

Industrial Fiberglass Specialties, Inc.

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"EMSC"
The Way To Save!

01-10-2001

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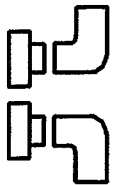
As evidence of Industrial Fiberglass' "innovation", we are willing to fabricate and supply reinforced corrosion resistant composite equipment to customers under our "**Engineering and Manufacturing Service Contract**" (EMSC). The EMSC can provide you the lowest possible costs, while still maintaining the high levels of quality and expertise that are synonymous with Industrial Fiberglass.

The transfer costs to the customer for composite equipment to be built under our EMSC will be defined as follows:

- A. All materials will be invoiced at cost. Strict accounting will be provided, on a job cost basis, of all resin, hardeners, reinforcements, outside purchases, etc., used in producing the reinforced composite equipment for the customer.
- B. All labor hours expended will be kept on a job basis, and an accounting summary provided to the customer. These hours will be costed at \$43.75 per standard man hour, \$63.40 per overtime man hour, and \$85.70 per double-time man hour. These hourly rates includes all direct labor, factory burden, and overhead. The factory burden and overhead includes coverage for heat, light, and power; factory building costs; repairs and maintenance; depreciation; vehicles; indirect labor; tools and equipment that are not job specific; expendable supplies; labor fringe benefits; insurances; etc.
- C. Engineering for contract projects such as this are charged on the basis of hours expended and are charged as follows:

Principal Consultant (engineering management)	\$ 135.00/hour
Engineer	\$ 93.00/hour
Drafting/Design (standard hours)	\$ 49.10/hour
Drafting/Design (overtime hours)	\$ 57.30/hour
Technician/Clerical	\$ 43.35/hour

- D. The raw materials at cost, as defined in paragraph "A" above, along with plant level labor, as defined in paragraph "B" above, will be totaled. The combined cost will then be divided by 0.73 to determine the transfer cost to the customer. This margin between direct out-of-pocket costs and the transfer cost to the customer covers expenses typically known as "GS&A". Expenses covered by the GS&A include quality assurance, telephone and telegraph, invoicing and accounting functions, sales administration and order entry functions, drafting and shop work order activities, field follow-up, scheduling, and plant/company management. Hopefully, the margin also covers a nominal profit for performing all of these functions for the customer.
- E. All travel, living and other out-of-pocket expenses are charged at actual cost, which will be divided by 0.73 to determine transfer cost to the customer. See Item "D" above for discussion.



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- F. Terms and Conditions: EMSC invoices will be presented on a weekly basis, for the costs accrued during the previous week. Payments for all invoices are due on a firm net 10 days.

The EMSC has proven to be the best way to handle large and critical service projects. Industrial Fiberglass, and its sister companies, have successfully carried out literally hundreds of such EMSC projects. Many have been for orders in the hundreds of thousands of dollars, and even in the millions of dollars.

The customer has always found that the EMSC saved them money, and provided their "Best Buy". Under an EMSC, we operate on a lower margin than normal (as evidenced by the use of the 0.73 divider described above). There are never any "fudge factors" that have to be added to cover the unknowns.

For EMSC projects, we suggest an early meeting between Industrial Fiberglass and the customer to discuss how such a "marriage" can prove mutually profitable to both of our companies. After such a meeting, it may be possible to establish a "Not To Exceed" estimate for carrying out the customer's project under the EMSC concept.