

FILE NAME: Kelly Moore (KM)

DATE: 0000

DOC#: KM050

DOCUMENT DESCRIPTION: Industry Sales Literature with BC Notes

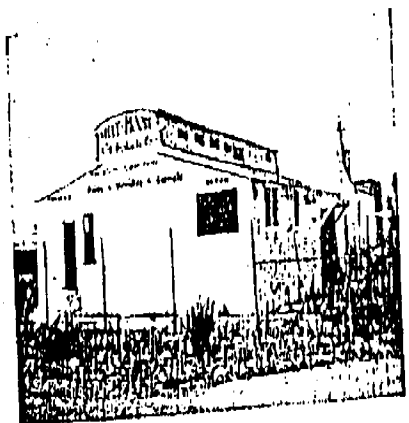


William E. Moore, age 29, graduate of the Georgia School of Technology, majoring in Chemical Engineering and Industrial Management, who had been a Glidden Company industrial paint salesman prior to World War II.



William H. Kelly, age 60, retired general manager of the Glidden Company West Coast factories, who provided experience in paint formulation and production techniques.

LOOKING BACK
In April 1946 Kelly-Moore began operations with these co-partners:



This factory
Located in San Carlos, California, a small town 25 miles south of San Francisco, ideally situated to serve the Northern California market.

And a clear business objective
To supply professional quality paints direct to contractors through a network of company-owned branches.

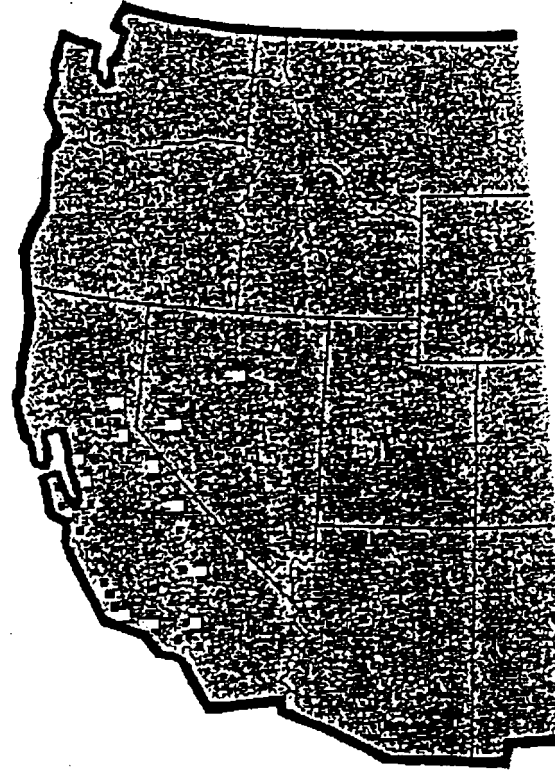
KELLY-MOORE FACILITIES

- MAIN OFFICE** San Carlos, California 94070
- FACTORIES, PAINT & DRYWALL PRODUCTS:** Dallas, Texas; Houston, Texas; Ontario, Calif; San Carlos, Calif.
- SUSIDIARY MANUFACTURING OPERATIONS:** Fresno, Calif; Newark, Calif; Oxnard, Calif; Van Nuys, Calif.
- MINING OPERATIONS:** Ione, Calif; Mariposa, Calif; Placerville, Calif; Carlin, Nevada; Weeks, Nevada
- REDUCTION MILL:** Florida, California
- SALES BRANCHES: CALIFORNIA & NEVADA**
 - San Francisco Bay Area
 - Carmel
 - Hayward
 - Oakland
 - San Carlos
 - San Francisco
 - San Jose
 - Santa Rosa
 - Central California
 - Fresno
 - Modesto
 - Sacramento
 - Stockton
 - Walnut Creek
 - Reno, Nevada
 - Southern California
 - Fullerton
 - Ontario
 - Riverside
 - Arizona & New Mexico
 - Phoenix
- TEXAS & OKLAHOMA**
 - Dallas
- SALES BRANCHES:** Abilene; Amarillo; Dallas (3); Fort Worth; Houston (2); San Antonio; Wichita Falls; Lawton, Oklahoma
- HOME IMPROVEMENT CENTERS (Calif.)** San Carlos; San Luis Obispo; Santa Barbara; Santa Maria

29

17
18

Texas Division Headquarters:



■ SALES BRANCHES
□ MANUFACTURING AND MINING

WHERE DO WE GO FROM HERE?

Kelly-Moore's near-future expansion program includes:

Construction of a new factory at Hurst, Texas (between Fort Worth and Dallas) to support a network of 24 branches in Texas, Oklahoma, Arkansas and Northwest Louisiana.

Completion of a 24,000 square foot metal working plant in Ontario, California, which will consolidate Sprayline, Inc., K-M Taping Tools and K-M Clutch Company at one location.

Orderly development of painter markets in the Pacific Northwest and Rocky Mountain states.

Barring an extended business recession this program should result in doubling the size of K-M operations by 1971 and establish our branches in all the major market areas west of the Mississippi in accordance with our long range plan. This is considered a reasonable goal in view of the increasing capability of Kelly-Moore's lean young management team and others on the way up.

MANAGEMENT COMMITTEE

President
V. P. Sales
V. P. Home Improvement Centers
V. P. Production
Secretary-Treasurer

INDUSTRIAL MINERALS

Industrial Minerals Co.
Marble Valley Limestone Co.
Cal-Mica Co.

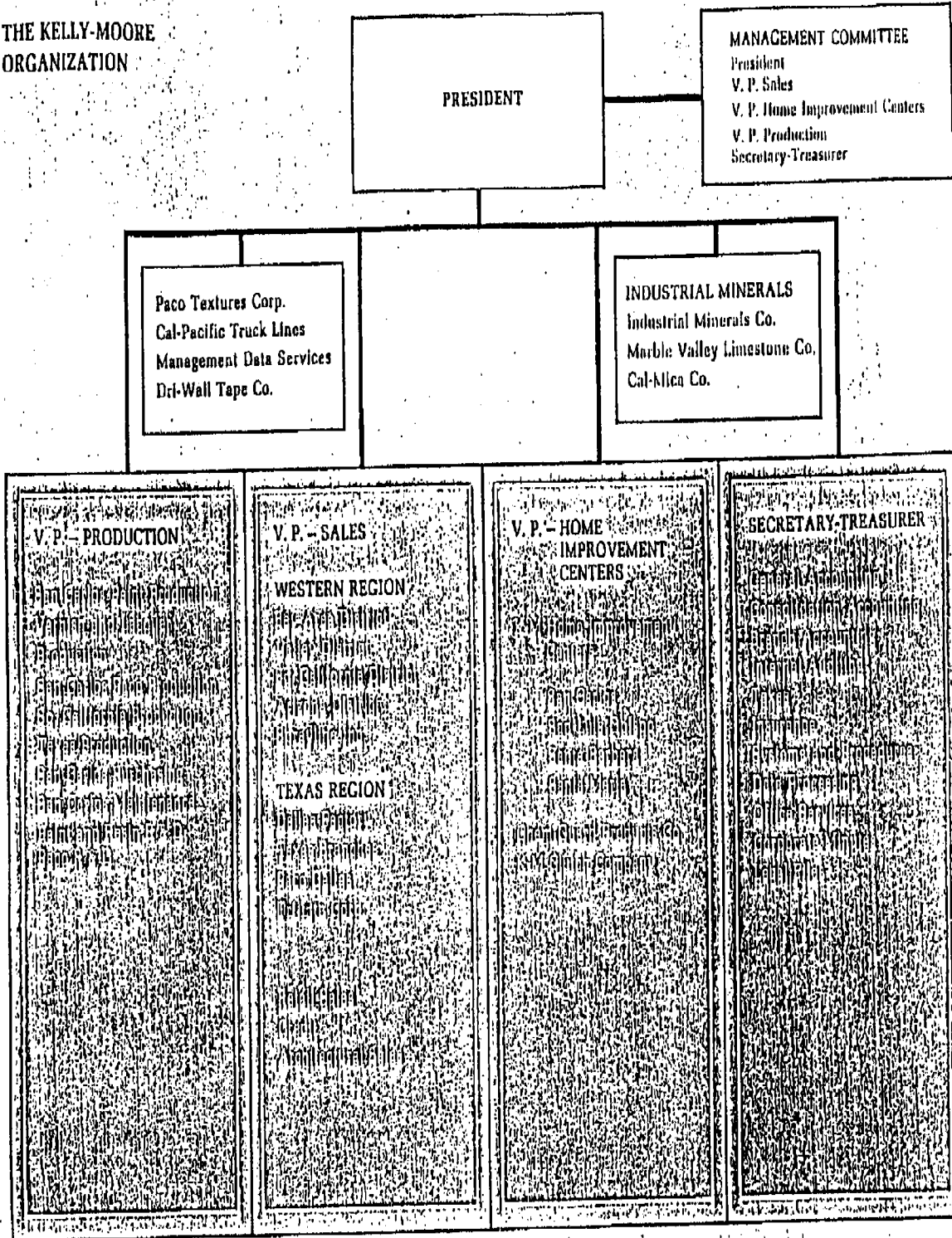
SECRETARY-TREASURER

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HOME IMPROVEMENT
CENTERS

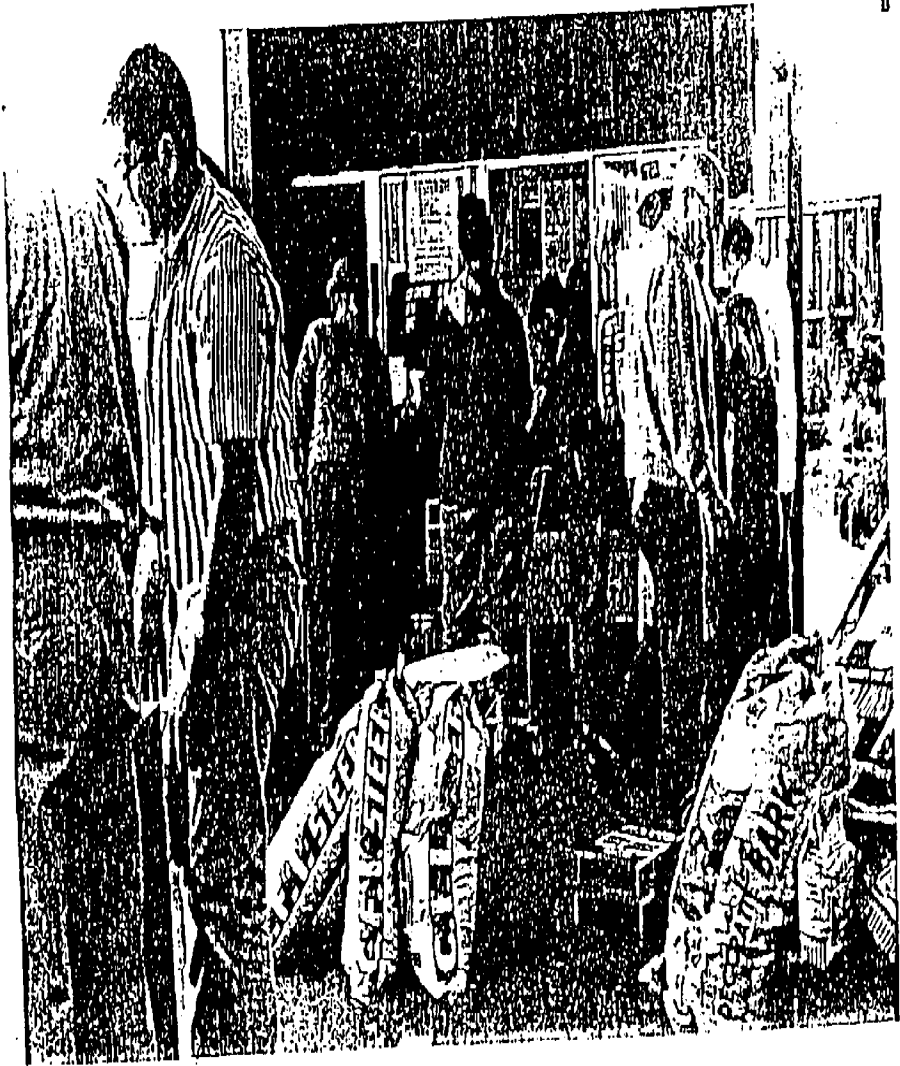
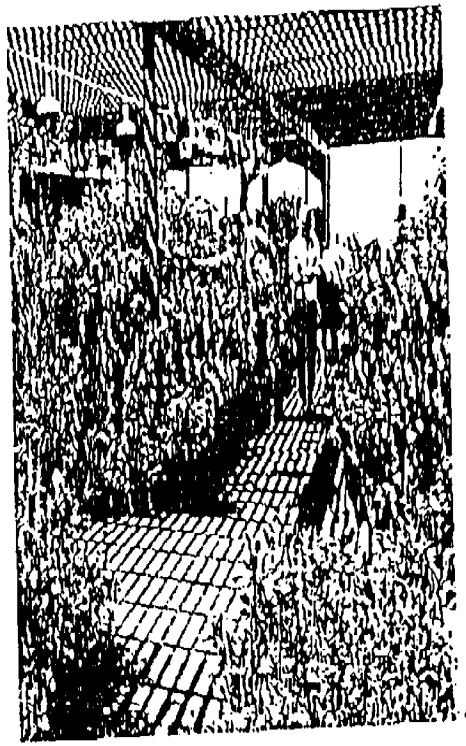
expansion of K-M activities.

**THE KELLY-MOORE
ORGANIZATION**



KM BB 5677

Organization chart illustrates lines of responsibility and coordination of K-M activities.



- A Ornamental shrubs and flowering plants are attractive adjunct to building materials.
- B Car-loading service is offered those HIC shoppers who serve themselves.
- C With suggestions from K-M electrical salesman it's easy to modernize light fixtures.
- D Home improvement projects usually start or finish with paint, enamel or stain.

THE HOME IMPROVEMENT CENTER IDEA

In 1962 Kelly-Moore embarked on a program to evaluate stores selling lumber, building materials, hardware, electrical and plumbing supplies, green plants and patio and garden supplies in addition to paints. Such stores were to be veritable one-stop sources for home maintenance and repair items commonly needed by the homeowner.

K-M's reasoning that stores of this type presented an opportunity for stimulating greater paint sales at retail was based on these facts:

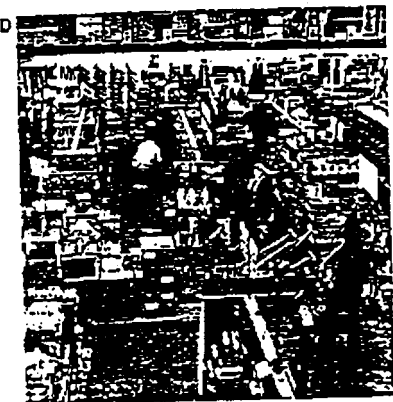
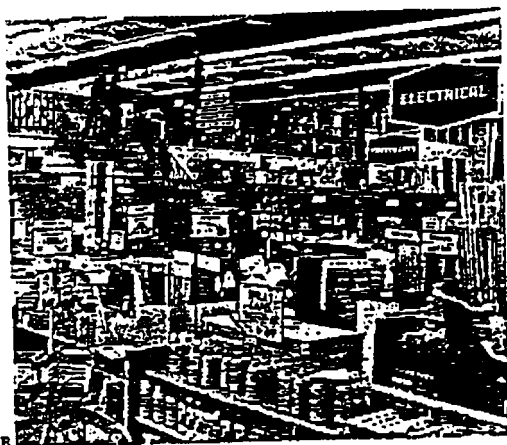
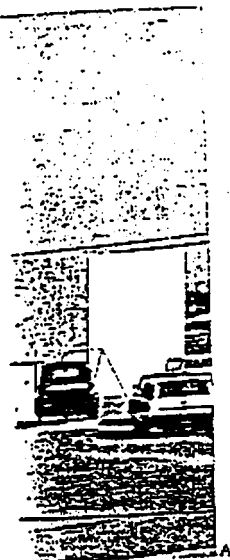
The shorter work week affords the homeowner more leisure time to work around the house.

Costs of professional services continue to rise:

Materials are being made easier and more convenient for the do-it-yourselfer to use.

It was also believed that while the average retail customer purchased paint perhaps once in two years he would visit a Home Improvement Center for other supplies more frequently and thus be favorably disposed to K-M products when in need of paint.

Kelly-Moore purchased three lum-



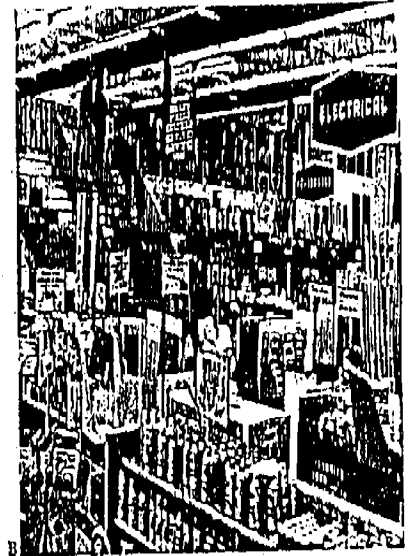
ber yards from the Pacific Coast Co. in May 1962. These were located in San Luis Obispo, Santa Maria and Santa Barbara. The paint department at each location was then geared up to supply the painting contractors in its area and a K-M territory paint salesman was assigned to develop this wholesale business.

Extensive remodeling was required to renovate the stores in the K-M image and at Santa Maria a new 10,000 foot building was constructed in 1963 on 4½ acres with a spur on the Santa Maria Valley Railroad. An impressive amount of space is required in addition to store area, to accommodate the nursery, pre-cut lumber, fencing, roofing, plywood, concrete products, mouldings, wallboard and countless similar items which cannot be classed as shelf goods, as well as to provide for adequate customer parking.

The fourth K-M Home Improvement Center opened in San Carlos in October 1965. For its nucleus it has a 10,000 foot building with 4,000 feet of mezzanine space which permits the display of unfinished furniture and other bulky items as well as those commonly purchased as sets.

Several of the new and larger Kelly-Moore paint stores have been designed to permit expansion and conversion to Home Improvement Centers in locations where such operations are appropriate.

