

PORTLAND DEVELOPMENT COMMISSION
Portland, Oregon

RESOLUTION NO. 6331

**AUTHORIZE THE EXECUTIVE DIRECTOR TO ENTER INTO
AN ENTERPRISE ZONE CONTRACT WITH RONDELL
CORPORATION**

WHEREAS, in March 1999, the Portland City Council adopted Resolution No. 35773, accepting the continuance of the Oregon Enterprise Zone program following a review by the North/Northeast community and the Commission ; and

WHEREAS, in December 2000, City Council adopted Resolution No. 35950, approving the use of a Model Enterprise Zone Contract and authorizing the Commission to enter into Enterprise Zone Contracts with companies meeting program requirements; and

WHEREAS, Rondell Corporation filed an Enterprise Zone Application in January, 2006 in accordance with City and State requirements seeking a five year property tax exemption under the City's North/Northeast Enterprise Zone program; and

WHEREAS, Rondell Corporation intends to build a new manufacturing facility at 2167 to 2307 NE Elrod Drive, Portland that will expand its production of car care products; and

WHEREAS, the investment in this new facility will total approximately \$7,809,000 in new construction, machinery, and equipment; and

WHEREAS, Rondell Corporation will hire at least 50 new people in the City of Portland during the five year exemption period; and

WHEREAS, Rondell Corporation has agreed to meet each of the requirements of the City's adopted North/Northeast Enterprise Zone Strategy, including the development of a procurement plan to increase the purchase of goods and services from North/Northeast companies, and entering into a First Source Hiring Agreement with WorkSystems, Inc.; and

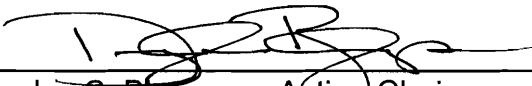
WHEREAS, the Rondell Corporation proposed project meets the purpose and intent of the City's adopted North/Northeast Enterprise Zone Strategy; and

WHEREAS, the contract with Rondell Corporation will utilize the Model Contract and Procedure for Enterprise Zone contracts (Exhibit A), adopted by the Commission in December 2005 and the Portland City Council in February 2006; now, therefore be it

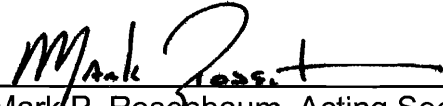
RESOLVED that the Commission authorizes the Executive Director to enter into an Enterprise Zone Contract, attached hereto as Exhibit A, with Rondell Corporation; and be it

FURTHER RESOLVED that this resolution shall become effective immediately upon its adoption.

ADOPTED by the Commission March 8, 2006.



Douglas C. Blomgren, Acting Chair



Mark P. Rosenbaum, Acting Secretary

**PORTLAND DEVELOPMENT COMMISSION
ENTERPRISE ZONE
TAX ABATEMENT CONTRACT**

This Enterprise Zone Tax Abatement contract ("Contract") is entered into this 8th day of March 2006 (the "Effective Date"), between **Rondell Corporation**, its affiliates and subsidiaries ("Company") and the City of Portland ("City") acting by and through its duly designated urban renewal agency, the **Portland Development Commission** ("PDC").

RECITALS

- A. Pursuant to the Oregon Enterprise Zone Act established under Oregon Revised Statutes 285C.050 to 285C.250 ("Act") and the City's Enterprise Zone Investment Strategy, the City has the authority to establish, and has established conditions under which it may pre-certify qualified companies for a five-year property tax abatement as authorized by the Act;
- B. The City sponsors the N/NE Enterprise Zone which is generally located west of I-205, east of Forest Park, north of I-84 and south of the Columbia River in Portland, Oregon ("Zone");
- C. The City has designated PDC as the manager of the Zone;
- D. The Company plans to purchase the properties at 2167 to 2307 NE Elrod Dr, Portland, OR 97211 (the "Qualified Facility"). The Company intends to invest \$7.8 million to build a new 80,000 SQF manufacturing facility in N/NE Portland. The new facility will allow it to expand its production to meet the need of a new vendor contract and expanding market for its Miracle Glaze brand product.
- E. Company desires to participate in the Zone tax abatement program in exchange for contributions to certain program goals of the Act and of the City which may include making real property improvements and making a financial community contribution.
- F. In consideration of the mutual benefits accorded each party under this Contract, the Company and PDC agree as follows.

