depending on the achievement of certain ratios of our net first-lien secured indebtedness to Adjusted EBITDA) of excess cash flo
less the amount of certain voluntary prepayments as described in the credit agreement; (2) 100% of the net cash proceed s of any incurrence of
(as defined in the credit agreement) and (3) 100% of the net cash proceeds of all non-ordinary course asset sales and casualty and condemnation
reinvest or commit to reinvest those proceeds in assets to be used in our business or to make certain other permitted investments within 15 mont
actually reinvested within 36 months). Although we had excess cash flow under the terms of the credit agreement in 2010, we were not required
subsection (1) above because the ratio of our net first-lien secured indebtedness to Adjusted EBITDA was below 1.5:1. We did not have excess
agreement in calendar year 2008 and 2009.

The current revolving credit faci lity is available until December 3, 2012. In late 2010, however, we obtained commitments from certain existing revolving facility lenders and certain other financial institutions to provide a new and/or extended revolving facility for the full revolving credit facility. The commitments are subject to customary conditions and will take effect on or no more than five business days prior new lender, and the earlier of such date or the effective date of an amendment to our senior secured credit facility that extends the revolver matu lender. The commitments for the new revolving facility will mature on December 3, 2014 (the “extended revolver maturity date”). In the event loans mature prior to 91 days after the extended revolver maturity date, the revolver loans outstanding under the new revolving facility must be such maturity date of such term loans and the revolver loans may not be drawn thereunder until such term loans are repaid and/or their maturity 91 days after the extended revolver maturity date. The synthetic letter of credit facility amortizes at a rate of $350,000 per annum, 1% of the ori payable in full on December 4, 2013.

At December 31, 2010, we have outstanding $1,160.7 million in aggregate principal amount of 9% Second-Priority Springing Lien Notes d Notes”), €150.0 million in aggregate principal amount of 9 1/2% Second-Priority Springing Lien Notes due 2021 (the “Euro Fixed-Rate Notes” a Notes, the “Second-Priority Springing Lien Notes”), $200.0 million in aggregate principal amount of 12 1/2% Second-Lien Senior Secured Notes and $381.9 million in aggregate principal amount of 11 1/2% Senior Subordinated Notes due 2016 (the “Senior Subordinated Notes”). The Secon Second Lien Notes and the Senior Subordinated Notes are separate series of notes issued under separate indentures, including for purposes of, a principal and interest, events of default and consents to amendments to the applicable indenture and the applicable notes.

The Second-Priority Springing Lien Notes are guaranteed on a senior unsecured (or, following the occurrence of certain events, a second-p domestic subsidiaries that are guarantors under our senior secured credit facilities and each of our future domestic subsidiaries that guarantee an guarantor of the Second-Priority Springing Lien Notes. The portion of the Second-Priority Springing Lien Notes which represent Dollar Fixed-I bear interest at a rate per annum of 9% and 9 1/2%, respectively, payable semiannually on January 15 and July 15 of each year, commencing on J

The Second Lien Notes are guaranteed on a senior secured basis by each of our existing and future U.S. subsidiaries that is a guarantor und facilities. The Second Lien Notes are secured by a second-priority security interest in certain assets of the Company and such U.S. subsidiaries, the liens on substantially the same collateral securing our existing senior secured credit facilities. The Second Lien Notes mature on June 15, 20 annum of 12 1/2%, payable semiannually on June 15 and December 15 of each year, commencing on December 15, 2009.

The Senior Subordinated Notes are unsecured senior subordinated obligations of the Company, which mature on December 1, 2016. The S guaranteed on an unsecured senior subordinated basis by each of our U.S. subsidiaries that is a borrower or guarantor under our senior secured Subordinated Note bears interest at 11 1/2 % per annum, payable semiannually on June 1 and December 1 of each year.

Our senior secured credit facilities contain various restrictive covenants that prohibit us and/or restrict our ability to prepay indebtedness, in Lien Notes, Second Lien Notes and Senior Subordinated Notes (collectively, the “notes”). If there are any borrowings under the revolving credi credit that have not been cash collateralized), our credit facility requires us to maintain a specified net first-lien indebtedness to Adjusted EBITI secured credit facilities and notes, among other things, restrict our ability to incur indebtedness or liens, make investments or declare or pay any restrictions are subject to signific ant exceptions.

Our ability to make scheduled payments of principal, to pay interest on, or to refinance our indebtedness, including the notes, or to fund pla on our ability to generate cash in the future. Our ability to generate cash in the future is subject to general economic, financial, competitive, legi that may be beyond our control.

Based on our current assessment of our operating plan and the general economic outlook, we believe that cash flow from operations and av borrowings under our senior secured credit facilities, will be adequate to meet our liquidity needs for the next t welve months.

We cannot assure investors, however, that our business will generate sufficient cash flow from operations or that borrowings will be availal credit facilities in an amount sufficient to enable us to pay our indebtedness, including the notes issued, or to fund our other liquidity needs. In a events,

Table of Contents

such as a change of control, we could be required to repay or refinance our indebtedness. We cannot assure investors that we will be able to refinanc our senior secured credit facilities and the notes issued, on commercially reasonable terms or at all.

Potential Debt Repurchases and Other Transactions

From time to time, depending upon market, pricing and other conditions, as well as on our cash balances and liquidity, we or our affiliates, (and have acquired) n otes or other indebtedness of MPM through open market purchases, privately negotiated transactions, tender offers, reden and at such prices as we or our affiliates may determine (or as may be provided for in the indentures governing the notes), for cash or other cons considered and will continue to evaluate potential transactions to reduce net debt, such as debt for debt exchanges and other transactions. There any, of these alternatives or combinations thereof we or our affiliates may choose to pursue in the future as the pursuit of any alternative will de market conditions, our financial performance and the limitations applicable to such transactions under our financing documents.

Effect of Inflation

In 2010, inflation in commodities, such as silicon metal, methanol and platinum, unfavorably impacted our operating results but were offset deflation in certain costs, such as methanol, natural gas, and non-key materials, favorably impacted our operating results, but were offset b experienced inflation in materials, silicon metal, methanol and energy related costs, which were partially offset by higher selling price

While we have experienced inflation and deflation in certain input costs, such as silicon metal, methanol, non-key materials and energy re the overall effect on our operating re sults over this period has been primarily offset by changes in selling prices and cost reduction actions. We able to offset general inflation with increased selling prices and cost reduction actions in the future.

Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements other than letters of credit disclosed in note 9 and operating leases disclosed in note 14 Financial Statements.

Seasonality

We do not experience significant seasonality of demand, although sales are generally slightly higher during the second and fourth quarter Seasonality trends, however, have been skewed in recent years primarily due to the economic downturn in late 2008 and 2009 and the

Contractual Obligations and Commitments

The following table reflects certain of our contractual obligations and commitments as of December 31, 2010, and the period in which su

	Payments due by period		
	Total	Less than 1 year	1 - 3 years
	(dollars in millions)		
Long-term debt (1)	$ 3,007.3	$ 24.8	$1,028.0 $
Interest on long term debt (2)	1,717.5	187.1	445.5
Pension plan contributions (3)	17.6	17.6	—
Pension and other postirement benefits (4)	35.7	5.5	13.2
Restructuring reserves	3.4	3.4	— — —
Deferred taxes (5)	—	—	—
Operating leases	53.0	15.9	17.9
Purchase obligations (6)	1,824.5	130.4	262.9
	$ 6,659.0	$ 384.7	$ 1,767.5 $

Table of Contents

(1) Long-term debt includes portions of the term loan and Second-Priority Springing Lien Notes that are denominated in euros.

(2) Interest on long-term debt consists of interest on the fixed rate Second-Priority Springing Lien Notes, Second Lien Notes and Senior Subor term loans, the China Construction Bank Construction Loan and India Bank Medium Term Note until the debt maturity date. Variable LIBOR value of 0.3% for the term loan denominated in U.S. dollars and 0.8% for the te rm loan denominated in Euros at December 31

(3) The Company's planned pension contributions for 2011 are included in this schedule. The amount of contributions after 2011 is subject to r pension plan assets, interest rates, and tax and employee benefit laws. Therefore, contributions beyond 2011 are not included in this sc

(4) Pension and other postretirement benefits include estimated payments made from Company assets related to certain foreign pension benefit benefits. No estimate of the payments after five years has been provided due to many uncertainties.

(5) Estimated payments for taxes are not included in this ta ble due to the uncertain timing of the ultimate cash settlement.

(6) Purchase obligations include our unconditional purchase obligations, which include all significant terms, including fixed or minimum quan or variable price provisions and delivery dates. Purchase obligations, including existing agreements to purchase siloxane and silica, are price at December 31, 2010. A majority of these contractual commitments are related to the off-take agreement with ASM, as disclosed Financial Statements.

(7) As adjusted for the amendment agreement, which became effective on February 10, 2011, our debt service obligations are as follows at De

		Payments due by p eriod				
		Total	Less than 1 year	1 - 3 years	4 - 5 years	Mo 5
		(dollars in millions)				
Long-term debt	$	3,007.3	24.8	228.5	1,013.7	
Interest on long term debt	$	1,803.1	197.2	468.4	413.3	

Recent Accounting Pronouncements

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accoun form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

The Company considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not ap minimal impact on the consolidated financial position and results of operations.

In January 2010, the FASB issued ASU 2010-6, *Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures About Fai* requires new disclosures regarding transfers and activity within the three levels of fair value hierarchy, as well as enhanced disclosures regardin inputs and valuation techniques used to determine fair value. This ASU is effective for interim and annual periods beginning after December 15 provisions of this ASU and it did not have a material impact to its consolidated financial statements.

Effective as of the beginning of the first annual reporting period that began after November 15, 2009, for interim periods within that first an and annual reporting periods thereafter, the *Consolidations Topic*, ASC 810-10, requires an enterprise to perform an analysis to determine whet interests give it a controlling financial interest in a variable inte rest entity, and requires ongoing reassessments of whether an enterprise is the p interest entity. The Company adopted the provisions of this ASC, which did not have a material impact to its consolidated financial statements.

Effective as of the beginning of the first annual reporting period that began after November 15, 2009, for interim periods within tha t first a
and annual reporting periods thereafter, the *Transfers and Servicing Topic*, ASC 860-10, intends to improve the relevance, representational faitl
information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial
cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This ASC must be applied to transfers occurring on
Company adopted the provisions of this ASC, which did not have a material impact to its consolidated financial statements.

Covenants under our Senior Secured Credit Facility and the Notes

The credit agreement governing our senior secured credit facilities and the indentures governing the notes contain various covenants that li

- incur or guarantee additional debt;
- pay dividends and make other distributions to our stockholders;
- create or incur certain liens;
- make certain loans, acquisitions, capital expenditures or investments;
- engage in sales of assets and subsidiary stock;
- enter into sale/leaseback transactions;
- enter into transac tions with affiliates; and
- transfer all or substantially all of our assets or enter into merger or consolidation transactions.

In addition, at any time that loans or letters of credit are outstanding (and not cash collateralized) thereunder, our revolving credit facil
credit facilities) requires us to maintain a spec ified net first-lien indebtedness to Adjusted EBITDA ratio, referred to as the "Senior Secured Le
our "Total Senior Secured Net Debt" (as defined in the credit agreement governing the senior secured credit facilities) to trailing twelve-month
credit agreement governing the senior secured credit facilities) may not exceed 4.25 to 1 as of the last day of any fiscal quarter. In addition, ou
investments is restricted under the indentures governing our notes unless we have an Adjusted EBITDA to fixed charges ratio (measured on a la
to 1.00. "Fixed charges" are defined under the indentures as net interest expense, excluding the amortization or write-off of deferred financing
were able to satisfy this test and incur additional indebtedness under the indentures. The restrictions on our abili ty to incur indebtedness or mal
also subject to other significant exceptions. On December 31, 2010, we were in compliance with the senior secured leverage ratio maintenanc
the credit agreement governing the senior secured credit facilities and the covenants under the indentures governing

Financial Measures that Supplement GAAP

EBITDA consists of earnings before interest, taxes and depreciation and amortization. EBITDA is a measure commonly used in our indust
your understanding of our operating performance. We use EBITDA as one criterion for evaluating our performance relative to that of ou r peers
operating performance measure, and not a liquidity measure, that provides investors and analysts with a measure of operating results unaffected
capital investment cycles and ages of related assets among otherwise comparable companies. Adjusted EBITDA is defined as EBITDA further a
other adjustments permitted in calculating covenant compliance in the credit agreement governing our credit facilities and indentures governing
certain types of transactions. Adjusted EBITDA as presented in the table below corresponds to the definition of "EBITDA" calculated on a "Pro
agreement and substantially conforms to the definition of "EBITDA" calculated on a pro forma basis used in the indentures. Adjusted EBITDA
analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. For example, A
(a) our capital expenditures, future requirements for capital expenditures or contractual commitments; (b) changes in, or cash requirements for,
significant interest expenses, or the cash requirements necessary to service interest or principal payments, on our debt; (d) tax payments that rep
us; (e) any cash requirements for the assets being depreciated and amortized that may have to be replaced in the future; (f) management fees tha
impact of earnings or charges resulting from matters that we and the lenders under our secured senior credit facilities may not consider

indicative of our ongoing operations. In particular, our definition of Adjusted EBITDA allows us to add back certain non-cash, non-operating or non calculating net income, even though these are expenses that may recur, vary greatly and are difficult to predict and can represent the effect of lo term results. In addition, certain of these expenses can represent the reduction of cash that could be used for other corporate purposes. Further, a Adjusted EBITDA below, the measure allows us to add estimated cost savings and operating synergies related to operational changes ranging fr dispositions as if such event occurred on the first day of the four consecutive fiscal quarter period ended on or before the occurrence of such eve expenditures that we anticipate we will need to incur to realize cost savings before such savings have occurred. Adjusted EBITDA excludes the that is designated as an Unrestricted Subsidiary under our debt documents. We define Combined Adjusted EBITDA as Adjusted EBITDA modi our subsidiaries that is designated as an Unrestricted Subsidiary under our debt documents. Combined Adjusted EBITDA is one of the primary senior management, the chief operating decision-maker and the board of directors to evaluate operating results and allocate capital resources.

EBITDA, Adjusted EBITDA and Combined Adjusted EBITDA are not measurements of financial performance under U.S. GAAP, and our Combined Adjusted EBITDA may not be comparable to similarly titled measures of other companies. You should not consider our EBITDA, A Adjusted EBITDA, which are non-GAAP financial measures, as an alternative to operating or net income, determined in accordance with U.S. performance, or as an alternative to cash flows from operating activities, determined in accordance with U.S. GAAP, as an indicator of our cash

The following table reconciles net loss attributable to Momentive Performance Mat erials Inc. to EBITDA, Adjusted EBITDA (as calculate substantially calculated under our indentures) and Combined Adjusted EBITDA for the periods presented:

		Year Ende
		2010
		(dollar
Net loss attributable to Momentive Performance Materials Inc.	$	(63.7) $
Loss (gain) on extinguishment and exchange of debt		77.9
Interest expense, net		249.1
Income taxes		(2.3)
Depreciation and amortization		197.1
EBITDA		458.1
Noncontrolling interest (a)		0.8
Restructuring and non-recurring (b)		23.1
Pro forma cost savings and Inventory Optimization (c)		—
Non cash and purchase accounting effects (d)		7.1
Exclusion of unrestricted subsidiary results (e)		(19.5)
Management fee and other (f)		4.0
Pro forma savings from shared services agreement (g)		50.0
Adjusted EBITDA	$	523.6 $
Inclusion of unrestricted subsidiary results		19.5
Combined Adjusted EBITDA	$	543.1 $
Combined Adjusted EBITDA excluding pro forma savings from the shared services agreement	$	493.1 $
Key Calculations under Credit Agreement		
Total Senior Secured Net Debt	$	765.2
Senior Secured Leverage Ratio for the twelve-month period ended December 31, 2010		1.46

Table of Contents

(a) Reflects the elimination of noncontrolling interests resulting from the Shenzhen joint venture.

(b)

(c) Represents estimated cost savings, on a pro forma basis, from initiatives implemented or being implemented by management, including hea indirect cost savings, and inventory optimization programs. For the fiscal years December 31, 2009 and December 31, 2008, estimated facility rationalizations and headcount reductions.

(d) Non-cash items include the effects of (i) stock-based compensation expense, (ii) purchase accounting, (iii) non-cash mark-to-market revalu forward contracts and unrealized gains or losses on revaluations of the U.S. dollar denominated debt of our foreign subsidiaries and the of our U.S. subsidiary, (iv) unrealized natural gas derivative gains or losses, and (v) reserve changes and impairment charges. For the f December 31, 2010, non-cash items include: (i) stock-based compensation expense of $2.8, (ii) unrealized foreign currency exchange l (iii) unrealized loss on natural gas derivative contracts not designated as cash flow hedges of $0.4. For the fiscal year ended December include: stock-based compensation expense of $0.7; (ii) unrealized foreign currency exchange gain of $4.4; (iii) unrealized gain on nat contracts not designated as cash flow hedges of $0.9. For the fiscal year ended December 31 2008, non-cash items include: stock-based of $1.2; (ii) unrealized foreign currency exchange loss of $3.9; (iii) unrealized loss on natural gas derivative contracts not designated a $1.1; and (iv) goodwill impairment charge of $857.5.

(e) Reflects the exclusion of EBITDA of one of our subsidiaries that is designated as an Unrestricted Subsidiary under our debt documents.

(f) Management Fees and Other include management and other fees to Apollo and affiliates.

(g) Represents estimated cost savings, on a pro forma basis, from the Shared Services Agreement with MSC.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks arising from our normal business activities. These market risks principally involve the possibility of ch currency exchange rates or commodity prices that would adversely affect the value of our financial assets and liabilities or future cash flows an the potential loss arising from adverse changes in market rates and prices.

Interest Rate Risk. We have issued fixed and variable-rate debt to finance the GE Advanced Materials Acquisition and will be subject to rates in respect of our floating-rate debt. Borrowings under our senior secured credit facilities accrue interest at variable rates. In March 2008, an interest rate swap agreement with a notional amount of $185 million to protect a portion of our variable rate term loan debt under our senio from interest rate volatility. Pursuant to the swap agreement, which expired on March 31, 2010, we agreed to pay a fixed rate charge on the not for receiving floating payments based on one-month LIBOR on the same amount. Assuming our term loans are funded entirely in U.S. dollars, in LIBOR on our debt balances outstanding as of December 31, 2010 under our senior secured credit facilities (including our synthetic letter increase our annu al interest expense by $10.1 million. While we may enter into agreements intending to limit our exposure to higher interest r may not offer complete protection from this risk.

Commodity Price Risk. We are subject to changes in our costs of sales caused by fluctuations in prices of commodities and raw materia diversify and minimize material costs through second sourcing and low-cost country sourcing. Also, we will consider hedging strategies that volatility when available.

Foreign Exchange Risk. Revenue denominated in foreign currencies accounted for approximately 46% and 48% of our total worldwide re respectively. As a result, we have exposure to foreign exchange risk related to transactions denominated in many foreign currencies. These tra

currency denominated imports and exports of raw materials and finished goods (both inter-company and third-party) and loan repayments. If t
by 1%, our operating income would be reduced by approximately $2 million per year.

We aim to redu ce foreign currency cash flow exposure due to exchange rate fluctuations by hedging foreign currency transactions when e
use of forward and option contracts will be designed to protect our cash flows against unfavorable movements in exchange rates, to the exte
contract. We will not attempt to hedge foreign currency exposure in a manner that would entirely eliminate the effect of changes in foreign cu

net income and cash flow. We will not speculate in foreign currency, nor will we hedge the foreign currency translation of our international busine purposes of consolidating our financial results or other foreign currency net asset or liability positions. The counterparties to our hedge con institutions with investment-grade credit ratings.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary financial i nformation required to be filed under this Item are presented commencing on page on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISC

None.

ITEM 9 A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, the Company carried out an evaluation, under the supervision an the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and ope disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the " to paragraph (b) of Exchange Act Rules 13a-15 and 15d-15. In designing and evaluating our disclosure controls and procedures, managem controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and applied its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon that evaluation, the Chief Execu Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exe to provide reasonable assurance that the information the Company is required to disclose in reports that it files or submits under the Exchange A summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure th be disclosed is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief F timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as suc Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degre policies or procedures may deteriorate.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, assessed as of December 31, 2010 th Company's internal control over financial reporting. In making this assessment, management used the criteria set forth in the framework in *Int Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the results of this evalu concluded that the Company maintained effective internal control over financial reporting as of December 31, 2010.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited our 2010 financial statements included in thi
10-K, has issued a report on the results of their audit of our internal control over financial reporting as of December 31, 2010, which is

Change in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting during the period covered by this report that materially a
likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 23, 2011, the Compensation Committee of the Board of Managers of Momentive Holdco approved the Momentive Performan LLC 2011 Equity Incentive Plan (the "Plan"). Our directors, executive officers and selected key members of management are eligible to partici Plan, Momentive Holdco can award unit options, unit awards, restricted units, restricted deferred units, and other unit-based awards.

Also on February 23, 2011, the Committee made awards of restricted deferred units and unit options to certain participants, including our direc officers. The following grants were made to our Chief Executive Officer, our Chief Financial Officer and our other Named Execu

Craig O. Morrison - 193,667 restricted deferred units, 581,001 unit options

William H. Carter - 154,934 restricted deferred units, 464,801 unit options

Steve P. Delarge - 8,198 restricted deferred units, 24,593 unit options

John C. Dandolph - 13,500 restricted deferred units, 40,500 unit options

Douglas A. Johns - 40,320 restricted deferred units, 120,960 unit options

Anthony B. Greene - 22,427 restricted deferred units, 67,282 unit options

The restricted deferred units are non-voting units of measurement which are deemed for bookkeeping purposes to be equivalent to one com Holdco. The unit options are options to purchase common units of Momentive Holdco. The awards made pursuant to the Plan will vest based o the achievement of certain unit prices following certain transactions involving Momentive Holdco. The awards contain restrictions on transfera terms and conditions.

On February 24, 2011, Momentive Performance Materials Quartz, Inc., our wholly-owned subsidiary ("MPM Quartz"), entered into an Ext effective as of December 31, 2010 (the "Amendment") to the Quartz Sand Products Purchase Agreement by and between Unimin Corpora tion amendment extends the term of the original supply agreement through December 31, 2011, subject to the early termination provisions therein, a regarding pricing and volume purchase requirements, among others.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers and Directors

The following sets forth our executive officers and directors as of February 21, 2011. All of our executive officers, other than Mr. Delarge, of Momentive Specialty Chemicals Inc.

Name	Age	Title
Craig O. Morrison	55	Director, Chairman, President and Chief Executive Officer
William H. Carter	57	Director, Executive Vice President and Chief Financial Officer
Scott M. Kleinman	38	Director
Jordan C. Zaken	36	Director

David B. Sambur	30	Director
Steven P. Delarge	53	Executive Vice President, President-Silicones and Quartz Division
Judith A. Sonnett	54	Executive Vice President-Human Resources
Douglas A. Johns	53	Executive Vice President, General Counsel and Secretary
Kevin W. McGuire	51	Executive Vice President-Business Processes and Information Technology
Nathan E. Fisher	45	Executive Vice President-Procurement
Anthony B. Greene	51	Executive Vice President-Business Development and Strategy
George F. Knight	54	Senior Vice Presiden t- Finance and Treasurer

Craig O. Morrison was elected President and Chief Executive Officer and a director of Momentive Performance Materials Inc. and Momen
Materials Holdings LLC on October 1, 2010. Mr. Morrison was also elected President and Chief Executive Officer and a director of Momentive
(formerly known as Hexion Spe cialty Chemicals, Inc.) effective March 25, 2002 and was named Chairman of the Board of Directors of MSC o
joining MSC, he served as President and General Manager of Alcan Packaging's Pharmaceutical and Cosmetic Packaging business from 1999 to
1998 he was President and General Manager for Van Leer Containers, Inc. Prior to joining Van Leer Containers, Mr. Morrison served in a num
positions with General Electric's Plastics division from March 1990 to November 1993, and as a consultant with Bain and Company from 1987
of the Environmental, Health and Safety and Executive Committees of the Board of Managers of Momentive Holdco. Mr. Morrison's position a
Executive Officer, his extensive management experience, and his skills in business leadership and strategy qualify him to serve on our Board of

William H. Carter was elected Executive Vice President and Chief Financial Officer and a director of Momentive Performance Materials In
Performance Materials Holdings LLC on October 1, 2010. Mr. Carter was also elected Executive Vice President and Chief Financial Officer of
Chemicals Inc. (formerly known as Hexion Specialty Chemicals, Inc.) effective April 3, 1995 and a director of MSC effective November 20, 20
instrumental in the restructuring of MSC's holdings, including serving as a director and interim President and Chief Executive Officer of a form
Management Inc., from January to June 2000, and a director and executive officer of WKI Holding Company, Inc. from 2001 to 2003. Addition
director of Elmer's Products, Inc., Borden Foods Corporation and AEP Industries, Inc. Prior to joining MSC in 1995, Mr. Carter was a partne r,
partner for Borden Chemical, with Price Waterhouse LLP, which he joined in 1975. Mr. Carter's position as Executive Vice President and Chie
extensive management experience, and his skills in financial leadership qualify him to serve on our Board of Directors.

Scott M. Kleinman was elected a director on October 1, 2010. Mr. Kleinman is a Partner at Apollo, where he has worked since February 19
Kleinman was employed by Smith Barney Inc. in its Investment Banking division. Mr. Kleinman is also a director of Momentive Performance
Verso Paper Corp., Verso Paper Holdings, LLC, Noranda Aluminum Holding Corporation, LyondellBasell Industries B.V. and Realogy Corpor
companies. Within the past five years, Mr. Kleinman was also a director of Momentive Specialty Chemicals Inc. He is a member of Audit Com
Directors. He is also member of the Executive, Audit and Compensation Committees of the Board of Managers of Momentive Performance Ma
light of our ownership structure and Mr. Kleinman's position with Apollo and his extensive finance and business experience, we believe it is ap
Mr. Kleinman to serve as a director of the Company.

Jordan C. Zaken was elected a director on October 1, 2010. Mr. Zaken is a Partner at Apollo, where he has worked since 1999. Prior to that
employed by Goldman, Sachs & Co. in its Mergers and Acquisitions Department. He is also a director of the following Apollo portfolio compa
Materials Inc., Momentive Performance M aterials Holdings LLC, Verso Paper Corp. and Verso Paper Holdings, LLC. Within the past five yea
director of Parallel Petroleum Corporation. He is the Chairman of the Compensation Committee of the Board of Directors. He is also a member
Environmental, Health and Safety Committee and the Executive Committee and Chairman of the Compensation Committee of the Board of Ma
Performance Materials Holdings LLC. In light of our ownership structure and Mr. Zaken's extensive finance and business experience, we believ
Mr. Zaken to serve as a director of the Company.

David B. Sambur was elected a director on October 1, 2010. He is a principal of Apollo, where he has worked since 2004. He was a membe
Finance Group of Salomon Smith Barney Inc. from 20 02 to 2004. He is also a director of Momentive Specialty Chemicals Inc., Momentive Pe
Holdings LLC, Verso Paper Corp, Verso Paper Holdings, LLC and Caesar Entertainment Corporation, all Apollo portfolio companies. He serve
Compensation Committees of the Board of Directors. He is also a member of the Audit and Compensation Committees of the Board of Manage
Performance Materials Holdings LLC.

Steven P. Delarge was elected Executive Vice President and President-Silicones and Quartz Division on October 1, 2010. Prior to this role,
and CEO of the Silicones Americas business from January 2009. Mr. Delarge joined the Company upon its formation on December 4, 2006 as C
Prior to this time, Mr. Delarge served as Chief Financial Officer of GE Advanced Materials since 2003. He began his GE career in 1979, and jo
when he was appointed Manager, Productivity and Business Support. Some of his prior responsibilities include serving as Finance Director-Gre
responsible for the financial operations of GE Plastics in China, Taiwan and Hong Kong, and serving as Finance Director for GE Plastics North
Operations.

Judith A. Sonnett was elected Executive Vice President-Human Resources on October 1, 2010. Ms. Sonnett was also

Table of Contents

elected Executive Vice President-Human Resources of Momentive Specialty Chemicals Inc. (formerly known as Hexion Specialty Chemic
2007. She has served in various HR leadership roles for MSC and its predecessors since November 1998. Prior to her current position at MSC,
President, People and Organizational Development from November 2004 thru September 2007, and prior to that, she held the title Vice Preside
Borden Chemical Inc. from November 1998 thru November 2004. From 1995 to 1998 Ms. Sonnett worked in Human Resources for W.L. Gore

Douglas A. Johns was elected General Counsel and Secretary upon our formation on December 4, 2006. He was named Executive Vice Pr
2010. He also serves as Executive Vice President and General Counsel of Momentive Specialty Chemicals Inc. (formerly known as Hexion Spe
Momentive Performance Materials Holdings LLC. Prior to our formation, Mr. Johns served as General Counsel for GE Advanced Materials, a
Electric Company, from 2004 to December 2006. Mr. Johns began his career as a trial lawyer at the U.S. Department of Justice and was in priv
GE in 1991, where he served as Senior Counsel for global regulatory and environmental matters and Senior Business Counsel at GE Plastics' E
Bergen Op Zoom, The Netherlands from 2001 to 2004.

Kevin W. McGuire was elected Executive Vice President, Business Processes and IT on October 1, 2010. Mr. McGuire was also elected E
Business Processes and IT of Momentive Specialty Chemicals Inc. (formerly known as Hexion Specialty Chemicals, Inc.) on June 1, 2005. Mr.
2002 as its Chief Information Officer.

Nathan E. Fisher was elected Executive Vice President - Procurement on October 1, 2010. Mr. Fisher was also elected Executive Vice Pres
Specialty Chemicals Inc. (formerly known as Hexion Specialty Chemicals, Inc.) on December 15, 2004. Mr. Fisher joined MSC in March 2003
Sourcing and was promoted to Vice President - Global Sourcing in September 2004.

Anthony B. Greene was elected Executive Vice President-Business Development and Strategy on October 1, 2010. Mr. Greene also serves
Momentive Specialty Chemicals Inc. (formerly known as Hexion Specialty Chemicals, Inc.). Mr. Greene joined the Company upon its formatio
Global Financial Planning and Analysis Manager. He was appointed Global Business Development Leader in January 2010. Prior to December
Financial Planning and Analysis Manager for GE Advanced Materials since 2005. Mr. Greene joined GE in 1981 and has held numerous financ
wide variety of GE businesses in the U.S., Asia and Europe.

George F. Knight was elected Senior Vice President Finance and Treasurer of Momentive Perfo rmance Materials Inc. and Momentive Per
Holdings LLC on November 29, 2010. Mr. Knight also serves in that capacity for Momentive Specialty Chemicals Inc. (formerly known as He
Inc.) and Momentive Performance Materials Holdings LLC. He joined MSC in 1997. From 1999-2001 he served as Vice President of Finance f
Corporation, an affiliate of MSC. In 2001, he re-joined MSC and was appointed Vice President-Finance and Treasurer of MSC in July 2002. H
Vice President of MSC in June 2005.

Nominating Committee

As a controlled company, we have no Nominating Committee nor do we have written procedures by which stockholders may re commend
Directors.

Audit Committee Financial Expert

Since we are not a listed issuer, there are no requirements that we have an independent Audit Committee. Our Audit Committee consists of
Sambur, both of whom qualify as audit committee financial experts, as such term is defined in Item 407(d)(5) of Regulation S-K, and neither o

Code of Ethics

We have adopted a Code of Conduct that applies to our directors, officers and employees. These standards are designed to deter wrongdoi
honest and ethical conduct of all employees. The Code of Conduct is posted on our website: *www.momentive.com* under "Investor Relations-M
Materials Inc." Any substantive amendment to, or waiver from, any provision of the Code of Conduct with respect to any senior executive or fi
posted on this website.

Table of Contents

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview and Objectives of Executive Compensation Prog ram

The Compensation Committee of our Board of Directors is responsible for establishing and monitoring compliance with our executive com
The Committee's overarching goal is that the compensation and benefits provided to executives are reasonable, internally fair and externally co
has the authority to approve all executive compensation, equity and benefit programs.

Each year, the Compensation Committee sets the principles and strategies that guide the design of our executive compensation program. Th
performance and compensation levels of the Chief Executive Officer (the "CEO") and each of the executive officers who report directly t o the
evaluation, the Compensation Committee establishes and approves each executive's compensation level, including base salary, annual incentive
term incentive opportunities. Throughout this discussion, we refer to the executives named in the Summary Compensation Table in Part III, Ite
Report as the "Named Executive Officers." We also refer to our CEO and the executives who report directly to him as the "Senior Leadership T
Leadership Team is currently comprised of 10 individuals, including all of the Named Executive Officers.

Compensation Committee

Since the closing of the MSC Transaction on October 1, 2010, the Compensation Committee of our Board of Directors has been responsib
implementing the compensation program for the Senior Leadership Team. Prior to this time, the Compensation Committee of MPM Holdings,
the Board of Directors of MPM Holdings in developing and implementing the compensation program for the CEO and other executives. The cu
Committee are Jordan C. Zaken, Chairman, and David Sambur. In this section, references to the term "Committee" means, unless otherwise ind
Compensation Committee of our Board of Directors with respect to current policies and actions taken on or after October 1, 2010 and (ii) the C
of MPM Holdings with respect to policies in effect, and actions taken, prior to October 1, 2010.

The sp ecific purposes of the Compensation Committee of our Board of Directors under its Committee Charter are:

- to approve all compensation plans for the CEO, the other members of the Senior Leadership Team and the members of the Bo
- to approve the short-term compensation of the CEO, the other members of the Senior Leadership Team and the members of t
- to approve and authorize grants under the Company's or its subsidiaries incentive plans, including all equity plans and long-te
members of these groups; and
- to prepare any report on executive compensation required by Securities and Exchange Commission rules and regulations for i
report to stockholders and an annual proxy statement, if any.

Executive Compensation Philosophy and Objectives of Executive Compensation Program

Our executive compensation program is designed to focus our CEO and the other members of our Senior Leadership Team on our key stra
operational goals that will translate into long-term value creation for our stockholder. As a result, we believe that the compensation packages w
should include a mix of short-term cash-based awards that encourage the achievement of annual goals, and long-term equity-based elements th
business performance and encourage management stability. The Committee also believes that equity-based awards play an important role in cr
executives to maximize Company performance and further align the interests of our executives with those of our stockholders.

Our annual compensation review process includes an evaluation of key ob jectives and measurable contributions to ensure that the incentiv
with the Company's strategic goals, but also enable us to attract and retain a highly qualified and effective management team. The Committee b
compensation decisions on the following philosophy:

- The compensation program should be designed to support the business with a balance between critical short-term objectives a

- Each executive's total compensation should have a correlation to the scope of his or her responsibilities and relative contributi performance; and,
- A significant portion of each executive's total compensation should be variable and contingent upon the achievement of speci operational performance goals.

Our general philosophy is to set base salaries at levels comparable to the general market for the given position, and provide the opportunity term incentive compensation th at will exceed the general market when we perform at or above target levels.

Roles and Responsibilities

The Compensation Committee makes all final decisions regarding the compensation of our Senior Leadership Team, and is also responsibl compensation programs and changes to existing compensation programs. These decisions, other than decisions regarding their own compensati recommendations made by the CEO and the Executive Vice President of Human Resources. The compensation of the CEO and the Executive V Resources is determined by the Committee. The Committee uses its discretion and judgment in accepting or modifying management's recomme final compensation decisions.

Use of Compensation Data

In order to obtain a general understanding of current compensation practices when setting executive compensation levels, the Committee co competitive market data on total compensation packages provided to executives with similar responsibilities at comparable companies within th well as companies of similar revenues and operational complexity outside the chemical industry. We also use a variety of third-party salary surv PayNet and Towers Watson Executive Compensation Database. When making its executive compensation decisions, the Committee evaluates e responsibility, his or her specific role in value creation and overall contributions to Company performance. The Committee does not engage in f against a set peer group of companies, and neither the Committee nor management engaged a compensation consultant to provide executive co recommendations.

The Committee also reviews historical total compensation data on each executive, which includes base salary, target and actual annual ince long-term incentive compensation, including equity ownership.

Executive Compensation and Related Actions in 2010

As a result of the recovery in our business in the second half of 2009 compared to the first half of 2009, in January 2010, we restored the sa President and CEO at the time, the other members of the Senior Leadership Team and other affected salaried employees to their levels before th reduction we instituted in 2009. Due to the global recession in 2009, the salaries for Mr. Rich and the other members of the Senior Leadership T reduced by 10 percent beginning on April 1, 2009. As a result of further strength in our business in the first half of 2010, we also reinstated our matching contributions program and tuition reimbursement program in the third quarter of 2010 for all affected employees. These plans were te beginning in January 2009 for certain salaried employees, including all members of the Senior Leadership Team.

In early March 2010, to better incentivize our executives, we amended all outstanding performance vesting options under our 2007 Long-T including those held by the applicable Named Executive Officers, tieing vesting to the earlier of (i) Apollo's achievement of a specified internal investment in MPM Holdings or (ii) Apollo's achievement of a specified cash-on-cash return on its equity investment in MPM Holdings. Previo options was tied only to the internal rate of return criteria.

Messrs. Colatrella, Delarge, Modak, Dandolph and Greene purchased shares of common stock of MPM Holdings in mid 2010, which were into common units of Momentive Holdco pursuant to the terms of the Combination Agreement. In connection with the purchases, MPM Holdin executives options to purchase common stock of MPM Holdings, relative to the shares of common stock purchased by the executive and the ex options were also subsequently converted into options to purchase common units of Momentive Holdco pursuant to the terms of the Combinati purchase price for such common stock, and exercise price for such options, were set at or above fair market value, as determined by the Compe accordance with the terms of our 2007 Long-Term Incentive Plan. The foregoing equity sales and option awards were made to further incentive generate substantial equity value and for gain sharing upon performance.

In anticipation of the closing of the MSC Transaction, we entered into Separation Agreements dated September 29, 2010 with each of Jonathan D. Rich and Anthony Colatrella, respectively, our CEO and CFO at the time. Pursuant to these agreements, both exec terminated without cause as of October 1, 2010. A description of the severance compensation payable to Messrs. Rich and Colatrella pursuant t Separation Agreements is included in the Narrative to the Summary Compensation Table below.

On October 1, 2010 in connection with the closing of the MSC Transaction, we entered into the Shared Services Agreement with MSC, pur provides to us, and we provide to MSC, a range of services, including the services of certain executives and employees on a shared basis. Under provides us with the executive services of Mr. Morrison, Mr. Carter and certain other members of our Senior Leadership Team (while they cont and provide services to, MSC) and we provide MSC with the executive services of Messrs. Johns and Greene (while they continue to be employ services to, us). In addition, under this agreement, MSC provides to us, and we provide to MSC, the s ervices of various other executives and em basis. Pursuant to the Shared Services Agreement, the fully burdened costs (including associated overhead costs) of the executives and other em provides to us and we provide to MSC are allocated 49% to us and 51% to MSC, respectively, according to an agreed upon methodology, excep of any cost is demonstrably attributable to or for the benefit of either MSC or us, in which case the entire cost is allocated to such party. Fully b employees include salary, bonus, cash payments under annual incentive compensation plans, costs under health care, life insurance, pension, ret compensation and severance plans and asso ciated overhead, calculated in accordance with accounting policies and procedures approved, from t parties. Monthly net payments are made under the Shared Services Agreement based on estimated total allocated costs for all services. Followin an additional payment is made, if necessary, based on a reconciliation of estimated costs to actual costs for such quarter. We expect that the MS the Shared Services Agreement, will result in significant synergies for us. Additional details regarding the Shared Services Agreement are inclu Relationships and Related Transactions, and Director Independence."

In connection with the MSC Transaction, the responsibilities of certain executives were increased and, effective October 1, 2010, these ind adjustments and/or increases in their annual incentive compensation targets.

2011 Compensation Actions

In February 2011, the Compensation Committee of the Board of Managers of Momentive Holdco approved a new long-term equity incenti directors of the Company and MSC (the "2011 Equity Plan"). The 2011 Equity Plan was adopted to address the concern that many of the Comp currently hold a meaningful or any equity stake in Momentive Holdco, and the fact that management's overall ownership interest in Momentive small. Grants under the 2011 Equity Plan are denominated in M omentive Holdco common units. Under the 2011 Equity Plan, participants may common units, restricted units, restricted deferred units, unit options and other unit-based awards. Grants of restricted deferred units and options made to a select group of Company leaders, including our Named Executive Officers. The amount of each award is based on the executive's sco term potential, retention risk and/or impact on value creation. The awards also varied depending upon the grantees' existing equity holdings, as Committee of Momentive Holdco sought to harmonize equity ownership positions among key executives of MSC and MPM based on the facto made pursuant to the 2011 Equity Plan will vest based on continued service and the achievement of certain unit prices following certain transac Momentive Holdco, which we believe provides a retention incentive and encourages long-term value creation.

Executive Compensation Components

The following paragraphs describe and analyze the essential components of our executive compensation program which are as follows: bas incentive awards, long-term incentive awards, retirement benefits, severance benefits, international assignment compensation and other benefits discussed above, Messrs. Morrison and Carter are employed by MSC and provide services to us pursuant to the terms of the Shared Services Ag these executives participate in MSC's compensation program and plans, and are compensated by MSC. Any references to compensation or bene Morrison and Carter in this section re fer to compensation or benefits provided by MSC. For a description of MSC's compensation program and Report on Form 10-K for the period ended December 31, 2010.

1. Base Salaries

We provide our executives, other than Messrs. Morrison and Carter (who receive compensation and benefits from MSC), with an annual, fi commensurate with their professional status, accomplishments, scope of responsibility, and overall impact on the organization. The Committee annually in conjunction with the annual performance review conducted globally for all non-bargained sala ried employees. In addition, the Com salaries in conjunction with promotions or significant changes in job responsibilities of the Senior Leadership Team. When

approving increases to base salaries, the Committee considers many factors including job performance, total target compensation, impact o competitive marketplace. We believe that it is appropriate that our CEO and Chief Financial Officer receive base salaries that are higher than th officers due to the broad scope of responsibilities they have for the overall operations of the Company.

2. Annual Incentive Awards

The purpose of our annual incentive program is to provide a short-term performance incentive and to reward participants for delivering inc organization against specific financial objectives. In order to accomplish this, the Committee adopted an Annual Cash Bonus Plan in 2008 (the " Plan") that uses measurable performance targets as approved each year by the Committee. In addition, from time to time the CEO may request a pool to reward exemplary performance, or for retention purposes or in connection with a new hiring or promotion. The CEO may make discreti recommendations to the Committee for consideration and approval.

The incentive awards under our Annual Cash Bonus Plan are targeted at a level that, when combined with base salaries (from both MSC an total annual compensation that is competitive in the marketplace, while performance above the target is intended to yield total annual compensa median. We strive to set annual incentive compensation targets that are achievable only through strong performance, believing that this motivat other participants to deliver ongoing value creation , while allowing the Company to attract and retain a highly talented Senior Leadership Tean

Incentive award targets under our Annual Cash Bonus Plan are determined by the Committee as part of the Company's annual planning pro process involves the development of an overall budget, which includes incentive compensation targets that consider a number of factors, such a performance; current market trends; anticipated synergies; potential pricing actions; raw material projections; the realization of planned product expansion plans; new product development; and other strategic factors that could potentially impact our operations. We refer to the cash bonuse eligible for under our Annual Cash Bonus Plan based on the financial targets approved by the Committee for fiscal year 2010 collectively as ou

The financial metrics used in our 2010 ICP include Adjusted EBITDA, free cash flow and working capital turnover. For executives with gl objectives are Adjusted EBITDA and free cash flow of the Company. For executives with regional or business unit roles, the financial objective of the Company and the applicable region or business unit, free cash flow of the Company and working capital turnover of the applicable regio Minimum, target and maximum goals were established for each financial metric. The regional or business unit goals aggregate to the goals for t Adjusted EBITDA, free cash flow and working capital turnover goals act independently such that a payout based on one metric is possible even for th e other metrics are not achieved so that associates continue to maintain focus on each metric.

