

ARTHUR BROTHERS

INCORPORATED

HIWAY 77 BYPASS
KINGSVILLE, TEXAS 78363

PLAINTIFF'S EXHIBIT

CEL-1405

AFS-73

November 21, 1988

Hoechst Celanese Chemical Group
1250 W. Mockingbird Lane
P.O. Box 569320
Dallas, Texas 75356-9320

Attention: Mr. T. R. Shandley

Re: Maintenance and Construction Service Agreement
December 30, 1985 Through April 30, 1989

Dear Rogers:

In response to our meeting of November 14, 1988 and our best effort to remain competitive in the fulfillment of the referenced agreement, we resubmit our letter of September 26, 1988, concerning an amendment to Article 10 of the referenced contract to cover increased tax and insurance costs.

We propose to forego the 2.2% fee increase, requested for September 5, 1988, if we can remove the rates from our fee for both State and Federal Unemployment taxes and bill you quarterly, in 1989, at cost. We feel this is important to both of us in light of the uncertainties we face for 1989 and the difficulties in establishing a percentage rate that is equitable in covering these costs.

Attached is the proposed amendment to Article 10 of the referenced contract. We request this amendment be effective December 26, 1988. Please indicate your acceptance of this amendment by signing the attached document. Return the executed copy to Arthur Brothers, Incorporated and keep the original for your files.

Thank you for your understanding in this matter

Very truly yours,
ARTHUR BROTHERS, INCORPORATED

Aaron F. Starks
Aaron F. Starks
Vice-President

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cc: Bay City: C. R. Pennington; A. C. Enlow; R. E. Allen
S. R. Starks

Bishop: D. G. Pausky D. L. Yancey; D. D. Siemonsma;
R. C. Seawright; J. J. Starks

Corpus Christi: R. R. Graham; L. W. Hartman; S. W. Eason;
W. E. Clark

Pampa: R. G. Guard; L. E. Moore; L. T. Johnston;
C. R. Jones; P. D. Ley

1989 CONTRACT AMENDMENT

Effective December 26, 1988

ARTICLE 10. CONTRACTOR'S FEE. (a) For providing Labor and supervision therefore Contractor shall be paid in addition to the amount provided in Article 9 hereof, a Fee, which consists of three components, of 30.0% of the direct wage cost attributable to (i) actual straight-time hours worked (ii) the straight-time portion of any overtime hours worked.

The Fee consists of three components (i) ~~27.0% for all payroll costs~~, (excluding all State and Federal Unemployment Taxes), employee benefits and small tools (ii) 2.0% for profit and overhead. and (iii) 1.0% for Umbrella Liability Insurance Coverage, as per the following schedule:

Total Annual Direct Wage Cost (Exclusive of Premium Portion of Overtime) \$8,212,564.00 or less

Payroll costs, (excluding all state and federal unemployment taxes), employee benefits, and small tools	27.0%
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Umbrella Liability Insurance Coverage (September 5, 1988 through September 3, 1989) (Renegotiated each like period thereafter)	1.0%
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Overhead and Profit	2.0%
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Total Fee: 30.0%

\$8,212,564.00 or more (including other all clients requiring 5mm coverage)

Payroll costs, (excluding all state and federal unemployment taxes), employee benefits, and small tools	27.0%
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Umbrella Liability Insurance Coverage	0.0%
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Overhead and Profit	2.0%
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Total Fee: 29.0%

Contractor shall be paid a markup equal to 8.5 percent of that portion of Contractor's total direct wage cost attributable to the premium portion of wages paid for overtime hours worked by its authorized employees on authorized work hereunder.

At the end of each quarter, beginning December 26, 1988, Contractor shall bill Company at cost for all State and Federal Unemployment taxes applicable to authorized work hereunder.

It is understood that Company may, in the future, wish Contractor to perform similar work at other Company plants. Such other plants may be added to this Agreement using the same conditions and percentage Fee and markups described herein. The annual period for the work performed at such other plant shall be deemed to have the same commencement date as the annual period hereunder.

