ZONOLITE
CONSTRUCTION PRODUCTS DIVISION

MAY 1 - 1970

PLAINTIFF'S EXHIBIT WRG-523

TO: C. R. Lowe/Zono-Atlanta Verm.
R. L. Asher/Zono-Boca Raton Poly.
W. G. Gray/Zono-Dearborn
J. A. McEachern/Zono-St. Louis
L. P. Hollis/Zono-High Point
R. E. Dunham/Zono-Minn. Office
C. H. Wendel/Zono-L. A. Office
R. B. Moran/Zono-Dallas

DATE: April 29, 1970

FROM: B. R. Williams

RE: Monthly Report Excerpts

cc: H. A. Brown

In an effort to improve communications throughout Zonolite, we have started taking excerpts from each of the reports we receive, combining these into one package. This is then circulated to people in Cambridge.

Since we thought it would also be of value for you, we will also send a copy to you each month.

Bruce BRW

B. R. Williams

BRW/rm

ZONOLITE
CONSTRUCTION PRODUCTS DIVISION

EXCERPTS FROM FEBRUARY MONTHLY REPORT

1. Regional Manager - L. P. Hollis

* If our Glass Fiber business had equalled last year's, we'd be well ahead on dollar volume for March as well as year to date. We are very concerned about the Glass Fiber market. A great many of our truckload buyers, particularly in Northeast, have dropped us because we are unable to supply their requirements from Penbyrn. Other customers have expressed dissatisfaction with J-M's new packaging and are purchasing competitive products. I don't have a solution except to keep our name in the pot until there is a change in circumstances. Any suggestions will be welcomed.

* Concrete Aggregate sales are still lagging but will take a definite upswing with the warming trend. It will probably be May before we have a real solid roof deck month. Between Dri-Pac and perlite concrete, we can already see 125,000-150,000 bags for the year. Dri-Pac prospects continue to look most promising.

* Competition continues to hack away at our Masonry Fill business, through the medium of lower pricing. In a number of markets, we're 25¢/bag higher than perlite. Frequently, after original quotation, we are not given the opportunity to meet a lower price. As I have indicated before, there are rumors our perlite opposition may be moving in the direction of raising prices. If this does not transpire, we may want to consider a perlite product of our own priced to make our competitors a little uncomfortable. In spite of all, we should have a very good year with Masonry Fill which was our biggest seller in 1969.

District Manager - N. T. Burns

* Concrete Aggregates - The aggregate used this month was by the Hampshire Company for the Eldersburg School. On this job there was some 3" structural cement fiber material plus an area of 12,000 sq. ft. that was 1" formboard and 2" Zonolite Concrete. When we began to ship the aggregate, I questioned McNabb about the Perma Deck and he was very evasive. I visited the job site and found that he had 3" Insulrock in place and the job was ready for the formboard. Again, I contacted McNabb and he gave me several reasons such as he could buy Insulrock cheaper. They do not charge for material cut less than standard lengths, for not using Permadeck. I informed him this was a certified system and I would not issue a certificate and also told the general contractor the same. I have taken the position that I will not certify this job. McNabb feels that Hampshire controls the market and will do as they please. It has become increasingly difficult to consider Hampshire as an applicator and I am considering terminating our agreement with them.

District Manager - N. T. Burns (cont.)

* Mono-Kote: Through this month our Mono-Kote sales are over twice the amount sold for the entire year of 1969. The fiber people are still having problems; therefore, the switch to Mono-Kote continues. However, the local people with Fire-Bar are making a strong bid for the fireproofing work in this area. I understand they even have a two-hour test on air ducts. This could be a factor for Washington and surrounding Northern counties of Virginia require protection of air ducts. The governing agencies for these counties will not accept the test that I submitted to the D.C. government for ducts. It appears we would have to conduct a test on ducts along to gain approval.

* The sales for April appear to be good. However, we could encounter some serious problems. The building trades in the Baltimore area went on strike April 1, and there is no settlement in sight. This could really hurt for a fair amount of sales come from Baltimore and the surrounding counties of same.

District Manager - J. Cintani

* Glass Fiber sales contributed substantially to the decrease in dollar sales. Glass Fiber sales in March of this year were only 147,000 sq. ft. compared to 940,000 sq. ft. last March. The glass situation is not improving. We are still on allocation from Penbyrn plant. Most of our truckload buyers have dropped us because we cannot supply their requirements. In the first three months of 1970, our glass fiber sales amounted to 792,000 sq. ft. compared to 2,336,000 for similar period last year. Unless steps are taken to correct the situation, we are faced with the possibility of losing the glass fiber market entirely.