The Committee uses Adjusted EBITDA as the primary profitability measure for determining the level of the financial performance for man annual incentive compensation purposes. Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation and amortization certain non-cash or non-recurring expenses in accordance with the terms of our credit agreement and indentures. Additional information regardi Adjusted EBITDA under our credit agreement and indentures and a reconciliation of Adjusted EBITDA to Net Income (Loss) are included in " Supplement GAAP" in Item 7 of Part II of this Annual Report on Form 10-K. The Adjusted EBITDA goals for the a nnual incentive plan are se upon factors including, but not limited to, competitive business dynamics in the markets in which we operate, raw material trends, anticipated b anticipated cost synergies and business unit budget projections. For the 2010 ICP, the targeted Adjusted EBITDA for the Company was $435 m threshold for an incentive payout established at approximately 90% of the target, and the maximum payout established at approximately 110% o ICP, to more closely align the Adjusted EBITDA metric to the Company's business performance in the year, the Committee revised the calculat to exclude estimated cost savings for the MSC Transaction (approximately $50 million) and include the EBITDA of one or subsidiaries that is c Unrestricted Subsidiary under our credit agreement and indentures (approximately $19.5 million). As a result, Adjusted EBITDA as calculated $493.1 million, $30.5 lower than the Adjusted EBITDA as calculated under our credit agreement and indentures.

For the 2010 ICP, the Committee added free cash flow as a performance component for executives across all roles, replacing the working c that was included in last year's plan. The Committee's purpose in replacing the working capital turnover with free cash flow across executive ro broader cash generation metric for the funding of operations, capital expenditures and debt service payments. The Committee, however, believe continue to highlight working capital turnover to help generate liquidity and included the metric as a component for executives

Table of Contents

with regional or business unit roles. Free cash flow as defined under the 2010 ICP is cash flow from operating activities less cash used in in Working capital turnover as defined under the 2010 ICP is the last three months of sales in 2010 on annualized basis for the applicable region o the average of the last four months of net working capital in 2010. The free cash flow and working capital turnover targets were established as a projections in 2010. For the 2010 ICP, the targe ted free cash flow for the Company was $100 million, with the minimum threshold for an incen approximately 90% of the target, and the maximum payout established at approximately 110% of the target. Actual free cash flow as calculated $156.7 million. The targeted working capital turnover depended on the applicable region or business unit but was similarly structured with the n incentive payout established at approximately 90% of the target, and the maximum payout established at approximately 110% of the target.

Each participant's incentive target award under the 2010 ICP is based on a percentage of his or her base salary. In connection with the MSC responsibilities of certain Named Executive Officers were increased and, effective October 1, 2010, these individuals' incentive target awards, e their base salary, were increased with respect to the fourth quarter of 2010. All participating executives with global roles had 70% of their annu tied to Adjusted EBITDA of the Company and 30% tied to free cash flow of the Company. All participating executives with regional or busines their annual incentive compensation tied to Adjusted EBITDA of the Company, 25% tied to Adjusted EBITDA of the applicable region or busi cash flow of the Company and 15% tied to working capital turnover of the applicable region or business unit. The following table summarizes t performance components under the 2010 ICP, including individual goals and weightings, for each of our Named Executive Officers.

Name and Title	**Incentive Target (% of Base Salary)**	**Award Payout Range (% of Incentive Target)**	**Performance Components Individual Goals**
C. Morrison, President and CEO	Not Applicable - Mr. Morrison participates in the annual incentive plan of MSC. 49% of the award under fourth quarter of 2010 (the period in which he provided services to us in 2010) was allocated to us pursuant to t Agreement.		
J. Rich, Former President and CEO	100 %	up to 200%	Adjusted EBITDA of the Company Free Cash Flow of the Company
W. Carter, Executive Vice President and CFO	Not Applicable - Mr. Carter participates in the annual incentive plan of MSC. 49% of the award under su quarter of 2010 (the period in which he provided services to us in 2010) was allocated to us pursuant to the ter Agreement.		
T. Colatrella, Former CFO	75%	up to 200%	Adjusted EBITDA of the Company Free Cash Flow of the Company
S. Delarge, Executive Vice President and President, Silicones and Quartz Division and Former President-Silicones Americas	70% for Q1-Q3; 80% for Q4	up to 200%	Adjusted EBITDA of the Company Adjusted EBITDA - Silicones Americas Free Cash Flow of the Company Working Capital Turnover - Silicones Americas
M. Modak, Chief Commercial Officer	60%	up to 200%	Adjusted EBITDA of the Company Free Cash Flow of the Company
J. Dandolph, Senior Vice President and Managing Director-Silicones Asia Pacific	40%	up to 200%	Adjusted EBITDA of the Company Adjusted EBITDA - Silicones Asia Pacific Free Cash Flow of the Company Working Capital Turnover - Silicones Asia Pacific
D. Johns, Executive Vice President and General Counsel	45% for Q1-Q3; 50% for Q4	up to 200%	Adjusted EBITDA of the Company Free Cash Flow of the Company
A. Greene, Executive Vice President, Business Development and Strategy	35% for Q1-Q3; 50% for Q4	up to 200%	Adjusted EBITDA of the Company Free Cash Flow of the Company

Please see "Determining Executive Compensation for Named Executive Officers" below for a description of each Named Executive Office the 2010 ICP goals.

Although the Committee has the authority to exercise discretion and award cash bonuses under the plan for unique circumstances despite th applicable performance objectives, it did not exercise this authority in connection with the 2010 bonuses for our Named Executive Officers.

3. Long-term Incentive Awards

Equity Awards

From time to time, grants of equity-based awards may be made to our Named Executive Officers, other members of the Senior Leadership
associates. The purpose of these equity awards is to provide a long-term performance incentive and to reward the participants for planning and
value. Recent equity incentive awards include restricted deferred units of Momentive Holdco and options to purchase units of Momentive Hold
Executive Officers in February 2011 under the 2011 Equity Plan. We expect future equity incentive awards to also be issued under the 2011 Eq
securities of Momentive Holdco and generally be subject to time-based or performance-based vesting requirements. Time-based awards functio
while performance-based awards are linked to the Company's attainment of specific long-term objectives.

Prior to the closing of the MSC Transaction, equity incentive awards covered the common stock of MPM Holdings, our direct parent, and t
was to offer certain key employees the opportunity to purchase stock in MPM Holdings at the then current fair market value (as determined und
Incentive Plan of MPM Holdings) and receive equity options relative to the amount of stock purchased and the employee's position with the Co
with these stock purchases, two types of options were issued, options with time-based vesting and options with performance-based vesting. The
in equal annual installments over a period of four years or five years. The performance based options vest upon the earlier of (i) Apollo's achiev
internal rate of return on its equity investment in MPM Holdings (now converted into Momentive Holdco common units) and (ii) Apollo's achie
cash-on-cash return on its equity investment in MPM Holdings (now converted into Momentive Holdco common units). The cash-on-cash retur
added in early 2010.

4. Retirement Plans**.** We believe that our retirement plans are important compensation and retention tools. We balance the effectiveness of t
of providing them. Each of our Named Executive Officers, other then Messrs. Morrison and Carter, participates in our qualified defined-benefit
Moment ive Pension Plan, and our defined-contribution retirement plan, the Momentive 401K plan, on substantially the same terms as our other
employees. Messrs. Morrison and Carter participate in MSC's qualified defined-benefit retirement plan and 49% of MSC's cost of this plan for M
Carter is allocated to us in accordance with the terms of the Shared Services Agreement. We also provide the Momentive Supplementary Pensio
30 U.S. plan participants, including the Named Executive Officers, other than Messrs. Morrison and Carter, to provide for retirement benefits ab
under the Momentive Pension Plan. We also have established the Momentive Excess Benefit Plan for additional retirement benefits for this sam
expect significant accruals under this plan, if any, and have frozen the plan. The Momentive Supplementary Pension Plan and Momentive Exce
unfunded, unsecured obligations of the Company and ar e not qualified for tax purposes. The Momentive Supplementary Pension Plan is a stron
executives are generally not eligible for benefits pursuant to the plan if they leave the Company prior to reaching age 60. The benefit formula fo
described below in the Pension Benefits Table.

5. Severance Benefits

Our Named Executive Officers are entitled to receive severance benefits from us (or MSC, in the case of Messrs. Morrison and Carter) if th
terminated without cause. Severance benef its for these Named Executive Officers are provided pursuant to the terms of the executive's employ
sheet or offer letter. Because Messrs. Morrison and Carter are employed by MSC, they are only entitled to severance benefits if their employme
terminated without cause by MSC or for good reason by the executive pursuant to the terms of their employment agreements with MSC. In such
would no longer provide services to us under the Shared Services Agreement and the cost of such severance benefits would be allocated 49% to
of the Shared Services Agreement (except to the extent that 100% of such costs are demonstrably attributable to or for the benefit of either MSC
entire cost will be allocated to such party), provided the agreement is still in effect at the time of the termination. Pursuant to the term sheets bet
the Company, Messrs. Delarge, Johns and Greene are entitled to severance benefits that are no less favorable then those provided to them under
of GE in effect on December 3, 2006, the date of the closing of the acquisition of GE Advanced Materials by the MPM Group. Mr. Johns' sever
subsequently increased in connection with his promotion on October 1, 2010. Mr. Modak is entitled to certain severance benefits under the term

Table of Contents

6. International Assignment Compensation

Benefits provided to employees and executives as part of an international assignment are viewed by us as a means to compensate the execu
and personal hardships which would not exist if the executive remained in his or her home country. We believe that, as a growing global compa
this compensation to encourage key employees and executives to temporarily relocate for strategic business reasons. Mr. Dandolph's internation
described in the Narrative to the Summary Compensation table.

7. Other Benefits and Perquisites**.** The other benefits and perquisites for our Named Executive Officers, other than Messrs. Morrison and C
participation in the Momentive Supplementary Pension Plan (as described in Retirement Plans above), participation in our leadership life insura
basi c life insurance and, for one Named Executive Officer who joined the Company in connection with the GE Advanced Materials Acquisitio
leased company vehicle program. Messrs. Morrison and Carter are not eligible to receive the above perquisites because they are employed and c
While we believe that perquisites should be a minor part of executive compensation, we recognize the need to provide our executive officers wi
are reasonable and consistent with our overall compensation program. The Compensation Committee periodically reviews the benefits and perq
executive officers.

Determining Compensation for our Named Executive Officers

President and Chief Executive Officer - Craig O. Morrison

Mr. Morrison is employed by MSC, and accordingly, his compensation is determined by MSC. Pursuant to the terms of the Shared Service
MSC and us dated October 1, 2010, MSC provides us with executive services of Mr. Morrison on a shared basis. In exchange for such services,
costs for Mr. Morrison are allocated 49% to us in accordance with the terms of the Shared Services Agreement (except to the extent that 100% o
demonstrably attributable to or for the benefit of either MSC or us, in which case the entire cost will be allocated to such party).

In February 2011, Mr. Morrison was granted an award of 193,667 restricted deferred common units of Momentive Holdco and an option to
common units under the 2011 Equity Plan.

Former President and Chief Executive Officer - Jonathan D. Rich

At the beginning of 2009, Mr. Rich recommended annual goals and objectives for the organization. His goals for the year included sales, A
cash flow targets for the Company and the implementation of various strategic and productivity programs focused on environmental, health & s
as fixed cost management (which are referred to herein as the "Corporate Goals"). Under the 201 0 ICP, Mr. Rich's annual cash bonus was tied
Adjusted EBITDA and the free cash flow targets of the Company, the key financial goals for the Company as approved by the Committee.

Mr. Rich's actions during the year and in 2009 positioned the Company well to benefit from the economic recovery in 2010. In 2010, sales
were 2% above plan, Adjusted EBITDA increased by 74% and was 13% above plan and free cash flow increased by $228 million and was 57%
Company achieved its primary environmental objective, and although it did not achieve its Safety objective, the results were improved over the
missed its fixed costs target by 2% due in large part to increases needed to support the 24% sales growth. Mr. Rich also led the Company's effor
MSC Transact ion.

In connection with MSC Transaction, Mr. Rich and the Company entered into a Separation Agreement dated September 29, 2010, pursuant
employment with the Company was terminated without cause as of October 1, 2010. Mr. Rich's severance compensation is governed by the ter
Agreement and Mr. Rich's preexisting Employment Agreement dated June 1, 2007. Pursuant to the terms of the Employment Agreement and th
Mr. Rich is entitled to a cash bonus under the 2010 ICP based on the achievement of Adjusted EBITDA and free cash flow targets for the Comp
Mr. Rich's other severance benefits and a summary of the terms of his Separation Agreement and Employment Agreement are set forth in the N
Compensation Table below.

Executive Vice President and Chief Financial Officer - William H. Carter

Mr. Carter is employed by MSC, and accordingly, his compensation is determined by MSC. Pursuant to the terms of the Shared Services A
and us dated October 1, 2010, MSC provides us with executive services of Mr. Carter on a shared basis. In exchange for such services, MSC's f

Mr. Carter are allocated 49% to us in accordance with the terms of the Shared Services Agreement (except to the extent that 100% of such costs attributable to or for the benefit of either MSC or us, in which case the entire cost will be allocated to such party).

Table of Contents

In February 2011, Mr. Carter was granted an award of 154,934 restricted deferred common units of Momentive Holdco and an option to pu
units under the 2011 Equity Plan.

Former Chief Financial Officer - Anthony Colatrella

In addition to the Corporate Goals, Mr. Colatrella's goals for 2010 included targets for working capital (trade receivables, accounts payable
equipment expenditures, and finance department fixed costs. Additionally, his objectives included identifying and implementing actions to redu
maintaining all compliances, improving the orders to collection (OTC) process and recruiting and retaining talent. Under the 2010 ICP, Mr. Col
bonus was tied to the achievement of the Adjusted EBITDA and the free cash flow targets of the Company, the key financial goals for the Com
Committee.

Mr. Colatrella's actions during 2010 and in 2009 helped enable the Company to benefit from the economic recovery in 2010. He played a k
Adjusted EBITDA and free cash flow goals of the Company. Additionally, his leadership was instrumental in achieving the accounts receivable
finance department fixed costs targets. While the Company did not meet its inventory target, turnover improved year-over-year from 5.8 to 7.0
made on reducing company debt, improving the OTC process, recruiting and retaining talent and there were no significant financial compliance
Colatrella was also integral in evaluating and negotiating the Combination Agreement and Shared Services Agreement entered into with MSC.

In connection with MSC Transaction, Mr. Colatrella and the Company entered into a Separation Agreement dated September 29, 2010, pur
Colatrella's employment with the Company was termina ted without cause as of October 1, 2010. Mr. Colatrella's severance compensation is go
Separation Agreement. Under the Separation Agreement, Mr. Colatrella is entitled to receive his annual cash bonus under the 2010 based on the
EBITDA and free cash flow targets for the Company calculated as if his employment had continued through December 31, 2010. A description
other severance benefits and a summary of the terms of his Separation Agreement are set forth in the Narrative to the Summary Compensation

Executive Vice President and President- Silicones and Quartz Division; Former President, Silicones Americas - Steven P. Delarge

Mr. Delarge started 2010 as President of the Company's Silicones Americas business and was promoted to President of the Silicones and Q
closing of the MSC Transaction on October 1, 2010. In addition to the Corporate Goals, Mr. Delarge's 2010 goals were focused upon the achiev
EBITDA, working capital turnover, earned growth, 1-year new product introduction ("NPI") and fixed cost targets for the Silicones Americas b
objectives included implementation of EH&S and productivity programs as well as the successful completion of collective bargaining agreemen
U.S. labor unions. Under the 2010 ICP, Mr. Delarge's annual cash bonus is tied to the achievement of the Adjusted EBITDA target of the Comp
Americas region, the free cash flow target of the Company, and the working capital turnover target of the Silicones Americas region, the key fin
region of the Silicones division as approved by the Committee.

The Silicones division performed well in 2010, with the Americas region surpassing the target performance goals for sales, Adjusted EBIT
fixed costs targets while missing the working capital turnover and NPI objectives. Additionally, Mr. Delarge's leadership was instrumental in th
productivity programs and EH&S programs (which led to significantly improved EH&S results) in the Silicones Americas region as well as the
collective bargaining agreements with the Company's U.S. labor unions.

In conjunction with his promotion to President of the Silicones and Quartz Division, Mr. Delarge's base salary was increased in October to
incentive target percent was increased to 80% effective as of the beginning of the fourth quarter of 2010. He is not eligible for another merit inc

As a result of the performance of the Company and the Silicones business in the Americas and achievement of certain 2010 ICP goals, Mr.
payment of $437,145 under the 2010 ICP. The amount is prorated for the year with his incentive target award based on 70% of his salary for the
2010 and 80% of his new base salary for the fourth quarter of 2010.

In February 2011, Mr. Delarge was granted an award of 8,19 8 restricted deferred common units of Momentive Holdco and an option to pu
units under the 2011 Equity Plan.

Chief Commercial Officer - Mike Modak

In addition to the Corporate Goals, Mr. Modak's 2010 goals were focused on the achievement of earned growth, 1-year

NPI, error-free delivery, price and marketing department fixed costs targets. Additionally, his objectives included completing strategic proc go-to-market projects as well as recruiting and retaining key talent. Under the 2010 ICP, Mr. Modak's annual cash bonus is tied to the achievem EBITDA and the free cash flow targets of the Company, the key financial goals for the Company as approved by the Committee.

The Company's businesses performed well in 2010, surpassing the maxim um performance goals of the Company under the 2010 ICP for A cash flow. Mr. Modak's leadership was integral to the achievement of 96% of the earned growth target and 112% of the NPI target. The Compa error-free delivery target, but achieved its price and marketing department fixed costs objectives. Mr. Modak also successfully completed the pr go-to-market projects and good progress was achieved at recruiting and retaining talent.

As a result of the performance of the Company and achievement of the 2010 ICP goals, Mr. Modak will receive a payment of $480,000 un

Senior Vice Preside nt and Managing Director -Silicones Asia Pacific - John C. Dandolph

In addition to the Corporate Goals, Mr. Dandolph's 2010 goals were focused upon the achievement of sales, Adjusted EBITDA, working ca growth, 1-year NPI and fixed cost targets for the Silicones Asia Pacific region. Additionally, his objectives included implementation of EH&S, programs as well as recruiting and retaining talent. Under the 2010 ICP, Mr. Dandolph's annual cash bonus is tied to the achievement of the Ad the Company and the Silicones Asia Pacific region, the free cash flow target of the Company, and the working capital turnover target of the Sili the key financial goals for this region of the Silicones division as approved by the Committee.

The Silicones division performed well in 2010, with the Asia Pacific region surpassing the target performance goals for sales, Adjusted EB turnover, earned growth, and fixed costs targets while missing the NPI objective. Additionally, Mr. Dandolph's leadership was instrumental in t EH&S, productivity and growth programs in the Silicones Asia Pacific region and good progress was achieved at recruiting and retaining talent

In recognition of his accomplishments, Mr. Dandolph's base salary was increased in January 2011 to $295,000 per year. He is not eligible f until April 2012.

As a result of the performance of the Company and the Silicones business in Asia Pacific and achievement of certain 2010 ICP goals, Mr. I payment of $220,000 under the 2010 ICP.

In February 2011, Mr. Dandolph was granted an award of 13,500 restricted deferred common units of Momentive Holdco and an option to units under the 2011 Equity Plan.

Executive Vice President and General Counsel - Douglas A. Johns

Mr. Johns' goals for 2010 were similar to those of Mr. Rich, described above, but in addition he had goals focused on legal department fixe litigation, successfully completing collective bargaining agreements with the Company's U.S. labor unions as well as maintaining all complianc Mr. Johns' annual cash bonus is tied to the achievement of the Adjusted EBITDA and the free cash flow targets of the Company, the key financ as approved by the Committee.

The Company's businesses performed well in 2010, surpassing the maximum performance goals of the Company under the 2010 ICP for A cash flow and Mr. Johns' overall leadership and advice as General Counsel played a key role in the achievement of these results. While the lega target was not met, Mr. Johns' leadership was instrumental in achieving resolution of certain litigation and the successful completion of collectiv with the Company's U.S. labor unions. He was also integral in evaluating and negotiating the Combination Agreement and Shared Services Agr MSC.

In recognition of his accomplishments, Mr. Johns' base salary was increased in October to $420,000 per year and his incentive target percen effective as of the beginning of the fourth quarter of 2010 to reflect his increased responsibilities as the General Counsel for Momentive Holdco increased size and scope of the functional area he has been asked to lead. He is not eligible for another merit increase until April 2012.

As a result of the Company's performance and achievement of the 2010 ICP goals, Mr. Johns will receive a payment of $319,650 under the prorated for the year with his incentive target award based on 45% of his salary for the first three quarters of 2010 and 50% of his new base sala of 2010.

In February 2011, Mr. Johns was granted an award of 40,320 restricted deferred common units of Momentive Holdco and

Table of Contents

an option to purchase 120,960 common units under the 2011 Equity Plan.

Executive Vice President, Business Development and Strategy - Anthony B. Greene

Mr. Greene's goals for 2010 were similar to those of Mr. Rich, described above, but in addition he had goals focused on business developm costs, devising and implementing the Company's M&am p;A strategy as well as maintaining all compliances. Under the 2010 ICP, Mr. Greene' to the achievement of the Adjusted EBITDA and the free cash flow targets of the Company, the key financial goals for the Company as approve

The Company's businesses performed well in 2010, surpassing the maximum performance goals of the Company under the 2010 ICP for A cash flow and Mr. Greene's overall leadership played a key role in the achievement of these results. Mr. Greene successfully met the business d fixed cost objective, devised and began implementing the Company's M&A strategy and maintained all compliances. He was also instrumental negotiating the Combination Agreement and Shared Services Agreement entered into with MSC.

v="">

In recognition of his accomplishments, Mr. Greene's base salary was increased in October to $315,000 per year and his incentive target per effective as of the beginning of the fourth quarter of 2010 to reflect his increased responsibilities as the leader for business development and stra Holdco and MPM, and the increased size and scope of the functional area he has been asked to lead. He is not eligible for another merit increase

As a result of the Company's performance and achievement of the 2010 ICP goals, Mr. Greene will receive a payment of $231,000 under th is prorated for the year with his incentive target award based on 35% of his salary for the first three quarters of 2010 and 50% of his new base s of 2010.

In February 2011, Mr. Greene was granted an award of 22,427 restricted deferred common units of Momentive Holdco and an option to pu units under the 2011 Equity Plan.

Compensation Committee Report on Executive Compensation (1)

The Com pensation Committee of the Board of Directors of the Company has certain duties and powers as described in its charter. The Co currently composed of the two non-employee directors named at the end of this report. The Compensation Committee has reviewed and discuss disclosures contained in the above Compensation Discussion and Analysis. Based upon this review and discussion, the Compensation Committ Board of Directors that the Compensation Discussion and Analysis section be included in our Annual Report on Form 10-K.

Compensation Committee of the Board of Directors:
Jordan C. Zaken (Chairman)
David Sambur

(1) SEC filings sometimes "incorporate information by reference." This means the Company is referring you to information that has previously been filed with the SEC, and t considered as part of the filing you are reading. Unless the Company specifically states otherwise, this report shall not be deemed to be incorporated by reference and shall not cons otherwise be considered filed under the Securities Act or the Securities Exchange Act.

Summary Compensation Table

The following summary compensation table reflects certain information concerning compensation (regardless of its source) for services ren all capacities awarded to, earned by or paid during the years ended December 31, 2010, 2009 and 2008 to each person who served as our Chief the most recent fiscal year, each person who served as our Chief Financial Officer during the most recent fiscal year, the three most highly com officers, other than our Chief Executive Officer and Chief Financial Officer, employed by us as of December 31, 2010 and two other employee December 31, 2010 who would have been among the three most highly compensated executive officers, if they had remained executive officer Decem ber 31, 2010. The following summary compensation table does not provide compensation information for previous years to the extent th Officers were not named executive officers in prior years.

Table of Contents

Name and Principal Position (a) (1)	Year (b)	Salary ($) (c) (2)	Bonus (2) (3) ($) (d)	Stock Awards (4) (5) ($) (e)	Option Awards (5) (6) ($) (f)	Non-Equity Incentive Plan Compen- sation (5) (7) ($) (g)	Change in Pension Value and Nonqualified Deferred Compen- sation Earnings (5) (8) ($) (h)	A Ot Com sati (5 (9 ($ (
Craig O. Morrison President and Chief Executive Officer	2010	255,769	—	—	—	—	—	
Dr. Jonathan D. Rich Former President and Chief Executive Officer	2010	487,500	—	—	828,826	—	—	5
	2009	601,250	—	—	—	877,500	152,708	
	2008	650,000	—	—	—	—	140,336	
William H. Carter Chief Financial Officer	2010	184,587	—	—	—	—	—	
Anthony Colatrella Former Chief Financial Officer	2010	299,042	—	—	781,795	—	—	2
	2009	345,393	100,000	—	334,331	394,875	—	
Steven P. Delarge Executive Vice President, President-Silicones and Quartz Division, Former Presiden t-Silicones Americas	2010	394,888	—	—	276,077	437,145	537,945	
	2009	349,380	—	—	60,373	364,420	118,197	
	2008	328,869	—	—	—	—	98,589	
Michael D. Modak Chief Commercial Officer	2010	398,722	133,334	—	593,478	480,000	112,974	
	2009	369,58133,333		—	167,1324,000		98,728	
John C. Dandolph Senior Vice President and Managing Director-Silicones Asia Pacific	2010	268,750	—	&nb sp;	337,510	220,000	95,623	
Douglas A. Johns Executive Vice President and General Counsel	2010	355,208	—	—77,345		319,650	305,856	
	2008	306,863	—	—	—	—	61,8361,902	
Anthony B. Greene Executive Vice President, Business Development and Strategy	2010	294,326	—	—	120,011	231,000	341,497	

(1) The compensation set forth in this table for Messrs. Morrison, Carter, Johns and Greene, executives who provide services to both MSC and shown regardless of the source of the compensation and the cost allocations under the Shared Services Agreement. Messrs. Morrison a by MSC and began to provide executive services to us on October 1, 2010 pursuant to the terms of the Shared Services Agreement. M are employed by us and began to provide executive services to MSC on October 1, 2010 pursuant to the terms of the Shared Services A of the closing of the MSC Transaction, effective as of October 1, 2010, we terminated the employment of Jonathan D. Rich and Antho and CFO at the time, pursuant to Separation Agreements each dated September 29 , 2010. Messrs. Delarge, Modak and Dandolph are e provide services to MSC. In connection with the MSC Transaction, Mr. Delarge was promoted to Executive Vice President and Presid Division, on October 1, 2010. Prior to that time, he served as President, Silicones Americas. Mr. Modak was an executive officer at th

2010. Although he continues to serve as our Chief Commercial Officer, he was not an executive officer at December 31, 2010. Mr. Da
officer at the beginning of fiscal year 2010. Although he continues to serve as Senior Vice President and Managing Director-Silicones
an executive officer at December 31, 2010.

(2) The amounts included in column (c) and (d) for Messrs. Morrison and Carter reflect the total compensation earned by

Table of Contents

the executive related to the fourth quarter (the period in which they provided services to us in 2010), regardless of the amount allocated to u
Services Agreement. The amounts included in column (c) and (d) for Messrs. Johns and Green reflect the total compensation earned by
year, regardless of the amount allocated to MSC related to the fourth quarter under the Shared Services Agreement.

(3) In 2010 and 2009, Mr. Modak was paid $133,334 and $133,333, respectively, the portion of his original sign-on bonus which was payable
and twenty-four month anniversary of employment with the Company.

(4) This column reflects the aggregate grant date fair value in the applicable fiscal year for stock awards of common stock of MPM Holdings (
converted into units of Momentive Holdco pursuant to the terms of the Combination Agreement) granted in such fiscal year in accorda
Topic 718. In fiscal year 2010, all of the Named Executive Officers who purchased shares of common stock of MPM Holdings, purcha
2007 Long-Term Incentive Plan at a price per share equal to or greater than the fair market value of the stock determined in accordanc
of sale. Because the stock was not purchased at a discount to its fair market value at the time of sale, no amount is recognized in this co

(5) Messrs. Morrison and Carter do not participate in our benefit or compensation plans and as a result no amounts are shown in columns (e)-(
Messrs Morrison and Carter, however, participate in MSC's benefit and compensation plans and amounts under those plans related to t
are shown in column (i), regardless of the amounts allocated to us under the Shared Services Agr eement. The amounts shown in colum
Johns and Greene reflect total amounts under our benefit and compensation plans for the full year, regardless of the amounts allocated
fourth quarter under the Shared Services Agreement.

(6) This column reflects the aggregate grant date fair value in the applicable fiscal year for option awards to purchase MPM Holdings common
subsequently converted into units of Momentive Holdco pursuant to the terms of the Combination Agreement) granted in such fiscal y
fair value of modifications to previously issued option awards in such fiscal year in accordance with FABS ASC Topic 718. The amou
reflect the amount of compensation actually received by the Named Executive Officer. In 2010, Messrs. Colatrella, Delarge, Modak, D
issued new options and their option awards issued prior to 2010 were also modified to add a new vesting criteria. In 2010, option awar
and Johns prior to 2010 were also modified to add a new vesting criteria.

(7) This column reflects th e amounts earned by the Named Executive Officers employed by us under our Annual Cash Bonus Plan for fiscal y
herein as the 2010 ICP).

(8) The change in pension values refers to the aggregate change in the present value of the Named Executive Officer's accumulated benefits un
provide for the payment of retirement benefits or benefits paid primarily after retirement (including tax-qualified defined benefit plans
executive retirement plans and excluding tax-qualified defined contribution plans) from the m easurement date used for preparing the p
financial statements to the measurement date used for preparing the current period year financial statements. For the Named Executive
such amounts in 2010 were: Rich-($293,044), Colatrella-$0, Delarge-$537,945, Modak-$112,974, Dandolph-$95,623, Johns-$305,856
The present value of Momentive pensions for Messrs. Rich and Colatrella decreased to zero because at the time of their termination of
vested pension benefits. See the Pension Benefits table below for additional information regarding our pension calculations, including
these calculations. Non-qualified deferred compensation earnings refer to above-market or preferential earnings on compensation that
qualified basis. We do not maintain any defined contribution or other plan that provides for the deferral of compensation on a basis tha

(9) Messrs. Morrison and Carter participated in the following MSC programs in 2010 and received compensation as indicated below: Morrison
Compensation Plan-$352,450, and 401K Matching Contributions and Annual Retirement Contribution-$1,838; and Carter: Annual Cas
Compensation Plan-$203,489, and 401K Matching Contributions and Annual Retirement Contribution-$3,063. The Named Executive
participated in the following Company programs in 2010 as indicated: Rich: Leadership Life Insurance-$9,005; Colatrella: Leadership
Delarge: Automobile-$3,361 and Leadership Life Insurance-$7,376; Modak: Leadership Life Insurance-$5,698; Dandolph: Expatriate
(Housing & Utilities-$71,210; Tax Equlization-$66,991; Cost of Living Supplement-$32,503; Auto-$32,300 and Other-$19,002); Lea
$359; Johns: Leadership Life Insurance-$5,658; and Greene: Leadership Life Insurance-$3,521. In connection with his Separation Agr
received or will receive the following payments and benefits following his termination of employment on October 1, 2010: (i) $975,00
severance payments,

[Table of Contents](#)

representing his regular salary for the period from October 2, 2010 through and continuing until March 30, 2012, payable in monthly instal of $1,300,000 based on the achievement of applicable performance targets by the Company for fiscal year 2010, which we expect to pa 2011, (iii) $2,768 representing the value of health and welfare benefits provided through February 3, 2011, and (iv) $350,000, which w his termination of employment. In addition, in accordance with the terms of his Separation Agreement, Momentive Holdco repurchase Momentive Holdco held by Mr. Rich at the same price originally paid by Mr. Rich (as adjusted to reflect the conversion under the Con our parent modified Mr. Rich's existing options. Under the option modification, Mr. Rich's unvested Tranche A time-vesting options b October 1, 2010, the effective date of his termination of employment without cause, and his unvested Tranche B and Tranche C perfor shall remain outstanding until the expiration of the scheduled option term (as set forth in Mr. Rich's Option Agreement) determined wi continued service requirement set forth in his Option Agreement and shall vest if the applicable performance goals are achieved. The f option modifications for Mr. Rich determined in the same manner as described under footnote (6) above is $2,621,400. In connection v Agreement, Mr. Colatrella also received or will receive the following payments and benefits following his termination of employment (i) $599,952 in aggregate cash severance payments, representing his regular salary for the p eriod from October 2, 2010 through and co 2012, payable on a bi-weekly basis (minus all applicable taxes and previously authorized payroll deductions), plus two weeks of paid v of $585,000 based on the achievement of applicable performance targets by the Company for fiscal year 2010, calculated as if his emp through December 31, 2010, which we expect to pay in the first quarter of 2011, (iii) $18,388 representing the estimated value of medi insurance benefits to be provided through September 30, 2011, (iv) $197,471 paid within thirty days of his termination of employment of all outstanding benefits owed to him under our relocation program and (v) $7,100 representing the estimate value of outplacement s through September 30, 2011. In addition, in accordance with the terms of his Separation Agreement, our parent modified Mr. Colatrell the option modification, Mr. Colatrella's unvested Tranche A time-vesting options and his unvested Tranche B and Tranche C perform remain outstanding until the expiration of the scheduled option term (as set forth in Mr. Colatrella's Option Agreements) determined w continued service requirement set forth in his Option Agreements and shall vest according to their terms. The fair value of the foregoin Mr. Colatrella determined in the same manner as described under footnote (6) above is $1,183,871. The severance benefits referred to entirety, regardless of the amounts allocated to MSC under the Shared Services Agreement.

Narrative to Summary Compensation Table

Shared Services Agreement

On October 1, 2010 in connection with the closing of the MSC Transaction, we entered into the Shared Services Agreement with MSC, pur provides to us, and we provide to MSC, a range of services, including the services of certain executives and employees on a shared basis. Under provides us with the executive services of Mr. Morrison, Mr. Carter and certain other members of our Senior Leadership Team (while they cont and provide services to, MSC) and we provide MSC with the executive services of Messrs. Johns and Greene (while they continue to be employ services to, us). In addition, under this agreement, MSC provides to us, and we provide to MSC, the services of various other exec utives and en basis. Pursuant to the Shared Services Agreement, the fully burdened costs (including associated overhead costs) of the executives and other em provides to us and we provide to MSC are allocated 49% to us and 51% to MSC, respectively, according to an agreed upon methodology, excep of any cost is demonstrably attributable to or for the benefit of either MSC or us, in which case the entire cost is allocated to such party. Fully b employees include salary, bonus, cash grants under annual incentive compensation plans, costs under health care, life insurance, pension, retirem compensation and severance plans and associated overhead, calculated in accordance with accounting policies and procedures approved, from t Monthly net payments are made under the Shared Services Agreement based on estimated total allocated costs for all services. Following the en additional payment is made, if necessary, based on a reconciliation of estimated costs to actual costs for such quarter. We expect that the MSC T Shared Services Agreement, will result in significant synergies for us. For additional details regarding the Shared Services Agreement, see Item Relationships and Related Transactions, and Director Independence."

MSC Employment Agreements

MSC has an employment agreement with Mr. Morrison, which includes an agreement not to compete with MSC for 18 months following t
non-solicitation agreement and a confidentiality agreement. In the event that Mr. Morri son's employment is terminated by the Board of Directo
or Mr. Morrison resigns for good reason, Mr. Morrison is entitled, under this agreement, to base salary continuation during the term of his non-

MSC also has an employment agreement with Mr. Carter, which includes an agreement not to compete with MSC for two years following
non-solicitation agreement and a confidentiality agreement. In the event that Mr. Carter's employment is terminated without cause or Mr. Carte
Mr. Carter is entitled, under this agreement, to base salary continuation during the term of his non-compete agreement.

If Messrs. Morrison or Carter's employment is terminated by MSC pursuant to the terms of their employment agreements with MSC, these
longer provide services to us under the Shared Services Agreement. In such event, the cost of any benefits payable would be allocated 49% to u
100% of such costs are demonstrably attributable to or for the benefit of either MSC or us, in which case the entire cost would be allocated to s
terms of the Shared Services Agreement, provided the agreement is still in effect at the time of the termination.

Rich and Colatrella Separation Agreements and Option Modifications

In anticipat ion of the closing of the MSC Transaction, we entered into Separation Agreements dated September 29, 2010 with each of Jon
Anthony Colatrella, our CEO and CFO at the time. Pursuant to these agreements, both executives were terminated without cause as of October

Pursuant to the terms of Dr. Rich's pre-existing employment agreement with us dated June 1, 2007, Dr. Rich is entitled to receive, subject t
restrictive covenants set forth therein, the following severance benefits (i) any accrued but unpaid annual base salary and bonus, vacation and u
payable in lump sum, (ii) 18 months of continued base salary, payable in monthly installments, (iii) a bonus (based on the Company's performa
termination occurs and (iv) continued health and welfare benefits (excludin g long-term disability coverage) for 18 months for Dr. Rich (and, w
dependents), subject to cutoff in certain events in connection with Dr Rich's subsequent reemployment. Pursuant to the terms of Dr. Rich's sep
dated September 29, 2010, our parent agreed to modify the terms of Dr. Rich's existing options. Under the option modification, (i) the time-ves
Dr. Rich became fully vested upon his date of termination and will remain outstanding until the expiration of the scheduled stock option term a
based stock options will remain outstanding until the expiration of the scheduled stock option term, determined without regard to the continued
will vest if the applicable performance goals are achieved. As consideration of the services that Dr. Rich provided through the closing of the tr
by the Combination Agreement, we also paid Dr. Rich, within 30 days of his termi nation date, $350,000 in accordance with the terms of the se
connection with his entry into the separation agreement, Mr. Rich executed a general release of claims against our affiliates and us. On Februar
health and welfare benefits ceased, because Mr. Rich had become eligible for similar benefits by another employer. On December 15, 2010, in
of the separation agreement, Momentive Holdco purchased 50% of Dr. Rich's units in MPM Holdings. Mr. Rich is also subject to certain non-
solicitation restrictions for two years following termination of his employment, and continuing confidentiality obligations under his employme

Pursuant to the terms of Mr. Colatrella's pre-existing offer letter agreement with us, dated December 22, 2008, in the event of a terminatio
Colatrella was entitled to receive, subject to his execution of a general release of claims, his current base salary (including benefits) up to one y
begins full-time employment with another employer. However, pursuant to the terms of Mr. Colatrella's separation agreement with us, dated S
agreed to provide Mr. Colatrella with the following benefits in lieu of the severance benefits contained in Mr. Colatrella's offer letter and in co
of a release contained in his separation agreement: (i) current base salary, on a bi-weekly basis, beginning on October 15, 2010, for the period f
through and continuing until March 30, 2012 (minus all applicable taxes and previously authorized payroll deductions), (ii) all medical, dental
through September 30, 2011, (iii) his 2010 cash bonus paid pursuant to the terms of our Annual Cash Bonus Plan and calculated as if his emplo
through December 31, 2010, (iv) a lump sum payment equal to $197,471 for all outstanding benefits owed to him under our relocation program
outplacement services, (vi) lump-sum payment of accrued and unused vacation time, equivalent to two weeks of salary pay and (vii) modificati
providing for continued vesting of all time-vested stock options in accordance with its terms (determined without regard to the continued servi
performance-based stock options to remain outstanding until the expiration of the scheduled stock option term (determined without regard to th
requirement) and to vest if the applicable performance goals are achieved. In addition, we also agreed that on a date between the termination d
2010, Mr. Colatrella may sell a portion or all of his shares of MPM Holdings common stock (or Momentive

Holdco units following the equity conversion under the Combination Agreement) to us or our affiliate at his original purchase price. Mr. Colatrella, this right. We agreed to indemnify Mr. Colatrella for liabilities arising out of or relating to his position as Chief Financial Officer, to the extent law and consistent with indemnification provided to officers and directors of the Company generally. We will also provide coverage under the period of six years following Mr. Colatrella's separation from us. The non-solicitation and non-compete provisions under MPM Holdings' Ame Securityholders Agreement, dated March 5, 2007, are to remain in full force and effect and Mr. Colatrella agreed to a non-disparagement provis agreement.

Option Modifications

As described in the Narrative to Grants of Plan Based Awards below, in early March 2010, we amended all outstanding performance vesti Long-Term Incentive Plan, including those held by the applicable Named Executive Officers, to better incentivize our executives.

Term Sheets

In connection with the consummation of the GE Advanced Materials Acquisition, we entered into definitive and binding term sheets with M Greene. Under these term sheets, each executive is employed on an at-will basis and is entitled to severance benefits that are no less favorable t executive was entitled to under the policies and practices of GE in effect as of December 3, 2006, which are more fully described below in "Pot Termination or Change in Control". In connection with his promotion on October 1, 2010, we increased certain severance benefits for Mr. John sheets, Messrs. Delarge, Johns and Greene are also subject to certain non-competition and non-solicitation restrictions during the terms of their specified period following the termination of their employment, and ongoing confidentiality obligations. These Named Executive Officers were term sheets to purchase common stock of MPM Holdings. In connection with such purchases, MPM Holdings was obligated to grant the Name options to purchase additional shares of MPM Holdings common stock. Such stock purchases and option grants commitments have been satisfi of these agreements. Under his term sheet, Mr. Delarge is also entitled to $15,000 in annual compensation in lieu of GE benefits or participation program.

Modak Offer Letter

Pursuant to the terms of his offer letter, Mr. Modak's employment is on an at-will basis. Under his offer letter, Mr. Modak was also entitled bonus totaling $400,000, which was payable in three equal installments over a two-year period, and is eligible for certain severance benefits, wh described below in "Potential Payments Upon Termination or Change in Control". $133,333 of Mr. Modak's sign-on bonus was paid following paid following his one-year anniversary of employment in June 2009 and the remaining $133,334 was paid two years after his date of hire.

Dandolph International Assignment Compensation

Under the terms of his offer letter, we have agreed to provide Mr. Dandolph with expatriate benefits relating to his current international ass began in February 2010. The additional benefits that he receives are directly related to the additional expenses Mr. Dandolph incurs as a result o assignment. His benefits include payments for housing, cost of living and personal income tax differentials (which reflect an employee contribu and personal income taxes), transportation benefits subject to country guidelines and an employee contribution, participation in our global healt home-le ave expenses and tax preparation assistance. In addition, upon the completion of his international assignment, we will pay for any nece expenses (as determined under the expatriate policy in effect at the time of repatriation) to relocate Mr. Dandolph back to the U.S. or to another except in the event Mr. Dandolph resigns or is discharged for cause.

[Table of Contents](#)

Grant s of Plan Based Awards

The following table sets forth information regarding plan-based awards that were granted to each participating Named Executive Officer in
and our 2007 Long-Term Incentive Plan.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#) (3)	All Other Option Awards: Number of Se curities Underlying Options (#) (4)	Price (...
Craig O. Morrison	N/A	—	—	—	—	—	—	—	—	
Dr. Jonathan D. Rich	N/A	1	650,000	1,300,000	—	—	—	—	—	
Tranche B Option Modification	3/5/10	—	—	—	—	963,795	—	—	—	
Tranche C Option Modification	3/5/10	—	—	—	—	963,795	—	—	—	
William H. Carter	N/A	—	—	—	—	—	—	—	—	
Anthony S. Colatrella	N/A	1	292,500	585,000	—	—	& mdash;	—	—	
Tranche B Option Modification	3/5/10	—	—	—	—	115,655	—	—	—	
Tranche C Option Modification	3/5/10	—	—	—	—	115,655	—	—	—	
Common Stock	4/30/10	—	—	—	—	—	—	192,759	—	
Tranche A Options	4/30/10	—	—	—	—	—	—	—	192,759	
Tranche B Options	4/30/10	—	—	—	—	192,759	—	—	—	
Tranche C Options	4/30/10	—	—	—	—	192,759	—	—	—	
Steven P. Delarge	N/A	1	289,500	579,000	—	—	—	—	—	
Tranche B Option Modification	3/5/10	—	—	—	—	125,293	—	—— 2.594 58,885		
Tranche C Option Modification	3/5/10	—	—	—	—	125,254	—	—	—	
Common Stock	4/30/10	—	—	—	—	—	—	38,552	—	
Tranche A Options	4/30/10	—	—	—	—	—	—	—	41,790	
Tranche B Options	4/30/10	—	—	—	—	41,751	—	—	—	
Tranche C Options	4/30/10	—	—	—	—	41,751	—	—	—	

Michael D. Modak	N/A	1	240,000	480,000	—	—	—	—	—
Tranche B Option Modification	3/5/10	—		—	~~57~~,827		—	—	—
Tranche C Option Modification	3/5/10	—	—	—	—	57,827	—	—	—
Common Stock	4/30/10	—	—		—	—		134,931	—

[Table of Contents](#)

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Threshold (#)&nbs p;	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#) (3)	All Other Option Awards: Number of Securities Underlying Options (#) (4)	(
Tranche A Options	4/30/10	—	—	—	—	—	—	—	134,931	
Tranche B Options	4/30/10	—	—	—	—	134,931	—	—	—	
Tranche C Options	4/30/10	—	—	—	—	134,931&nbs p;	—	—	—	
John C. Dandolph	N/A	1	110,000	220,000	—	—	—	—	—	
Tranche B Option Modification	3/5/10	—	—	—	—	16,076	—	—	—	
Tranche C Option Modification	3/5/10	—	—	—	—	16,037	—	—	—	
Common Stock	5/19/10	—	—	—	—	—	—	96,380	—	
Tranche A Options	5/19/10	—	—	—	—	&mda sh;	—	—	80,341	
Tranche B Options	5/19/10	—	—	—	—	80,303	—	—	—	
Tranche C Options	5/19/10	—	—	—	—	80,303	—	—	—	
Douglas A. Johns	N/A	1	159,825	319,650	—	—	—	—	—	
Tranche B Option Modification	3/5/10	—	—	—	—	89,941	—	—	—	
Tranche C Option Modification	3/5/10	—	—	—	—	89,941	—	—	—	
Anthony B. Greene	N/A	1	115,500	231,000	—	—	—	—	—	
Tranche B Option Modification	3/5/10	—	—	—	—	64,265	—	—	—	
Tranche C Option Modification	3/5/10	—	—	—	—	64,227	—	—	—	
Common Stock	5/19/10	—	—	—	—	—	—	19,276	—	
Tranche A Options	5/19/10	—	—	—	—	—	—	—	16,076	
Tranche B Options	5/19/10	—		—	—	16,076	—	—	—	
Tranche C Options	5/19/10	—	—	—	—	16,037	—	—	—	

(1) The amounts shown in these columns represent the threshold, target and maximum awards that could have been earned by the Named Exe
2010 ICP.

