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November 10, 1993

Jackie Casenas, Esquire
USF&G Insurance Company
Special Claims, 7th Floor
P.O. Box 1138
Baltimore, Md 21203-1138

Re: Skipworth v. St. Joe Minerals Corporation

Dear Jackie:

We enclose a copy of Phillips v. A.P. Green Refractories Company, et al., issued by a three judge panel of Pennsylvania's Superior Court on July 15, 1993. Reargument was denied September 22, 1993. This case is relevant to our defense of St. Joe Minerals Corporation and related entities - specifically insofar as it describes the sophisticated user/bulk supplier defense as it applies in Pennsylvania. While we think this case will be helpful in our obtaining dismissal from the Skipworth claim, we are currently hesitant to push too hard for voluntary discontinuance, for reasons further discussed in this letter.

As you may recall, the plaintiffs have alleged in their Complaint a variety of theories of liability, one of which includes an independent quasi-fiduciary duty to warn, as well as a conspiracy theory. Given St. Joe's participation in the Lead Industries Association, we should not yet push too hard for voluntary discontinuance, as such might stimulate plaintiffs' increased scrutiny of that aspect of their case. For the time being, we have asked the plaintiffs to consider voluntarily discontinuing St. Joe and the ball is currently in their court in that regard. Their efforts at present are centered at developing the market share issue and pursuing their claim against the more prominent defendants (ARCO, NL Industries, Sherwin Williams, SCM/Glidden, etc.). Our recommendation is to continue informally to pursue voluntary discontinuance but not to really apply pressure on that until we see how market share works out. Since we have not yet reviewed the records we uncovered at the warehouse (some of which probably relate to the LIA), we think pushing the point at this time could backfire.

Please find enclosed our interim invoice covering services rendered for the period July 1, 1993 through October 31, 1993. We have calculated the copying charges for this billing period ($110.70) according to USF&G's $.15 per page billing amount. In addition, we have enclosed copies of the traveling documentation concerning the previous bill. You will note that USF&G was invoiced for ¼ of those charges, which were spread across all active files involving St. Joe. In reviewing the invoice again, we noticed that a portion of the travel expenses billed to the miscellaneous St. Joe file represented a meeting Emily Salmons attended in Pittsburgh with an expert in the Swartzbauer matter. As you can see from the summary of the changes to the invoice, we have gone ahead and deducted USF&G's share of that charge. As you will also see from the summary, assuming that travel charges as documented are acceptable to USF&G, there may have been a mixup in the calculation from your end as to the total costs owed by USF&G, as opposed to Zurich. We take the general costs (i.e. those that are for the common good of St. Joe's defense) and divide them pro rata between all the active files. Thus, USF&G is only responsible for ¼ of those charges. We think that this was not clear, given the fact that USF&G deducted the total of the roughly $3,800.00 as opposed to only its ¼ share. By our accounting, USF&G's share of those expenses was only $943.05, which means that the remainder of the $3,800.00 withheld represents fees. We have recalculated the amount due under the old invoice and you will see the remainder unpaid reflected on the bottom line. We would appreciate your including with your payment of the current invoice the remaining amount due under the prior invoice. If this is as confusing for you to read as it was for us to write, please feel free to give us a call. We would greatly appreciate your attention to these invoicing matters at your earliest opportunity. Thanks in advance.

Sincerely,

Norman L. Haase

Emily Morris Salmons

NLH/EMS/jfs
Enclosure(s)

cc: David Delman, Esquire