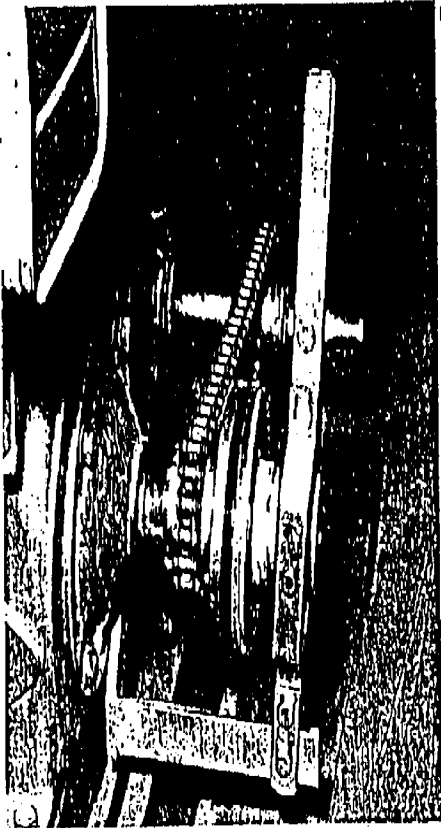
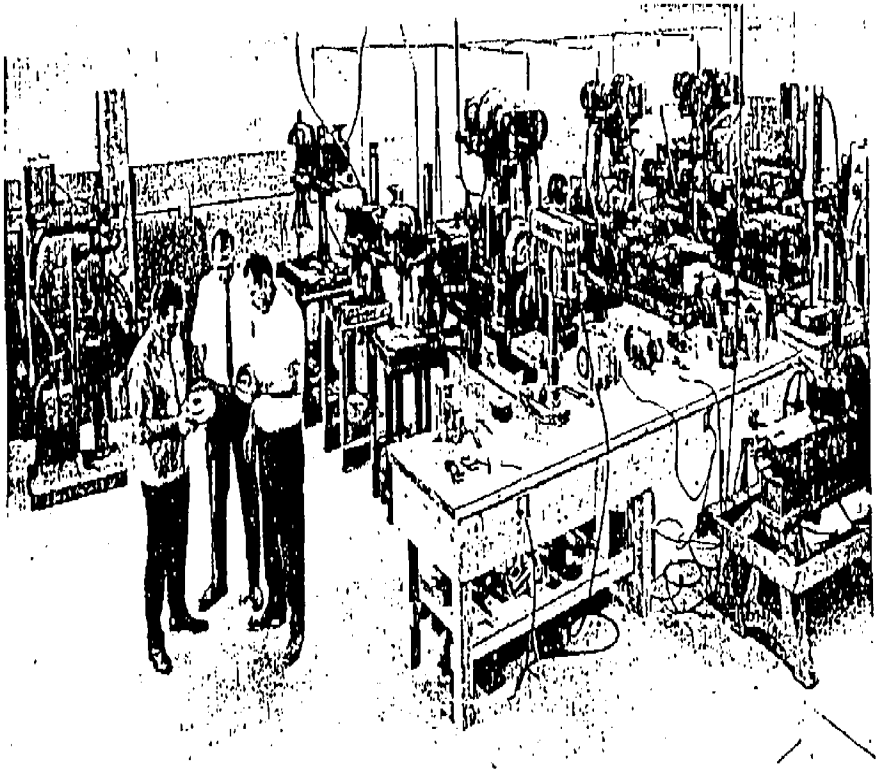




KM BB 5681

- A All K-M HIC's provide plenty of convenient off-street parking.
- B Inviting mezzanine displays include patio furnishings, folding doors, room dividers, tub enclosures.
- C Women initiate most home improvement projects like paneling a wall or room.
- D HIC patrons browse for latest ideas in hardware, housewares and electrical supplies.





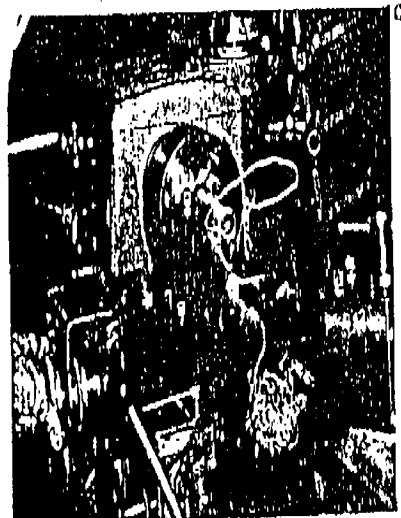
A K-M Clutch Company's Dlythe Street plant in Van Nuys produces the revolutionary K-Motic centrifugal clutch, and machines some parts for Gerold Avenue plant, where manual Ball-Lok clutches are made.

B Ball-Lok manual sprocket clutch.

C Machining to close tolerances in our shop.

D Loading reels of data packed magnetic tape for processing by the computer.

E Oakland headquarters of Management Data Services, Inc.



integrated service. In 1966 Kelly-Moore formed a separate company, K-M Truck Lines Inc., which specializes in full load shipments at rail rates.

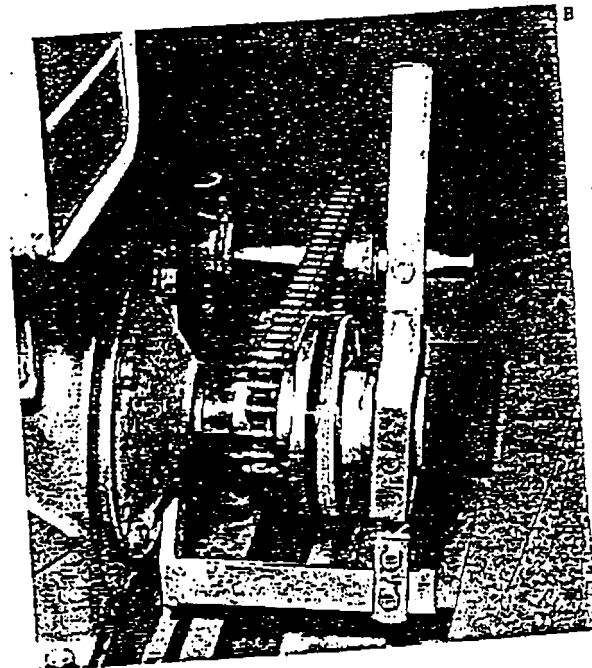
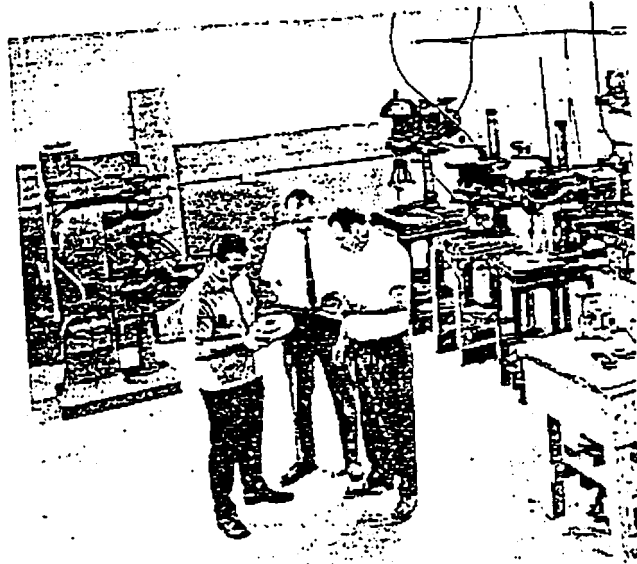
Additionally, Cal-Pacific has terminal warehouses of 80,000 square feet near the City of Commerce district in Los Angeles and 40,000 square feet in San Carlos.

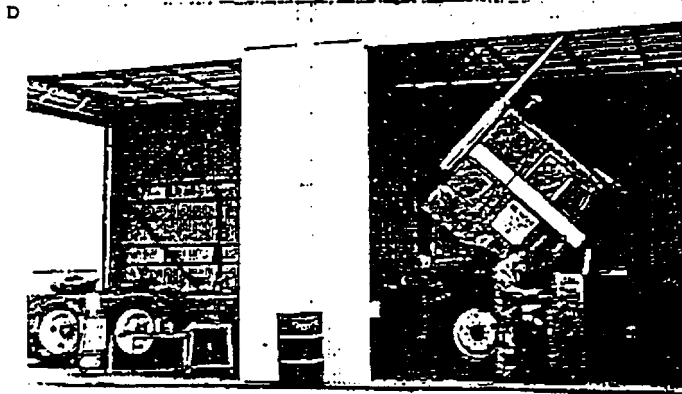
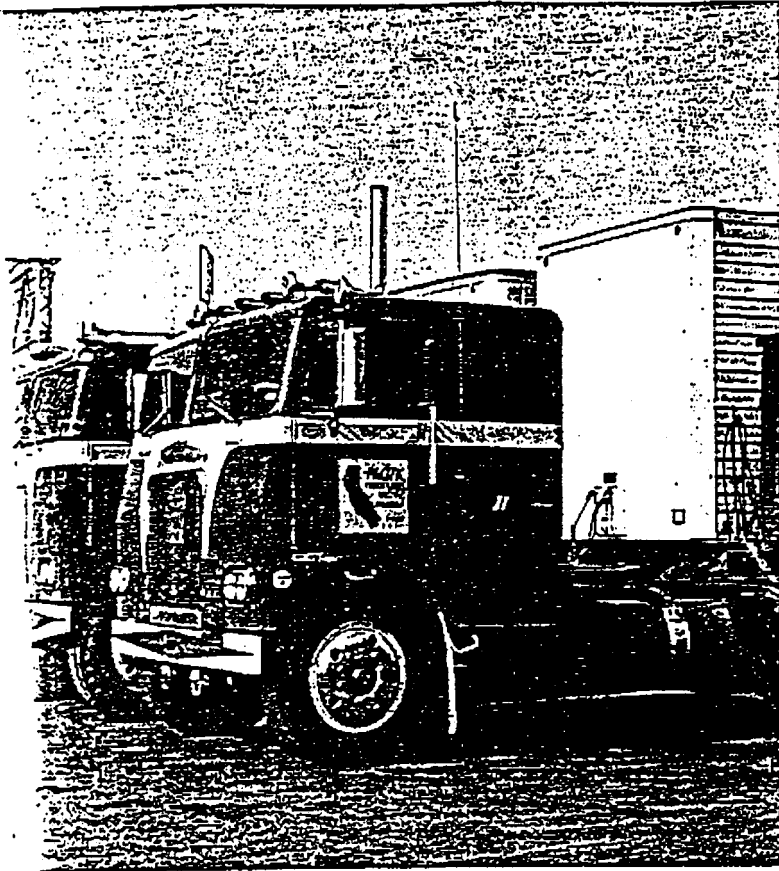
K-M CLUTCH COMPANY of Van Nuys, California is the successor to V-Belt Clutch Co., Inc., manufacturers of the patented Ball-lok manual clutch. K-M's interest in this company stemmed from the performance of the clutch which Sprayline found more satisfactory than any other on the market.

Kelly-Moore purchased the business in November 1963, and registered a sales gain of 41% in the first year of operation under exclusive K-M management.

In 1965 K-M Clutch Company acquired the manufacturing and sales rights to the patented Centri-Disc Clutch, now the K-Matic drive.

MANAGEMENT DATA SERVICES of Oakland, California is a computer service bureau with a number of commercial clients in the San Francisco Bay area. K-M acquired the firm in November 1964 to serve small and medium size businesses and provide Kelly-Moore low-cost facilities for its new EDP accounting system.





LINKS IN THE CHAIN OF DIVERSIFICATION

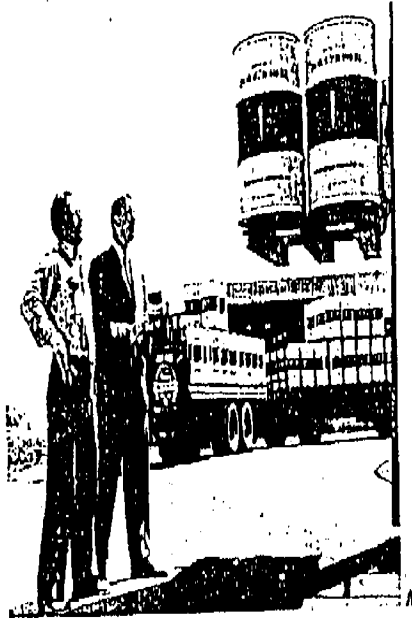
Could Kelly-Moore, while concentrating on the painting contractor market, successfully pursue the profit possibilities in unrelated fields? It could and it did, proving that K-M's unique management techniques operate equally well in industries other than paints and allied products.

CHEM-GUARD PRODUCTS INC. of San Carlos was formed in 1958 and was K-M's first experiment in diversification. Chem-Guard supplies non-toxic wood preservatives to the canning and food packing industry to protect their millions of wooden harvesting containers. These preservatives are manufactured by Kelly-Moore.

CAL-PACIFIC TRUCK LINES was formed by Kelly-Moore in 1961 as a licensed P.U.C. carrier upon the acquisition of the assets of Free-way Fast Freight lines of Richmond, California.

During the past five years a fleet of new sleeper-cab, diesel powered tractors with 40-foot vans and flat bed trailers has been put into service between Los Angeles and San Francisco.

At each end of the long haul, Cal-Pacific operates other fleets of smaller trucks for city pick-up and delivery, thus providing a fully

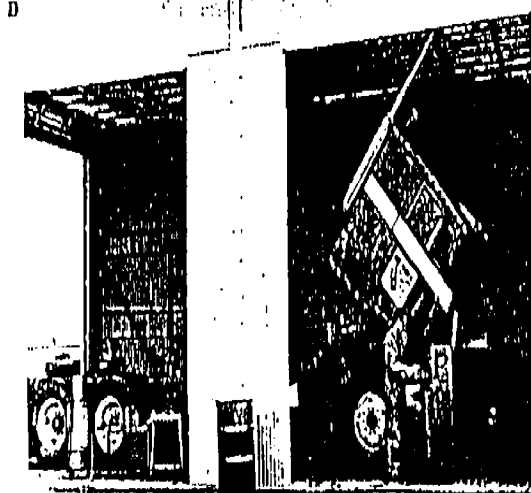


A
 Cannery pick up truckloads of Chem-Guard's CUNILATE® Western Wood Seal at K-M San Carlos plant to take advantage of freight saving.

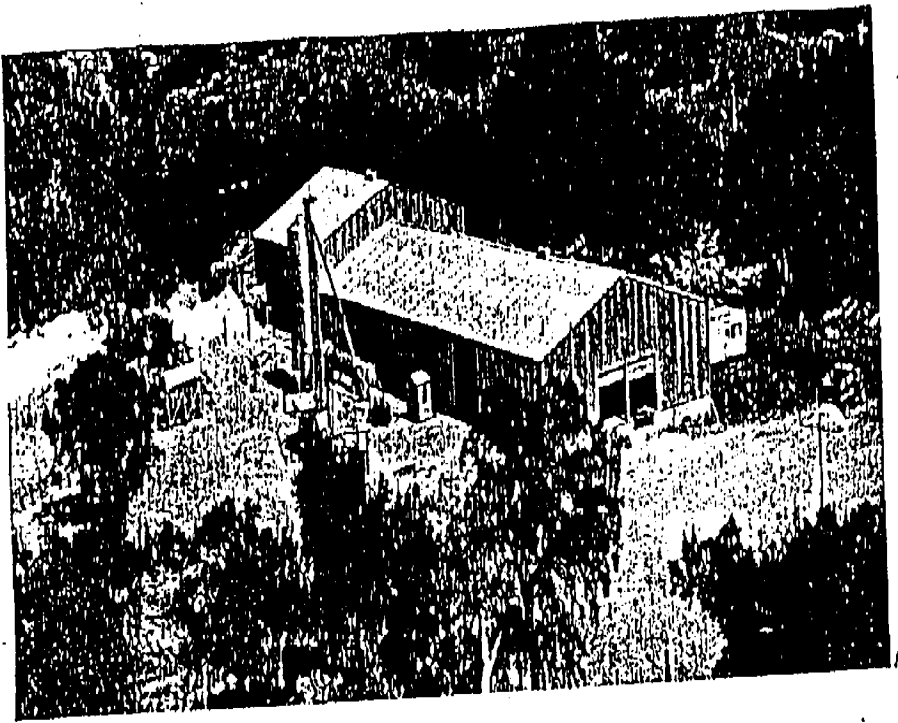
B
 Modern sleeper cab tractors are used in Cal-Pacific's long haul operations.

C
 Cal-Pacific's growing blue and white fleet consists of both over-the-road and local delivery equipment.

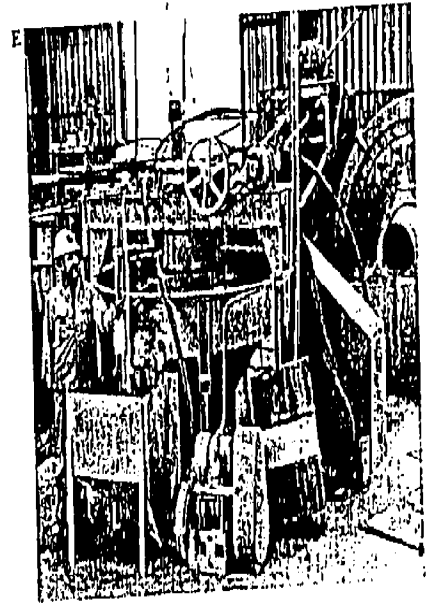
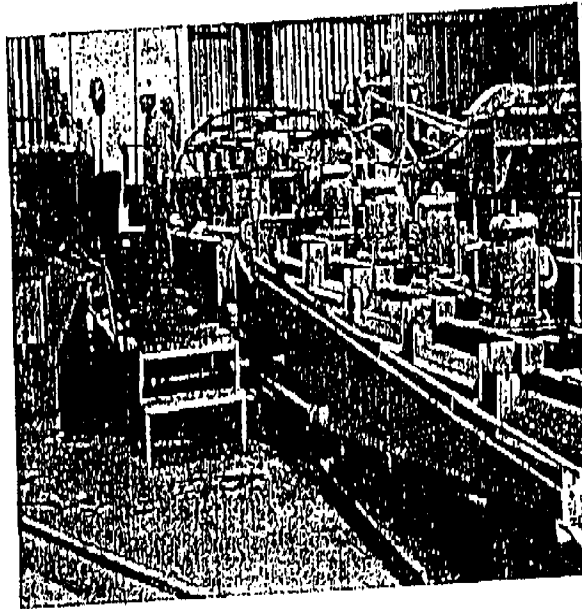
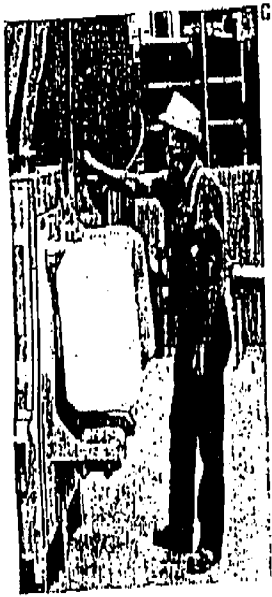
D
 Engine overhaul and other maintenance work is performed in Cal-Pacific's San Carlos shop.