(2) This column reflects the number of options to purchase common stock of MPM Holdings with performance based vesting requirements gra
year 2010, as subsequently converted into common units of Momentive Holdco pursuant to the terms of the Combination Agreement.

(3) This column reflects the shares of MPM Holdings common stock purchased by the Named Executive Officers during fiscal year 2010 as su
common units of Momentive Holdco pursuant to the terms of the Combination Agreement. The effective purchase price paid for these
conversion was $2.594.

Table of Contents

(4) This column reflects the number of options to purchase common stock of MPM Holdings with time-based vesting requirements granted or 2010, as subsequently converted into common units of Momentive Holdco pursuant to the terms of the Combination Agreement.

(5) This column reflects the exercise price per unit for the options to purchase Momentive Holdco common units. There is currently no public units of Momentive Holdco. The exercise price per unit for the options is equal to the per share purchase price paid by Apollo in the G Acquisition for common stock of MPM Holdings, as adjusted for the conversion of such stock into Momentive Holdco common units Agreement.

(6) This column shows the aggregate fair value of each option award or the incremental fair value of each option modification, calculated as of in accordance with FASB ASC Topic 718. Because MPM Holdings common stock was not sold at a discount to it s fair market value a aggregate grant date fair value of each stock award is $0. The amounts in this column do not reflect the amount of compensation actua Executive Officer during fiscal year 2010.

Narrative to Grants of Plan Based Awards Table

MSC Awards

Messrs. Morrison and Carter do not participate in our annual cash incentive plan. These executives, however, participate in MSC's annual c 49% of MSC's cost of this plan for Mess rs. Morrison and Carter related to the fourth quarter of 2010 was allocated to us in accordance with the Services Agreement. Such amounts are included in footnote (9) to the Summary Compensation Table set forth above. For a description of MSC see MSC's Annual Report on Form 10-K for the period ended December 31, 2010.

Annual Incentive Compensation Plan

The financial metrics used in our 2010 annual incentive compensation plan include Adjusted EBITDA, free cash flow and working capital with global roles, the financial objectives are Adjusted EBITDA and free cash flow of the Company. For executives with regional or business u objectives are Adjusted EBITDA of the Company and the applicable region or business unit, free cash flow of the Company and working capita applicable region or business unit. Minimum, target and maximum goals were established for each financial metric. The regional or business un goals for the Company. The minimum threshold for an incentive payout was established at approximately 90% of the target goal, and the maxir established at approximately 110% of the target goal. The Adjusted EBITDA, free cash flow and working capital turnover goals act independen based on one metric is possible even if the minimum threshold for the other metrics are not achieved.

The incentive target award under the 2010 ICP for each participating Named Executive Off icer is based on a percentage of his base salary. MSC Transaction, the responsibilities of certain Named Executive Officers were increased and, effective October 1, 2010, these individuals' inc expressed as percentage of their base salary, was increased with respect to the fourth quarter of 2010. Messrs. Rich, Colatrella, Modak, Johns ar global roles, had 70% of their annual incentive compensation tied to Adjusted EBITDA of the Company and 30% tied to free cash flow of the C and Dandolph, executives with business unit roles at the beginning of the year, had 45% of their annual incentive compensation tied to Adjusted Company, 25% tied to Adjusted EBITDA of the applicable business unit, 15% tied to free cash flow of the Company and 15% tied to working c applicable business unit. For additional information on the 2010 ICP target awards, goals, and performance components, see “Exe cutive Comp Annual Incentive Awards” in the Compensation Discussion and Analysis section above.

Option Modifications

In early March 2010, to better incentivize our executives, we amended all outstanding performance vesting options under our 2007 Long-T including those held by the applicable Named Executive Officers, tieing vesting to the earlier of (i) Apollo's achievement of a specified internal investment in MPM Holdings and (ii) Apollo's achievement of a specified cash-on-cash return on its equity investment in MPM Holdings. Prev options was tied only to the internal r ate of return criteria. All subsequent grants of performance vesting options include the foregoing vesting c

2010, Mr. Rich and Mr. Colatrella's options were also modified in connection with their Separation Agreements, as described in the Narrative to
Compensation Table above.

Table of Contents

Stock Sales and Option Grants under the 2007 Long-Term Incentive Plan

In mid 2010, Messrs. Colatrella, Delarge, Modak, Dandolph and Greene purchased common stock of MPM Holdings, investing $500,000, $250,000 and $50,000, respectively. The common stock was subsequently converted into common units of Momentive Holdco pursuant to the t Agreement. In connection with the purchases, we granted these executives options to purchase common stock of MPM Holdings, which were a converted into options to purchase common units of Momentive Holdco pursuant to the terms of the Combination Agreement. The purchase pri stock, and exercise price for such options, were set at or above fair market value, as determin ed by the Compensation Committee in accordance 2007 Long-Term Incentive Plan.

Approximately one-third of the options granted are time vesting options and two-thirds are performance vesting options. The time vesting o become exercisable in four equal annual installments. One half of the performance vesting options vest on the earlier of (i) the date that Apollo' investment in MPM Holdings (now converted into Momentive Holdco common units) is equal to or exceeds 20% and (ii) Apollo's achievement cash return of 1.75 times its investment in MPM Holdings (now converted into Momentive Holdco common units). The other half of the perfor vest on the earlier of (i) the date that Apollo's IRR on its equity investment in MPM Holdings (now converted into Momentive Holdco common exceeds 25% and (ii) Apollo's achievement of a minimum cash-on-cash return of 2.25 times its equity investment in MPM Holdings (now conv Holdco common units). The vesting terms described above in each case assume the executive's continued employment with the Company, exce options will continue to vest without regard to his continued employment pursuant to the terms of his Separation Agreement.

Outstanding Equity Awards at Fiscal-Year End

The following table sets forth information regarding stock options outstanding at December 31, 2010 for each of the Named Executive Off are exercisable for common units of Momentive Holdco. The vesting dates applicable to each stock option award are set forth in footnotes belo unvested stock awards for our Named Executive Officers outstanding at December 31, 2010.

	Option Awards					Stock Awa			
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#) (j)

Craig O. Morrison								
MSC Plan Tranche A Options	301,514	—	—	6.22	8/2/14	—	—	—
MSC Plan Tranche B Options	—	301,514	—	6.22	8/2/14	—	—	—
Dr. Jonathan D. Rich								
Tranche A Options	963,795	—	2.596	6/8/17	—	—		
Tranche B Options	—	963,795	2.596	6/8/17	&mdash ;	—		
Tranche C Options	—	963,795	2.596	6/8/17	—	—		
William H. Carter								
MSC Plan Tranche A Options	241,211	—	6.22	8/2/14	& nbsp;	—		
MSC Plan Tranche B Options	—	241,211	6.22	8/2/14	—	—		
Anthony S. Colatrella								
Tranche A Options	28,914	86,741(1)	2.594	12/28/19	—	—		

Table of Contents

Name (a)	Option Awards					Stock Aw	

Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Secu rities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (e)	Option Expira tion Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)
Tranche A Options	—	192,759(2)	—	2.594	4/30/20	—	—
Tranche B Options	—	115,655	&nbs p;	2.594	12/28/19	—	—
Tranche B Options	—	192,759	—	2.594	4/30/20	—	—
Tranche C Options	—	115,655	—	2.594	12/28/19	—	
Tranche C Options	—	192,759	—	2.594	4/30/20	—	—
Steven P. Delarge							
Tranche A Options	83,548	20,888(3)	—	2.594	3/30/17	—	—
Tranche A Options	5,224	15,671(4)	—	2.594	12/28/19	—	—
Tranche A Options	—	41,790(5)	—	2.594	4/30/20	—	—
Tranche B Options	—	104,398	—	2.594	3/30/17	—	—
Tranche B Options	—	20,895	—	2.594	12/28/19	—	—
Tranche B Options	—	41,751	—	2.594	4/30/20	—	—
Tranche C Options	—	104,398	—	2.594	3/30/17	—	—
Tranche C Options	—	20,856	—	2.594	12/28/19	—	—
Tranche C Options	—	41,751	—	2.594	4/30/20	—	—
Michael D. Modak							
Tranche A Options	14,457	43,370 (6)	—	2.594	12/28/19	—	—

Tranche A Options	—	134,931(7)	—	2.594	4/30/20	—	—
		57,827					
	12/28/ — 2.594 19 — — —						
Tranche B Options	——						
Tranche B Options	—	134,931	—	2.594	4/30/20	—	—
Tranche C Options	—	57,827	—	2.594	12/28/19	—	—
Tranche C Options	&mda sh;	134,931	—	2.594	4/30/20	—	—
John C. Dandolph							
Tranche A Options	12,860	3,216(8)	—	2.594	3/30/17	—	—
Tranche A Options	—	80,341(9) ;	—	2.594	5/19/20	—	—
Tranche B Options	—	16,076	—	2.594	3/30/17	—	—
Tranche B Options	—	80,303	—	2.594	5/19/20—		—
Tranche C Options	—	16,037	—	2.594	3/30/17	—	—
Tranche C Options	—	80,303	—	2.594	5/19/20	—	—
Douglas A. Johns							
Tranche A Options	71,984	17,995(10)	—	2.594	3/30/17	—	—
Tranche B Options	—	89,941	—	2.594	3/30/17	—	—
Tranche C Options	—	89,941	—	2.594	3/30/17	—	—
Anthony B. Greene					;		
Tranche A Options	51,412	12,853(11)	—	2.594	3/30/17	—	—
Tranche A Options	—	16,076(12)	—	2.594	5/19/20	—	—
Tranche B Options	—	64,265	—	2.594	3/30/17	—	—

[Table of Contents](#)

	Option Awards					Stock Awa		
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)	
Tranche B Options	—	16,076		2.594	5/19/20	—	—	
Tranche C Options	—	64,227	—	2.594	3/30/17	—	—	
Tranche C Options	—	16,037	—	2.594	5/19/20	—	—	

(1) Tranche A options to purchase approximately 28,914 shares of Momentive Holdco common units vest on December 28th of each year from

(2) Tranche A options to purchase approximately 48,190 shares of Momentive Holdco common units vest on April 30th of each year from 2011

(3) Assuming Mr. Delarge's continued employment with the Company, Tranche A options to purchase 20,888 common units of Momentive Ho December 3, 2011.

(4) Assuming Mr. Delarge's continued employment with the Company, Tranche A options to purchase approximately 5,224 common units of vest on December 28th of each year from 2011 through 2013.

(5) No Tranche A options are vested. Assuming Mr. Delarge's continued employment with the Company, Tranche A options to purchase appro units of Moment ive Holdco will vest on April 30th of each year from 2011 through 2014.

(6) Assuming Mr. Modak's continued employment with the Company, Tranche A options to purchase approximately 14,457 common units of vest on December 28th of each year from 2011 through 2013.

(7) No Tranche A options are vested. Assuming Mr. Modak's continued employment with the Company, Tranche A options to purchase appro units of Momentive Holdco will vest on April 30th of each year from 2011 through 2014.

(8) Assuming Mr. Dandolph's continued employment with the Company, Tranche A options to purchase 3,216 common units of Momentive H
December 3, 2011.

(9) No Tranche A options are vested. Assuming Mr. Dandolph's continued employment with the Company, Tranche A options to purchase app
common units of Momentive Holdco will vest on May 19th of each year from 2011 through 2014.

(10) Assuming Mr. Johns's continued employment with the Company, Tranche A options to purchase 17,995 common units of Momentive Hol
December 3, 2011.

(11) Assuming Mr. Greene's continued employment with the Company, Tranche A options to purchase 12,853 common units of Momentive Ho
December 3, 2011.

(12) No Tranche A options are vested. Assuming Mr. Greene's continued employment with the Company, Tranche A options to purchase appro
units of Momentive Holdco will vest on May 19th of each year from 2011 through 2014.

Narrative to Outstanding Equity Awards Table

The outstanding options held by Messrs. Morrison and Carter were granted under the 2004 Stock Incentive Plan of Hexion LLC (the prede (the "MS C Plan") and originally covered the equity securities of Hexion LLC. These options were subsequently converted into options to purc Momentive Holdco pursuant to the terms of the Combination Agreement.

The Tranche A options reported in the table for Messrs. Morrison and Carter vested over five years and are fully vested at December 31, 2 options reported in the table for Messrs Morrison and Carter are designed to vest on the eighth anniversary of the grant date (August 2004) but vesting in connection with a change in control of MSC, based on certain conditions. For a description of MSC Plan and grants made to Messrs. thereunder, see MSC's Annual Report on Form 10-K for the period ended December 31, 2010.

The outstanding options held by Messrs. Rich, Colatrella, Delarge, Modak, Dandolph, Johns and Greene were granted under our 2007 Lon originally covered the equity securities of MPM Holdings These options were subsequently converted into options to purchase common units o pursuant to the terms of the Combination Agreement.

The Tranche A options under our 2007 Long-Term Incentive Plan will vest and become exercisable in four or five equal annual installmen of the grant. The Tranche B options under our 2007 Long-Term Incentive Plan vest on the earlier of (i) the date that Apollo's IRR on its equity Holdings (now converted into Momentive Holdco common units) is equa l to or exceeds 20% and (ii) Apollo's achievement of a minimum cash times its investment in MPM Holdings (now converted into Momentive Holdco common units). Tranche C options under our 2007 Long-Term earlier of (i) the date that Apollo's IRR on its equity investment in MPM Holdings (now converted into Momentive Holdco common units) is eq and (ii) Apollo's achievement of a minimum cash-on-cash return of 2.25 times its equity investment in MPM Holdings (now converted into Mo units). The cash-on-cash return vesting criteria was added in early March 2010.

The vesting terms described above in each case assume the executive's continued employment with the Company, except for Rich and Col terms of his Separation Agreement, Mr. Ric h's Tranche A options became fully vested on October 1, 2010 and his Tranche B and Tranche C o to their terms without regard to his continued employment. Mr. Colatrella's options will vest according to their terms without regard to his cont accordance with the terms of his Separation Agreement.

Option Exercises and Stock Vested

No options were exercised by the Named Executive Officers in fiscal year 2010. None of the Named Executive Officers have outstanding during fiscal year 2010 related to their service with us.

[Table of Contents](#)

Pension Benefits

The following table sets forth for each participating Named Executive Officer information regarding the benefits payable under each of our payments or other benefits at, following, or in connection with such Named Executive Officer's retirement. The following table does not provid tax- qualified or nonqualified defined contribution plans.

Name	Plan Name	**Number of Years Credited Service (#) (1)**	**Present Value of Accumulated Benefit ($) (2)(3)**	
Craig O. Morrison	Not Applicable		—	—
Dr. Jonathan D. Rich	Momentive Pension Plan		—	—
	Momentive Supplementary Pension Plan		—	—
Momentive Excess Benefits Plan		—	—	—
		&mdash ;	—	
William H. Carter	Not Applicable	—	—	
Anthony S. Colatrella	Momentive Pension Plan	—	—	
	Momentive Supplementary Pension Plan	—	—	
	Momentive Excess Benefits Plan	—	—	
Steven P. Delarge	Momentive Pension Plan	31.508,107	—	
	Momentive Supplementary Pension Plan	31.801,565	—	
	Momentive Excess Benefits Plan	31.501	—	
Michael D. Modak	Momentive Pension Plan	2.505,921	—	
	Momentive Supplementary Pension Plan	2.103,780	—	
	Momentive Excess Benefits Plan	2.505	—	
John C. Dandolph	Momentive Pension Plan	12.432,053	—	
	Momentive Supplementary Pension Plan	12.429,965	—	
	Momentive Excess Benefits Plan	12.471	—	
Douglas A. Johns	Momentive Pension Plan	19.102,330	—	
	Momentive Supplementary Pension Plan	19.422,012	—	
	Momentive Excess Benefits Plan	19.121	—	

Anthony B. Greene	Momentive Pension Plan	29.955	93,465	—
	Momentive Supplementary Pension Plan	29.955	999,064	—
	Momentive Excess Benefits Plan	29.955	—	

(1) Messrs. Delarge, Dandolph, Johns and Greene have received credit for their years of service with GE prior to the GE Advanced Materials Acq determining their eligibility for pension benefits under our plans.

(2) The accumulated benefit is based on service and earnings (base salary and bonus, as described below) that are considered by the plans for t January 29, 2007 to December 31, 2010. The present value has been calculated assuming the participating Named Executive Officers w us until the age at which retirement could have occurred without any reduction in benefits under the Momentive Supplementary Pensio Messrs. Delarge, Dandolph, Johns and Greene; age 65 for Mr. Modak) and that the benefit is payable under the available forms of annu assumptions as described in Note 15 of the Notes to our Consolidated and Combined Financial Statements. As described in such note, 5.60%. If the assumed retirement age was changed to age 65, the normal retirement age on or after April 1, 2008 for exempt employee the present value in total for the three plans wou ld instead be $672,389, $211,701, $117,283, $406,650 and $494,091 for each of Mess Dandolph, Johns and Greene, respectively. The post-retirement mortality assumption is based on the 2011 static mortality tables as def Protection Act of 2006. None of the Named Executive Officers were vested in the Momentive Supplementary Pension Plan as of Dece

Table of Contents

(5) Dr. Rich and Mr. Colatrella's employment was terminated by the Company during 2010, prior to either executive becoming vested in any pension b

Narrative to Pension Benefits Table

MSC Plans. Messrs. Morrison and Carter do not participate in our retirement plans. These execu tives, however, participate in MSC's retire

Momentive Pension Plan. The Momentive Pension Plan is a funded and tax qualified retirement program that covers approximately 2,300 e of December 31, 2010. As applicable to the Named Executive Officers, the plan provides benefits based primarily on a formula that takes into a earnings for each fiscal year. For fiscal years 2008 and later, the formula under the plan provides an annual benefit accrual equal to the number credited service earned after 2007 multiplied by the sum of 1.1% of the executive's average of compensation in the highest 5 consecutive years to termination (the “5 year average compensation”) up to “covered compensation” and 1.6% of final 5 year average compensation in excess of “ “Covered compensation” is $47,500 for fiscal years through 2010 and $55,000 for 2011 through 2013. For fiscal years after 2013, “covered co Social Security covered compensation as defined in section 401(1)(5)(E) of the Internal Revenue Code and will vary over the years based on th and changes in the average of the Social Security taxable wage bases. The executive's annual earnings taken into account under this formula inc half of the eligible bonus payments, but may not exceed an IRS-prescribed limit applicable to tax-qualified plans of $245,000 for 2010.

For fiscal year 2007, the formula provides an annual benefit accr ual equal to 1.45% of the executive's earnings for the year up to $35,000 a for the year in excess of $35,000. The executive's annual earnings taken into account under this formula include base salary and one-half of elig could not exceed an IRS-prescribed limit applicable to tax-qualified plans of $225,000 for 2007. For service in 2007, the maximum incremental executive could have earned toward his total pension payments under this plan was $4,117.50 ($343.13 per month), payable after retirement as

The accumulated benefit an employee earns over his or her career with us is payable starting after retirement on a monthly basis for life wit term of five years. Beginning on April 1, 2008, U.S. employees that are classified as exempt employees, incl uding the Named Executive Office to retire under this plan with unreduced benefits at age 65 (or at age 62 with 25 years of service if hired before January 1, 2005). U.S. employee non-exempt employees are generally eligible to retire under this plan with unreduced benefits at age 60. Employees vest in the Momentive Pens five years of qualifying service or age 60. In addition, the Plan provides for Social Security supplements if the employee was hired prior to Janu joint and survivor annuity options.

Benefits under the Momentive Pension Plan are subject to the limitations imposed under section 415 of the Internal Revenue Code. The sec $195,000 per year for a single life annuity payable at an IRS-prescribed retirement age . This ceiling may be actuarially adjusted in accordance such as employee contributions, other forms of distribution and different annuity starting dates.

Momentive Supplementary Pension Plan. We provide the Momentive Supplementary Pension Plan to approximately 30 U.S. plan participa and above to provide for retirement benefits above amounts available under our tax-qualified and other pension programs. The Supplementary I and is not qualified for tax purposes. An employee's annual Supplementary Pension, when combined with certain amounts payable under the Co other pension programs and Social Security, will equal 1.75% of the employee's “earnings credited for retirement benefit s” multiplied by the nu years of credited service, up to a maximum of 60% of such earnings credited for retirement benefits. The “earnings credited for retirement bene average annual compensation (base salary and bonus) for the highest 36 consecutive months out of the last 120 months prior to retirement. Emp eligible for benefits under the Supplementary Pension Plan if they leave the company prior to reaching age 60. The normal retirement age as de with benefits becoming payable at age 60. Benefits under the Supplementary Pension Plan are generally payable at the time of the employee's te monthly basis for life with a guaranteed minimum term of five years. The Supplementary Pension Plan provides for the same optional spousal j options as the Momentive Pension Plan.

Momentive Excess Benefits Plan. The Momentive Excess Benefits Plan is unfunded and not qualified for tax purposes. Benefits payable under this p excess of (1) the amount that would be payable in accordance with the terms of the Momentive Pension Plan disregarding the limitations impos of the Internal Revenue Code over (2) the pension actually payable under the Momentive Pension Plan taking such section 415 limitations into a the Excess Benefits Plan are payable at the same time and in the same manner as the Momentive Pension Plan.

We do not expect significant accruals under this plan, if any, and have frozen the plan. We established the above pension plans for U.S. employees i employees are eligible for benefits under the plans starting from the later of January 29, 2007 or their hire date. No pension benefits were paid t Executive Officers in the fiscal year 2010. We do not have a policy for granting extra pension service. We intend to meet the 2010 plan year mi requirements for the Momentive Pension Plan by September 2011.

Nonqualified Deferred Compensation

We do not maintain any defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax qualified

Potential Payments Upon Termination or Change in Control

Messrs. Morrison and Carter are employed by MSC and provide services to us under the Shared Services Agreement. As a result, they are benefits if their employment with MSC is terminated pursuant to the terms of their employment agreements with MSC. In such event, however, no longer provide services to us under the Shared Services Agreement, and the cost of such benefits would be allocated 49% to us (except to the costs are demonstrably attributable to or for the benefit of either MSC or us, in which case the entire cost will be allocated to such party) pursua Shared Services Agreement, provided the agreement is still in effect at the time of the termination. For the estimated severance compensation ar Morrison and Carter would receive from MSC upon termination or a change in control, see MSC's Annual Report on Form 10-K for the period 2010. Messrs. Rich and Colatrella's employment with us w as terminated on October 1, 2010. For a description of the severance benefits such e receive see the Summary Compensation Table and the accompanying Narrative above.

Pursuant to their term sheets, Messrs. Delarge, Johns and Greene are entitled to severance benefits that are no less favorable than those pro policies and practices of GE in effect on December 3, 2006, other than with respect to benefits pursuant to any early retirement program, which time to time (except in the case of Mr. Johns whose severance benefits were increased). Accordingly, upon termination of their employment by defined in the applicable severance policy), Messrs. Delarge, Johns and Greene would be entitled to stay on our payroll at their salary then in e (health, life insurance, etc.) for up to a specified period (Delarge and Johns-1 year; Greene-6 months) or until they begin full-time employment whichever event occurs first. The severance benefit period for Mr. Johns was later extended to 18 months in connection with his promotion on his offer letter, upon termination of his employment by us without cause, Mr. Modak would also be entitled to stay on our payroll at his salary t benefits (health, life insurance, etc.) for up to a period of 1 year or until he begin full-time employment with another employer, whichever even their severance benefits, we also expect to provide Messrs. Delarge, Modak, Johns and Greene with outplacement services with a nationally rec of up to a year. The above severance benefits for Messrs. Delarge, Modak, Johns and Greene are contingent on execution of a separation agreem cla ims against us by the executive. In addition, we also expect to continue our pre-existing practice of offering certain severance benefits to cer not covered by existing severance agreements upon termination of their employment by us without “cause”. Such severance benefits, which wo execution of a separation agreement and general release of claims against us by the executive, include continuation of pay and benefits for a cer on position and years of credited service and outplacement services via a nationally recognized firm.

In addition, pursuant to the terms of MPM Holdings' Amended and Restated Securityholders Agreement, in the event that we terminate Me Johns and Greene's employment without “cause” or the executive resigns for &ldqu o;good reason” (as such terms are defined in the Securityho Named Executive Officer may exercise put rights within 90 days of their termination of employment entitling them to sell all (but not less than of Momentive Holdco at a price equal to their original cost. The Securityholders Agreement also subjects each such Named Executive Officer t non-solicitation restrictions during their employment and for one year following termination. Pursuant to their term sheets, Messrs. Delarge, Jo subject to non-competition and non-solicitation restrictions during their employment and for one year following termination, and an ongoing co

The table below includes estimated cash compensation and the estimated value of non-cash b enefits that Messrs. Delarge, Modak, Da would receive, assuming such executive was terminated without “cause” (as defined in the applicable agreement or GE severance policy) by us

notwithstanding the cost of such benefits that would be allocated to MSC pursuant to the terms of the Shared Services Agreement. The table do
the put rights set forth in the Securityholders Agreement entitling each such executive to sell back all of the executive's common units in Mome
of such termination.

Table of Contents

Name	Estimated Cash Compensation ($) (1)
Craig O. Morrison	N/
William H. Carter	N/
Steven P. Delarge	810,00
Michael D. Modak	640,00
John C. Dandolph	265,50
Douglas A. Johns	840,00
Anthony B. Greene	315,00

(1) This column reflects cash severance payments (based on salary as of January 1, 2011) and a cash bonus equal to the target bonus payable u bonus plan.

(2) This column reflects the value of health care benefits, life insurance benefits and outplacement benefit services for Messrs. Delarge, Modak Greene. Such values are based on assumptions used for financial reporting purposes under generally accepted accounting principals.

In addition, pursuant to their amended option agreements, time-based stock options granted to Messrs. Delarge, Modak, Dandolph, Johns, a follows in connection with a change in control of MPM Holdings: (i) if Apollo's IRR on its equity investment in MPM Holdings (now converte common units) is equal to or exceeds 20% or Apollo achieves a minimum cash-on-cash return of 1.75 times its equity investment in MPM Hold Momentive Holdco common units), 50% of the time-based options will vest upon the earlier of 12 months of continued employment after the c termination of the Named Executive Officer's employment without cause or for good reason during this 12-month period and (ii) if Apollo's IR in MPM Holdings (now converted into Momentive Holdco common units) is equal to or exceeds 25% or Apollo achieves a minimum cash-on-c its equity investment in MPM Holdings (now converted into Momentive Holdco common units), 100% of the time-based options will vest upon month anniversary of the change in control and the qualifying termination of employment described above. Performance-based options will ves change in control to the extent the applicable performance targets are met. We do not have any other change in control policies.

Compensation of Directors

We do not have a compensation program in effect for members of our Board of Directors. Messrs. Kleinman Zaken and Sambur, however, compensation for their service on the Board of Managers of Momentive Holdco, our ultimate parent, during the fourth quarter of 2010: Kleinma $24,750 and Sambur-$22,750. Mr. Kleinman also earned the following fees for his service on the Board of Directors of MPM Holdings, our dir three quarters of 2010: $70,250. We declared dividends or m ade distributions to fund 49% and 100% of the total fees earned in 2010 by the dir Holdco and MPM Holdings , respectively.

At December 31, 2010, Messrs. Kleinman and Zaken held options to purchase 163,850 and 28,141 common units of Momentive Holdco, re options held by Mr. Zaken are fully vested. Options to purchase 135,709 of common units held by Messrs. Kleinman are fully vested. The rema options vest upon MSC's initial public offering or sale subject to certain requirements.

Compensation Committee Interlocks and Insider Participation

Messrs. Zaken and Sambur, whose names appear on the Compensation Committee Report above, are members of our Compensation Comm
Sambur are employed by Apollo Management, L.P., our indirect controlling stockholder. Neither of these directors is or has been an executive o
None of our executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent functio
executive officers of which served as a director or member of our Compensation Committee during the fiscal year ended December 31, 2010.

[Table of Contents](#)

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER

Momentive Holdco is our ultimate parent company and indirectly owns 100% of our capital stock. The following table sets forth as of Febr regarding the beneficial ownership of Momentive Holdco common units and shows t he number of common units and percentage owned by:

- each person known to beneficially own more than 5% of the common units of Momentive Holdco;
- each of our named executive officers;
- each member of our Board of Directors; and
- all of the executive officers and members of the Board of Directors as a group.

As of February 21, 2011 Momentive Holdco had 279,099,055 common units outstanding. The amounts and percentages of common units b reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such sec power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficia l owner o that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed a beneficial own and a person may be deemed a beneficial owner of securities as to which he has no economic interest. Except as otherwise indicated in the footn beneficial owners has, to our knowledge, sole voting and investment power with respect to the indicated common units.

Name of Beneficial Owner		
Apollo Funds (1)		
GE Capital Equity Investments, Inc. (2)		
Scott Kleinman (3)(4)		
Jordan C. Zaken(3)(4)		
David B. Sambur (3)		
Craig O. Morrison (4)(5)		
William H. Carter (4)(5)		
Dr. Jonathan D. Rich (6)(7)(8)		
Anthony S. Colatrella (5)(6)(9)		
Steven P. Delarge (5)(6)(10)		
	242,979	*
Michael D. Modak (5)(6)(11)	207,216	*
John C. Dandolph (5)(6)(12)	128,515	*
Douglas A. Johns (5)(6)(13)	168,364	*

Anthony B. Greene (5)(6)(14)	128,516	*
Executive Officers and Directors as a group (14)	3,488,859	1.2

* Less than 1%

(1)   Includes (i) 90,845,490 common units owned by Apollo Investment Fund VI, L.P. (“AIF VI”); (ii) 83,755,612 common units owned by AP
LLC (“AP Momentive Holdings”); and (iii) 75,154,788 common units owned by AIF Hexion Holdings, L.P. (“AIF Hexion Holdings”
and AP Momentive Holdings, the “Apollo Holders”). Apollo Advisors VI, L.P. (“Advisors VI”) is the general partner of AIF VI, and A
Management VI, LLC (“ACM VI”) is the general partner of Advisors VI. Apollo Management VI, L.P. (“Management VI”) is the man
Holdings, and AIF VI Management, LLC (“AIF VI Management”) is the general partner of Management VI. Apollo Management, L.P
is the sole member and manager of AIF VI Management , and Apollo Management GP, LLC (“Management GP”) is the general partne
Apollo Management Holdings, L.P. (“Management Holdings”) is the sole member and manager of Management GP, and Apollo Mana
LLC (“Management Holdings GP”) is the general partner of Management Holdings. AIF IV Hexion GP, LLC (“AIF IV Hexion GP”) a
LLC (“AIF V Hexion GP”) are the general partners of AIF Hexion Holdings. Apollo Investment Fund IV, L.P.

and its parallel investment vehicle (collectively, "AIF IV") are the members of AIF IV Hexion GP, Apollo Advisors IV, L.P. ("Advisors IV
of AIF IV, and Apollo Capital Management IV, Inc. ("ACM IV") is the general partner of Advisors IV. Apollo Investment Fund V, L.
investment vehicles (collectively, "AIF V") are the members of AIF V Hexion GP, Apollo Advisors V, L.P. ("Advisors V") is the gen
Apollo Capital Management V, Inc. ("ACM V") is the general partner of Advisors V. Apollo Principal Holdings I, L.P. ("Principal Ho
member or sole stockholder, as applicable, of each of ACM IV, ACM V and ACM VI, and Apollo Principal Holdings I GP, LLC ("Pri
t he general partner of Principal Holdings I. Leon Black, Joshua Harris and Marc Rowan are the principal executive officers and mana
Management Holdings GP and Principal Holdings I GP. Each of Advisors VI, ACM VI, Management VI, AIF VI Management, Apoll
Management GP, Management Holdings, Management Holdings GP, AIF IV Hexion GP, AIF V Hexion GP, AIF IV, Advisors IV, A
V, ACM V, Principal Holdings I, Principal Holdings I GP, and Messrs. Black, Harris and Rowan disclaims beneficial ownership of an
Momentive Holdco owned of record by the Apollo Holders, except to the extent of any pecuniary interest therein. In addition to the co
Apollo Holders, AIF IV, AIF V, and Mangement, VI also have voting power over additional common units pursuant to proxies grante
The address of each of the Apollo Holders, AIF IV Hexion GP, AIF V Hexion GP, AIF IV, Advisors IV, ACM IV, AIF V, Advisors V
AC M VI, Principal Holdings I, and Principal Holdings I GP is 1 Manhattanville Road, Suite 201, Purchase, New York 10577. The ad
Management VI, AIF VI Management, Apollo Management, Management GP, Management Holdings, Management Holdings GP, and
and Rowan is 9 West 57th Street, 43rd Floor, New York, New York 10019.

(2) Includes 6,003,363 common units issuable upon exercise of that certain warrant issued on December 4, 2006. Also includes 77,103 commo
exercise of an option that is currently ex ercisable. The address of GE Capital Equity Investments, Inc. is 299 Park Avenue, New York

(3) The address of each of Messrs. Kleinman, Zaken and Sambur is c/o Apollo Management, L.P., 9 West 57th Street, 43rd Floor, New York,

(4) Represents common units issuable upon the exercise of one or more currently exercisable options.

(5) The address of each of Messrs. Morrison, Carter, Colatrella, Delarge, Modak, Dandolph, Johns and Greene is c/o Momentive Performance
Corporate Woods Blvd., Albany, New York 12211.

(6) Management, VI has voting power over these common units pursuant to proxies granted.

(7) Includes 963,795 c ommon units issuable upon the exercise of an option that is currently exercisable.

(8) Mr. Rich's address is c/o Berry Plastics Corporation, 101 Oakley St., Evansville, IN 47710.

(9) Includes 28,914 common units issuable upon the exercise of an option that is currently exercisable.

(10) Includes 88,772 common units issuable upon the exercise of options that are currently exercisable.

(11) Includes 14,457 common units issuable upon the exercise of options that are currently exercisable.

(12) Includes 12,860 common units issuable upon the exercise of options that are currently exercisable.

(13) Includes 71,984 common units issuable upon the exercise of an option that is currently exercisable.

(14) Includes 51,412 common units issu able upon the exercise of options that are currently exercisable.

(15) Includes 2,062,443 common units issuable upon the exercise of options and restricted stock unit awards that are currently exercisable.

Equity Compensation Plans

We have no compensation plans that authorize issuing our common stock to employees or non-employees. However, our direct and indirec issued (and may issue from time to time) equity awards to our employees and other service providers that are denominated in (or based upon) th the awards were granted in exchange for service to us these awards are included in our consolidated financial statements. For a discussion of the 12 to our Consolidated Financial Statements and Item 1 1 of Part III of this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The MPM Group has entered into various agreements with GE and Apollo and their affiliates on terms which management has concluded a with GE and its affiliates were entere d into primarily in connection with the GE Advanced Materials Acquisition. Agreements with Apollo and into in primarily connection with the GE Advanced Materials Acquisition and the MSC Transaction.

Shared Services Agreement

On October 1, 2010 in connection with the closing of the MSC Transaction, we entered into the Shared Services Agreement with MSC. Un provide to MSC, and MSC provides to us, certain services, including, but not limited to, executive and senior management, administrative supp information technology support, accounting, finance, legal and procurement services. The Shared Services Agreement establishes certain c riter such services are allocated between MSC and us. Service costs in the fourth quarter of 2010 (the period we provided services to each other in 20 to MSC and 49% to us, except to the extent that 100% of any cost was demonstrably attributable to or for the benefit of either MSC or us, in wh was allocated to such party. The Shared Services Agreement remains in effect until terminated according to its terms. MSC or we may terminat convenience, without cause, by giving written notice not less than thirty (30)days prior to the effective date of termination. Pursuant to this agre quarter of 2010, we incurred approximately $43 million of costs for shared services and MSC incurred approximately $42 million of costs for s in each case costs allocated 100% to one party). We billed MSC approximately $1.0 million which represents a true-up payment to bring our pe incurred costs for shared services under the Shared Services Agreement to 49% and 51% for MSC. We expect that the Shared Services Agreem significant synergies over its term.

Trademark License Agreement

GE and MPM Holdings are parties to a trademark license agreement with respect to the GE mark and monogram and certain product specif letters "GE" for use in connection with certain of the MPM Group's products. GE has quality control rights with respect to products using the G The initial term of the license is seven years commencing on December 3, 2006 and is royalty-free, with a five-year renewal option that would r royalties.

Intellectual Property Cross License Agreement

GE and MPM Holdings are parties to an intellectual property cross-licensing agreement to ensure that the MPM Group owns or has the rig property necessary to conduct its business as was conducted at the time of the GE Advanced Materials Acquisition. The agreement provides for of ownership and licensing terms (including the scope, duration and exclusivity of the license) based on the use of the intellectual property by th prior to closing of the GE Advanced Materials Acquisition. All licenses of intellectual property by GE to the MPM Group or by the MPM Gro u royalty-free.

Siloxane Off-Take, Long-Term Siloxane Supply and Technology License Agreement

One of our subsidiaries, Momentive Performance Materials (Thailand) Ltd., is presently a party to an off-take agreement that provides for A owned 50% by GE Monomer (Holdings) Pte. Ltd. and its affiliates, to supply siloxane and certain related products to us through 2014 (or until c obligations are satisfied). At the closing of the GE Advanced Materials Acquisition, GE, GE Monomer (Holdings) Pte. Ltd., formerly known as Ltd., MPM Holdings and Momentive Performance Materials (Thailand) Ltd., formerly known as GE Toshiba Sil icones (Thailand) Limited, ent supply agreement with respect to the supply of siloxane and certain related products. Pursuant to the long-term siloxane supply agreement, for t December 2026, GE and GE Monomer (Holdings) Pte. Ltd. will ensure Momentive Performance Materials (Thailand) Ltd. a minimum annual s certain related

Table of Contents

products equal to the amount purchased by GE Toshiba Silicones (Thailand) Limited during the twelve-month period ending November 30, 2006, su majeure provisions and certain other limited exceptions. Under the current arrangement, Momentive Performance Materials (Thailand) Ltd. wil $106.6 million in 2011 for off-take product, and it is expected it will pay approximately $1.7 billion over the remaining term of the agreement, a without taking account inflation and changes in foreign exchange rates. Pursuant to the off-take agreement, Momentive Performance Materials (approximately $102.6 million of off-take product in fiscal year 2010. For as long as the current off-take agreement is in effect, we will continue specified in that agreement. After expiration of the off-take agreement, we will pay the same price at which ASM sells product to GE Monomer

nbsp;

At the closing of the GE Advanced Materials Acquisition, pursuant to an Assignment and Assumption Agreement, GE Monomer (Holdings its interest as licensor under a certain Technology License Agreement with ASM to Momentive Performance Materials (Thailand) Ltd. and Mo Materials (Thailand) Ltd. assumed all of the obligations of GE Monomer (Holdings) Pte. Ltd. under such agreement. Pursuant to the Technolog which terminates in 2039, Momentive Performance Materials (Thailand) Ltd. received royalties from ASM of approximately $2.1 million durin the remaining term of the Technology License Agreement with ASM, we estimate that Momentive Performance Materials (Thailand) Ltd. will of approximately $54.3 million from ASM.

Product Supply and Distribution Agreements with GE and its Affiliates

At the closing of the GE Advanced Materials Acquisition, we entered into a number of product supply agreements with GE pursuant to wh certain silicones and quartz products to GE's Plastics, Aviation, Energy and Lighting divisions and entered into a distribution agreement pursua distribute silicones products through GE's Polymershapes division. The agreements with GE's Plastics and Polymershapes divisions were subse unaffiliated third parties in connection with GE's sale of its Plastics business to Saudi Basic Industries Corporation in, 2007. Subsequent to the Acquisition, we also agreed to supply certain silicone products to various other GE divisions and other affiliates. The agreements with GE or its terms ranging from one to three years with the exception of a small aviation contract which has a remaining term of fourteen years. These agree obligate us to supply, and GE to purchase, minimum volumes of product or require GE to purchase a specified percentage of its requirements o Pursuant to these agreements and other purchase orders, we sold GE and its affiliates approximately $21.2 million of products in fiscal year 201 terms of these agreements, we estimate that we will sell to GE and its affiliates a total of approximately $43.0 million of products.

Service and Product Agreements with GE and it s Affiliates

At the closing of the GE Advanced Materials Acquisition, we entered into four other commercial agreements with GE pursuant to which G us with certain services, raw materials and products, including materials testing services, acetone supply and production and refurbishment of c agreement regarding the supply of acetone was subsequently assigned by GE to an unaffiliated third party in connection with GE's sale of its Pl Basic Industries Corporation on August 31, 2007. Subsequent to the GE Advanced Materials Acquisition, we also entered into a variety of lease with GE or its affiliates, pursuant to which we lease real estate and various assets, including passenger vehicles, heavy equipment and compute provide us wit h various services, including fleet and outsourcing services. The commercial agreements and the lease and service agreements w have remaining terms ranging from one to three years. Pursuant to these agreements and other purchase orders, we purchased approximately $1 services in fiscal year 2010. Over the remaining terms of these agreements, we estimate that we will purchase from GE and its affiliates a total million of goods and services.

Product and Service Purchases and Sales with Affiliates of Apollo

We supply products to, and purchase products and services from, various affiliates of Apollo in addition to MSC. We sold thes e other Apo approximately $30,000 of products in fiscal year 2010. We purchased from these other Apollo affiliates approximately $1.1 million of products 2010.

Development Agreement

MPM Holdings is party to a research and development agreement with GE's Global Research Center that will provide for the continuation c development activities undertaken by GE Global Research. We pay GE for costs incurred in connection with the research and development serv reimburse GE for expenses related to projects under the agreement. The extent of each party's intellectual property rights for each project depen assigned to the project by the parties. The agreement expired on December 31, 2010. Pursuant to this agreement, we incurred fees of approximately $2.8 million in fiscal year 2010.

Warrants

At the closing of the GE Advanced Materials Acquisition, MPM Holdings issued to GE warrants to purchase up to 155,722 shares of MPM at $100 per share. The warrants have since been transferred to GE Capital Equity Investments, Inc. with our consent. The warrants are non-trans will expire on June 4, 2017. As a result of the MSC Transaction, these warrants are now exercisable for 6,003,363 common units of Momentive of $2.59.

Apollo Management Agreement

At the closing of the GE Advanced Materials Acquisition, we e ntered into a management agreement with Apollo relating to the provision strategic advisory services and consulting services. The management agreement has an initial term ending on December 31, 2018. Terms of the annual fees of $3.5 million plus out-of-pocket expenses.

