

2520042393702

ERISA
LABOR DEPARTMENT STATEMENT

To: Office of Pension and Welfare Benefit Programs
Labor Management-Services Administration
U.S. Department of Labor
Washington, D.C. 20216

From: Employer: CESCO Chemicals, Inc.
Employer I.D. No.: 91-1552044
Address: 3715 Irongate Rd
Bellingham, WA 98226

Date: 10-5-98

This document constitutes the statement required by
29 C.F.R. 2520.104-23(a)(1) to be filed with the Secretary of Labor in respect to a Nonqualified
Deferred Compensation Plan maintained by the above employer.

The employer currently maintains one (1) Performance Share Plan for
executives who are members of a select group of management or who are highly compensated.

Currently, participants in the Plan are as follows:

Kurt Erickson

Signed



Karl Larsen, Member of the Board of
Directors of CESCO Chemicals, Inc.,
as Plan Administrator

CESCO CHEMICALS, INC.

PERFORMANCE SHARE PLAN (TEN YEARS)

1. Purpose of the Plan

The purpose of this Plan is to further the long-term growth in earnings of CESCO Chemicals, Inc. (CESCO) by offering long-term incentives in addition to current compensation to those officers and key employees of CESCO who will be largely responsible for such growth.

2. Administration of the Plan

The Plan shall be administered by the Compensation Committee of the Board of Directors of CESCO (the Committee) composed of such members (not less than three) as shall be appointed from time to time by the Board. No member of the Committee while serving as such shall be eligible for participation in the Plan.

Subject to the provisions of the Plan, the Committee shall have exclusive power to select the employees to be granted Performance Shares, to determine the number of Performance Shares to be granted to each employee selected, to determine the time or times when Performance Shares will be granted, to determine that all participants shall be of a single class or to divide participants into different classes, and to determine the time or times, and the conditions, subject to which any awards may become payable.

Decisions and determinations by the Committee shall be final and binding upon all parties, including shareholders, participants, and other employees. The Committee shall have the authority to interpret the Plan, to establish and revise rules and regulations relating to the Plan, and to make any other determinations that it believes necessary or advisable for the administration of the Plan.

3. Participation

If a subsidiary of CESCO wishes to participate in the Plan, the Board of Directors of the subsidiary shall adopt a resolution authorizing participation by the subsidiary in the Plan.

Individual participants in the Plan shall be selected by the Committee from non-shareholder key executive employees of the participating CESCO Companies. The term "employee" shall mean any person (including any officer) employed by the participating CESCO Companies. No employee shall be excluded because he/she is also a Director of such Company. An employee must be employed by the Company for three years on a full-time basis to be considered by the committee for participation in the Plan.

4. Performance Shares

Awards under this Plan shall be granted to a participant in the form of Performance Shares, which shall be credited to a Performance Share Account to be maintained for such participant. Each Performance Share shall be deemed to be equivalent in value to one share of Common Stock of CESCO. The award of Performance Shares under the Plan shall *not* entitle the recipient to any dividend or voting rights or any other rights of a shareholder with respect to such Performance Shares.

The Committee shall grant Performance Shares based on the achievement of company and individual participant's performance goals and objectives established by the Committee. Individual job performance evaluations will also be considered.

4. Performance Shares - (Continued)

The Committee may allocate Performance Shares equal in value to 10% of CESCO's net income before income taxes (NIBIT), to the extent it does not exceed the excess of NIBIT over the shareholders' minimum desired return on equity at fair market value (10%). NIBIT will be determined in accordance to generally accepted accounting principals issued by the American Institute of Certified Public Accountants.

The maximum number of Performance Shares that may be awarded and outstanding under the Plan shall not exceed an aggregate of 400. If any Performance Shares under the Plan shall be forfeited or canceled, such Performance Shares may again be awarded under the Plan.

5. Value of Performance Shares

The value of each performance Share shall be determined January 1 of each year based upon the valuation method implemented by the Buy-Sell provision of CESCO's Shareholders' Agreement.

A Performance Share Account Report shall be prepared and distributed annually to each participant, reflecting the current value of shares held in his account and the amount vested in his account value.

6. Time of Grant of Awards

The Plan is designed to operate over the ten years (Plan Years) commencing January 1, 1998. The CESCO Board of Directors has the option to extend the length of this plan. Grants of awards of Performance Shares shall be considered by the Committee during each Plan year.

