

July 3, 1979

Touche, Ross & Co.
Suite 1000
First Alabama Bank Bldg.
Birmingham, Alabama 35203

Dear Sirs:

I am the attorney in the Law Department ("Department") of Reynolds Metals Company who is responsible for rendering legal advice to its subsidiary, SIRCO Systems, Inc. (the "Company"). Prior to my assuming this responsibility during April, 1979, Mr. Burton Mallinger of the Department was so responsible since January 1, 1979. In response to a letter dated May 31, 1979 ("Request Letter") from Mr. Fred Morris, President of the Company, a copy of which is enclosed, and, in connection with your audit of the balance sheet of the Company at April 30, 1979, I advise you as follows:

I have reviewed, and this response is limited to, matters as to which Mr. Mallinger or I have been engaged and to which he or I have devoted substantive attention for the Company during the four-month period ended April 30, 1979, and thereafter through May 31, 1979 in the form of legal consultation or representation.

Certain of the policies and procedures of the Department for identifying and evaluating litigation, claims and assessments fall into two categories:

First, with respect to litigation, process served upon the Company (whether served upon the Company's statutory agent for service of process, the Secretary of the Company, or upon other employees or agents of the Company) is directed to be forwarded to me or to another member of the Department. At this stage legal process is referred to the appropriate lawyer in the Department for handling, a docket sheet is prepared listing the name of the case, the nature of the claim, the date of service and relief sought and a copy of the docket sheet is placed in the Department docket book. A determination is made whether the claim is covered by insurance, and if so, a copy of the process is forwarded to the Reynolds Metals Company's Insurance Department for handling, with the forwarding attorney remaining prepared to advise in connection with the claim. If not covered by insurance, the claim is evaluated and in virtually all cases local counsel is retained to represent the Company in the suit. The lawyer in the Department who is handling the case advises the officers or employees of the Company who are concerned with the claim, and consults with these clients as to the appropriate handling of the matter. This lawyer acts as the coordinator for preparation of the case for litigation by local counsel.

Second, in the case of claims which have not become the subject of a lawsuit, Company officers or employees who become aware of the claim refer it to the Department for advice except in those cases where an administrative settlement between the Company and the claimant is authorized to be con-

cluded (and can be concluded) directly between the claimant and non-legal officers and employees of the Company. The Tax Department is responsible for identifying, evaluating and settling claims and assessments against the Company relating to tax matters, and the Department functions on such matters, at the request of the Tax Department, only when the tax matter becomes or threatens to become a matter litigated before the courts, or at such other times as the Tax Department may perceive that advice from the Department is indicated or would be useful.

In addition, I wish to confirm that whenever, in the course of performing legal services for the Company with respect to a matter recognized to involve an unasserted possible claim or assessment that may call for financial statement disclosure, I have formed a professional conclusion that the Company should disclose or consider disclosure concerning such possible claim or assessment, as a matter of professional responsibility to the Company, I will so advise and will consult with management of the Company concerning the question of such disclosure and applicable requirements of the Statement of Financial Accounting Standards No. 5. I am informed that management of the Company is advising you that the Company has no material unasserted claims and assessments which are considered by management both to be probable of assertion and, if asserted, to have at least a reasonable possibility of an unfavorable outcome.

With respect to the description and evaluation of material pending or overtly threatened litigation, claims and assessments referred to Mr. Mallinger or me, I note that there has been made available to you the Department's docket book. I have reviewed all pending and overtly threatened litigation, claims and assessments against the Company (excluding tax matters other than those which are being litigated in the courts) listed in the docket book and advise you that, subject to the foregoing and to the qualifications which follow in this letter, neither Mr. Mallinger nor I have given substantive attention to, or represented the Company in connection with, any such litigation, claims and assessment which may be material, in my opinion, to the Company's consolidated financial position at April 30, 1979, other than those in the Request Letter or described below.

In connection with the lawsuit involving National Can Corporation, the Company is being represented by local counsel, Cabaniss, Johnston, Gardner, Dumas & O'Neal of Birmingham, Alabama, and you are referred to such counsel for further information.

Two proceedings are also pending against the Company pursuant to complaints filed with the Equal Employment Opportunity Commission, one filed June 2, 1976 by Marie Anne Royal and the other on June 25, 1976 by Horace Peoples.

Although I have been consulted by the Company with respect to the matters referred to in paragraphs 1 and 2 under the caption "Asserted Claims" in the Request Letter in connection with my performing legal services regarding a proposed acquisi-

tion of the Company by Jemison Investment Co., Inc., I have not devoted substantive attention to any claims listed under the caption "Asserted Claims". Consequently, all claims listed under the caption "Asserted Claims" are excluded from the scope of this response.

Specifically and in addition to the exclusion described in the preceding paragraph, no comment is being made in this response regarding the Management's estimates of the maximum amounts of, and necessary allowances for, any claims listed under the caption "Asserted Claims".

I am not commenting upon liabilities arising from litigation, claims and assessments covered by subsisting insurance where the insurer has admitted coverage, except to the extent of the deductible amount under the insurance contract. Moreover, I have not described any contingent liability as to which I have knowledge that a reserve which in my opinion is adequate has been provided in the Company's accounts. This response is limited by, and in accordance with, the ABA Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information (December 1975); without limiting the generality of the foregoing, the limitations set forth in such Statement on the scope and use of this response (Paragraphs 2 and 7) are specifically incorporated herein by reference and any description herein of any "loss contingencies" is qualified in its entirety by Paragraph 5 of the Statement and the accompanying Commentary (which is an integral part of the Statement). As stated in the foregoing ABA Statement of Policy, this letter is solely for

your information in connection with your examination of the accounts of the Company and is not to be quoted in whole or in part or otherwise referred to in any financial statements of the Company or any related document, nor is it to be filed with any governmental agency or person, without my prior written consent; notwithstanding the foregoing, this letter may be furnished to others in compliance with court process or when necessary in order to defend you against a challenge of your audit by the Company or a regulatory agency, provided I am given written notice of circumstances at least 20 days before the response is so to be furnished to others, or as long in advance as possible if the situation does not permit such period of notice.

Very truly yours,

Andrew D. Hendry
Attorney

cc: Messrs. Murphy
Galea
Hudson
Doyle
Mallinger

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