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Construction Products Division

October 5, 1983

TO: R. J. Battacchi
FROM: A. N. Crawford
SUBJ: Monokote Royalty Payments
From Zonolite Licensees

cc: R. A. Merther
G. A. Tierney
A. E. Wade

Vermiculite Intermountain Inc., a Zonolite Licensee, had a problem with a Monokote royalty payment showing up as unexplained cash on one of their statements. In looking into this problem, it is apparent that we need to establish some internal control system to keep track of Monokote royalty payments.

It has also come to our attention that Grace has been paying the royalty for the Zonolite Licensee's usage of the American Hoechst surfactant, AOK, used in our Monokote formula.

The attached chart summarizes the royalty information for each Zonolite Licensee. A review of this chart shows that most of our Licensees are delinquent in royalty payments as far back as 1979. Because of the present accounting of royalties, it is possible that the Licensees are current and we may have applied their royalty payments to their ore sales account!

The chart also shows that Grace has paid \$6,386 in AOK royalty to American Hoechst for AOK used by our Zonolite Licensees.

The bottom of the chart shows the corresponding Monokote production calculated from the Licensee's AOK usage reports. Using our own average selling price for Monokote, the approximate gross sales were also calculated.

It seems reasonable to expect our Zonolite Licensees to pay the royalty for AOK usage. For example, if Vermiculite Products paid their 1982 Monokote royalty of \$2,500 plus the AOK royalty of \$2,169, their total royalty of \$4,669 is only 0.11% of Gross Sales. Solico would also be paying less than 1.0% of Gross Sales. Vermiculite Intermountain and Robinson are in a different situation by paying a minimum royalty of \$1,000/yr. and little or no Monokote sales.

Based on the above, the following action is suggested:

- (1) A letter should be sent to each Licensee asking them to send all future royalty checks to the attention of the Vermiculite Development Manager, BPD marketing in Cambridge.

As these checks come in, a copy will be filed to maintain a payment record. The check will then be sent to sales accounting with the instruction to credit the royalty Income Account No. N6-238-3300.

The letter should be written individually and should ask for payment of back royalties for any years not paid.

- (2) We should also consider notifying our Licensees that we can no longer afford to pay their royalty to American Hoechst for AOK usage. We should offer to forgive all AOK royalties prior to 1984, and notify them that we will start to collect AOK royalties effective January 1, 1984.

Please advise if you agree with the above suggestions.



A. N. Crawford

ANC:mg

FILE NAME: norroyalty

DATE: October 4, 1983

SUMMARY CHART

ADK AND POROKOTE ROYALTY PAYMENTS OF ZONOLITE LICENSEES

F. HYDE & COMPANY MONTREAL, QUEBEC		SOLITE COMPANY ALBUQUERQUE, N.M.		VERMOLITE PRODS. HOUSTON, TEXAS		ROBINSON INSL. GREAT FALLS, MT.		VERMOLITE INTERM SALT LAKE CITY, UT		TOTAL ZONOLITE LICENSEES	
Effective Date		10/18/76		5/25/73		9/16/74		8/11/75		N/A	
Porokote Royalty Payments (SCANDIUM) (\$US)		1/1/73									
Payment Rate (\$/bag)		0.15		0.12		N/A		N/A		N/A	
Minimum Annual Royalty		N/A		N/A		1000.00		1000.00		N/A	
Maximum Annual Royalty		N/A		N/A		2500.00		2500.00		N/A	
Royalty Payment History											
1978	3191.20	2552.98	2500.00	2500.00	1000.00	1000.00	1675.00	10427.98			
1979	1259.82	1007.86	2500.00	0.00	0.00	0.00	0.00	3507.86			
1980	1832.81	1488.25	0.00	0.00	0.00	0.00	1577.00	3043.25			
1981	484.70	385.76	2500.00	2500.00	2500.00	2500.00	0.00	7685.76			
1982	5288.36	4230.88	0.00	0.00	0.00	0.00	0.00	4230.88			
1983	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			
Total 1978-1982	12086.88	8853.51	7500.00	5000.00	3500.00	3500.00	3452.00	29105.51			