KM BB 5685



KM BB 5686



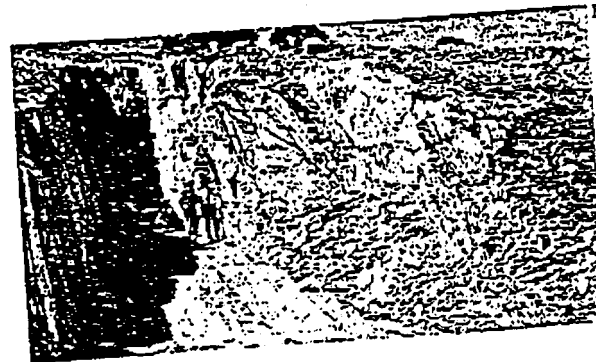
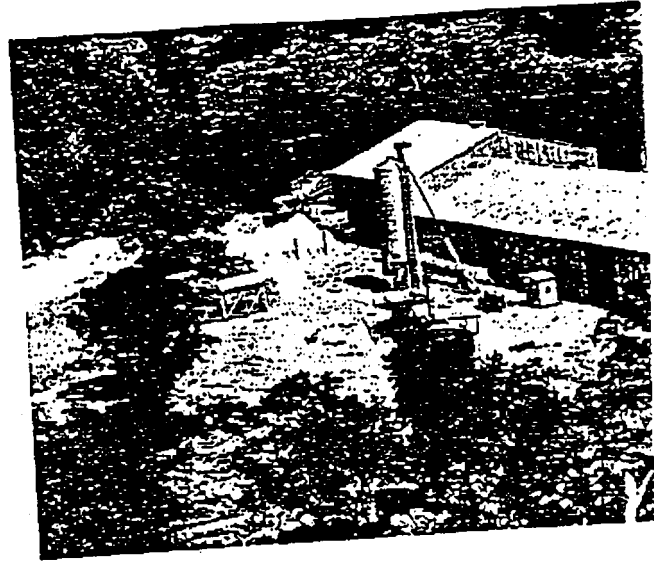
- A Cal-Mica plant showing storage silo and rotary drier.
- B Loading hopper for rod mill grinding.
- C Finished mica is conveyed to bagging machines.
- D Froth flotation cells separate mica from quartz sand in progressive process.
- E Bowl-rake classifier (center) separates over-size mica for regrinding.
- F Open pit mining of schist mica deposit in Mariposa County, California.

BASIC INDUSTRIAL MINERALS

lines to be the first of its type in
the U.S.

To provide coordination of the California mining ventures Kelly-Moore acquired the assets of Industrial Mineral and Chemicals Company of Berkeley in November 1965. IMACCO's 9 acre plant near Sacramento is ideally situated to classify and grind Marble Valley's limestone.

More importantly, IMACCO affords K-M further diversification into the pottery and ceramics industry with air floated clays as well as oil well drilling muds and inert minerals used as carriers for agricultural chemicals applied by crop dusting. IMACCO mines clay and bentonite on leased deposits near Ione, California and Weeks, Nevada.



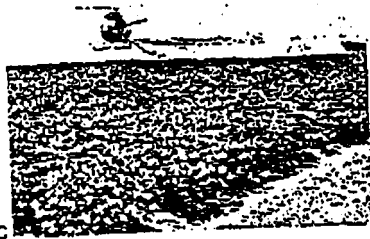
BASIC INDUSTRIAL MINERALS

Paco Textures Corp. requires such large quantities of limestone and mica as raw materials that Kelly-Moore management decided to engage in the basic mining and production of these minerals to maximize the advantages of the Paco acquisition.

It was further determined that established markets would absorb surplus production of suitable quality, insuring that plant facilities would be able to operate at economical levels.

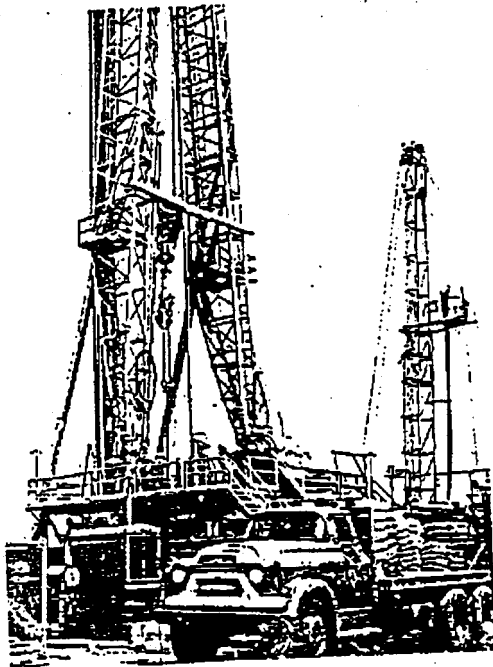
In 1964 K-M established Marble Valley Limestone Company to quarry limestone by open pit methods in El Dorado County, California, and Cal-Mica Company to mine schist mica in Mariposa County, California. Both mines are on leased property with proved resources for long term operation.

Prior to starting the Cal-Mica operation, Kelly-Moore entered into a joint agreement with the U.S. Bureau of Mines at Tuscaloosa, Alabama to run laboratory and pilot plant tests on the feasibility of beneficiating schist mica by froth flotation. This project was very successful and details are in the 1965 U.S. Bureau of Mines report No. 6668. Our Cal-Mica plant was then set up along these



C

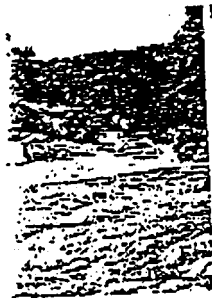
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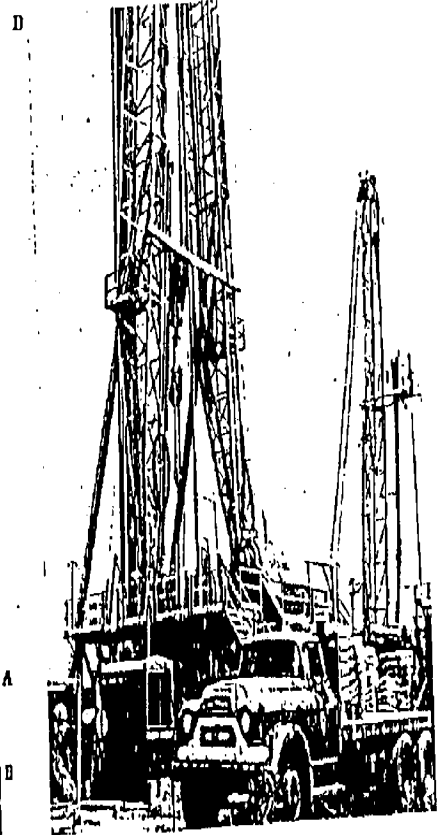
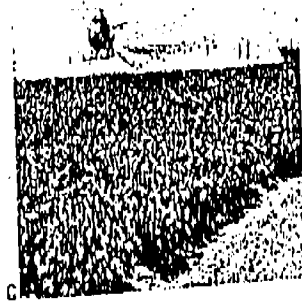
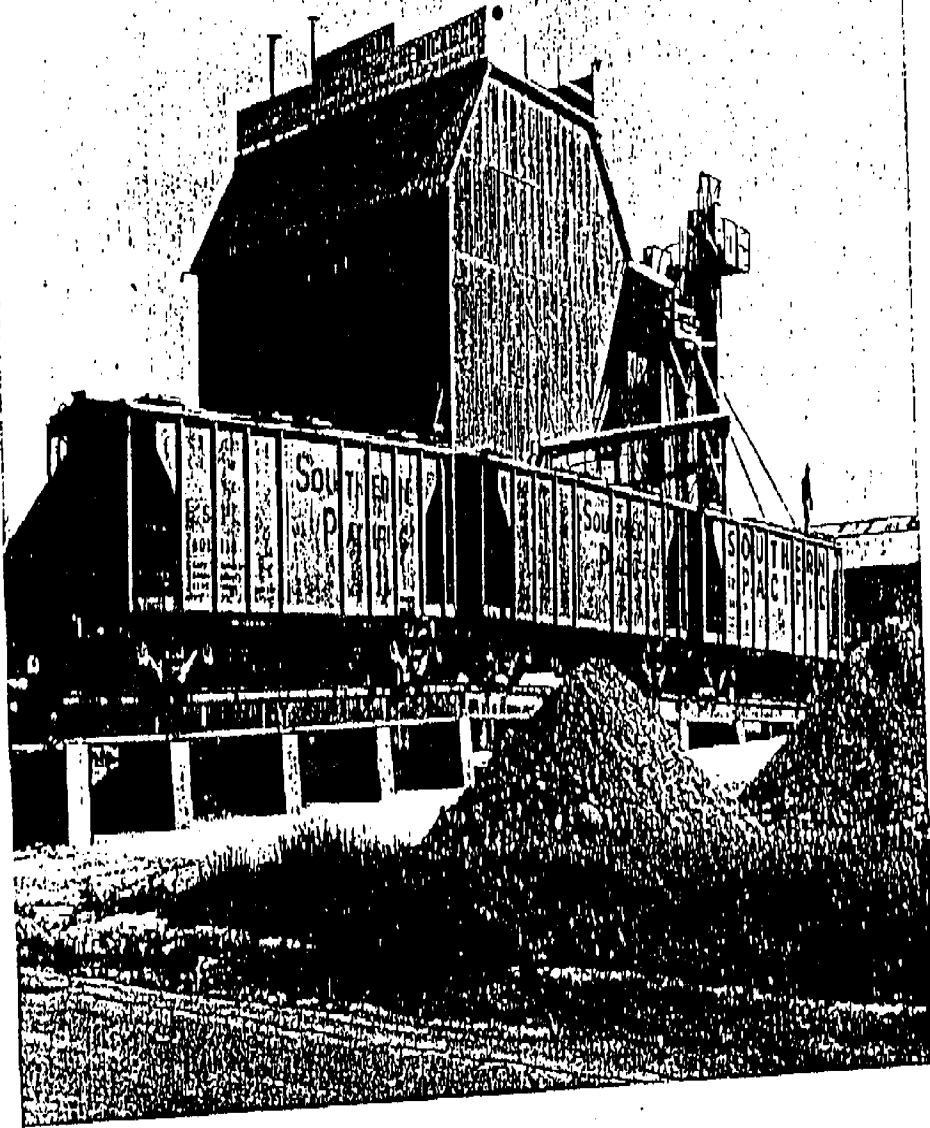


A

B

E





A Florin, California reduction mill processes Marble Valley's limestone, produces high grade ceramic clays, oil well drilling mud and inerts used as carriers for agricultural spray chemicals.

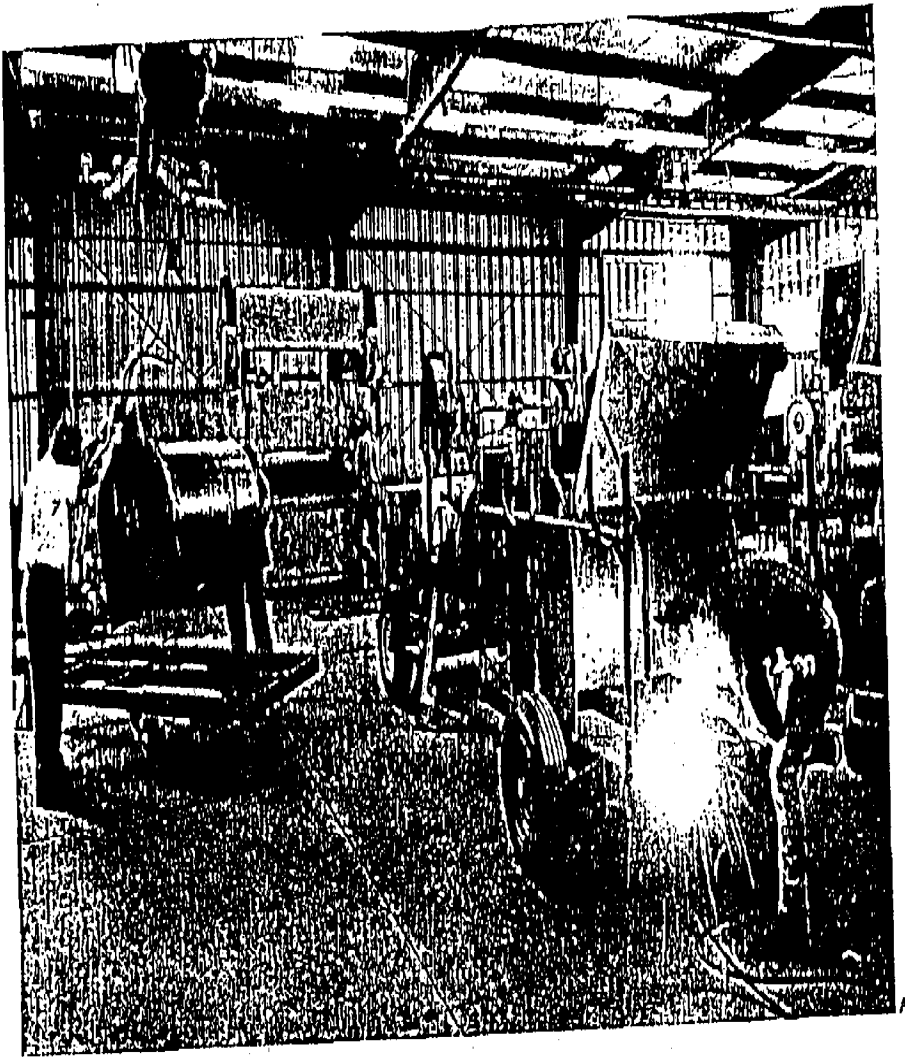
B Initial stage of Marble Valley Limestone quarry subsequent to proving up the deposit near Placerville, California.

C Crop dusting a cotton field.

D Delivering a load of oil well drilling mud.

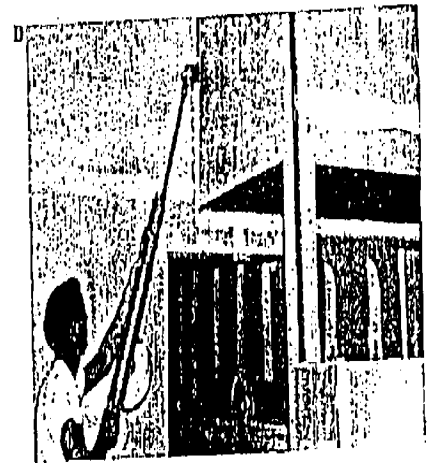
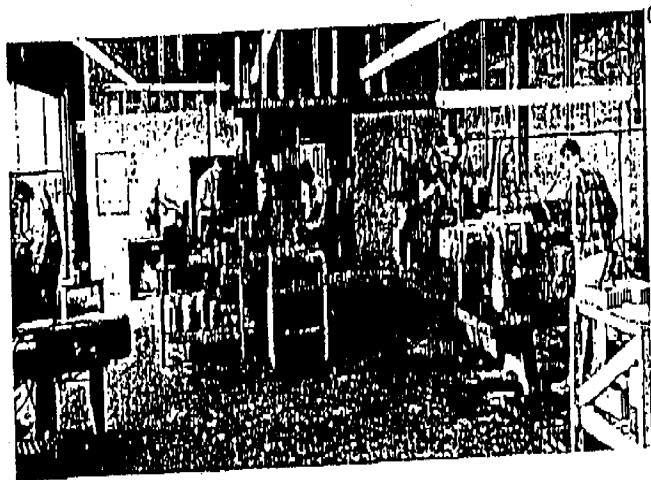
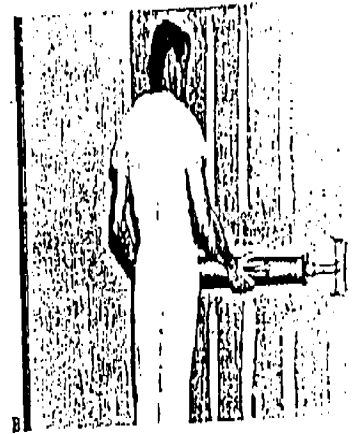
E Potter using Imacco ceramic clay.





- A Rugged construction requires high quality arc welding.
- B K-M finishing tools speed production.
- C Precision milling of light-weight, non-corrosive aluminum stock to extremely close tolerances at Oxnard plant of K-M Taping Tools.
- D Taping tool in action, applying joint cement and embedding tape in one operation.

KM BB 5690



performance of its equipment.

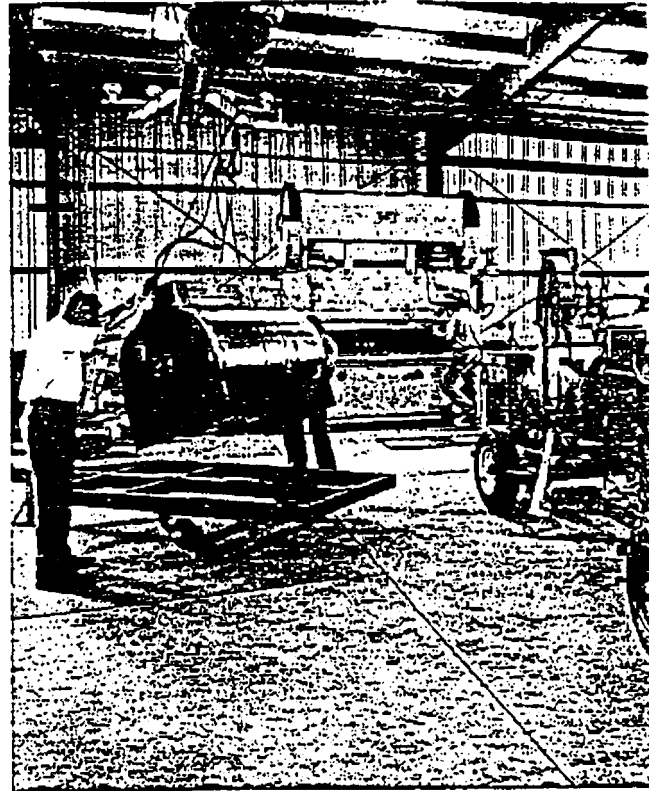
What is more, Sprayline has developed a new product line of airless spray equipment with this pump as the basic element. Competitive tests have proved it to be considerably more efficient due to its unique design which gives our spray units greater output.

