



March 24, 1964

Mr. James B. Kelly, Secretary
Combustion Engineering, Inc.
Combustion Engineering Building
200 Madison Avenue
New York 16, New York

Dear Mr. Kelly:

I am surprised upon my return to Chicago to find that our proposed deal involving the sale of our Insulation Division is apparently further away from being closed than when I left.

I am hopeful that a brief explanation of how we view this proposed sale may clear the atmosphere and lead to an early conclusion as to whether we can reach a mutually satisfactory meeting of the minds.

The basic thought on which we have developed our thinking on this matter is that at the price for which we have offered this Division to you, we expected the sale to go through very smoothly. In view of our knowledge and confidence in your company, it would be worth considerably more to us to have you take over this operation than some stranger. We assumed that in view of your familiarity with our method of doing business that the sale could be quickly consummated with a minimum of further bargaining and difficulty. We had contemplated turning the reins over to you and turning full attention to the rest of our business with the comfortable feeling that the Insulation Division was in competent hands and we would need no longer concern ourselves with it.

It now develops that several unexpected factors have been injected into the situation which are rather surprising to us under the circumstances above outlined.

- 1.) Further reductions in the purchase price because of accrued vacation benefits. Although this may be familiar to you, it is entirely new and unexpected to us. We feel that the drastic reduction in the purchase price more than compensates you for the relatively small amount this item may cost you. We also feel that we are not selling you our labor force, or in any way are