PLAINTIFF'S EXHIBIT

0641978

GRACE

Construction Products Division

TO: J. A. Danneker
R. M. Vining
R. C. Walsh

DATE: September 15, 1983

FROM: R. J. Bettacchi

SUBJECT: August 1983 Monthly Report

cc: R. C. Abernathy
H. C. Duecker
Marketing Department (14)
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[redacted]
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I. Summary

- Although tremolite contamination of vermiculite-based products continues to be a problem in the marketplace (we have seen our first "tremolite-free" Monokote specification out of St. Louis), it does not appear as though the issue is of the same crisis proportion we thought it to be. We have prepared a fact package which is now being distributed to the sales organization and are continuing to handle tremolite inquiries on the subject on an individual basis.

Jim

- Complaints on the variability of Monokote 5-SG at Patti's 49th Street Tower job resulted in our monitoring this job and Patti's standard MK-5 job (199 Water Street) also in New York City on a daily basis for three weeks. We concluded that the variability with MK-5SG was about the same as seen with standard MK5 - both were unacceptable. We have initiated a program to define and eliminate the causes of the variability and are postponing further conversions to MK-5SG until this program is completed. We anticipate a four to eight-week delay.

- CAFCO has tested and received approval on some U. L. designs using reduced thicknesses of material to obtain equivalent fire resistance ratings. They have recently used these designs, which result in a lower cost to the applicator, to beat us out of several large jobs in the Central Region. We anticipate that these thickness disadvantages could impact our business in the Eastern and Southern Regions. (As ICBO jurisdictions use different and simplified thickness criteria, we are not presently disadvantaged on the West Coast.) We are in the process of developing a test protocol which will enable us to reduce the Monokote design thickness and again become competitive with CAFCO.

- We met with National Gypsum during the month (they have supplied 41% of our Gypsum requirements so far this year) to determine their willingness to continue to supply ZOU plaster for the long term. Since they put new or refurbished kettle equipment in the plants from which they presently supply our needs when they switched to the calcidined Gypsum process, we are confident that they will continue to supply. (The only plant not yet converted to calcidined Gypsum is Long Beach and they also plan to add refurbished kettle equipment when this switch is made.) However, we also expect that they will continue to be aggressive with pricing as they perceive (correctly) that without their supply, we would be left with U. S. Gypsum as a single source. Having the capability to self-retard gypsum would open additional sources to us. We have initiated a program to self-retard Gypsum in order to broaden our potential supplier base.

- Polycel shipments for August were 109,000 lbs. representing one of the best months on record. The volume was driven by aerosol demand as both consumer and industrial products are moving well (incoming orders indicate a continued strong showing). The professional business continues to be relatively static as dramatic gains in the Regions are partially offset by market share losses and lower housing starts in Texas. Both Instafoam and Polyseal are moving more aggressively in this market.

- The Distributor Incentive Program for Masonry Insulation appears to be quite successful this year as volume continues to outpace prior year despite a continued market decline. The program will be winding down in September, and we must continue paying attention to our distributors to insure a good year. At the completion of the program, we will recap the "winners" and "losers" to estimate the impact of the program.

- The new improved Thermostud "T" clip was shipped to all plants on August 15, 1983. A mailing of Thermostud information was sent to 2200 Drywall and Insulation Contractors and within three weeks, we received a 3.6% response rate. Letters were sent to distributors and our salesmen to follow up on the leads. We have finalized a distributor slide presentation on Thermostud and plan to get it to the sales organization next month to assist in building distribution for this product.

- Despite the favorable reception given to the Attic Fall Campaign by our customers, initial shipments (August) do not show any marked improvement over the first seven months of 1983. The volume decline continues at a rate in excess of 20% over prior year.

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- We added one new Owens-Corning Supply Center to our customer base in August with the addition of one in Florida. This brings our total to 22 representing 48% of the potential. Florida is presently the leader in using O.C. distribution with 4 of 5 centers as customers of CPD. Our status with these centers is tabulated below:

O.C. Centers That Sell CPD Products

Region	Total O. C. Centers	Distributors of Polycel	Distributors of Thermostud	Distributors of Both	Distributors of Total
Eastern	11	3	2	0	5
Central	9	3	0	0	3
Florida	5	0	4	0	4
Southern	13	6	0	1	7
Western	8	3	0	0	3
TOTAL	46	15	6	1	22

There is still room for further growth as only one of forty-six centers carries both products.

- The Wilder Kentucky Vermiculite Plant has been using SBO treated L-3 concentrate for five weeks. Mine assay yields, which are being achieved by the plant, are averaging 3% higher than the yield from untreated concentrate. Initial reports (which need to be confirmed) indicate that applicator yields with Monokote produced from SBO treated L-3 are higher than from Monokote produced with untreated concentrate. A test protocol is now being established to determine the effect of SBO treatment on L-4 concentrate and ZIC performance.

