

P. O. BOX 792

PLAINTIFF'S EXHIBIT

CEL-1401

TELEPHONE 592-6416

ARTHUR BROTHERS

INCORPORATED

HIWAY 77 BYPASS
KINGSVILLE, TEXAS 78363

April 24, 1989

AFS-28-89

Hoechst Celanese Corporation
Engineering Plastics Division
P. O. Box 428
Highway 77 South
Bishop, Texas 78343

Attn: Mr. Merrick E. Suacier

Re: 1989 Contract

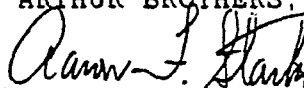
Dear Merrick:

Arthur Brothers, Incorporated (ABI), appreciates the opportunity to renew our contract with the Hoechst Celanese Bishop Facility.

We submit the attached schedules to be attached to and made a part of the referenced contract as follows;

- Schedule A. Classifications, Pay Rates and Pay Practices
- Schedule B. Rental Rates, Small Tools, and Personal Protection Equipment Costs
- Schedule C. Percentage Fee (Markup) for Maintenance, Construction, and Engineering Labor Costs.
- Schedule D. Employee Moves and Traveling Expenses
- Schedule E. Safety Awareness Activities
- Schedule F. Supervisory Training
- Schedule G. Insurance to be carried by Contractor
- Schedule H. Substance Abuse Program
- Schedule I. Continued Improvement Plan

Very Truly Yours
ARTHUR BROTHERS, INC.



Aaron F. Starks
Vice-president

CC: D. Siemonsma
H. Wilmeth

16748

SCHEDULE "A"

Effective date - May 1, 1989

Page 1 of 3

Classifications, Pay Rates and Pay Practices

A.	<u>Salaries</u>	<u>Range</u>
	Superintendent	40,000/54,000
	General Foreman	31,500/45,000
	Foreman	26,000/36,500
B.	Standard Hourly Rates	
	1. <u>General</u>	
	Administrative Assistant	9.00 - 11.00
	Technician	12.00 - 20.00
	Mechanic A	11.50
	Mechanic B	10.90
	Mechanic C	10.30
	Mechanic D	9.90
	Utility A	9.45
	Utility B	9.07
	Utility C	8.69
	Helper A	8.32
	Helper B	7.94
	Helper C	7.56
	Utility Service A	7.09
	Utility Service B	6.62
	Utility Service C	6.33
	Service A	5.95
	Service B	5.67
	Service C	5.29
	Clerical	3.50 - 9.50
	Field Buyer	9.00 - 11.50
	Leadman	.50 above craft supervised
	Temporary Foreman	1.00 above craft supervised

SCHEDULE "A"

Effective Date - May 1, 1989

<u>2. Warehouse</u>	<u>Rotating Shift</u>	<u>St. Day</u>	<u>St. Evening</u>
Utility Service A	7.42	7.09	7.42
Utility Service B	6.95	6.62	6.95
Utility Service C	6.66	6.33	6.66
Service A	6.28	5.95	6.28
Service B	6.00	5.67	6.00
Service C	5.62	5.29	5.62

3. Engineering

Engineer	12.00 - 30.00
Draftsman	6.00 - 20.00
Estimator	6.00 - 20.00
Planner/Scheduler	6.00 - 20.00

C. Premium Hourly Rates

Premium Hourly Rates shall be paid at the rate of one and one-half (1-1/2) the employees Standard Hourly Rates. Premium time shall be defined as--all hours worked in excess of eight hours (8) in a work day or in excess of forty hours (40) hours in a work week.

D. Pay Practices

(1) Holiday, Sick Leave, Vacation and Jury Duty.

The following shall be recognized hereunder a contractor's Holidays.

July 4	Thanksgiving
Labor Day	Christmas

- (a) Hourly Employees - Company shall pay Contractor for any such holiday at 1-1/2 times the standard time pay rates however, Contractor shall not be paid for hours not worked, such as any illness, vacation or jury duty, for any of Contractor's hourly employees except with the written approval of the Company representative.

SCHEDULE "A"

Effective May 1, 1989

- (b) Salaried Employees - Company shall pay Contractor for all salaried employees at a weekly rate of 1/52 their annual salary except for sick leave which extends beyond three (3) days, all vacations and the four recognized Contractor holidays.