* We have under contract vent board orders totalling 1,873,000 bd. ft. A substantial portion of this business will come in the first half of the year.

* We have ten Dri-Pac jobs under contract with our applicators. These jobs will need 34,400 bags of perlite aggregate. In addition, J. B. Eurell is working on two large all-weather-crete jobs in the New York City area trying to secure the contract. The general contractor does not like working with Skyway Roofing, the all-weather-crete applicator.

* There is a great deal of discussion, that would be too mild, I would say "near hysteria" about harmful effects of asbestos in spray fireproofing application. In nearly every major city air pollution officials are pondering what they can do to control this application. I do not think it will be very long before all types of spray fireproofing using asbestos as a binder in their product will be banned from the market. U.S. Mineral Wool has sent out an announcement to their applicators that they not have an asbestos-free product. I think we should release information on our results so we can take advantage of the situation. The time to push real hard is right now. Six months from now may be too late.

2. Regional Manager - R. L. Asher

* A 10¢ a bag price increase on all dealer items will be in effect April 15, and I do expect some loss of sales of perlite as this is our second increase and they have yet to follow suit. It means that our price is $1.30 against our competitor's price of $1.12. Applicators have also been informed of a 10¢ a bag price increase effective June 15 with protection for jobs under contract only.

* I feel the decrease in Masonry Fill sales was due largely to our inability to produce the material when needed and have lost a great deal of respect with customers. When it was learned that customers were waiting as long as two weeks and jobs were being held up, I ordered material shipped in from Kearney, Little Rock, Nashville, and New Orleans. I hope that we can regain the respect of our customers.

* Permadeck has, once again, "ruffled the feathers" of our applicators due to their bidding directly on a job in Tampa and competing against another Grace customer. This is most unfortunate as it appeared we had succeeded in bettering relations with this applicator. I don't believe a fuss would have been made had it not been a Grace Company bidding against a Grace customer keeping the customer from realizing a profit. I don't know how much more of "Grace" this customer can stand.

* It has been reported that a large project was placed with All-Weather-Crete in Dade County and a strong promotional effort being planned in the State of Florida for this product. We also understand that the Sinclair-Koppers Company, through a competitor applicator, placed a lightweight concrete deck using polystyrene beads and cement. It was reported very successful. Another product gaining recognition, for roof decks in South Florida, is sprayed polyurethane. This product has been used on several projects, but we are unable to obtain the price as yet.

3. Regional Manager - W. G. Gray

* Elasticell is giving us some competition in Detroit and Indianapolis, as previously reported, but we are aware of their activity and we will give pricing concessions where necessary. Perhaps in two particular jobs at present. We will have competitive pricing reports on them.

* We were able to quote, for the second time, on a 35,000 sq. ft. job in competition with All-Weather-Crete versus Zonolite concrete and vent board. I think we will take that job.

* Our activities during the month of March, with regard to the Profit Probe Program to the architects in the Region, was quite brisk. I am presently in the middle of getting a complete count but to date all indications are that we have reached approximately 55 firms in the Pittsburgh District, 60 firms in the Cincinnati District, and a like number in the Dearborn District. I feel that we have reached more people than this by the time of this writing. In April we will begin to reach the end of our prospects with regard to the concrete program.

Regional Manager - W. G. Gray (cont.)

* The applicator situation seems to be very good at this writing. Our applicators report that they are well back-logged and waiting for the weather to break. Of course the Teamsters' strike has held us up quite a bit in this area, even though the weather in April has broken.

* Dick Hartman advises me that he has recently received another cryogenic order and that he feels there is a good potential for us in the Pennsylvania area.

District Manager - R. L. Upchurch

* CONSTRUCTION SITUATION (U.S. News & World Report)

1969 vs. 1970 To Date

Cincinnati	Up 1.6	Detroit	Down 11.8
Cleveland	Up 2.9	Grand Rapids	Down 8.6
Indianapolis	Up 17.0		
Columbus	Up .6	Louisville	Up 4.1

* Quote from U.S. News & World Report: "Most of the highly-industrialized area of Michigan and Ohio are feeling the pinch of a tight-money economy. This is particularly the case in Detroit and other auto-oriented cities, but many other communities are seeing a decline in construction and in department store sales - consumer trade effected."

