



PLAINTIFF'S EXHIBIT

BIR-866

Memo To: S.R. Halling, R.S. Hammond, R.L. Kalte

From: W. C. Kinsey

Subject: WILMINGTON OPERATIONS REVIEW
SEPTEMBER 19, 1984

Date: September 21, 1984

Our September 19 Operations Review was productive; provided the format for spirited exchange of ideas; and, highlighted profit improvement opportunities for September and the 4th quarter.

Following represents notes taken during the meeting:

- Inventory records at Wilmington in need of review. Stock record showed 600 squares of black firescreen in stock. We committed to supply a 1000 square job through Southwest. But, either we had a stock record error or were unable to locate any portion of the 600 squares. Not a major problem, but one which did cause inconvenience.
- With approximately 50M squares of firescreen in stock we will be out of four colors next week. Not sure I totally understand this one.
- FW absorbing approximately \$20K per month in the area of idle capacity variance.
- We still have some glass MSR in stock packaged in plain(reverse) wrappers. Shell, to ship these ASAP.
- We will "test run" one roll of PRC 240 wrappers in conjunction with the next firescreen run. We will also attempt to secure a 1300 square PRC 240 gov't job through Southwest. We need standard card from Bob Carlson; a report from Bob Kalte on the success of the test production run and a suggested price point. (We should consider same price as Northern CA. We are not very interested in a commodity battle with OCF in Southern CA with the PRC 240)
- Joe Zilfi, could you please have someone identify why we have a low variable cost at FO on glass base vs. FM and FW's??

VARIABLE COST (per A. Nako)

	<u>FM</u>	<u>FO</u>	<u>FW</u>
74# GLASS CAP	\$6.62	\$6.65	\$6.13
75# GLASS BASE	\$11.76	\$10.58(1)	\$11.76

(1) does not make sense

- Mack Roach need sales assistance. Doesn't get much help from Scott due to volume of complaints. Bob to see that we hire someone to handle the complaints. (Quality Wheelbarrow Company at it's finest!!)

BIRD 013407

QUALITY PROBLEMS

- In Phoenix we are considered the poorest in the market. (Keith Davis using OCF because of our quality)
- Sales force rates Bird at 5th. (Interesting to note that we are one of five manufactures located in South CA.)
- Major problems in order of frequency
 - ° Press--worse on white
 - ° Toneline--now resolved, but may be some old stuff in Distribution inventory.
 - ° Blend--ours are "washed out." Our Antique Silver needs sharpening up to be more like Martinez. Is this an assignment for Costa??

PRESS PROBLEMS

- When we reduced weight, we left backcoating at 10-12# and took all the weight off the top of the shingle. Shell stated that this action caused press problems(i.e., when we lowered the weight from 211# to 207#)
- Shell/RCM feel we can improve the press on white firescreen by slowing the machine to 400 FPM. Should minimize speed-ups and slow downs.
- Should we test firescreen white at 400FPM plus heavier weight(top coating) Carlson??
- RCM suggests we purchase a second press roll
- RCM, FW, and JJ to call Shell on Monday September 24 to establish ground rules for a test on white firescreen. (speeds, weights, etc)
- Bob Kalte to lead a communications program on Quality improvements once we have corrected the press problems. This communications program will be directed towards our sale personnel, Southwest personnel, and customers.
- Sun City has requested a special exclusive blend to eliminate shading problems with white shingles. Our first attempt failed. Why don't we use 3M as a source to develop a blend for Sun City. ELM volunteered to contact Bill Madden in this regard.
- We may be selling rolls to Southwest at prices below the market. Same situation may exist on firescreen and Firebird. Ike to clarify.
- One full shift of Firebird was counted as scrap in August because we could not wrap the material due to a mechanical problem with the wrapper. The material has now been wrapped and placed in inventory. This will be a positive adjustment during September. East Walpole should have been notified of the unusual event.

- Sales objectives for the remainder of the year.
- We plan to sell the total capacity of the Wilmington plant--this includes overtime during the the week and at least two Saturdays per month for the balance of the year. Our objectives included no shut downs during December with the possible exception of 3 days following Christmas.
- Action plans include the following:
 - Immediately resolve the Quality issue.
 - Wrap-up 200 to 250 truckloads for shipments between now and year end for Ford Wholesale. Bob Kalte to follow and keep us informed. Approximately 5 percent will be rolls. Balance will be 1/3 laminated and 2/3 firescreen. All for Southern CA.
 - S+G has 25 truckloads pending ongoing terms of 2%, 2nd 10th. Steve to quickly resolve.
 - Reed and Bob to select 2 to 3 key accounts where we can substantially increase our volume by extending competitive terms of 2% 2nd 10th. (Use gross profit analysis by account as means to select profitable accounts with high volume potential.)
 - Southwest's forecast of 22M squares per month appears low to Ike. Reed and Ike to clarify ASAP.
 - Inventory level now projected to drop 6M+ tons between now and October 31. Reed anticipates some service problems.
 - Shell to immediately begin working crews one additional hour per shift. We will closely monitor Reed's sales level and be alert to any opportunity for expanding overtime hours.
 - Alan to calculate total material available between now and year end, and monitor sales and suggest timing for additional overtime. Alan will also monitor and report on inventory levels.
- When we have a stop on the machine, we produce one long laminated shingle and one short laminated shingle. Long shingles will be cut to proper lengths. We have been packing one short shingle at random. We will no longer package the short shingles.
- Wilmington has accumulated approximately 1800 squares A-80 seconds and 2000 squares of firescreen seconds. PK to purchase all for September shipment. This will be positive hit of about \$40 to \$45K in September. We will not accumulate going forward. We will sell then every couple of months to avoid a large inventory build of seconds. We should find a home for this type of material in L.A. as Ike cannot keep pace with our production of seconds!!!
- Shell not able to weigh rolls without hiring a second driver. We did not resolve this problem. RCM should address.

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- Why do we require our plants to purchase expensive WITCO laminating adhesive when others use Trumbull?? Our cost from WITCO is \$452.50 per ton vs. \$331.25 from Trumbull. Shell to submit a recommendation to R+D.
- Wilmington employees asking status of profit sharing program as "announced" early this year by GJH. Shell to tell employees that the Division has no profit to share. If Don Larsen has other ideas, please advise.
- Fred Ryan: Our asphalt felt shipments for FS to AZ are not showing up in the ARMA report. Please advise.
- Do we want Reed to sell more asphalt felt from Shreveport? WCK to advise.

If anyone else has notes, please circulate.

WCK/gl

cc: C. N. Campbell
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