Review, Approval or Ratification of Transactions with Related Persons

Our Audit Committee Charter requires that the Audit Committee review and approve all transactions between related persons required to b provisions of Item 404 of Regulation S-K under the Securities Act and the Exchange Act.

The types of transactions that are covered by the policy include all transactions required to be so reported, including financial and other tra relationships in which we or any of its subsidiaries is a participant and in which a related person has a direct or indirect material interest, where exceeds $120,000. There were no transactions required to be reported under the provisions of Item 404 of Regulation S-K since the beginning the above procedures did not require review, approval or ratification or where such procedures were not followed.

Related persons include directors and director nominees, executive officers, stockholders beneficially owning more than 5% of our votin g family members of any of the previously described persons. A related person could also be an entity in which a director, executive officer or 5% employee, general partner or 5% shareholder.

Director Independence

We have no securities listed for trading on a national securities exchange or in an automated inter-dealer quotation system of a national sec has requirements that a majority of our board of directors be independent. For purposes of complying with the disclosure requirements of the Se Commission, we have adopted the definition of independence used by the New York Stock Exchange. Under the New York Stoc k Exchange's independence, none of our directors are independent.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents fees billed for professional audit services rendered by PricewaterhouseCoopers LLP and KPMG LLP for the y 2010 and rendered by KPMG LLP for the year ended December 31, 2009. The table also presents fees billed for other services rendered by thos member firms during those periods.

		Ye Dec
		2010
		($ i
Audit fees	$	[illegible]
Audit related fees		[illegible]
Tax fees		
Total	**$**	[illegible]

Audit Fees

Audit fees are fees billed for the audit of our annual financial statements and for the reviews of our quarterly financial statements in connec
regulatory filings or engagements.

Table of Contents

Audit-Related Fees

Audit-related fees were comprised of assurance and related services that are related to the performance of the audit or review of the financi
internal control reviews and attest services that are not required by statute or regulation, and consultations concerning financial accounting and r

Tax Fees

Tax fees were related to services for tax compliance, tax planning and tax advice.

Pre-Approval Policies and Procedures

Under the Charter of the Audit Committee of our Board of Directors, all audit and non-audit services provided by our principal accounting
approved, if so required by any regulatory authority or listing agency, by the Audit Committee or a subcommittee consisting of independent me
Committee. All services pre-approved by a subcommittee are reported to the full Audit Committee at its next regularly scheduled meeting.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents included in this report:

1. Financial Statements—The Table of Contents on page F-1 is incorporated herein by reference as the list of financial statements require
2. Exhibits—Exhibits are incorporated herein by reference or are filed with this report as indicated below:

INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Stock and Asset Purchase Agreement, dated as of September 14, 2006, by and between General Electric Company and Momentive Holdings Inc. (formerly known as Nautilus Holdings Acquisition Corp.) (filed as the exhibit of the same number to our Form S Statement, filed on September 14, 2007)
2.2	Amendment to Stock and Asset Purchase Agreeme nt, dated as of December 3, 2006, by and between General Electric Company a Performance Materials Holdings Inc. (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on
3.1	Certificate of Incorporation, as amended, of Momentive Performance Materials Inc. (filed as the exhibit of the same number to our Statement, filed on September 14, 2007)
3.2	Amended and Restated By-laws of Momentive Performance Materials Inc. (filed as the exhibit of the same number to our Form S- filed on September 14, 2007)
3.3	Certificate of Incorporation, as amended, of Momentive Performance Materials Worldwide Inc. (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on September 14, 2007)
3.4	Amended and Restated By-laws of Momentive Performance M (filed as the exhibit of the same number to our Form S-4 R filed on September 14, 2007)
3.5	Certificate of Incorporation, as amended, of Momentive Perfor SPV Inc. (filed as the exhibit of the same number to our Fo Statement, filed on September 14, 2007)
3.6	Amended and Restated By-laws of Momentive Performance M (filed as the exhibit of the same number to our Form S-4 R filed on September 14, 2007)
3.7	Certificate of Incorporation, as amended, of Momentive Perfor America Inc. (filed as the exhibit of the same number to ou Statement, filed on September 14, 2007)
3.8	Amended and Restated By-laws of Momentive Performance M Inc. (filed as the exhibit of the same number to our Form S filed on September 14, 200 7)

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description
3.9	Amended and Restated Operating Agreement of MPM Silicones, LLC (filed as the exhibit of the same number to our Form S-4 Re on September 14, 2007)
3.10	Articles of Organization, as amended, of MPM Silicones, LLC (filed as the exhibit of the same number to our Form S-4 Registratio September 14, 2007)
3.11	Certificate of Incorporation, as amended, of Momentive Performance Materials Quartz, Inc. (filed as the exhibit of the same numbe Registration Statement, filed on September 14, 2007)
3.12	Amended and Restated By-laws of Momentive Performance Materials Quartz, Inc. (filed as the exhibit of the same number to our Statement, filed on September 14, 2007)
3.13	Certificate of Incorporation, as amended, of Momentive Performance Materials USA Inc. (filed as the exhibit of the same number Registration Statement, filed on September 14, 2007)
3.14	Amended and Restated By-laws of Momentive Performance Materials USA Inc. (filed as the exhibit of the same number to our Fo Statement, filed on September 14, 2007)
3.15	Operating Agreement of Juniper Bond Holdings I LLC (filed as the exhibit of the same number to our Post-Effe ctive Amendment Registration Statement, filed on January 28, 2008)
3.16	Certificate of Formation of Juniper Bond Holdings I LLC (filed as the exhibit of the same number to our Post-Effective Amendme Registration Statement, filed on January 28, 2008)
3.17	Operating Agreement of Juniper Bond Holdings II LLC (filed as the exhibit of the same number to our Post-Effective Amendment Registration Statement, filed on January 28, 2008)
3.18	Certificate of Formation of Juniper Bond Holdings II LLC (filed as the exhibit of the same number to our Post-Effective Amendme Registration Statement, filed on January 28, 2008)
3.19	Operating Agreement of Juniper Bond Holdings III LLC (filed as the exhibit of the same number to our Post-Effective Amendmen Registration Statement, filed on January 28, 2008)
3.20	Certificate of Formation of Juniper Bond Holdings III LLC (filed as the exhibit of the same number to our Post-Effective Amendm Registration Statement, filed on January 28, 2008)
3.21	Operating Agreement of Juniper Bond Holdings IV LLC (filed as the exhibit of the same number to our Post-Effective Amendmen Registration Statement, filed on January 28, 2008)

3.22	Certificate of Formation of Juniper Bond Holdings IV LLC (filed as the exhibit of the same number to our Post-Effective Amendm Registration Statement, filed on January 28, 2008)
4.1	Indenture by and between Momentive Performance Materials Inc., Momentive Performance Materials Holdings Inc., Momentive P Worldwide Inc., Momentive Performance Materials USA Inc., Momentive Performance Materials China SPV Inc., Momentiv South America Inc., GE Quartz, Inc., GE Sil icones, LLC and Momentive Performance Materials Inc., dated as of December 4 $765,000,000 9 3/4% Senior Notes Due 2014 (filed as the exhibit of the same number to our Form S-4 Registration Statement 2007)
4.2	Indenture by and between Momentive Performance Materials Inc., Momentive Performance Materials Holdings Inc., Momentive P Worldwide Inc., Momentive Performance Materials USA Inc., Momentive Performance Materials China SPV Inc., Momentiv South America Inc., GE Quartz, Inc., GE Silicones, LLC and Momentive Performance Materials Inc., dated as of December 4 $300,000,000 10 1/8%/10 7/8% Senior Toggle Notes Due 2014 (filed as the exhibit of the same number to our Form S-4 Reg on September 14, 2007)
4.3	Indenture by and between Momentive Performance Materials Inc., Momentive Performance Materials Holdings Inc., Momentive P Worldwide Inc., Momentive Performance Materials USA Inc., Momentive Performance Materials China SPV Inc., Momentiv South America Inc., GE Quartz, Inc., GE Silicones, LLC and Momentiv e Performance Materials Inc., dated as of December 4 $500,000,000 11 1/2% Senior Subordinated Notes Due 2016 (filed as the exhibit of the same number to our Form S-4 Registra September 14, 2007)

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description
4.4	Indenture by and between Momentive Performance Materials Inc., Momentive Performance Materials Holdings Inc., Momentive P Worldwide Inc., Momentive Performance Materials USA Inc., Momentive Performance Materials China SPV Inc., Momentiv South America Inc., GE Quartz, Inc., GE Silicones, LLC and Momentive Performance Materials Inc., dated as of December 4 <€>275,000,000 9% Senior Notes Due 2014 (filed as the exhibit of the same number to our Form S-4 Registration Statement, 2007)
4.5	9 3/4% Senior Notes Due 2014 (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on Septemb
4.6	10 1/8%/10 7/8% Senior Toggle Notes Due 2014 (filed as the exhibit of the same number to our Form S-4 Registration Statement 2007)
4.7	11 1/2% Senior Subordinated Notes Due 2016 (filed as the exhibit of the same number to our Form S-4 Registration Statement, fil 2007)
4.8	9% Senior Euro Notes Due 2014 (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on Septem
4.9	Registration Rights Agreement by and among Momentive Performance Materials Inc., the subsidiaries of Momentive Performance Morgan Securities Inc., GE Capital Markets, Inc., UBS Securities LLC, ABN AMRO Incorporated, Barclays Capital Inc., Miz RBC Capital Markets Corporation, dated as of December 4, 2006, with respect to $765,000,000 9 3/4% Senior Notes Due 201 the same number to our Form S-4 Registration Statement, filed on September 14, 2007)
4.10	Registration Rights Agreement by and among Momentive Performance Materials Inc., the subsidiaries of Momentive Performance Morgan Securities Inc., GE Capital Markets, Inc., UBS Securities LLC, ABN AMRO Incorporated, Barclays Capital Inc., Miz RBC Capital Markets Corporation, dated as of December 4, 2006, with respect to $300,000,000 10 1/8%/10 7/8% Senior To (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on September 14, 2007)
4.11	Registration Rights Agreement by and among Momentive Performance Materials Inc., the subsidiaries of Momentive Performance Morgan Securities Inc., GE Capital Markets, Inc., UBS Securities LLC, ABN AMRO Incorporated, Barclays Capital Inc., Miz RBC Capital Markets Corporation, dated as of December 4, 2006, with respect to $500,000,000 11 1/2% Senior Subordinated the exhibit of the same number to our Form S-4 Registration Statement, filed on September 14, 2007)
4.12	Registration Rights Agreement by and among Momentive Performance Materials Inc., the subsidiaries of Momentive Performance Morgan Securities Inc., GE Capital Markets, Inc., UBS Securities LLC, ABN AMRO Incorporated, Barclays Capital Inc., Miz RBC Capital Markets Corporation, dated as of December 4, 2006, with respect to <€>275,000,000 9% Senior Notes Due 2014 the same number to our Form S-4 Registration Statement, filed on September 14, 2007)
4.13	Supplemental Indenture among Juniper Bond Holdings I LLC, Juniper Bond Holdings II LLC, Juniper Bond Holdings III LLC, Ju LLC and Wells Fargo Bank, N.A., dated as of December 20, 2007, with respect to the <€>275,000,000 9% Senior Notes due 2 of the same number to our Post-Effective Amendment No. 1 to Form S-4 Registration Statement, filed on January 28, 2008)

4.14	Supplemental Indenture among Juniper Bond Holdings I LLC, Juniper Bond Holdings II LLC, Juniper Bond Holdings III LLC, Ju LLC and Wells Fargo Bank, N.A., dated as of December 20, 2007, with respect to the $500,000,000 11 1/2% Senior Subordin (filed as the exhibit of the same number to our Post-Effective Amendment No. 1 to Form S-4 Registration Statement, filed on
4.15	Supplemental Indenture among Juniper Bond Holdings I LLC, Juniper Bond Holdings II LLC, Juniper Bond Holdings III LLC, Ju LLC and Wells Fargo Bank, N.A., dated as of December 20, 2007, with respect to the $300,000,000 10 1/8%/10 7/8% Senio (filed as the exhibit of t he same number to our Post-Effective Amendment No. 1 to Form S-4 Registration Statement, filed on
4.16	Supplemental Indenture among Juniper Bond Holdings I LLC, Juniper Bond Holdings II LLC, Juniper Bond Holdings III LLC, Ju LLC and Wells Fargo Bank, N.A., dated as of December 20, 2007, with respect to the $765,000,000 9 3/4% Senior Notes due of the same number to our Post-Effective Amendment No. 1 to Form S-4 Registration Statement, filed on January 28, 2008)

[Table of Contents](#)

INDEX TO EXHIBITS

Exhibit Number	Description
4.17	Agreement of registration, appointment and acceptance, effective as of June 8, 2009, by and among Momentive Performance Mate Bank, N.A. and The Bank of New York Mellon Trust Compa ny, N.A. (filed as exhibit 4.1 to our Form 8-K, filed on June 12,
4.18	Indenture, dated as of J une 15, 2009, by and among Momentive Performance Materials Inc., the guarantors named therein and The Mellon Trust Company, N.A., as trustee and as collateral trustee (filed as exhibit 4.1 to our Form 8-K, filed on June 15, 2009)
4.19	Collateral Agreement, dated as of June 15, 2009, by and among Momentive Performance Materials Inc., the subsidiaries of Momen Materials Inc. party thereto and The Bank of New York Mellon Trust Company, N.A., as collateral trustee (filed as exhibit 4.2 on June 15, 2009)
4.20	Intercreditor Agreement, dated as of June 15, 2009, by and among JPMorgan Chase Bank, N.A., as first priority representative, Mo Materials Inc., the subsidiaries of Momentive Performance Materials Inc. party thereto and The Bank of New York Mellon Tr second priority representative (filed as exhibit 4.3 to our Form 8-K, filed on June 15, 2009)
4.21	Registration Rights Agreement, dated as of June 15, 2009, by and among Momentive Performance Materials Inc., the subsidiaries Performance Materials Inc. party thereto and J.P. Morgan Securities Inc., J.P. Morgan Securities Ltd., UBS Securities LLC an managers (filed as exhibit 4.4 to our Form 8-K, filed on June 15, 2009)
4.22	Indenture, dated as of November 5, 2010, by and among Momentive Performance Materials Inc., the note guarantors party thereto York Mellon Trust Company, N.A., as trustee and collateral agent, including forms of the 9% Second-Priority Springing Lien Dollar Denominated) and 91/2% Second-Priority Springing Lien Notes due 2021 (Euro Denominated) (filed as exhibit 4.1 to November 12, 2010)
4.23	Registration Rights Agreement, dated as of November 5, 2010, by and among Momentive Performance Materials Inc., the guarant Morgan Securities LLC, as representative of the several dollar note purchasers and J.P. Morgan Securities Ltd., as representati note purchasers (filed as exhibit 4.2 to our Form 8-K, filed on November 12, 2010)
4.24	Registration Rights Agreement, dated as of November 5, 2010, by and among Momentive Performance Materials Inc., the guarant VI (BC) S.à r.l. (filed as exhibit 4.2 to our Form 8-K, filed on November 12, 2010)
10.1	$1,385,000,000 Credit Agreement, dated as of December 4, 2006, among Momentive Performance Materials Holdings Inc., Mome Materials Inc., Momentive Performance Materials USA Inc., Momentive Performance Materials GmbH (formerly known as B the Financial Institutions party thereto (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed o
10.2	Guarantee Agreement, dated as of December 4, 2006, among Momentive Performance Materials Holdings Inc., Momentive Perfor Momentive Performance Materials USA Inc., Momentive Performance Materials GmbH (formerly known as Blitz 06-103 Gm Subsidiary Loan Parties identified therein and JPMorgan Chase Bank, N.A. (filed as the exhibit of the same number to our For Statement, filed on September 14, 2007)

10.3	Amended and Restated Securityholders Agreement, dated as of March 5, 2007, by and among Momentive Performance Materials I other Holders that are party thereto (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on S
10.4	Management Fee Agreement, dated as of December 14, 2006, by and among Momentive Performance Materials Holdings Inc., Ap L.P. and Apollo Alternative Assets, L.P. (filed as the exhibit of the same number to our Form S-4 Registration Statement, filec
10.5**	Intellectual Property Cross License Agreement, dated as of December 3, 2006, by and between General Electric Company and Mo Materials Holdings Inc. (filed as the exhibit of the same number to our Form S-4 Registration S tatement, filed on October 11,
10.6**	Trademark License Agreement (GE Name and Marks), dat ed as of December 3, 2006, by and between GE Monogram Licensing I Momentive Performance Materials Holdings Inc. (filed as the exhibit of the same number to our Form S-4 Registration Statem 2007)
10.7**	Quartz Sand Products Purchase Agreement, dated as of February 15, 2005, by and between Unimin Corporation and Momentive Pe Quartz, Inc. (formerly known as GE Quartz, Inc.) (filed as the exhibit of the same number to our Form S-4 Registration Statem 2007)

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description
10.8**	Offtake Agreement in Relation to the ASM Silicone Monomer Plant at Map Ta Phut, Kingdom of Thailand, dated as of May 20, 2(Silicones Monomer Limited, Momentiv e Performance Materials (Thailand) Ltd. (formerly known as GE Toshiba Silicones (T Shin-Etsu Silicones (Thailand) Limited (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed
10.9	Transition Services Agreement, dated as of December 3, 2006, by and between General Electric Company and Momentive Perforn Inc. (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on October 11, 2007)
10.10	Land Lease Agreement, as amended, dated as of July 1, 1998, by and among Bayer AG and Momentive Performance Materials Gr Bayer Silicones GmbH & Co. KG) (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on S
10.11†	2007 Long-Term Incentive Plan (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on Septemb
10.12†	Form of Non-Qualified Stock Option Agreement (filed as the exhibit of the same number to our Form S-4 Registration Statement, 2007)
10.13†	Form of Management Equity Investment and Incentive Term Sheet (filed as the exhibit of the same number to our Form S-4 Regis September 14, 2007)
10.14†	Form of Subscription Agreement (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on Septem
10.15†	Employment Agreement, dated June 8, 2007, between Momentive Performance Materials Inc. and Jonathan Rich (filed as the exhi our Form S-4 Registration Statement , filed on September 14, 2007)
10.16†	Employment Agreement, dated March 19, 2007, between Mome ntive Performance Materials Inc. and Wayne Hewett (filed as the number to our Form S-4 Registration Statement, filed on September 14, 2007)
10.17†	Separation Agreement, dated June 8, 2007, between Momentive Performance Materials Inc. and Wayne Hewett (filed as the exhibi our Form S-4 Registration Statement, filed on September 14, 2007)
10.18†	Employment Agreement, dated April 1, 2007, between Momentive Performance Materials (Hong Kong) Limited and Eddy Wu (fi same number to our Annual Report on Form 10-K, filed on March 31, 2008)
10.19†	Annual Cash Bonus Plan (filed as exhibit 10.1 to our Quarterly Report on Form 10-Q, filed on May 14, 2008)
10.20	Letter Agreement, dated March 17, 2009, between Momentive Performance Materials Inc. and Apollo Management VI, L.P. (filed Form 10-Q for the quarterly period ended March 29, 2009)

10.21	Limited Waiver and Amendment to Credit Agreement, dated as of September 22, 2009 by Momentive Performance Materials Inc., Materials Holdings Inc., Momentive Performance Materials USA Inc., Momentive Performance Materials GmbH, each Subsic the Lenders thereto and JPMorgan Chase Bank, N.A., as administrative agent (filed as exhibit 10.1 to our Form 8-K, filed on S
10.22†	Offer Letter Agreement, dated December 22, 2008, between Momentive Performance Materials Inc. and Anthony Colatrella (filed number to our Annual Report on Form 10-K, filed on March 8, 2010)
10.23†	Offer Letter Agreement, dated June 16, 2008, between Momentive Performa nce Materials Inc. and Mike Modak (filed as the exhil our Annual Report on Form 10-K, filed on March 8, 2010)
10.24†	Form of Management Equity Investment and Incentive Acknowledgement (filed as the exhibit of the same number to our Annual F filed on March 8, 2010)
10.25†	Form of Global Amendment to Nonqualified Stock Option Agreement (filed as the exhibit of the same number to our Annual Repo March 8, 2010)
10.26&dagger ;	Separation Agreement, dated September 29, 2010, between Momentive Performance Materials Inc. and Jonathan Rich (filed as Ex 8-K filed on September 29, 2010)

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description
10.27†	Separation Agreement, dated September 29, 2010, between Momentive Performance Materials Inc. and Anthony Colatrella (filed a Form 8-K filed on September 29, 2010)
10.28*	Shared Services Agreement, dated October 1, 2010, between Momentive Performance Materials Inc., its subsidiaries and Momenti Inc.
10.29*	Summary of Terms of Severance Benefits Amendment for Douglas Johns effec tive October 1, 2010
10.30*	Offer Letter Agreement, dated February 1, 2010, between Momentive Perform ance Materials Inc. and John Dandolph
10.31	Amendment Agreement to Credit Agreement dated as of January 31, 2011, among Momentive Performance Materials Holdings In Performance Materials Inc., Momentive Performance Materials USA Inc. and Momentive Performance Materials GmbH, the l party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and the other parties and agents named therein (filed as Ex 8-K/A filed on February 14, 2011)
12*	Ratio of earnings to fixed charges
14.1	Code of Conduct (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on September 14, 2007)
21.1*	List of Subsidiaries of Momentive Performanc
31.1*	Rule 13a-14(a)/15d-14(a) certification of Princ
31.2*	Rule 13a-14(a)/15d-14(a) certification of Princ
32*	Section 1350 certification of Principal Executi Financial Officer

* Filed herewith.

** Certain portions of this document have been omitted pursuant to an order granting confidential treatment.

† Indicates a management contract or compensatory plan or arrangement.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on undersigned, thereunto duly authorized.

February 25, 2011

MOMENTIVE PERFORMANCE MATERIALS INC.

BY: /s/ CRAIG O. MORRISON

Craig O. Morrison

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 193 4, this report has been signed below by the following persons on behalf capacities and on the dates indicated below.

Signature	Title
/s/ CRAIG O. MORRISON **Craig O. Morrison**	Chief Executive Officer, President and Director (Principal Executive Officer)
/s/ WILLIAM H. CARTER **William H. Carter**	Chie f Financial Officer and Director (Principal Financial Officer)
/s/ BILLIE JO CUTHBERT **Billie Jo Cuthbert**	Controller (Principal Accounting Officer)
/s/ SCOTT B. KLEINMAN **Scott B. Kleinman**	Director
/s/ JORDAN C. ZAKEN	Director

Jordan C. Zaken		
/s/ DAVID B. SAMBUR		Director
David B. Sambur		

Table of Contents

MOMENTIVE PERFORMANCE MATERIALS INC.

Table of Contents

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder of
Momentive Performance Materials Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial po Performance Materials Inc. and its subsidiaries at December 31, 2010, and the results of their operations and their cash flows for the year then e accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in t presents fairly, in all material respects, the information as of and for the year ended December 31, 2010 set forth therein when read in conjuncti consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financia December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organiza Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaini control over financial reporting a nd for its assessment of the effectiveness of internal control over financial reporting, included in Management Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on the financial statements, on the financial statemen Company's internal control over financial reporting based on our integrated audit. We conducted our audit in accordance with the standards of t Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about w statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respec financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing used and significant estimates made by management, and eval uating the overall financial statement presentation. Our audit of internal control o included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing an and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we consi circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of finan preparation of financial statements for external purposes in accordance with genera lly accepted accounting principles. A company's internal co reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly ref dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordanc management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acq disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of an effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree o policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Albany, New York

February 25, 2011

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors
Momentive Performance Materials Inc.:

We have audited the accompanying consolidated balance sheet of Momentive Performance Materials Inc. and subsidiaries (the Co mpany) a
and the related consolidated statements of operations, equity (deficit) and comprehensive income (loss), and cash flows for each of the years en
and 2008. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule of valua
accounts for the years ended December 31, 2009 and 2008. These consolidated financial statements and schedule are the responsibility of the C
Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those stand
and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit include
basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles us
estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasona

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial
position of Momentive Performance Materials Inc. and subsidiaries as of December 31, 2009, and the results of their operations and their ca
years ended December 31, 2009 and 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related fi
schedule for the years ended December 31, 2009 and 2008, when considered in relation to the basic consolidated financial statements taken as a
all material respects, the information set forth therein.

/s/ KPMG

Albany, New York
March 8, 2010

Table of Contents

MOMENTIVE PERFORMANCE MATERIALS INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(Dollar amounts in thousands)

		December 2010
Assets		
Current assets:		
Cash and cash equivalents	$	254,4
Receivables, net (note 5)		385,0
Due from affiliates (note 3)		3,3
Inventories (note 6)		374,4
Prepaid expenses		9,8
Income tax receivable (note 13)		2,1
Deferred income taxes (note 13)		12,3
Other current assets		1,1
Total current assets		1,042,7
Property and equipment, net (note 7)		1,109,1
Other long-term assets		86,7
Deferred income taxes (note 13)		41,6
Investments in nonconsolidated affiliates		6
Intangible assets, net (note 8)		585,7
Goodwill (note 8)		425,1
Total assets	$	3,291,8
Liabilities and Deficit		
Current liabilities:		
Trade payables	$	302,8
Short-term borrowings (note 9)		2,1
Accrued expenses and other liabilities (note 10)		170,1
Accrued interest		25,1
Due to affiliates (note 3)		1,8
Accrued income taxes (note 13)		9,7

Deferred income taxes (note 13)	13,5
Current installments of long-term debt (note 9)	24,8
Tot al current liabilities	550,1
Long-term debt (note 9)	2,951,9
Other liabilities	59,0
Pension liabilities (note 15)	272,0
Deferred income taxes (note 13)	62,7
Total liabilities	3,895,9
Commitments and contingencies (note 14)	
Deficit (note 11):	
Common stock	
Additio nal paid-in capital	603,2
Accumulated deficit	(1,427,5
Accumulated other comprehensive income	216,7
Total Momentive Performance Materials Inc.'s deficit	(607,5
Noncontrolling interests (note 11)	3,4
Total deficit	(604,0
Total liabilities and deficit	$ 3,291,8

See accompanying notes to consolidated financial statements.

Table of Contents

MOMENTIVE PERFORMANCE MATERIALS INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(Dollar amounts in thousands)

	For the years ended I			
	2010		2009	
Net sales	$ 2,588,423		$ 2,083,4	
Costs and expenses:				
Cost of sales, excluding depreciation	1,645,557		1,420,4	
Selling, general and administrative expenses (note 3)	388,225		345,4	
Depreciation and amortization expenses	197,100		191,5	
Research and development expenses	72,962		62,7	
Restructuring and other costs (note 2(u))	23,075		22,9	
Goodwill impairment charge (note 8)	—			
Operating income (loss)	261,504		40,2	
Other income (expense):				
Interest income	1,698		3,1	
Interest expense (notes 7 and 9)	(250,780	)	(260,4	
Other income (expense), net (notes 2(r) and 3)	284		12,0	
(Loss) gain on extinguishment and exchange of debt (notes 2(c) and 9)	(77,918	)	178,7	
Loss before income taxes (benefit)	(65,212	)	(26,1	
Income taxes (benefit) (note 13)	(2,250	)	15,4	
Net loss	(62,962	)	(41,6	
Net (income) loss attributable to noncontrolling interests (note 11)	(835	)	(1	
Net loss attributable to Momentive Performance Materials Inc.	$(63,797	)	$(41,787	

See accompanying notes to consolidated financial statements.

Table of Contents

MOMENTIVE PERFORMANCE MATERIALS INC. AND SUBSIDIARIES

Consolidated Statements of Equity (Deficit) and Comprehensive Income (Loss)
(Dollar amounts in thousands)

& p;

	Common Shares	Common Stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Equity attributable to noncontrolling interest
Balance December 31, 2007	100	$ —	$600,274	$(324,906)	$ 43,252	$ 4,024
Deemed dividend to General Electric Company	—	—	(377)	—	—	—
Stock option activity and other	—	1,120 —	—	—	— —	1,120
Dividends paid to noncontrolling interest	—	—	—	—	—	(490)
Comprehensive income (loss):						
Net loss	—	—	—	(997,057)	—	—
Net income (loss)	—	—	—	—	—	(461)

attributable to noncontrolling interests								
Foreign currency translation adjustment—net	—				—		—	

iv="">

	142,057	771	142,828		142,828			
Other comprehensive income adjustments—net	—	—	—		—	(9,349)	—	(9,349) (9,349)
Total comprehensive loss								$(864,039)
Balance at December 31, 2008	100	$ —	$601,015	$(1,321,963)	$175,980	$30,844	$(541,142)	
Stock option activity and other	—	—	715	—	—	—	715	
Comprehensive income (loss):								
Net loss	—	—	—	(41,787)	—	—	(41,787)	$(41,787)
Net income (loss) attributable to noncontrolling interests	—	—	—	—	—	116 ;	116	116
Foreign currency translation adjustment—net	—	—		—	(363)	(314)	(677)	(677)
Other comprehensive income adjustments—net	—	—	—	—	4,463	—	4,463	4,463
Total comprehensive loss								$(37,885)
Balance at December 31, 2009	100	$ —	$601,732	$(1,363,750)	$180,080	$30,646	$(578,312)	
Stock option activity and other	—	—	2,816	—	—	—	2,816	
Dividends paid to noncontrolling interest						(1,116)	(1,116)	

Table of Contents

MOMENTIVE PERFORMANCE MATERIALS INC. AND SUBSIDIARIES

Consolidated Statements of Equity (Deficit) and Comprehensive Income (Loss)
(Dollar amounts in thousands)

	Common Shares	Common Stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Equity attributable to noncontrolling interest	Total equity (deficit)
Dividends paid to Parent			(1,250)				(1,25
Comprehensive income (loss):							
Net loss	—	—	—	(63,797)	—	—	(63,79
Net income (loss) attributable to noncontrolling interests	—	—	—	—	—	835	83
Foreign currency translation adjustment—net	—	—	—	—	77,353	68	77,42
Other comprehensive income adjustments—net	—	—	—	—	(40,688)	—	(40,68
Total comprehensive income							$
Balance at December 31, 2010	100	$ —	$ 603,298	$ (1,427,547)	$ 216,725	$ 3,433	$ (604,09

See accompanying notes to consolidated financial statements.

Table of Contents

MOMENTIVE PERFORMANCE MATERIALS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(Dollar amounts in thousands)

	Year ended December 3		
	2010	2009	
Cash flows from operating activities:			
Net loss	$ (62,962)	$ (41,671)	$
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	197,100	191,571	
Asset impairment charge	—	—	
Goodwill impairment charge	—	—	
Loss (gain) on extinguishment and exchange of debt	77,918	(178,732)	
Amortization of debt discount and issuance costs	16,964	14,657	
Stock-based compensation expense	2,816	787	
Deferred income taxes	(18,822)	710	
Noncash paid-in-kind interest election	11,045	27,676	16
Change in unrealized loss (gain) on derivative instruments	380	(6,848)	
Changes in operating assets and liabilities:			
Receivables	(7,034)	35,830	
Inventories	(27,714)	34,724	
Due to/from affiliates	3,856	(10,202)	
Prepaid expenses and other assets	1,337	1,811	&en bsp;
Trade payables	29,982	(52,317)	
Accrued expenses and other liabilities	16,071	(18,712)	
Accrued income taxes	4,448	18,663	
Pension liabilities	16,837	8,632	
Net cash provided by operating activities	262,222	26,579	
Cash flows from investing activities:			
Capital expenditures	(94,837)	(77,440)	

Purchases of intangible assets	(3,787)	(3,019)
Net cash used in investing activities	(98,624)	(80,459)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	2,114	(6,622)
Proceeds from issuance of long-term debt	849,147	105,678
Payments of long-term debt	(889,882)	(158,097)
Debt issuance costs	(17,775)	(6,671)
Payments on the extinguishment of debt	(54,841)	—
Dividends paid to Parent	(1,250)	—
Funds remitted to joint venture	—	(4,900)
Net cash (used in) provided by financing activities	(112,487)	(70,612)
Increase (decrease) in cash and cash equivalents	51,111	(124,492)
Effect of exchange rate changes on cash	(6,952)	(5,766)
Cash and cash equivalents, beginning of period	210,284	340,542
Cash and cash equival ents, end of period	$ 254,443	$ 210,284 $
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		

[Table of Contents](#)

MOMENTIVE PERFORMANCE MATERIALS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(Dollar amounts in thousands)

		Year ended Decembe	
		2010	2009
Interest	$	207,581 $	218,6
Income taxes, net of refunds		8,192	
Non-cash debt issuance costs		26,699 —	

—

See accompanying notes to consolidated financial statements.

Table of Contents

MOMENTIVE PERFORMANCE MATERIALS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010, 2009 and 2008
(Dollar amounts in thousands)

(1) Description of Business

Momentive Performance Materials Inc. (the Company or MPM) was incorporated in Delaware on September 6, 2006 as a wholly-owned su Performance Materials Holdings Inc. (MPM Holdings and together with its subsidiaries the MPM Group) for the purpose of acquiring the assets subsidiaries of General Electric Company (GE) that comprised GE's Advanced Materials (GEAM or the Predecessor) business. Prior to Noven Company was known as Nautilus Holdings Intermediate Corp. The acquisition was completed on December 3, 2006 (the Acqu isition). GEAM businesses, GE Silicones and GE Quartz, and was an operating unit within the Industrial segment of GE. On October 1, 2010, the newly formed MPM Holdings and Momentive Specialty Chemicals Holdings LLC (formerly known as Hexion LLC), the parent company of Momentive Spec (formerly known as Hexion Specialty Chemicals, Inc.), merged, with the surviving entity renamed Momentive Performance Materials Holdings merger, Momentive Performance Materials Holdings LLC (Holdings LLC) became the ultimate parent company of Momentive Performance M Momentive Specialty Chemicals Inc. Holdings LLC is controlled by investment funds affiliated with Apollo Global Management, LLC.

The Company is comprised of two business segments, Silicones and Quartz. The Silicones segmen t (Silicones) is a global organization en sale and distribution of silanes, specialty silicones and urethane additives. The Quartz segment (Quartz), also a global business, is engaged in th distribution of high-purity fused quartz and ceramic materials. The Company is headquartered in Albany, New York.

Momentive Performance Materials Inc. is comprised of the following legal entities and their wholly-owned subsidiaries: Momentive Perfo Inc.; Momentive Performance Materials Worldwide Inc.; Momentive Performance Materials China SPV Inc.; Juniper Bond Holdings I LLC; Ju LLC; Juniper Bond Holdings III LLC; and Juniper Bond Holdings IV LLC.

In the Americas, Silicones has manufacturing facilities in Waterford, New York; Sistersville, West Virginia; New Smyrna Beach, Florida; elastomers compounding operations in Chino, California and Garrett, Indiana. In the Americas, Quartz manufactures in Strongsville, Ohio; Wil Heights, Ohio and Newark, Ohio. A majority of the manufacturing personnel in Waterford, New York; Sistersville, West Virginia and Willoug collective bargaining agreements.

Silicones has manufacturing facilities outside the Americas in Leverkusen, Germany; Nantong, China; Ohta, Japan; Rayong, Thailand; Sha China; Bergen op Zoom, Netherlands; Lostock, U.K.; Termoli, Italy; Antwerp, Belgium and Chennai, India. Quartz' non-U.S. manufacturing fa Kozuki, Japan; Wuxi, China and Geestha cht, Germany. In Europe, employees at the Leverkusen, Bergen op Zoom, Termoli, and Geesthacht fa collective bargaining agreements.

The collective bargaining agreements that cover the Willoughby, Ohio, Waterford, New York and Sistersville, West Virginia facilities wer 2010, June 2010 and July 2010, respectively. The Company reached agreement on new collective bargaining agreements for each of these faci into 2013. The Company does not have other significant collective bargaining agreements that will expire before the end of December 2011.

(2) Summary of Significant Accounting Policies

(a) Accounting Principles

These consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles.

(b) Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiar ies as of and for the years end 2009 and 2008. Noncontrolling interests represent the minority shareholder's proportionate share of the equity in the consolidated joint venture intercompany balances and transactions, including profit and loss as a result of those transactions, have been eliminated in the consolidation.

Table of Contents

Holdings issued a $400,000 seller note to GE as part of the consideration exchanged in connection with the Acquisition. This note matures
Interest accrues at 11% pay-in-kind per annum in the form of an increase in the accreted value of the note and no cash interest is payable on the
Company has not reflected the seller note in its consolidated financial statements based on the absence of definitive cash requirements b y the C
Holdings' debt service in the foreseeable future. In addition, the Company has not guaranteed the seller note or provided any other form of secu
of the Company for this obligation of Holdings.

(c) Foreign Currency

Assets and liabilities of non-U.S. operations have been translated into United States dollars at the applicable rates of exchange in effect at t
any resulting translation gains and losses are included as a separate component of shareholder's equity in the Consolidated Balance Sheets. Rev
flows have been translated at the applicable weighted average rates of exchanges in effect during the ap plicable period. Certain non-U.S. opera
dollar as their functional currency since a majority of their activities are transacted in United States dollars. Aggregate realized and unrealized g
currency transactions for the years ended December 31, 2010, 2009 and 2008 were $9,412, $10,077 and ($11,887), respectively. These amounts
general and administrative expenses in the Consolidated Statements of Operations. An additional $25,245 of r ealized losses on foreign currency
recorded in conjunction with the loss on the debt extinguishment and exchange and is recorded in other income (expense).

(d) Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumpt
reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statement
amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount o
goodwill and intangibles, valuation a llowances for receivables, inventories, deferred income tax assets and assets and obligations related to em
results could differ from those estimates.

(e) Cash Equivalents

Cash equivalents consist of bank deposits, money market and other financial instruments with an initial maturity of three months or less. Fo
Consolidated Statements of Cash Flows, the Company considers all highly liquid debt instruments with original maturities of three months or le

(f) Revenue Recognition

Revenues comprise the invoiced value for the sale of goods and services, net of value added tax, rebates and discounts, and after elimination of
consolidated entities.

The Company recognizes revenue when products are shipped and the customer takes ownership and assumes risk of loss, collection of the r
probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

(g) Receivables

Trade receivables are recorded at the invoiced amount and do not bear interest. An allowance for doubtful accounts has been established ba
best estimate of probable credit losses related to these receivables. The allowance is based on the customers' financial status and historical write
balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote

(h) Inventories

All inventories are stated at the lower of cost or net realizable values. The Company uses the first-in, first-out (FIFO) method of accounting

(i) Property and Equipment

Property and equipment are stated at cost and depreciated over their estimated economic useful lives. Depreciation expense on property and using the straight-line method. Leasehold improvements and assets under capital leases are amortized over the shorter of the lease term or estim assets.

Property and equipment considers the allocation of fair values as of the date of the Acquisition. Property and equipment includes costs related to the development of internal use software pursuant to the guidance in the *Intangibles—Goodwill and Other* Topic,

Maintenance costs, including expense related to planned major maintenance activities, are recognized in the Consolidated Statements of Op during which the underlying costs are incurred.

(j) Investments in Nonconsolidated Affiliates

For those investments in affiliates that the Company has the ability to exercise significant influence, the equity method of accounting is use investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliates as they occur rath other distributions are received. The Company's share of net income or loss of affiliates also includes other than temporary declines in fair valu period, if any.

(k) Goodwill

The Company does not amortize goodwill, but tests it annually (based on financial information as of the fiscal third quarter of each year) fo value approach at the reporting unit level. The Company also tests goodwill for impairment when an event occurs or circumstances change that not reduce the fair value of a reporting unit below its carrying value. This assessment requires the Company to estimate the fair market value of Company determines that the fair values of our reporting units are less than their carrying amounts, absent other facts to the contrary, the Comp impairment charge for the associated goodwill of the reporting unit against earni ngs in the consolidated financial statements. Based on the guid *Goodwill and other Topic,* ASC 350-20-35, the Company has determined that the Silicones and Quartz operating segments represent the two re purposes of the annual goodwill impairment evaluation. Segment management manages Silicones as a global business; however, discrete financ prepared for the three geographic regions of the segment and is regularly reviewed by segment management. Pursuant to ASC 350-20-35, the th represent components of the Silicones segment, however, based on their economic similarities, they can be aggregated to form one reporting un for Quartz does not review discrete financial information for its geographic regions, and therefore, it represents one reporting unit.

Goodwill is evaluated for impairment using the two-step process as prescribed in the *Goodwill and other Topic,* ASC 350-20-35. The first value of the reporting unit to its carrying amount. If the carrying amount exceeds the fair value, a second step must be performed to calculate im the fair value of the reporting unit exceeds the carrying amount, the goodwill is not considered to be impaired as of the measurement date. To d reporting units, the Company uses a combination of a discounted cash flow model and a market multiple model, both weighted equally. The dis requires management to project revenues, operating expenses, working capital investment, capital spending and cash flows over a multiyear per the weighted average cost of capital to be used as a discount rate. Applying this discount rate to the multiyear projections provides an estimate o reporting unit. The benefit to the discounted cash flow model is that it incorporates management's understanding of the business and factors in may not be representative of other market participants. The market multiple method requires management to select a representative sample of p incorporate into the model. Utilizing financial information available for the peer companies, management arrives at a market multiple that is ap EBITDA to arrive at the estimated fair value of the reporting unit. The benefit to the market multiple model is that it incorporates external mark performance of other similar market participants in order to arrive at an estimate of fair value. In preparing the goodwill impair ment analysis, t an equal weighting of the two models is the most meaningful manner in which to arrive at an estimate of fair value as it incorporates both intern Company as well as the external market factors to which the Company is exposed.

Due to the numerous variables associated with judgments and assumptions relating to the valuation of the reporting unit and the effects of affecting this valuation, both the precision and reliability of the resulting estimates are subject to uncertainty, and as additional information beco Company may change its estimates.

(l) Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of and Intangible Assets

Long-lived assets, such as property and equipment and intangible assets subject to amortization, are reviewed for impairment whenever eve circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asse future cash flows, an impairment charge is recognized. The impairment charge is the amount by which the carrying amount of the asset exceeds For purposes of recognition and measurement of an impairment loss, assets are grouped by major product line, as this is the level at which ident largely independent of the cash flows of

Table of Contents

other assets and liabilities. Assets to be disposed of would be separately presented in the Consolidated Balance Sheets, reported at the lowe or fair value less costs to sell, and no longer depreciated. The Company amortizes the cost of other intangibles over their estimated useful lives

(m) Advertising

Advertising costs are expensed as incurred and were $8,731, $6,406 and $9,897 for the years ended December 31, 2010, 2009 and 2008, re costs are recorded in selling, general, and administrative expenses in the accompanying Consolidated Statements of Operations.

(n) Deferred Financing Costs

Deferred financing costs were recorded by the Company in connection with the long-term financing arrangements associated with the Acqu refinancing and private exchange offers completed in November of 2010 and June of 2009, respectively, and described in Note 9. Deferred fina accumulated amortization, of $71,310 and $50,604 are included in other long-term assets in the accompanying Consolidated Balance Sheets at 2009, respectively. These costs are amortized using the effective interest method over the term of the related debt. The amortization of deferred classified as interest expense in the Consolidated Statements of Operations, was $10,114, $10,471 and $10,898 for the years ended December 3 respectively. In addition, $11,519 and $6,335 of deferred financing costs were written off in conjunction with the debt extinguishment and exch November of 2010 and June of 2009, respectively.

(o) Pension Liabilities

Pension assumptions are significant inputs to the actuarial models that measure pension benefit obligations and related effects on operation discount rate and expected return on assets – are important elements of plan expense and asset/liability measurement. The Company evaluates t at least annually on a plan and country-specific basis. The Company periodically evaluates other assumptions involving demographic factors, s mortality and turnover, and update them to reflect the Company's experience and expectations for the future. Actual results in any given year w actuarial assumptions because of economic and other factors.

Accumulated and projected benefit obligations are measured as the present value of future cash payments. The Company discounts those c weighted average of market-observed yields for high quality fixed income securities with maturities that correspond to the payment of benefits. increase present values and subsequent-year pension expense; higher discount rates decrease present values and subsequent-year pension expen

To determine the expected long-term rate of return on pension plan assets, the Company considers current and expected asset allocations, a expected returns on various categories of plan assets. In developing future return expectations for the principal benefit plans' assets, the Compa market trends as well as key elements of asset class returns such as expected earnings growth, yields and spreads across a number of potential s

(p) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax con differences between the financial statement carrying amoun ts of existing assets and liabilities and their respective tax bases and operating loss forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which thos are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the pe enactment dates. A valuation allowance is established, as needed, to reduce deferred tax assets to the amount expected to be realized.