AGREEMENT

The parties agree as follows:

1. DEFINITIONS.

- 1.1. City's Cost of Service.** The City's estimated General Fund "Cost of Service" for the Company's Qualified Facility is 30% of the sum of the property taxes abated annually during the period of abatement. The Cost of Service fee will either be covered in full by new General Fund revenues that directly result from the project or by a direct payment of any deficiency by the Company.
- 1.2. City's General Fund Revenues.** The City's General Fund revenues in any given City fiscal year which are generated by Company's Qualified Facility are the sum of:
 - 1.2.1. City Business License Fees attributable to the Qualified Facility and paid during the City's fiscal year;
 - 1.2.2. City Utility Franchise Fees resulting from the Company's Qualified Facility activity during the City's fiscal year (calculated as utility charges times City utility franchise fee rate); and
 - 1.2.3. Any other City General Fund revenues documented as generated by the Company's Qualified Facility.
- 1.3. Community Contributions.** Community Contribution means a monetary contribution to projects benefiting the City's Inner N/NE Target Area and the Company's Project.
- 1.4. Covered Position.** A Covered Position is defined as all of the Company's jobs at its locations within the Enterprise Zone and as otherwise negotiated under the Company's First Source Agreement.
- 1.5. Electronic Commerce (or E-Commerce)** means engaging in commercial or retail transactions predominately over the Internet or computer network utilizing the Internet as a platform for transacting business, or facilitating the use of the Internet by other persons for business transactions, and may be further defined by the Economic and Community Development Department by rule. For the purposes of this Zone, E-Commerce refers to sales-based E-Commerce activity exceeding 50 percent commercial activity as measured by receipts, number of orders, or clients served (or an equivalent qualitative determination). For the purposes of eligibility in this Zone, investments made in internal Intranet systems used to fill orders taken by telephone or other non-Internet transaction methods are not eligible E-Commerce investments.
- 1.6. First Source Agreement.** The mandatory contract that Company will enter into with

Worksystems, Inc. ("WSI") concurrently with this Agreement that must remain in effect during the period of the tax abatement. WSI will generally serve as a resource to Company for recruitment, referral and placement of personnel in Covered Positions. Any proceeds generated under the First Source Agreement will be applied to promote workforce development strategies in the N/NE Portland Enterprise Zone.

1.7. Hiring Credits. A Hiring Credit results when the following occurs: During the period covered by the First Source Agreement with PDC, the Company has hired an employee to fill a regular full-time job with the Company and the employee hired has completed 90 consecutive calendar days with the Company or the Company's established probation period, whichever is greater. Hiring Credits are counted for the sole purpose of determining the amount of Community Contributions that the Company will make to PDC.

1.8. Non-governmentally mandated benefit. Employment benefits offered to all regular full-time employees at the Qualified Facility after one year of Company employment that are not mandated by any government as of the date of this contract. "Non-governmentally mandated benefits" for purposes of this contract exclude (1) social security contributions, (2) worker's compensation insurance, (3) unemployment insurance, (4) shift pay, and (5) premium pay. All other documented non-governmentally mandated employee benefits are included.

In cases where the benefit contribution by the Company is determined by employee participation, the calculation of benefit costs to the Company will include its maximum liability for benefits payments in the calculation of the level of benefits provided to employees. In cases where the employee benefits offered increase with length of employment, the benefit level used for calculations in this contract are the benefits as of three years of employment greater than 32 hours per week.

1.9. Recruited Position. A Recruited Position is a job that the Company creates in fulfillment of the First Source Agreement.

1.10. Regular Full-time Job. A non-seasonal or non-temporary job directly with Company exceeding an annual average of 32 hours per week.

1.11. Total compensation costs. The total amount of company costs for direct compensation of employees as defined by the U.S. Bureau of Labor Statistics Employment Cost Trends, U.S. Department of Commerce (<http://stats.bls.gov/news.release/ecec.t14.htm>).

2. PDC OBLIGATIONS.

2.1. PDC will work with the Company for the duration of the period of tax abatement in order to foster the success of all parties in this undertaking.