(2) Call Out Pay

Company shall pay contractor for work on a "call out" basis at Company's request, outside the Contractor's employees regular scheduled shift at 1-1/2 times standard rate for hours actually worked; however, if work extends into regular hours, then call out pay applies only to hours worked outside the regular scheduled shift. If Contractor's employee called out works less the four (4) hours and hours worked do not extend into the regular shift, Contractor will be reimbursed for four (4) hours at the standard rate or for hours actually worked at 1-1/2 times the standard rate, whichever is greater.

--(3) Show Up Pay

Company shall pay Contractor two (2) hours "show up" pay, at the standard rate, for any contractor employee who reports for his regular scheduled shift but is prohibited from working for any cause beyond Contractor's control.

Class Descriptions and Qualifications

Mechanic A.

Skilled, experienced, capable and responsible to perform all phases of one or more of the following crafts: Instrument Mechanic, Electrician, Machinist, Pipe Welder (carbon & alloys), Pipefitter, Rigger, Boilermaker, Equipment Operator (heavy), Diesel engine mechanics, Insulators, Painter, Carpenter and Iron Workers

Mechanic B.

Gradient of Mechanic A. Skilled, experienced, capable and responsible to perform all phases of one or more of the following crafts: Carpenter (rough), Painter (brush), Pipe Welder (carbon), Iron Worker/Welder (Structural), Iron Worker (rebar).

Mechanic C.

Gradient of Mechanic A & B. Skilled, capable, and responsible to perform as craftsman with moderate experience.

Mechanic D

Gradient of Mechanic A, B & C. Capable and responsible to perform as craftsman with minimal experience.

Utility A

Positions demanding considerable skill and responsibility i.e., Tool room attendant, Water blaster, Warehouse receiving clerk, Equipment operator (light), Dispatcher, Gauger, Etc.

Utility B

Gradient of Utility Man A.

Utility C

Gradient of Utility A & B

Helper A.B. & C

Assistant to and under direction of Mechanic. Position demands considerable skill and responsibility. Unless otherwise qualified helpers start as Class C and earn promotions through individual merit.

Class Descriptions and Qualifications
Page 2 of 2

Utility Service A

Semi-skilled positions demanding moderate responsibility, i.e., Warehouse delivery, Truck Driver (light), Tractor mower, Metal salvage, Fuel oil loader, Warehouse packaging, drumming, etc. May also be used as assistant to other classifications.

Utility Service B

Gradient of Utility Service A

Utility Service C

Gradient of Utility Service A & B

Service A,B & C

Unskilled labor. Unless otherwise qualified Service men start at Class C and earn promotions thru individual merit. May be used as assistant to other classifications..

Engineering

Due to the wide range in education, expertise and experience in these positions, rates are set on an individual basis, with approval of company representative.

Technician

Special skills not attainable under other classifications. Approval of ABI main office and HCC company representative is required.

All positions are filled at the lowest possible classifications consistent with manpower availability.

Rental Rates, Small Tools and Personal Protection Equipment Cost

1. Rental rates for all tools and equipment owned by Contractor shall not exceed the existing local standard rates or exceed 85% of the latest Associated Equipment Distributor's listing, whichever is lower.

2. If HCC chooses to supply all tools including those of a value of \$400 or less, a percentage of .5% shall be deducted from the overhead fee of Submittal "C".

3. If HCC chooses to supply all safety glasses, goggles hard hats and I.D. badges, a percentage fee of .2% shall be deducted from the overhead fee of Submittal "C".

4. It is understood HCC will supply all expendable supplies including all personal protection equipment for hazardous materials.

Schedule "C"
Page 1 of 1

Percentage Fee (Markup) for Maintenance, Construction and Engineering Labor Costs.

A. 22% on the straight time portion of actual wages and salaries chargeable to the work which covers all related costs such as FICA, employee benefits, and required insurance. State and Federal Unemployment taxes are excluded and shall be accrued and billed to Company at cost at the end of each quarter.

B. Sliding Scale Fee of:

1. 6% on the straight time portion of actual wages and salaries chargeable to the work up to \$8,000,000.00 to cover, overhead and other unidentified costs.
2. 5% on the straight time portion of actual wages and salaries chargeable to the work from 8,000,001.00 to 12,000,000.00 to cover, overhead and other unidentified costs.
3. 4% on the straight time portion of actual wages and salaries chargeable to the work from 12,000,001.00 and up, to cover, overhead and other unidentified costs.

C. 2% on the straight time portion of actual wages and salaries chargeable to the work to cover profit. This portion of the fee shall not be applicable to any rework as described in Article 6.

D. 7.5% on the premium portion of overtime actual wages and salaries chargeable to the work which covers all payroll related (FICA) costs.

