CHEMICAL MANUFACTURERS ASSOCIATION

Charles W. Van Vlack
Vice President-Secretary

April 13, 1990

Mr. Vincent A. Carlarco
Chairman of the Board, President and
Chief Executive Officer
Crompton & Knowles Corporation
One Station Place
Metro Center
Stamford, CT 06902

Dear Vince:

Enclosed is the following background information we discussed at Boca Raton last week.

- An updated list through April of all the new companies recruited since June, 1987.
- An updated version of the 1989/90 membership recruitment program we "adopted" at the November Membership Committee meeting.
- An updated version of the full list of potential membership prospects.
- An agenda and related materials for the April 24 New Jersey CIC meeting.

I will talk to you next week.

Sincerely,

Charlie

Enclosures

CMA 175290

THE WALL STREET JOURNAL, TUESDAY, APRIL 4, 1989

Avery Agrees to Sale Of Uniroyal Chemical To a Buy-Out Group

By a WALL STREET JOURNAL *Staff Reporter*

NEW YORK—Avery Inc. said it agreed to sell its Uniroyal Chemical Co. to a management-led group for $240 million and the assumption of $560 million of debt.

Uniroyal Chemical President Robert Mazaika heads the management group, which is backed by Drexel Burnham Lambert Inc. The securities firm is to arrange financing for the transaction, which is expected to close by Aug. 31.

Avery is a Triangle Industries Inc. affiliate that wasn't included in the packaging company's sale to a French concern, Pechiney S.A. Nelson Peltz, Avery chairman and chief executive officer, and Peter W. May, president and chief operating officer, bought back Triangle's non-packaging assets and the Triangle name from Pechiney for $225 million. The two men aren't participating in the leveraged buy-out, an Avery spokesman said.

Uniroyal Chemical makes pesticides, the controversial apple-growth regulator Alar, rubber additives and other chemical products. It had been on the block since January 1988. At the time, Avery said it planned to sell the chemical unit "because high price-earnings multiples in the specialty chemical industry had frustrated its strategy of growing the company through acquisition." But the bidders other than management were interested only in pieces of the company. In a leveraged buy-out, a small group of investors acquires a company largely with debt that ultimately is paid with funds generated by the acquired company.

Avery bought Uniroyal Chemical from Uniroyal Inc. in October 1986 for $710 million, which it financed through $910 million of high-yield, high-risk "junk" bonds. Triangle paid $75 million for its initial interest in Avery. **Trian Holdings** Inc., a successor to Triangle and owned by Messrs. Peltz and May, holds about 80% of the 56 million Avery Class A shares on a fully diluted basis.

Avery said that when the Uniroyal Chemical sale is completed, it expects to be debt-free and to have $20 million to $25 million in cash "and no other material assets or liabilities." Avery, initially a coal company, said it was considering possible options, including acquiring another business or liquidating. If it were to liquidate when the sale is completed, Avery said its liquidation value would be about 35 cents to 45 cents a share.

FILE

UNIROYAL FILE

Uniroyal LBO Progresses; Avery in Talks

Avery Inc. said last week that it has entered into negotiations for the sale of its Uniroyal Chemical Company subsidiary to a group led by Uniroyal Chemical management and backed by Drexel Burnham Lambert Inc.

Avery said it is looking to sell Uniroyal, its largest asset, for a price of $800 million to $810 million, consisting of $240 million to $250 million in cash and the assumption of $560 million in debt.

Avery bought Uniroyal Chemical in 1986 from Uniroyal Inc. for $710 million. However last January Avery announced its intention to sell Uniroyal Chemical, citing problems converting it into a multinational player in the specialties industry, in part because the high price earnings multiples of specialties companies had frustrated its strategy of growing through acquisitions.

Avery, whose leading shareholder is Triangle Industries, says that if the potential sale to management is consummated by March 21, 1989, at the expected price, it will have no

Continued on Page 35

Uniroyal LBO

Continued from Page 9

outstanding debt and cash of $45 to $55 million. Avery will then contemplate acquiring another business or liquidating.

Meanwhile, Avery announced results for its fiscal year ending September 30. Uniroyal sales in 1988 increased to $734 million from $590 million, while operating profits rose 17 percent to $85.9 million.

Crop protection sales grew sharply as a result of strong worldwide demand for miticide, fungicide and plant growth regulator sales. Rubber additives, EPDM and urethane prepolymer sales all progressed overseas.

Domestically, specialty margins increased, while elastomer margins dropped ue to raw material price increases. Uniroyal also experienced domestic volume and market share growth in rubber additives, plastic additives and polymer inhibitors.

US elastomer sales benefited from good growth in the EPDM, urethane prepolymer and nitrile rubber markets.

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