



API Foils Inc.
329 New Brunswick Avenue
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USA

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February 7, 2007

Mayor Michael Amyx
Lawrence City Hall
6 East 6th Street
Lawrence, KS 66044

Dear Mayor Amyx:

API Foils, Inc. is pleased to announce that we are evaluating plans to expand operations in Lawrence, Kansas. The expansion plans include a 60,000 sq. ft. addition to the existing facility located in the East Hills business park. The estimated cost of the expansion is \$4-\$5 million. Upon completion, API Foils anticipates the full time employment at the site will increase by 31 headcount over a four year period.

API Foils is a global company with manufacturing capabilities in North America, Europe, and Asia. As part of a global supply review, several manufacturing options are being considered. The company requests a 55% property tax abatement pursuant to the tax abatement policy in the City of Lawrence. API is seeking the tax abatement to make this long-term investment more attractive relative to other manufacturing alternatives.

API and the city of Lawrence have enjoyed a mutually beneficial relationship since 1995. We appreciate the continued support of the City of Lawrence as we expand our operations.

Yours truly,

A handwritten signature in dark ink, appearing to read 'William Piercey'. The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

William Piercey
Vice President Finance

cc: David L. Corliss

CITY OF LAWRENCE
APPLICATION FOR PROPERTY TAX ABATEMENT
AND/OR INDUSTRIAL REVENUE BONDS
(REVISED 12/2005)

I. General Information

Date of Request: January 24, 2007

Name of Applicant Firm: API Foils, Inc.

Local Address: 3841 Greenway Circle Lawrence, Kansas 66046

Telephone Number: (732) 382-6800 **Fax Number:** (732) 382-4084

Email Address: Bill.Piercey@API-Foils.com

Headquarters Address: 329 New Brunswick Avenue Rahway, New Jersey 07065

Telephone Number: (732) 382-6800 **Fax Number:** (732) 382-4084

Email Address: Bill.Piercey@API-Foils.com

Names and Titles of local principal officers and corporate directors of the applicant:

Name: David Walton **Title:** President

Name: Sam Plant **Title:** Director

Name: William Piercey **Title:** Treasurer / Secretary

Name: **Title:**

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

Name: API Foils, Inc

Address: 329 New Brunswick Ave Rahway NJ

Name: _____

Address: _____

Name: _____

Address: _____

Name: _____

Address: _____

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

API Foils, Inc is a manufacturer of decorative foils for use in hot and cold stamping applications. The company was formed in 1998 as a result of the merger of

Dri Print Foils and Astor Universal. The company currently employ's

65 people in its Lawrence, Kansas facility.

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

API Foils, Inc is a wholly owned subsidiary of API (USA) Holdings, Ltd. Both

API Foils, Inc. and API (USA) Holdings are incorporated in the State of Delaware.

API (USA) Holdings, Ltd is ultimately owned by API Group PLC, a UK based public

company with stock traded on the London stock exchange.

Enclose copies of the company's audited and interim financial statements for the past three years. Financial statements reviewed or compiled by an independent auditor may be submitted if there are no audited financial statements.

Enclose copies of the company's federal income tax returns for the past three years.

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.

☒ Check here if NOT applicable.

II. Nature of the Improvements

Location of Improvements: 3841 Greenway Circle Lawrence, Kansas 66046

Land to be purchased: _____

Sq. feet or acres: _____

Value: _____

New Construction or modification: Expansion of existing facility

Sq. feet or acres: 60,000 sq ft

Cost: \$ \$4.0 to \$5.0 million

Identify Construction:

Construction of a 60,000 sq ft addition to the existing building. The addition will
include space for expanded manufacturing and warehousing capability.

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

Description: Equipment purchases include new high speed coating equipment and an oxidizer for environmental compliance. The equipment will be purchased and installed over a period of three years. The estimated useful life for a coater is 20 years.

Cost: \$11.0 to \$12.0 million (Yr 1 - \$3.0mm, Yr 2 - \$5.5mm, Yr 3 - \$2.5mm)

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

existing facility and the purchase of new equipment.

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

Sales volume growth in recent years exceeds current manufacturing capacity.

The company currently purchases from affiliate and third parties to supplement capacity in the United States. The longer term plan is to increase capacity based in the United States and reduce dependency on affiliates and 3rd parties.

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?

We anticipate that funds will be raised through an equity injection, however,
a combination of equity and debt could be used to finance the expansion plans.

As such, IRB's will be considered as a financing vehicle.

What is 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.

Start Date: 1st quarter 2007 Completion Date: June 2010

III. Proposed Use and Economic Benefit

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

The company is evaluating plans to expand its current manufacturing capacity in its facility located in Lawrence, Kansas. The company will continue to manufacture and distribute decorative foils for stamping applications.