E. 1% on the premium portion of overtime actual wages and salaries chargeable to the work, to cover profit, overhead and other unidentified costs.

Employee Moves And Traveling Expenses

Key Long Term Employees

(1) Actual moving expenses to job site of Contractor's long term employees shall be limited to an allowance of, not to exceed packing and moving, 15,000 lbs of household goods only, at existing local standard rates and not to exceed rates set by the Texas Railroad Commission. Employee shall receive Three (3) days leave of absence at his regular salary for such move.

Key Short Term Employees

(2) Travel expenses of Contractor's key short term employees shall be limited to travel expenses not the exceed actual mileage to and from Contractors Main office to the job site at the rate of 24 cents per mile. Travel time (hourly employees only), shall be limited to one hour at the standard rate of pay for each fifty (50) miles traveled to and from Contractors Main office and the job site.

(3) Per diem of fifty (50.00) dollars shall be allowed for each employee whose work requires they stay overnight away from their principle residence.

(4) All moving, travel and per diem expenses shall have prior approval of the company representative.

(5) Long term employee shall be defined as one who becomes a part of the ongoing operation, whereas short term shall be those brought in for turn-arounds or other projects of specific duration.

(6) A charge of 24 cents per mile will be charged for all vehicles used by the Contractor in the performance of work on behalf of the owner. Transportation of employees to and from the work site is not a reimbursable cost.

Safety Awareness Activities

1. Quarterly Safety audits by ABI Safety Director and Insurance Safety Engineer
 - (A) To insure hazards communication compliance
 - (B) To perform simulated OSHA inspection
 - (C) To insure minimum legal requirements for all Environmental, Health, and Safety procedures and equipment.
2. Monthly newsletter from ABI Safety Director containing:
 - (A) Narratives of accidents and/or near-accidents of the previous month
 - (B) Current ABI statistics
 - (C) Current OSHA matters
 - (D) Safety information Articles
 - (C) Comments and Views from the field
3. Semi-annual field Safety Coordinator Training Seminars
 - (A) OSHA and EPA matters
 - (B) Improving Safety Awareness and Training
4. Monthly Field Safety Meetings
 - (A) General Safety and Health Information
 - (B) Specific developments in Safety and Health
 - (C) Targeted for Safety and Health Awareness
 - (D) Meeting involvement: All Personnel
5. Weekly Foreman/crew Safety Meeting
 - (A) Conducted by Foreman with crew
 - (B) Safety meeting outlines provided from Home Office.
 - (C) Material is previewed and discussed with management supervision and Safety Coordinator.
6. Safety Awards and Incentives
 - (A) Determined by competition between locations
 - (B) Include plaques and individual prizes (caps, belt buckles, windbreaker, coffee mugs, etc.)

Schedule "F"
Page 1 of 1

Supervisory Training

1. Semi-Annual Seminars
2. Monthly Video Sessions
Subjects: Safety and Health, Human Relations,
Productivity, Discipline, Communication Skills,
Motivation, Appraisals, and Quality

Schedule "G"
Page 1 of 3

Insurance To Be Carried By Contractor

January 1, 1989

WORKERS' COMPENSATION:

Policy Period - September 7, 1988 to September 7, 1989

Employers' Liability Limits

Bodily Injury by Accident	\$500,000 each accident
Bodily Injury by Disease	\$500,000 each employee
Bodily Injury by Disease	\$500,000 policy limit

Premium Basis

<u>Classification</u>	<u>Rate Per \$100 Payroll</u>
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Oil Refining Units Erection or Repair	8.02
Increased Employers' Liability Limits Charge 1%	
Experience Modifier .78	

GENERAL LIABILITY; (Per Individual location, i.e. Bishop,
Bay City, Pampa and Corpus Christi)

Policy Period - September 7, 1988 to September 7, 1989

Limits of Insurance

General Aggregate Limit	\$2,000,000
Products - Completed Operations Aggr. Limit	2,000,000
Personal and Advertising Injury Limit	1,000,000
Each Occurrence Limit	1,000,000
Fire Damage Limit	50,000(any one fire)
Medical Expense Limit	5,000(any one person)

Premium Basis

<u>Classification</u>	<u>Rate Per \$1000 payroll</u>
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Oil Still Erection or Repair	\$16.50 *
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*net rate after premium discount

Schedule "G"
Page 2 of 3

UMBRELLA PRICING FOR PRESENT COVERAGE (9-7-88/9-7-89).

