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Interview of J. P. Verhalen taken by Chuck Scarborough of NBC News in the office of J. P. Verhalen, Stanhope, New Jersey, commencing at 1:50 p.m., October 13, 1983.

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Q Mr. Verhalen, do you know Jerry Goldfarb?

A I have met Jerry Goldfarb, yes.

Q How long have you known him?

A I've met him only once; I wouldn't say that I know him.

Q How long has he been a customer of yours?

A Three or four years.

Q He's used your product for three or four years?

A Yes.

Q Did you and Jerry Goldfarb at any point conspire to damage the reputation of W. R. Grace products by linking their products with asbestos?

A No.

Q. Did you ever furnish Jerry Goldfarb with any documents indicating that W. R. Grace products might be contaminated with asbestos?

A I think the connection between vermiculite and asbestos is well known. I certainly didn't, but I think it's fairly common - - -

Q You did not provide him with documents?

A Not that I know of. Our Company has available public information on this subject that many people ask about, yes.

Q Then, it's possible that your Company provided Jerry Goldfarb with certain documents that would indicate that Grace's MONOKOTE insulation is contaminated with asbestos?

A. We have documents available that clearly indicate that connection between vermiculite and asbestos.

Q And, is it the practice of your Company to make those documents available to potential customers?

A Potential customers, no. We make a serious effort to alert our customers and to alert the architectural fraternity of the existence of this connection and the possible problems that may result from their specifying or using the product.

Q Does this letter look familiar to you?

(Mr. Scarborough offers the letter attached as Exhibit A.)

A Yes.

Q Was that a letter that you made available to architects and others in this country and elsewhere?

A We may have.

Q In that form.

A In this form, yes. This is information that I have seen and that we have.

Q And, you're aware that that letter came from Jerry Goldfarb?

A That I am.

Q All right. This is the original copy of that letter, correct?

(Mr. Scarborough offers the letter attached as Exhibit B.)

Q Do you notice any differences between those two copies?

A Only the removal of his name.

Q All references to Goldfarb are removed from the copy that you distributed?

A That's correct.

Q Why did you do that?

A. I don't know whether that was at his request or not, I'm frank to say, I don't know.

Q But Goldfarb made that letter available to you - - -

A That's right.

Q The letter sent to him by Mt. Sinai, indicating that the product MONOKOTE in question was 1% asbestos?

A This report indicates that the MONOKOTE product has 1% asbesto

Q Your Company, you say, may have delivered documents to Goldfar indicating that there is asbestos in W. R. Grace products?

A The documents that are public information.

Q Yes.

A Yes.

Q And, Goldfarb gave to you a copy of a letter indicating that the products by the W. R. Grace Company are 1% asbestos, which you then used to disseminate to potential customers?

A Well, when you say disseminate, I'm - - - it wasn't broadly disseminated; it was supplied to our sales people, and I am sure that our sales people have discussed and presented this letter and similar documents from W. R. Grace, from the Bureau of Mines, from Federal EPA, OSHA; those documents are in the possesion of our sales people and some of our customers.

Q I am going to ask you again, did you and Jerry Goldfarb at any point ever conspire to link W. R. Grace products with asbestos?

A The link was clear, we could not have conspired to link them. That link has existed for all times. No, we could not conspire to do that.

Q How would you define the exchange of documents between you and Goldfarb, all of which link W. R. Grace products with asbestos?

A I met Mr. Goldfarb only one time for dinner. It was a pleasant, social meeting. I don't believe this subject was a topic of our conversation.

Q We're not talking about that; the fact is that you did provide him with documents, he provided you with a copy of a letter sent to him - - -

A That is correct - - -

Q All of which linked W. R. Grace products with asbestos.

A That's correct.

Q Now, would you define this as conspiring or not?

A No, because the existence of that link or connection has been public knowledge for long, long years - - -

Q All right - - -

A His activity has had virtually no impact on that basic relationship between vermiculite and asbestos.

Q We're going to talk about that. Are you familiar with this letter to Mr. Goldfarb?

(Mr. Scarborough offers the letter attached as Exhibit C.)

A I've seen that, yes.

Q Did you distribute that letter to your sales representatives for their use?

A Yes.

Q You did?

A Yes.

Q This letter that states that MONOKOTE is virtually free of mineral fiber?

A Yes, yes we did.

Q And this letter from Mt. Sinai?

(Mr. Scarborough offers the letter attached as Exhibit D.)

A Yes.

Q Let me tell you what puzzles me. In all of the studies done of the product MONOKOTE that we've been able to obtain over the last ten years, including four very, very recent studies that we have made in four randomly selected samples of MONOKOTE, the product turned out to have virtually no asbesto fiber, simply a trace of fiber on the order of ten one-thousandths of 1% and was stated by the scientists to be virtually free of asbestos. Every study except the study of the sample provided to Mt. Sinai by Jerry Goldfarb, which had a hundred times more asbestos in it, 1%.

A I understand that.

Q Did you at any point ever provide Jerry Goldfarb with the sample of MONOKOTE to be tested?

A I believe he found that sample in the field himself.

Q Did you or any agent of yours adulterate that sample?

A No.

Q How would you explain the fact that the one sample that was provided by a man who did not want to use W. R. Grace product had a hundred times more asbestos in it than any other sample that we've been able to find to test?

A Well, I believe it similarly is well understood that vermiculi from different mines have different quantities of asbestos. Similarly, from the same mine, the quantity of asbestos in the vermiculite can vary from a fraction of 1% to more than 1

Q So, over a ten-year period, of all the samples tested, coincidentally Jerry Goldfarb gets a hold of the one bag that has a hundred times more asbestos in it than any other bag tested:

A No, no. There have been other tests that indicate similarly large quantities of asbestos. There are other tests.

