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Copy to Mr. Cryor

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6th October 1953

Messrs. Lord, Bissell & Kadyk,
135 South La Salle Street,
Chicago 3,
U. S. A.

For the attention of Mr. M.E. Meyer

Dear Sirs,

Thank you for your letter of 29th September with regard to our proposal to form a subsidiary company in the United States, and we are glad that you are willing to act for us in this matter. Your observations on the taxation aspect of this matter have been most helpful in enabling us to come to a decision to proceed with the formation of the Company, as we feel that provided we are guided by you in certain detailed matters there is no fundamental reason why the establishment of such a Company should involve us in taxation other than that on the profits of the American Company.

We are asking Mr. Cryor to call on you, and he will be able to supply a good deal of the information which you will require, but in order to be sure that we are quite clear from the tax point of view as we go along, I am putting down in detail the method by which we hope it will be possible for the new Company to conduct its business.

Considering first the sales of crude asbestos made by our Mining Companies in South Africa, we should wish to divide these sales into two categories: "Scheduled Contracts" and "Other Sales". By "Scheduled Contracts" we mean the main bulk of the sales which are normally made by contract towards the end of any year for supply during the ensuing year. The expression "Other Sales" is intended to cover any sale of surplus crude asbestos not contracted for under the above-mentioned arrangements.

Our proposal is that in the case of all Scheduled Contracts the sale should be made as at present, direct between the Mining Company and the American customer, the offer and acceptance being in accordance with the attached form of letter which we have used for some years and which we are advised is in conformity with the arrangements necessary to cover the taxation aspect. In the case of Other Sales, we should like the Mining Companies to be able to sell outright quantities of asbestos to the American Company at the lowest current price, and the American Company to sell to its customers at the best price they can obtain, acting of course as a principal and not in any way as agent.

We have ascertained that the South African Authorities would have no objection to the payment to the American Company of a commission of 2½% of Scheduled Contracts, and this should be the American Company's income for their work on behalf of the Mining Companies in the capacity of correspondents, it being made clear that the American Company will have no authority to negotiate or make contracts, but shall act as a source of information and provide general assistance to the South African business.

So far as the sale of insulation and other asbestos goods manufactured in the United Kingdom is concerned, these sales have not been extensive in the past although we hope to increase them by means of our new venture, and here again we should like to be able to sell these goods to the American Company as a principal at the best possible terms, the American Company then selling to customers on its own account. This would of course avoid warehousing on our behalf.

It is likely that we might at some time in the future also require the American Company to undertake manufacture of asbestos products on its own account, and it would of course purchase the raw material, acting as a principal, from our Mines. We may also require the American Company to undertake agencies for other businesses, partly as a convenience and partly because we feel this may be of assistance in establishing its independence of the Parent Company here.

Turning to the points which you raise towards the end of your letter, we shall certainly wish Mr. L.W. Dennis and Mr. R.E. Cryor to be Directors of the Company, but in the first place we should be glad if one or two members of your office staff could act with Mr. Cryor to be the first subscribers and incorporators, and we can later transfer the shares to the proper holders.

We agree that the Corporation should be organized under the laws of the State of Illinois and we should be glad to have a copy at your convenience of the standard Bye-Laws of a private Limited Company of this kind. We are proposing that the name of the Company should be the North American Asbestos Corporation, which name we understand from Mr. Cryor is available, and we feel that the initial capital of $1,000 which I referred to in my earlier letter will be enough to start with. I think that this covers all the points which it is convenient to deal with at this stage.

After you have had an opportunity of discussing the matter with Mr. Cryor, I should be glad to hear from you again in due course with particular reference as to whether these more detailed proposals for the Company's operations are likely to complicate matters by involving us in U.S. taxation other than on any profits which the American Company may earn. I feel I need hardly add that our anxiety in this matter is not to escape any taxation which should properly be paid by any of our Companies, but merely to avoid exposing ourselves to taxes which may fairly be avoided by the prudent disposition of our business arrangements.

I should not like to close this letter without adding my thanks to you for dealing with my original enquiry so expeditiously, thus enabling us to proceed with this proposal.

Yours faithfully,

Director