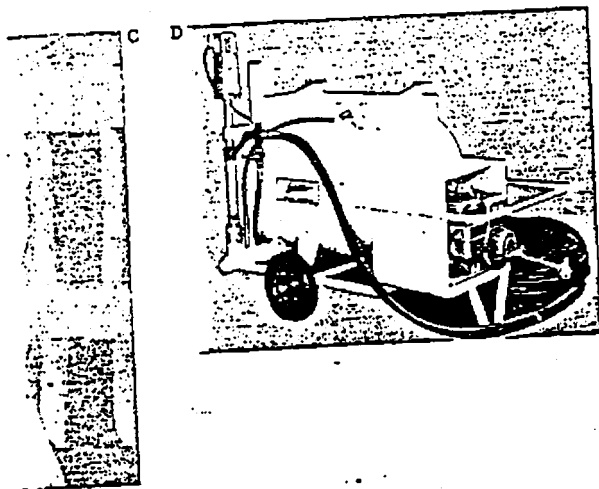
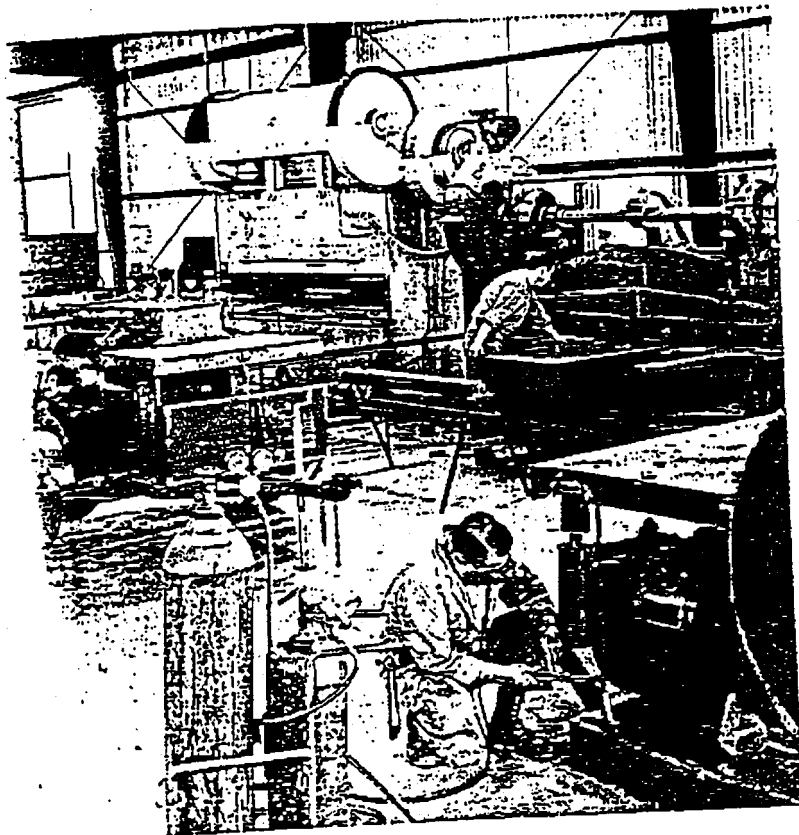
The Sprayline air motor has many other industrial uses and because of its broad market potential it should eventually be Sprayline's major product.

Similar considerations led to the purchase of the manufacturing rights and assets of Neeco Tool Co., of Oxnard, Calif., in May 1965. Neeco was engaged in the development of a tool which would fill wallboard joints with joint cement and embed the perforated tape in the cement, all in one operation.

Kelly-Moore management liked the concept, bought the company, and changed its name to K-M Taping Tools Inc.

K-M Taping Tools Inc., at the time this brochure goes to press, has established distributorships in Australia, Canada, England, South Africa and West Germany in addition to regions of the U.S. not covered by Kelly-Moore.





K-M DRYWALL FINISHING EQUIPMENT

In the course of applying drywall textures several of the larger contractors developed machines for mixing the dry powder products with water and spray-applying them. As the advantages of these machines became known other applicators became buyers.

On the West Coast most of this machine manufacturing was eventually done by two concerns. One of these was Sprayline Mfg. and Supply Co., a partnership, at Fresno, California, which Kelly-Moore purchased in April 1963.

K-M branches had been selling Sprayline equipment as distributors and a national market was apparently ripe for development.

Further, Kelly-Moore management felt that it could build Sprayline into an important business by re-designing the equipment, providing modern manufacturing facilities, applying K-M's fundamental operating policies and utilizing the growing K-M marketing apparatus. Sprayline is now the largest manufacturer of texture spray equipment in the United States.

NEW PRODUCT LINE

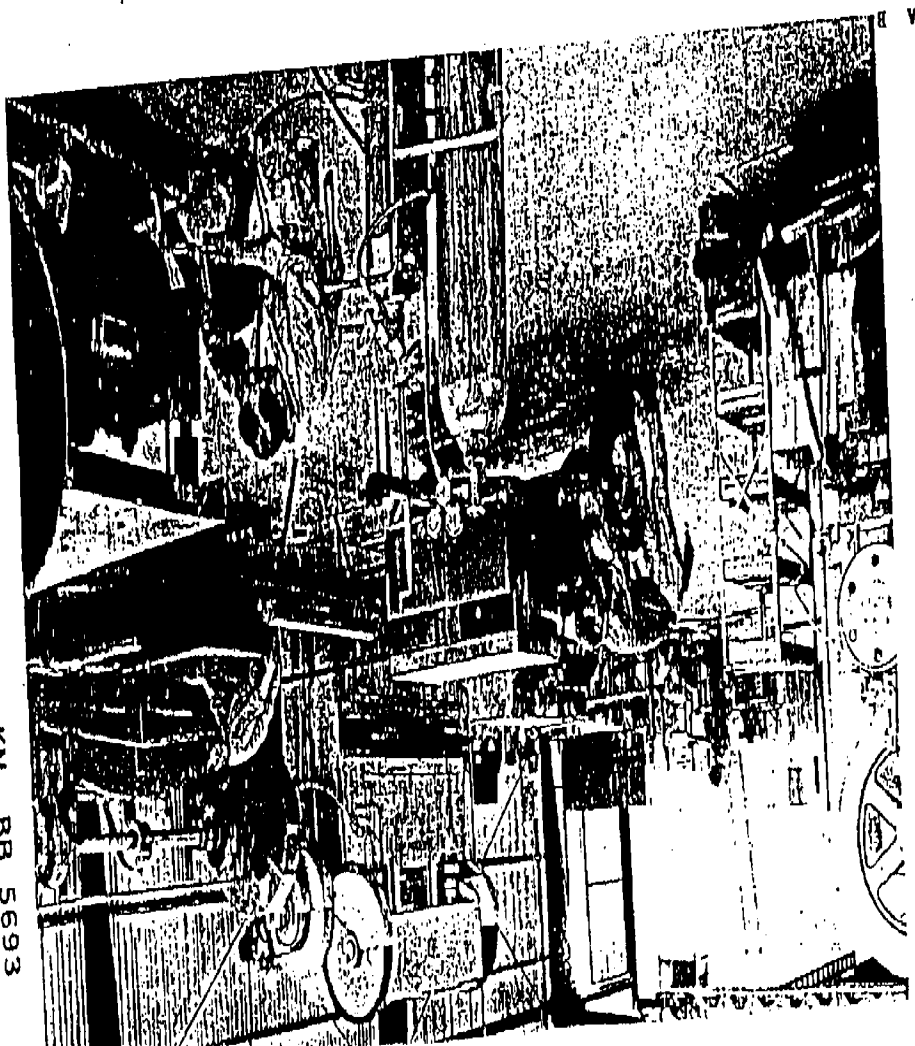
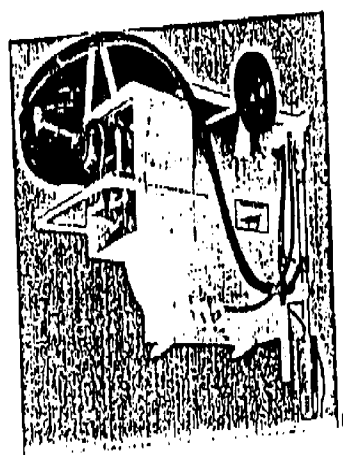
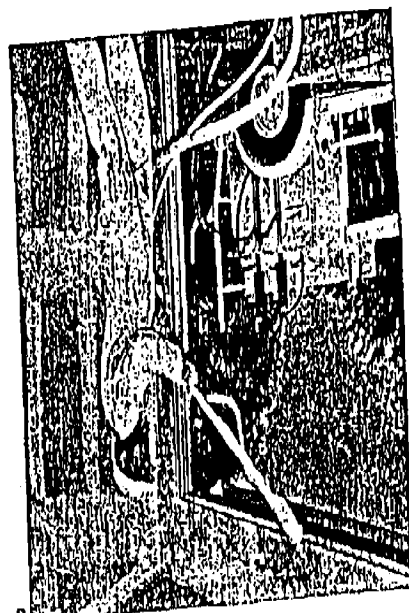
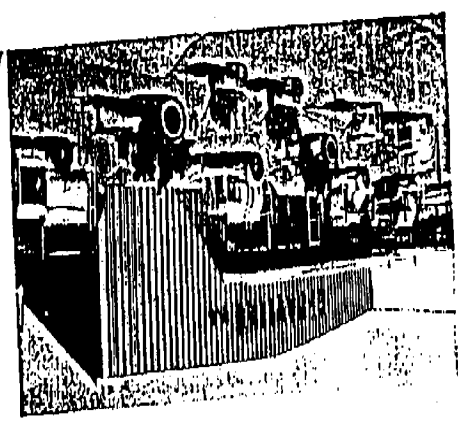
Sprayline at present has a patent pending on a new air-operated positive displacement material pump which greatly improves the

A Sprayline's Fresno plant with various models of spray equipment and air compressors produced for the painting, drywall, plastering and roof coating trades.

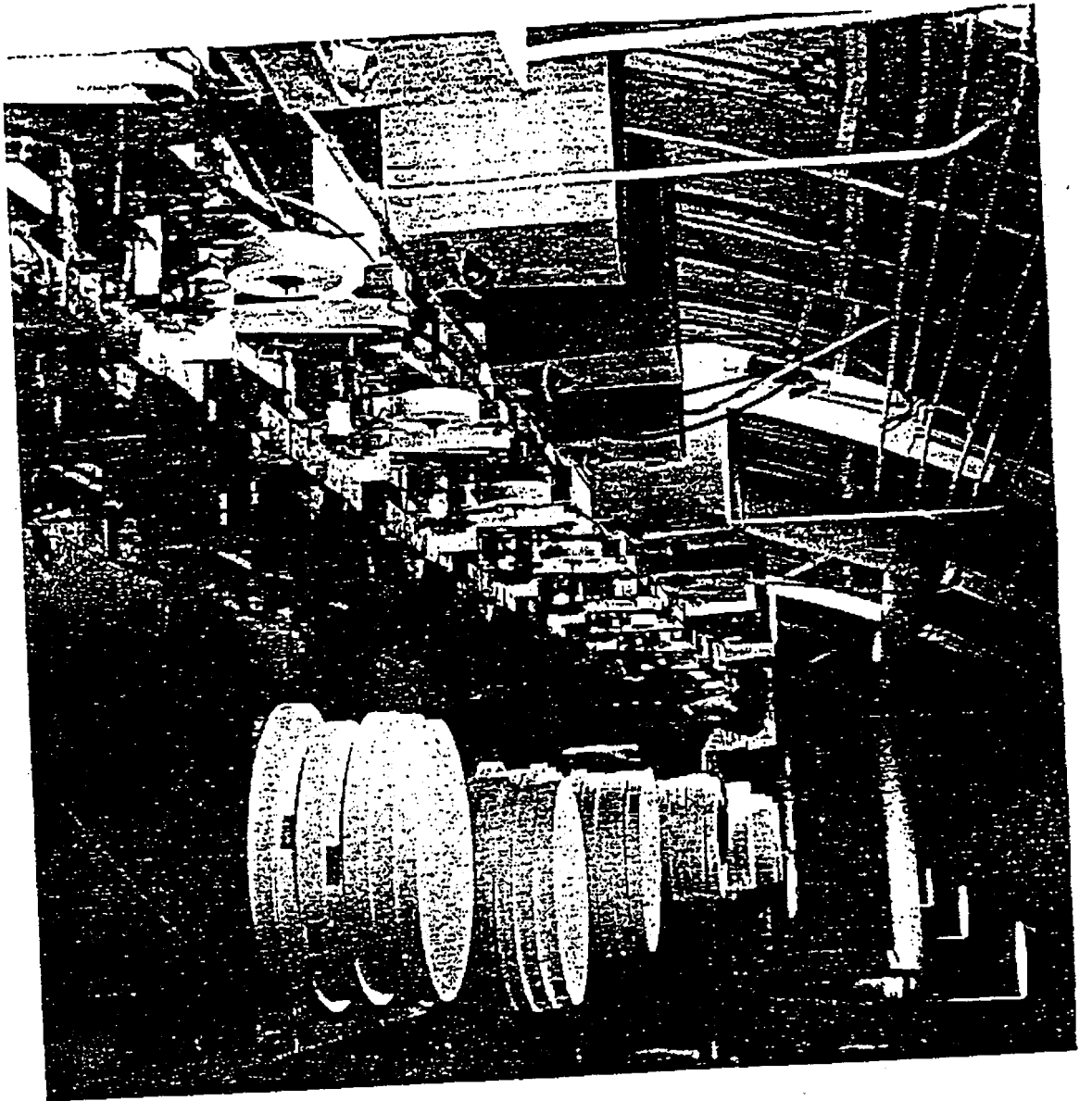
B Massive metal forming machines and power shears are required to work the heavy gauge metal used in Sprayline construction.

C Applying ceiling texture with Sprayline's fingertip control gun using the new model T12500 machine.

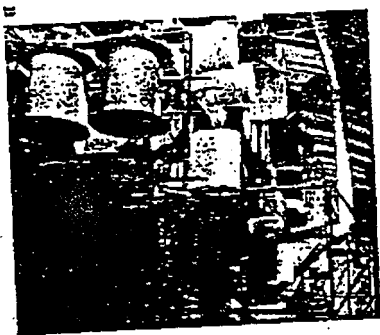
D Sprayline's new air operated material pump gives our spray units greater output.



KM BB 5693



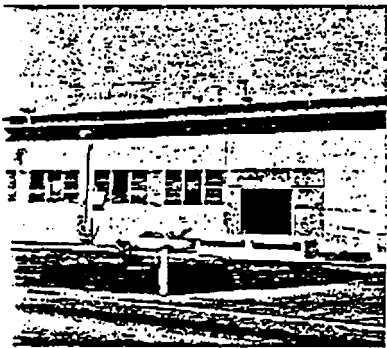
A Electronic process spurt punches tiny holes in tape to release moisture and air bubbles.
 B Large rolls of special paper are slit into narrow widths while being rewound.
 C Coiled strip steel travels through punch press, roll-forming dies and cut-off machine in continuous production of metal corner bead.



KM BB 5694



C



A



B

- The K-M Paco Textures factory in San Carlos. A
 Raw material proportioning is programmed with Paco's electronic scale. B
 Paco's final assembly and filling area. Both dry powder and ready-mixed products are handled on adjoining lines. C
 Hopper cars on Paco rail spur unload raw materials which are conveyed into storage silos. D

Paco Textures Corp. was formed in 1958 and operated at a profit each year prior to becoming part of Kelly-Moore.

By the end of the second year under the K-M banner Paco sales had increased 89% and manufacturing operations were moved to a new and larger factory on 3 1/2 acres adjoining the main Kelly-Moore plant in San Carlos.

Because joint cement products are both heavy and bulky, freight costs are a problem in distribution. To eliminate this obstacle to sales K-M factories in Ontario, California, Dallas, and Houston, Texas, manufacture Paco Texture products for regional sales.

Dri-Wall Tape Company is the successor to W. L. Mackey Company of Newark, California, owner of U.S. Patent No. 2,667,822 for perforated wall board tape.

Designed to bridge the joints between sheets of gypsum board, this tape is fabricated from a special non-shrink paper with high wet strength. It is now spark punched in an electronic process with small holes which permit the escape of moisture and air to hasten drying and prevent wrinkling.

Metal corner casing, produced by Dri-Wall Tape Co., is necessary to prevent damage to the somewhat crumbly edges of the wall board on corners where it is exposed to knocks and bumps.

K-M IN THE DRYWALL INDUSTRY

Drywall finishes are closely related to paints by function and the fact that both are used by painters and in sequence. However, no single paint manufacturer had produced full product lines of both paints and drywall finishes until Kelly-Moore seized the opportunity in late 1960.

That was when K-M acquired Paco Textures Corp. of Richmond, California and W. L. Mackey Co. of Newark, California and thus assumed an important role in the drywall industry with the production of joint cement, perforated paper tape, metal corner casing and wall textures.