Hoechst Celanese

By: _____

Title: _____

Date: _____

Arthur Brothers, Incorporated

By: James J. Thibault

Title: Vice-President

Date: 11-22-88

1989 CONTRACT AMENDMENT

Effective December 26, 1988

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Hoechst Celanese

By: A. L. Pancher

Title: Facility Manager

Date: 1-4-89

Arthur Brothers, Incorporated

By: Arthur I. Thibault

Title: Vice-President

Date: 11-22-88

MAINTENANCE CONTRACTOR FEE ANALYSIS

CONTRACT	FEES IN %				
	DIRECT COSTS	INSURANCE	OVERHEAD & PROFIT	TOTAL	OVERTIME PREMIUM
ABI: 10MM\$ OR LESS					
1. ORIGINAL 12/30/85	25.5	0.0	2.0	27.5	10.8
2. AMENDMENT 9/15/86	25.0	3.5	2.0	30.5	10.8
3. AMENDMENT 9/7/87	29.0	3.5	2.0	34.5	12.5
4. PROPOSAL 9/26/88	33.7	1.0	2.0	36.7	13.0
ABI: 10MM\$ OR MORE					
1. ORIGINAL 12/30/85	25.5	0.0	2.0	27.5	10.8
2. AMENDMENT 9/15/86	25.0	0.5	2.0	27.5	10.8
3. AMENDMENT 9/7/87	29.0	0.5	2.0	31.5	12.5
4. PROPOSAL 9/26/88	33.7	0.0	2.0	35.7	13.0
MUNDY: CLEAR LAKE	17.0- 19.25 + 35% OF SAL.	4.2	4.5	25.7- 27.9 + 35% OF SAL.	7.2

PAMPA'S POSITION ?

MAINTENANCE CONTRACTOR FEE ANALYSIS IN MS

1986						
	1/6/86- 9/8/86	9/15/86- 12/29/86	TOTAL COST		EST. COST	
			ACTUAL	CONTRACT	MS	X
DIRECT COSTS	870.5	380.2	1250.7	1258.3	(7.6)	(0.6)
INSURANCE	0.0	53.2	53.2	0.0	53.2	INF
PROFIT	68.3	30.4	98.7	98.7	0.0	0.0
OVERTIME PREMIUM	11.1	5.5	16.6	16.6	0.0	0.0
TOTAL	949.9	469.4	1419.2	1373.6	45.6	3.3

CONTRACTOR COST LIABILITY INCREASES IN MS 1986

	STRAIGHT TIME	OVERTIME	TOTAL	FEE INCREASE		EST. COST	
				INCREMENT	TOTAL	INCREMENT	TOTAL
FICA	0.0	0.0	0.0	-			
SUT & FUT	0.0	0.0	0.0	(7.6)	(7.6)	29.6	29.6
WORKMENS COMP	22.0	0.0	22.0	-			
GEN LIABILITY	5.5	0.0	5.5	-			
UMBRELLA	42.5	0.0	42.5	53.2	53.2	(5.2)	(5.2)
TOTAL	70.0	0.0	70.0	53.2	45.6	24.4	24.4

↑
Total
Cost
Increase

Hoechst Celanese
Pond

AST
Pond

50% Pass-Through

MAINTENANCE CONTRACTOR FEE ANALYSIS IN M\$

1987						
	FEE INCREASE DATE		TOTAL COST		FEE COST	
	1/5/87-9/7/87	9/14/87-12/28/87	ACTUAL	CONTRACT	M\$	%
DIRECT COSTS	677.2	351.2	1028.4	999.5	28.8	2.9
INSURANCE	94.8	42.4	137.2	0.0	137.2	INF
PROFIT	54.2	24.2	78.4	78.4	0.0	0.0
OVERTIME PREMIUM	9.3	5.4	14.7	13.9	0.7	5.3
TOTAL	835.4	423.2	1258.6	1091.9	166.8	15.3