Q Perhaps we could see those.

A There's a recent California test, recent within the past month, describing the W. R. Grace product MK-4. This was run by - - -

Q Is that a current product?

A That's a current product.

(Mr. Verhalen reads from the letter attached as Exhibit E.)

A This was run by EMS Laboratories in Hawthorne, California, one of those laboratories equipped with electron microscopes qualified to make these appraisals. And their finding in this particular test, and incidentally, this test report is dated September 22nd, showed the existence of 330 million fibers per gram. Now, that represents only a quarter of 1% by weight, but with 453 grams to a pound, that quarter of 1% represents 150 billion fibers in a pound of this fireproofing material.

Q That would worry you?

A I think it would worry a responsible person who is concerned with asbestos as a health hazard.

Q How 'bout - as these tests by Mt. Sinai with one-one hundredth of 1%, or ten one-thousandths, however you want to phrase it, worry you, concern you, a fraction that small?

A I wouldn't profess to be a medical expert; I know that there are a number of medical experts that indicate that any quantity is a risk and a hazard. W. R. Grace takes the position that less than 1% is apparently not a hazard in their view, but there are differences of medical opinion; we are not experts in that area.

Q Basically, though, you would have questions about using a product that had even a tiny fraction like that. A product that had some potential threat to human health - you would not recommend to use it?

A We would not recommend to use - our Company was the first to introduce an absolutely asbestos-free fireproofing material in 1969 and '70.

Q Let me make this clear, though. If a product has some question that the product might endanger human health, you would not recommend its use?

A We would not recommend its use.

Q W. R. Grace contends that mineral wool has recently been linked to lung cancer - your product, which is 100% mineral w

A Mineral wool is a vitreous fiber, not a crystalline fiber. Mineral wool has been, and vitreous fibers, all mineral wools - glass, slag, rock - have been exhaustively tested by the Thermal Insulation Manufacturers Association, Industri Hygiene Foundation, over a period of years, and millions and millions of dollars - clear indication that that is not a fact. It is not carcinogenic.

Q Dr. Irving Selikoff of the Mt. Sinai Laboratory raises some questions about the health hazards of mineral wool.

A Mineral wool generally is a much coarser fiber, a much heavier fiber, and almost all of the typical mineral wool is not respirable - it cannot get into the lungs because it is large in diameter and it is long. Another characteristic that's favorable about mineral wool is the fact that it tends to be soluble, so that if very small portions were to get into the respiratory system, the probability of their dissolving over time would render them harmless. The tremolite fibers, as I understand it, conversely, are very fine and not soluble. That's the key difference.

Q W. R. Grace says you guys are playing dirty pool - that you are using smear tactics to try to improve your competitive position.

A I suggest that we have only presented to the trade the facts that have been developed concerning the vermiculite-asbestos connection from reliable sources, principally government sources and responsible testing laboratories. The conclusion is that there's a wide variance in the quantity of asbestos that's in vermiculite, and sometimes it will be difficult to find by conventional microscopes - it would require an electro microscope. So that our position is one of presenting to our customers and to the architects the facts in the matter. It's a little difficult for me to see how our Company, small as we are, can cause any hardship to a firm that's hundreds of times our size.

Q What's your response when you see something like this publishe by W. R. Grace stating no product is hazard-free, as an exampl -mineral wool has recently been linked to an increased incidenc in lung cancer - your product?

A I suggest that they would have difficulty presenting a responsible authority for having made that statement. They would have difficulty.

Q Let me just - - - one final thing - I just want to make it clear here, in these documents that we presented that each successive document as these tests came in were distributed by you to your sales persons for use in their sales pitch?

A As part of a package of factual information that our sales people are equipped with.

Q The 1% and then the following letter that says I have no explanation for the discrepancy between the 1% and the ten one-thousandths of a percent. That letter went out, too?

A Yes - but the probability is that these samples, as I understand it, selected by Grace sales personnel, perhaps and your company - - -

Q One - that one, yes - - -

A were probably from their North Carolina mine and the code number probably told those people their North Carolina ore has significantly less asbestos than their Libby, Montana mine. The probability is that these samples (Mr. Verhalen indicates) or this code number reflected a Montana ore. The probability is, these samples (Mr. Verhalen indicates) reflected the North Carolina ore which has substantially less asbestos contamination, but it is still there.

Q I suspected that - we went with them to the site. I watched as they selected the bag from the site we picked, they didn't. We went with them to the laboratory - witnessed the whole thing. And because I suspected that there was the possibility

that they may have selected a bag they knew to be asbestos-free, I went out, and went to three different construction sites, and at random, selected three different samples, and had them tested, and they all came up to be precisely the same as the sample Grace had tested.

A Did the code numbers 5G2 and 2D2 and 8G1 - - -

Q I have no idea - - -

A Have any meaning to you?

Q No meaning whatsoever.

A Probably, if we determined what the meaning of the codes were, we would learn that they knew the source of the ore.

Q Do you suppose that's proprietary information?

A I would suspect so, yes.

Q Could I have a copy of that other study you just produced -- A Xerox?

A You want to take it with you?

Q Yes, the September 22nd study. I wonder if there's any way to find out, to find out the code sample - - -

A W. R. Grace would be your best source of information - - -

Q I know - I just wonder if there's any way to get around that. I don't have anything more to talk about - we can wrap it up and get ready to go. But I would like a Xerox of that September 22nd study.

(Interview concluded at 2:15 p.m.)