Mr. R. J. McEvoy

September 14, 1967

PROPRIETARY

R. F. Shannon

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KAYLO PRODUCT DEVELOPMENT

The Kaylo Product Development program for 1967 included (1) completion of the stress corrosion project and (2) an exploratory investigation directed toward finding a substitute for asbestos. The budget for Kaylo Product Development through August 31 was set at $17,799. This allowed a manhour expenditure of 1779 hours or an average of 1.3 people for both projects.

The R and D effort toward finding a substitute for asbestos has been minimal to date, because (1) I and C Marketing shifted emphasis to completion of the stress corrosion program first, (2) diversion of available manpower to manufacturing problems involving low productivity and job efficiencies at Berlin, (3) substantial number of additional assignments and requests for information and technical assistance from I and C Marketing and (4) delays and costs related to SID cylinder operation and repair.

To be more specific, major manhour and dollar costs, charged to P-84035 (Kaylo Product Development), were directed toward:

1. Purchase and testing of competitive high temperature insulations at request of D. W. Ladd.
2. Manufacture of 4,000 pounds of 2399 additive at Granville for the stress corrosion test marketing program.
3. Supervising manufacture of 20,000 pounds of stress corrosion product at Berlin for test market program.
4. Carrying out test market program for I and C Marketing. This involved two field trips to Texas.
5. Request from Marketing to further upgrade physical properties of stress corrosion product by September 1, 1967 (assigned during May 1967 R and D-Marketing Review Meeting).
6. Request from Marketing to help on problems relating to K-17 core. This included two field trips (Dahlstrom Manufacturing and G.E.) made at Marketing's request.
7. Approximately fifteen miscellaneous requests for information or technical assistance from I and C Marketing — some involved searching for data from historical files, others involved some lab work (probably averaged about 10 to 12 hours per request).
8. Costs for repair of SID cylinder. R and D Accounting advised us to charge repairs against project.
9. Time consumed in preparing for R and D-Marketing Reviews in January, May and September and I and C Kaylo Marketing Team Meetings in January and June.

R. F. Shannon

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Attachment

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EXHIBIT K

PLAINTIFF'S EXHIBIT 593