- 2.2. PDC shall file the Enterprise Zone Application form in a timely manner with the Oregon Community and Economic Development Department.
 - 2.3. PDC will exercise its best efforts in promoting and advancing Company's recommended job training and employment support programs.
 - 2.4. PDC will provide technical assistance, including skills assessment advice, to the Company related to hiring and screening of employees as required under the terms of this Contract and under the First Source Agreement.
 - 2.5. PDC will coordinate all parties necessary to achieve real property tax abatement on the Company's Qualified Facility for an abatement estimated to commence in fiscal year 2006 continuing through fiscal year 2011 provided that the Company discharges its obligations under this Contract.
3. **COMPANY OBLIGATIONS.** In consideration for the property tax abatement granted pursuant to the Act, the Company shall perform the obligations set forth in this Section. Under no circumstances will the aggregate of Enterprise Zone Application fees, fees for the City's Cost of Service and Community Contributions paid by Company exceed the property tax savings resulting from the property tax abatement granted to the Company's Enterprise Zone project.
- 3.1. **Asset Contribution.** The Company will invest the sum of \$7,809,000 in assets. This sum will be reflected in the new real property tax assessment value for Multnomah County. The PDC and the Company agree that the Net Tax Effect of the project is estimated at \$445,333.
 - 3.2. **Minimum Employment Goal.** The Company will endeavor in good faith to hire no fewer than 50 regular full-time workers from the Effective Date of this Agreement through the last day of the term of its period of tax abatement.
 - 3.3. **Employment Level.** In accordance with ORS 285C.200(7)(a) the "annual average employment" of Company within the Zone will increase by 10 percent of the average for the 12 month period preceding the date in which pre-certification takes place. In the event Company is newly established and cannot generate the 12 month average information, it hereby covenants to retain at least 15% of its peak employment during the entire abatement period; or employment will not fall below 50% of its peak employment for more than one year as measured at the end of each tax year.
 - 3.4. **Covered Position Retention.** Fifty percent of all new employees that attain permanent employment status following a probationary period must continue to be employed for a minimum period of two years following, and inclusive of the probationary period. PDC will confirm compliance with this requirement during years four and five pursuant to Section 4.5 below.

- 3.5. Community Contribution.** Based upon estimates in Exhibit C, it is estimated that the Company will not be required to make a Community Contribution pursuant to the terms of Section 3.10 below.
- 3.6. Job Quality Commitments.** From the Effective Date of this Agreement throughout the period Company enjoys the real property Tax Exemption, Company will either:
- 3.6.1. Not decrease benefits for Covered Positions below 26% of the hourly wage in accordance with the attached Exhibit B; **or**
 - 3.6.2. Ensure that employees in Covered Positions are offered non-governmentally mandated employee benefits (including non-production bonuses) with an hourly value equal or greater than 26% of the average hourly salary; and
 - 3.6.3. Ensure that 85% of Company's regular full-time jobs in the Zone facility pay regular hourly wages after one year of employment greater than or equal to 150% of the existing Oregon minimum wage (at the time of measurement); and
 - 3.6.4. Ensure that Company's training support and advancement opportunities for its regular full-time workers at the Zone facility are not materially diminished from that which exist as of the date of this Agreement or as made in representations to PDC for the purpose of obtaining project Pre-certification.
- 3.7. N/NE Enterprise Zone Business Procurement Plan Requirements.** Company will perform the following activities throughout the period of tax abatement in order to generate employment opportunities throughout N/NE Portland for Inner N/NE target area residents:
- 3.7.1. Company will develop and implement a procurement plan intended to increasingly expand the Company's procurement from N/NE Enterprise Zone businesses. The procurement plan must be approved by PDC within 60 days following the Effective Date and will be effective thereafter throughout the period of tax abatement. The plan will include goals against which to evaluate the Company's performance and will generally follow the outline attached as Exhibit D.
 - 3.7.2. Company's Procurement Plan will be annually assessed by PDC to determine what improvements are warranted, if any. Company will make sufficient information available to PDC to perform this monitoring and analysis.
- 3.8. Minority/Women/Emerging Small Business; Disadvantaged Construction Workforce Contracting Requirements.** The Company will comply with PDC's requirements to increase project participation of minority-owned, women-owned, and emerging small businesses and to maximize the utilization of women, minorities, and

disadvantaged individuals in the construction workforce. These requirements are defined by the Workforce Training and Hiring Program, the Minority/Women/Emerging Small Business (M/W/ESB) Good Faith Effort Program, and the Equal Employment Opportunity (EEO) Certification [information on EEO certification may be obtained online at ww.ci.portland.or.us/purchase/purchase.htm]. For more detailed information on the program requirements described at this Section 3.8 and 3.9, please contact PDC Compliance Officer, Tyrone Henry at 503-823-3315.

