

GRACE

Self
3M
CONFIDENTIAL

EXHIBIT
WRC-1500
Construction Products Division

To: 3M File
Date: October 10, 1991
From: M. A. Stecyk
Subject: Meeting with 3M at Libby
cc: R. J. Bettacchi
O. M. Favorito
R. H. Locke
G. E. Poling

3M Meeting Overview

On Tuesday October 8, 1991, Greg Poling and I met with eight representatives from 3M at the Libby mine to tour the property and answer questions in preparation of their proposed purchase of the site. The meeting went quite well and 3M seemed pleased with what they saw. Alan Stringer gave an excellent talk about the Libby property, the reserves, permits, workers, a status of the reclamation and demolition activity and an operation overview. We then spent a couple of hours touring the property. There didn't appear to be any surprises, nor did any substantitive issues arise from anything that 3M saw or heard.

3M's team was thorough and well prepared and included the Ceramic Materials Manufacturing Manager, a person from Acquisitions/Business Development and from the corporate Real Estate department, an Environmental Engineer, a Mineral Process Engineer, a Geologist, an Industrial Hygenist and an Environmental Consultant from Weston (a name list is attached). They indicated that they had a meeting scheduled for Thursday, October 10th to further discuss what they saw and that they would get back to Greg shortly after that. Although 3M's Acquisition Manager expressed some reservation that their new chairman may be concerned about buying unknown environmental problems, the impression they left us with is that they are committed to the deal and will proceed with the purchase.

Details of the October 8th Meeting with 3M

The following is a more detailed discussion of the meeting between Grace and 3M regarding the sale of the Libby mine.

The meeting was held in the office at the Libby mine and began with introductions. Greg requested that we all continue to respect the Confidentiality Agreement and that their notes and pictures were bound by the letter of the agreement. In addition, he requested a copy of the Confidentiality Agreement signed between 3M and the their outside consultant who was present. Besides Greg and myself the people present included Bob Morazzo, Alan Stringer and the eight 3M people. It was interesting that a number of the 3M people were meeting for the first time.

we don't
deliver value.
we haven't
delivered.

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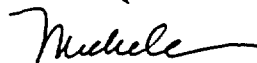
Alan began the meeting with a comprehensive discussion of the Libby operation. As the Letter of Intent had not yet been signed, we didn't provide 3M with any of the written documentation they requested, but instead suggested that they make a list and we would forward the appropriate information to them as soon as we could.

- o Land review -- Alan showed aerial photos as well as maps displaying the permitted mine areas and the areas drilled for reserves. He identified ownership of the mine roads -- i.e., which was State Highway, County Road, Forest Service Road and Grace's private road.
- o Workers/Union -- we had an excellent relationship.
- o Reclamation/Demolition Status -- we are two years ahead of schedule; 60% of the demolition is complete and by year-end approximately 50% of the reclamation will be done. Fifteen acres have been released from the reclamation bond.
- o Permits/Bond Transferrability -- The mining permits are transferrable and, based on the opinion of Montana's Department of State Lands Chief Legal Counsel, we believe that the reclamation bond level of \$500/acre is grandfathered.
- o Reserve data -- Approximately 49 million tons of ore reserves of which 22% is vermiculite (+65). Recovery would be dependent on the type of milling process.
- o Water Availability/Rights -- Grace owns the ground and surface water on its land and has rights to 1 million acre feet per year of water from the Kootenai River. Drinking water is from a well.
- o Violation Citations -- There have been no state or Federal violations issued to the operation in the last 10 years (excluding MSHA). When the operation ceased, there were two PCB transformers that were cited (weren't required to be removed as long as the mine was operating); they have been subsequently removed.
- o Waste Disposal/Underground Tanks -- Solvents and other wastes were properly disposed of. Most tanks for reagents and oils were above ground. There were six underground tanks, four of which have been removed (we're waiting to hear from the State as to whether or not any remedial actions are required). The two remaining underground tanks are less than 20 years old, are EPA registered and contain gasoline.
- o Operation Overview -- Drilling and blasting was done in benches. On average the deposit has a 1 : 1.2 ore to waste ratio. There are identifiable areas that contain higher grade material as well as finer or coarser material. We used a wet mill, closed circuit process. The screen plant sized the concentrate; adjacent is 40,000 tons of covered concentrate silos and bins. The rail siding is on the other side of the river load-out area; it is leased and on a main line of the Burlington Northern railroad.
- o Equipment/Buildings -- The facilities that presently remain are the OS&B (or as 3M fondly called it, the BFB), the concentrate storage and river load-out, the screen plant, a

water pumping station, an equipment maintenance building, the office, the locker room/lunch room/fiber count lab, the 1,000 ton ore bin, the main transformer station and the water piping and wells. Demolition will continue as scheduled, with the exception of the OS&B, the screen plant, the vermiculite bins and silos and load-out facility, which are included in the proposed deal. Any other facilities that 3M wants spared from demolition would require their giving us a non-refundable deposit. All equipment has been contacted for sale with a broker.

Jerry Okerman indicated to Greg that 3M wished to make some minor changes in the wording of the Letter of Intent. There were two substantive issues. One related to the product application definition which reads "intumescent mats" -- they would like to change it to read "intumescent materials" (although the terminology originally came from them). Greg indicated that "intumescent materials" would be unacceptable and they agreed to give that some further thought. In addition, they wanted to delete the reference to 3M's assumption of all of Grace's "environmental" liabilities at the Libby mine. Greg responded that we were not in a position to discuss any wording changes relating to the assumption of liabilities, but that we would consult with counsel.

Greg reiterated the importance of the timing of the deal (i.e., the longer it dragged out the more it cost Grace and the less the deal was worth), and our desire to close by year-end. It was also stressed that the sooner we received the Letter of Intent the sooner we would be able to provide them with some of the detailed records they requested. We broke our meeting at about 1:00 for lunch, at which time the 3M people met separately to exchange notes and make a list of information they wanted from us (the list is attached). 3M indicated that the team was meeting on Thursday to discuss what they saw and that they would get back to Greg as soon as possible after that.



M. A. Stecyk

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Information and Documents Requested by 3M

Yes.	o	Mining permit (#10) and any other necessary permits.
Yes.	o	Documentation of water rights.
Yes, although mostly patents	o	Copy of land deed and abstract of title.
Yes.	o	Siding lease with Burlington Northern.
Yes.	o	Inventory list of mining equipment and rolling stock.
Yes. (No asbestos disposal)	o	Certification that transformers have been properly disposed of, as well as any asbestos-containing materials (include asbestos certification or sampling).
Access - Yes.	o	Drilling map and results (test holes) summary.
Yes.	o	Permit map and aerial photo.
Yes.	o	Water and well documentation.
Yes.	o	Dam test results -- seismic study.
Yes.	o	List of structures to be retained.
Yes.	o	Union contracts.
Yes.	o	Reclamation agreement with state approvals and bonding.
No.	o	Injury records and medical claims.
Something - yes.	o	Air sample records (with ranges) and dust exposures for the last two years.
No.	o	Current inventory of ore by grade.
No.	o	Customer list.
If exists?	o	Corp. of Engineers permit for the river conveyor.
None.	o	Agreement with Pacific Power and Light.
Yes.	o	Burns Security agreement.
If exists?	o	Forest Service right-of-way agreement.
Yes.	o	Surface and ground water data/tests.
If exists?	o	Air permit and stack data.
Yes.	o	Underground storage tank data/tests.
Yes.	o	Pond boring results and tailings analytical results.
If exists.	o	Drum disposal documentation (manifests and test data).

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