JOB RESPONSIBILITY

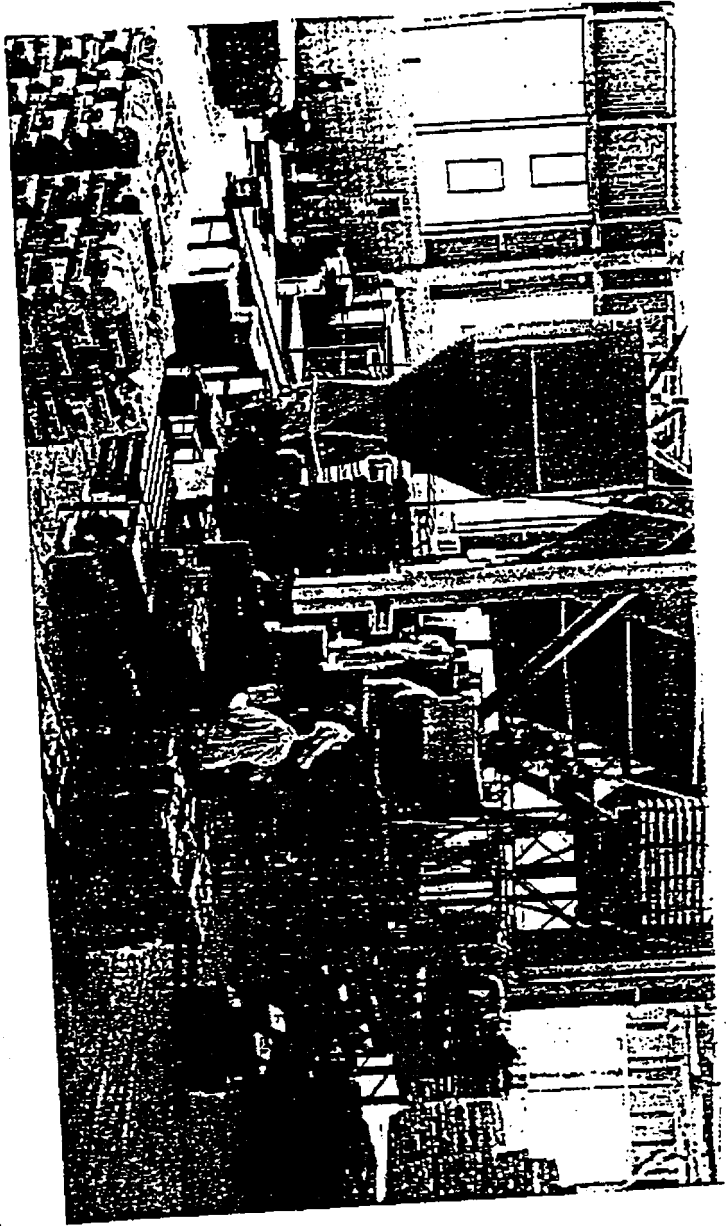
If a painter has trouble when applying coatings over drywall finishes, the ability to determine responsibility is vital to him. This is generally difficult to pin down when materials from different sources are involved. Consequently Kelly-Moore customers welcomed the Company's entry into this field, as it gave them the assurance of undivided responsibility.

Kelly-Moore's commitment to the drywall finishes market was the first in a series of expansion ventures calculated to broaden the scope of its service.

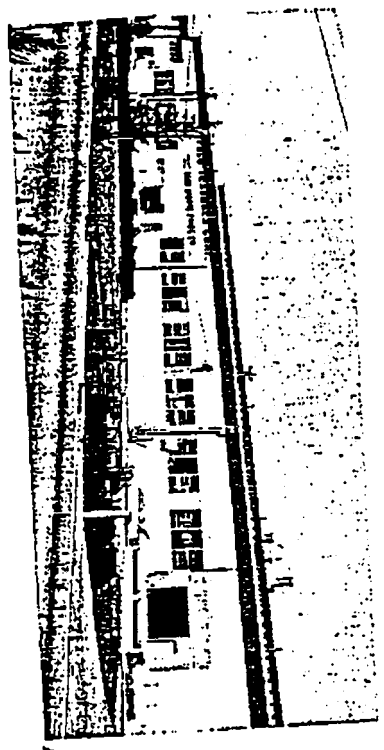


Electronic process spark punches tiny holes in tape to release moisture and air bubbles. **A**
 Large rolls of special paper are slit into narrow widths while being rewound. **B**
 Coiled strip steel travels through punch press, roll-forming dies and cut-off machine in continuous production of metal corner bead. **C**





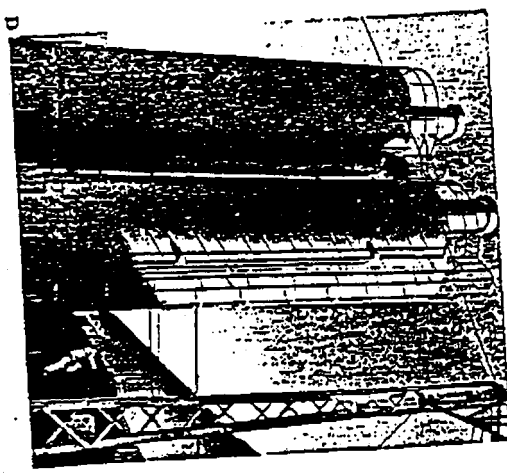
C



A

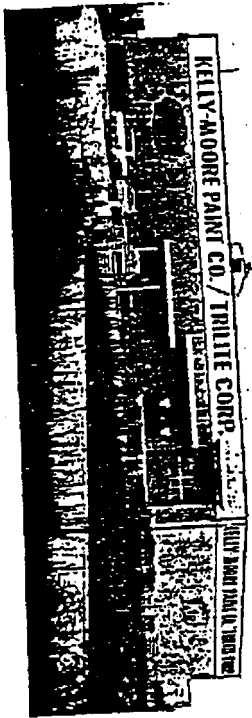
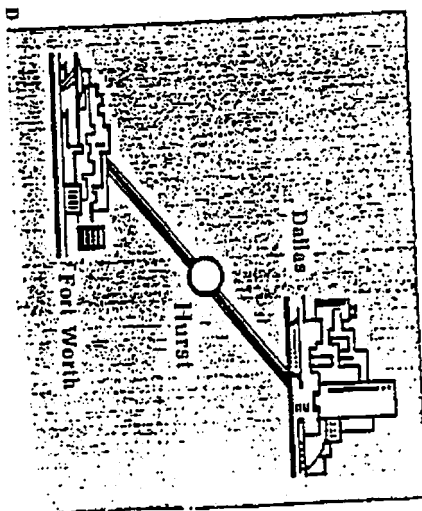
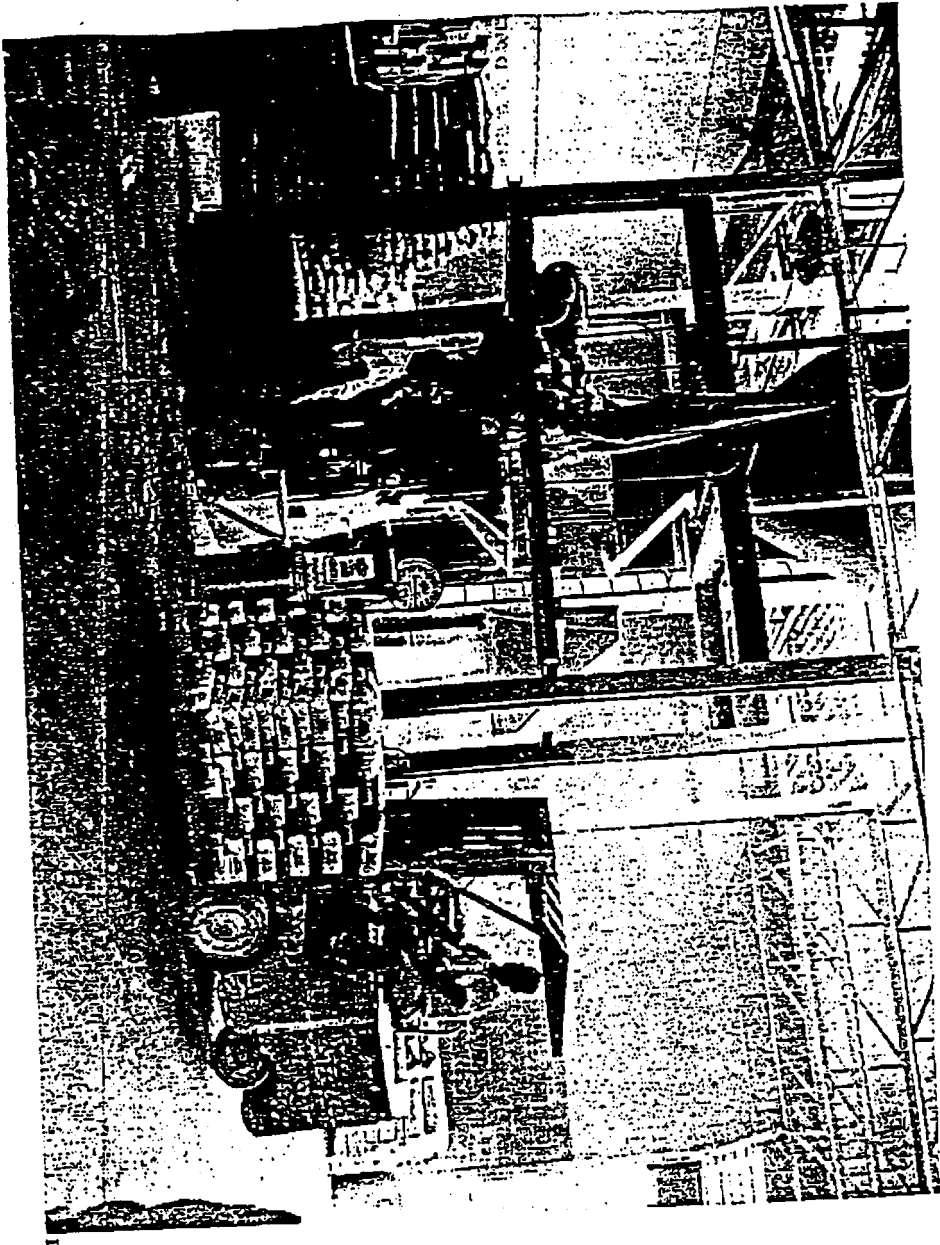


B



D

The K-M Pacco Textures factory in San Carlos. A
 Raw material proportioning is programmed B
 with Pacco's electronic scale.
 Pacco's final assembly and filling area. Both C
 dry powder and ready-mixed products are handled
 on adjoining lines.
 D Hopper cars on Pacco rail spur unload raw
 materials which are conveyed into storage silos.

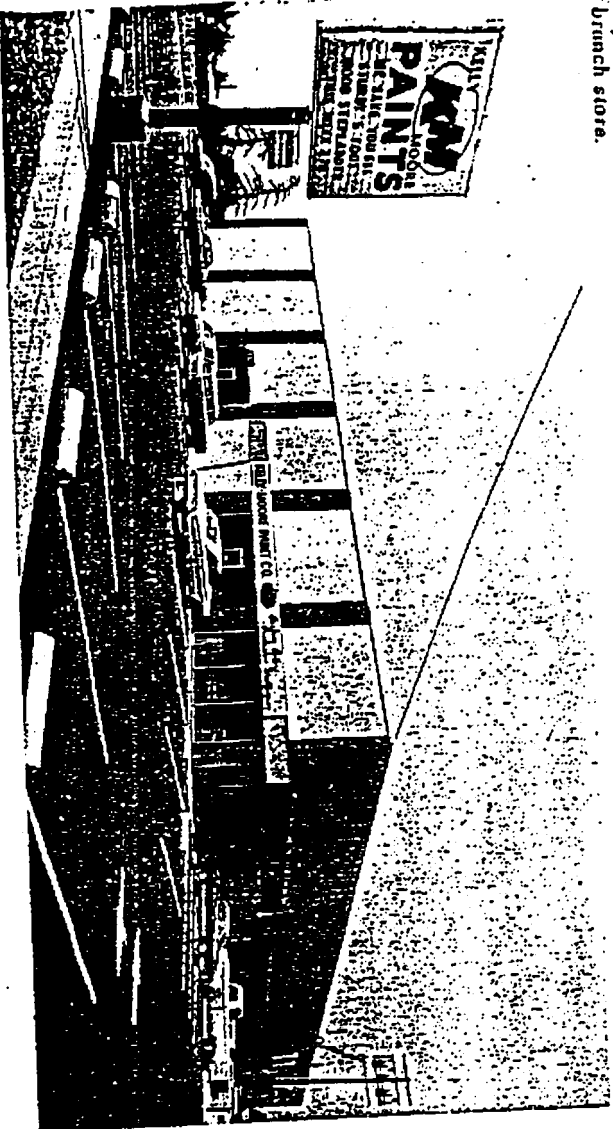


- A Houston plant of Trilite Corp.
- B Joint cement production at K-M Dallas factory.
- C K-M Dallas plant from the air.
- D 22-acre site of future K-M Texas factory.

KM BB 5698

OPERATING FORMULA AT LONG RANGE

Ontario, California factory built in 1964 to supply requirements of Southern California and Arizona markets includes a branch store.



MOVING SOUTH

While paint is a heavy commodity, with l.c.l. freight constituting 5 $\frac{1}{2}$ -7 $\frac{1}{2}$ % of the wholesale price, service to the customer has been Kelly-Moore's compelling reason for locating branch factories in the larger metropolitan areas.

Many paint manufacturers consider it practical to ship up to 250 miles from their factories without serious competitive problems, even further when supplying "trade sales" shelf goods to retail dealers and distributors.

However, service is vital to the painting contractors who require frequent batches of special colors, often at short notice.

The larger contractors also need greater quantities of individual paint items than can normally be carried in store stocks.

Kelly-Moore's Ontario plant, located 35 miles east of Los Angeles Civic Center, is well placed to serve the fast growing Southern California-Arizona market. Designed for expansion from its present 24,000 sq. ft. manufacturing area, it is situated on 10 acres and is served by a spur of the Southern Pacific Railroad, pending full scale production in Ontario, vehicles and base paints are shipped from San Carlos in bulk tanks for linting, packing and delivery to K-M Southern California and Arizona branches.

the Texas division of Hanna Paint Co. The success of this distant operation has demonstrated K-M's ability:

to market its products in regions where the company is unknown;

to utilize headquarters management talent and "know-how" to reduce unit administrative costs;

to maintain the close communications necessary to operate a remote manufacturing and sales facility.

At the time of the acquisition no Texas paint company did a strong marketing job to painting contractors utilizing company owned stores. K-M's concept of quality products sold through full-service branches won quick acceptance.

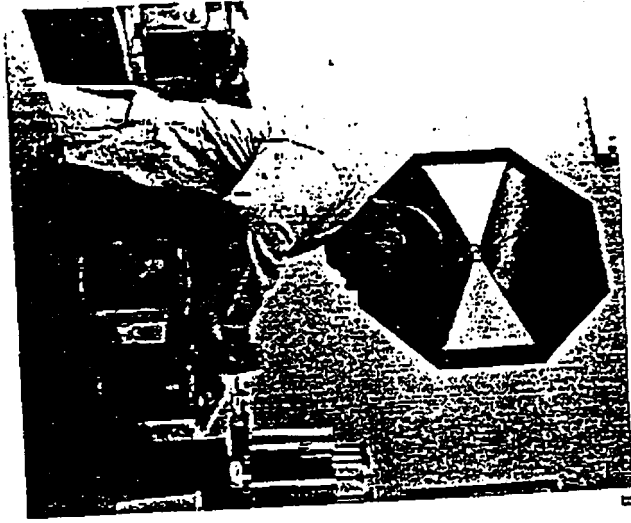
Since the Kelly-Moore operating formula has proved so effective in the Southwest, plans now call for expanding the present 12 branches to a total of 24 in Texas, Oklahoma, Arkansas and Louisiana.

The increased production required by this network will be provided by a new factory at Hurst, Texas, between Dallas and Fort Worth, where K-M purchased a 21-acre site in 1965 on the Rock Island RR and Highway 103.





A



B



C



D

- A K-M store salesman explains the correct procedure to follow.
- B Machine tinting a special color.
- C Custom color rack shows more than 1,000 salocitors which can be mixed at counter.
- D Stepping out to a rewarding painting experience.

KEY TO A GOOD JOB

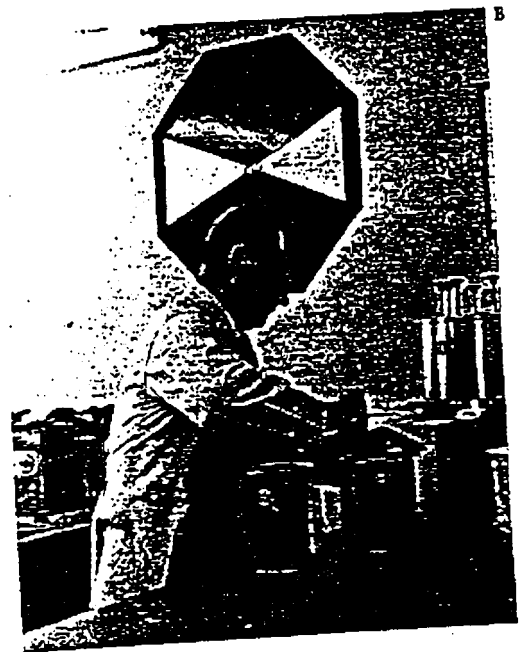
Fortunate is the do-it-yourself painter who is within reach of a Kelly-Moore branch.

Here he finds a complete assortment of product lines, each formulated for a specific purpose. K-M customers have no need to compromise by using "all-purpose" paints.

Surveys indicate that about 60% of the retail customers who dislike a particular brand of paint have had unsatisfactory results because of misapplication, i.e. through improper surface preparation and/or using the wrong type of paint. K-M's broad line and intelligent clerk recommendations guard against such disappointments.

No less than eight different kinds of paint are stocked in full lines of the same colors, so that flat wall paints are matched by enamels of various degrees of gloss as well as by stipple finishes. Exterior masonry finishes match gloss paints for wood siding and metal in addition to a special flat finish for rough-rustic wood.

Besides these stock-color items there are 1,000 additional colors which may be machine tinted at the time of purchase.



THE "DO-IT-YOURSELF" TRADE

With a minimum of fanfare, advertising or promotion Kelly-Moore branches are doing an enviable amount of retail paint business which is steadily increasing. Several already have annual cash sales in excess of \$250,000.00.