3.8.1. The M/W/ESB requirements apply to a portion of the construction project in a dollar amount equal to 20% of the public benefit amount. If this 20% goal is not met, the Company must submit to PDC the documentation of the process used to demonstrate a good faith effort to contract with M/W/ESB requirements. Company's goal for M/W/ESB is \$108,231. Although no goals are required for minority and women-owned firms, PDC encourages highest utilization possible and information will be required and tracked for PDC's assessment of its diversity in contracting programs. The M/W/ESB Recruitment Guidelines/Good Faith Effort Attachment provides detailed information on tracking this requirement (this attachment will be provided separately to companies with the M/W/ESB requirement).

3.8.2. Workforce Training and Hiring Program: Applies to all Enterprise Zone construction projects with prime construction contracts of \$1,000,000 or more and to subcontracts of \$100,000 or greater. Unlike the ESB/Good Faith Effort requirements, this program applies to the entire project, not just the public benefit portion. The goals of the Workforce Training and Hiring Program are to ensure that the PDC does business with companies whose workforce reflects the diversity of the workforce found in the City of Portland, and to ensure that the PDC's contracting dollars are leveraged to provide fair and equal opportunity to the City's diverse population. In support of these objectives, companies are required to hire and train the maximum ratio of apprentices to journey workers allowed in each trade. Companies must also show efforts to recruit women and minorities into apprenticeship positions. The Workforce Hiring & Training Attachment provides detailed information on tracking this requirement (this attachment will be provided separately to companies with construction contracts triggering this requirement).

3.9. Equal Employment Opportunity Certification. General or prime Company performing construction work on the Company's Enterprise Zone project shall become EEO certified by the City of Portland within 30 days after entering into any construction contract. EEO certification information is attached in Exhibit E.

3.10. Community Contributions. The purpose of the Community Contribution is (1) to enhance the ability of the City and the N/NE Portland community to provide and support qualified Inner NE Portland employees to the Company and/or (2) to enhance the ability of N/NE small businesses to be competitive suppliers to the Company and other firms. The factors that determine whether Company will make a monetary

Community Contribution and the method of calculating such a Contribution are set forth as follows:

- 3.10.1. If Company's "Net Tax Effect" becomes greater than \$10,000 per Hiring Credit earned by Company, a Community Contribution will be due and payable to PDC. Company shall make the payment within 90 days of its receipt of an invoice unless otherwise agreed by the parties. Late Contribution payments will be subject to a 1% per month penalty.
- 3.10.2. PDC and Company currently estimate that Company will owe a Community Contribution in the total amount of \$0 as detailed in the attached Exhibit C, and that the Contribution will become due and payable during the tax abatement period according to the payment schedule in Exhibit C.
- 3.10.3. At the end of the tax abatement period, PDC's Zone Manager will determine the total number of Hiring Credits earned by the Company during the period from Pre-Certification to the end of the tax abatement period; and the final Net Tax Effect of the project. The final number of Hiring Credits will include regular full-time hiring in the last six months of the last tax abatement year for employees that complete company probation periods and are still employed as of the fourth month of the first tax year following the tax abatement period. The discount rate for computing the final Net Tax Effect calculation will be 6.1%. (The discount rate is used to adjust the net local tax impact to 2006 dollars).

3.11. Payment of City Cost of Service Fee. During the first 90 days of the year following a tax abatement year, PDC, the Company and the City's Office of Finance & Administration will calculate:

- 3.11.1. The City's General Fund "Cost of Service" the Company's Qualified Facility; and
- 3.11.2. The City's General Fund revenues generated by Company's Qualified Facility including utility fees, city business license and other general fund revenues generated by the project. In connection with generating this calculation, Company will authorize the City's License Bureau to make the relevant Business License Fee figures available to PDC and will provide PDC with Oregon quarterly employer payroll records (excluding the social security numbers). Confidentiality of such records will be protected to the extent permitted by law. Company will comply with all information requests from the PDC, the City or their respective agents within 30 working days.
- 3.11.3. Upon Company's receipt of the calculation statement from PDC, Company will pay to the City of Portland a fee equivalent to the shortfall between the City's Cost of Service the Zone facility and the General Fund revenues

generated by the project. The City's estimated General Fund "Cost of Service" the Company's Qualified Facility will be calculated as 30% of the City's actual tax abatement earned by Company.

