

UNITED STATES GYPSUM CO.

PLAINTIFF'S EXHIBIT

USG-1514

SUBJECT

September 6, 1933.

Mr. C. H. Shaver,
Asst. Comptroller,
c/o Hotel New Yorker,
New York City.

Dear Tex:

Your letters of August 31 and September 3 indicate a quite surprising state of affairs and makes it appear most important that we be very thorough in our examination of the situation and in our appraisal of the opportunity.

In the course of your examination, will you ascertain who the stockholders of the company are and where the control lies?

I presume, if the National Company owns real estate in Elizabeth valued at \$311,000, it will be well to find out if it has been their intention to include this property in any proposal they make to us. I cannot imagine that we would have any interest in unattached property and I assume it will be eliminated on the basis of the book value.

An appraisal made in 1919 may be a favorable or unfavorable starting point. If Jack will study the appraisal, he can determine if the unit valuations are high or low. You will then be able to conclude whether you have a good or bad starting point for building up the plant account valuation.

If Mr. Scharwath has had \$585,000 in cash out of the company in 6 years, it would indicate that his need for cash approximates \$100,000 per year. This is the figure Mrs. Scharwath gave me when I saw her at the hotel - that he needed \$60,000 for his life insurance premiums and \$40,000 to live on. If the company has not been making money during the past several years, it would appear that its working capital is being or has been seriously impaired.

My thought has been that our proposition, when we come to make it, would be a flat figure for physical

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properties (as is usually done in such cases), they retaining the accounts receivable, and receive from us the amount of the inventory in cash. I assumed this would give them something well over a million dollars in cash, but if their working capital has been impaired, it is quite possible that such a proposal will not receive consideration at this time and we may have to wait until they have a full realization of the hazardous position they are now occupying.

I will await with interest your further letters.

Very truly yours,

A handwritten signature in dark ink, appearing to read "J. M. Thode". The signature is fluid and cursive, with a large, stylized initial "J" and "M".

Executive Vice President