7. Right to Payment of Performance Shares

A participant shall have no right to receive payment for any part of his/her Performance Shares and all of his/her Performance Shares shall be forfeited unless he/she remains in the employment of the participating Companies at all times from the date of the grant of the first award through the last day of the first Plan Year of the participant. Upon completing the first year of participation in the Plan, a participant will "vest" or have a non-forfeitable right to 10% of the value of the participant's shares. The following vesting schedule shall be established:

| <u>Years Completed in Plan</u> | <u>Vested %</u> |
|------------------------------------|-----------------|
| 0 | 0 |
| 1 | 10 |
| 2 | 20 |
| 3 | 40 |
| 4 | 60 |
| 5 | 80 |
| 6 | 90 |
| 7 | 100 |

7. Right to Payment of Performance Shares - (Continued)

The Committee may, if in the opinion of the Committee circumstances warrant such action, approve payment of any or all of Performance Shares which would otherwise be forfeited as a result of a participant failing to remain in the employment of the participating Companies for the requested period.

The right to payment under this Plan is an unfunded, unsecured obligation of CESCO to pay participants in accordance with Plan provisions. It is not a security issued to the participants.

8. Form and Timing of Payment

The participant shall receive payment of the vested value of his/her shares in ten equal annual installments, or a single lump sum, beginning in the year following the earlier of these triggering events: a) termination of employment; b) his/her normal retirement date; c) death; or d) total disability. Payment shall be made to the holder of Performance Shares wholly in cash.

Should CESCO be acquired by other investors, all Performance Shares shall be paid to the participants at the time of sale to the extent of their full value. Should the Committee choose, Performance Shares may be exchanged for actual shares of CESCO stock in lieu of making annual installments or lump sum payment for Performance Shares.

9. Dilution and Other Adjustments

In the event of any change in the outstanding shares of Common Stock of CESCO by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination or exchange of shares or other similar corporate change, then if the Committee shall determine, in its sole discretion, that such change equitably requires an adjustment in the number or kind of Performance Shares then held in participant's Performance Share Accounts, or which may be awarded to any one employee, or an adjustment in any measures of performance, such adjustments shall be made by the Committee and shall be conclusive and binding for all purposes of the Plan.

10. Payroll Taxes

The Company shall have the right to deduct from all awards paid in cash, any taxes required by law to be withheld with respect to such cash awards.

Currently, the payroll tax laws require payment of FICA and Medicare tax on the Plan value when it is no longer subject to "substantial risks of forfeiture." Therefore, FICA and Medicare taxes will be due on the value of the performance shares as they become vested in accordance with Section 7 of this Plan, less the Plan value previously reported and subject to FICA and Medicare taxes. CESCO will pay the employee (participant) portion as well as the employer portion of these payroll taxes. However, the employee portion (currently 7.65%) will be treated as compensation to the employee in the year paid by CESCO and subject to appropriate withholding taxes. These taxes will be withheld from the employee's normal compensation or cash awards paid from the Plan.

11. Miscellaneous Provisions

- A. An employee's rights and interest under the Plan may not be assigned or transferred. In the case of an employee's death, payment of Performance Shares due under this Plan shall be made to his designated beneficiary, or in the absence of such designation, by will or the laws of descent and distribution.
- B. No employee or other person shall have any claim or right to be granted an award under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of any participating Company.
- C. As used in this Plan, the following terms shall have the following meanings:
- *Total disability* - means a complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which a participant was employed by a participating Company when such disability commenced. All determination as to the date and extent of disability of any participant shall be made by the Committee, upon the basis of such evidence as the Committee deems necessary and desirable.
 - *Subsidiary* - means any corporation a majority of whose outstanding stock entitled to vote is owned, directly or indirectly, by CESCO.

12. Cancellation of Performance Shares

In addition to cancellation by forfeiture as a result of failure to complete the requisite period of employment or failure to earn awards by meeting performance goals and objectives, the Committee may cancel Performance Shares with the written consent of an employee holding such Performance Shares granted to him under the Plan. In the event of any cancellation all rights of the former holder of such canceled Performance Shares in respect of such canceled Shares shall terminate, and such Shares shall be available for further grant in accordance with the Plan.

13. Amendments and Termination

The Board of Directors may at any time terminate this Plan or amend it to change the time of grant of awards and the length of award periods with respect to awards not theretofore granted, provided that no such action shall adversely affect any right or obligation with respect to any award theretofore granted.

The Committee will vote on continuation of this plan sometime in December 2008. Otherwise, the right to grant awards under this Plan shall terminate automatically at the close of business on December 31, 2008, or upon the granting of awards equaling the maximum authorized under the Plan, whichever shall occur first, and, thereafter, the function of the Committee will be limited to supervising the administration of awards previously granted.

14. Effective Date of the Plan

The Plan shall be effective as of January 1, 1998.

Adopted this 5th day of October 1998
upon resolution of the CESCO Chemicals, Inc.
Board of Directors.



Karl Larsen, President
CESCO Chemicals, Inc.

OFFICE OF PENSION & WELFARE BENEFIT PROGRAMS
LABOR MANAGEMENT-SERVICES ADMINISTRATION
U.S. DEPARTMENT OF LABOR
WASHINGTON, D.C. 20216