ADK Royalty Paid by Grace		ADK Royalty Usage (000 lbs)		ADK Royalty Paid (\$)		ADK Royalty Usage (000 lbs)		ADK Royalty Paid (\$)		ADK Royalty Usage (000 lbs)		ADK Royalty Paid (\$)	
0.04	1978	1.88	88.31	3.46	155.21	8.26	388.28	0.00	0.00	0.00	0.00	13.74	612.00
0.05	1979	0.00	0.00	1.52	77.34	14.00	713.72	0.00	0.00	0.00	0.00	15.82	708.41
0.06	1980	0.54	31.75	0.50	29.40	7.20	423.28	0.00	0.00	0.00	0.00	8.24	484.43
0.05	1981	0.00	0.00	4.47	208.99	27.00	1288.27	0.00	0.00	0.00	0.00	31.47	1478.28
0.04	1982	7.00	307.58	12.21	536.64	49.37	2188.36	0.00	0.00	0.00	0.00	68.58	3013.58
0.06	1983	N/A	0.00	N/A	0.00	N/A	0.00	N/A	0.00	N/A	0.00	0.00	0.00
Total 1978-1982		9.52	427.83	22.18	1008.57	105.85	4944.83	0.00	0.00	0.00	0.00	137.85	6308.49
Licenses Porokote Production		Porokote Sales (000bags)		Porokote Sales (\$000)		Porokote Sales (000bags)		Porokote Sales (\$000)		Porokote Sales (000bags)		Porokote Sales (\$000)	
4.04	1978	28.28	114.27	48.71	200.85	118.29	477.87	0.00	0.00	0.00	0.00	196.29	732.98
4.23	1979	0.00	0.00	21.87	91.87	200.00	848.00	0.00	0.00	0.00	0.00	223.17	944.02
4.67	1980	7.71	36.03	7.14	33.36	102.86	480.34	0.00	0.00	0.00	0.00	117.71	549.73
5.28	1981	0.00	0.00	63.81	335.68	395.71	2028.86	0.00	0.00	0.00	0.00	449.53	2354.52
5.82	1982	100.00	582.00	174.47	1015.42	705.30	4104.85	0.00	0.00	0.00	0.00	979.77	5702.27
6.28	1983	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total 1978-1982		135.00	732.30	316.81	1678.96	1512.16	7937.92	1.50	6.35	0.00	0.00	1966.47	10353.53

* Bag volume calculated from ADK usage @ 0.07 lbs. of ADK per bag of Porokote.

Gross Sales were calculated using Grace ASP.

f Assumes an average exchange rate of 0.80

0625677

FILE NAME: noronroyalty

DATE: October 4, 1993

SUPPLY CHAIN

AKK AND MONOKOTE RENTAL PAYMENTS OF ZONOLITE LICENSEES

MONOKOTE RENTAL DATA		F. HYDE & COMPANY MONTREAL, QUEBEC		SOLICE COMPANY ALBUQUERQUE, N.M.		VERMICULITE PRODS. HOUSTON, TEXAS		ROBINSON INSUL. GREAT FALLS, MT.		VERMICULITE INTERN SALT LAKE CITY, UT		TOTAL ZONOLITE LICENSEES	
Effective Date		1/1/73		10/18/76		5/25/73		9/16/74		8/11/75		N/A	
Monokote Royalty Payments		(SCHMIDT) (\$US)											
Payment Rate (\$/bag)		0.15 0.12		0.15		N/A		N/A		N/A		N/A	
Minimum Annual Royalty		N/A N/A		1000.00		2500.00		1000.00		1000.00		N/A	
Maximum Annual Royalty		N/A N/A		2500.00		N/A		2500.00		2500.00		N/A	
Royalty Payment History													
1978		3191.20		2500.00		2500.00		1000.00		1875.00		10427.96	
1979		1259.82		2500.00		0.00		0.00		0.00		3507.86	
1980		1832.81		0.00		0.00		0.00		1577.00		3043.25	
1981		494.70		2500.00		2500.00		2500.00		0.00		7895.76	
1982		5288.35		0.00		0.00		0.00		0.00		4230.69	
1983		0.00		0.00		0.00		0.00		0.00		0.00	
Total 1978-1982		12056.89		7500.00		5000.00		3500.00		3452.00		29105.51	