The majority of the Company's non-U.S. operations have been treated as branches of the U.S. Company and are included in the MPM Grou
income tax return. For the purpose of the consolidated financial statements, for the years ended December 31, 2010, 2009 and 2008, the tax pro
has been prepared on a consolidated basis.

The *Income Taxes* Topic, ASC 740, clarifies the accounting for uncertainty in income taxes recognized in the financial statements. The Sta
recognition threshold and measurement attrib ute for the financial statement recognition and measurement of tax positions taken or expected to
The Company also applies the guidance relating to de-recognition, classification, interest and penalties, accounting in interim periods, disclosur

(q) Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with *Stock Compensation Topic,* ASC 718. ASC 718

Table of Contents

requires companies to recognize compensation expense using a fair-value based method for costs related to share-based payments including
employee stock purchase plans. The expense is measured based on the fair value of the award at its grant date based on the estimated number of
to vest, and recorded over the applicable requisite service period. In the absence of an observable market price for a share-based award, the fair
valuation methodology that takes into consideration various factors, including the exercise p rice of the award, the expected term of the award, t
underlying shares, the expected volatility of the underlying share price based on peer companies, the expected dividends on the underlying share
interest rate.

A portion of the Company's option awards vest over time, while some have a vesting contingent upon attainment of a specified level of inv
return or a specified level of cash-on-cash return. For expense recognition related to awards with graded vesting, the Company has adopted a po
expense over the requisite service period of each separately vesting portion of the award as if each vesting tranche was a separate grant. For awa
contingent upon attainment of a specific level of investor's return, expense is measured but not recorded until the actual occur rence of the mark
which time the total remaining expense would be recognized.

(r) Fair Value of Financial Instruments

The Company's financial instruments consist principally of cash and cash equivalents, receivables and trade payables. Carrying amounts ap
to the short-term maturity of these instruments. The fair value of long-term debt is disclosed in note 9.

(s) Derivative Instruments and Hedging Activities

The Company conducts business activities in diverse markets around the world. The Company is exposed to market fluctuations in the pric
and electricity, as well as currency exchange risks in its business operations. The Company manages its exposure to these risks using derivative
Company applies strict policies to manage each of these risks, including prohibitions on derivatives trading, derivatives market-making or other

The Company accounts for its derivatives and hedging activities in accordance with *Derivatives and Hedging Topic ASC 815*, which requir
instruments be recorded on the Consolidated B alance Sheets at their respective fair values and changes in the fair value are recognized immedia
derivatives qualify as hedges of cash flows. The Company uses internal valuation models that incorporate market-based information to value de
not exchange-traded instruments. Derivative contracts representing unrealized gain positions and purchased options are recorded as assets. Deri
representing unrealized losses and options sold are recorded as liabilities. Gains and losses on derivatives designated as hedges, when recognize
sales, excluding depreciation; selling, general and administrative expenses; or interest expense in the Company's Consolidated Statement of Op
item classification is determined based on the nature of the risk underlying individual hedge strategies. Gains and losses on derivatives not desig
included in other income (expense), net.

On March 10, 2008, the Company entered into an interest rate swap agreement, whereby the Company receives one-month LIBOR and pay
a notional value of $185,000. The interest rate swap expired on March 31, 2010. The Company designated the interest rate swap as a cash flow
rate risk associated with the first $185,000 of its U.S. dollar denominated term loan (tranche B-1). The Company recorded the change in fair val
swap in accumulated other comprehensive income as a pre-tax unrealized gain of $1,037 for the year ended December 31, 2010.

During the first quarter of 2007, the Company entered into foreign currency forward contracts to purchase a total of $240,00 0 with Euros a
$1.3121 to $1.3229. The maturity dates of the contracts ranged from May 26, 2009 to November 23, 2011. The Company did not designate thes
forward contracts as hedges for accounting purposes. On March 2, 2009, the Company settled the remaining foreign currency forward contracts
$4,035.

(t) Commitments and Contingencies

The Company records liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigat and other sources when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably e estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study adjusted as further information develops or circumstances change.

(u) Recently Issued Accounting Standards

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the

Table of Contents

Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards C

The Company considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not ap have minimal impact on the consolidated financial position and results of operations.

In January 2010, the F ASB issued ASU 2010-6, *Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures About Fa* This ASU requires new disclosures regarding transfers and activity within the three levels of fair value hierarchy, as well as enhanced disclosur assets disclosed and the inputs and valuation techniques used to determine fair value. This ASU is effective for interim and annual periods begi 2009. The Company adopted the provisions of this ASU and it did not have a material impact to its consolidated financial statements. For furthe footnote 4 of the notes to the consolidated financial statements.

Effective as of the beginning of the first annual reporting period that began after November 15, 2009, for interim periods within that first a for interim and annual reporting periods thereafter, the *Consolidations Topic*, ASC 810-10, requires an enterprise to perform an analysis to dete enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity, and requires ongoing reassessments o the primary beneficiary of a variable interest entity. The Company adopted the provisions of this ASC, which did not have a material impact to statements.

Effective as of the beginning of the first annual reporting period that began after November 15, 2009, for interim periods within that first a for interim and annual reporting periods thereafter, the *Transfers and Servicing Topic*, ASC 860-10, intends to improve the relevance, represent comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a tr position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This ASC mus occurring on or after the effective date. The Company adopted the provisions of this ASC, which did not have a material impact to its consolida

(v) Restructuring and other costs

Included in restructuring and other costs are costs related to restructuring (primarily severance payments associated with workforce reducti associated with transformation savings, and initial stand-alone activities.

The Company recognized restructuring costs of $3,089, $22,038 and $20,933 (of which $2,437 related to asset impairment), and other cost $23,834 for the years ended Decemb er 31, 2010, 2009 and 2008, respectively. Other costs of $19,986 for the year ended December 31, 2010 w of costs associated with the merger with MSC and the settlement of all claims brought by the National Labor Relations Board arising from a dis Company and one of its unions related to wage reductions and changes in job classifications implemented by the Company at its Waterford, NY Other costs of $881 for the year ended December 31, 2009 included a one-time benefit reduction and wage tax credits of $5,419 recorded durin period ended March 29, 2009.

The following table sets forth the changes in the restructuring reserve:

		Silicones			Quartz
Balance as of January 1, 2009	$	16,269		$	5
Additions		15,758			6,2
Cash payments		(24,683	)		(3,6

Foreign currency translation adjustments	675	1
Balance as of December 31, 2009	8,019	3,3
Additions	3,089	—
Cash payments	(7,520)	(3,2
Foreign currency translation adjustments	(247)	
Balance as of December 31, 2010	$ 3,341	$

The restructuring costs above are primarily related to business optimization. Due to the global economic slowdown, in the fourth quarter of Company experienced significant year-over-year decreases in sales. As a result of the Company's continued focus on streamlining its cost struc Company&rs quo;s profitability and in response to the economic crisis, the Company initiated a restructuring program to increase the efficiency control labor costs. Costs for the program were primarily incurred through the end of 2009, with the related payments occurring throughout

[Table of Contents](#)

2009 and 2010 and expected to conclude in 2011. The Company incurred approximately $35,428 of costs ($29,148 for Silicones and $6,28
program.

The additional $2,543 of costs incurred in the fourth quarter of 2010 related specifically to the merger with MSC and are expected to be pai

(w) Shipping and Handling Costs

Freight costs that are billed to customers are included in Net sales in the Consolidated Statements of Operations. Shipping costs are incurre products from production and storage facilities to the customer. Handling costs are incurred from the point the product is removed from invento the shipper and generally i nclude costs to store, move and prepare the products for shipment. Shipping and handling costs are recorded in Cost Consolidated Statements of Operations.

(x) Reclassifications

Certain prior period balances have been reclassified to conform to the current year presentation.

(3) Related Party Transactions

On October 1, 2010 in connection with the closing of the MSC Transaction, the Company entered into the Shared Services Agreement with agreement, the Company provides to MSC, and MSC provides to the Company, certain services, including, but not limited to, executive and se administrative support, human resources, information technology support, accounting, finance, legal and procurement services. The Shared Ser establishes certain criteria upon which the costs of such services are allocated between MSC and the Company. Service costs in the fourth quart provided services to each other in 2010) were allocated 51% to MSC and 49% to the Company, except to the extent that 100% of any cost was to or for the benefit of either MSC or the Company, in which case the entire cost was allocated to such party. The Shared Service s Agreement terminated according to its terms. MSC or the Company may terminate the agreement for convenience, without cause, by giving written notice days prior to the effective date of termination. Pursuant to this agreement, in the fourth quarter of 2010, the Company incurred approximately $ services and MSC incurred approximately $42,000 of costs for shared services (excluding in each case costs allocated 100% to one party). The approximately $1,077 which represents a true-up payment to bring its percentage of total net incurred costs for shared services under the Shared 49% and 51% for MSC.

In connection with the Acquisition, Holdings entered into a management consulting and advisory services agreement with Apollo and its af of management and advisory services for an initial term of up to twelve years. The Company also agreed to indemnify Apollo and its affiliates officers, and representatives for potential losses relating to the services contemplated under these agreements. Terms of the agreement provide plus out of pocket expenses, payable in one lump sum annually, and provide for a lump-sum settlement equal to the net present value of the rem management fees payable under the remaining term of the agreement in connection with a sale or initial public offering by the Company. These selling, general and administrative expenses in the Company's Consolidated Statements of Operations. The annual management fee for 2009 wa recession.

MPM Holdings i s party to a research and development agreement with GE's Global Research Center that will provide for the continuation development activities undertaken by GE Global Research. The Company pays GE for costs incurred in connection with the research and devel by GE and reimburse GE for expenses related to projects under the agreement. The extent of each party's intellectual property rights for each pr classification assigned to the project by the parties. The agreement expired on December 31, 2010. Pursuant to this agreement, we incurred fees $1,189 in fiscal years 2010, 2009 and 2008, respectively.

The Company sells products to various affiliated businesses (affiliates). For the years ended December 31, 2010, 2009 and 2008, sales to af $21,185, $19,202 and $19,968, respectively. Receivables from affiliates were $2,309 and $8,936 at December 31, 2010 and 2009, respectively.

GE and its affiliates provide a variety of services to the Company, including services pursuant to certain transition service agreements enter Acquisition and other agreements entered into thereafter. Certain services, such as administering employee benefit plans and paying related clai and data networking, outsourcing of certain functions, environmental remediation, and other corporate services and headquarters' overhead wer

Table of Contents

as utilized and were charged pursuant to terms of the transition services agreements which expired in 2008. Billings for the services under t agreement and other agreements amounted to $13,216, $23,282 and $41,921 for the years ended December 31, 2010, 2009 and 2008, respective Company reimbursed Apollo affiliates $4,724 for employee relocation and expatriate expenses paid on the Company's behalf for year ended De amounts are principally reflected in selling, general and administrative expenses in the accompanying Consolidated Statements of Oper ations.

The Company purchased products from various affiliates totaling $8,004, $6,886 and $7,328, during the years ended December 31, 2010, 2 respectively. Payable to affiliates as of December 31, 2010 and 2009, resulting from procurement activity and services, was $1,859 and $2,779, during the year ended December 31, 2009, the Company purchased certain machinery and equipment from GE $16,300.

The Company is presently a party to an off-take agreement that provides for Asia Silicones Monomer Limited (“ASM”) to supply siloxane products to the Company through 2014 (or until certain ASM financing obligations are s atisfied). At the closing of the Acquisition, the Compa term supply agreement with respect to the supply of siloxane and certain related products. Pursuant to the long-term siloxane supply agreement, (Holdings) Pte. Ltd. will ensure the Company a minimum annual supply of siloxane and certain related products at least equal to the amount pu Silicones (Thailand) Limited during the twelve month period ending November 30, 2006, subject to customary force majeure provisions and ce exceptions, for a period of 20 years after the closing of the Acquisition, subject to customary force majeure provisions and certain other limited current arrangement, the Company is committed to purchase approximately $106,560 for 2011 and $107,570 each year thereafter of off-take pr ASM production is equal to current volumes, without taking into account inflation and changes in foreign exchange rates. The Com pany purch $102,644, $87,005 and $99,265 of supply from ASM for fiscal years ended December 31, 2010, 2009 and 2008, respectively. Future purchase c arrangement are included in note 14. Pursuant to an Assignment and Assumption Agreement, GE Monomer (Holdings) Pte. Ltd. also assigned i under a certain Technology License Agreement with ASM to the Company. Under this Technology License Agreement, the Company received of approximately $2,132, $1,717 and $2,112 for the years ended December 31, 2010, 2009 and 2008, respectively.

Following the closing of the Acquisition, GE and Holdings were parties to two employee lease agreements with respect to which certain en remained employed by GE but provided their services to the Company. The emp loyment of the vast majority of persons covered by the two lea transferred to the Company. The agreement with respect to U.S. based employees was terminated in 2007. The agreement with respect to non-U terminated in 2008. Pursuant to these agreements, the Company was billed the cost of employee compensation and benefits and administrative f $608 for the year ended December 31, 2008.

(4) Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid t o transfer a liability (an exit price) in the principal or most adv asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy exists, which requires an use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted as

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Level 2 Quoted prices for similar assets or liabilities in active markets; or observable prices that are based on observable market data, b indirectly market-corroborated inputs. The Company's level 2 liabilities included interest rate swaps and natural gas derivative cont active exchange market.

Level 3 Unobservable inputs that are supported by little or no market activity and are developed based on the best information available

Table of Contents

The following table presents assets and liabilities at December 31, 2010 that the Company measures at fair value on a recurring basis, by le
hierarchy:

	Level 1	Level 2	Level 3
Assets			
Natural gas derivative contracts	$ —	415	$
Total assets at fair value	$ —	$ 415	$

The following table presents liabilities at December 31, 2009 that the Company measures at fair value on a recurring basis, by level within

	Level 1	Level 2	Level 3
Assets			
Natural gas derivative contracts	$ —	451	
Total assets at fair value	$ —	451	

	Level 1	Level 2	Level 3
Liabilities			
Interest rate swap	$ —	1,037	
Natural gas derivative contracts	—	260	
Total liabilities at fair value	$ —	1,297	1,0

The fair value of natural gas derivative contracts and interest rate swaps generally reflects the estimated amounts that the Company would r
tax basis, to terminate the contracts at the reporting date based on broker quotes for the same or similar instruments. Counterparties to these con
financial institutions, none of which experienced any significant downgrades in the year ended December 31, 2010 that would reduce the receiv
to the Company. Certain financial instruments are carried at cost on the consolidated balance sheets, which approximates fair value due to their
nature. These instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses.

(5) Receivables, net

Receivables consisted of the following at December 31:

	2010

Trade	$	339,5
Other:		
VAT		22,6
Advances		11,2
Other		14,9
		388,4
Allowance for doubtful accounts		(3,4
Total receivables, net	$	385,0

(6) Inventories

Inventories consisted of the following at December 31:

	2010		2009
Raw materials and work in process	$ 124,434		$ 112,643
Finished goods	250,017	&nb sp;	236,500
Total inventories	$ 374,451		$ 349,143

Table of Contents

(7) Property and Equipment, Net

Property and equipment consisted of the following at December 31:

	Life	2010
Land and improvements	Indefinite	$ 85,9
Buildings, structures and related improvements	3-40	383,5
Machinery and equipment	8-20	1,170,3
Office equipment, vehicle and tooling	3-10	86,3
Software	5	51,5
Construction-in-process		46,1
		1,823,9
Less accumulated depreciation and amortization		(714,8
Total property and equipment, net		

v="">

$,109,1$1765,575

Leasehold improvements and assets under capital leases, which are included in Buildings, structures and related improvements, are amortiz lease term (3-12 years) or estimated useful life of the assets.

Total depreciation and amortization expense for the years ended December 31, 2010, 2009 and 2008 was $154,106, $148,825 and $194,67

Interest costs of $1,152, $1,125, and $8,199 were capitalized for the years ended December 31, 2010, 2009 and 2008, respectively.

(8) Goodwill and other Intangible Assets, Net

In connection with the Acquisition and the resulting determination of the fair value of net assets acquired and liabilities assumed, the Comp goodwill of $917,712, net of a deemed dividend to GE of $260,340. For the fiscal year ended December 31, 2007, the Company recorded additi of $76,985 as well as a final purchase accounting adjustment of $138,381, net of a deemed dividend to GE of $44,441, which resulted in additio fiscal year ended December 31, 2008, the Company increased goodwill by $3,570 for the final tax related purchase accounting adjustments, net deemed dividend to GE of $377.

During the fourth quarter of 2008, the Company performed the initial step of its annual goodwill impairment evaluation by comparing the f reporting units, Silicones and Quartz, to their carrying values. The fair market values were determined using a combination of discounted cash f multiple models. As the carrying amounts of both units exceeded thei r respective fair values, the Company performed the second step of its imp

calculate impairment and as a result, recorded a pre-tax goodwill impairment charge of $700,000 and $157,539 for Silicones and Quartz, respec
Consolidated Statement of Operations. The changes to fair value in the reporting units that triggered the impairment charges were primarily attr
deterioration in market conditions experienced in late 2008 which also caused management to change its estimates of future results. The Compa
market conditions and estimates into its projected forecasts of sales, operating income and cash flows of each reporting unit throu gh the course
process.

The following table sets forth the changes in goodwill:

		Silicones	Quartz
Balance as of December 31, 2008		409,239	$
Foreign exchange translation		4,309	
Balance as of December 31, 2009		413,548	
Foreign exchange translation		11,567	
Balance as of December 31, 2010	$	425,115	$

At December 31, 2010, accumulated goodwill impairment losses recognized by the Company since the adoption of ASC Topic 350 were $
the Silicones and Quartz reporting units, respectively.

[Table of Contents](#)

Intangible assets as of December 31, 2010 and 2009 consisted of the following:

	Amortization period	Gross amount	Accumulated amortization	
2010				
Amortizing intangible assets:				
Customer relationships	15-20 years	$ 436,204	$ (100),5	
Trademarks	7-20 years	144,476	(36),0	
Unpatented technology	20 years	146,903	(30),3	
Patents and other	10-20 years	33,808	(8),6	
Total		$ 761,391	$ (175),5	
2009				
Amortizing intangible assets:				
Customer relationships	15-20 years	$ 454,086	$ (77),9	
Trademarks	7-20 years	143,941	(27),1	
Unpatented technology	20 years	145,948	(22,861)	123,087
Patents and other	10-20 years	29,472	(6,152)	23,320
Total		$ 773,447	$ (134,044)	$ 639,403

Amortization expense for amortizing intangible assets was $42,994, $42,746 and $42,777 for the years ended December 31, 2010, 2009 an
There were no significant additions to intangible assets for the years ended December 31, 2010 and 2009. The change in the net carrying balanc
of fluctuations in foreign currency translation and amortization expense. The estimated amortization expense for the next five years is as follow

Year ending December 31:

(9) Indebtedness

(a) Short-Term Borrowings

At December 31, 2010, the Company's short-term borrowings consisted of a loan from a former subsidiary of $2,114. At December 31, 200
short-term borrowings.

(b) Long-Term Debt

In connection with the GE Advanced Materials Acquisition, the Company entered into a credit agreement on December 4, 2006. The credit
includes: (i) $1,010,077 term loan facility, consisting of a U.S. dollar denominated tranche (B-1) and Euro denominated tranche (B-2); (ii) $300
facility that inc ludes a revolving letter of credit facility (Revolver) that expires on December 3, 2012; and, (iii) a $33,600 synthetic letter of cre
Credit Facility), which amortizes by 1% annually and expires on December 3, 2013 (collectively, the Senior Secured Credit Facility).

The Company had no outstanding amounts under the revolving credit facility at December 31, 2010. The outstanding letters of credit under
facility at December 31, 2010 were $43,211, leaving unused capacity of $256,789. Outstanding letters of credit issued under the synthetic letter
December 31, 2010 were $31,813, leaving unused capacity of $1,787.

On September 22, 2009, the Company entered into a Limited Waiver and Amendment (the "Waiver and Amendment") with respect to the
of December 4, 2006 governing its senior secured credit facility. Pursuant to the Waiver and Amendment, the requisite revolving credit facility
compliance by the Company with the senior secured leverage ratio maintenance covenant set forth in the credit agreement for the fiscal quarters
2009 and December 31, 2009, subject to certain conditions, and the applicable margin on revolving credit facility borrowings under the credit a
by 125 basis points, effective on September 22, 2009. In addition, the Company agreed to pay a fee in an amount equal to 0.25 % of the revolvi
each revolving facility lender that was a party to the Waiver and Amendment and to reimburse certain fees and expenses incurred in connection
Amendment.

In the fourth quarter of 2010, Momentive Performance USA Materials Inc. and Momentive Performance Materials GmbH (together, the Bo
the Company, obtained commitments from certain existing revolving facility lenders (the "existing lender commitment parties") and certain oth
(the "new lender commitment parties") to provide a new and/or extended revolving facility for the full $300 million under the Borrower's existi
facility. The commitments for the new revolving facility are subject to customary conditions and will take effect on the following date (the "cor
as applicable: (1) in the case of a new lender commitment party, at the Borrower's option, on or no more than five business days prior to Decem
revolver maturity date") or (2) in the case of an existing lender commitment party, the earlier of (A) the existing revolver maturity date or (B) in
obtains an amendment to its senior secured credit facility that extends the revolver maturity date, the date on which such amendment becomes e
commitments for the new revolving facility will mature on December 3, 2014 (the "extended revolver maturity date"). In the event more than $
mature prior to 91 days after the extended revolver maturity date, the revolver loans outstanding under the new revolving facility must be repaid
prior to such maturity date of such term loans and revolver loans may not be drawn thereunder until such term loans are repaid and/or their matu
date not earlier than 91 days after the extended revolver maturity date. The new revolving facility, which cannot be drawn until the commitmen
interest at a rate of LIBOR plus 4.75%.

In addition to the Senior Secured Credit Facility, on December 4, 2006, the Company also issued $765.0 million of aggregate principal amo
Notes, $300.0 million of aggregate principal amount of Senior Toggle Notes, $363.1 million U.S. Dollar equivalent aggregate principal amount
$500.0 million aggregate principal amount of 11 1/2% Senior Subordinated Notes due 2016 (the Senior Subordinated Notes). Proceeds from thes

used in connection with the GE Advanced Materials Acquisition. All of these notes except for the Senior Subordinated Notes have been fully re subsequent refinancings as described below.

With respect to the Senior Toggle Notes due 2014, which were retired on December 22, 2010, interest accrued at either 10 1/8% per annum i paid-in-kind through additional borrowings. For any interest period after June 1, 2007 through December 1, 2010, the Company may elect to pa Toggle Notes entirely in cash or entirely by increasing the principal amount of the Senior Toggle Notes or issuing new Senior Toggle Notes ("P Company paid interest in cash for the first three semi-annual interest periods. The Company made the permitted elections under the indenture g Toggle Notes to pay in kind all interest under the Senior Toggle Notes that was due on December 1, 2008, June 1, 2009, December 1, 2009, and respectively. These elections increased the outstanding balance of the Senior Toggle Notes by $16,312, $17,200, $10,476 and $11,045 on such Company made another permitted election to pay all interest that was due on December 1, 2010 in cash.

On June 15, 2009, the Company completed private exchange offers to exchange $200,000 aggregate principal amount of 12 1/2% Second-Li (the "Second Lien Notes") due 2014 for certain of its outstanding unsecured notes. Approximately $48.4 million in aggregate principal amo unt Notes, €29.8 million in aggregate principal amount (or 11%) of 9% Senior Notes, $140.9 million in aggregate principal amount (or 42 %) of the $118.1 million in aggregate principal amount (or 24 %) of the Senior Subordinated Notes were accepted in the exchange offers for $200.0 milli amount of Second-Lien Notes. The Second Lien Notes were recorded at their fair value of $163,000 on the date of the exchange. Interest on the payable semiannually on June 15 and December 15 of each year, commencing on December 15, 2009. The purpose of the exchange offers was principal amount of the Company's debt. Th e Company recognized a gain on the exchange offers of $178,732.

The Second Lien Notes are guaranteed on a senior secured basis by each of the Company's existing and future U.S. subsidiaries that is a bo under the Company's existing senior secured credit facility. The new Second Lien Notes are secured by a second-priority security interest in cer Company and such U.S. subsidiaries, which interest is junior in priority to the liens on substantially the same collateral securing the Company's Credit Facility.

On October 22, 2010, the Company launched cash tender offers (Tender Offers) with respect to any and all of its outstanding 9 3/4% Senior Senior Notes), 9% Senior Notes due 2014 (9% Senior Notes) and 10 1/8% / 10 7/8% Senior Toggle Notes due 2014 (Senior Toggle Notes and toge Notes and 9% Senior Notes,

Table of Contents

the Senior Notes). The Company received tenders from the holders of (i) $450.6 million aggregate principal amount of the 9 3/4% Senior Notes due aggregate principal amount of the 9 % Senior Notes due 2014 and (iii) $74.8 million aggregate principal amount of the 10 1/8% / 10 7/8% Senior the expiration of the early tender payment deadline (Early Tender Date). On November 5, 2010, the Company exercised its right to accept for ea Senior Notes tendered by the Early Tender Date. After the Early Tender Date and prior to the expiration date of the Tender Offers, the Compan tenders from the holders of €165 thousand aggregate principal amount of the 9 % Senior Notes and $615 aggregate principal amount of the Sen November 22, 2010, the Company exercised its right to accept for payment all of these additional tenders. For those Senior Notes accepted for Tender Offers, the following consideration was paid by the Company (1) $1,043.75 as the tender offer consideration and $10.00 as an early ten per $1,000 principal amount of the 9 3/4% Senior Notes tendered; (2), €1,040.00 as the tender offer consideration and €10.00 as an early tender p €1,000 principal amount of the 9% Senior Notes tendered; and (3) $1,046.25 as the tender offer consideration and $10.00 as an early tender pay $1,000 principal amount of the Senior Toggle Notes tendered. In addition, accrued interest up to, but not including, the applicable payment date cash on all validly tendered and accepted Senior Notes.

The Company issued on November 5, 2010 approximately $848 million U.S. dollar equivalent principal amount of USD second-priority 9 due 2021 (New USD Notes) and EUR second-priority 9.5% springing lien notes due 2021 (New EUR Notes and, together with the New USD a private offering (Bond Offering) that it announced on October 22, 2010. The New Notes are guaranteed on a senior unsecured (or, following events, a second-priority secured) basis by the existing domestic subsidiaries of the Company that are guarantors under our senior secured cred the Company's future domestic subsidiaries that guarantee any debt of the Company or of any New Note guarantor. The Company used the net offering of New Notes to, (i) pay the consideration with respect to the Tender Offers described above, (ii) redeem all remaining Senior Notes, of the Tender Offers, at the applicable redemption price plus accrued and unpaid interest on December 22, 2010 and (iii) pay certain related tra expenses.

In connection with the closing of the Bond Offering, investment funds affiliated with Apollo Global Management, LLC entered into an ag entire amount of their holdings of each series of the Senior Notes for the New USD Notes at an exchange ratio determined based on the consid in the Tender Offers, and intended to give Apollo an aggregate value equivalent to that which it would receive if it had received the total consi Offers and used the proceeds thereof to invest in the New Notes (Apollo Exchange). The Company issued approximately $526 million of New the Apollo Ex change. Apollo owned approximately $234.3 million principal amount of the 9 3/4% Senior Notes, €88.2 million principal amoun and $139.4 million principal amount of the Senior Toggle Notes.

The Company recognized a loss on the above transactions of $77,918, including $25,245 of foreign currency exchange losses.

The Senior Secured Credit Facility is secured under first priority pledges of all of the equity interest of the Company's U.S. subsidiaries, an priority interests in and mortgages on substantially all of the Company's tangible and intangible assets. The Senior Secured Credit Facility also restrictive covenants. It prohibits the Company from prepaying other indebtedness (subject to certain exceptions) and requires the Company to consolidated first lien leverage ratio. Additionally, it restricts the Company's ability to incur additional indebtedness or liens, make investments dividends. The Company is in compliance with the covenant requirements at December 31, 2010 .

The Senior Secured Credit Facility also requires an acceleration of principal payments based on excess cash flow, as defined in the credit a Company had excess cash flow under the terms of the credit agreement in 2010, the Company was not required to prepay any of the term loans net first-lien secured indebtedness to Adjusted EBITDA was below 1.5:1. The Company did not have excess cash flow under the terms of the cr years 2009 and 2008.

Indentures governing the Springing Lien Notes, Second Lien Notes and Senior Subordinated Notes also limit the Company's ability to, amo additional indebtedness; (ii) declare or pay dividends or make other distributions or repurchase or redeem Company stock; (iii) make investmen including capital stock of restricted subsidiaries; (v) enter into agreements restricting the Company's subsidiaries ability to pay dividends; (vi) c otherwise dispose of all or substantially all of the Company's assets; (vii) enter into transactions outside the ordinary course of business with ou (viii) incur liens.

The Company's wholly-owned subsidiary, MPM Nantong, also has borrowings of approximately $50,900 and $60,441

Table of Contents

outstanding at December 31, 2010 and 2009, respectively, (based on exchange rates as of December 31, 2010 and 2009, respectively) from the Chin which were used to finance the construction of its finishing plant in Nantong, China. Such loans are secured by substantially all of MPM Nanto 2009, MPM Nantong was in breach of a financial covenant under its loan agreement with the China Construction Bank. On June 3, 2009, MPM Construction Bank entered into a Supplemental Agreement, which amended the loan agreement. Pursuant to the Supplemental Agreement, the p first measurement date for the financial covenants under the loan agreement from December 31, 2008 to December 31, 2010 and (2) deferred pr originally due on June 30, 2009 and December 31, 2009, aggregating to approximately $6,200 (base d on exchange rates at the time), until June maturity date of the debt under the loan agreement. The borrowings accrues interest at a weighted average rate of 5.76% per annum. MPM Nan with the terms of the Supplemental Agreement as of December 31, 2010 and 2009.

On March 17, 2009, Apollo Management VI, L.P. (“Apollo”) and the Company entered into a letter agreement enabling the Company to pu certain debt securities of the Company acquired by Apollo or its affiliates for a period of 180 days after the date of purchase unless such securit to an unaffiliated third party. As of the date of this filing, the Company has not exercised this right.

A summary of long-term debt as of December 31, 2010 and 2009 is as follows:

		2010
JPMorgan Chase Bank, N.A. $300,000 revolving credit facility. Matures December 3, 2012. Interest varied at LIBOR plus 2.5% until September 22, 2009, at which point it was increased to LIBOR plus 3.75%. The interest rate as of December 31, 2009 was 4.00%.	$	
JPMorgan Chase Bank, N.A. $525,000 term loan tranche B-1. Matures December 4, 2013. Interest is payable monthly and 1% per annum principal payments are payable quarterly. Interest varies at LIBOR plus 2.25%. The interest rate as of December 31, 2010 and 2009 was 2.563% and 2.500%, respectively.		504,
JPMorgan Chase Bank, N.A. €400,000 term loan tranche B-2. Matures December 4, 2013. Interest is payable monthly and 1% per annum principal payments are payable quarterly. Interest varies at Euro LIBOR plus 2.25%. The interest rate as of December 31, 2010 and 2009 was 3.053% and 2.723%, respectively.		506,
9.0% Springing Lien Dollar Notes. Matures on January 15, 2021. Interest is payable semi-annually at 9.0%.		1,160,
€150,000 Springing Lien Euro Notes. Matures January 15, 2021. Interest is payable semi-annually at 9.5%.		197,
$765,000 Senior Notes. Matures December 1, 2014. Interest is payable semi-annually at 9.75%.		
€275,000 Senior Notes. Matures December 1, 2014. Interest is payable semi-annually at 9%.		
$300,000 Senior Toggle Notes. Matures December 1, 2014. Interest is payable semi-annually in cash at 10.125% or payable-in-kind at 10.875%.		
$500,000 Senior Subordinated Notes. Matures December 1, 2016. Interest is payable semi-annually at a coupon rate of 11.5%, with a yield-to-maturity of 11.68% as the notes were issued at a discount of $7,225, of which $539 and $681 was amortized during the year ended December 31, 2010 and 2009, respectively.		378,
$200,000 Second-Lien Senior Secured Notes. Matures June 15, 2014. Interest is payable semi-annually in cash at 12.5%.		172,

China Construction Bank, 421,200 RMB construction loan. Matures June 30, 2014. Interest on borrowings is based on 90% of the rate of the People's Bank of China at the time of borrowing. The weighted average interest rate at December 31, 2010 and 2009 was 5.76% and 5.12%, respectively. Interest is payable quarterly.		50,
India Bank, 350,000 INR Medium Term Loan Matures June 20, 2015. Interest on borrowings is set annually and is based on 99.5% of India Bank's Benchmark Prime Lending Rate plus a Tenor Fee of 0.5%. The interest rate at December 31, 2010 and 2009 was 13.25% and 12.5%, respectively. Interest is payable monthly.		6,
Total long-term debt		2,976,
Less current installments		24,
Long-term debt, excluding current installments	$	2,951,

Interest expense on long-term debt was $232,033, $244,544 and $272,386 for the years ended December 31, 2010, 2009 and 2008, respecti discount and debt issuance costs amounted to $16,964, $14,657 and $10,898 for the years ended December 31, 2010, 2009 and 2008, respective Interest expense in the Consolidated Statements of Operations.

As disclosed in note 2 (r), on May 10, 2008, the Company entered into an interest rate swap agreement, whereby the Company received one a fixed rate of 2.48% on a notional value of $185,000. This agreement expired on March 31, 2010.

At December 31, 2010, the Company estimates that the $1,358,387 of outstanding springing lien notes had a fair value of

Table of Contents

approximately $1,437,913, the $378,623 of outstanding fixed rate senior subordinated notes had a fair value of approximately $414,328; the $1,010, variable rate term loans had a fair value of approximately $978,527; the $172,621 of outstanding fixed rate second-lien senior secured notes wit principal amount had a fair value of approximately $223,000; and the fair values of the $6,115 outstanding medium term loan, and $50,900 outs project financing loan were approximately the same as their outstanding balances. The Company determined the estimated fair value amounts b information for the senior notes and commonly accepted valuation methodologies for the term loans. However, considerable judgment is requir data to develop estimates of fair value. Accordingly, the fair value estimates presented herein are not necessarily indicative of the amount that th holders could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effec value.

As of December 31, 2010, the aggregate principal maturities for the next five years are as follows:

Year ending December 31:	
2011	
2012	
2013	
2014	
2015	

(10) Accrued Expenses and Other Liabilities

The following represents a summary of accrued expenses and other liabilities at December 31:

		2010
Employee compensation and benefits	$	68,5
Other accrued expenses		101,5
Total accrued expenses and other liabilities	$	170,1

(11) Deficit

(a) Common Stock and Additional Paid-in C apital

At December 31, 2010 and 2009, common stock consists of 100 shares issued and outstanding with a par value of one cent per share. At De 2009, Holdings represented the sole shareholder of the Company as a result of its capital contribution of $9 03,500 to the Company on Decemb paid-in capital primarily relates to the excess of paid-in-capital over the par value of the common shares from the capital contribution, net of $3 dividend to GE.

Table of Contents

(b) Accumulated Other Comprehensive Income (Loss)

The accumulated balances for each classification of comprehensive income (loss) are as follows:

Predecessor	Foreign currency translation	Pension and Postretirement liability adjustments	Derivative instruments	
Balance at December 31, 2007	$ 29,131	$ 14,121	$ —	$ 43,252
Net current period change	142,057	(5,771)	(3,578)	132,708
Balance at December 31, 2008	171,188	8,350	(3,578)	175,960
Net current period change	(363)	2,980	1,483	4,100
Balance at December 31, 2009	170,825	11,330	(2,095)	180,060
Net current period change	77,353	(42,783)	2,095	36,665
Balance at December 31, 2010	$ 248,178	$ (31,453)	$ —	$ 216,725

The accumulated balances and corresponding tax effects for each component of other accumulated comprehensive income (loss) as of Dec
2008 are as follows:

	2010	
	Pre-tax amount	Tax benefit
Foreign currency translation	$ 248,178	$ — $
Pension and postretirement liability adjustments	(36,458)	5,005
	$ 211,720	$ 5,005 $

	2009	
	Pre-tax amount	Tax expense
Foreign currency translation	$ 170,825	$ —
Pension and postretirement liability adjustments	13,021	(1,691)
Derivative instruments	(1,297)	(798)

	$	182,549	$ (2,489) $

		2008	
		Pre-tax amount	Tax expense
Foreign currency translation	$	171,188	$ — $
Pension and postretirement liability adjustments		8,606	(256)
Derivative instruments		(3,578)	—
	$	176,216	$ (256) $

(c) Noncontrolling Interests

The following table presents the changes in the proportionate share of the equity of the noncontrolling interest shareholder balances:

		Years ended December 3	
		2010	2009
Balance, beginning of period	$	3,646	$ 3,844 $
Currency translation adjustment		68	(314)
Dividends paid		(1,116)	—
Noncontrolling interests share of income (loss)		835	116
Balance, end of period	$	3,433	$ 3,646 $

Table of Contents

(12) Stock-based Compensation

On March 30, 2007, the Board of Directors of Holdings approved the 2007 Long-Term Incentive Plan of Holdings (the “Incentive Plan”). A
1, 2010 transaction in which Holdings LLC became the Company's ultimate parent, the options issued under the Incentive Plan were converted
units of Holdings LLC. The exchange ratio was 38.5518 Holdings LLC options for each 1 option of Holdings LLC outstanding. As a result, the
recast to reflect this conversion. A maximum of 19,275,900 shares of Holdings LLC common stock may be issued or transferred, including non
pursuant to the Incentive Plan.

Employee option grants with graded vesting vest over a four or five-year period. The performance based options vest upon the earlier of (i
a specified internal rate of return on its equity investment in MPM Holdings (now converted into Momentive Holdco common units) and (ii) Ap
specified cash-on-cash return on its equity investment in MPM Holdings (now converted into Momentive Holdco common units). The cash-on-
was added in early 2010. There were no options granted to the Company's directors in 2010. 77,103 options were granted to the Company's dire
Director options vested and became exercisable immediately upon being granted and had a weighted average per share grant-date fair value of S
in 2009. The fair value of each employee's options with graded vesting and the director options was estimated using the Black-Scholes-Merton
the options associated with investor IRR and cash-on-cash , an adaptation of the Black-Scholes-Merton, which took into consideration the inter
thresholds, was used to estimate fair value. This model adaptation is essentially equivalent to the use of a path-dependent lattice model.

In connection with these stock purchases, two types of options were issued, options with time-based vesting and options with performance-
based options vest in equal annual installments over a period of four years or five years.

Expected volatility was based on the historical volatility of representative peer companies’ stocks. Expected term for graded and director op
simplified method which allows a term equal to the period from grant date to the mid-point between vesting dates and contractual expiration of
associated with investor IRR or cash-on-cash returns, the expected term reflected an assumed date when the investor would reach its internal ra
cash return threshold plus an estimated additional holding period until the option exercise. For these awards, expense is measured but not recor
occurrence of the market condition being met, at which time the total remaining expense would be recognized. Expected dividend yield was bas
expectation of no dividend payments. Risk free interest rates were based on the U.S. treasury yield curve in effect at the grant date for instrume

Options granted during 2010, 2009 and 2008 used the following weighted average assumptions:

	2010	2009
Risk-free interest rate	2.54 %	2
Expected term (in years)	9.58 4.05718	
Volatility	38.0 %	5
Expected dividend yield	—	

For the fiscal years ended December 31, 2010, 2009 and 2008, the Company recognized $0, $0 and $88 for director compensation, and $2,
employee compensation, respectively. The compensation expenses are included in Selling, general and administrative expenses on the Consolid
Operations. The Company recognized no tax benefits. As of December 31, 2010, there was $4,408 of unrecognized compensation costs related
unrecognized compensation costs are expected to be recognized over a weighted-average period of 1.98 years.

Conversion of Units to Momentive Holdco

Effective October 1, 2010, in conjunction with the MSC Transaction, stock options granted to our Directors and those granted under the Inc
converted to an equivalent number of options to purchase units in Momentive Holdco. This event also resulted in a modification of all options,
increase in fair value. In conjunction with this modification, the Company recorded stock based compensation of $1,978 in the fourth quarter, w
for terminated executives and $461 for all other employees.

Modification of IRR Awards

During the first quarter of 2010, outstanding stock options that contained an investor IRR target were modified to include a cash-on-cash re
modification was classifying as probable-to-improbable and as such, no incremental

Table of Contents

compensation expense was recognized in 2010.

The following is a summary of the stock options as of and for the years ended December 31, 2010, 2009 and 2008:

	Options		Weighted Average Exercise Price
Outstanding at January 1, 2008	9,397,851	$	2.5
Granted	194,682	$	3.4
Forfeited	(993,580)	$	2.5
Expired	—		
Exercised	—		
Outstanding at December 31, 2008	8,598,953	$	2.6
Granted	660,195	$	2.5
Forfeited	(499,163)	$	2.5
Expired	—		
Exercised	—		
Outstanding at December 31, 2009	8,759,985	$	2.6
Granted	1,479,419	$	2.5
Forfeited	(665,014)	$2.59	
Expired	—		
Exercised	—		
Outstanding at December 31, 2010	9,574,390		

The weighted average characteristics of outstanding options at December 31, 2010 were as follows:

	Stock Options	Weighted Average Remaining Contractual Life
Outstanding at December 31, 2010	9,574,390	6

Vested at December 31, 2010	2,653,769	6
Expected to vest at December 31, 2010	9,075,294	6

At December 31, 2010, 2,653,769 of the 9,574,390 outstanding employee options were vested and exercisable with weighted average exerc weighted average remaining contractual life of 6.41 years.

(13) Income Taxes

For the years ended December 31, 2010, 2009 and 2008, the Company's tax provision was computed based on the legal entity structure, as tax benefit or valuation allowance related to net operating losses (NOL) was recognized and evaluated on a stand-alone basis.

The components of income (loss) before income taxes are as follows:

		Year ended Decembe	
		2010	**2009**
Income (loss) before income taxes:			
U.S.	$	(108,444)	$ 20,7
Non U.S.		43,232	(46,9
	$	(65,212)	$ (26,1

Table of Contents

Income tax expense (benefit) attributable to income (loss) from operations consists of:

		Current		Deferred
Year ended December 31, 2010:				
United States federal	$	—	$	7
State and local		381		
Non U.S. jurisdictions		16,191		(19,6
	$	16,572	$	(18,8
Year ended December 31, 2009:				
United States feder al	$	—	$	(3,3
State and local		28		
Non U.S. jurisdictions		14,741		4,0
	$	14,769	$	7
Year ended December 31, 2008:				
United States federal	$	—	$	(26,2
State and local		(2,064)		
Non U.S. jurisdictions		13,392		(95,6
	$	11,328	$	(121,8

Income tax (benefit) expense attributable to income from operations was ($2,250), $15,479 and ($110,510) for the years ended December 3
respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 35% to pretax income from continuing op
following:

		Year ended Decembe		
		2010		2009
Income tax expense (benefit):				
Computed "expected" tax expense (benefit)	$	(22,824)	$	(9,1
State and local income taxes, net of Federal income tax benefit		275		(2

Increase (reduction) in income taxes resulting from:		
Tax rate changes	3,615	(1,9
Non U.S. tax rate differential	(7,731)	11,6
Branch accounting effect	35,171	(23,5
Withholding taxes	1,931	
Valuation allowance	(14,454)	37,1
Permanent differences	2,059	7,3
Elective asset step up	—	(5,7
Goodwill impairment	—	
Other	(292)	(
	$ (2,250)	$ 15,4

Table of Contents

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at Decemb
presented below.