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

No new products or services will be rendered at the site. The company will increase manufacturing capacity in the United States to reduce dependency on affiliates and 3rd parties. The plans also provide for future growth.

What percentage of the facility will be occupied by the applicant? 100%

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

As is the current practice, all solvents used in the manufacture of foil are incinerated

using an EPA approved oxidation process. Any excess solvents are removed

by certified haulers and destroyed in accordance with EPA standards.

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 Labor, if applicable.

Full Time Employees:

Category	Job Title	Salary Range	# of New Employees	# of Transfers	Average Annual Salary	Date Hired
Management						
Professional	Mechanic	\$45k	3		\$45k	
Technical	Quality/ Chemist	\$45k / \$80k	2 Quality/ 1 Chemist		\$45k / \$80k	
Clerical						
Production/ Assembly	Operator	\$30k	25		\$30k	

Anticipated new employment upon completion of the project is 31 headcount. It should be noted that this project will be phased in over the course of 3 years as follows:

Year 1 4
Year 2 6
Year 3 21

Part Time Employees:

Category	Job Title	Salary Range	# of New Employees	# of Transfers	Average Annual Salary	Date Hired
Management						

Professional						
Technical						
Clerical						
Production/ Assembly						

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 Percentage	Health Insurance % Paid by Employer
Management		
Professional	22%	77.5%
Technical	18%	77.5%
Clerical		
Production/Assembly	32%	77.5%

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

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

API offers a broad range of employee benefits including medical/dental, company paid life insurance, 401k matching program, flexible spending plans, short term disability, and long term disability. In addition, the company has a graduated vacation program based on years of service and offers personal days for sickness or family emergencies.

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 needs to be provided.

Annual Operational Expenses¹

Type of Expense	Actual ²	Projected Total ³	% Spent in Douglas Co.	
	\$ Amount	\$ Amount	Actual %	Projected Total %
Professional Services (legal, accounting, advertising, etc.)	45,000	175,000	--	--
Business service (training, maintenance)	523,000	1,000,000	15%	12.5%
Cleaning Services	21,000	30,000	--	--
Transportation	400,000	800,000	--	--
Office Supplies	35,000	50,000	--	--
Material & Goods	6,000,000	12,000,000	1.6%	1.2%
Other (specify) Travel & Entertainment	40,000	60,000	75%	70%

- In addition to payroll, the company spent \$500k in Douglas County during its most recent fiscal year. In addition, the company spends in excess of \$2 million in the State of Kansas. Percentage of spending in Douglas County for specific line items is above. It should be noted that this is not all inclusive as it does not include utilities, taxes, rent, and other misc expenses.

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 & Sewer	25,000	35,000
Sanitation	75,000	125,000
Gas	285,000	550,000
Electricity	375,000	700,000
Telephone & Communication	110,000	125,000
Insurance	100,000	175,000
Other (specify) ⁵		

Actual Expenses Subtotal \$ 7,994,000

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

API Foils, Inc. is currently undergoing a review of its global manufacturing capabilities. This review includes manufacturing sites within the United States, Europe, and Asia. API is evaluating plans to expand its current manufacturing capabilities at its Lawrence, Kansas factory. This will provide an economic benefit to the region. API is seeking a tax abatement to make this long term investment more attractive relative to other manufacturing alternatives.

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

API requests that a review of the traffic patterns at the main entrance to the East Hills Business Park located at the corner of East Hills Drive and K10 is undertaken. This is the primary entrance for all API employees at the site and is also used for trucks making deliveries to/from the site. Due to the significant planned increase in trucking and automobile volume, we view this as a safety consideration for our employees. Other businesses within the Business Park will also benefit.

⁴ Do not report labor costs, debt service, purchase of new or used machinery and equipment.

⁵ Do not report labor costs, debt service, purchase of new or used machinery and equipment.

IV. General Conditions

The following general conditions are understood and agreed to by the applicant requesting the abatement:

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 shall comply with all the requirements of the City's Economic Development Incentives and Tax Abatement Policy, found in Chapter 1, Article 21 of the Lawrence City Code, including the execution of a performance agreement if a property tax abatement is approved by the City Commission..
3. The tax abatement must be approved by the State Board of Tax Appeals pursuant to applicable State law.
4. The applicant agrees to provide additional information considered necessary by the Public Incentive 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: William Piercey
Printed Name: William Piercey

Date: January 24, 2007
Title: Treasurer / Secretary

Signature: _____
Printed Name: _____

Date: _____
Title: _____