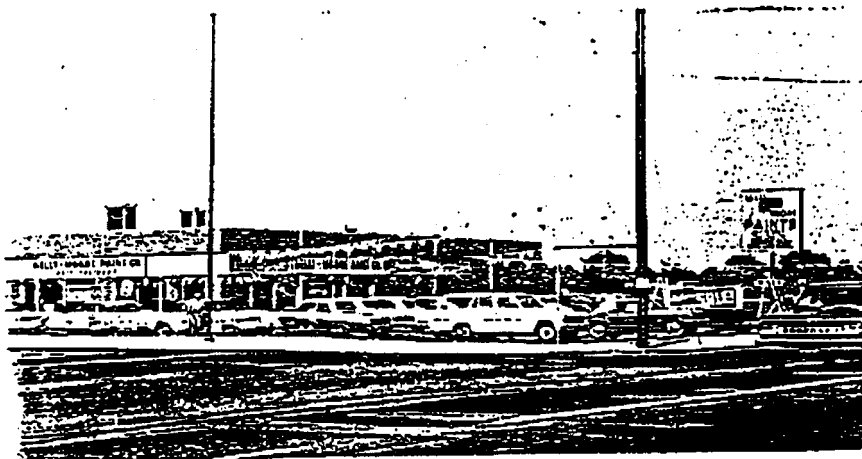
This affirms the ability of the consumer to discover sources for unusual values as well as the power of word of mouth advertising.

K-M retail prices approximate those of major brands. Thus a large proportion of retail paint customers apparently subscribe to our slogan that "Quality is Economy."

Intelligent sales clerks, multiple product lines, expert color service, factory fresh stocks — all play a part in attracting the "do-it-yourselfer" to K-M stores.

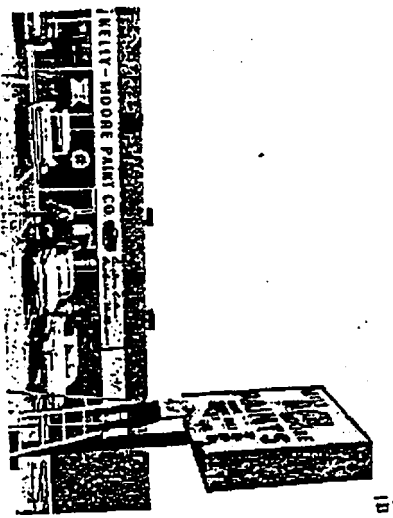
Product performance, however, is the real eye-opener to the handy man upon his introduction to the high-hiding, heavy-bodied K-M paints and enamels preferred by professional painters.

Kelly-Moore believes that the competitive edge belongs to the product that not only lives up to expectations, but exceeds them.





A



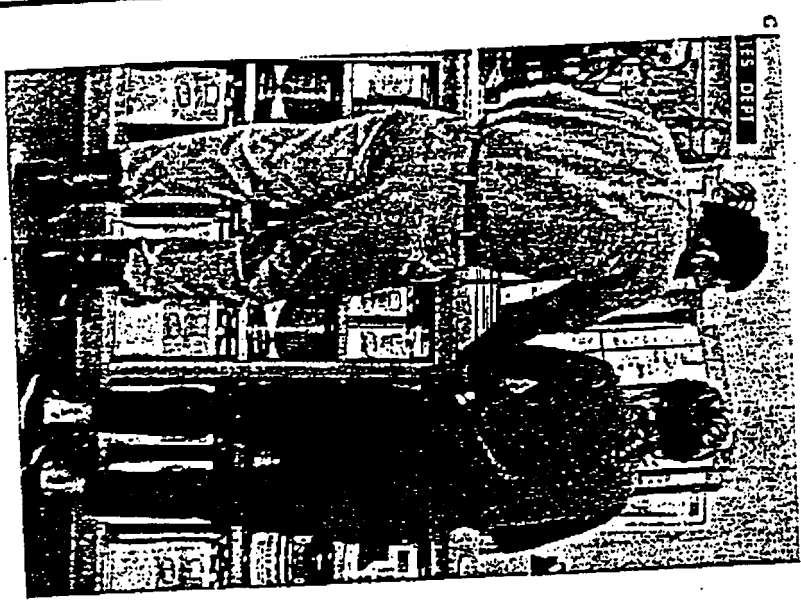
B

Free standing 10,000 sq. ft. K-M branch is typical of company stores built since 1962. Corner location is 1/2 mile from freeway. Loading dock is at rear of store.

Render-board sign provides curb-side identification and lists current bargains.

Choosing color is usually the lady's privilege.

Exclusive wall paper patterns are studied at leisure.



C



D

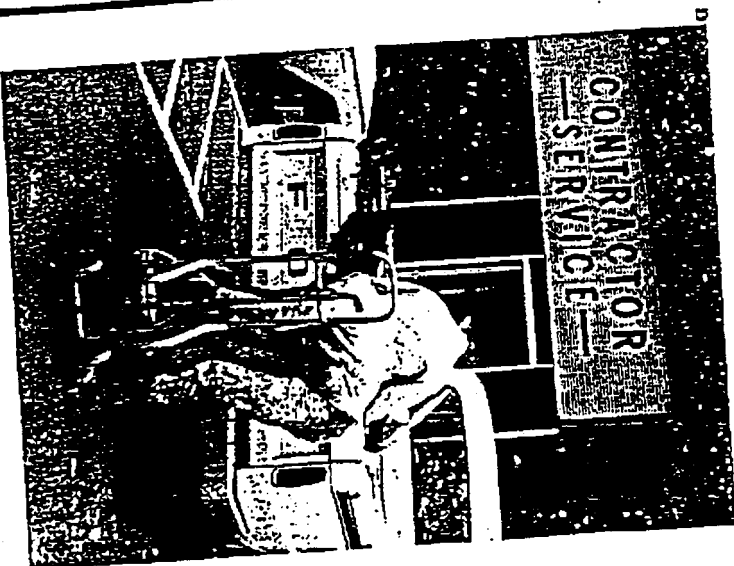
THE PROFESSIONAL SIDE

Kelly-Moore branch stores are one-stop, full-service centers for professional painters. In addition to K-M finishes they stock every sundry and equipment item necessary to the painting trade.

The sundries list is a long one, making up a price book of over a hundred pages; items include ladders and planks, air compressors, drop cloths, sand blasting and spray machines, wall coverings, brushes and rollers, dry wall joint cement and texture, masking paper and scores of special purpose compounds and tools.

From the start, Kelly-Moore chose store locations on major traffic arteries with quick access to free-ways. Convenient off street parking was preferred to high foot traffic. Contractors are usually pressed for time when they pull in for supplies.

In early K-M days, when the Company had only one branch in a given town, no effort was made to follow a uniform exterior store design. However, in the more densely populated areas K-M is now building free-standing stores of between 6,000 and 10,000 square feet that are similar and distinctive in appearance.



- A Ample back-up stocks are required to meet heavy demands by contractors.
- B K-M spray equipment and air compressor repair service saves valuable time for busy contractors.
- C Each K-M branch quickly and accurately matches special colors for contractor customers.
- D Helping the customer on his way.

SELLING THROUGH SERVICE

These candid photos of a modern K-M branch reflect the professional service nature of the business, whether in San Francisco, Fort Worth or Phoenix.

Branch managers and sales representatives are trained to interpret the painting contractor's problems in terms of products and equipment.

Each branch is prepared to hand-tint small batches of special colors up to 25 gallons on a same-day basis; in some locations one man is kept busy at this full time. Such color matching is additional to the smaller quantities that are machine tinted for the retail trade.

Major branches are restocked three times per week; smaller stores twice a week by K-M's own trucks. Most sundries are supplied from K-M central warehouses for quick turnover and fast service.

In strategic locations, Kelly-Moore services include the repair and overhaul of spray equipment and air compressors for painting contractor customers.



A



B

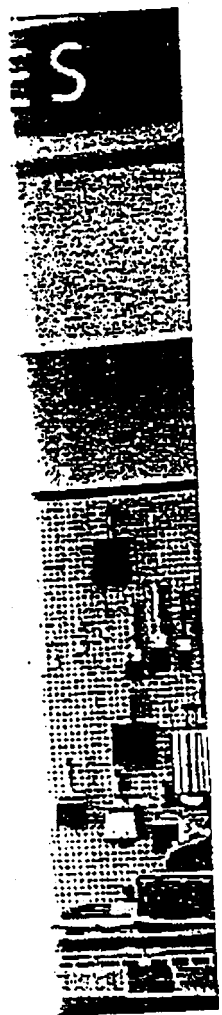
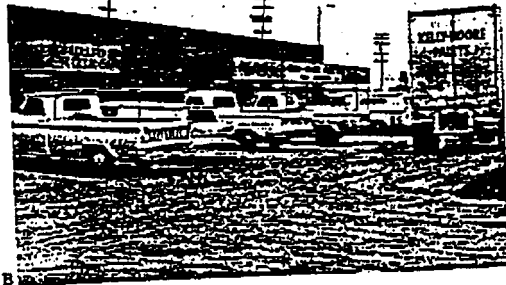
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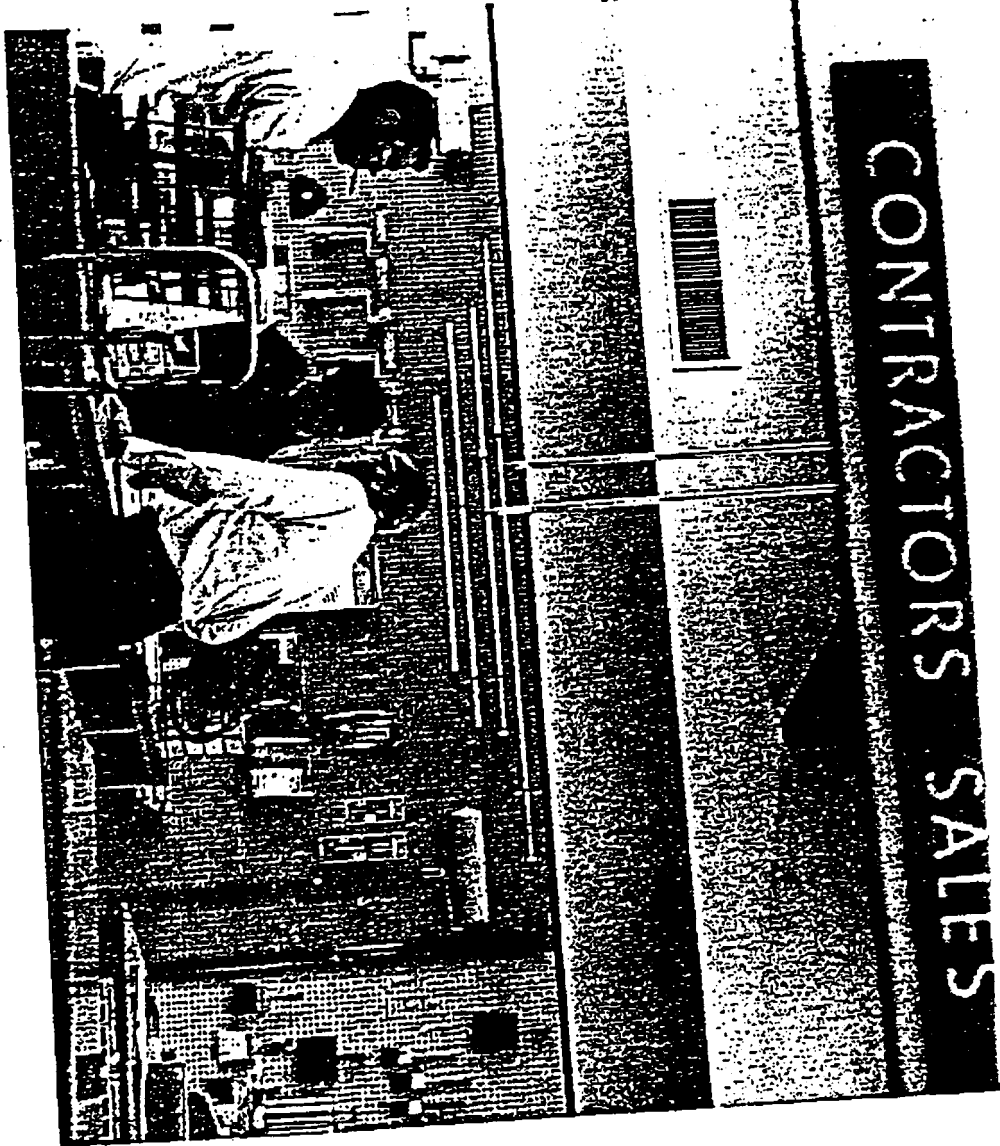
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representative professional service. A
 branch store twice weekly. B
 are arranged for inspection. C
 views while being filled. D

CONTRACTORS SALES

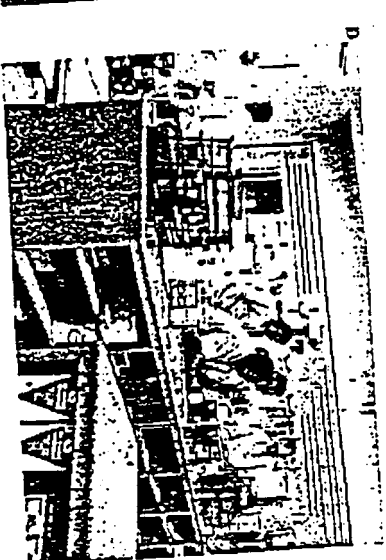
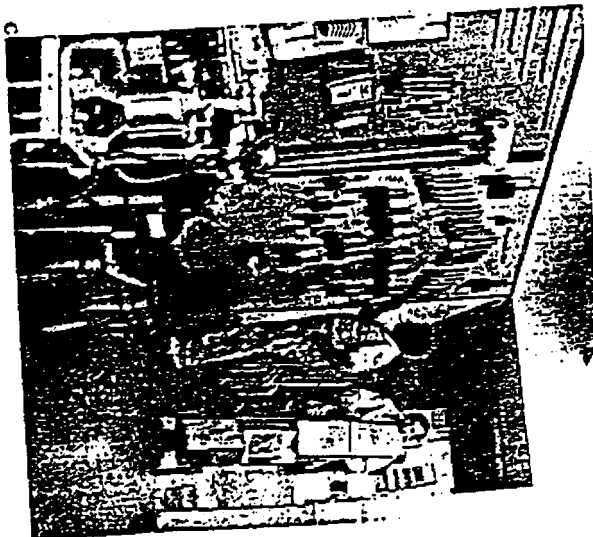
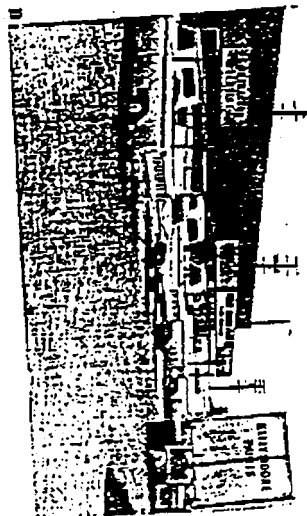


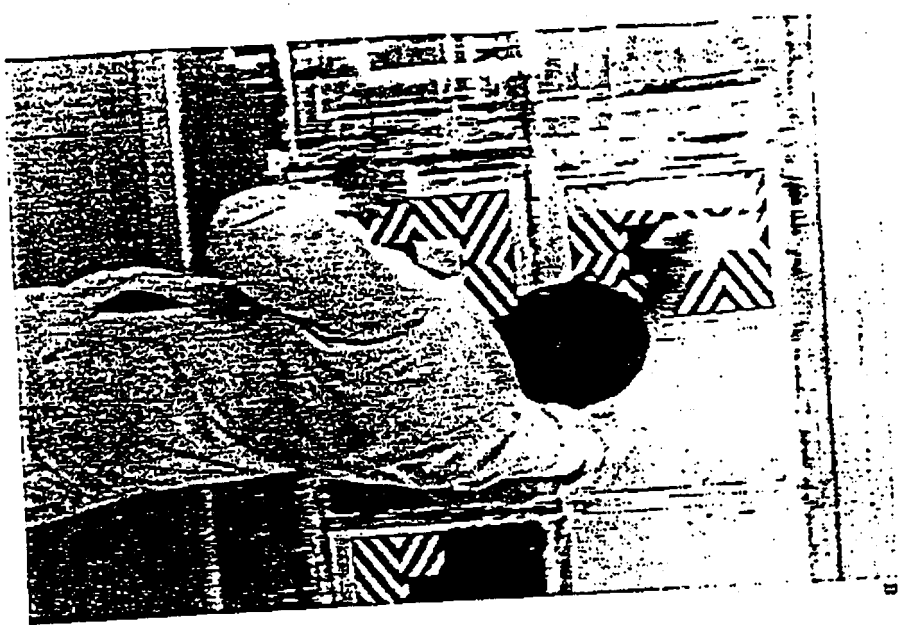
A Relationship of K-M representative with contractor is one of professional service.

B K-M trucks replenish branch store stocks at least twice weekly.

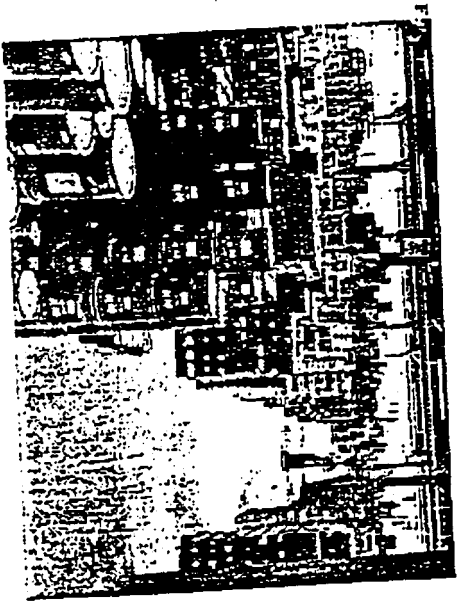
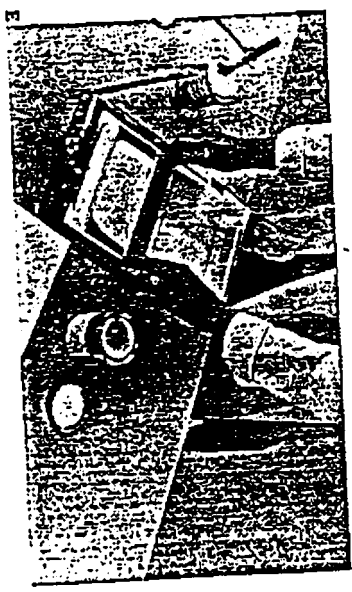
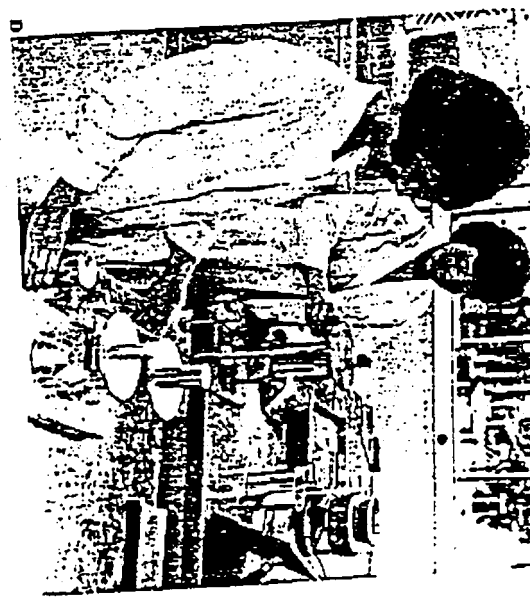
C Brush and tool displays are arranged to permit close inspection.