	U.S.		N	
	2010	2009	2010	
Current deferred tax assets:				
Inventory	$ 7,880	$ 7,160	$6,546	
Vacation	7,959	5,156	3,0	
Provi sion for expenses related to timing	1,976	3,389	3,1	
Net operating losses	—	—	4,9	
Deferred revenue	—	—		
Other	4,279	793	3,854	2,745
Total current deferred tax assets	22,094	16,504	21,119	14,499
Noncurrent deferred tax assets:				
Amortization	184,897	212,462	10,179	10,019
Depreciation	19,027	19,768	12,519	11,132
Pension	101,353	94,387	37,335	27,208
Net operating losses	265,523	214,137	73,252	93,304
Branch accounting future credits	22,473	45,927	—	—
Reserves	1,444	744	—	—
Defer red interest deductions	—	—	13,833	16,641
Other	7,098	7,079	5,568	5,137
Total noncurrent deferred tax assets	601,815	594,504	152,686	163,441
Total gross deferred tax assets	623,909	611,008	173,805	177,940
Less valuation allowance	(611,921)	(610,974)	(39,568)	(50,648)
Net deferred tax assets	11,988	34	134,237	127,292

Current deferred tax liabilities:				
Inventory	—	—	10,699	10,299
Deferred revenue	—	—	221	295
Provision for expenses related to timing	—	—	7,672	5,109
Other	—	—	856	1,569
Total current deferred tax liabilities	—	—	19,448	17,272
Noncurrent deferred lax liabilities:				
Amortization	—	—	84,768	85,126
Depreciation	—	—	47,730	46,376
Other	11,988	—	4,600	4,297
Total noncurrent deferred tax liabilities	11,988	—	137,098	135,799
Total deferred tax liabilities	11,988	—	156,546	153,071
Net deferred tax asset (liability)	$	$ —	$(22,304)	$(5,779)

NOL Schedule

Country
United States
Japan
Germany
Thailand
China
Other
Total

Table of Contents

At December 31, 2010, 2009 and 2008, the Company had available approximately $955,941, $881,298 and $743,019 of net operating loss
expiration dates ranging from one year to indefinite that may be applied against future taxable income, respectively. The net operating losses fo
Japan will begin to expire in 2026 and 2013, respectively. The net operating losses for Germany and Italy have no expiration date.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods i n which those
become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning st
assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the net deferr
deductible, management believes it is more likely that the Company will not realize the benefit of most of their net deferred tax assets. As of De
2009, in some jurisdictions in which there is a net deferred tax asset, the Company has established a full valuation allowance. However, there ar
non U.S. jurisdicti ons where, based on management's assessment, it is more likely than not the net deferred tax asset will be realized.

The Company is recognizing the earnings of non-U.S. operations currently in its U.S. consolidated income tax return as of December 31, 2
the exception of certain operations in China, that all earnings not required to service debt of the Company's operations in non-U.S. jurisdictions
U.S. The Company has accrued the incremental tax expense expected to be incurred upon the repatriation of these earnings.

Under branch accounting, the inclusion of the non-U.S. operations in the U.S. income tax return requires the establishment of a deferred tax
the foreign affiliates' tax consequences; eliminating a duplicative deferred tax benefit or expense. The "branch accounting future credit" deferre
$45,927 at December 31, 2010 and 2009, respectively, principally represents the offset to the non-US affiliates deferred tax liabilities.

A reconciliation of the beginning and ending amount of unrecognized tax bene fits is as follows:

Unrecognized Tax Benefits, December 31, 2008	
Additions for tax positions of the current year	
Additions for tax positions of prior years	
Reductions for tax positions of prior years	
Settlements	
Statute of limitations expiration	
Foreign currency translation	
Balance at December 31, 2009	
Additions for tax positions of the current year	

Additions for tax positions of prior years	
Reductions for tax positions of prior years	
Settlements	
Statute of limitations expiration	—
Foreign currency translation	3,688
Balance at December 31, 2010	$20,343

Liabilities for unrecognized tax benefits as of December 31, 2010 relate to various foreign jurisdictions. If recognized, all of the unrecogniz
December 31, 2010 would reduce the Company's effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of December 31,
Company has recorded a liability of approximately $935 and $765, respectively, for interest and penalties.

The Company files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. In the normal course of b
subject to examination by taxing authorities throughout the world with examinations ongoing in a few of those ju risdictions including Germany
major jurisdictions with open tax years are as follows: United States 2006-2010, Germany 2005-2010, Italy 2003-2010, Switzerland 2009-2010
Japan 2005-2010, Thailand 2004-2010, Hong Kong 2005-2010, Canada 2008-2010 and Brazil 2005-2010. Unrecognized tax benefits are not ex
significantly over the next 12 months.

[Table of Contents](#)

(14) Commitments and Contingencies

(a) Litigation

The Company is subject to various claims and legal actions arising in the ordinary course of business, none of which management believes material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

(b) Purchase Commitments

The Company has signed multi-year agreements with vendors in order to obtain favorable pricing and terms on products that are necessary of its business. Under the terms of these agreements, the Company has committed to contractually specified minimums over the contractual per contractual commitments are related to the off-take agreement with ASM, as disclosed in note 3. As of December 31, 2010, future contractual m

Year ending December 31:	
2011	
2012	
2013	
2014	
2015	
Thereafter	

To the extent that the Company does not purchase the contractual minimum amount, the Company must pay vendors the shortfall. The Con meet the contractual minimums through the normal course of business.

(c) Environmental Matters

The Company is involved in certain remediation actions to clean up hazardous wastes as required by federal and state laws. Liabilities for r site are based on the Company's best estimate of discounted future costs. As of December 31, 2010 and 2009, the Company had recognized obl $4,737, respectively, for remediation costs at the Company's manufacturing facilities and offsite landfills. These amounts are included in Other accompanying Consolidated Balance Sheets.

(d) Lease Commitments

The Company has several noncancelable operating leases, primarily for manufacturing equipment, office equipment and office buildings. T
require the Company to pay all executory costs such as maintenance and insurance. Future minimum lease payments as of December 31, 2010 a

Year ending December 31:	
2011	
2012	
2013	
2014	
2015	
Thereafter	
Total future minimum lease payments	

The Company is also a lessee under various cancelable operating lease arrangements for industrial equipment, computer and office equipm
noncancelable and cancelable operating leases was $22,430, $24,619 and $26,464 for the years ended December 31, 2010, 2 009 and 2008, resp

Table of Contents

(15) Pension and Postretirement Benefits

Domestic Pension Plans

The Company's U.S. defined benefit plan provides benefits to substantially all U.S. employees based on the greater of a formula recognizin formula recognizing length of service and final average earnings. Certain benefit provisions are subject to collective bargaining. The Company supplementary defined benefit plan that provides additional retirement benefits to certain higher-level, longer-service U.S. employees. The Com defined benefit pension plan is unfunded.

Eligible U.S. employees may also participate in the Company's defined contribution plan. Under this plan, eligible employees may invest a with the Company matching up to a maximum of 4% of the employees' annual earnings or nine thousand eight hundred dollars, in various prog January 1, 2009, the Company suspended the 4% match for salaried exempt employees. This match was subsequently reinstated effective April recognized expense of $4,078, $2,109 and $6,039 during 2010, 2009 and 2008, respectively, associated with this plan.

Foreign Pension Plans

Outside the U.S., the Comp any maintains its principal defined benefit pension plans in Germany, Japan and Switzerland (collectively, For Plans). The Company maintains additional defined benefit pension plans in various other locations. These additional plans are not significant an disclosures presented below.

The Company's defined benefit pension plans in Germany cover substantially all of its employees. These plans are not funded and benefits Company to retirees directly. The benefits are based on years of service and the employee's final pensionable salary, as defined by the plan. The until the employee retires at a minimum eligible age of 60 years.

The Company's defined benefit pension plan in Japan covers substantially all of its employees. The benefits of the Company's Japanese pe years of service and the employee's three highest years of compensation during the last 10 years of employment. The pension plan assets are ma Japanese financial institutions.

In Switzerland, the Company's defined benefit plan provides pension, death and disability benefits to substantially all employees. Benefits accumulated account balances plus an annuity conversion factor established by the Swiss government. The pension liability is administered thro foundation, together with benefits provided by GE to its employees.

Employees in the United Kingdom participate in GE pension plans along with GE employees. Prior to 2009, employees in the Netherlands pension plans along with GE employees. The Company's pension expense associated with contributions to these multi-employer pension plans $3,768 for the years ended December 31, 2010, 2009 and 2008, respectively.

Pension Plan Participants

Pension plan participants as of December 31, 2010 were as follows:

	Total	Domestic
Active employees	3,775	2,3
Vested former employees	539	3
Retirees and beneficiaries	348	
	4,662	2,8

Table of Contents

Cost of Pension Plans

Net periodic pension cost for the years ended December 31, 2010, 2009 and 2008 includes the following (income) expense components:

	Domestic			Fo
	Year ended December 31,			Year ended
	2010	2009	2008	2010
Expected return on plan assets	$ (3,747)	$ (2,433)	$ (1,562)	$ (843)
Service cost for benefits earned	15,374	16,384	14,819	5,502
Interest cost on benefit obligation	4,464	3,466	2,766	3,777
Prior service benefit	(886)	(882)	(882)	(39)
Net actuarial (gain) loss recognized	(902)	(473)	(874)	(83)
Effect of terminations and other	—	112	—	—
	$ 14,303	$ 16,174	$ 14,267	$ 8,314

Actuarial Assumptions

The Company measures and records the expense of its pension plan obligations based on actuarially determined estimates, using a Decemb
Weighted average assumptions used to determine benefit obligations as of December 31 were as follows:

	Domestic			Foreign	
	2010	2009	2008	2010	2009
Discount rate	5.60%	6.10%	5.90%	2.58%	3.4
Compensation increases	4.38%	4.36%	4.42%	2.06%	2.3
Expected return on assets	8.00%	8.00%	8.00%	2.71%	2.9

The Company's defined benefit pension plans in Germany also relied upon assumptions regarding pension benefit increases of 1.75% in 20
2008. The discount rates at December 31 are used to measure the year-end benefit obligations and the earnings effects for the subsequent year. T
its assumption for the discount rates based on an index of high-quality corporate bond yields and matched-funding yiel d curve analysis as of th

determine the expected long-term rate of return on pension plan assets, the Company considers the current and expected asset allocation, as wel expected returns on various categories of plan assets. The Company applies the expected rate of return to a market-related value of assets, whicl assets to which the expected return is applied. The Company amortizes experience gains and losses and effects of changes in actuarial assumpti over a period no longer than the average future service of employees.

Funding Policy

The funding policy for the various pension plans is to contribute amoun ts sufficient to meet minimum funding requirements as set forth in laws. In 2011, the Company expects to contribute approximately $14,482 and $3,044 to the Company's Domestic and Foreign plans, respectivel contributed $11,838 and $3,690 to its Domestic and Foreign plans, respectively, in 2010.

Benefit Obligations

Benefit obligations are described in the following tables. Accumulated Benefit Obligation (ABO) and Projected Benefit Obligation (PBO) r of a pension plan for past service as of the measurement date. ABO is the present value of benefits earned to date with benefits computed based levels. PBO represents ABO increased t o reflect expected future compensation.

[Table of Contents](#)

Projected Benefit Obligation

		Total		Domestic		
		2010	2009	2010	2009	2010
Balance at January 1	$	190,744	$ 176,087	$ 73,295	$ 63,800	$ 11
Service cost for benefits earned		20,876	21,523	15,374	16,384	
Interest cost on benefit obligations		8,241	7,126	4,464	3,466	
Participant contributions		145	157	—	—	
Plan amendments		3,255	(271)	3,255	—	
Actuarial loss (gain)		35,233	(5,485)	17,397	(10,173)	1
Benefits paid		(5,731)	(3,875)	(614)	(294)	(
Exchange rate adjustments		5,417	999	—	—	
Effect of terminations and other		—	(5,517)	—	112	
Balance at December 31	$	258,180	$ 190,744	$ 113,171	$ 73,295	14

Actuarial gains and losses are principally associated with discount rate changes.

Accumulated Benefit Obligation

		Total		Domestic		sp ;	
		2010	2009	2010	2009		2010
Balance at December 31	$	221,390	$ 164,611	$ 83,734	$ 54,139	$	137,

The following table provides information about the Company's pension plans with accumulated benefit obligations that exceed the fair valu

Total		Domestic		
2010	2009	2010	2009	2010

Funded plans with assets less than ABO						
Plan assets	$ 88,843	$ 69,151	$ 56,673	$ 39,733	$ 32,170	$ 29,418
Accumulated benefit obligations	157,865	113,355	72,864	45,916	85,001	67,439
Projected benefit obligations	189,171	136,261	96,826	61,842	92,345	74,419
Unfunded plans						
Accumulated benefit obligations	63,525	51,256	60,870	8,223	2,655	43,033
Projected benefit obligations	69,003	54,478	66,348	11,448	2,655	43,030

Plan Assets

The following table sets forth the components of the change in plan assets for the year ended December 31:

	Total		Domestic		
	2010	2009	2010	2009	2010
Balance at January 1	$ 69,151	$ 52,207	$ 39,733	$ 23,911	$ 29,4
Actual gain (loss) on plan assets	5,567	5,170	5,640	3,379	) (
Employer contributions	15,528	15,387	11,838	12,661	3,6
Participant contributions	145	157	—	—	1
Benefits paid	(4,657)	(2,158)	(538)	(218)	(4,1
Terminations and other	—	(1,834)	—	—	
Exchange rate adjust ments	3,109	222	—	—	3,1
Balance at December 31	$ 88,843	$ 69,151	$ 56,673	$ 39,733	$ 32,1

Table of Contents

The following table sets forth the percentage of the fair value of total plan assets, by asset category, held as of December 31:

	Domestic		
	2010	2009	2010
Cash and cash equivalents	% 1	%11	%
Equity securities	%61	%54	%
Government bonds	%19	%17	%
Corporate Bonds	%19	%18	%
Insurance contracts	%—	%— s p;	%
Other	%—	%—	%
Total	%100	%100	%

Plan fiduciaries of the various defined benefit plans set the investment policies and strategies for the trusts. Long-term strategic investment preserving the funded status of the plans, while balancing risk and return. These fiduciaries oversee the investment allocation process, which inc investment managers, commissioning periodic asset-liability studies, setting long-term strategic targets and monitoring asset allocations. Target Domestic and Foreign plans are consistent with the 2010 percentages presented above. Target allocations are guidelines, not limitations, and occ will approve allocations above or below a target range.

The following table presents plan assets at December 31, 2010 that the Company measures at fair value on a recurring basis, by level withi

	Level 1	Level 2	Level 3
Domestic Assets			
Cash and cash equivalents	$ 566	$ —	$ 566
Equity securities	34,571	—	34,571
Government bonds	10,768	—	10,768

Corporate bonds	10,768	—		10,768
Total assets at fair value	$56,673	$	$ —	$56,673
Foreign Assets				
Cash and cash equivalents	$ 328	$	$ —	328
Equity securities	10,293	—		10,293
Government bonds	4,364	—		4,364
Corporate bonds	6,783	—		6,783
Insurance contracts	—	8,850		8,850
Other	—	1,552		1,552
Total assets at fair value	$21,768	$10,402	$ —	$32,170

The following table presents plan assets at December 31, 2009 that the Company measures at fair value on a recurring basis, by level withi

		Level 1	Level 2	Level 3
Domestic Assets				
Cash and cash equivalents	$	4,371	$ —	$
Equity securities		21,456	—	
Government bonds		6,755	—	
Corporate bonds		7,151	—	
Total assets at fair value	$	39,733	$ —	$
Foreign Assets				
Cash and cash equivalents	$	843	$ —	$
Equity securities		9,446	—	
Government bonds		4,525	—	
Corporate bonds		7,036	—	
Insurance contracts		—	7,118	—
Other		—	450	
Total assets at fair value	$	21,850	$ 7,568	$

For Level 1 assets, the Company uses quoted market prices to determine the fair value with the exception of money market investments (in equivalents), which are valued at their net asset value. For Level 2 assets, the Company uses quotes from independent vendors and other releva determine the fair value.

Pension Asset (Liability)

The Company's recorded assets and liabilities for its principal defined benefit pension plans are as follows:

		Total		Domestic		
December 31		**2010**	**2009**	**2010**	**2009**	**2010**
Funded status:						
Fair value of plan assets	$	88,843	$ 69,151	$ 56,673	$ 39,733	$ 3
Projected benefit obligation		(258,180)	(190,744)	(113,171)	(73,295)	(14
Pension liability recognized	$	(169,337)	$ (121,593)	$ (56,498)	$ (33,562)	$ (11
Amounts recorded in shareholder’s deficit (pre-tax)						
Prior service benefit	$	(2,891)	$ (7,059)	$ (2,622)	$ (6,763)	$
Net actuarial loss (gain)		20,925	(15,740)	(277)	(16,683)	2
Total	$	18,034	$ (22,799)	$ (2,899)	$ (23,446)	$ 2

The estimated prior service benefit and net actuarial (gain) loss that will be amortized from shareholder's deficit in 2011 are approximately respectively.

Estimated Future Benefit Payments

The expected benefit payments presented below are based on the same assumptions used to measure the Company’s benefit obligation at D include estimated future employee service.

		2011	2012	2013	2014	2015
Domestic pension plans	$	1,235	$ 1,857	$ 2,630	$ 3,228	$ 2,6
Foreign pension plans		7,664	8,268	7,711	7,699	9,0
Total	$	8,899	$ 10,125	$ 10,341	$ 10,927	$ 11,6

Table of Contents

Retiree Health and Life Benefits

In connection with the Acquisition, the Company assumed certain obligations from GE for retiree health and life benefits for the U.S. empl based on participation by its employees in plans maintained by GE or its affiliates through January 28, 2007. During 2007, the Company establi welfare plan for U.S. employees. The retiree health and life obligations assumed from GE, and those obligations arising from subsequent emplo administered under this plan. The Company's U.S. health and welfare plan provides benefits to pay medical expenses, dental expenses, flexible otherwise unreimbursed expenses, short-term disability benefits, and life and accidental death and dismemberment insurance bene fits. Retirees healthcare benefits. The Company funds retiree healthcare benefits on a pay-as-you-go basis. The Company uses a December 31 measurement

Net periodic postretirement benefit cost of $7,058, $6,964 and $6,710 for the years ended December 31, 2010, 2009 and 2008, includes ser earned of $1,244, $1,364 and $1,240, interest cost on the benefit obligation of $4,614, $4,410 and $4,310 and amortization of prior service cost $1,200, $1,190 and $1,160, respectively.

Changes in the accumulated postretirement benefit obligation were as follows:

		2010
Balance at January 1	$	80,2
Service cost for benefits earned		1,2
Interest cost on benefit obligations		4,6
Actuarial (gain) loss		8,2
Benefits paid		(1,5
Employee Contributions		2
Plan amendments		6
Balance at December 31	$	93,6

The accumulated postretirement benefit obligation is recognized as a component of pension liabilities in the December 31, 2010 and 2009 Sheets. Amounts recorded in shareholder's deficit at December 31, 2010 and 2009 include unrecognized prior service cost of $12,494 and $13,1

actuarial losses (gains) of $5,082 and ($3,254), respectively. Unrecognized prior service cost principally arises from 2007 plan amendments rela
caps on health benefit payments for long-service employees. The estimated prior service cost and net actuarial gain that will be amortized from
2011 are $1,310 and $156, respectively.

Significant actuarial assumptions used to determine benefit obligations as of December 31, 2010 and 2009, and related earnings effects incl
5.1% and 5.8%, respectively, compensation increases of 4.5% and an initial healthcare trend rate of 7.5% and 8.5% (gradually declining to 4.5%
respectively. The Company determines its assumption for the discount rates based on an index of high-quality corporate bond yields and matche
analysis as of the measurement date. Increasing or decreasing the healthcare cost trend rates by one percentage point would have changed the D
accumulated postretirement benefit obligation by approximately $9,000 and $7,800, respectively, and the December 31, 2009 accumulated post
obligation by $6,300 and $5,400, respectively. Increasing or decreasing the healthcare cost trend rates by one percentage point would not have a
periodic postretirement benefit cost for 2010 or 2009.

The expected benefit payments presented below are based on the same assumptions used to measure the Company's accumulated postretire
December 31, 2010, and i nclude estimated future employee service.

	2011	2012	2013	2014	2015
Gross	$ 2,694	$ 3,428	$ 4,311	$ 5,223	$ 6
Expected Medicare Part D subsidy	18	38	61	89	
Net	$ 2,676	$ 3,390	$ 4,254	$ 5,134	$6,284

$1,710

(16) Financial Instruments

The Company's business and activities expose it to a variety of market risks, including risks related to changes in commodity prices, foreig
and interest rates. These financial exposures are monitored and managed by the Company as an integra l part of its risk management program. T
the unpredictability

of financial and commodity markets and seeks to reduce the potentially adverse effects that market volatility could have on operating results. As par strategy, the Company, from time to time, uses derivative instruments to protect cash flows from fluctuations caused by volatility in currency ex prices and interest rates.

On March 2, 2009, the Company settled all of its outstanding foreign currency forward contracts and recognized a gain of $4,035.

Cash Flow Hedges

The Company's commodity price risk management strategy is to use derivative instruments to minimize significant unanticipated earnings arise from volatility in commodity prices. Price fluctuations in commodities, mainly in natural gas, can cause the actual prices paid to natural ga anticipated cash outlays. The Company uses commod ity swap contracts to manage these risks. The Company's energy risk management strateg instruments to minimize significant unanticipated manufacturing cost fluctuations that may arise from volatility in natural gas prices.

The Company's interest rate risk management strategy is to use derivative instruments to minimize significant unanticipated earnings fluctu from volatility in interest rates of the Company's borrowings and to manage the interest rate sensitivity of its debt.

For derivative instruments that are designated and qualif y as a cash flow hedge, the effective portion of the gain or loss on the derivative is of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects ea on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized i

The maximum term over which the Company may hedge exposures to the variability of cash flow (for all forecasted transactions, excluding variable-rate debt) is 18 months for commodity hedges. No cash flow hedges were discontinued during the year ended December 31, 2010.

Derivatives Not Designated as Hedging Instruments

The Company uses commodity forward contracts and option contracts to hedge a portion of its anticipated cash payments to natural gas ver can fluctuate based on changes in natural gas prices. These contracts do not meet the provisions required to qualify for hedge accounting treatm or loss on these derivatives is recognized in current earnings.

Financial instruments are neither held nor issued by the Company for trading purposes. The Company' s natural gas hedge contracts and in do not contain any credit related contingent features and accordingly, the Company is not required to post any collateral.

The notional amounts of the Company's derivative instruments outstanding as of December 31, 2010, were as follows:

Derivatives Not Designated as Hedges:	
Natural Gas Option Contracts	$
Total Derivatives Not Designated as Hedges	$

The fair values of the Company's derivative instruments outstanding as of December 31, 2010, were as follows:

	Balance Sheet Location	
Asset Derivatives:		
Derivatives Not Designated as Hedges:		
Natural Gas Option Contracts	Other current assets	$
Total Derivatives Not Designated as Hedges		$
Total Asset Derivatives		$

[Table of Contents](#)

The gains and losses on the Company's derivative instruments during the year ended December 31, 2010 were as follows:

		Amount of Gain or (Loss) Recognized in AOCI (Effective Portion) (1)	Income Statement Classification (2)
Asset Derivatives:			
Derivatives Not Designated as Hedges:			
Natural Gas Option Contracts	$	—	Other income (expense)
Total Asset Derivatives Not Designated as Hedges		—	
Liability Derivatives:			
Derivatives Designated as Hedges:			
Interest Rate Swap contract		1,037	Interest Expense
Natural Gas Hedge Contracts		260	Cost of sales, excluding depreciation
Total Liability Derivatives Designated as Hedges		1,297	
Total Derivatives	$sp;	1,297	

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(1) Accumulated other comprehensive income (loss) (AOCI). The entire amount of gains (losses) recognized in AOCI are expected to be recla next twelve months.

(2) For derivatives designated as cash flow hedges, this represents the effective portion of the gain (loss) reclassified from AOCI into income c

(17) Operating Segments

The Company operates in two independent business segments: Silicones and Quartz. The Silicones segment is engaged in the manufacture, silanes, specialty sil icones and urethane additives. The Quartz segment is engaged in the manufacture, sale and distribution of high-purity fusec materials. Further information about each segment's operating locations and legal entities is described in note 1 to these consolidated financial s

The Company's operating segments are organized based on the nature of the products they serve. They are managed separately because eac different technology and marketing strategies. The Company's Quartz segment production relies heavily on a specific type of sand, which is cur necessary quality and quantity from substantially one supplier, Unimin Corporation. The Company's long-term agreement with Unimin that spa expired on December 31, 2010. The Company recently amended this agreement to extend the term through December 31, 2011 and amend certa pricing and volume purchase requirements, among others.

The accounting policies of the Silicones and Quartz segments are as described in the summary of significant accounting policies described consolidated financial statements.

[Table of Contents](#)

		Silicones		Quartz		Corporate and other items (c)
Year ended December 31, 2010:				sp;		
Net sales (a)	$	2,286,149	$	302,274	$	–
Operating income (loss) (b)		246,749		64,428		(49)67
Depreciation and amortization		169,322		27,778		–
Amortization of debt discount and issuance costs		16,964		—		–
Interest expense		250,772		8		–
Interest income		1,358		340		–
Provision for income taxes		(12)653		10,403		–
Capital expenditures		76,344	`	18,493		—

		Silicones		Quartz		Corporate and other items (c)
Year ended December 31, 2009:						
Net sales (a)	$	1,912,881	$	170,580	$	–
Operating income (loss) (b)		72,057		(16)325		(15)44
Depreciation and amortization		162,525		29,046		–
Amortization of debt discount and issuance costs		14,657		—		–
Interest expense		260,268		196		–
Interest income		2,946		241		–
Provision for income taxes		12,344		3,135		–
Capital expenditures		67,765		9,675		–

	Silicones	Quartz	Corporate and other items (c)
Year ended December 31, 2008:			
Net sales (a)	$ 2,383,373	$ 255,881	$ —
Operating income (loss) (b)	(645)944	(144)872	(45)79
Depreciation and amortization	202,328	35,120	—
Amortization of debt discount and issuance costs	10,898	—	—
Interest expense	282,646	—	—
Interest income	4,903	779	—
Provision for income taxes	(105)853	(4)657	—
Capital expenditures	123,171	16,328	

~~139~~,499

The following represents a summary of total assets at December 31,

	2010
Silicones	$ 2,899,7
Quartz	338,1
Corporate and other items	53,9
Total assets (d)	$ 3,291,8

(a) There were no inter-segment sales during the years ended December 31, 2010, 2009 and 2008. There were no individual customers for wh comprised 3% or more of net sales for the years ended December 31, 2010, 2009 and 2008.

(b) A reconciliation of the segment operating income (loss) to income (loss) before income taxes would include inter est income, interest exper
(expense), net and minority interests as presented in the Condensed Consolidated Statements of Operations.

(c) Corporate and other items include pension expenses and headquarter costs, net of segment allocations.

Table of Contents

(d) Deferred income taxes are included within corporate and other items as reconciling amounts to the Company’s total assets as presented on t
Sheets.

The following tables show data by geographic area. Net sales are based on the location o f the operation recording the final sale to the custo
assets consist of property and equipment, net of accumulated depreciation, intangible assets, net of accumulated amortization and goodwill.

				Year ended Decembe
			2010	2009
Net sales:				
United States			$ 843,830	$ 658,8
Canada			44,336	37,5
Pacific	824,55[illegible]	[illegible]32,387	[illegible]53,676	
Europe	779,10[illegible]	[illegible]74,60[illegible]	[illegible]33,741	
Mexico and Brazil	96,598	80,142	82,421	
	$ [illegible],588,4[illegible]	$ [illegible],083,4[illegible]	[illegible]39,254	

		Dec
		2010
Total long-lived assets:		
United States	628,302	
	$ 598,761	$

Canada	18,374	23,976
Pacific	833,078	407,589
Europe	662,910	750,958
Mexico and Brazil	6,932	7,701
	$2,120,052	$2,218,526

[Tabl e of Contents](#)

(18) Quarterly Financial Information (Unaudited)

A summary of the quarterly operating results during 2010 and 2009 were as follows

	First quarter 2010	Second quarter 2010
Net sales	$ 604,807	$ 651,413
Costs and expenses:		
Cost of sales, excluding depreciation	377,054	397,541
Selling, general and administrative expenses, including depreciation	147,420	152,867
Research and development expenses	15,733	17,664
Restructuring and other costs	1,264	11,715
Operating income (loss)	63,336	71,626
Other income (expense):		
Interest income	428	531
Interest expense	(61,010)	(62,964)
Other, net	(336)	(32)
Loss on extinguishment and exchange of debt	—	—
Income (loss) before income taxes (benefit)	2,418	9,161
Income taxes (benefits)	5,663	9,87 0
Net income (loss)	(3,245)	(709)

Net (income) loss attributable to noncontrolling interests	(165)	(326)	(27
Net income (loss) attributable to Momentive Performance Materials Inc.	$ (3,410)	$ (1,035)	$

	First quarter 2009	Second quarter 2009	
Net sales	$ 418,059	$ 490,008	$
Costs and expenses:			
Cost of sales, excluding depreciation	311,482	334,655	
Selling, general and administrative expenses, including depreciation	142,078	126,447	
Research and development expenses	15,986	15,038	1
Restructuring and other costs	11,282	10,231	
Operating income (loss)	(62,769)	3,637	
Other income (expense):			
Interest income	988	683	
Interest expense	(66,304)	(60,290)	
Other, net	9,973	1,285	9
Gain on exchange of debt	—	178,732	
Loss before income taxes (benefit)	(118,112)	124,047	
Income taxes (benefits)	(20,645)	21,068	
Net loss	(97,467)	102,979	
Net (income) loss attributable to noncontrolling interests	648	(178)	(71
Net loss attributable to Momentive Performance Materials Inc.	$ (96,819)	$ 102,801	$

(19) Guarantor and Nonguarantor Condensed Consolidated Financial Statements

The Comp any has outstanding $200.0 million in aggregate principal amount of second-lien senior notes, $1,160.7 million in aggregate pri lien Dollar notes, $197.7 million in aggregate principal amount of springing lien Euro notes and $381.9 million in aggregate principal amount o notes. The notes are fully, jointly, severally and unconditionally guaranteed by the Company's domestic subsidiaries (the guarantor subsidiaries condensed consolidated financial information presents the Condensed Consolidated Balance Sheets as of December 31, 2010 and 2009, the Co Statements of Operations and Cash Flows for the years ended December 31, 2010, 2009 and 2008 of (i) Momentive Performance Materials Inc. guarantor subsidiaries; (iii) the non-guarantor subsidiaries; and (iv) the Company on a consolidated basis.

[Table of Contents](#)

These financial statements are prepared on the same basis as the consolidated financial statements of the Company except that investments
accounted for using the equity method for purposes of the consolidating presentation. The principal elimination entries relate to investments in s
intercompany balances and transactions. The guarantor subsidiaries are 100% owned by Parent and all guarantees are full and unconditional. Ac
all of the assets of the guarantor subsidiaries and certain non-guarantor subsidiaries are pledged under the senior secured credit facility, and con
available to satisfy the claims of the Company's general creditors.

Condensed Consolidated Balance Sheet as of December 31, 2010:

	Parent	Guarantor Subsidiaries		Non-Guarantor Subsidiaries	Eliminati
Assets					
Current assets:			&		
			p;		
Cash and cash equivalents	$ 31,365	$ 1,080		$ 221,998	$
Receivables, net	—	108,517		276,485	
Due from affiliates	1,077	82,961		31,410	(112,
Inventories	—	195,615		193,789	(14,
Prepaid expenses	—	7,058		2,776	
Income tax receivable	—	—		2,164	
Deferred income taxes	—	424		9,010	2,
Other current assets	—	1,330		(145)	

Total current assets	32,442	396,985	737,487	(124,
Property and equipment, net	—	507,000	602,137	
Other long-term assets	60,131	1,595	24,979	
Deferred income taxes	—	—	41,619	
Investments in nonconsolidated affiliates	—	—	655	
Investment in affiliates	1,439,476	(86,287)	—	(1,353,
Intercompany borrowing	—	997,125	108,635	(1,105,
Intangible assets, net	—	90,846	494,953	
Goodwill	—	—	425,115	
Total assets	$ 1,532,049	$ 1,907,264	$ 2,435,580	$ (2,583,
Liabilities and Equity (Deficit)				
Current liabilities:				
Trade payables	$ —	$ 85,947	$ 216,897	$—
Short-term borrowings	—	—	2,114	
Accrued expenses and other liabilities	1,249	79,340	89,513	
Accrued interest	24,738	—	396	
Due to affiliates	—	30,002	83,705	(111,
Accrued income taxes	—	477	9,286	
Deferred income taxes	—	—	13,521	
Current installments of lo ng-term debt	—	—	24,804	
Total current liabilities	25,987	195,766	440,236	(111,

Long-term debt	1,909,628	—	1,042,291	
Other liabilities	—	8,722	50,329	
Pension liabilities	—	151,134	120,934	
Intercompany borrowings	194,436	108,986	802,338	(1,105,
Deferred income taxes	—	424	62,305	
Total liabilities	2,130,051	465,032	2,518,433	(1,217,
Equity (deficit):				
Additional paid-in capital	603,298	2,004,088	568,948	(2,573,
Accumulated deficit	(1,418,025)	(778,848)	(888,847)	1,658,

Table of Contents

Condensed Consolidated Balance Sheet as of December 31, 2010:

Accumulated other comprehensive income	216,725 sp;	216,992	233,613	(450,
Total Momentive Performance Materials Inc. equity (deficit)	(598,002)	1,442,232	(86,286)	(1,365,
Noncontrolling interests	—	—	3,433	
Total equity (deficit)	(598,002)	1,442,232	(82,853)	(1,365,
Total liabilities and equity (deficit)	$ 1,532,049	$ 1,907,264	$ 2,435,580	$ (2,583,

[Table of Contents](#)

Condensed Consolidated Balance Sheet as of December 31, 2009:

	Parent	Guarantor Subsidiaries	Non-Gu arantor Subsidiaries	Eliminations
Assets				
Current assets:				
Cash and cash equivalents	$ 57,077	$ 9,514	$ 143,693	$ —
Receivables, net	—	97,560	282,962	—
Due from affiliates	3	86,470	26,677	(104,2
Inventories	—	158,054	206,041	(14,9
Prepaid expenses	—	5,351	3,143	—
Income tax receivable	—	2,651	5,956	—
Deferred income taxes	—	1	7,818	2,62
Other current assets	—	4,704	552	—
Total current assets	57,080	364,305	676,842	(116,5
Property and equipment, net	—	530,715	634,860	—
Other long-term assets	34,341	—	30,153	—
Deferred income taxes	—	—	41,540	—
Investments in nonconsolidated affiliates	—	—	586	—

Investment in affiliates	1,318,105	(244,329)	—	(1,073,7
Interc ompany borrowing	—	1,024,896	72,234	(1,097,1
Intangible assets, net	—	97,587	541,816	—
Goodwill	—	—	413,548	—
Total assets	$ 1,409,526	$ 1,773,174	$ 2,411,579	$ (2,287,4
Liabilities and Equity (Deficit)				
Current liabilities:				
Trade payables	$ —	$ 70,498	$ 199,253	$ —
Accrued expenses and other liabilities	1,040	65,087	95,330	—
Accrued interest	15,342	244	282	—
Due to affiliates	—	21,944	85,049	(104,214)
Accrued income taxes	—	—	11,110	—
Deferred income taxes	—	—	34,522	—
Current installments of long-term debt	—	75,000	22,977	—
Total current liabilities	16,382	232,773	448,523	(104,2
Long-term debt	1,818,051	25,000	1,112,429	—
Other liabilities	—	7,109	57,112	—
Pension liabilities	—	114,584	94,154	—
Intercompany borrowings	148,092	72,234	876,804	(1,097,1
Deferred income taxes	—	1	63,240	—

Total liabilities	1,982,525	451,701	2,652,262	(1,201,34
Equity (deficit):				
Additional paid-in capital	601,732	2,097,626	529,961	(2,627,58
Accumulated deficit	(1,354,791)	(957,250)	(945,511)	1,893,80
Accumulated other comprehensive income	180,060	181,097	171,221	(352,3
Total Momentive Performance Materials Inc. equity (deficit)	(572,999)	1,321,473	(244,329)	(1,086,16
Noncontrolling interests	—	—	3,646	-
Total equity (deficit)	(572,999)	1,321,473	(240,683)	(1,086,16
Total liabilities and equity	$ 1,409,526	$ 1,773,174	$ 2,411,579	$ (2,287,44

[Table of Contents](#)

Condensed Consolidated Statement of
Operations for the year ended December 31, 2010:

	Year Ended December 31, 2010			
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations
Net sales	$ —	$ 1,117,454	$ 1,973,613	$ (502,64
Costs and expenses:				
Cost of sales, excluding depreciation	—	736,871	1,411,330	(502,64
Selling, general and administrative expenses	(46,733)	212,815	245,218	–
Depreciation and amortization expenses	—	85,799	111,301	—
Research and development expenses	—	49,417	23,545	–
Operating income (loss)	46,733	32,552	182,219	–
Other income (expense):				
Interest income	30	97,328	7,308	(102,96
Interest expense	(211,307)	(6,088)	(136,353)	102,96
Other income (expense), net	179,228	56,093	855	(235,892)

Loss on extinguishment and exchange of debt	(77,918)	—	—	–
Income (loss) before income taxes	(63,234)	179,885	54,029	(235,89
Income taxes (benefit)	—	1,483	(3,470)	(26
Net income (loss)	(63,234)	178,402	57,499	(235,62
Net (income) loss attributable to noncontrolling interests	—	—	(835)	–
Net income (loss) attributable to Momentive Performance Materials Inc.	$ (63,234)	$ 178,402	$ 56,664	$ (235,62

Table of Contents

Condensed Consolidated Statement of Operations for the year ended December 31, 2009:

	Year Ended December 31, 2009			
	Parent	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**
Net sales	$ —	$ 887,290	$ 1,581,173	$
Costs and expenses:				
Cost of sales, excluding depreciation	—	611,923	1,185,756	(377
Selling, general and administrative expenses	11,771	158,969	197,612	
Depreciation and amortization expenses	—	85,431	106,140	
Research and development expenses	—	40,994	21,770	

Operating income (loss)	(11,771)	(10, 027)				69,895	(7
Other income (expense):							
&nb sp;Interest expense	505	97,519				7,811	(102
Interest expense	(211,718)	(11,766)				(139,628)	102
Other income (expense), net	9,720	(69,021)	11,283	60,082	12,064		
Gain on exchange of debt	178,732	—				—	
Income (loss) before income taxes	(34,532)	6,705				(50,639)	52
Income taxes (benefit)	—	(3,020)				19,051	
Net income (loss)	(34,532)	9,725				(69,690)	52
Net (income) loss attributable to noncontrolling interests	—	—				(116)	
Net income (loss) attributable to Momentive Performance Materials Inc.	$ (34,532)	$ 9,725				$ (69,806)	$

Table of Contents

Condensed Consolidated Statement of Operations for the year ended December 31, 2008:

	Year Ended December 31, 2008			
	Parent	Guar antor Subsidiaries	Non-Guarantor Subsidiaries	Eliminati
Net sales	$ —	$ 1,072,061	$ 1,979,113	$ (411,
Costs and expenses:				
Cost of sales, excluding depreciation	—	775,069	1,470,983	(408,
Selling, general and administrative expenses	(15,631)	199,970	283,082	
Depreciation and amortization expenses	—	108,769	128,679	
Research and development expenses	—	50,519	25,158	
Goodwill impairment charge	—	14,571	842,968	
Operating income (loss) & p;	15,631	(76,837)	(771,757)	(3,
Other income (expense):				

Interest income	—	97,527	4,417	(96,
Interest expense	(210,755)	(2,910)	(165,243)	96,
Other income (expense), net	(799,503)	(845,289)	6,856	1,643,
Loss before income taxes	(994,627)	(827,509)	(925,727)	1,639,
Income taxes (benefit)	—	(27,975)	(81,325)	(1,
Net loss	(994,627)	(799,534)	(844,402)	1,641,
Net (income) loss attributable to noncontrolling interests	—	—	461	
Net loss attributable to Momentive Performance Materials Inc.	$ (994,627)	$ (799,534)	$ (843,941)	$ 1,641,

Table of Contents

Condensed Consolidated Statement of Cash Flows for the year ended December 31, 2010:

	Year Ended December 31, 2010			
	Parent	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**
Net cash provided by (used in) operating activities	$ (133,275)	$ 218,959	$ 176,538	$ —
Cash flows from investing activities:				
Capital expenditures	—	(51,163)	(43,674)	—
Purchase of intangible assets	—	(2,347)	(1,440)	—
Net cash used in investing activities	—	(53,510)	(45,114)	—;
Cash flows from fin ancing activities:				
Debt issuance cost	(17,775)	—	—	—
Dividends paid within MPM Inc., net	96,600	23,541	(120,141)	—

Dividends paid to Parent	(1,250)	—	—	—
Net increase in short-term borrowings	—	—	2,114	—
Proceeds from long-term debt	848,165	—	982	—
Payments of long-term debt	(767,259)	(100,000)	(22,623)	—
Payments on extinguishment of debt	(54,841)	—	—	—
Net borrowings with affiliates	48,802	(97,424)	48,622	—
Net cash provided by (used in) financing activities	152,442	(173,883)	(91,046)	—
Increase (decrease) in cash and cash equivalents sp;	19,167	(8,434)	40,378	—
Effect of exchange rate changes on cash	(44,879)	—	37,927	—
Cash and cash equivalents, beginning of year	57,077	9,514	143,693	—
Cash and cash equivalents, end of year	$ 31,365	$ 1,080	$ 221,998 sp;	$ —

Table of Contents

Condensed Consolidated Statement of Cash Flows for the year ended December 31, 2009:

	Year Ended December 31, 2009			
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elim
Net cash provided by (used in) operating activities	$ (196,546)	$ 178,609	$ 44,516	$
Cash flows from investing activities:				
Capital expenditures	—	(33,309)	(44,131)	
Purchase of intangible assets	—	(2,222)	(797)	
Net cash used in investing activities	—	(35,531)	(44,928)	
Cash flows from financing activities:				

Debt issuance cost	(6,671)	—		—	
Dividends paid within MPM Inc., net	104,024	(93,410)		(10,614)	
Return on capital (capital contribution) bsp;	—	(4,925)		4,925	
Net change in short term debt	—	—		(6,622)	
Proceeds from long term debt	&mdash ;	100,000		5,678	
Payments of long term debt	—	(150,000)	(8,097) — (158,097)		
Funds remitted to joint venture	—	—		(4,900)	
Net borrowings with affiliates	144,149	(185,896)		41,747	—
Net cash provided by (used in) financing activities	241,502	(334,231)	—	22,117	
Increase (decrease) in cash and cash equivalents	44,956	(191,153)		21,705	
Effect of exchange rate changes on cash	10,227	—		(15,993)	

Cash and cash equivalents, beginning of period	1,894	200,667	137,981	
Cash and cash equivalents, end of period	$ 57,077	$ 9,514	$ 143,693	$

[Table of Contents](#)

Condensed Consolidated Statement of Cash Flows for the year ended December 31, 2008:

	Year Ended December 31, 2008			
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminat
Net cash provided by (used in) operating activities	$ (188,973)	$ 238,061	$ 27,957	$
Cash flows from investing activities:				
Capital expenditures	—	(60,897)	(78,602)	
Purchase of intangible assets	—	(8,705)	(943)	
Net cash used in investing activities	—	(69,602)	(79,545)	

Cash flows from financing activities				
Dividends paid within MPM Inc.	190,785	(179,876)	(10,909)	
Capital contribution to affiliates	—	4,261	(4,261)	
Net change in short-term borrowings	—	—	2,324	
Payments of long-term debt	—	—	(15,631)	
Proceeds of long-term debt	—	150,000	38,470	
Funds remitted to joint venture	—	— (4,900) — (4,900)		
Net borrowings with affiliates	3,798	10,309	(14,107)	
Net cash provided by (used in) financing activities	194,583	(15,306)	(9,014)	
Increase (decrease) in cash and cash equivalents	5,610	153,153	(60,602)	
Effect of exchange rate changes on cash	(11,767)	—	5,092	
Cash and cash equivalents, beginning of year	8,051	47,514	193,491	
Cash and cash equivalents , end of year	$ 1,894	$ 200,667	$ 137,981	$

(20) Subsequent Events

On February 24, 2011, Momentive Performance Materials Quartz, Inc., a wholly-owned subsidiary (“MPM Quartz”) of the Company, ente Amendment effective as of December 31, 2010 (the “Amendment”) to the Quartz Sand Products Purchase Agreement by and between Unimin C Quartz. The amendment extends the term of the original supply agreement through December 31, 2011, subject to the early termination provisio provisions regarding pricing and volume purchase requirements, among others.

