

PERFORMANCE AGREEMENT BETWEEN THE CITY OF
LAWRENCE, KANSAS AND PROSOCO, INC

Whereas, on September 26, 2002, PROSOCO, INC. ("PROSOCO") 3741 Greenway Circle, Lawrence, Kansas submitted an application ("Application") for property tax abatement to the City of Lawrence, Kansas ("City"), which is attached hereto and incorporated by reference; and

Whereas, in reliance upon the Application, the governing body of the City did approve a property tax abatement, on November 5, 2002, conditioned upon certain conditions precedent including but not limited to: 1) the execution of a performance agreement between the City and PROSOCO pursuant to the City's Policy on Tax Exemptions and Incentives for Economic Development (Resolution No. 6343); and 2) and other lawfully required conditions and approvals, including approval of tax exemption by the State Board of Tax Appeals; and

Whereas, Resolution No. 6343 provides, in part, (Section 22): "Any tax exemption granted pursuant to this Resolution shall be accompanied by a Performance Agreement between the applicant and the City, which shall include provisions governing the situation if an applicant fails to meet the wage, number of jobs, and/or capital investment projections set forth in the original application...."; and

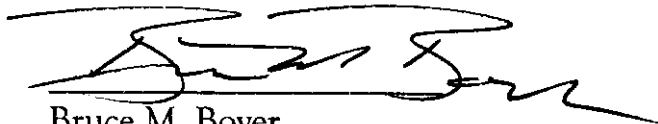
Whereas, the City and PROSOCO desire to enter into this Performance Agreement ("Performance Agreement") prior to the adoption of the ordinance authorizing the tax abatement pursuant to Kansas law;

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN, THE CITY AND PROSOCO HEREBY ENTER INTO THIS PERFORMANCE AGREEMENT:

1. The above recitals are incorporated by reference as if fully set forth herein.

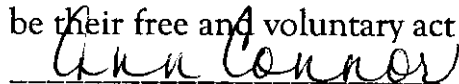
2. The approval of the tax abatement by the governing body of the City was in reliance upon the Application submitted by PROSOCO. Specifically, the Application and the approved tax abatement provided that PROSOCO would: 1) construct an addition to their facility in the capital amount of \$2,348,000; 2) expend \$260,000 in the purchase of new machinery and equipment; and 3) employ eight (8) full-time employees as the result of the expansion. Of the eight employees, seven employees would be production/warehouse employees with a salary range of \$10.00 to \$15.00 per hour, and one employee would be a field technician with a salary of \$12.50 per hour. The application is attached hereto.
3. If PROSOCO, INC. fails to meet the wage, number of jobs, and/or capital investment projections set forth in the original Application, the City shall have the authority to revise, amend, condition or revoke the tax abatement granted to PROSOCO, INC., including revising, amending, conditioning or revoking the ordinance granting the tax abatement and seeking appropriate amendments with the State Board of Tax Appeals. Such revision or revocation of the tax abatement shall be after: 1) the matter has been reviewed by the City's Public Incentive Review Committee, and 2) PROSOCO, INC. has been sent notice that such action is being considered by the City and the time and place that PROSOCO, INC. may provide information to the City concerning compliance with the requirements of the tax abatement.
4. PROSOCO, INC. shall provide adequate, accurate and timely information and copies of records to the City upon the City's request in the auditing of performance under this Performance Agreement. The failure to respond to reasonable requests for information and records pursuant to this Performance Agreement shall be grounds for the City to revise, amend, condition, or revoke the tax abatement and ordinance granting such tax abatement.
5. This Agreement shall be governed by the laws of Kansas. This Agreement may not be assigned or transferred without the written permission of the parties.

AGREED TO THIS 20th DAY OF November, 2003.
FOR PROSOCO, INC.:

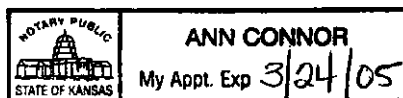


Bruce M. Boyer
Vice-President
PROSOCO, INC.

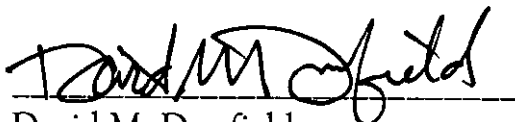
BE IT REMEMBERED, that on this 20th day of
November, 2003, before me, the undersigned, a Notary Public
in and for the County and State aforesaid, came Bruce M. Boyer, who is
personally known to me to be the same person who executed the above
Agreement, and such person duly acknowledged the execution of the same to
be their free and voluntary act and deed.