3.12. Obligations Pursuant To a First Source Agreement. The Company will utilize WSI's program for employee hiring at Zone operations throughout the project construction and tax exemption period. A "First Source Agreement" is executed with WSI, which determines performance standards for WSI recruitment activities. Positions to be hired through WSI are negotiated. WSI will focus its initial recruitment efforts on residents of N/NE Portland.

3.13. City of Portland Business License. The Company must maintain a current and active City of Portland Business License as of the contract execution date and during the entire tax abatement period.

4. REMEDIES.

4.1. If Company fails to perform its obligations under this contract, PDC may, at its discretion, pursue one or more of the following remedies. Additionally, PDC's failure to exercise its remedies does not waive PDC's claim(s) for breach of contract or Company's duty to fulfill its obligations under the contract.

4.2. Under no circumstances will the total of monetary remedies, application fees, fees for the City's Cost of Service and Community Contributions paid by Company exceed the property tax savings resulting from the property tax exemption granted to the Company's Enterprise Zone project.

4.3. Remedy for non-performance of Employment related obligations.

If employment levels are not met in accordance with Section 3.3 of this Contract, the property shall be subject to the penalties described in ORS 285B.728. Company will notify the tax assessor and PDC that they are disqualified from tax exemption for the tax year in which failure occurred, as specified under ORS 285B.728(1),(b)(c) and (3). Company may avoid disqualification from the Enterprise Zone program by paying PDC one year's worth of the exemption See OAR 123-065-0830.

4.4. Remedy for non-performance of Job Quality obligations.

4.4.1. If Company does not perform the requirements of Section 3.6, Company shall be disqualified from obtaining a tax exemption for that fiscal year.

4.5. Remedy for non-performance of Retention related obligations.

4.5.1. During the first 90 days of the fourth year of Company's tax exemption, PDC and Company shall measure the success of Company in retaining First Source

Agreement Covered Position hires through the third year of tax exemption.

- 4.5.2. If Company has not retained 50% of its Covered Position hires for two consecutive years of employment, Company shall pay to PDC a fee in the amount of \$10,000 times the number of hires the Company is short of the 50% level.
- 4.5.3. For example, if Company has 100 Covered Position hires but only 45 were retained for two consecutive years, Company's fee would be $5 \times \$10,000 = \$50,000$.

Fee payment to PDC shall be completed by the end of the fourth year of tax exemption. The maximum fee in this section shall be 50% of Company's property tax exemption during the fourth year of exemption.

During the first 90 days of the fifth year of Company's tax exemption, PDC and Company shall measure the success of Company in retaining Covered Position hires through the fourth year of tax exemption.

If Company has not retained 50% of its Covered Position hires for two consecutive years of employment, Company shall pay to PDC a fee in the amount of \$10,000 times the number of hires the Company is short of the 50% level.

For example, if Company has 100 Covered Position hires but only 45 were retained for two consecutive years, Company's fee would be $5 \times \$10,000 = \$50,000$.

Fee payment shall be completed by the end of the fifth year of tax exemption. The maximum fee in this section shall be 50% of Company's property tax exemption during the fifth year of exemption.

4.6. Remedy for non-performance of M/W/ESB and N/NE Enterprise Zone Business Procurement Plan obligations.

- 4.6.1. If Company does not substantially perform the requirements of Sections 3.7 and 3.8, Company shall pay to PDC a fee equivalent to 25% of the tax exemption during each tax exemption year of non-performance. The payment shall be due to PDC by December 31 of the tax year following the tax year in which the failure to perform occurred.

4.7. Remedy for non-performance of Community Contributions Obligations.

- 4.7.1. If Community Contributions are not paid to PDC in accordance with Section 3.10 and Exhibit C of this contract, PDC will notify the tax assessor

that the Company is disqualified from tax exemption for the tax year in which the Contributions were due.

- 4.7.2. If the final payment of Community Contributions due is not paid to PDC in accordance with this contract, Company will provide to PDC liquidated damages equivalent to the amount of tax exemption in the fifth year of the tax exemption period. The payment shall be due to PDC by December 31 of the tax year following the tax year in which the failure to perform occurred.