On February 23, 2011, the Compensation Committee of the Board of Managers of Momentive Holdco approved the Momentive Performan LLC 2011 Equity Incentive Plan (the “Plan ”). Under the Plan, Momentive Holdco can award unit options, unit awards, restricted units, restricte other unit-based awards. The restricted deferred units are non-voting units of measurement which are deemed to be equivalent to one common u Holdco. The unit options are options to purchase common units of Momentive Holdco. The awards made pursuant to the Plan will vest based on the achievement of certain unit prices following certain transactions involving Momentive Holdco. The awards contain restrictions on transferal terms and conditions. The Company is currently evaluating the impact of these unit-based compensation awards on its Consolidated Financial S

On February 3, 2011, the Company entered into an amendment agreement (Amendment Agreement) to provid e for the amendment of its C December 3, 2006 to, among other things: (i) extend the maturity of term loans held by consenting lenders to May 5, 2015 and increase the appl respect to such extended term loans to 3.50% per annum for eurocurrency loans, (ii) allow future mandatory and voluntary prepayments to be d term loans prior to the extended maturity term loans, (iii) subject to the requirement to make such offers on a pro rata basis to all term loan lend

holding revolving commitments, as applicable, allow the Company to extend the maturity of term loans and/or revolving commitments, as appli
Company to otherwise modify the terms of loans or revolving commitments in connection with such an extension and (iv) amend certain other t

Purs uant to the Amendment Agreement, lenders under the Credit Agreement agreed to extend the maturity of (i) approximately $436 milli
amount of their dollar term loans (approximately 87% of the total dollar term

Table of Contents

loans) and (ii) approximately €294 million aggregate principal amount of their euro term loans (approximately 77% of the total euro term lo
extension of app roximately $839.5 million aggregate US dollar equivalent principal amount of term loans (approximately 81.5% of the total ter
Amendment Agreement and the extension of the term loans thereunder became effective on February 10, 2011 following the completion of cust

The Company has evaluated subsequent events from the balance sheet date through February 25, 2011, the date at which the financial state
issued, and determined there are no other items to disclose.

Table of Contents

Schedule II - Valuation and Qualifying Accounts

Column A	&nbs p;	**Column B**	**Column C**		**Column D**
Description		**Balance at Beginning of Period**	**Additions (1)**		**Deductions**
Allowance for Doubtful Accounts:	&nb sp;				
Year ended December 31, 2010		$ 5,160	$ (1,730)		$ —
Year ended December 31, 2009		4,313	847	—	—
Year ended December 31, 2008		5,880	(1,567)	—	—

Deferred Tax Asset Valuation Allowance:				
Year ended December 31, 2010	$661,622	$ 11,807		$ (21,944)
Year ended December 31, 2009	635,773	36,740	—	(10,891)
Year ended December 31, 2008	365,224	270,601	—	(52)

(1) Charged to cost and expenses. Includes the impact of foreign currency translation

[Table of Contents](#)

INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Stock and Asset Purchase Agreement, dated as of September 14, 2006, by and between General Electric Company and M Materials Holdings Inc. (formerly known as Nautilus Holdings Acquisition Corp.) (filed as the exhibit of the same number to Statement, filed on September 14, 2007)
2.2	Amendment to Stock and Asset Purchase Agreement, dated as of December 3, 2006, by and between General Electric Co Performance Materials Holdings Inc. (filed as the exhibit of the same number to our Form S-4 Registration Statement, f iled o
3.10	Certificate of Incorporation, as amended, of Momentive Performance M aterials Inc. (filed as the exhibit of the same num Registration Statement, filed on September 14, 2007)

3.2	Amended and Restated By-laws of Momentive Performance Materials Inc. (filed as the exhibit of the same number to our Statement, filed on September 14, 2007)
3.3	Certificate of Incorporation, as amended, of Momentive Performance Materials Worldwide Inc. (filed as the exhibit of the Form S-4 Registration Statement, filed on September 14, 2007)
3 .4	Amended and Restated By-laws of Momentive Performance Materials Worldwide Inc. (filed as the exhibit of the same nu Registration Statement, filed on September 14, 2007)
3.5	Certificate of Incorporation, as amended, of Momentive Performance Materials China SPV Inc. (filed as the exhibit of the Form S-4 Registration Statement, filed on September 14, 2007)
3.6	Amended and Restated By-laws of Momentive Performance Materials China SPV Inc. (filed as the exhibit of the same nu Registration Statement, filed on September 14, 2007)
3.7	Certificate of Incorporation, as amended, of Momentive Performance Materials South America Inc. (filed as the exhibit of Form S-4 Registration Statement, filed on September 14, 2007)

3.8	Amended and Restated By-laws of Momentive Performance Materials South America Inc. (filed as the exhibit of the sam Registration Statement, filed on September 14, 2007)
3.9	Amended and Restated Operating Agreement of MPM Silicones, LLC (filed as the exhibit of the same number to our For Statement, filed on September 14, 2007)
3.10	Articles of Organization, as amended, of MPM Silicones, LLC (filed as the exhibit of the same number to our Form S-4 R filed on September 14, 2007)
3.11	Certificate of Incorporation, as amended, of Momentive Performance Materials Quartz, Inc. (filed as the exhibit of the sar S-4 Registration Statement, filed on September 14, 2007)
3.12	Amended and Restated By-laws of Momenti ve Performance Materials Quartz, Inc. (filed as the exhibit of the same numb Registration Statement, filed on September 14, 2007)
3.13	Certificate of Incorporation, as amended, of Momentive Performance Materials USA Inc. (filed as the exhibit of the same Registration Statement, filed on September 14, 2007)

3.14	Amended and Restated By-laws of Momentive Performance Materials USA Inc. (filed as the exhibit of the same number t Registration Statement, filed on September 14, 2007)
3.15	Operating Agreement of Juniper Bond Holdings I LLC (filed as the exhibit of the same number to our Post-Effective Ame S-4 Registration Statement, filed on January 28, 2008)
3.16	Certificate of Formation of Juniper Bond Holdings I LLC (filed as the exhibit of the same number to our Post-Effective A S-4 Registration Statement, filed on January 28, 2008)
3.17	Operating Agreement of Juniper Bond Holdings II LLC (filed as the exhibit of the same number to our Post-Effective Am S-4 Registration Statement, filed on January 28, 2008)
3.18	Certificate of Formation of Juniper Bond Holdings II LLC (filed as the exhibit of the same number to our Post-Effective A Form S-4 Registration Statement, filed on January 28, 2008)
3.19	Operating Agreement of Juniper Bond Holdings III LLC (filed as the exhibit of the same number to our Post-Effective Ar S-4 Registration Statement, filed on January 28, 2008)

3.20	Certificate of Formation of Juniper Bond Holdings III LLC (filed as the exhibit of the same number to our Post-Effective Form S-4 Registration Statement, filed on January 28, 2008)
3.21	Operating Agreement of Juniper Bond Holdings IV LLC (filed as the exhibit of the same number to our Post-Effective A S-4 Registration Statement, filed on January 28, 2008)
3.22	Certificate of Formation of Juniper Bond Holdings IV LLC (filed as the exhibit of the same number to our Post-Effective Form S-4 Registration Statement, filed on January 28, 2008)
4.1	Indenture by and between Momentive Performance Materials Inc., Momentive Performance Materials Holdings Inc., Mo Materials Worldwide Inc., Momentive Performance Materials USA Inc., Momentive Performance Materials China SPV Inc., Materials South America Inc., GE Quartz, Inc., GE Silicones, LLC and Momentive Performance Materials Inc., dated as of D respect to $765,000,000 9 3/4% Senior Notes Due 2014 (filed as the exhibit of the same number to our Form S-4 Registration September 14, 2007)
4.2	Indenture by and between Momentive Performance Materials Inc., Momentive Performance Materials Holdings Inc., Mo Materials Worldwide Inc., Momentive Performance Materials USA Inc., Momentive Performance Materials China SPV Inc., Materials South America Inc., GE Quartz, Inc., GE Silicones, LLC and Momentive Performance Materials Inc., dated as of D

respect to $300,000,000 10 1/8%/10 7/8% Senior Toggle Notes Due 2014 (filed as the exhibit of the same number to our For
Statement, filed on September 14, 2007)

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respect to $500,000,000 11 1/2% Senior Subordinated Notes Due 2016 (filed as the exhibit of the same number to our Form S
4.3 filed on September 14, 2007)

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4.6 September 14, 2007)

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4.9	Registration Rights Agreement by and among Momentive Performance Materials Inc., the subsidiaries of Momentive Per J.P. Morgan Securities Inc., GE Capital Markets, Inc., UBS Securities LLC, ABN AMRO Incorporated, Barclays Capital Inc., RBC Capital Markets Corporation, dated as of December 4, 2006, with respect to $765,000,000 9 3/4% Senior Notes Due 201 the same number to our Form S-4 Registration Statement, filed on September 14, 2007)
4.10	Registration Rights Agreement by and among Momentive Performance Materials Inc., the subsidiaries of Momentive Per J.P. Morgan Securities Inc., GE Capital Markets, Inc., UBS Securities LLC, ABN AMRO Incorporated, Barclays Capital Inc., RBC Capital Markets Corporation, dated as of December 4, 2006, with respect to $300,000,000 10 1/8%/1 0 7/8% Senior To (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on September 14, 2007)
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4.12	Registration Rights Agreement by and among Momentive Performance Materials Inc., the subsidiaries of Momentive Per J.P. Morgan Securities Inc., GE Capital Markets, Inc., UBS Securities LLC, ABN AMRO Incorporated, Barclays Capital Inc., RBC Capital Markets Corporation, dated as of December 4, 2006, with respect to <€>275,000,000 9% Senior Notes Due 2014 the same number to our Form S-4 Registration Statement, filed on Septem ber 14, 2007)
4.13	Supplemental Indenture among Juniper Bond Holdings I LLC, Juniper Bond Holdings II LLC, Juniper Bond Holdings III Holdings IV LLC and Wells Fargo Bank, N.A., dated as of December 20, 2007, with respect to the <€>275,000,000 9% Senio the exhibit of the same number to our Post-Effective Amendment No. 1 to Form S-4 Registration Statement, filed on January 2
4.14	Supplemental Indenture among Juniper Bond Holdings I LLC, Juniper Bond Holdings II LLC, Juniper Bond Holdings III Holdings IV LLC and Wells Fargo Bank, N.A., dated as of December 20, 2007, with respect to the $500,000,000 11 1/2% Sen due 2016 (filed as the exhibit of the same number to our Post-Effective Amendment No. 1 to Form S-4 Registration Statement 2008)
4.15	Supplemental Indenture among Juniper Bond Holdings I LLC, Juniper Bond Holdings II LLC, Juniper Bond Holdings III Holdings IV LLC and Wells Fargo Bank, N.A., dated as of December 20, 2007, with respect to the $300,000,000 10 1/8%/10 Notes due 2014 (filed as the exhibit of the same number to our Post-Effective Amendment No. 1 to Form S-4 Registration Sta 28, 2008)

4.16	Supplemental Indenture among Juniper Bond Holdings I LLC, Juniper Bond Holdings II LLC, Juniper Bond Hol dings II Holdings IV LLC and Wells Fargo Bank, N.A., dated as of December 20, 2007, with respect to the $765,000,000 9 3/4% Seni as the exhibit of the same number to our Post-Effective Amendment No. 1 to Form S-4 Registration Statement, filed on Januar
4.17	Agreement of registration, appointment and acceptance, effective as of June 8, 2009, by and among Momentive Performa Fargo Bank, N.A. and The Bank of New York Mellon Trust Company, N.A. (filed as exhibit 4.1 to our Form 8-K, filed on Jun
4.18	Indenture, dated as of June 15, 2009, by and among Momentive Performance Materials Inc., the guarantors named therei York Mellon Trust Company, N.A., as trustee and as collateral trustee (filed as exhibit 4.1 to our Form 8-K, filed on June 15,
4.19	Collateral Agreement, dated as of June 15, 2009, by and among Momentive Performance Materials Inc., the subsidiaries o Performance Materials Inc. party thereto and The Bank of New York Mellon Trust Company, N.A., as collateral trustee (filed 8-K, filed on June 15, 2009)
4.20	Intercreditor Agreement, dated as of June 15, 2009, by and among JPMorgan Chase Bank, N.A., as first priority represent Performance Materials Inc., the subsidiaries of Momentive Performance Materials Inc. party ther eto and The Bank of New Y Company, N.A., as second priority representative (filed as exhibit 4.3 to our Form 8-K, filed on June 15, 2009)

4.21	Registration Rights Agreement, dated as of June 15, 2009, by and among Momentive Performance Materials Inc., the sub Performance Materials Inc. party thereto and J.P. Morgan Securities Inc., J.P. Morgan Securities Ltd., UBS Securities LLC an managers (filed as exhibit 4.4 to our Form 8-K, filed on June 15, 2009)
4.22	Indenture, dated as of November 5, 2010, by and among Momentive Performance Materials Inc., the note guarantors part New York Mellon Trust Company, N.A., as trustee and collateral agent, including forms of the 9% Second-Priority Springing (U.S. Dollar Denominated) and 91/2% Second-Priority Springing Lien Notes due 2021 (Euro Denominated) (filed as exhibit 4 on November 12, 2010)
4.23	Registration Rights Agreement, dated as of November 5, 2010, by and among Momentive Performance Materials Inc., th J.P. Morgan Securities LLC, as representative of the several dollar note purchasers and J.P. Morgan Securities Ltd., as represe note purchasers (filed as exhibit 4.2 to our Form 8-K, filed on November 12, 2010)

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description
4.24	Registration Rights Agreement, dated as of November 5, 2010, by and among Momentive Performance Materials Inc., the and Euro VI (BC) S.à r.l. (filed as exhibit 4.2 to our Form 8-K, filed on November 12, 2010)
10.1	$1,385,000,000 Credit Agreement, dated as of December 4, 2006, among Momentive Performance Materials Holdings Inc Performance Materials Inc., Momentive P erformance Materials USA Inc., Momentive Performance Materials GmbH (former GmbH) and the Financial Institutions party thereto (filed as the exhibit of the same number to our Form S-4 Registration State 14, 2007)
10.2	Guarantee Agreement, dated as of December 4, 2006, among Momentive Performance Materials Holdings Inc., Momenti Inc., Momentive Performance Materials USA Inc., Momentive Performance Materials GmbH (formerly known as Blitz 06-10

	Subsidiary Loan Parties identified therein and JPMorgan Chase Bank, N.A. (filed as the exhibit of the same number to our For Statement, filed on September 14, 2007)
10.3	Amended and Restated Securityholders Agreement, dated as of March 5, 2007, by and among Momentive Performance M and the other Holders that are party thereto (filed as the exhibit of the same number to our Form S-4 Registration Statement, fi 2007)
10.4	Management Fee Agreement, dated as of December 14, 2006, by and among Momentive Performance Materials Holdings Management VI, L.P. and Apollo Alternative Assets, L.P. (filed as the exhibit of the same number to our Form S-4 Registratio September 14, 2007)
10.5**	Intellectual Property Cross License Agreement, dated as of December 3, 2006, by and between General Electric Company Performance Materials Holdings Inc. (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed or
10.6**	Trademark License Agreement (GE Name and Marks), dated as of December 3, 2006, by and between GE Monogram Lic Momentive Performance Materials Holdings Inc. (filed as the exhibit of the same number to our Form S-4 Registration Statem 2007)

10.7**	Quartz Sand Products Purchase Agreement, dated as of February 15, 2005, by and between Unimin Corporation and Mon Materials Quartz, Inc. (for merly known as GE Quartz, Inc.) (filed as the exhibit of the same number to our Form S-4 Registra October 11, 2007)
10.8**	Offtake Agreement in Relation to the ASM Silicone Monomer Plant at Map Ta Phut, Kingdom of Thailand, dated as of M among Asia Silicones Monomer Limited, Momentive Performance Materials (Thailand) Ltd. (formerly known as GE Toshiba Limited) and Shin-Etsu Silicones (Thailand) Limited (filed as the exhibit of the same number to our Form S-4 Registration Sta October 11, 2007)
10.9	Transition Services Agreement, dated as of December 3, 2006, by and between General Electric Company and Momentiv Holdings Inc. (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on October 11, 2007)
10.10	Land Lease Agreement, as amended, dated as of July 1, 1998, by and among Bayer AG and Momentive Performance Mat known as Bayer Silicones GmbH & Co. KG) (filed as the exhibit of the same number to our Form S-4 Registration Statement, 2007)
10.11†	2007 Long-Term Incentive Plan (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on

10.12†	Form of Non-Qualified Stock Option Agreement (filed as the exhibit of the same number to our Form S-4 Registration St September 14, 2007)
10.13†	Form of Management Equity Investment and Incentive Term Sheet (filed as the exhibit of the same n umber to our Form S Statement, filed on September 14, 2007)
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10.15†	Employment Agreement, dated June 8, 2007, between Momentive Performance Materials Inc. and Jonathan Rich (filed as number to our Form S-4 Registration Statement, filed on September 14, 2007)
10.16†	Employment Agreement, dated March 19, 2007, between Momentive Performance Materials Inc. and Wayne Hewett (file same number to our Form S-4 Registration Statement, filed on September 14, 2007)

[Table of Contents](#)

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[Table of Contents](#)

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3.20	Certificate of Formation of Juniper Bond Holdings III LLC (filed as the exhibit of the same number to our Post-Effective Form S-4 Registration Statement, filed on January 28, 2008)
3.21	Operating Agreement of Juniper Bond Holdings IV LLC (filed as the exhibit of the same number to our Post-Effective Ar S-4 Registration Statement, filed on January 28, 2008)
3.22	Certificate of Formation of Juniper Bond Holdings IV LLC (filed as the exhibit of the same number to our Post-Effective Form S-4 Registration Statement, filed on January 28, 2008)

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4.4	Indenture by and between Momentive Performance Materials Inc., Momentive Performance Materials Holdings Inc., Mor Materials Worldwide Inc., Momentive Performance Materials USA Inc., Momentive Performance Materials China SPV Inc., I Materials South America Inc., GE Quartz, Inc., GE Silicones, LLC and Momentive Performance Materials Inc., dated as of De respect to <€>275,000,000 9% Senior Notes Due 2014 (filed as the exhibit of the same number to our Form S-4 Registration S September 14, 2007)
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Table of Contents

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4.15	Supplemental Indenture among Juniper Bond Holdings I LLC, Juniper Bond Holdings II LLC, Juniper Bond Holdings III Holdings IV LLC and Wells Fargo Bank, N.A., dated as of December 20, 2007, with respect to the $300,000,000 10 1/8%/10 Notes due 2014 (filed as the exhibit of the same number to our Post-Effective Amendment No. 1 to Form S-4 Registration Sta 28, 2008)

4.16	Supplemental Indenture among Juniper Bond Holdings I LLC, Juniper Bond Holdings II LLC, Juniper Bond Holdings III Holdings IV LLC and Wells Fargo Bank, N.A., dated as of December 20, 2007, with respect to the $765,000,000 9 3/4% Seni as the exhibit of the same number to our Post-Effective Amendment No. 1 to Form S-4 Registration Statement, filed on Januar
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4.19	Collateral Agreement, dated as of June 15, 2009, by and among Momentive Performance Materials Inc., the sub sidiaries Performance Materials Inc. party thereto and The Bank of New York Mellon Trust Company, N.A., as collateral trustee (filed 8-K, filed on June 15, 2009)

4.20	Intercreditor Agreement, dated as of June 15, 2009, by and among JPMorgan Chase Bank, N.A., as first priority represent Performance Materials Inc., the subsidiaries of Momentive Performance Materials Inc. party thereto and The Bank of New Yo Company, N.A., as second priority representative (filed as exhibit 4.3 to our Form 8-K, filed on June 15, 2009)
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4.22	Indenture, dated as of November 5, 2010, by and among Momentive Performance Materials Inc., the note guarantors part New York Mellon Trust Company, N.A., as trustee and collateral agent, including forms of the 9% Second-Priority Springing (U.S. Dollar Denominated) and 91/2% Second-Priority Springing Lien Notes du e 2021 (Euro Denominated) (filed as exhibit on November 12, 2010)
4.23	Reg istration Rights Agreement, dated as of November 5, 2010, by and among Momentive Performance Materials Inc., th thereto, J.P. Morgan Securities LLC, as representative of the several dollar note purchasers and J.P. Morgan Securities Ltd., as several euro note purchasers (filed as exhibit 4.2 to our Form 8-K, filed on November 12, 2010)

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4.24	Registration Rights Agreement, dated as of November 5, 2010, by and among Momentive Performance Materials Inc., the and Euro VI (BC) S.à r.l. (filed as exhibit 4.2 to our Form 8-K, filed on November 12, 2010)
10.1	$1,385,000,000 Credit Agreement, dated as of December 4, 2006, among Momentive Performance Materials Holdings Inc Performance Materials Inc., Momentive Performance Materials USA Inc., Momentive Performance Materials GmbH (formerl GmbH) and the Financial Institutions party thereto (filed as the exhibit of the same number to our Form S-4 Registration State 14, 2007)
10.2	Guarantee Agree ment, dated as of December 4, 2006, among Momentive Performance Materials Holdings Inc., Momenti Inc., Momentive Performance Materials USA Inc., Momentive Performance Materials GmbH (formerly known as Blitz 06-10

	Subsidiary Loan Parties identified therein and JPMorgan Chase Bank, N.A. (filed as the exhibit of the same number to our For Statement, filed on September 14, 2007)
10.3	Amended and Restated Securityholders Agreement, dated as of March 5, 2007, by and among Momentive Performance M and the other Holders that are party thereto (filed as the exhibit of the same number to our Form S-4 Registration Statement, fi 2007)
10.4	Management Fee Agreement, dated as of December 14, 2006, by and among Momentive Performance Materials Holdings Management VI, L.P. and Apollo Alternative Assets, L.P. (filed as the exhibit of the same number to our Form S-4 Registratio September 14, 2007)
10.5**	Intellectual Property Cross License Agreement, dated as of December 3, 2006, by and between General Electric Company Performance Materials Holdings Inc. (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed or
10.6**	Trademark License Agreement (GE Name and Marks), dated as of December 3, 2006, by and between GE Monogram Lic Momentive Performance Materials Holdings Inc. (filed as the exhibit of the same number to our Form S-4 Registration Statem 2007)

10.7**	Quartz Sand Products Purchase Agreement, dated as of February 15, 2005, by and between Unimin Corporation and Mon Materials Quartz, Inc. (formerly known as GE Quartz, Inc.) (filed as the exhibit of the same number to our Form S-4 Registrat October 11, 2007)
10.8**	Offtake Agreement in Relation to the ASM Silicone Monomer Plant at Map Ta Phut, Kingdom of Thailand, dated as of M among Asia Silicones Monomer Limited, Momentive Performance Materials (Thailand) Ltd. (formerly known as GE Toshiba Limited) and Shin-Etsu Silicones (Thailand) Limited (filed as the exhibit of the same number to our Form S-4 Registration Sta October 11, 2007)
10.9	Transition Services Agreement, dated as of December 3, 2006, by and between General Electric Company and Momentiv Holdings Inc. (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on October 11, 2007)
10.10	Land Lease Agreement, as amended, dated as of July 1, 1998, by and among Bayer AG and Momentive Performance Mat known as Bayer Silicones GmbH & Co. KG) (filed as the exhibit of the same number to our Form S-4 Registration Statement, 2007)

10.11†	2007 Long-Term Incentive Plan (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on
10.12†	Form of Non-Qualified Stock Option Agreement (filed as the exhibit of the same number to our Form S-4 Registration St September 14, 2007)
10.13†	Form of Management Equity Investment and Incentive Term Sheet (filed as the exhibit of the same number to our Form S Statement, filed on September 14, 2007)
10.14†	Form of Subscription Agreement (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed o
10.15†	Employment Agreement, dated June 8, 2007, between Momentive Performance Materials Inc. and Jonathan Rich (filed as number to our Form S-4 Registration Statement, filed on September 14, 2007)
10.16†	Emplo yment Agreement, dated March 19, 2007, between Momentive Performance Materials Inc. and Wayne Hewett (fil same number to our Form S-4 Registration Statement, filed on September 14, 2007)

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Exhibit Number	Description
10.17†	Separation Agreement, dated June 8, 2007, between Momentive Performance Materials Inc. and Wayne Hewett (filed as t number to our Form S-4 Registration Statement, filed on September 14, 2007)
10.18†	Employment Agreement, dated April 1, 2007, between Momentive Performance Materials (Hong Kong) Limited and Edd of the same number to our Annual Report on Form 10-K, filed on March 31, 2008)
10.19†	Annual Cash Bonus Plan (filed as exhibit 10.1 to our Quarterly Report on Form 10-Q, filed on May 14, 2008)
10.20	Letter Agreement, dated March 17, 2009, between Momentive Performance Materials Inc. and Apollo Management VI, L to our Form 10-Q for the quarterly period ended March 29, 2009)

10.21	Limited Waiver and Amendment to Credit Agreement, dated as of September 22, 2009 by Momentive Performance Mate Performance Materials Holdings Inc., Momentive Performance Materials USA Inc., Momentive Performance Materials GmbH Party thereto, the Lenders thereto and JPMorgan Chase Bank, N.A., as administrative agent (filed as exhibit 10.1 to our Form 24, 2009)
10.22†	Offer Letter Agreement, dated December 22, 2008, between Momentive Performance Materials Inc. and Anthony Colatre the same number to our Annual Report on Form 10-K, filed on March 8, 2010)
10.23†	Offer Letter Agreement, dated June 16, 2008, between Momentive Performance Materials Inc. and Mike Modak (filed as number to our Annual Report on Form 10-K, filed on March 8, 2010)
10.24†	Form of Management Equity Investment and Incentive Acknowledgement (filed as the exhibit of the same number to our Form 10-K, filed on March 8, 2010)

10.25†	Form of Global Amendment to Nonqualified Stock Option Agreement (filed as the exhibit of the same number to our Ann Form 10-K, filed on March 8, 2010)
10.26†	Separation Agreement, dated September 29, 2010, between Momentive Performance Materials Inc. and Jonathan Rich (fi Form 8-K filed on September 29, 2010)
10.27†	Separation Agreement, dated September 29, 2010, between Momentive Performance Materials Inc. and Anthony Colatrel our Form 8-K filed on September 29, 2010)
10.28*	Shared Services Agreement, dated October 1, 2010, between Momentive Performance Materials Inc., its subsidiaries and Chemicals, Inc.
10.29*	Summary of Terms of Severance Benefits Amendment for Douglas Johns effective October 1, 2010
10.30*	Offer Letter Agreement, dated February 1, 2010, between Momentive Performance Materials Inc. and John Dandolph

10.31	Amendment Agreement to Credit Agreement dated as of January 31, 2011, among Momentive Performance Materials Ho Performance Materials Inc., Momenti ve Performance Materials USA Inc. and Momentive Performance Materials GmbH, the party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and the other parties and agents named therein (filed as Ex 8-K/A filed on February 14, 2011)
12*	Ratio of earnings to fixed charges
14.1	Code of Conduct (filed as the exhibit of the same number to our Form S-4 Registration Statement, filed on September 14,
21.1*	List of Subsidiaries of Momentive Performance Materials Inc.
31.1*	Rule 13a-14(a)/15d-14(a) certification of Principal Executive Officer
31.2*	Rule 13a-14(a)/15d-14(a) certification of Principal Financial Officer
32*	Section 1350 certification of Principal Executive Officer and Principal Financial Officer

* Filed herewith.
** Certain portions of this document have been omitted pursuant to an order granting confidential treatment.
† Indicates a management contract or compensatory plan or arrangement.

EXECUTION VERSION **Exhibit 10.28**

SHARED SERVICES AGREEMENT

by and among

HEXION SPECIALTY CHEMICALS, INC.,

MOMENTIVE PERFORMANCE MATERIALS INC.,

and

the other Persons party hereto

Dated as of October 1, 2010

Table of Contents

SHARED SERVICES AGREEMENT

This Shared Services Agreement is dated as of October 1, 2010 (the "Effective Date") and is made and entered into by and among Hexion Specialty Chemicals, Inc., a New Jersey corporation (together with its subsidiaries, either referred to as a "Service Provider" or "Recipient" of a specific Service or "Hexion"), Momentive Performance Materials Inc., a Delaware corporation, and those direct or indirect subsidiaries of MPM Inc. that are set forth on the signature pages hereto (collectively, either referred to as a "Service Provider" or "Recipient" of a specific Service or "Momentive"). Capitalized terms have the meanings set forth in Article I.

RECITALS

A. Pursuant to the Combination Agreement, dated as of September 11, 2010 (the "Transaction Agreement"), by and between Hexion LLC, a Delaware limited liability company and sole stockholder of Hexion ("Hexion LLC"), and Momentive Performance Materials Holdings Inc., a Delaware corporation and sole stockholder of Momentive ("MPM Holdings"), Hexion LLC and MPM Holdings entered into a series of transactions that resulted in each of Hexion LLC and MPM Holdings becoming a wholly-owned subsidiary of Momentive Performance Materials Holdings LLC, a Delaware limited liability company (the "Trans action").

B. In connection with the Transaction, and in order to recognize economies of scale and generate cost savings for each of Hexion and Momentive that otherwise would be unavailable, the parties hereto desire to enter into this Agreement in order that each may provide and/or receive certain services from the other, and in order to provide for a mechanism by which the costs of such service provision are to be allocated, in each case on the terms and subject to the conditions set forth herein.

C. This Agreement constitutes the Shared Services Agreement referred to in Section 5.11 of the Transaction Agreement.

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and with the intention of being bound by this Agreement, the parties stipulate and agree as follows:

ARTICLE I
DEFINITIONS

1.01 Definitions. Capitalized terms not otherwise defined herein have the meanings set forth in the Transaction Agreement. As used in this Agreement, the following terms have the following meanings unless the context otherwise requires:

"Actual Cost" means, with respect to any period hereunder, one hundred percent (100%) of the actual, out of pocket expenses of a party (including fully burdened employee cost and overhead costs allocated to the relevant cost center in accordance with the historical practices of such party) actually paid or expected to be paid within the three (3) months following such period (without duplication of any Actual Costs previously allocated between the parties), calculated in accordance with the accounting policies, principles, practices and procedures approved, from time to time, by the Steering Committee, caused by, incurred or otherwise arising from or relating to the Services during such period.

"Agreement" means this Shared Services Agreement as originally executed and as amended, modified, supplemented, or restated from time to time, as the context may require.

"Allocation Percentage" shall initially mean 51% to Hexion and 49% to Momentive.

"Business Days" means all weekdays except those that are official holidays of employees of the United States government. Unless specifically stated as "Business Days," a reference in this Agreement to "days" means calendar days.

"Capital Expenditure" means any expenditure, or series of related expenditures, in excess of $1 million made by either Hexion or Momentive to the extent in furtherance of the provision of Services under this Agreement that is required to be capitalized in accordance with United States generally accepted accounting principles, as in effect as of the date or for the period, as the case may be, implicated by the relevant provision of this Agreement.

"Effective Date" is defined in the caption.

"Estimated Monthly Allocation Payment" is defined in Section 5.03.

"Event of Default" is defined in Section 9.01.

"Exchange Rate" means, with respect to a particular currency for a particular day and a particular party, the rate of exchange used in the preparation of the financial statements of such party for the most recent month for which financial statements are then available.

"Functional Services" means all Services other than Raw Materials/Logistics Services.

"Functional Services Costs" means the Actual Cost of Functional Services, including the Actual Costs of the employees of either

Hexion or Momentive who perform Raw Materials/Logistics Services.

“Hexion” is defined in the caption.

“Hexion LLC” is defined in the recitals.

“Hexion Marks” is defined in Section 3.05(b)

&ldq uo;Hexion-Provided Services” is defined in Section 3.01.

“including” shall mean including without limitation.

“Momentive” is defined in the caption.

“Momentive-Provided Services” is defined in Section 3.01.

“Monthly Report” is defined in Section 5.04.

“MPM Holdings” is defined in the recitals.

“MPM” is defined in Section 3.05(a)

“MPM Inc.” is defined in the caption.

“MPM Marks” is defined in Section 3.05(a)

“Person” means any individual, partnership, limited partnership, limited liability company, corporation, unincorporated association, joint venture or other entity.

“Quarterly Reconciliation Pay ment” is defined in Section 5.05(a).

“Raw Materials/Logistics Services” means the procurement of Raw Materials and Logistics by a Service Provider hereunder.

“Raw Materials and Logistics” means raw materials and logistics services, including supplies, freight, equipment and electricity, and indirect costs of such raw materials and logistics services, including packaging, uniforms and pallets, in the case of any of the foregoing, required by or used in connection with the business of either or both of Hexion and Momentive, but excluding the Actual Costs of the employees of either Hexion or Momentive who perform Raw Materials/Logistics Services and allocated overhead associated with the performance of such services, which, for the avoidance of doubt, shall be treated as Functional Services Costs hereunder.

“Recipient” means Hexion or Momentive, as applicable, with respect to such party's receipt o f a particular Service.

“Service Provider” means Hexion or Momentive, as applicable, with respect to such party's provision of a particular Service.

“Services” is defined in Section 3.01.

“Steering Committee” is defined in Section 3.04.

“Tax” or “Taxes” means (i) all federal, state, local and foreign sales, use, value-added, gross receipts, privilege, utility, infrastructure maintenance, property, excise and similar levies, duties and other similar tax-like charges lawfully levied by a duly constituted taxing authority against or upon the Services; (ii) any penalties, interest or other additions to any such taxes; and (iii) any tax-related surcharges or fees that are related to the Services and authorized by applicable tariffs.

“Term” is defined in Section 2.01.

“Transaction” is defined in the recitals.

“Transaction Agreement” is defined in the recitals.

“Unavoidable Delays” is defined in Section 13.08.

ARTICLE II
TERM

2.01 Term. The term of this Agreement (the "Term") shall commence upon the Effective Date and shall continue for five (5) years from the Effective Date (the "Initial Term") and any renewal terms as provided in the following sentence, unless otherwise terminated in accordance with Article X. Upon the expiration of the Initial Term, this Agreement shall automatically renew for successive renewal terms of one (1) year each, absent contrary notice from either party given not less than thirty (30) days prior to such expiration.

ARTICLE III
APPOINTMENT; SERVICES

3.01 Services.

(a) During the Term, (i) Hexion hereby engages Momentive to provide, and Momentive hereby accepts such appointment and undertakes to provide or cause to be provided to Hexion, certain services in the categories identified in Exhibit A hereof as from time to time may be added to or deleted therefrom pursuant to this Agreement (collectively, the "Momentive-Provided Services") and (ii) Momentive hereby engages He xion to provide, and Hexion hereby accepts such appointment and undertakes to provide or cause to be provided to Momentive, certain services in the categories identified in Exhibit A hereof as from time to time may be added to or deleted therefrom pursuant to this Agreement (collectively, the "Hexion-Provided Services", and together with the Momentive-Provided Services, the "Services").

(b) Each of Hexion and Momentive acknowledges and agrees that each will assist the other in obtaining favorable pricing with respect to purchases of Raw Materials and Logistics from third party suppliers. Any Actual Costs incurred by either Hexion or Momentive in assisting the other in this respect shall be allocated pursuant to Section 5.01.

3.02 Changes to Services.

(c) The parties may agree to modify the terms and conditions of Service Provider's performance of any Service in order to reflect new procedures, processes or other methods of providing such Service. The parties will negotiate in good faith the terms and conditions upon which Service Provider would be willing to implement such change.

(d) Notwithstanding any provision of this Agreement to the contrary, Service Provider may make: (i) changes to the process of performing a particular Service that do not adversely affect the benefits to Recipient of Service Provider's provision or quality of such Service in any material respect or increase Recipient's cost for such Service; (ii) emergency changes in the manner in which a particular Service is provided on a temporary and short-term basis; and/or (iii) changes to a particular Service in order to comply with applicable law or regulatory requirements, in each case without obtaining the prior consent of Recipient.

3.03 Additional Services. Recipient may, from time to time, request additional services that are not listed in Exhibit A. The parties agree to negotiate in good faith the terms and conditions by which Service Provider would be willing to per form such additional services.

3.04 Steering Committee. In order to monitor, coordinate and facilitate implementation of the terms and conditions of this Agreement, Hexion and Momentive shall establish a "Steering Committee" consisting of at least one executive officer from each of Hexion and Momentive and whereby each of Hexion and Momentive is equally represented. The initial Steering Committee representatives shall be Bill Carter and Kevin McGuire for Hexion and Anthony Gree ne and Momentive's current Financial Planning and Analysis ("FP&A") leader for Momentive. The Steering Committee representatives shall meet at least quarterly (or more frequently if needed or reasonably requested by a representative) during the Term to determine the Services to be provided and the payments to be made pursuant to Article V. Such determination with respect to the Services to be provided shall include the scope, manner, level, and place or places where such Services shall be provided. If the members of the Steering Committee are unable (whether by majority vote or in such other manner as the members of the Steering Committee decide) to determine whether a Service is to be provided, or the scope, manner, l evel and place or places at which such Service shall be provided, such Service shall not be provided until such time as the members of the Steering Committee determine the relevant matters, including as contemplated in Article XII. The Steering Committee representative(s) for each party shall stay reasonably apprised of the activities of the employees, agents and contractors of such party who are providing or receiving the Services in order to maximize efficiency in the provision and receipt of the Services.

3.05 Certain Intellectual Propert y Matters.

(e) Hexion hereby acknowledges and agrees that Momentive and its subsidiaries (collectively, "MPM") have certain intellectual property and common law rights associated with the word "Momentive" and all related trademarks, service marks, brand names, logos, certification marks, assumed names and trade names, including the Momentive stylized logo, colors, and other indicia as used in connection with the name and business of MPM (collectively, "MPM Marks"). During the Term (and during any tran sition period provided in Section 10.04), MPM hereby agrees not to, and to cause its respective controlled affiliates not to, assert any claims against Hexion, Hexion LLC and their respective controlled affiliates with respect to the use of the word "Momentive" or any MPM Mark in their respective names, businesses and products and services; provided, such use shall be substantially consistent with the trademark practices and quality standards of MPM so as not to weaken the value of the MPM Marks. Such use, and all goodwill associated with such use, shall inure to the benefit of MPM. MPM shall have the right to monitor the quality of the products and services bearing the MPM Marks provided by Hexion, including any promotional materials for the same. The MPM Marks shall remain the exclusive property of MPM.

(f) Momentive hereby acknowledges and agrees that Hexion has certain intellectual property and common law rights associated with the word "Hexion" and all related trademarks, service marks, brand names, logos, certification marks, assumed names and trade names, including the Hexion stylized logo, colors, and other indicia as used in connection with the name and business of Hexion (collectively, "Hexion Marks"). During the Term (and during any transition period provided in Section 10.04), Hexion hereby agrees not to, and to cause its respective controlled affiliat es not to, assert any claims against Momentive, MPM Holdings and their respective controlled affiliates with respect to the use of the word “Hexion” or any Hexion Mark in their respective names, businesses and products and services; provided, that such use shall be substantially consistent with the trademark practices and quality standards of Hexion so as not to weaken the value of the Hexion Marks. Such use, and all goodwill associated with such use, shall inure to the benefit of Hexion. Hexion shall have the right to monitor the q uality of the products and services bearing the Hexion Marks provided by Momentive, including any promotional materials for the same. The Hexion Marks shall remain the exclusive property of Hexion.

ARTICLE IV
PERFORMANCE OF SERVICES

4.01 Standards. Service Provider shall perform the Services in a commercially reasonable manner, using its commercially reasonable efforts to provide the Services in the same manner as if Service Provider was providing such Services for its own account. Actions taken by Service Provider in good faith consistent with the foregoing shall not constitute a breach of this Agreement unless such action materially violates an express provision of this Agreement.

4.02 Employees. Service Provider shall determine the fitness and qualifications of all employees performing the Services. Service Provider shall hire, supervise, direct the work of, and discharge all such employees. Service Provider shall determine the wages and conditions of employment of all such employees. All wages, bonuses, compensation, benefits, termination or severance expenses or liabilities, pension fund contribution obligations or liabilities, and other costs, benefits, expenses or liabilities and entitlements of or in connection with employees employed in connection with provision of the Services shall be Service Provider's responsibility; provided, that such items shall be Functional Services Costs and will be taken into account as such for purposes of Article V.

4.03 Independent Contractors. Service Provider may hire consultants, independent contractors, or subcontractors, including Affiliates, to perform all or any part of a Service hereunder. Service Provider will remain fully responsible for the performance of its obligations under this Agreement, and Service Provider will be responsible for payments due to its independent contractors, which payments shall be included in the Actual Costs allocated pursuant to Section 5.01.

4.04 No Joint Venture or Partnership. Service Provider shall perform all Services provided pursuant to this Agreement as an independent contractor to Recipient and not as an employee, stockholder, partner, joint venturer, landlord, agent or representative of Recipient. In no event shall Service Provider be deemed in breach of its obligations hereunder solely by reason of (i) the failure of the financial performance of the Recipient's business to meet Recipient expectations or income projections or any operating budget or annual plans, (ii) the acts of Recipient's employees, (iii) the institution of litigation or the entry of judgments against Recipient or the Recipient's business, or (iv) any other acts or omissions not otherwise constituting a material breach of this Ag reement, it being the intention and agreement of the parties that Service Provider's sole obligation hereunder shall be to act in conformity with the standard set forth in Section 4.01.

4.05 Affiliate Transactions. The fact that Service Provider or an Affiliate thereof, or a stockholder, director, officer, member, or employee of Service Provider or an Affiliate thereof, is employed by, or is directly or indirectly interested in or connected with, any Person which may be employed by Re cipient to render or perform a service, or from which Service Provider may purchase any property, shall not prohibit Service Provider from employing such Person or otherwise dealing with such Person.

4.06 Cooperation. Hexion and Momentive shall cooperate fully with each other during the Term to procure and maintain all licenses and operating permits and to facilitate each party's performance of this Agreement. Recipient shall at its own expense cooperate fully with Service Provider by promptly providing reasonable assistance, resources and access (including the provision of access to its personnel, computer systems, data, equi pment and other information) as is necessary to the performance by Service Provider of its obligations hereunder and as may be reasonably requested by Service Provider from time to time.

ARTICLE V
COST ALLOCATION

5.01 Allocation Formula.

(g) Functional Services Costs shall be allocated as follows:

(i) To the extent 100% of such item is demonstrably attributable to or for the benefit of Hexion or Momentive, 100% of such item shall be allocated to Hexion or Momentive, as applicable; and

(ii) All other portions of any item that cannot be allocated pursuant to clause (a) above shall be allocated in accordance with the Allocation Percentage.

(h) With respect to any Capital Expenditure made or to be made by a Service Provider, the Steering Committee, following consultation with Hexion and Momentive, shall determine whether the cost of such Capital Expenditure should be allocated between Hexion and Momentive based on the Allocation Percentage or otherwise and based on the Steering Committee's reasonable, good faith estimate of the respective anticipated usage of the assets underlying such Capital Expenditure, and, if at all, how such Capital Expenditure shall be allocated between them (including whether any portion of such Capital Expenditure is to be currently billed to either party), based on the estimate of such usage, the parties' relative costs of capital and respective hurdle rates and any other similar factors deemed relevant by the Steeri ng Committee.

(i) No less often than annually, the Steering Committee shall meet to evaluate and determine whether the Allocation Percentage then in existence accurately and equitably reflects the performance and use of Services by Hexion and Momentive (for the avoidance of doubt, such determination shall be based on the relative benefits obtained or expected to be obtained from such Services and the relative costs incurred and expected to be incurred in the performance of such Services and not solely based on how Hexion and Momentive's respective cost structures have or may have changed since the Effective Date (and not at all based on any changes in cost structures resulting from the transactions and arrangements contemplated hereby)). The Steering Committee shall undertake to evaluate the Services being performed and used and shall make a determination as to whether the Allocation Percentage then in existence requires adjustment. Each of Hexion and Momentive shall cooperate with the Steering Committee in the aforementioned process including making appropriate personnel and materials available to the Steering Committee. In the event that either Hexion or Momentive disagrees with the Allocation Percentage determined by the Steering Committee, the dispute resolution procedures set forth in Article XII shall apply.

5.02 Non-Cash Cost Allocation. Any non-cash costs or expenses caused by, incurred or otherwise arising from or relating to the Services shall be allocated to Hexion and Momentive for financial statement purposes only, without any corresponding cash reimbursement required, in accordance with generally accepted accounting principles, based on the Allocation Percentage principles described in Section 5.01 hereof.

