PLAINTIFF'S EXHIBIT KM-78

Paco Textures Corporation

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CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 17, 1974

TO: OUR CUSTOMERS

SUBJECT: WARRANTY LIMITS ON PACO PRODUCTS

The following is a restatement of our warranty policy on Paco products, and on Paco ceiling texture in particular.

Ceiling texture applications occasionally result in discolored ceilings to varying degrees. This happens even though the basic composition of the substrate and ceiling texture remain the same. There are two general classifications of discoloration. In one group the ceiling texture shows darker over the joints; whereas the second group is the opposite with the joints being brighter in appearance. This type problem has been common in the industry for years and we have not been able to determine the exact cause or remedy for this problem. Furthermore, to the best of our knowledge no one in the industry has been able to develop a product that will eliminate this problem under the varying conditions and methods of application used. If our recommended application procedures are followed the likelihood of this discoloration appearing is reduced; however, we absolutely cannot guarantee uniform results, due primarily to conditions beyond our control - namely thinning, application techniques, job and drying conditions, and substrates.

You are hereby advised that the above policy shall be strictly enforced and we will not make any adjustments for ceiling discoloration unless the material supplied is defective, and it shall be the responsibility of the purchaser to establish this condition.

None of our representatives are authorized to make any warranty other than that stated above and any recommendations made by our representatives are to be used at the purchaser's risk and the results of any such recommendations are not guaranteed.

Our regular manufacturer's warranty applies to our ceiling texture and all other Paco products, which is that we will replace any defective materials or make a cash refund at the option of the purchaser.

Yours truly,

William E. Moore

William E. Moore, President

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