Notary Public



FOR CITY OF LAWRENCE, KANSAS:



David M. Dunfield
Mayor

ATTEST:



Frank S. Reeb
City Clerk

**CITY OF LAWRENCE
APPLICATION FOR PROPERTY TAX ABATEMENT
AND/OR INDUSTRIAL REVENUE BONDS
(REVISED 3/1/2002)**

RECEIVED

SEP 26 2002

**CITY MANAGERS OFFICE
LAWRENCE, KS**

I. GENERAL INFORMATION

1. PROSOCO INC.
Name of Applicant Firm

September 25, 2002
Date of Request

2. Local Address

3741 Greenway Circle
Lawrence, Kansas 66046

785-865-4200
Telephone Number

785-830-9016
Fax Number

bboyer@prosoco.com
email address

Headquarters Address

Same as local address

3. Names and titles of the local principal officers and corporate directors of the applicant:

Gerald E. Boyer

CEO

David W. Boyer

President

Bruce M. Boyer

Vice-President

Keith A. Donner

Vice-President

John Bourne

Vice-President

4. Names and addresses of all persons or firms that will be listed as owner(s) of the property to be abated:

PROSOCO, Inc.
Boyer Industries Corporation

5. Provide a brief history of your company, including the types of products and services provided:

PROSOCO Inc. was founded in 1939 by Albert J. Boyer as the Process Solvent Company. Initially blending and packaging specialty cleaners for the construction industry and engine treatment for the automotive industry. Currently, PROSOCO specializes in cleaners and protective treatments for masonry, stone and concrete surfaces. While the majority of our current products are used in new construction a significant portion of our sales go to the building restoration field. (see attachment A for more information on our history)

6. Describe in general terms the legal structure of your business. Specifically indicate how your business is organized (i.e., corporation, partnership, etc.), where the entity is domiciled, ownership, subsidiaries or affiliates and any other information necessary to understand how you are legally organized.

PROSOCO is a Delaware Corporation domiciled in the state of Kansas and is a wholly owned subsidiary of Boyer Industries Corporation (BIC) a Kansas Corporation.

7. Enclose a copy of your most recent audited and interim financial statements and your most recent federal income tax return.

Attachment B

8. Attach to this application the names, locations and contacts of other governments from which you have received or applied for tax abatements and/or industrial revenue bonds if applicable.

X check here if NOT applicable.

II. NATURE OF THE IMPROVEMENTS

1. Location of improvements: 3741 Greenway Circle, Lawrence Kansas
2. Land to be purchased:

Land is currently under capital lease to PROSOCO from Boyer Properties LP subject to industrial revenue bond interest of the City of Lawrence.

3. New construction or modification:

sq. feet: 55,335

Cost: \$ 2,348,000

Identify Construction:

New construction would be Pre-cast concrete to match current facility with concrete roof structure. Plans have already been approved by Lawrence City Commission. General warehouse area (approx. 44,000 sq. ft.) will allow relocation of warehousing from current building for expansion of manufacturing area. Storage area (approx 8,000 sq. ft.) will allow expansion of marketing storage and relocation of current office storage to facilitate future build out of additional office space in office area. Garage area (approx. 4,500 sq ft) will facilitate indoor storage for equipment test platform used for product development.

4. New Machinery and Equipment (include approximate purchase dates and estimated useful life).

Description: New thickened products blending and packaging line

Cost: \$ 260,000

5. Is the proposed project the result of relocation from another state or county, an expansion, new company, or replacement of your existing facility?

Expansion

6. Please state the reason for the establishment of the new facility or the expansion or replacement of the existing facility:

PROSOCO is currently expanding into new markets that require additional manufacturing and inventory space. Our current combined facility severely limits the amount of space we can dedicate to production, limiting our ability to pursue new markets. This expansion will facilitate additional personnel for both production and office positions.

7. Will the improvements be financed with Industrial Revenue Bonds?
If so, what is the amount of the proposed issue and will it be non-taxable?

No, unless tax abatements are not available without IRB financing. Approximately 25% of the project would be eligible for non-taxable bonds.

8. What are the approximate starting and completion dates for the project? The completion date is defined as the date you will be ready to utilize the new or expanded facility and/or equipment.

Immediate
Start Date

May 2003
Completion Date

III. PROPOSED USE AND ECONOMIC BENEFIT

1. What type of new or expanded business activity is proposed by the applicant?

Addition of multiple private label accounts that market PROSOCO formulation under separate brand names in order to achieve deeper market saturation. Reduce order turn times in order to better support an ever increasing "just in time" distribution network and put us in a position where we can move to multiple shift production operations.

2. List the new products or services to be rendered. (Include details of the nature and scope of the operation of the business):

We have recently added national distribution of Concrete Science products, this line is composed of PROSOCO formulations and third party products marketed under the PROSOCO/ConcreteScience name and currently have opportunities for four additional similar ventures.

3. What percentage of the facility will be occupied by the applicant?

100%

4. Does your product pose or create an environmental hazard when it is produced, destroyed or discarded?

No, not when handled in accordance with existing regulations.

5. Please list all new employees and proposed wages, excluding fringe benefits, by the job titles included in the Annual Wage Survey prepared by the Kansas Department of Human Resources, if possible.