D Contractors exchange views while orders are being filled.





- A Dumbwaiter delivers sample from plant.
- B Point-outs detect variations in working and leveling properties.
- C Standard samples maintained for comparison with samples from batches in process.
- D Viscosity and specific gravity are checked at controlled temperature.
- E Drawdowns compare drying time, hiding and gloss.
- F K-M San Carlos finished stock warehouse.



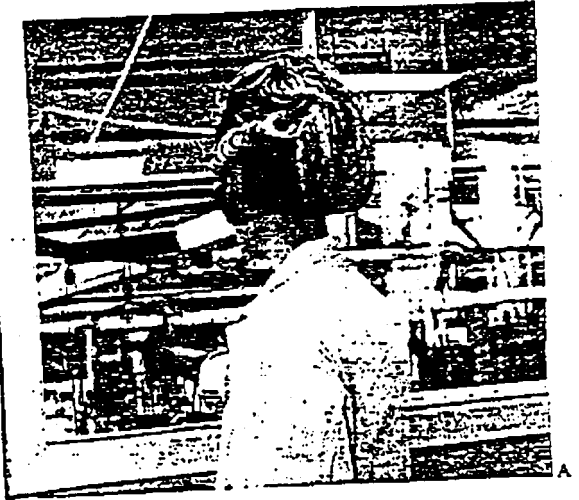
CONTROLLING QUALITY

Before a batch can be filled off, K-M's control lab checks the sample against a liquid standard as well as physical specifications.

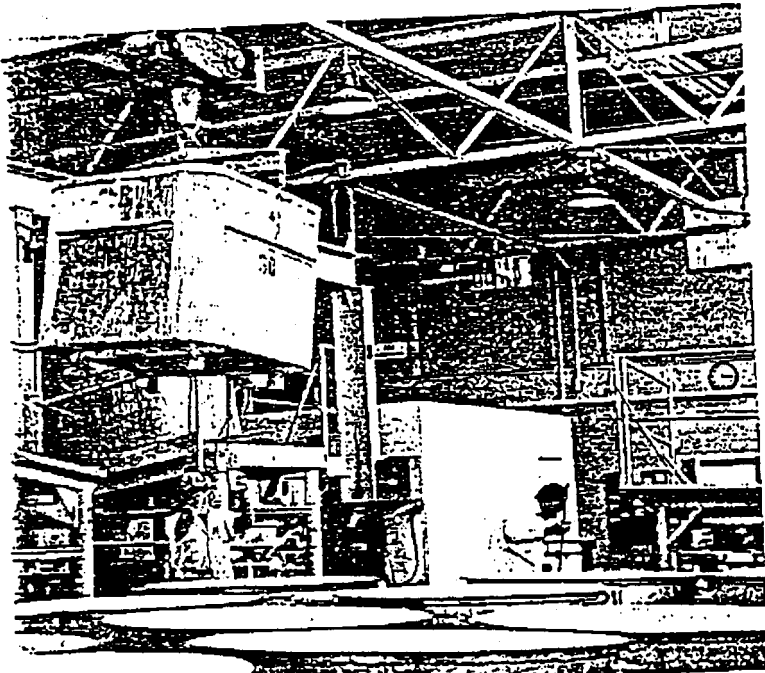
Viscosity, specific gravity and drying time specifications must be met. (In the viscosity and specific gravity readings the batch sample is first brought to an arbitrary temperature of 25° C.)

In draw-downs of controlled film thickness the new batch is compared with standard sample for drying, hiding, gloss and hold-out on sealed and unsealed surfaces. Paintouts by experienced personnel detect even minor deficiencies in working properties and smooth flow.

If necessary the batch is adjusted and all tests repeated and successfully passed before the laboratory releases the product to be filled in the various sizes of containers.



A
B
C
D
E
F



BATCHING II

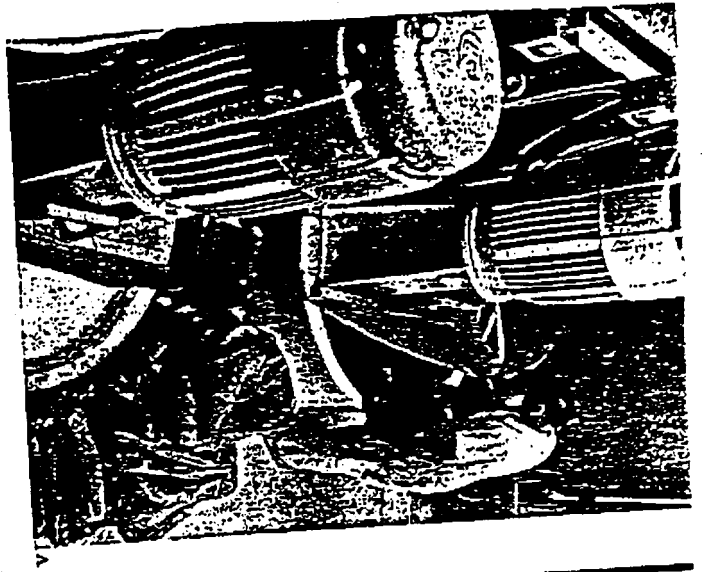
Making paint for the professional painter is not a matter of continuous straight line production. Scores of product types in hundreds of colors are produced in any given week. Sometimes the only common denominator is the solvent which is added to adjust viscosity.

This makes paint manufacturing a batch process. Each batch has its own recipe or formula which accompanies the production order.

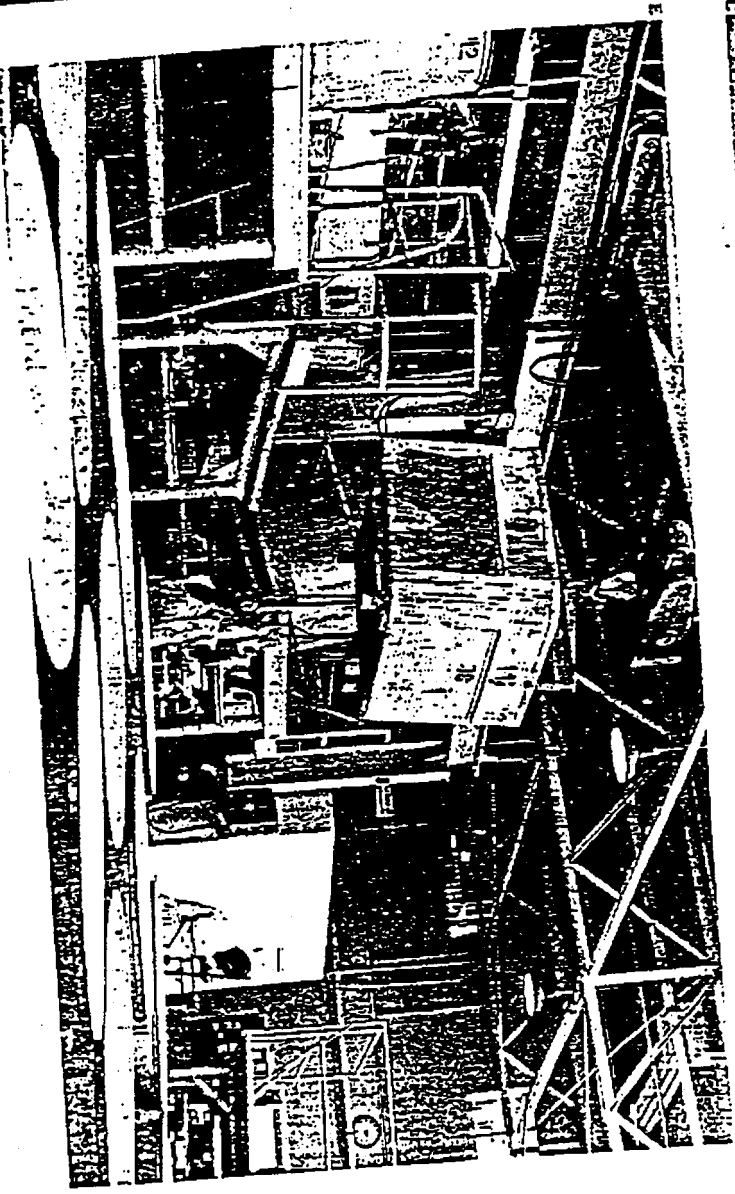
Ingredients are weighed or measured or metered into the mix in strict accordance with the quantities specified on the batch card.

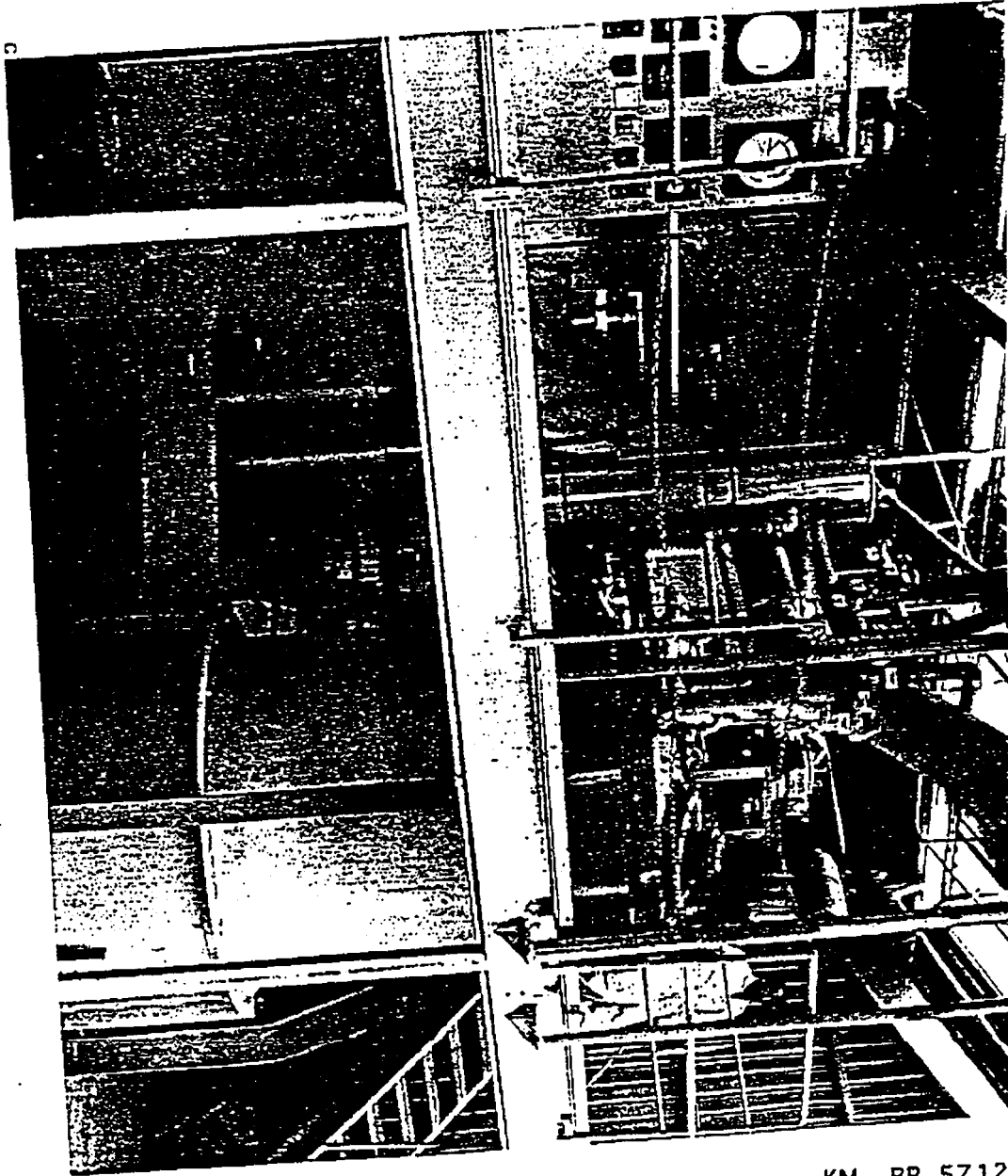
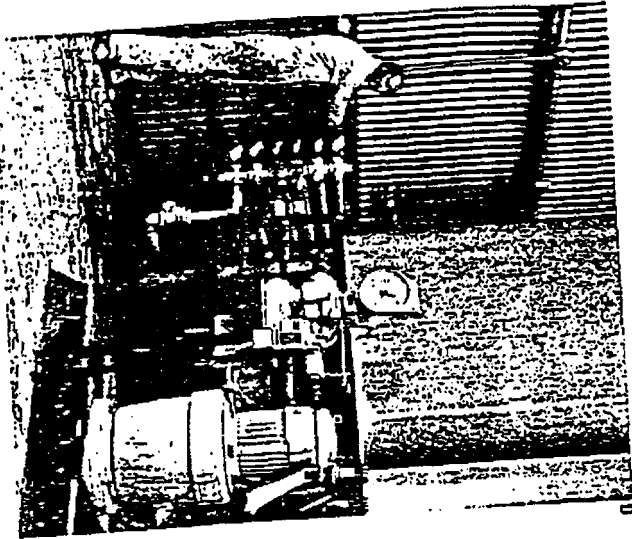
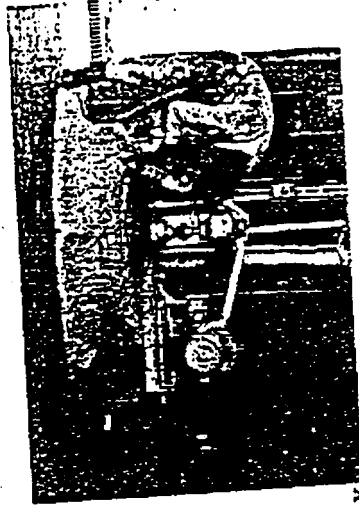
At Kelly-Moore, fast-moving products like wall paints, enamels and exterior paints are made in 1,000 gallon batches and pumped to gently agitated hold tanks. From here the products are tested, then tinted and filled or drawn off into 200 gallon portable tubs for hand tinting of smaller batches.

K-M's four-directional overhead crane moves the tubs from the hold-tanks to the tinting area and finally to the filling stations quickly and with most efficient use of floor space.



- A Pigment is added to high speed dispersion mill after charging with vehicle.
- B Batch cards specify exact quantity of each ingredient.
- C Tinting area has benefit of ample daylight.
- D There is no practical substitute for trained eye in color matching.
- E 200-gallon paint tubs are moved adroitly by 4-directional overhead crane.





- A One of the direct-fired closed kettles for fusion processing of alkyl resins. Loading is on floor level; finished resins are pumped to filter station.
- B Lacquer raw materials are weighed or metered into subfloor mixers. Resulting products are transferred by pumping to filling platform.
- C Direct-fired stainless steel reactor with solvent recovery system produces synthetic resins for oil-base paint. Internal cooling coil breaks process at prescribed time.

EFFICIENCY IN QUALITY PRODUCTION

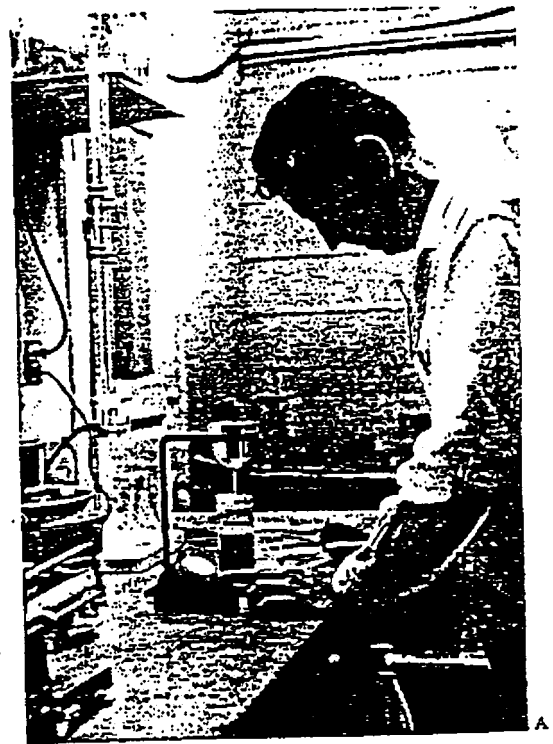
One yardstick used to determine the efficiency of a paint manufacturer is the gallons per man-hour turned out by those directly connected with production.