UMBRELLA LIABILITY

Policy Period - September 7, 1988 to September 7, 1989

Limits of Liability

\$4,500,000 any one accident or occurrence

\$4,500,000 aggregate limit

Premium Basis

Premium: \$78,000.00 (Flat)

Policy Fee 200.00

Taxes: 3,925.64

82,125.64

Each of the above policies shall be written specifically and solely for Hoechst Celanese Corporation and its affiliates and subsidiaries only. Naming Hoechst Celanese Corporation directly as being solely covered by each policy.

All applicable policies shall be subject to the terms and conditions of Article 29 (Indemnity) of the proposed contract. See attached sample "Certificate of Insurance"

UMBRELLA LIABILITY of \$10,000,000

See attached as submitted by Texas Employers Insurance Co.

16760

REVISION OF UMBRELLA PROGRAM TO MEET \$10,000,000 REQUIREMENTS:

OPTION ONE: London has agreed to leave the current umbrella in force; increase the limits to \$10,000,000; and endorse the policy to delete the aggregate. Therefore, our umbrella would provide \$10,000,000 in unaggregated limits. The \$10,000,000 per occurrence limit would be available for each occurrence, no matter how many occurrences occur in the policy year. There would be \$10,000,000 in umbrella limits for each occurrence that happened, whether it be a loss relating to Hoechst Celanese operations, or a loss from any other operations, the \$10,000,000 limit would be available for each.

<u>LIMIT</u>	<u>CARRIER</u>	<u>ANNUAL PREMIUM</u>	<u>RATE</u>
\$10,000,000	Lloyds of London	\$45,000 *	Flat

* Annual Premium to be pro-rated for term (to expire 9-7-89).

OPTION TWO: Pull out the ABI (work for HCC) portion of the London umbrella and re-write a separate umbrella for ABI, London would continue to write a \$4,500,000 umbrella for all non-HCC operations. The new separate umbrella for ABI (HCC operations) would be written with new carriers as follows:

<u>LIMIT</u>	<u>CARRIER</u>	<u>ANNUAL PREMIUM</u>	<u>RATE</u>
\$5,000,000	First State	\$77,189 *	Flat
\$5,000,000	Employers		
excess of	Casualty	\$45,000 *	Flat
\$5,000,000	Company		

* Annual premium to be pro-rated for term (to expire 9-7-89).



CERTIFICATE OF INSURANCE

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. SHOULD ANY OF THE POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL MAIL ten DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED:

February 24, 1989

ISSUE DATE OF THIS CERTIFICATE

September 7, 1988

ISSUED AT

Corpus Christi, Texas

CERTIFICATE HOLDER

Hoechst Celanese
P. O. Box 428
Bishop, Texas 78343

- ☐ 1 TEXAS EMPLOYERS' INSURANCE ASSN. • DALLAS, TX
- ☐ D TEXAS EMPLOYERS INDEMNITY CO. • DALLAS, TX
- ☐ 2 EMPLOYERS CASUALTY COMPANY • DALLAS, TX
- ☐ 3 EMPLOYERS NATIONAL INSURANCE CO. • DALLAS, TX
- ☐ 7 EMPLOYERS CASUALTY CORPORATION • DALLAS, TX
- ☐ 8 EMPLOYERS NATIONAL INS. CORP. • DALLAS, TX
- ☐ E EMPLOYERS OF TEXAS LLOYD'S • DALLAS, TX
- ☐ F LLOYDS OF LONDON written through
National General Agency

INSURED

ARTHUR BROTHERS, INC.
P.O. Box 792
Kingsville, Texas 78363

Authorized Representative

(Signed)

(Typed) Don Lee

COVERAGES

THIS IS TO CERTIFY THAT POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS, AND CONDITIONS OF SUCH POLICIES.

TYPE OF INSURANCE	CO. NO.	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	ALL LIMITS IN THOUSANDS
WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY					STATUTORY
					\$ EACH ACCIDENT
					\$ DISEASE-POLICY LIMIT
					\$ DISEASE-EACH EMPLOYEE
GENERAL LIABILITY					GENERAL AGGREGATE \$
☐ COMMERCIAL GENERAL LIABILITY					PRODUCTS COMPOPS AGGREGATE \$
☐ CLAIMS MADE ☐ OCCURRENCE					PERSONAL & ADVERTISING INJURY \$
☐ OWNER'S & CONTRACTORS PROTECTIVE					EACH OCCURRENCE \$
					FIRE DAMAGE (ANY ONE FIRE) \$
					MEDICAL EXPENSE (ANY ONE PERSON) \$
AUTOMOBILE LIABILITY					CIL \$
☐ ANY AUTO					BODILY INJURY (PER PERSON) \$
☐ ALL OWNED AUTOS					BODILY INJURY (PER ACCIDENT) \$
☐ SCHEDULED AUTOS					PROPERTY DAMAGE \$
☐ HIRED AUTOS					
☐ NON-OWNED AUTOS					
☐ GARAGE LIABILITY					
EXCESS LIABILITY					
☒ UMBRELLA LIABILITY	F	CD-1009	9-7-88	9-7-89	EACH OCCURRENCE \$ 4,500, AGGREGATE \$ 4,500,
☐ OTHER THAN UMBRELLA FORM					
OTHER					

