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Morgan Guaranty Trust Company of New York

522 Fifth Avenue at 44th Street, New York, NY 10036

Edward L. Hoyt
Vice President

Telephone 212 997-8170

**The
Morgan
Bank**

August 7, 1986

RECEIVED

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F. J. BRENNAN

Mr. Francis J. Brennan
Senior Vice President & Treasurer
W.R. Grace & Co.
Grace Plaza
1114 Avenue of the Americas
New York, New York 10036

Dear Frank:

Referring to our telephone conversation of yesterday, we would like to better understand W.R. Grace's insurance coverage for potential damages arising out of any asbestos litigation. After consulting with Bill Kelly, our insurance expert, we would propose a meeting to discuss the following questions:

1. What is the total amount of W.R. Grace's insurance coverage that would be available to sustain any settlements from asbestos-related property damage law suits?
2. How does this coverage break down between "occurrence" and "claims made" policies, and are the latter sufficiently retroactive to protect Grace against claims in the fifties and sixties?
3. What excess liability coverage does Grace have for asbestos related events and how does that work in relation to the primary policies?
4. Is the coverage available regardless of where the damages may have occurred or which of Zonalite's products were involved?

As you can see, this is pretty general and there may be areas where we will need greater specificity once we have had a chance to meet and discuss the problem further.

Bill Kelly and I are ready to sit down with you and your insurance people whenever it is convenient.

Many thanks and with best regards, I am,

Sincerely,