District Manager - V. G. Monroe

* The Masonry Fill and roof deck business is picking up. Stop the rain and we'll be covered up. We have been having some trouble with our expanded #4 on the D-18 for use in concrete. Anning-Johnson called and were getting 133% yield on their 1:6 mix which caused us all much concern. I'm going up next week to take a look at it. I'm guessing that the vinsol resin feeder is distributing too much product in the bag.

* Southeastern Foam has finally decided where they are going to put the plant. It's Lebanon, Ohio, which is near Cincinnati, Ohio. They now have a warehouse in that area where they base their operation.

* We had to go to $60.50 on regular Dyfoam shipped to Louisville, Ky. This was approved much earlier but not used. Southeastern quoted American Builders Supply $59.00, which caused us to lower the price.

* There was an ad in the Indianapolis, Indiana, paper asking for an investor-operator for a polystyrene foam plant in the area. Drew Foam out of Arkansas was the solicitor.

* The new plant superintendent, Jack Ashworth, arrived 3/26/70. I believe Reed Wright made an excellent choice.

District Manager - R. G. Hartman

* Paul Benditz will transfer to Darex April 15, 1970. I am getting good response to my ad in the Cleveland paper and will be looking at people up there the week of April 6, 1970.

District Manager - E. E. Miller

* Attended Architects' Convention in Grand Rapids, Michigan. This is their annual meeting and all the architects in the state of Michigan attend this arrair. We had a good booth this year, one of the finest in displays and appearance. Many architects visited our booth, and discussed roof decks, fireproofing, and construction insulation subjects. As a suggestion, in future conventions, it would be a good idea to display products such as Darex Div. is promoting, and have their representative at the convention also. I believe this would help CMD.

* Also had a meeting with Berti on the Blue Corss job, but did not accomplish a thing. He insisted that we have another meeting with you being present. We did not discuss any amount of dollars but this is what he is after

Dyfoam Sales Rep. - A. H. House

* Prices in general seem to be going down with all of our major competitors. Bert Culpepper is now representing Falcon Foam in Ohio, Indiana, Michigan, and Kentucky. Southeastern Foam out of Georgia has a representative in Ohio, and he is passing out information that they will be building a plant in the Dayton-Cinn., Ohio area. Dow's S.M. board is getting the large share of the farm building market. Amotex is getting to be a problem in southern Indiana and Louisville, Kentucky areas.

* I want to congratulate George and Bob on the best piece of literature to come out of Dyfoam for some time. I am referring to DF-88.

Dyfoam Sales Rep. - J. A. Alcook

* Alcoa, New Kensington, Pa. We are working with this account on their new stud-wall system. This system has extruded studs on 24" O.C. The idea is to use Tufhide stapled to the studs as an insulation board with standard aluminum siding finish applied over Tufhide in the field.

* I.D.L. Corp., Monroeville, Pa. We are working on a program with this account to utilize Dyfoam boards as part of an advertising display for Heinz & Co., Pittsburgh, Pa.

* This is the year to reap the benefits from the USDA new meat packing law. If we are to enjoy any real benefits as Dyfoam, then we had better locate by direct mail those packers who are upgrading their facilities this year. It is too cumbersome a task to accomplish by individual cold calls. This mailing should be completed by April 15. May, June or July mailing will be too late. The packers have their plans fairly well completed as of this date. We have evidence of many jobs with field starting dates in April.

h. **Regional Manager - C. R. Lowe**

* Another point of interest is a recap of vent board jobs under contract and bid, total over one million sq. ft. of total vent board sales, and this board should be shipped during 1970. Other promotion throughout the Region in March include a very concentrated effort on perltex textured products. We now have stocks of this product in most plant locations and our market research indicates a tremendous potential once we decide the type product that each market place requires. We find that this is a competitive product situation through the Region; however, we still feel strongly that we can obtain a good share of the textured product sales throughout the Southeast.

* We are finding competitive situations throughout the Region and this could become more critical as the year goes on. Our dealer prices were effective April 1, and region people report a number of instances where the contractors are being quoted competitive prices considerably under our dealer prices. Reports from the Atlanta District on masonry fill, competition being quoted to the contractor in the neighborhood of $1.30 per bag which compares with $1.60 to our dealers. In the Little Rock market we are finding that contractor prices of $1.36 and lower on masonry fill is being quoted and we have been forced to meet this competitive situation in order to get several relatively small truckload orders.

