THIRD PARTY LIABILITY

ANALYSIS OF UCC EXPOSURE

- 1963 - 1977
  - -- EXPECT 2-3 SETTLEMENTS PER YEAR @ $60,000 EACH
  - -- WITH 20 YEAR INCUBATION PERIOD, CLAIMS WOULD BEGIN IN 1983

- POST 1977
  - -- ASSUME CLAIMS DROP TO $40,000 PER YEAR TOTAL

- RISK FACTOR
  - -- FIGURE LIABILITY 50% HIGHER THAN ABOVE ESTIMATES

- ESTIMATE OF UCC EXPOSURE
  - -- CONTINUED OPERATION CASES -- $4 MM
  - -- ABANDONMENT CASE -- $3.5 MM

THIRD PARTY LIABILITY

ANALYSIS OF UCC EXPOSURE

- IMPACT ON STRATEGY RESULTS

	1979-1988 IMPACT (ZERO LIABILITY)		
	CASH FLOW $ MM	EARNINGS $/SHARE	AVERAGE ROA
CONSTANT CAPACITY	12.0	.152	23
SHORT FIBER EXPANSION	8.2	.128	10
VISCOSITY CONTROL EXPANSION	7.8	.144	13
UNIT ABANDONMENT - SHUT DOWN	3.7	(.017)	-
- SELL	8.0	.050	-

	1979-1988 IMPACT (ACCRUE FOR LIABILITY)		
	CASH FLOW $ MM	EARNINGS $/SHARE	AVERAGE ROA
CONSTANT CAPACITY	9.9	.120	18
SHORT FIBER EXPANSION	6.1	.096	8
VISCOSITY CONTROL EXPANSION	5.7	.112	10
UNIT ABANDONMENT - SHUT DOWN	1.9	(.045)	-
- SELL	6.2	.022	-

RECOMMENDED STRATEGY

CONSTANT CAPACITY

- HIGHEST EARNINGS QUALITY
- LIMITED CAPITAL INVESTMENT
- LOW RISK (POTENTIAL THIRD PARTY LIABILITY LARGELY RELATED TO PRE-'77 OPERATION)