



BRIEF HISTORY OF KELLY-MOORE'S PACO DRY WALL DIVISION'S
PRODUCTION AND SALES

The Paco Textures Corporation was founded in 1958, and located in Richmond, California. It manufactured dry wall joint compounds and wall textures, and sold to distributors principally in Northern California, of which Kelly-Moore was the largest distributor.

In December 1960, K-M purchased all of the outstanding stock of the Paco Textures Corporation and Clifford Woodland, President of the Paco Textures Corporation, joined Kelly-Moore as General Manager of its Paco Textures Division. The corporation was later merged into Kelly-Moore, and for a period of approximately ten years, we continued to sell distributors in the Bay Area and Kelly-Moore sold Paco products direct through its own stores in increasing volume.

The stock purchase agreement is silent concerning K-M's liability for the company's past operations; therefore, we could be responsible for product liability during that three year period prior to our acquisition of the company.

In 1963, we moved part of the equipment from the Richmond, California plant to our Dallas, Texas paint factory, and began manufacturing the same type of dry wall products for sale in the southwestern area through Kelly-Moore stores.

In 1964, we moved the manufacturing facility from Richmond, California to San Carlos, California, and enlarged the operation at this time.

In 1967, we set up a dry wall manufacturing operation at Houston, Texas, in order to be more competitive in that market. This operation continued until 1974, at which time we closed the operation and supplied the Houston area from our Hurst, Texas plant near Dallas.

In 1968, we added a dry wall manufacturing facility to our Ontario, California paint factory and supplied products to the Southern California area from this plant. This operation was closed in 1975, and we continued to supply products for sale in the Southern California area from our San Carlos factory.

In 1969, we opened a dry wall manufacturing facility at Tulsa, Oklahoma, and sold these products principally to distributors in the Oklahoma, Arkansas and Kansas area.

In 1973, we moved the Tulsa facility to a new and larger plant in Broken Arrow, Oklahoma, which is a suburb of Tulsa, Oklahoma..

This plant continued in operation through 1977, at which time we discontinued the use of asbestos in our products. Its sales were through Kelly-Moore stores and distributors in the Oklahoma, Arkansas, Tennessee, Kansas and Missouri areas.

In 1969, we added a dry wall product manufacturing facility to our Kirkland, Washington paint factory. This facility supplied products to the K-M stores in the Pacific-Northwest area, and also sold a few distributors. This facility was closed in 1972 due to lack of sufficient volume, and the San Carlos plant supplied products to the Pacific-Northwest area after that date.

In 1970, the Dallas paint factory and dry wall manufacturing facilities were moved to a new and larger plant at Hurst, Texas, which is fifteen miles west of Dallas. This plant has continued to manufacture dry wall products since that date.

In 1971, we added a dry wall product manufacturing facility to our Denver, Colorado paint factory which supplied products principally to our stores in the Rocky Mountain area. This facility was closed in 1976, and these products are now supplied from our Hurst, Texas facility.

In summary, during one period, K-M had seven dry wall manufacturing facilities in operation. Due principally to increased competition and unsatisfactory profit margins, four facilities were closed and the Broken Arrow, Oklahoma facility was sold January 1, 1979. This left K-M with two facilities; at San Carlos, California and at Hurst, Texas, which are currently supplying Paco dry wall products for sale, principally (over 95%) through K-M stores.

Additional information on the use of asbestos in Paco dry wall products:

1. Our suppliers of asbestos fibers were:
 - a. Johns-Manville Sales Corporation, Greenwood Plaza, Denver, Colorado 80217
 - b. Union Carbide Corp., P.O. Box 4115, Church Street, New York City, N.Y. 10008
 - c. Carey Canadian Mines Co., Limited, East Broughton Station, Quebec, Canada

We estimate approximately 20% of our purchases were from Johns-Manville; 8% from Union Carbide and 72% from Carey Canadian.

2. The principal use of these products was in new construction and applied by professional applicators.

3. Our sales figures in the data sheets are overstated because of intercompany sales inclusion in some of the sales reports.
4. Although complete information is not available, we estimate that the total number of employees that worked in all of our Paco manufacturing facilities from 1960 through 1978 (last date asbestos was used) would be approximately 240. Starting in 1972, we had pre-placement physical examinations on new employees, annual physical examinations on all employees, and exit physical examinations on all employees who terminated. All of these examinations included chest x-rays, and a copy of the examination specifications is attached. During this time, we have had only one employee, Lloyd Bowers, that had a "spot" on his x-ray. This was watched for several years until his retirement in December 1979. There was no apparent growth and it was not diagnosed as asbestosis. One other employee worked for Paco during the period 1959-1964. A Workers' Compensation claim was filed in 1981 by his attorney, requesting payment of his medical treatment costs which, according to the information we have, amounts to less than \$1,000 and are being paid by the Workers' Compensation insurance carriers. No claims other than Workers' Compensation have been filed against Kelly-Moore to date. This claim was not listed in Exhibit "A" since it has been paid.

D. M. M. L.
12/82