AKK Royalty Paid by Grace		AKK Royalty Usage (\$)		AKK Royalty Paid (\$)		AKK Royalty Usage (\$)		AKK Royalty Paid (\$)		AKK Royalty Usage (\$)		AKK Royalty Paid (\$)	
0.04 1978		1.98 88.31		3.48 155.21		9.28 389.29		0.00 0.00		0.00 0.00		13.74 612.80	
0.05 1979		0.00 0.00		1.52 77.34		14.00 713.72		0.11 5.35		0.00 0.00		15.82 786.41	
0.06 1980		0.54 31.75		0.50 28.40		7.20 423.29		0.00 0.00		0.00 0.00		8.24 484.43	
0.05 1981		0.00 0.00		4.47 209.99		27.00 1289.27		0.00 0.00		0.00 0.00		31.47 1479.26	
0.04 1982		7.00 307.58		12.21 536.64		49.37 2189.36		0.00 0.00		0.00 0.00		68.58 3013.58	
0.06 1983		N/A 0.00		N/A 0.00		N/A 0.00		N/A 0.00		N/A 0.00		0.00 0.00	
Total 1978-1982		9.52 427.83		22.18 1008.57		105.85 4944.93		0.11 5.35		0.00 0.00		137.65 6388.49	
Licensee Monokote Production		Monokote Sales (000bags) (\$000)		Monokote Sales (000bags) (\$000)		Monokote Sales (000bags) (\$000)		Monokote Sales (000bags) (\$000)		Monokote Sales (000bags) (\$000)		Monokote Sales (000bags) (\$000)	
4.04 1978		28.29 114.27		49.71 200.85		119.29 477.87		0.00 0.00		0.00 0.00		196.29 792.99	
4.23 1979		0.00 0.00		21.67 91.67		200.00 848.00		1.50 6.35		0.00 0.00		223.17 944.02	
4.67 1980		7.71 36.03		7.14 33.36		102.86 480.34		0.00 0.00		0.00 0.00		117.71 548.73	
5.26 1981		0.00 0.00		63.81 335.66		395.71 2028.86		0.00 0.00		0.00 0.00		449.53 2364.52	
5.82 1982		100.00 582.00		174.47 1015.42		705.30 4104.85		0.00 0.00		0.00 0.00		979.77 5702.77	
6.28 1983		0.00 0.00		0.00 0.00		0.00 0.00		0.00 0.00		0.00 0.00		0.00 0.00	
Total 1978-1982		136.00 732.30		316.81 1676.96		1512.16 7937.92		1.50 6.35		0.00 0.00		1566.47 10353.53	

* Bag volume calculated from AKK usage @ 0.07 lbs. of AKK per bag of Monokote.
Gross Sales were calculated using Grace ASP.

† Assume an average exchange rate of 0.80

0625678

FILE NAME: monoroyalty

DATE : October 4, 1983

SUMMARY CHART
ADK AND MONOKOTE ROYALTY PAYMENTS OF ZONOLITE LICENSEES

MONOKOTE ROYALTY DATA		F. WIDE & COMPANY MONTREAL, QUEBEC	SOLICE COMPANY ALBUQUERQUE, N.M.	VERMICULITE PRODUCTS, HOUSTON, TEXAS	ROBINSON INSUL., GREAT FALLS, MT.	VERMICULITE INTERNA SALT LAKE CITY, UT	TOTAL ZONOLITE LICENSEES
Effective Date		1/1/73	10/19/76	5/25/73	9/16/74	8/11/75	N/A
Perokote Royalty Payments		(SCMAD) (M) (\$US)					
Payment Rate (\$/bag)		0.15 0.12	0.15	N/A	N/A	N/A	N/A
Minimum Annual Royalty		N/A	1000.00	2500.00	1000.00	1000.00	N/A
Maximum Annual Royalty		N/A	2500.00	N/A	2500.00	2500.00	N/A
Royalty Payment History							
1978		3191.20	2552.08	2500.00	1000.00	1875.00	10427.88
1979		1259.82	1007.86	0.00	0.00	0.00	3507.86
1980		1832.81	1488.25	0.00	0.00	1577.00	3043.25
1981		494.70	305.76	2500.00	2500.00	0.00	7865.76
1982		5268.38	4230.88	0.00	0.00	0.00	4230.88
1983		0.00	0.00	0.00	0.00	0.00	0.00
Total 1978-1982		12088.89	8853.51	5000.00	3500.00	3452.00	29105.51

ADK Royalty Paid by Grace		ADK Royalty Usage (000 lbs)	ADK Royalty Paid (\$)	ADK Royalty Usage (000 lbs)	ADK Royalty Paid (\$)	ADK Royalty Usage (000 lbs)	ADK Royalty Paid (\$)
0.04 1978		1.88	68.31	0.28	388.29	0.00	0.00
0.05 1978		0.00	0.00	14.00	713.72	0.00	0.00
0.06 1980		0.54	31.75	0.50	29.40	0.00	0.00
0.05 1981		0.00	0.00	27.00	1288.27	0.00	0.00
0.04 1982		7.00	307.58	48.37	2188.38	0.00	0.00
0.06 1983		N/A	0.00	N/A	0.00	N/A	0.00
Total 1978-1982		9.52	427.83	105.85	4844.83	0.00	0.00
Licensee Perokote Production		Perokote Sales (000bags)	(9000)	Perokote Sales (000bags)	(9000)	Perokote Sales (000bags)	(9000)
4.04 1978		28.29	114.27	118.29	477.87	0.00	0.00
4.23 1979		0.00	0.00	200.00	846.00	0.00	0.00
4.67 1980		7.71	38.03	102.88	480.34	0.00	0.00
5.26 1981		0.00	0.00	385.71	2028.88	0.00	0.00
5.82 1982		100.00	562.00	705.30	4104.85	0.00	0.00
6.28 1983		0.00	0.00	0.00	0.00	0.00	0.00
Total 1978-1982		136.00	732.30	1512.16	7937.92	0.00	0.00

* Bag volume calculated from ADK usage @ 0.07 lbs. of ADK per bag of Perokote.