* One new applicator in Memphis signed up in excess of one million sq. ft. of Zonolite roof decks in the past month, and we are very optimistic about the future of this applicator, who is Chris Fiedler Company of Memphis, Tenn.

* New Orleans reports having some extensive problems with blended ore in that the mill has been furnishing ore with excessive fines, which do not permit us to control our concrete aggregate bag weights and the yields are below 40 bags per ton on a number of cars. This will increase the New Orleans plant cost during March, and we feel that some better control must be maintained at the mill on this product if we are to continue to assist in the mill #5 problem situation at our New Orleans and Little Rock plant locations. I refer to Joe Timmons report that is attached and strongly request that management insist that our mill people work out their blending problems with the #4 and #5 ore so that we can expect a reasonable yielding blended ore.

* The final unusual expense for March is that all our plants are showing a very substantial loss of yield on #3 ore from Kearney. Yield losses are from three to six bags per ton are being experienced in all plants and this will be a costly situation to the regional profit and loss for March. Again, I request that communications with the mill people be effected to attempt to work this problem out so that our plants can oeprate on a reasonable basis insofar as their ore yields are concerned.

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District Manager - G. R. Taylor

* From a general standpoint, the architects still lack the bread and butter jobs. Many bond issues were voted and passed in March. We will be following them closely. However, the bonds must be sold before construction can go ahead. Shopping centers are developing all over Arkansas.

District Manager - D. A. Barkley

* We spent some time with Leon Duncan with Bonitz, and with James Hill and Bill Maclin with Lightweight Decks, Inc. Lightweight of course is pushing Dri-Pac, but Leon is pushing Zonolite, and has almost half a million sq. ft. under contract now and has only been working for Bonitz a few months. He is going to give Maclin some real competition in the Nashville area, and it will all be Zonolite. The best move that has been made in quite some time was to put Leon Duncan in touch with Binitz - a touch of genius!!!!

* Jim Weir told us that his cement fiber board business has diminished about 50%, while his Zonolite roof deck business has increased about 100% over last year. The hurricane caused part of this, but Jim told us that people were just getting tired of precast fiber board decks, period. Jim is looking forward to a big year this year, and has just finished the best roof deck year ever.

District Manager - E. D. Bossier

* We will devote extra effort on the Dyzone and Dy-Zo-Cor systems in an effort to replace as much rigid insulation as possible. Now that we have gotten better fire insurance rates on the Dy-Zo-Cor system, we can promote this for any type of construction. On this product options or alt. to bid against other systems can account for a large amount of total sales and we will watch closely for jobs we may be able to change over.

* Perltex: We expect to make this product a factor in dollar sales. We will continue to contact painters, plasters, drywall contractors, etc., and to include these people in our regular calls. Several of our contacts have indicated they will call us for their future needs. Our promotion with architects on this product has produced several promises of specifications, some on large jobs.

5. Regional Manager - R. E. Dunham

* A decrease in Glass Fiber sales seems to be general in other Zonolite regions and also in the industry. Probably the most significant reason is the decrease in residential construction with permits off 50% for March (Minneapolis five-county area) and the past several months have all indicated diminished activity in residential construction.

Regional Manager - R. E. Dunham (cont.)

* Permadeck sales have been very poor because of insufficient selling efforts and competitive pricing that has discouraged some of our people. We are making some improvement, but it is slow, and not expected to improve rapidly. Our applicator program has excellent potential but is still very immature and the amount of effort available for Permadeck sales is limited.

* This week we expect to submit, for your approval, a new salesman for the southern Minnesota territory. Additionally, we would like to employ a sales trainee as soon as possible, a recent college graduate with Business or Engineering Degree, with some construction industry experience or strong interest. It is very possible that a territory will be open within six months or one year, and we have budgeted an Architectural Representative which we do not have and do not expect to replace at this time. Utilizing a sales trainee would be one of the best methods of improving the quality of our sales force.

District Manager - D. G. Gehring

* We had a display at the Wisconsin Retail Lumber Dealers Convention this month, and introduced Panelfoam, our new product. We had good interest in it and a few sales.