- The plant trial of the firemate process was started at the Minnkota Power Co. on August 15, 1983. Although the coal being used for the test contains 9% sodium (most utilities blend to a sodium content of 4.5%) and there were mechanical problems with the soot blowers, initial results look favorable. The test will continue with continuing reduced concentrations of vermiculite until the optimum level is obtained. At an expected dose rate of 2 lbs/ton, this facility could use 3,000 tons/year of L4-L5 concentrate.

- Ore concentrate sales to Gypsum companies (about 20,000 tons per year) are threatened by two events. In the near term, about 7000 tons per year to U. S. Gypsum West Coast plants are at risk as a result of Bill Strong's importation of African Vermiculite. As we ship these plants from South Carolina (U.S.G. will not use Libby Vermiculite) our landed cost is higher than Strong's. U.S.G. has recently approved South African Vermiculite

In the longer term, Westroc Industries Ltd., a Canadian Gypsum company, has developed and obtained U. L. approval for a fire-rated wall board which does not contain vermiculite. If this product is economically viable, our entire volume of concentrate with the gypsum companies is at risk.

- We have negotiated an agreement with Kahalifa Algosaibi Co. which gives them rights to manufacture Zonolite products in the Kingdom of Saudi Arabia and rights to sell in the Arabian Gulf. The agreement, which is subject to approval by both companies, is based on the "heads of agreement" we developed several months ago. The major difference is that the license fee schedule was reduced in return for higher minimums and a commitment to purchase concentrate from GRACE. Subject to Saudi Goverment Approval, we expect the facility to be operational in mid 1984.

- We have announced a 7% price increase on Export Peter's products effective January 1, 1984. We have had a strong negative reaction from one of our key customers (Brinkman in Holland who represents about 30% of our volume.) We plan to meet with Brinkman to discuss our pricing and a strategy for gaining additional market share vs. Plant Products.

- Although sales of Serviwrap remained strong in August (due to a large shipment to Brown & Root for an offshore product), the backlog for pipe wrap is slim as no new major projects are anticipated before year's end.

- The hiatus in roof deck litigation activities has ended with three new Celotex cases being filed in August. Celotex cases now represent 45% of our caseload of 44. On a separate note, JM's attorney has appeared at our oral arguments on August 24th in the Norwich Pharmaceutical case. The appearance, which is the first since Manville's bankruptcy, has led to the speculation that the bankruptcy will be resolved in the near future.

II. Sales and Margin Summary

August gross sales for non waterproofing, non roofing Building Products are $1124M (15%) unfavorable to budget and $806M (11%) unfavorable to August 1982. Virtually, all of the budget under run is due to the shortfall ($1087M) in fire-proofing as the behind budget performance in General Insulation products ($156M), Polycel ($120M) and Serviwrap ($15M) is essentially offset by gains in concentrate ($177M) and Export ($87M). We expect that sales of these product groups will continue this relative performance to budget for the remainder of the year.

Year-to-date gross sales for these products are $8222M (17%) unfavorable to budget and $3112M (7%) unfavorable to prior year. The largest portion (77%) of the YTD under run is also due to Monokote ($6235). However, the YTD under run in General Insulation ($1522M), Polycel ($1095) and Ore to Outsiders ($51M) is only partially offset by above budget performance in Serviwrap ($149M) and Export ($620M).

Key Sales and Margin Statistics are detailed in Tables I. II, and III attached.

(Tables I, II, and III follows)

III. Product Line Details

Product Line Details are included in the attached reports.

RJB.

Robert J. Bettacchi

RJB/ko'c

Attachments

I. SALES AND MARGIN STATISTICS

		(1)	(2)	(3)	(4)	(5)
					% Variance	
		1983A	1983B	1982A	1983A vs 1983B	1983A vs1982A
		AUG 83 GROSS SALES($000)				
(1)	FIREPROOFING	3333	4420	4401	(25)	(24)
(2)	GENERAL INSULATION	1985	2141	1980	(7)	0
(3)	POLYCEL	508	638	437	(20)	16
(4)	ORE TO OUTSIDERS	508	331	438	53	16
(5)	SERVIWRAP	94	109	84	(14)	12
(6)	EXPORT	176	89	70	98	151
(7)	TOTAL	6604	7728	7410	(15)	(11)
		Y-T-D AUG 83 GROSS SALES($000)				
(8)	FIREPROOFING	21528	27853	25650	(23)	(16)
(9)	GENERAL INSULATION	11242	12764	11678	(12)	(4)
(10)	POLYCEL	2345	3440	2165	(32)	8
(11)	ORE TO OUTSIDERS	2851	2902	2543	(2)	12
(12)	SERVIWRAP	678	529	230	28	194
(13)	EXPORT	1245	625	735	99	69
(14)	TOTAL	39890	48112	43002	(17)	(7)
		AUG 83 GROSS MARGIN($000)				
(15)	FIREPROOFING	1527	2083	1883	(27)	(19)
(16)	GENERAL INSULATION	787	854	782	(8)	1
(17)	POLYCEL	256	337	223	(24)	15
(18)	ORE TO OUTSIDERS	304	193	267	57	14
(19)	SERVIWRAP	23	52	42	(55)	(45)
(20)	EXPORT	70	36	23	95	204
(21)	TOTAL	2968	3556	3221	(17)	(8)
		Y-T-D AUG 83 GROSS MARG.($000)				
(22)	FIREPROOFING	9886	12911	10563	(23)	(6)
(23)	GENERAL INSULATION	4433	4859	4212	(9)	5
(24)	POLYCEL	1192	1831	1076	(35)	11
(25)	ORE TO OUTSIDERS	1695	1722	1540	(2)	10
(26)	SERVIWRAP	328	243	115	35	184
(27)	EXPORT	466	239	287	95	62
(28)	TOTAL	17999	21804	17795	(17)	1