Category	Job Title	Salary Range	# New Employees	# of Transfers	Avg. Annual Salary	Date Hired
Full-time Employees						
Management						
Professional						
Technical	Field Technician	\$12.50 per/hr	1			
Clerical						
Production/Assembly	Production & Warehouse	\$10-15 per/ hr	7			
Category	Job Title	Salary Range	# New Employees	# of Transfers	Avg. Annual Salary	Date Hired
Part-time employees						

6. What are the employer's share of fringe benefits including health insurance but excluding vacation, holidays, and sick leave, as a percentage of annual salary by employee category. Also indicate the percentage of health insurance cost paid by the employer.

Category	Fringe Benefit %	Health Insurance (% Paid by Employer)
Management	See Attachment C	
Professional		
Technical		
Clerical		
Production/Assembly		

Note: Percentage varies with salary level if all employees receive the same benefit package.

7. Briefly describe your medical, vacation, sick leave and retirement benefits. (Attach any appropriate benefit summary publications if applicable)

See Attachment C

8. Provide a breakdown of your annual operating expenses. Indicate the percentage of total annual operation expenses that will be spent locally within Douglas County for each item.

For firms expanding their facilities and operations in Douglas County, indicate the current annual operating expenses and provide a projection for the incremental expenses after the expansion. For firms planning to newly locate in Douglas County an accurate projection of future annual operational expenses need to be provided.

Annual Operational Expenses¹

Type of Expense	Actual ²	Projected Total ³	% Spent in Douglas County	
			Actual %	Projected Total %
professional services (legal, accounting, advertising, etc.)	\$279,582	\$300,000	5%	
business service (training, maintenance)	\$169,278	\$170,000	50%	
cleaning services	\$42,000	\$47,000	100%	
transportation	\$198,240	\$225,000	10%	
office supplies	\$86,720	\$90,000		
material and goods	\$8,007,374	\$9,000,000	7%	
Other vehicles & maint	\$105,000	\$100,000	100%	
Property Tax	\$135,600	165,000	100%	

Actual Expenses
Subtotal \$9,023,794

¹ Do not report labor costs, debt service, purchase of new or used machinery and equipment
² For existing facility, if applicable
³ After expansion or completion of new facility

Annual Operational Expenses⁴

Type of Expense	Actual (\$ amount)	Projected Total (\$ amount)
water and sewer	\$14,616	\$14,616
sanitation		
gas	\$74,627	\$96,000
electricity	\$63,133	\$71,000
telephone & communication	\$106,538	\$106,538
insurance	\$220,446	\$250,000
other (specify) ⁵		

Actual Expenses
Subtotal \$479,630

9. Please provide reasons why the property tax abatement is considered to be necessary.

In this case, tax abatement will translate directly into additional jobs, and facilitate significant increases in our work force by enabling us to add additional shifts as sales increase, the job numbers reflected above are only those that we can justify with the additional space and capabilities of this expansion. PROSOCO has exhibited in the past that we meet our employment goals as outlined by the city's tax abatement guidelines. In order to make a facility expansion and job expansion at this time, we truly need as much relief from the tax burden as possible.

10. What improvements or services will need to be provided by the City or County to accommodate this improvement?

NONE

IV. GENERAL CONDITIONS

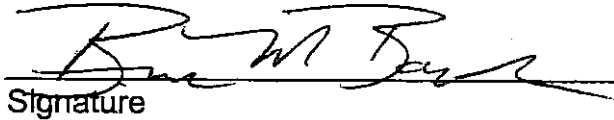
The following general conditions are understood and agreed to by the firm receiving the abatements:

1. The applicant must agree to and reimburse the City for the costs of any legal, financial, or administrative research and work done in reviewing the proposal, preparing other necessary legal documents, and researching the qualifications of the applicant. —
2. The applicant must also agree to sign an agreement making a minimum payment in lieu of property taxes in accordance with Section 8 of Resolution No. 6343 and agrees to be bound by all other provisions of Resolution No. 6343.
3. The amount of exemption must be approved by the State Board of Tax Appeals.

⁴ Do not report labor costs, debt service, purchase of new or used machinery and equipment
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4. The applicant agrees to provide additional information considered necessary by the Administrative Review Committee to make a recommendation to the City Commission on granting the property tax abatement and/or issuance of industrial revenue bonds.
5. Each business receiving a tax abatement must complete an annual report by March 1 of each year covering the previous calendar year. Any business which has received a tax abatement shall pay an annual renewal fee of \$250.00.
6. Enclosed is the application fee of \$1,000.00 payable to the City of Lawrence, Kansas.

I (we) verify that the above information and assurances made are complete and correct to the best of my (our) knowledge.


Signature

Bruce M. Boyer
(print name)

September 26, 2002
Date

Vice President
Title

Signature (print name)

Date

Title