



July 15, 1977

Coopers & Lybrand
2300 Prudential Plaza
Denver, Colorado 80202

Gentlemen:

Re: Johns-Manville Corporation

Enclosed for you are letters of January 31, 1977 and April 19, 1977, concerning with litigation and contingent liabilities against or affecting Johns-Manville Corporation and its consolidated United States subsidiaries (the "Company"). I have examined the files of the General Counsel's office as to the matters referred to in such letters and as to matters of a similar nature occurring since April 19, 1977. Discussed below, in summary form, are (i) material changes occurring to the date hereof in those matters set forth in the above described letters and (ii) those matters arising since April 19, 1977, and containing claims of \$500,000 or more.

A. Claims And Actions

1. Occupational Health Cases - As of July 12, 1977, the Company was a defendant or a co-defendant in 392 cases alleging damage to the health of insulation workers or other persons exposed to asbestos fiber or asbestos-containing products manufactured or sold by the Company and in most cases, certain other defendants. The cases described in sub-paragraph (a) below are included in the 392.

Since April 19, 1977, the following occupational health cases have been disposed of:

<u>Case</u> <u>1977</u>	<u>Amount of</u> <u>Settlement</u> <u>or Verdict</u>	<u>J-M's Share</u>
Leava	\$36,000	\$4,000

- (a) Dr. Kent Wise and Dr. David Wise Cases - As reflected in my letters of January 31, 1977 and April 19, 1977, the Trial Court had sustained the Company's demurrer to the plaintiff Browner's complaint as to all of his causes of action against Johns-Manville. The plaintiff thereafter filed an amended complaint naming Johns-Manville Sales Corporation and Canadian Johns-Manville as defendants. His theory in the amended complaint was that Johns-Manville Products Corporation is entitled to the worker's compensation defense but the fiber supplier, Johns-Manville Sales Corporation and Canadian Johns-Manville are not. The Company challenged this theory on the grounds that the defense applies to the entire corporate structure of Johns-Manville. The trial sustained this general demurrer to the amended complaint. It is uncertain at this time whether the Court will allow the plaintiff to amend his complaint a second time.
2. Flextran - Customer Claims - Since my letter of April 19, 1977, two additional Flextran customer claims have been settled. These two claims are Nassau Bay, Texas and Quail Valley Utility District, Houston, Texas. Each of those cases was included in the second category of claims which were the subject of pending litigation at that time. These cases have now been settled, Nassau Bay for \$207,500 and Quail Valley for \$245,000. Accordingly, each should be moved from the "Second Category" to the "First Category". This raises the total paid out of the loss contingency to \$1,435,000 leaving a balance of \$2,665,000. It is my opinion that the original loss contingency of \$4,100,000.00 as established remains appropriate and sufficient.

3. Polychrome Corporation vs. Johns Manville - This is a new case arising in Yonkers, New York and allegedly involving a defective built-up roof. The plaintiff alleges damages in the amount of \$1,500,000. It is expected that any damage for which the Company might be found liable will be adequately covered by insurance maintained by the Company.
4. Tucker vs. Jaffe Insulation et al - This is a new case arising in New York in which the plaintiff was allegedly injured when the scaffold on which he was standing collapsed. The plaintiff is seeking damages of \$1,100,000 and alleges the collapse was due to negligence of the defendants including the Company. It is expected that any damages for which the Company might be found liable will be adequately covered by insurance maintained by the Company.
5. Ceramite, Inc. and Non-Metallic Metals Corporation of America vs. Johns-Manville Sales Corporation et al - This is a new case in State Court in Los Angeles, California and arising out of negotiations between the plaintiffs and J-M for the sale of J-M's Western Talc business. After approximately one year of work, negotiations were suspended. The plaintiffs have sued J-M for specific performance and for \$600,000 damages. The Company believes it has substantial defenses to all claims by the plaintiffs and thus the suit will not materially adversely affect its financial position.
6. First National State Bank of New Jersey v. Johns-Manville Corporation - This is a new case filed in The Superior Court for Essex County, New Jersey and arising out of the lease by the Company of certain communication equipment from Wiltek Leasing, Inc. The claim by the Bank is for the Company's failure to make lease payments to the Bank as assignee of the Lease involved. The equipment involved was either never received by the Company or never installed. The Bank claims the position of a good faith holder of the Lease not subject to such defenses. The Bank seeks damages totaling approximately \$600,000. The case is in the very early stages with no discovery completed to date.

Page 4
Coopers & Lybrand

B. Insurance Coverage

1. On July 1, 1977, the Company revised its insurance coverage. As of that date, with respect to claims alleging liability for products and completed operations the Company increased its self-assumption of losses from \$3.5 million to \$5.0 million per year. Above this level, insurance is provided by an umbrella policy. Certain other changes in the Company's insurance program were also made. Further information on the insurance coverage may be obtained from the Manager of Insurance.

- C. Other Matters - There are no legal proceedings pending or to the best of my knowledge, threatened against Johns-Manville 1971 Executive Incentive Plan or the Employee Thrift Stock Plan.

Very truly yours,

R. B. Von Wald
Assistant General Counsel

RBVW/cgp