- 4.8. Remedy for non-performance of City Cost of Service Fees Obligations.**
 - 4.8.1. If Company does not perform the obligations contained in Section 3.11, Company shall provide liquidated damages to PDC equivalent to the amount of City of Portland taxes exempted during the tax year pertaining to the non-performance. The payment shall be due to PDC by December 31 of the tax year following the tax year in which the failure to perform occurred.

- 4.9. Remedy for non-performance of Obligations pursuant to a First Source Agreement.**
 - 4.9.1. Non-performance of Section 3.12 shall result in the PDC notifying the Assessor that the Company is disqualified to receive a tax exemption.

The City of Portland acting by and through
the **PORTLAND DEVELOPMENT COMMISSION**

By: Bruce A. Warner
Its: Executive Director

Rondell Corporation, an Arkansas corporation

By: _____
Its: _____

EXHIBIT A
CALCULATION OF THE ESTIMATED NET TAX EFFECT &
CALCULATION OF THE ACTUAL NET TAX EFFECT

I. NET TAX EFFECT: DEFINITION

The Net Tax Effect is calculated solely for the purpose of determining whether Company will provide Community Contributions to the PDC in order to earn the full tax abatement available under the Act.

The Net Tax Effect is defined as:

"The net present value of the total tax abatement less cash contributions plus City general fund revenues generated by the project during the abatement period above the direct City general fund costs during the abatement period (estimated as 30% of the City tax abatement)."

II. CALCULATION OF THE ESTIMATED NET TAX EFFECT

The Net Tax Effect has been estimated utilizing the following formulas and estimates from the Company:

1. Discount rate of 6.1% that discounts all values to October, 2005.
2. Investment and depreciation schedule provided by Company (October, 2005).
3. Property tax rate of 15.88 mills.
4. Excess general fund revenues above City costs will be \$60,062.
5. First tax abatement phase begins July 1, 2006.

The formula is as follows (assumes total Rondell Corporation investment of \$7,809,000):

ESTIMATED NTE = Net Present Value of the sum of (tax abatement estimated for year one) + (tax abatement estimated for year two) + (tax abatement estimated for year three) + (tax abatement estimated for year four) + (tax abatement estimated for year five).

The actual using the assumed investment numbers are:

ESTIMATED NTE = Net Present Value of the sum of (\$111,513 + \$99,648 + \$88,424 + \$77,843 + \$67,904) = \$445,333
This depends upon the determination of the Discount Rate – one used is 6.1%.

III. CALCULATION OF THE ACTUAL NET TAX EFFECT

Calculation of the actual Net Tax Effect (NTE) shall occur following the end of the **final** year of tax abatement using actual figures for the formulas above. All figures shall be discounted to 2006 dollars using the 6.1% discount rate.

The formula is as follows:

NTE = 2006 dollar value of the sum of (tax abatement earned for year one less General Fund Revenues from the Pre-certified Zone project above City's Estimated Costs) + (tax abatement earned for year two less General Fund Revenues from the Pre-certified Zone project above City's Estimated Costs) + (tax abatement earned for year three less General Fund Revenues from the Pre-certified Zone project above City's Estimated Costs) + (tax abatement earned for year four less General Fund Revenues from the Pre-certified Zone project above City's Estimated Costs) + (tax abatement earned for year five less General Fund Revenues from the Pre-certified Zone project above City's Estimated Costs).

EXHIBIT B
CALCULATION OF EMPLOYEE NON-MANDATED BENEFITS

B.1. Measurement of the adequacy of employee benefits under Section 3.3. of this contract shall occur in the following way:

DEFINITIONS:

(1) "Non-mandated benefits" for the purpose of the N/NE Enterprise Zone include paid leave (vacations, holidays, sick leave, other leave), company-provided insurance (health, life, sickness & accident, etc.), contributions to retirement or savings plans, severance pay or supplemental unemployment benefits, or other benefits consistently offered employees. Not included are (1) "mandated" benefits of worker's compensation insurance, social security taxes and unemployment insurance or (2) supplemental pay (overtime or premium pay).

(2) "Entry-level wages" are the wages offered to employees at the time of hire as a regular employee after completing any company probation periods.

PROCESS:

Qualifying the company for Pre-certification under this contract will occur in the process detailed in B.1.1-B.1.3 below. If the company decreases its benefits offered to employees between the date of this contract and the end of the tax abatement period, the process in B.1.1-B.1.3 will again be used to determine if the company meets the requirements of this contract. If the company does not decrease benefits during the abatement period, this contract only requires annual written verification by a company executive that benefits have not decreased. The letter will be provided to PDC between July 1 and August 1 following a fiscal year of tax abatement.

