Ardmore March 4, 1964 General Sales

Mr. K. A. McCaskill JOHNS-MANVILLE SALES AGREEMENT

C. E. Abbey - sad

CC: Mr. M. M. Powers - Ardmore
Mr. R. Smith - Ardmore Legal THIS COPY FOR

Re: Exhibit A, Revisions for March 1

As we discussed the other day, under the terms of the revision in the contract agreed on about a year ago, the prices to J-M by Bestwall were to be reviewed on March 1 and September 1 with any changes necessary being effective at that time. Attached hereto are copies of Exhibit A, Pages 1 and 2 (white sheets), Supplement 1, Pages 1 and 2 to Exhibit A (blue sheets), and Supplement 2, Pages 1 and 2, Exhibit A (yellow sheets). The blue sheets (Supplement 1) show the current F.O.B. mill price in effect March 1. This is a fact that needs no further explanation.

The white sheets (Exhibit A) show the percentage discount allowed to J-M on the F.O.B. Bestwall mill price. On the two sheets, I have shown in red suggested increases in discounts to J-M and in blue suggested decreases in discounts to J-M. A blue check mark means there is no change from that shown in the past.

I mentioned to you that the proposed changes represented adjustments and that the increase in discount to J-M at the four plants was tied in to the approved "Standard Cost" figures shown by the Cost Department. By the same token, particularly on some of the stocking mill items where our "Standard Costs" have increased, the percentage to J-M has been dropped.

Basically, the increases proposed were 1% in the case of Acme, Brunswick, and Sigurd and 2% in the case of Wilmington and had to do with Regular Wallboard and Regular Backer products, since over 50% of J-M's business is in 1/2" Regular Board and 20% or so is in 3/8" board. This means that potentially the possibility is of J-M earning slightly more money in 1964 than in 1963. However in reviewing the individual items thus affected by Plants, Bestwall's percent return is equal to or better than what it was in 1963.

Insofar as the adjustment for 1963 is concerned, I recommended that we take a strong position opposing any adjustments. I feel our position there can be defended based on some of the figures I used in the other memorandum. At the same time, by making this slight adjustment at this time we show good faith on the part of Bestwall to handle this account favorably where adjustment is indicated.

Insofar as the 2% at Wilmington is concerned, please bear in mind that the original setup insofar as standard costs at Wilmington were concerned, are based on Akron costs and later on limited operation. The new cost which represents considerably reduced "Standard Costs" take cognizance since the plant ran at peak capacity almost continuously in 1963 and they reflect a more true picture.

File
3/15/64

SGP 0024469

Please notice that insofar as the plaster products are concerned, it was felt necessary to suggest a decrease in the percent discount at both Akron and Wilmington due to increases in the standard costs on bag goods at both of these plants.

The yellow sheets (Supplement 2) represent the actual cost to J-M based on the present discount indicated in the white sheet against the mill base price indicated on the blue sheet. The same differentiation in colors is used here as on the first sheets. Red indicates a lower cost to J-M; blue indicates a higher cost to J-M.

While I agree with the principle of holding the line with the account and not giving them unnecessary price advantages, I believe that in view of their providing a substantial proportion of Bestwall's net sales, both in '62 and '63, and a sizable percentage of the gross profit that these adjustments are not out of line. The change on 1/2" board only represents less than 2% of the gross profit that Bestwall enjoyed on the J-M business in 1963. When you consider the Cost of Sales which must come out of the Net Sales as shown on Page 2 of the Company Report on Bestwall sales, Bestwall earns more on the J-M sales because of the lack of any additional Cost of Sales to be deducted from the J-M figure, than is possible with the Bestwall sale of Bestwall material only.

I would like to have you review the six sheets. If you agree that we can release these to J-M, may I have them back initialed and we will use them to prepare the material to be sent to J-M and to the Bestwall Billing Department.