CONTRACTOR COST LIABILITY INCREASES IN M\$

	STRAIGHT TIME	OVERTIME	TOTAL	FEE INCREASE		TOTAL COST	
				INCREMENT (9/87-12/87)	TOTAL (REL TO ORIG CONTRACT)	INCREMENT (9/87-12/87)	TOTAL (1/87-12/87)
FICA	3.9	0.1	4.0				
SUT & FUT	43.1	1.4	44.5	49.2	35.6	25.0	56.1
WORKMENS COMP	25.6	0.0	25.6				
GEN LIABILITY	12.0	0.0	12.0				
UMBRELLA	50.4	0.0	50.4	0.0	137.2	72.3	(26.7)
TOTAL	145.0	1.5	146.5	49.2	172.8	97.3	29.3

Total Cost Increase
Handled - Covered Paid
AST Paid on 8/117.2 M

MAINTENANCE CONTRACTOR FEE ANALYSIS IN MS

1988					
	1/4/88- 10/17/88	TOTAL COST		ADDED COST	
		ACTUAL	CONTRACT	MS	%
DIRECT COSTS	1261.6	1261.6	1109.4	152.3	13.7
INSURANCE	131.5	131.5	0.0	131.5	INF
PROFIT	87.0	87.0	87.0	0.0	0.0
OVERTIME PREMIUM	30.6	30.6	26.4	4.2	15.7
TOTAL	1510.8	1510.8	1222.8	287.9	23.5

CONTRACTOR COST LIABILITY INCREASES IN MS 1988

	STRAIGHT TIME	OVERTIME	TOTAL	FEE INCREASE		ADDED COST	
				INCREMENT (NONE)	TOTAL (REL TO ORIG CONTRACT)	INCREMENT	TOTAL (1/88-10/88)
FICA	15.7	0.9	16.5	-			
SUT & FUT	4.4	0.2	4.6	>	0.0	156.4	75.5
WORKMENS COMP	54.4	0.0	54.4	-			
GEN LIABILITY	8.7	0.0	8.7	\			
UMBRELLA	(10.5)	0.0	(10.5)	/	(20.8)	107.3	19.0
TOTAL	72.7	1.1	73.8	(20.8)	263.7	25.4	35.7

7

Handled elsewhere
Paid

AST Paid

Total Cost
Liability

MAINTENANCE CONTRACTOR FEE ANALYSIS IN MS

CUMULATIVE 1/6/86 - 10/17/88				
	TOTAL COST		ADDED COST	
	ACTUAL	CONTRACT	MS	%
DIRECT COSTS	3540.7	3367.2	173.5	5.2
INSURANCE	321.9	0.0	321.9	INF
PROFIT	264.1	264.1	0.0	0.0
OVERTIME PREMIUM	61.9	57.0	4.9	8.6
TOTAL	4188.6	3688.3	500.3	13.6

CONTRACTOR COST LIABILITY INCREASES IN MS
1986 - 1988

	FEE INCREASE	ADDED COST
FICA	184.5	107.8
SUT & FUT	184.5	107.8
WORKMENS COMP		
GEN LIABILITY		
UMBRELLA	297.7	(18.4)
TOTAL	482.2	89.4

MAINTENANCE CONTRACTOR FEE ANALYSIS IN M\$

FEE PROPOSAL 9/26/88				
BASIS: AVERAGE ANNUAL WAGE 85-88				
	TOTAL COST		ADDED COST	
	ACTUAL	CONTRACT	M\$	%
DIRECT COSTS	1620.0	1225.8	394.2	32.2
INSURANCE	48.1	0.0	48.1	INF
PROFIT	96.1	96.1	0.0	0.0
OVERTIME PREMIUM	26.0	21.6	4.4	20.4
TOTAL	1790.3	1343.6	446.7	33.2

MAINTENANCE CONTRACTOR FEE COMPARISON IN M\$

	TOTAL COST		
	ABI	MUNDY	VARIANCE (AB-MUN)
1986 - 1988	4,188.6	3,855.6	333.0
PROPOSAL 9/88	1,790.3	1,402.8	387.5
TOTAL	5,978.9	5,258.3	720.6