The process below is designed to compare the hourly value of eligible company benefits to the average of hourly wages offered to regular full-time jobs covered by the First Source Agreement (i.e. Covered Positions).

B.1.1. HOURLY WAGE AVERAGE: The average wages paid to Covered Positions shall be averaged in the following manner: The hourly wages of Company's Covered Positions are averaged. No attention is given to how many Hiring Credits or Covered Position Hires are anticipated for each position.

EXAMPLE: Company has 4 Covered Positions Average wages are \$12, \$13, \$14 and \$16. The average is $((12+13+14+16) / 4) = \$13.75$.

B.1.2. The eligible non-mandated employee benefits made available to these Covered Positions by Company are added together, using Company's most recent annual costs of providing the benefits. The annual cost is divided by 1664 hours worked per year (32 hours per week) to determine the hourly value of the eligible non-mandatory benefits.

Non-production bonuses such as profit sharing are eligible but premium pay or shift pay is excluded. Optional benefits (such as tuition reimbursement) are included in the calculation as though the employee takes maximum advantage of Company's benefit programs.

EXAMPLE: EMPLOYEE BENEFITS - hourly average value:

1.	Medical	\$5,534	
2.	Ad&D	\$102	
3.	Disability	\$380	
4.	Days off (33 @ \$13.5/hr.)	\$3,564	(holidays, vacation, sick)
5.	Retirement	\$680	
6.	Profit Sharing	<u>\$500</u>	(average of last five years)

TOTAL: \$10,760

HOURLY VALUE: \$10,760 / 1664 hours = \$6.47 / hr.

B.1.3. The hourly value of Company's eligible non-mandated benefits (B.1.2 above) is divided by the average hourly wages of the Covered Positions (B.1.1 above). The ratio must equal or exceed 32%.

EXAMPLE: \$6.47/hr. benefits divided by \$13.75/hr. wages = 47%

B.2. Measurement of the adequacy of employee wages under Section 3.6. of this contract shall occur in the following way:

B.2.1. Between July 1 and August 1 following a fiscal year of tax abatement, the company shall provide PDC with written documentation that 85% of all full-time (minimum 32 hours per week) jobs at the Zone facility, which are filled by employees of at least one year continuous employment, are, as of the date of the documentation, providing regular wages greater than or equal to 150% of Oregon's minimum wage at the time.

EXHIBIT C
COMMUNITY CONTRIBUTION CALCULATIONS AND PAYMENT SCHEDULE

This attachment is provided to clarify the formulas used to estimate Company's Community Contributions total and payments due under this contract.

**CALCULATIONS TO ESTIMATE COMMUNITY CONTRIBUTIONS DUE
AND FIRST TWO YEARS' PAYMENTS TO PDC**

This section outlines how the Company's Community Contributions payments (Section 3.9.4) were determined.

FORMULAS:

Community Contributions = Net Tax Effect - (Hiring Credits X \$10,000) City cost of service fee

COMPANY'S NUMBERS APPLIED TO FORMULA:

Community Contributions and City cost of service fee (Estimate) = \$541,153- (63 X \$10,000) = **\$0.**

Estimated Payment to cover City cost of service = **\$0.**

Community Contributions estimated total to be paid to PDC = **\$0.**

EXHIBIT D
N/NE BUSINESS PROCUREMENT PLAN OUTLINE

It is the intent of the N/NE business contracting element of this agreement to increase the dollar amount of products and services purchased by the Company from N/NE businesses which are located within the bounds of Portland's N/NE Enterprise Zone.

This agreement specifies that the Company develops a procurement plan that demonstrates a best effort to increase purchases from companies located within the Enterprise Zone. This recognizes that the Company is in the best position to determine how to achieve these results.

A Company developed procurement plan provides flexibility that can address the specific company needs and operating conditions. While this agreement does not specify how the Company is to meet the N/NE business contracting requirements, the N/NE Business Procurement Plan should contain or address the following elements:

- A list of the products and services which the Company currently purchases or anticipates purchasing, which have the potential for being purchased from enterprise zone companies.