District Manager - W. T. Dingler

* I have still been working on the Eastman Kodak people, at Windsor, Colorado, in an effort to get them to let us bid a Zonolite insulating concrete roof deck as an alternate system on the half a million sq. ft. of roof deck they will have bidding in April or May. I finally got a decision from the head man, Windsor. He would absolutely not let us bid a Zonolite deck. The system that they have accepted and with the low bidder on the first phase which was another half million sq. ft. was foamed in place polyurethane. They will be specifying this with rigid insulation as an alternate for the next go around. I am in contact with Jim Cintani and hopefully he can do us some good back in Rochester, New York.

* The Permadeck sales outlook for the Denver District is not very bright. We have bid several jobs out here in the past year and have been beaten quite badly on all projects. I have sent figures in previously showing the difference in price out here and what it amounts to is that on material sales only Tectum and Petrical are beating us on all jobs and their price to the contractor is basically the same price that we charge our roof deck applicators; so without our applicators marking up the product at all, they are over priced. We bid a job in Durango last month that was approximately 40,000 ft. I have asked my applicators to get me the pricing of the material that we bid on this project and haven't received them as yet, but it is my understand that the low contract was approximately $6,000 below either Decks Unlimited or Construction Specialties Co. and the last report was that this product was Tectum.

Dyfoam Sales Rep. - E. C. Petersburg

* I recommend that serious consideration be given to using some type of product identification marking on our Dyfoam products - at least on the S.E., so that it can be easily differentiated from the Regular.

6. Regional Manager - J. A. McEachern

* Mono-Kote mixer in the St. Louis plant finally got into production during March and this should help the gross profits since we will no longer have the high freight cost involved in shipping from Little Rock, Chicago, and Omaha.

* Bill Manfield, our northern Illinois salesman, has resigned and we are in the process of looking for a replacement. No other personnel changes occurred in March.

District Manager - R. O. deBastian

* We are feeling more and more the effects of competition from Lightweight Products in Kansas City. Bob Johnson has advised me that they are selling Perlite Masonry Fill in Kansas City at $1.10 per bag. This must be worked on. I do not feel we should match it; however, we must come close.

* Sales were down. This in part is due to a slowdown in new housing starts. We also need to regain some of the customers we lost during J-M's strike.

Textured Products - W. J. Sinacore

* Orders for Perltex products are backlogged at Omaha, Nebraska. Two March carload orders for Texture did not go out during the month. Additional orders since then have created backlogs and long periods between order date and actual shipment.

* It has been reported that Proko Co., one of our chief competitors, have gone to a 40# bag and is offering Perlite based texture. If we, at the present time, had the necessary sales force, it would be possible to capitalize on our new Interior Super 40 vermiculite texture.

* Set up testing criteria with Cambridge on new Concrete Patch and Topping product.

* Worked with Hanna Chemical Coatings, Columbus, Ohio, on aggregates specifications for a new coating to be used in Federal housing projects. Could develop into substantial Perltex granule business.

* All Perltex products are shipped by commercial carrier. We will be out of business if the Teamsters strike. Due to the transportation problem and the bad spring weather, we are at the present time unable to predict whether or not we will make budget for April, 1970.

Travelers Rest - J. K. Chapin

* Tests run so far on expanded perlite for use in Dri-Pac indicate that the Grafco material from the Old Alexite deposit in Colorado is satisfactory. Other perlites are being tested and the annealing of the expanded perlite has been tried; however, to date, this has been unsuccessful.

* The sixth and final vertical test on Span-Deck, with and without Zonolite Masonry Fill in the cores, has been completed. Horizontal tests may or may not be done depending on Span-Deck's willingness to defray testing costs.

* The reformulation work on Mono-Kote is still the top priority project here. During this month, 18 metal decks have been constructed and experimental Mono-Kote formulae have been applied to 17 of them. An additional 12 metal decks (flat-plate sections) were constructed and framed and 2-1/2" of structural concrete poured on them. As a by-product of the MK reformulation work, it has been found that the MK set time is greatly influenced by aggregate size, coarse aggregate giving much longer set times than fine with the same gypsum. This has been reported by letter to Ralph Bragg.

* Tests on the effect of tall silo storage on various grades of vermiculite have been completed and the report will be issued in April.

7. Regional Manager - C. H. Wendel

* March was tremendous, stupendous and to put it mildly, colossal. It was a new record for the Pacific Region in shipments.

BRW/rm
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