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TABLE II
[illegible] PRODUCT LINE DATA [illegible]

	PRODUCING BU	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
		VOLUME (000 Units)					GROSS SALES ($000)					GROSS PROFIT ($000)				
					% Variance					% Variance					% Variance	
		83A	83B	82A	83A to 83B	83A to 82A	83A	83B	82A	83A to 83B	83A to 82A	83A	83B	82A	83A to 83B	83A to 82A
	FIREPROOFING															
(1)	Monokote	544	801	701	(22)	(27)	3198	4241	4181	(25)	(24)	1456	1987	1756	(27)	(17)
(2)	3300	7	9	9	(25)	(20)	93	143	135	(35)	(31)	41	72	72	(41)	(40)
(3)	Other	4	3	8	19	(51)	42	36	84	17	(50)	29	24	56	20	(48)
(4)	TOTAL	NA	NA	NA	NA	NA	3333	4420	4400	(25)	(24)	1527	2083	1883	(27)	(19)
	GENERAL INSULATION															
(5)	Attic	58	73	72	(20)	(20)	189	248	218	(23)	(13)	91	123	97	(24)	(3)
(6)	Masonry	283	227	240	25	14	988	831	865	19	14	381	347	353	10	8
(7)	Indust.	54	75	66	(28)	(18)	226	324	272	(30)	(17)	117	170	141	(31)	(17)
(8)	[illegible]	23	18	23	28	3	113	91	105	24	8	65	56	60	16	8
(9)	[illegible]	780	1388	803	(43)	(2)	123	225	132	(45)	(7)	46	75	47	(38)	(1)
(10)	Plaimed	3525	4073	3466	(13)	2	308	378	338	(19)	(9)	75	68	71	11	7
(11)	Other P/S	NA	NA	NA	NA	NA	40	48	58	(16)	(19)	8	15	14	(43)	(41)
(12)	TOTAL	NA	NA	NA	NA	NA	1985	2141	1980	(7)	0	787	854	782	(8)	1
	POLYCEL															
(13)	Profess.	38	51	38	(38)	(2)	178	254	188	(30)	(6)	98	151	108	(36)	(9)
(14)	Consumer	55	48	41	12	38	245	258	187	(4)	31	121	126	88	(4)	38
(15)	Indust.	17	16	13	4	28	77	77	80	0	20	35	38	28	(5)	28
(16)	[illegible]-Comp	2	10	8	(84)	NA	8	51	8	(84)	NA	2	22	0	(89)	NA
(17)	TOTAL	NA	NA	NA	NA	NA	500	638	437	(20)	16	256	337	223	(24)	15
	ORE to OUTSIDERS (Tons)															
(18)	Licensees	1619	1200	1772	35	(8)	158	116	162	37	(2)	97	71	96	37	1
(19)	Gypsum Co	2484	1400	1788	78	40	234	130	155	81	51	141	76	100	86	40
(20)	Agricul.	670	800	559	(22)	(10)	28	34	29	(24)	(10)	10	14	13	(27)	(24)
(21)	All Other	881	500	834	76	(6)	88	52	93	72	(4)	56	33	58	72	(4)
(22)	TOTAL	5484	3700	5051	48	8	508	331	438	53	16	306	193	267	57	14
	SCRAP[illegible]															
(23)	P300-500	182	174	59	5	207	58	63	25	(8)	131	6	31	13	(80)	(54)
(24)	V850	37	32	57	16	(34)	31	27	50	16	(38)	15	12	25	25	(39)
(25)	Other	NA	NA	NA	NA	NA	5	18	9	(72)	(18)	2	9	5	(75)	(49)
(26)	TOTAL	NA	NA	NA	NA	NA	94	108	84	(14)	12	21	[illegible]	42	[illegible]	(45)
	EXPORT															
(27)	[illegible]	NA	NA	NA	NA	NA	91	0	17	NA	[illegible]	[illegible]	[illegible]	[illegible]	NA	372
(28)	Zonolite	NA	NA	NA	NA	NA	40	72	[illegible]	(44)	NA	[illegible]	[illegible]	11	[illegible]	NA
(29)	[illegible]	NA	NA	NA	NA	NA	45	17	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
(30)	TOTAL	NA	NA	NA	NA	NA	176	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
(31)	TOTAL	NA	NA	NA	NA	NA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]

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