The Portland Development Commission (PDC) can provide the Company information

that can assist in responding to this list. If the Company provides PDC with a list of the products and services that the Company purchases, or anticipates purchasing, PDC will provide the Company with a listing of companies located within the enterprise zone that may be able to provide those products and/or services. This should not be the only resource used by the Company to identify potential suppliers.

Companies with existing operations in the Zone should also provide a breakdown of products and services currently purchased from companies located in the Zone, and the dollar amount of those purchases.

- A description of how the Company will increase the dollar value of goods and services purchased from businesses within the Enterprise Zone. This plan should include specific actions that the Company will undertake such as outreach strategies, seminars, technical assistance, mentorships, etc., that will provide increased availability to and support for Enterprise Zone companies to capture increased sales. The Company's implementation of the actions and outreach strategies will be the basis for evaluation of the Company's best effort in compliance with the plan.
- The Company should contact sources such as industry associations, purchasing agents, Oregon Association of Minority Entrepreneurs, Columbia Corridor Association, or other organizations that represent or are associated with small businesses in the Zone.
- A statement of numeric or percentage goals that reflect an increasing level of local purchases over the period of the abatement and would provide annual benchmarks to evaluate the plans effectiveness.

EXHIBIT E
EQUAL EMPLOYMENT OPPORTUNITY CERTIFICATION

The Portland Development Commission requires EEO certification of all vendors and contractors doing business in excess of \$2,500 with the Commission annually (July 1 through June 30). For projects supported by Portland Development Commission funding, all Prime Contractors are required to be EEO certified.

The Portland Development Commission's Equal Employment Opportunity (EEO) certification program is administered by the City of Portland Bureau of Purchases. In order to be EEO certified, your company must submit a form stating that it does not discriminate against any employee or applicant on the basis of race, religion, color, sex, marital status, national origin, age, mental or physical disability, sexual orientation, gender identity or source of income in violation of Portland City Code Chapter 23.01. Your company must also take steps to ensure equal opportunity in all aspects of employment. These aspects include, but are not limited to hiring, promotion, transfer, advertising, layoff, termination, rates of pay, training (including apprenticeship), and terms and conditions of employment.

We ask most of our vendors and contractors to renew their EEO certification every two years. Construction firms meeting the criteria for the Large Local certification--that is, firms located in the Portland metro and Vancouver area and employing more than 25 people--are asked to renew annually.

HOW TO BECOME CERTIFIED

You can register on-line. Just go to:

<http://cityofportland.ebidsystems.com>, click on
"Vendor EEO Registration," and follow the instructions on the screen.

Questions may be directed to 503.823.6855 or email Anne Hawley, ahawley@ci.portland.or.us.

EXHIBIT F
OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY ECO RULE

The ECO Rule was developed by the Oregon Department of Environmental Quality (DEQ) to improve air quality in the region. Its goal is to reduce the number of auto trips used for commuting. (Over 50% of air pollution is caused by vehicle emissions.) The rule will become a part of the Department of Environmental Quality's (DEQ) regional air quality maintenance plan needed for compliance with the Federal Clean Air Act. This region chose to focus on reducing commuter auto trips instead of increasing limits on industrial air pollution sources.

The ECO Rule affects employers located within the Portland Air Quality Maintenance Area (PAQMA) and with a total of **50 or more people at any one work site**. The PAQMA encompasses most of Multnomah, Washington, and Clackamas counties. It requires affected employers to implement programs that encourage their employees to use alternatives to driving alone. After implementing a program, an employer has three years to achieve a 10% reduction in the number of commuter auto trips taken to a work sites.

An employer has two options for complying--one is "prescriptive based," the other is "performance based." Under both options, the employer must conduct a baseline survey to document how employees commute before the program begins. The employer then administers a follow-up survey each year to measure progress towards compliance. DEQ will not accept less than a 75% response rate on these surveys.

Prescriptive -- An employer who chooses this option will file a commute trip reduction plan with DEQ for approval. The plan outlines how the employer intends to meet its trip reduction target. Once approved, the employer implements the plan. DEQ will consider an employer in compliance with the rule as long as it submits and implements an approved plan, whether or not it fully achieves its trip reduction target.

Performance -- An employer who chooses this option does not file a plan with DEQ. Instead, it implements a commute trip reduction program the employer feels will work for the site. If the employer is not able to meet its trip reduction target, it must demonstrate to DEQ that a "good faith effort" was made to do so. No evidence of "good faith effort" is needed if the employer meets its trip reduction target.