CC: NGA

Waiver of subrogation has been endorsed to above mentioned policies in favor of Hoechst Celanese.

16763

Substance Abuse Program

1. All new employees must pass test for substance abuse prior to beginning work.
2. Ten (10%) percent of workforce is randomly selected and tested each month for substance abuse.
3. All employees are tested at least once each 12 months.
4. Any employee incurring an OSHA loggable injury shall be tested.
5. All pre-employment testing shall be considered "Cost of Work" and billed to Hoechst-Celanese at Thirty-Five Dollars (\$35.00) per test.
6. All random and incident testing shall be considered "Items not Cost of Work" and shall be paid by Contractor.

Continued Improvement Plan

Contractor agrees to achieve satisfactory improvement progress in the following areas, and to furnish the company with evidence of these improvements.

<u>IMPROVEMENT AREA</u>	<u>EXPECTATION</u>
FOREMAN MANAGEMENT SKILLS	1. Develop and implement long term training plans to improve people and organizational management skills. Measure and report on progress regularly to include results on the job. 2. Develop and utilize craftsmen input to job improvement action ideas. 3. Identify candidates for supervisor backup and replacement and develop skills with relevant training. report on progress regularly. *****
CRAFTSMAN SKILLS	1. Develop and implement a plan to improve cross craft skills. Report on progress regularly. 2. Improve employee record keeping on evaluations of performance, skills, reasons for leaving, recommendation for rehire, etc., to hire skills to match work assignments. 3. Identify and obtain required certifications (e.g. yard runners, Forklifts, Weed Sprayers, Asbestos Removal, etc.). Report on progress regularly. *****
CREW MIX MANAGEMENT	1. Significantly increase the current Helper/Craftsman Ratio of 0.5 2. Improve crew mix management methods to optimize average wage rate and report results monthly. (e.g. by functions - Maintenance, Construction, Warehousing, Etc. and Total). 3. Develop and implement a plan to control progression to top wage rate. *****

Schedule "I"
Page 2 of 2

COMPANY IMPROVEMENT 1. Identify Company strategy for
 continual improvement of Safety,
 Quality, and Productivity, and implement
 a plan for achievement.

GENERAL 1. The overall impact of progress in the
 above needs improvement areas must be a
 significantly improved maintenance
 organization as viewed by Hoechst
 Celanese.

2. Lack of satisfactory progress may
result in cancellation of the contract.

ACTION PLANS & 1. Improvement plans must be written,
SCHEDULES furnished to the Company, and include
 target progress schedules.

ST = 8.13%

PROPOSAL SUMMARY

MUNDY

FD

ABI

doesn't include benefits

STRAIGHT TIME WAGES

Payroll insurance, taxes, benefits

✓

22.68%

**** 19.61%*-1

± 22 %
4.3% SUI

26.3% + 0.4% FUI

Fee for offsites, indirects, profit & OH

10%

11.9 %*-2

8%-up to \$8MM
7%-up to \$12MM
6%-up to \$12MM

Included in markup for small tools, expendables

✓ 1%

2.75%

.5%

Included in markup for safety hats, glasses, goggles and badges

✓ .1%

included above

.2%

Total markup on straight time wages

32.68%

31.51%
(32.01%)

34.3 -
(33.3) -
(32.3) -

Markup on salaries

Same

46.92%*-3

Same

Fee to supervise subcontracts

0

2.5%

benefit wage costs

3.53

35.53
+ 1.5%

34.7

total

36.21

+ 8.02% for sal workers comp
45.05

- *-1 - SUI - now 2.7%, will probably increase to 3.2% (increase of .5%)
- *-2 - Proposed sliding scale for straight time wage cost over \$20MM
- *-3 - Covers holiday, sick leave, vacation and jury duty pay (15.31%), plus other salaried benefits (18%)

16767

*** doesn't include Workers Comp of 8.02%*