Gross Sales were calculated using Grace ASP.

† Assumes an average exchange rate of 0.80

0625679

FILE HERE: microroyalty

DATE : October 4, 1983

SUMMARY CHART

ADK AND MONROVIE ROYALTY PAYMENTS OF ZONOLITE LICENSEES

F. WIDE & COMPANY PENTON, MOBILE				SOLIX COMPANY ALBUQUERQUE, N.M.	WEINERLITE PRODS. HOUSTON, TEXAS	ROBINSON INSL. GREAT FALLS, MT.	WEINERLITE INTERM. SALT LAKE CITY, UT	TOTAL ZONALITE LICENSEES
Effective Date	1/1/73	10/18/76	5/25/73	9/16/74	8/11/75			
Parabola Royalty Payments	(\$COMM/10M)	(\$US)						
Payment Rate (\$/bop)	0.15	0.12	N/A	N/A	N/A			
Minimum Annual Royalty	N/A	1000.00	2500.00	1000.00	1000.00			
Maximum Annual Royalty	N/A	2500.00	N/A	2500.00	2500.00			
Royalty Payment History								
1978	3191.20	2552.86	2500.00	1000.00	1675.00			10427.86
1979	1259.82	1077.86	2500.00	0.00	0.00			3507.66
1980	1832.61	1486.25	0.00	0.00	1577.00			3043.25
1981	484.70	385.76	2500.00	2500.00	0.00			7885.76
1982	5288.36	4230.86	0.00	0.00	0.00			4230.86
1983	0.00	0.00	0.00	0.00	0.00			0.00
Total 1978-1982	12086.68	9853.51	7500.00	5000.00	3452.00			29105.51

AKK Royalty Paid by Grace				AKK Royalty				AKK Royalty				AKK Royalty				AKK Royalty				
				Usage	Royalty	Paid		Usage	Royalty	Paid		Usage	Royalty	Paid		Usage	Royalty	Paid		
				(000 lbs)	(\$)	(\$)		(000 lbs)	(\$)	(\$)		(000 lbs)	(\$)	(\$)		(000 lbs)	(\$)	(\$)		
0.04	1978	1.88	68.31	3.48	155.21	8.28	388.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.74	812.00			
0.05	1979	0.00	0.00	1.52	77.34	14.00	713.72	0.11	5.35	0.00	0.00	0.00	0.00	0.00	0.00	15.82	788.41			
0.06	1980	0.54	31.75	0.50	29.40	7.20	423.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.24	404.43			
0.05	1981	0.00	0.00	4.47	209.99	27.00	1289.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31.47	1479.28			
0.04	1982	7.00	307.58	12.21	535.64	48.37	2188.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	68.58	3013.59			
0.08	1983	N/A	0.00	N/A	0.00	N/A	0.00	N/A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Total 1978-1982				9.52	427.43	22.18	1008.57	105.85	4844.83	0.11	5.35					0.00	137.85	6306.48		
License Parakeete Production				Parakeete Sales				Parakeete Sales				Parakeete Sales				Parakeete Sales				
				(000bags) (\$000)				(000bags) (\$000)				(000bags) (\$000)				(000bags) (\$000)				
4.04	1978	28.28	114.27	49.71	200.85	118.28	477.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	188.28	782.99			
4.23	1979	0.00	0.00	21.67	91.87	200.00	848.00	1.50	6.35	0.00	0.00	0.00	0.00	0.00	0.00	223.17	844.02			
4.87	1980	7.71	36.03	7.14	33.36	102.86	480.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	117.71	548.73			
5.28	1981	0.00	0.00	63.81	335.68	395.71	2029.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	448.33	2584.52			
5.82	1982	100.00	582.00	174.47	1015.42	705.30	4104.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	979.77	5702.27			
6.28	1983	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Total 1978-1982				136.00	732.30	316.81	1876.96	1512.16	7937.92	1.50	6.35						1966.47	10353.53		

^a Bag volume calculated from ADX usage @ 0.07 lbs. of ADX per bag of Marikote.

Gross Sales were calculated using Grace ASP.

1 Assumes an average exchange rate of 0.80