5.03 Monthly Estimate Statements. Prior to the first day of each quarter during the Term, the Steering Committee, with such assistance from Hexion and Momentive as the Steering Committee shall request, shall (i) estimate (or calculate, as applicable) the (x) Actual Cost of each Service Provider in respect of Services to be provided by it for each month during such quarter, and (y) cost shares of each of the parties as calculated pursuant to this Article V a nd the estimated net cost share payment, if any, that will be owed by either Hexion or Momentive, as applicable, to the other party (the "Estimated Monthly Allocation Payment") for each month during such quarter and (ii) direct the applicable Service Provider to prepare and issue invoices for each Estimated Monthly Allocation Payment to be paid by the other party, which invoices shall be delivered on the first day of each month during such quarter (or as promptly as practicable thereafter). Within ten (10) days of delivery of an invoice for the Estimated Monthly Allocation Payment, the applicable Recipient shall promptly make payment of the Estimated Monthly Allocation Payment. Hexion and Momentive, as applicable, may elect to cause all or a portion of the Estimated Monthly Allocation Payment to be satisfied by one or more of their subsidiaries, including, in the case of Hexion, those subsidiaries listed on Exhibit B and, in the case of Momentive, those subsidiaries listed on Exhibit C, which, for the avoidance of doubt, may include settlement in non-U.S. jurisdictions in currency other than U.S. dollars converted at the Exchange Rate for the applicable Recipient.

5.04 Quarterly Statements. Within thirty (30) days following the end of each quarter during the Term, each Service Provider shall furnish the Steering Committee with a written statement with respect to the Actual Cost of such Service Provider in respect of Services provided by it during such quarter, setting forth (i) the cost allocation determined pursuant to Section 5.01(a), (ii) the cost allocation determined pursuant to Section 5.02, and (iii) the amounts paid pursuant to Section 5.03 hereof, together with such other data and information necessary to complete the items described in Section 5.05 hereof (hereinafter referred to as the "Quarterly Report").

5.05 Determination and Payment.

(j) Within twenty (20) days of the submission of the Quarterly Report described in Section 5.04 hereof, the Steering Committee shall (i) determine the cost share of each of the parties as calculated pursuant to this Article V for such quarter, the amount of the Estimated Monthly Allocation Payments made by each of the parties to the other during such quarter and the resultant net cost share payment, if any, owed by either Hexion or Momentive, as applicable, to the other party for such quarter (the "Quarterly Reconciliation Payment"); and (ii) direct the applicable Service Provider to prepare and issue an invoice for such Quarterly Reconciliation Payment to the other party. Any dispute among members of the Steering Committee that cannot be settled by majority vote shall be settled pursuant to Article XII.

(k) Within fifteen (15) days of the determination by the Steering Committee of the Quarterly Reconciliation Payment, either Hexion or Momentive may dispute such determination by giving written notice specifying in reasonable detail the nature of such dispute. Any such dispute shall be settled pursuant to Article XII.

(l) Within fifteen (15) days of delivery of the invoice for the Quarterly Reconciliation Payment described in Section 5.05(a), if a valid dispute notice has not been delivered in accordance with Section 5.05(b), the applicable Recipient shall promptly make payment of the Quarterly Reconciliation Payment. Hexion and Momentive, as applicable, may elect to cause all or a portion of the Quarterly Reconciliation Payment to be satisfied by one or more of their subsidiaries, including, in the case of Hexion, those subsidiaries listed on Exhibit B and, in the case of Momentive, those subsidiaries listed on Exhibit C, which, for the avoidance of doubt, may include settlement in non-U.S. jurisdictions in currency other than U.S. dollars converted at the Exchange Rate for Hexion or Momentive, as applicable.

5.06 Taxes.

(m) Recipient is responsible for and will pay all Taxes applicable to the Services provided to Recipient; provided, that such payments by Recipient to Service Provider will be made in a manner that is the most tax-efficient and that does not otherwise negatively impact Service Provider; and provided, further, that Service Provider will not be subject to any liability for Taxes applicable to the Services as a result of such payment by Recipient. Service Provider will collect such Tax from Recipient in the same manner it collects such Taxes from other customers in the ordinary c ourse of Service Provider's business, but in no event prior to the time it invoices Recipient for the Services with respect to which such Taxes are levied. Recipient may provide Service Provider with a certificate evidencing its exemption from payment of or liability for such Taxes.

(n) Service Provider will promptly reimburse Recipient for any Taxes collected from Recipient and refunded to Service Provider. In the event a Tax is assessed against Service Provider that is solely the responsibility of Recipient and Recipient desires to protest such assessment, Recipient will submit to Service Provider a statement of the issues and arguments requesting that Service Provider grant Recipient the authority to prosecute the protest in Service Provider's name. Service Provider's authorization will not be unreasona bly withheld. Recipient will finance, manage, control and determine the strategy for such protest while keeping Service Provider reasonably informed of the proceedings. However, the authorization will be periodically reviewed by Service Provider to determine any adverse impact on Service Provider, and Service Provider will have the right to reasonably withdraw such authority at any time. Upon notice by Service Provider that it is so withdrawing such authority, Recipient will expeditiously terminate all proceedings. Any adverse consequences suffered by Recipient as a result of the withdrawal will be submitted to arbitration pursuant to Article XII. Any contest for Taxes brought by Recipient may not result in any lien attaching to any property or rights of Service Provider or otherwise jeopardize Service Provider's interests or rights in any of its property. Recipient a grees to indemnify Service Provider for all costs and expenses, losses, damages, claims, causes of action and liabilities (including reasonable attorneys' fees, disbursements and expenses of litigation) that Service Provider incurs as a result of any such contest by Recipient.

(o) The provisions of this Section 5.06 will govern the treatment of all Taxes arising as a result of or in connection with this Agreement notwithstanding any other Article of this Agreement to the contrary.

ARTICLE VI
COMPLIANCE WITH LAWS

Each of Hexion and Momentive agrees to comply in all material respects with all applicable laws, rules, regulations and orders of any federal, state, county, city, local, supranational (including those of the European Communities) or foreign governmental, administrative or regulatory authority, agency or body in any jurisdiction in which such party conducts business in relation to the Services provided and matters that are the subject of this Agreement.

ARTICLE V11
REPRESENTATIONS AND WARRANTIES

7.01 Representations and Warranties of Hexion

(a) Hexion represents and warrants that it is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey, that Hexion has full corporate power and authority to enter into this Agreement and perform its obligations hereunder, and that the officer of Hexion who executed this Agreement on behalf of Hexion is in fact an officer of Hexion and has been duly authorized by Hexion to execute this Agreement on its behalf.

(b) The execution, delivery and performance by Hexion of this Agreement have been duly authorized by all necessary action on the part of Hexion and no further action or approval is required in order to constitute this Agreement as the valid and binding obligations of Hexion, enforceable in accordance with its terms.

7.02 Representations and Warranties of Momentive

(c) Momentive repre sents and warrants that it is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, that Momentive has full corporate power and authority to enter into this Agreement and perform its obligations hereunder, and that the officer of Momentive who executed this Agreement on behalf of Momentive is in fact an officer of Momentive and has been duly authorized by Momentive to execute this Agreement on its behalf.

(d) The execution, delivery and performance by Momentive of this Agreement have been duly authorized by all necessary corporate action on the part of Momentive and no further action or approval is required in order to constitute this Agreement as the valid and binding obligations of Momentive, enforceable in accordance with its terms.

ARTICLE VIII
INDEMNITY

8.01 Indemnity by Service Provider. Service Provider shall indemnify, defend and hold harmless Recipient and its officers, directors and employees from and against any and all costs and expenses, losses, damages, claims, causes of action and liabilities (including reasonable attorneys' fees, disbursements and expenses of litigation) arising from, relating to, or in any way connected with the gross negligence or willful misconduct of Service Provider or any employee, contractor or agent of Service Provider, except to the extent directly or indirectly caused by any act or omission of Recipient.

8.02 Indemnity by Recipient. Recipient shall indemnify, defend and hold harmless Service Provider and its officers, directors and employees from and against any and all costs and expenses, losses, damages, claims, causes of action and liabilities (including rea sonable attorneys' fees, disbursements and expenses of litigation) arising from, relating to, or in any way connected with the gross negligence or willful misconduct of Recipient or any employee, contractor or agent of Recipient, except to the extent directly or indirectly caused by any act or omission of Service Provider.

8.03 Procedure. The party claiming indemnity shall promptly provide the other party with written notice of any claim, action or demand for which indemnity is claimed. The indemnifying party shall be entitled to control the defense of any action; provided, that the indemnified party may participate in any such action with counsel of its choice at its own expense; and provided, further, that the indemnifying party shall not settle any claim, action or demand without the prior written consent of the indemnified party, such consent not to be unreasonably withheld or delayed. The indemnified party shall reasonably cooperate in the defense as the indemnifying party may request and at the indemnifying party's expense.

8.04 Limitation on Indemnity. Notwithstanding anything contained herein to the contrary, (a) the liability of any party under this Agreement shall not exceed the benefits derived by such party under this Agreement and (b) in no event shall any party, its affiliates and/or its or their respective directors, officers, employees, representatives or agents be liable for any (i) indirect, incidental, special, exemplary, consequential or punitive damages or (ii) damages for, measured by or based on lost profits, diminution in value, multiple of earnings or other similar measure.

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ARTICLE IX
DEFAULT

9.01 Definition. The occurrence of any one or more of the following events which is not cured within the time permitted shall constitute a default under this Agreement (hereinafter referred to as an "Event of Default") as to the party failing in the performance or effecting the breaching act.

9.02 Servic e Provider's Default. An Event of Default shall exist with respect to Service Provider if Service Provider shall fail to perform or comply with, in any material respect, any of the covenants, agreements, terms or conditions contained in this Agreement applicable to Service Provider and such failure shall continue for a period of thirty (30) days after written notice thereof from Recipient to Service Provider specifying in reasonable detail the nature of such failure, or, in the case such failure is of a nature that it cannot, with due diligence and good faith, be cured within thirty (30) days, if Service Provider fails to proceed promptly and with all due diligence and in good faith to cure the same and thereafter to prosecute the curing of such failure to completion with all due diligence within ninety (90) days after the initial delivery of written notice from the Recipient with respect to such failure.

9.03 Recipient's Default. An Event of Default shall exist with respect to Recipient if Recipient shall:

(p) unless subject to a good faith dispute hereunder, fail to make any monetary payment required under this Agreement on or before the due date recited herein and such failure continues for thirty (30) Business Days after written notice from Service Provi der specifying such failure, or

(q) fail to perform or comply with, in any material respect, any of the other covenants, agreements, terms or conditions contained in this Agreement applicable to Recipient and such failure shall continue for a period of thirty (30) days after written notice thereof from Service Provider to Recipient specifying in reasonable detail the nature of such failure, or, in the case such failure is of a nature that it cannot, with due diligence and good faith, cure within thirty (30) days, if Recipient fails to proceed promptly and with all due diligence and in good faith to cure the same and thereafter to prosecute the curing of such failure to completion with all due diligence within ninety (90) days thereafter.

9.04 Bankruptcy

An Event of Default shall exist with respect to a party if such party:

(r) applies for or consents to the appointment of a receiver, trustee or liquidator of itself or any of its property;

(s) makes a general assignment for the benefit of creditors;

(t) is adjudicated bankrupt or insolvent; or

(u) files a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors, takes advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, or admits the material allegations of a petition filed against it in any proceedings under any such law.

9.05 Reorganization/Receiver. An Event of Default shall exist with respect to a party if an order, judgment or decree is entered by any court of competent jurisdiction approving a petition seeking reorganization of Hexion or Momentive, as the case may be, or appointing a receiver, trustee or liquidator of Hexion or Momentive, as the case may be, of all or a substantial part of any of the assets of Hexion or Momentive, as the case may be, and such order, judgment or decree continues unstayed and in effect for a period of sixty (60) days from the date of entry thereof.

9.06 Delays and Omissions. No delay or omission as to the exercise of any right or power accruing upon any Event of Default shall impair the non-defaulting party's exercise of any right or power or shall be construed to be a waiver of any Event of Default or acquiescence therein.

ARTICLE X
TERMINATION

10.01 Terminating Events. This Agreement shall terminate between Hexion and Momentive at the written election of the non-defaulting party, upon the occurrence of an Event of Default under this Agreement when the time to cure has lapsed.

10.02 Termination for Convenience. Either Hexion or Momentive may terminate this Agreement for its convenience, without cause, by giving the other party w ritten notice not less than thirty (30) days prior to the effective date of such termination.

10.03 Effect of Termination. Notwithstanding anything herein to the contrary, this Section 10.03 and Sections 10.04, and Article XIII (other than Section 13.08) shall survive any termination of this Agreement. Unless subject to a good faith dispute hereunder, within t hirty (30) days after the termination of this Agreement, Recipient shall pay Service Provider all accrued and unpaid amounts due under this Agreement.

10.04 Transition Assistance. At the request of Recipient, upon a termination or non-renewal of this Agreement, Service Provider will provide reasonable assistance to Recipient necessary to transfer the applicable services provided hereunder to Recipient or Recipient's designated third party provider. Recipient shall pay Service Provider all of its reasonable costs for providing such transition assistance without mark-up, but including reasonable allocated overhead. In no event sh all Service Provider be required to provide transition assistance for more than 180 days (subject to one successive renewal for an additional 180 day period at the election of Recipient) after termination.

ARTICLE XI
NOTICES

All notices provided for in this Agreement or related to this Agreement, which either party desires to serve on the other, shall be in writing and shall be considered delivered upon receipt. Any and all notices or other papers or instruments related to this Agreement shall be sent by:

(a) by United States registered or certified mail (return receipt requested), postage prepaid, in an envelope properly sealed;

(b) by a facsimile transmission where written acknowledgment of receipt of such transmission is received and a copy of the transmission is maile d with postage prepaid; or

(c) a nationally recognized overnight delivery service;

provided for receipted delivery, addressed as follows:

Hexion:

Hexion Specialty Chemicals, Inc.
180 East Broad Street,
Columbus, OH 43215
Attention: General Counsel
Facsimile: (614) 225-2108

with a copy to:

O'Melveny & Myers LLP
7 Times Square
New York, NY 10036
Attention: John M. Scott
Facs imile: (212) 326-2019

Momentive:

Momentive Performance Materials Inc.
22 Corporate Woods Blvd.
Albany, NY 12211
Attention: General Counsel
Facsimile: (518) 533-4662

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
Attention: Andrew J. Nussbaum
Benjamin M. Roth
Facsimile: (212) 403-2000

Either Hexion or Momentive may change the address or name of addressee applicable to subsequent notices (including copies of said notices as hereinafter provided) or instruments or other papers to be served upon or delivered to the other party, by giving notice to the other party as aforesaid; provided, that notice of such change shall not be effective until the fifth (5th) day after mailing or facsimile transmission.

ARTICLE X11
DISPUTE RESOLUTION

12.01 Resolution Procedure. Each of Hexion and Momentive agrees to use its reasonable best efforts to resolve disputes under this Agreement by a negotiated resolution between the parties or as provided for in this Article XII.

12.02 Exchange Of Written Statements. In the event of a dispute under this Agreement, either Hexion or Momentive, on the one hand, may give a notice to the other party requesting that the Steering Committee in good faith try to resolve (but without any obligation to resolve) such dispute. Not later than fifteen (15) days after said notice, each party shall submit to the other party a written statement setting forth such party's description of the dispute and of the respective positions o f the parties on such dispute and such party's recommended resolution and the reasons why such party feels its recommended resolution is fair and equitable in light of the terms and spirit of this Agreement. Such statements represent part of a good-faith effort to resolve a dispute and as such, no statements prepared by a party pursuant to this Section 12.02 may be introduced as evidence or used as an admission against interest in any arbitral or judicial resolution of such dispute.

12.03 Good Faith Negotiations. If the dispute continues unresolved for a period of seven (7) days (or such longer period as the Steering Committee may otherwise agree upon) after the simultaneous exchange of such written statements, then the Steering Committee shall promptly commence good-faith negotiations to resolve such dispute but without any obligation to resolve it. Any such meeting may be conducted by teleconference.

12.04 Determination Of Steering Committee. Not later than thirty (30) days after the commencement of good-faith negotiations, if the Steering Committee renders an agreed resolution on the matter in dispute, then both Hexion and Momentive shall be bound thereby. If the Steering Committee has not resolved the matter in dispute within thirty (30) days after the commencement of good-faith negotiations, either Hexion or Momentive may submit the dispute to arbitration in accordance with Section 12.05.

12.05 Disputes Submitted to Arbitration. Wherever any dispute arises between Hexion and Momentive, or among members of the Steering Committee, which is not otherwise resolved by the vote of a majority of the members of the Steering Committee or between the parties, the same shall be submitted to resolution by arbitration to be conducted in New York, New York, in accordance with the American Arbitration Association Rules then in force and the terms and conditions set forth in Sections 12.06 through 12.09.

12.06 Selection of Arbitrators. Either party shall have the right to submit such dispute to arbitration by delivery of written notice to the other party stating that the party delivering such notice desires to have the then unresolved controversy between Hexion and Momentive reviewed by a board of three (3) arbitrators. Said notice shall also set forth the identity of the person selected by the notifying party as its arbitrator, and shall detail the dispute between the parties and such party's suggested resolution. Within twenty (20) days after receipt of such notice, the other party shall designate a person to act as arbitrator and shall notify the party requesting arbitration of such designation, the name and address of the pe rson so designated, and the suggested resolution of such dispute by such party. The two (2) arbitrators designated as aforesaid shall promptly select a third arbitrator, and if they are not able to agree on such third arbitrator, then either arbitrator, on five (5) days' notice in writing to the other, or both arbitrators, shall apply to the local arbitration authority to designate and appoint such third arbitrator. The two arbitrators selected by the parties shall then notify Hexion and Momentive in writing promptly upon the selection of the third arbitrator. If the party upon whom such written request for arbitration is served shall fail to designate its arbitrator within twenty (20) days after receipt of such notice, then the suggested resolution of the dispute as set forth in the written notice delivered by the party requesting such arbitration shall become the resolution thereof, and shall be binding on Hexion and Momentive hereunder.

12.07 Submission of Evidence. Within thirty (30) days following the date on which the parties shall have received notice of the appointment of the third arbitrator, the parties shall submit to the arbitrator so appointed a full statement of their respective positions and their reasons in support thereof, in writing, with copies delivered to the other party. Upon receipt of such written statement from the other party, the party receiving the same may file with the arbitrators a written rebuttal. Unless requested by the arbitrators, no hearing shall be required in connection with any such arbitration, and the arbitrators may elect to base their decisions on the written material submitted by the parties; provided, however, that the parties shall submit to hearings, and be prepared to provide testimony, by themselves or by witnesses called on their behalf, if so requested by the arbitrators.

12.08 Decisions of Arbitrators. Following receipt of the written materials from each party, and not later than 60 days from the final hearing held in conne ction with such arbitration, the arbitrators shall render their decision, which decision shall adopt either the position of Hexion or Momentive as previously submitted to the arbitrators, in full, without revision or alteration thereof, and without compromise. If more than one issue shall be submitted to the same arbitrators for resolution, each such issue shall be deemed a separate arbitration for all purposes hereof, such issues to be identified separately by the parties in their submission to arbitration, and each such issue shall be subject to a separate decision by the arbitrators.

12.09 Arbitration is Binding. The decision of a majority of the arbitrators shall be binding upon Hexion and Momentive and shall be enforceable in any court of competent jurisdiction. Such decision and award may allocate the costs of such arbitration to one of the parties, equally or disproportionately between the parties.

ARTICLE XIII
MISCELLANEOUS

13.01 Assignment. Neither Hexion nor Momentive shall assign this Agreement or any interest therein without the express prior written consent of the other party, which consent shall not be unreasonably withheld. Notwithstanding the preceding sentence, Hexion or Momentive may assign or transfer this Agreement to any Affiliate of such party; provided, that a counterpart original of such assignment is delivered to the other parties on or before the effective date of such assignment; and provided, further, that such Affiliate expressly assumes and agrees to be bound by all of the terms and conditions of this Agreement. Except as otherwise provided he rein, each provision hereof shall extend to and shall, as the case may require, bind and inure to the benefit of the parties' permitted successors and assigns and legal representatives.

13.02 Construction. The language in all parts of this Agreement shall be in all cases construed simply according to its fair meaning, and not strictly for or against Hexion or Momentive. This Agreement shall be construed without regard to any presumption or other rule requiring construction against the party causing the same to be drafted.

13.03 Governing Law. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of New York without reference to its choice of law provisions.

13.04 Severability. Should any portion of this Agreement be declared invalid or unenforceable, then such portion shall be deemed to be severed from this Agreement and shall not affect the remainder thereof.

13.05 Attorneys' Fees. Should either party institute an action or proceeding to enforce any provisions hereof or for other relief due to an alleged breach of any provision of this Agreement, the prevailing party shall be entitled to receive from the other party all costs of the action or proceeding and reasonable attorneys' fees.

13.06 Entire Agreement. This Agreement covers in full each and every agreement of every kind or nature whatsoever between the parties hereto concerning this Agreement, and all preliminary negotiations and agreements, whether verbal or written, of whatsoever kind or nature are merged herein. No oral agreement or implied covenant shall be held to vary the provisions hereof, any statute, law or custom to the contrary notwithstanding.

13.07 Counterparts. This Agreement may be executed in two or more counterparts and shall be deemed to have become effective when and only when all parties hereto have executed this Agreement, although it shall not be necessary that any single counterpart be signed by or on behalf of each of the parties hereto, and all such counterparts shall be deemed to constitute but one and the same instrument.

13.08 Force Majeure. Whenever this Agreement requires an act to be performed within a specified time period or to be completed diligently, such periods are subject to Unavoidable Delays. "Unavoidable Delays" are delays beyond the reasonable control of the party asserting the delay, and include delays caused by acts of God, acts of war, terrorist attack, civil commotions, riots, strikes, lockouts, acts of government in either its sovereign or contractual capacity, perturbation in telecommunications transmissions, inability to obtain suitable labor or materials, accident, fire, water damages, flood, earthquake, or other natural catastrophes. In the event of an Unavoidable Delay, the Recipient may either (i) perform an y Services that Service Provider is unable to perform or (ii) contract with a third party to provide any such affected Service.

13.09 No Warranties. Service Provider shall use its best efforts to render the services contemplated by this Agreement in good faith to Recipient, but hereby explicitly disclaims any and all warranties, express or implied, except to the extent expressly provided herein.

13.10 Headings. Headings or captions have been inserted for convenience of reference only and are not to be construed or considered to be a part hereof and shall not in an way modify, restrict or amend any of the terms or provisions hereof.

13.11 Waiver. The waiver by one party of any default or breach of any of the provisions, covenants or conditions hereof of the part of the other party to be kept and performed shall not be a waiver of any preceding or subsequent breach or any other provisions, covenants or conditions contained herein.

13.12 Consent to Jurisdiction. The parties hereto agree that, other than an arbitration proceeding arising pursuant to Article XII, any legal action or proceeding with respect to or arising out of this Agreement may be brought in or removed to the courts of the State of New York located in the borough of Manhattan or of the United States of America for the Southern District of New York. By execution and delivery of this Agreement, the part ies hereto accept, for themselves and in respect of their property, generally and unconditionally, the exclusive jurisdiction of the aforesaid courts. The parties hereto irrevocably consent to the service of process out of any of the aforementioned courts in any manner permitted by law. The parties hereto hereby waive any right to stay or dismiss any action or proceeding under or in connection with this Agreement brought before the foregoing courts on the basis of forum non-conveniens.

13.13 Waiver of Jury Trial. THE PARTIES HERETO HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT AND THE RELATIONSHIP BETWEEN THE PARTIES HERETO THAT IS BEING ESTABLISHED. THE PARTIES HERETO ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. THE PARTIES HERETO FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

13.14 Third Party Beneficiaries. None of the obligations hereunder of either party shall run to or be enforceable by any party other than the parties to this Agreement and their respective successors and assigns in accordance with the provisions of this Agreement.

13.15 Amendments. This Agreement may be changed or modified only by an agreement in writing signed by the parties hereto, and no oral understandings shall be binding as between the parties.

*****

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date and year first above written.

HEXION SPECIALTY CHEMICALS, INC.

By: /s/ AUTHORIZED PERSON
Name:
Title:

MOMENTIVE PERFORMANCE MATERIALS INC.

By: /s/ AUTHORIZED PERSON

Name:
Title:

MOMENTIVE PERFORMANCE MATERIALS WORLDWIDE INC.

By: /s/ AUTHORIZED PERSON & nbsp;

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS USA INC.

By: /s/ AUTHORIZED PERSON

Name:

Title:

JUNIPER BOND HOLDINGS I LLC

By: /s/ AUTHORIZED PERSON

Name:

Title:

JUNIPER BOND HOLDINGS II LLC

By: /s/ AUTHORIZED PERSON

Name:

Title:

JUNIPER BOND HOLDINGS III LLC

By: /s/ AUTHORIZED PERSON

Name:

Title:

JUNIPER BOND HOLDINGS IV LLC

By: /s/ AUTHORIZED PERSON &n bsp;

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS QUARTZ, INC.

By: /s/ AUTHORIZED PERSON

Name:

Title:

MPM SILICONES, LLC

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS SOUTH AMERICA INC.

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS CHINA SPV INC.
By: /s/ AUTHORIZED PERSON

Title:

MOMENTIVE PERFORMANCE MATERIALS INDUSTRIA DE SILICONES LTDA

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS CANADA ULC

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS S. DE R.L. DE C.V.

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS AUSTRALIA PTY LTD

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS SHANGHAI CO LTD

By: /s/ AUTHORIZED PERSON
Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS (NANTONG) CO LTD

By: &nb sp;/s/ AUTHORIZED PERSON

Title:

SHANGHAI SONGJIANG MOMENTIVE PERFORMANCE MATERIALS CO LTD
By: /s/ AUTHORIZED PERSON

Name:

Title:

WUXI MOMENTIVE PERFORMANCE MATERIALS CO LTD

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS HONG KONG LTD

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS JAPAN LLC

By: /s/ AUTHORIZED PERSON &nbs p;

Name:

Title:

OHTA KAKO LLC

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS KOREA CO LTD

By: /s/ AUTHORIZED PERSON

Title:

MOMENTIVE MALAYSIA SDN BHD

By: /s/ AUTHORIZED PERSON &n bsp;

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS PTE LTD

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE SERVICES S. DE R.L. DE C.V.

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS LTD.

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS COMMERCIAL SERVICES GMBH

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS RUS LLC

By: /s/ AUTHORIZED PERSON

Title:

MOMENTIVE PERFORMANCE MATERIALS KIMYA SANAYI VE TICARET LIMITED SIRKETI

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS (PTY) LTD.

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS (SHANGHAI) MANAGEMENT CO., LTD.

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS (SHANGHAI) TRADING CO., LTD.

By: /s/ AUTHORIZED PERSON

Name:

Title:

TA HOLDING PTE LTD

By: /s/ AUTHORIZED PERSON

Name:

Title:

NAUTILUS PACIFIC TWO PTE LTD

By: /s/ AUT HORIZED PERSON

Name:

Title:

NAUTILUS PACIFIC FOUR PTE LTD

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS ASIA PACIFIC PTE LTD

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS SINGAPORE PTE LTD

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS (THAILAND) LTD

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS BENELUX BVBA

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS FRANCE SARL

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS GMBH

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS HOLDING GMBH

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS QUARTZ GMBH

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS (INDIA) PRIVATE LIMITED

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS ITALY SRL

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS SPECIALTIES SRL

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS COMMERCIAL SERVICES SRL

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS SILICONES BV

By: /s/ AUTHORIZED PERSON

Name:

Title:

MOMENTIVE PERFORMANCE MATERIALS SUISSE SARL

By: /s/ AUTHORIZED PERSON

Name:

<u>EXHIBIT A</u>

SERVICES

Executive/Senior Management

Administrative Support

Treasury

Audit and Tax

Financial Services

Legal Affairs

Property Management

Accounting and Records

Credit and Collections

Accounts Payabl e

Financial Statements

IT/ERP

Investor and Public Relations

EHS

Engineering

Payroll

Risk Management

Insurance

Human Resources

Procurement of requirements of raw materials, supplies, freight, equipment, electricity, and insurance

Export Services

Contract Manufacturing

&n bsp;

EXHIBIT B

HEXION SUBSIDIARIES

Asia Dekor Borden (Heyuan) Chemical Company Limited (50% Owned)
Asia Dekor Borden (Hong Kong) Chemical Company (50% Owned)
Bakelite Polymers U.K. Ltd.
Borden Chemical Foundry, LLC
Borden Chemical Holdings (Panama) S.A.
Borden Chemical International, Inc.
Borden Chemical Investments, Inc.
Borden Chemical UK Limited
Borden International Holdings Limited
Borden Luxembourg S.a r.l.
Fengkai Hexion Specialty Chemicals Co. Ltd. (70% Owned)
Fujian Nanping Hexion Specialty Chemicals Co., Ltd.
HA-International, LLC (50% Owned)
Hattrick (Barbados) Finco SRL
Hexion 2 U.S. Finance Corp.
Hexion CI Holding Company (China) LLC
Hexion Fengkai Holdings Limited
Hexion IAR Holding (HK) Limited
Hexion Nanping Holdings Limited
Hexion Nova Scotia Finance, ULC
Hexion Quimica Argentina SA
Hexion Quimica Industria e Comercio Ltda.
Hexion Quimica S. A.
Hexion Quimica Uruguay S/A
Hexion Shchekinoazot Holding B.V. (50% Owned)
Hexion Shchekinoazot OOO (50% Owned)
Hexion Specialty Chemicals (Caojing) Limited
Hexion Specialty Chemicals (Heyuan) Limited
Hexion Specialty Chemicals (N.Z.) Limited
Hexion Specialty Chemicals Asua SL
Hexion Specialty Chemicals B.V.
Hexion Specialty Chemicals Barbastro S.A.
Hexion Specialty Chemicals BVBA
Hexion Specialty Chemicals Canada, Inc.
Hexion Specialty Chemicals Finance BV
Hexion Specialty Chemicals Forest Products GmbH
Hexion Specialty Chemicals France SAS
Hexion Specialty Chemicals GmbH
Hexion Specialty Chemicals Holding B.V.
Hexion Specialty Chemicals Holding Germany GmbH
Hexion Specialty Chemicals Holdings (China) Limited
Hexion Specialty Chemicals Iberica, S.A.
Hexion Specialty Chemicals Italia S.p.A.
Hexion Specialty Chemicals Korea Company Limited
Hexion Specialty Chemicals Lda.
Hexion Specialty Chemicals Leuna GmbH
Hexion Specialty Chemicals Luxembourg s.a.r.l.
Hexion Specialty Chemicals Maastricht BV
Hexion Specialty Chemicals Management (Shanghai) Co., Ltd.
Hexion Specialty Chemicals Oy
Hexion Specialty Chemicals Pardubice S.r.o.
Hexion Specialty Chemicals Pty Ltd
Hexion Specialty Chemicals Research Belgium SA
Hexion Special ty Chemicals Rotterdam Ink B.V.
Hexion Specialty Chemicals S.A.

Hexion Specialty Chemicals S.r.l.
Hexion Specialty Chemicals Samusakorn Ltd.

Hexion Specialty Chemicals Sdn. Bhd.
Hexion Specialty Chemicals SG.Petani SDN. BHD.
Hexion Specialty Chemicals Singapore Pte. Ltd.
Hexion Specialty Chemicals Somersby Pty Ltd.
Hexion Specialty Chemicals Stanlow Limited
Hexion Specialty Chemicals Stuttgart GmbH
Hexion Specialty Chemicals Sweden AB
Hexion Specialty Chemicals UK Limited

Hexion Specialty Chemicals Wesseling GmbH
Hexion Specialty Chemicals, a.s.
Hexion Specialty UV Coatings (Shanghai) Limited
Hexion U.S. Finance Corp.
Hexion UV Coatings (Shanghai) Co., Ltd. (49.99% Owned)
HSC Capital Corporation
InfraTec Duisburg GmbH (70% Owned)
International Pine Products SA
Jiangsu Funing Hexion Specialty Chemicals Co. Ltd. (90% Owned)
Lawter International Inc.
National Borden Chemical Germany GmbH
New Nimbus GmbH & Co Kg
Oilfield Technology Group, Inc.
Resolution Research Nederland B.V.
Resolution Specialty Materials Rotterdam B.V.
Resolution Specialty Materials Sweden Holdings AB
RSM Europe B.V.
Tianjin Hexion Specialty Chemicals Co., L td.

EXHIBIT C

MOMENTIVE SUBSIDIARIES

Momentive Performance Materials Inc.
Momentive Performance Materials Worldwide Inc.
Momentive Performance Materials US A Inc.
Juniper Bond Holdings I LLC
Juniper Bond Holdings II LLC
Juniper Bond Holdings III LLC
Juniper Bond Holdings IV LLC
Momentive Performance Materials Quartz, Inc.
MPM Silicones, LLC
Momentive Performance Materials South America Inc.
Momentive Performance Materials China SPV Inc.
Momentive Performance Materials Industria de Silicones Ltda
Momentive Performance Materials Canada ULC
Momentive Performance Materials S. de R.L. de C.V.
Momentive Performance Materials Australia Pty Ltd
Momentive Performance Materials Shanghai Co Ltd
Momentive Performance Materials (Nantong) Co Ltd
Momentive Fine Performance Materials (Shenzhen) Co Ltd
Shanghai Songjiang Momentive Performance Materials Co Ltd
Wuxi Momentive Performance Materials Co Ltd
Momentive Performance Materials Hong Kong Ltd
Momentive Performance Materials Japan LLC
Ohta Kako LLC
Momentive Performance Materials Korea Co Ltd
Momentive Malaysia Sdn Bhd
Momentive Performance Materials Pte Ltd
Momentive Services S. de R.L. de C.V.
Momentive Performance Materials Ltd.
Momentive Performance Materials Commercial Services GmbH
Momentive Performance Materials Rus LLC
Momentive Performance Materials Kimya Sanayi Ve Ticaret Limited Sirketi
Momentive Performance Materials (Pty) Ltd.
Momentive Performance Materials (Shanghai) Management Co., Ltd.
Momentive Performance Materials (Shanghai) Trading Co., Ltd.
TA Holding Pte Ltd
Nautilus Pacific Two Pte Ltd
Nautilus Pacific Four Pte Ltd
Momentive Performance Materials Asia Pacific Pte Ltd
Momentive Performance Materials Singapore Pte Ltd
Momentive Performance Materials (Thailand) Ltd
Momentive Performance Materials Benelux BVBA
Momentive Performance Materials France Sarl
Momentive Performance Materials GmbH
Momentive Performance Materials Holding GmbH
Momentive Performance Materials Quartz GmbH
Momentive Performance Materials (India) Private Limited
Momentive Performance Materials Italy Srl
Momentive Performance Materials Specialties Srl
Momentive Performance Materials Commercial Services Srl
Momentive Performance Materials Silicones BV
Momentive Performance Materials Suisse Sarl

Exhibit 10.29

MOMENTIVE PERFORMANCE MATERIALS INC.
SUMMARY OF TERMS OF SEVERANCE BENEFIT AMENDMENT
FOR DOUGLAS A. JOHNS

Effective Date: Oct. 1, 2010

Severance Benefits: In the event that Mr. Johns' employment is terminated by the Company without Cause, Mr. Johns shall be entitled to applicable severance benefits for a period of 18 months.

Exhibit 10.30

February 1, 2010

John Dandolph

Dear John,

We are pleased to offer you the position of President & CEO Asia Pacific at Momentive Performance Materials located in Shanghai, CN. This offer is at a base salary of $275,000 USD and will report to Jon Rich, President & CEO. This quoted rate is for convenience and is not intended as a guarantee of employment for any fixed period. You will also be eligible for a 2010 bonus plan in which you will have a target bonus of 40% percent of your salary. The effective date of this offer is February 1, 2010.

The expected duration of this assignment is 3 years, however, the nature of your assignment is indefinite and may be shortened or extended at any time. The administration of your salary, benefits and foreign service allowances will be through Momentive Performance Materials USA Inc and Cartus, our Expatriate Administration provider. Your status will continue to be that of a Momentive Expatriate Employee. You will continue to be eligible to participate in your U.S. home country benefits and will be paid by U.S. payroll.

This expatriate offer includes the elements listed below. You will receive an updated “Compens ation Worksheet” document which includes detailed information regarding your Expatriate package elements. This Compensation Worksheet will also be used going forward as a guide to administer your payroll and Expatriate package elements.

- Balance sheet approach to housing, cost of living and personal income tax differentials.
- Tax equalization for a home country of the United States and a host country of China.
- Housing and utilities will be paid directly by Momentive.
- Transportation - a car and driver will be provided to you per the host country transportation guideline s. You will be required to pay a car contribution in the amount of $280.00 USD per month.

- Participation in Momentive's Global Health Plan.

- You will be required to pay a housing & utilities employee contribution.

- Home leave expenses

- Tax preparation fees for all years in which you work in China. These tax services will be provided by E&Y, Momentive's preferred tax service provider.

- Repatriation - Following completion of your assignment in China, Momentive will pay for necessary and reasonable expenses per the Expatriate Policy in effect at the t ime of repatriation. This would apply whether you return to your home country or to another Momentive location. In the event that you resign from Momentive or are discharged for cause, Momentive will not be obligated to reimburse you for expenses incurred in connection with your return to your home country or another location.

We are looking forward to your contributions to our organization.

Very truly yours,

/s/ Ed Stratton

Ed Stratton
Human Resources Leader
Momentive Performance Materials

Please confirm your acceptance of this offer by signing and emailing a copy of this letter to Jodi Boffard (jodi.boffard@momentive.com).

/s/ John Dandolph

____

John Dandolph - Accepted

Exhibit 12

Ratio of earnings to fixed charges

	Successor					Predecessor
	Year Ended December 31,				December 4, 2006 to December 31, 2006	January 1, 2006 to December 3, 2006
	2010	2009	2008	2007		
Earnings:						
Income (loss) from continuing operations before income taxes	$ (65.2)	$ (26.2)	$ (1,108.1)	$ (219.4)	$ (73.2)	$ 135.9
Fixed charges	259.9	270.2	292.5	298.5	23.0	106.8
Earnings adjusted for fixed charges	194.7	244.0	(815.6)	79.1	(50.2)	242.7

Fixed charges:						
Interest expense	250.8	260.5	282.6	288.8	22.3	99.1
Portion of rent expense representative of interest (1)	9.1	9.7	9.9	9.7	0.7	7.7
Total fixed charges	$ 259.9	$ 270.2	$ 292.5	$ 298.5	$ 23.0	$ 106.8
Ratio of earnings to fixed charges	**0.7**	**0.9**	**(2.8)**	**0.3**	**(2.2)**	**2.3**
ESTIMATE OF INTEREST WITHIN RENTAL EXPENSE						
Total Rent expense (per historical financial statements)	$ 27.7	$ 29.3	$ 29.9	$ 29.4	$ 2.2	$ 23.2
Estimated percentage	33%	33%	33%	33%	33%	33%
Estimated interest within rental expense	$ 9.1	$ 9.7	$ 9.9	$ 9.7	$ 0.7	$ 7.7

Deficiency	$ 65.2	$ 26.2	$ 1,108.1	$ 219.4	$ 73.2	N/A
(1) One third of rent expense is deemed to be representative of interest.						

Exhibit 21.1

MOMENTIVE PERFORMANCE MATERIALS INC.
LIST OF SUBSIDIARIES

Entity Name	Domestic or Foreign and Region of Incorporation
Momentive Performance Materials Worldwide Inc.	DOMESTIC, Delaware
Momentive Performance Materials USA Inc.	DOMESTIC, Delaware
Juniper Bond Holdings I LLC	DOMESTIC, Delaware
Juniper Bond Holdings II LLC	DOMESTIC, Delaware
Juniper Bond Holdings III LLC	DOMESTIC, Delaware
Juniper Bond Holdings IV LLC	DOMESTIC, Delaware
Momentive Performance Materials Quartz, Inc.	DOMESTIC, Delaware
MPM Silicones, LLC	DOMESTIC, New York
Momentive Performance Materials South America Inc.	DOMESTIC, Delaware
Momentive Performance Materials China SPV Inc.	DOMESTIC, Delaware
Momentive Performance Materials Industria de Silicones Ltda	FOREIGN, BRAZIL
Momentive Performance Materials Canada ULC	FOREIGN, CANADA (Alberta)
Momentive Performance Materials S. de R.L. de C.V.	FOREIGN, MEXICO
Momentive Performance Materials Australia Pty Ltd	FOREIGN, AUSTRALIA
Momentive Performance Materials Shanghai Co Ltd	FOREIGN, CHINA
Momentive Performance Materials (Nantong) Co Ltd	FOREIGN, CHINA
Momentive Fine Performance Materials (Shenzhen) Co Ltd	FOREIGN, CHINA
Wuxi Momentive Performance Materials Co Ltd	FOREIGN, CHINA
Momentive Performance Materials Hong Kong Ltd	FOREIGN, HONG KONG
Momentive Performance Materials Japan LLC	FOREIGN, JAPAN
Ohta Kako LLC	FOREIGN, JAPAN
Momentive Performance Materials Korea Co Ltd	FOREIGN, KOREA
Momentive Performance Materials Pte Ltd	FOREIGN, SINGAPORE
Momentive Services S. de R.L. de C.V.	FOREIGN, MEXICO
Momentive Performance Materials Ltd.	FOREIGN, UNITED KINGDOM
Momentive Performance Materials Commercial Services GmbH	FOREIGN, GERMANY
Momentive Performance Materials Rus LLC	FOREIGN, RUSSIA
Momentive Performance Materials Kimya Sanayi Ve Ticaret Limited Sirketi	FOREIGN, TURKEY
Momentive Performance Materials (Pty) Ltd.	FOREIGN, SOUTH AFRICA

Entity Name	Domestic or Foreign and Region of Incorporation
Momentive Performance Materials (Shanghai) Management Co., Ltd.	FOREIGN, CHINA
Momentive Performance Materials (Shanghai) T rading Co., Ltd.	FOREIGN, CHINA
TA Holding Pte Ltd	FOREIGN, SINGAPORE
Nautilus Pacific Two Pte Ltd	FOREIGN, SINGAPORE
Nautilus Pacific Four Pte Ltd	FOREIGN, SINGAPORE
Momentive Performance Materials Asia Pacific Pte Ltd	FOREIGN, SINGAPORE
Momentive Performance Materials (Thailand) Ltd	FOREIGN, THAILAND
Momentive Performance Materials Benelux BVBA	FOREIGN, BELGIUM
Momentive Performance Materials France Sarl	FOREIGN, FRANCE
Momentive Performance Materials GmbH	FOREIGN, GERMANY
Momentive Performance Materials Holding GmbH	FOREIGN, GERMANY
Momentive Performance Materials Quartz GmbH	FOREIGN, GERMANY
Momentive Performance Materials (India) Private Limited	FOREIGN, INDIA
Momentive Performance Materials Italy Srl	FOREIGN, ITALY
Momentive Performance Materials Specialties Srl	FOREIGN, ITALY
Momentive Performance Materials Commercial Services Srl	FOREIGN, ITALY
Momentive Performance Materials Silicones BV	FOREIGN, NETHERLANDS
Momentive Performance Materials Suisse Sarl	FOREIGN, SWITZERLAND

Exhibit 31.1

CERTIFICATION PURSUANT
TO RULE 13a-14(a) OF THE EXCHANGE ACT

I, Craig O. Morrison, certify that:

1. I have reviewed this report on Form 10-K of Momentive Performance Material Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under whi ch such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such i nternal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the period covered by this report based on suc h evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: February 25, 2011

/s/ CRAIG O. MORRISON

Craig O. Morrison

&nbs p; **Chief Executive Officer**

Exhibit 31.2

CERTIFICATION PURSUANT
TO RULE 13a-14(a) OF THE EXCHANGE ACT

I, William H. Carter, certify that:

1. I have reviewed this report on Form 10-K of Momentive Performance Material Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based o n my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial r eporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: February 25, 2011

/s/ WILLIAM H. CARTER

William H. Carter

Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Annual Report on Form 10-K of Momentive Performance Material Inc. for the period ended December& nbsp;31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Rule 13a and 15 (d) of the Securities Exchange Act of 1934;
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations.

/s/ CRAIG O. MORRISON	/s/ WILLIAM H. CARTER
Craig O. Morrison	**William H. Carter**
Chief Executive Officer	**Chief Financial Officer**
DATE: February 25, 2011	DATE: February 25, 2011

A signed original of this written statement required by Section 906 has been provided to Momentive Performance Materials Inc. and will be retained by Momentive Performance Materials Inc. and furnished to the Securities and Exchange Commission or its staff upon request.