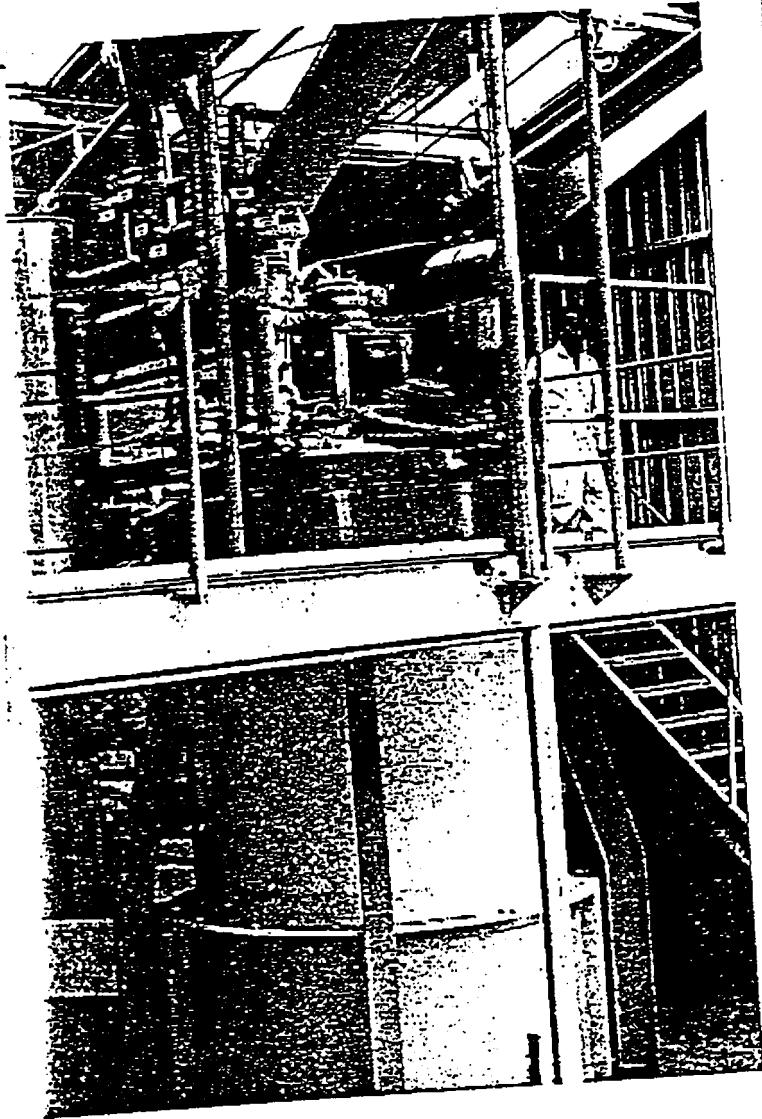
This figure ranges from an average of 12 to a high of about 32 (in the case of a manufacturing division of a large mail order concern which has the benefit of long range high-volume scheduling).

In 1965 Kelly-Moore produced 28.3 gallons per man-hour, a high figure considering K-M's extensive product mix and the number of small special batches made daily. This ability to produce quality finishes at sharply competitive costs has played a big part in Kelly-Moore's progress.

Equally important has been the painter-oriented character of the broad K-M product line. Many nationally advertised brands which are quite acceptable to the retail trade are considered unsatisfactory by the professional painter.

He insists on application features which insure top speed production as well as quality results. Independent Laboratory tests prove that K-M quality is at least equal to that of the most specified major brands.





fuston
floor

etic

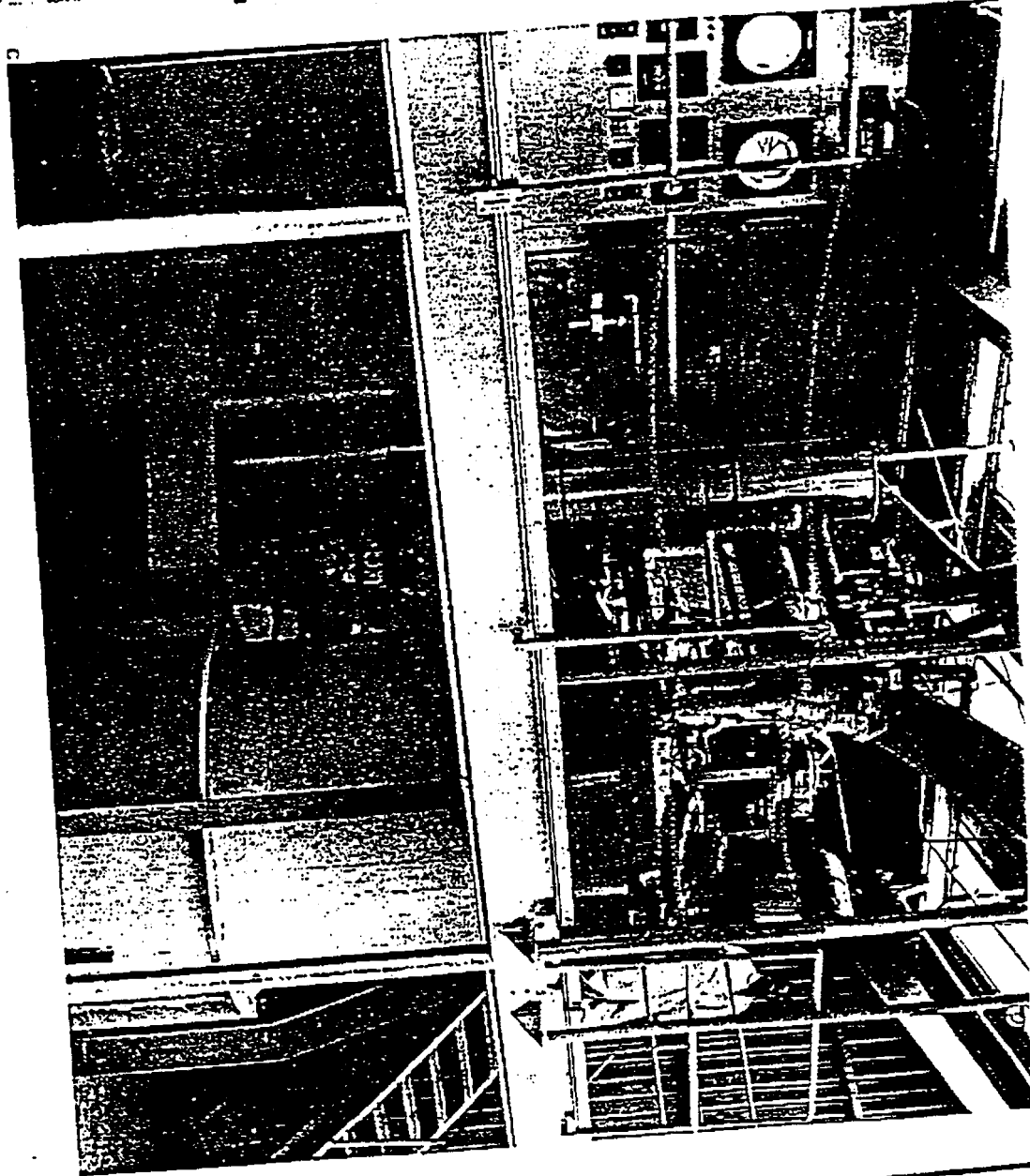
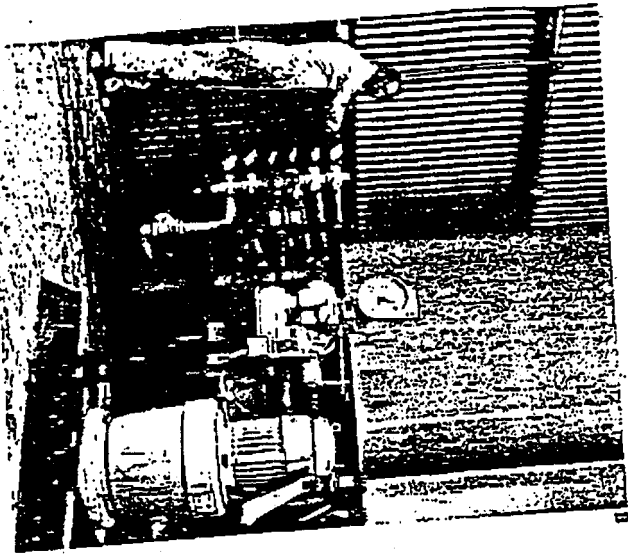
STURDY VEHICLES

The manufacture of most surface coatings starts with the production of the varnishes, synthetic resins, latex polymers and treated oils or lacquers which are the film-formers.

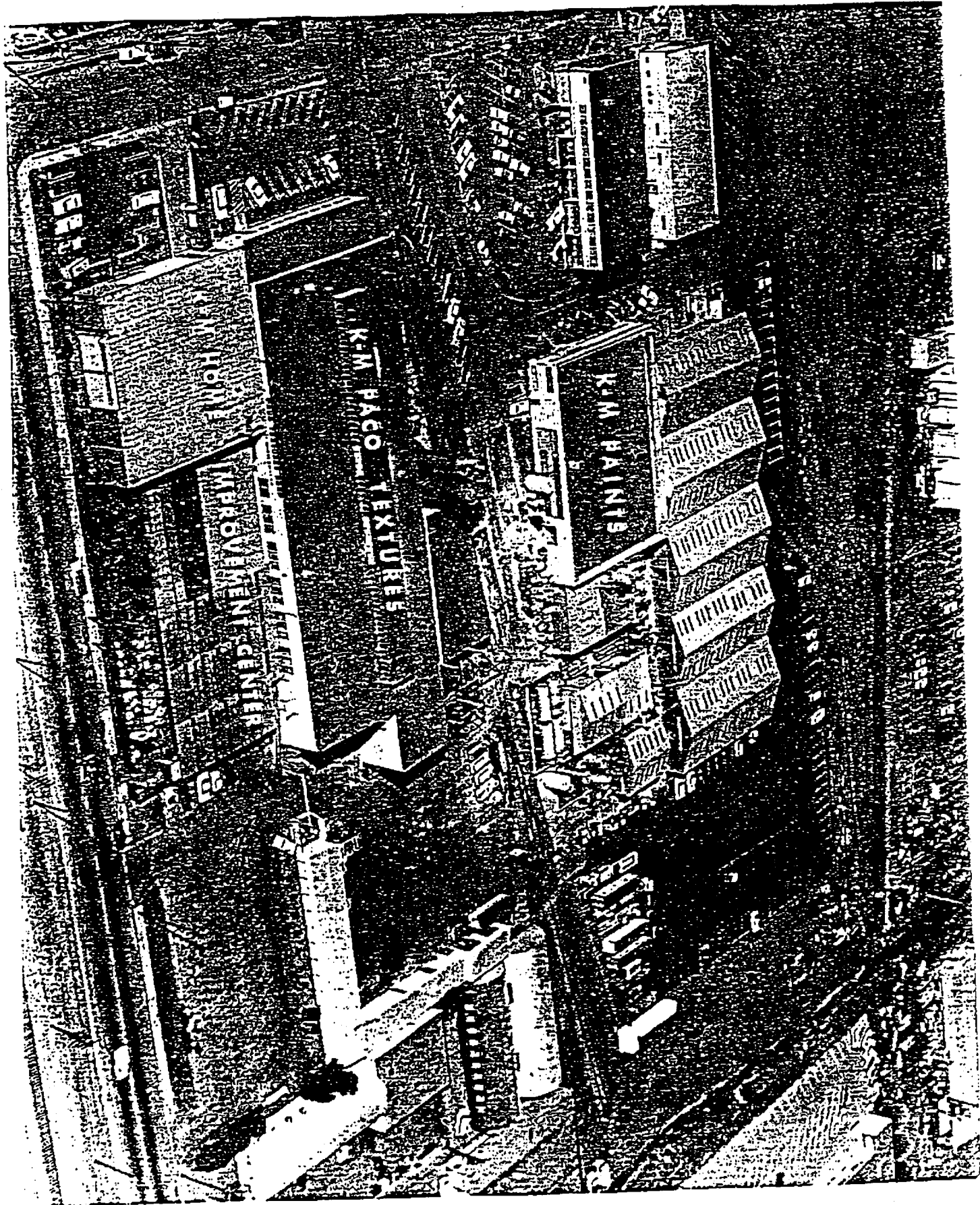
Alone or in combination these are the vehicles with which pigments are combined to provide opacity, added durability and color. These vehicles also largely determine the quality and working properties of the finished product.

Although there are reliable commercial sources for many such intermediates, Kelly-Moore's R&D laboratories formulate K-M's own vehicles. This insures meeting the specific needs of the markets we serve, and gains the technical advantage of in house production.

As the photos indicate, most of this resin and lacquer processing equipment is underground. This results in fast floor-level loading of solid ingredients, reaction fuel economy and economical unloading by pumps to the filtering stations.



- A One of the direct-fired closed kettles for fusion processing of alkylid resins. Loading is at floor level; finished resins are pumped to filter station.
- B Lacquer raw materials are weighed or metered into subfloor mixers. Resulting products are transferred by jumphop to filling platform.
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THE K-M SAN CARLOS COMPLEX 1966

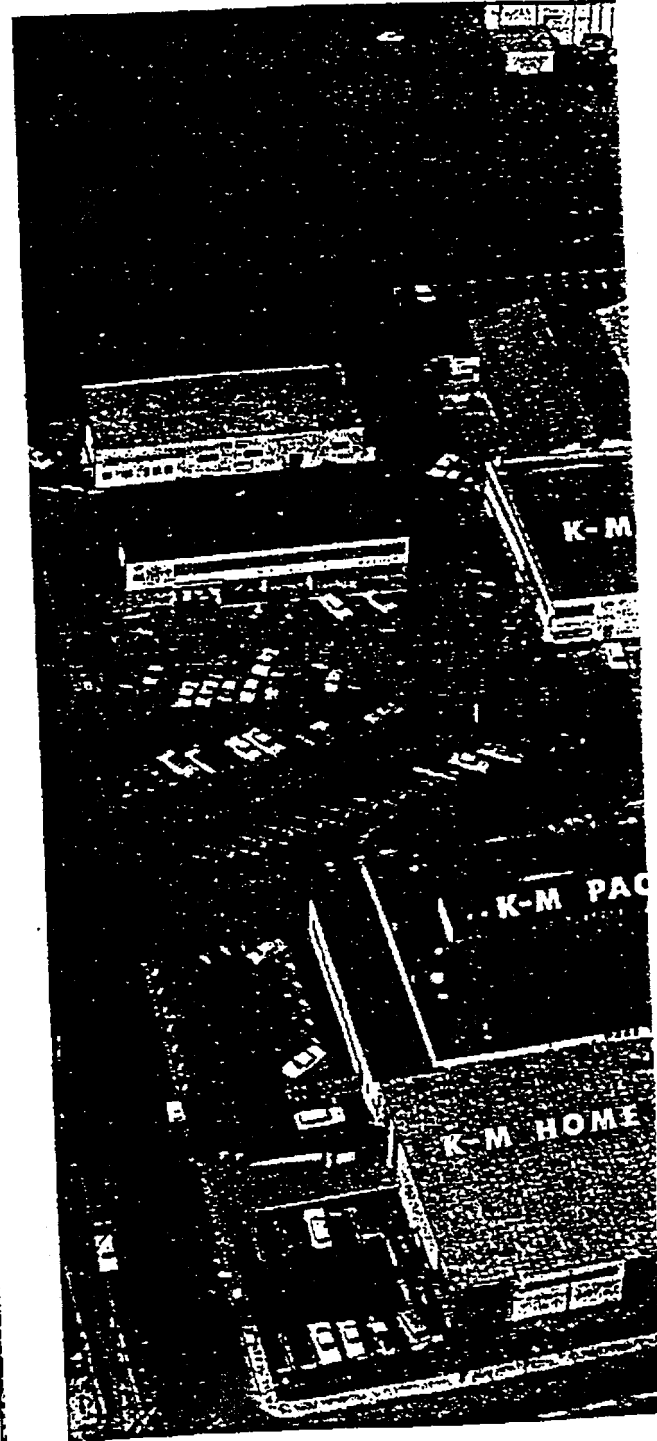
As it stands today on 8 acres, Kelly-Moore's San Carlos factory is among the most modern plants in our industry.

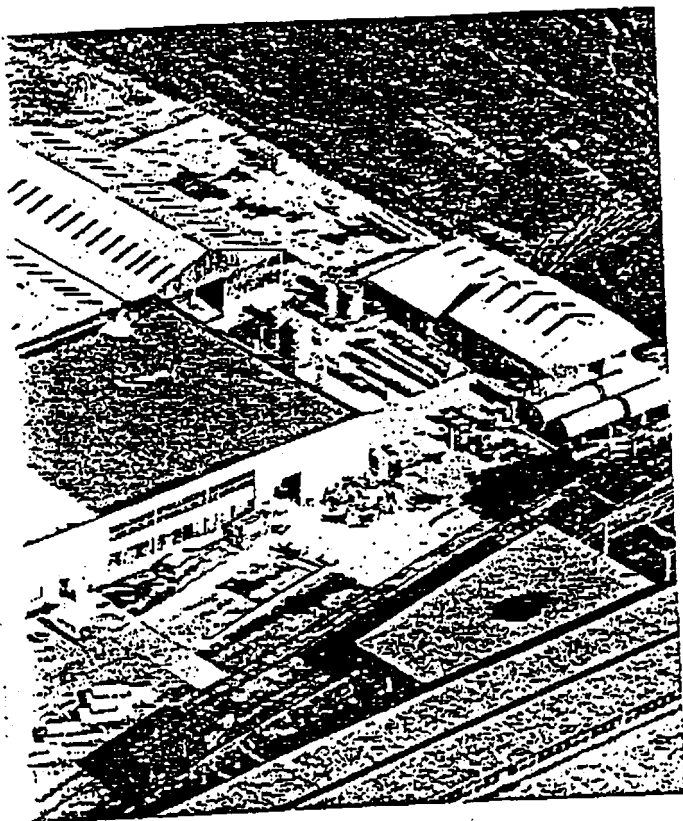
K-M has completely changed its paint making equipment no less than four times while perfecting the present manufacturing complex. The competitive advantages of high-quality high-speed production have more than offset the old equipment sell-off.

For example, a roller mill method of producing enamel yields 400 gallons per day per mill. Kelly-Moore sold its mills of this type in 1960 replacing them with high speed dispersers, which finish 1,000 gallons of enamel in 2½ hours.

Intricate resins and latex copolymers are manufactured in K-M engineered reactors. These are the modern paint vehicles that give K-M paints the durability and application properties esteemed by the trade.

K-M's San Carlos factory has a single shift capacity of
8,000 gallons of finished paints
4,000 gallons synthetic resins
and copolymers
2,000 gallons lacquers and
varnishes





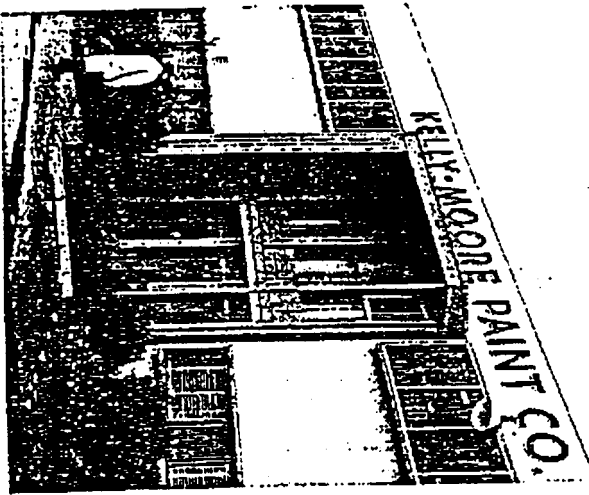
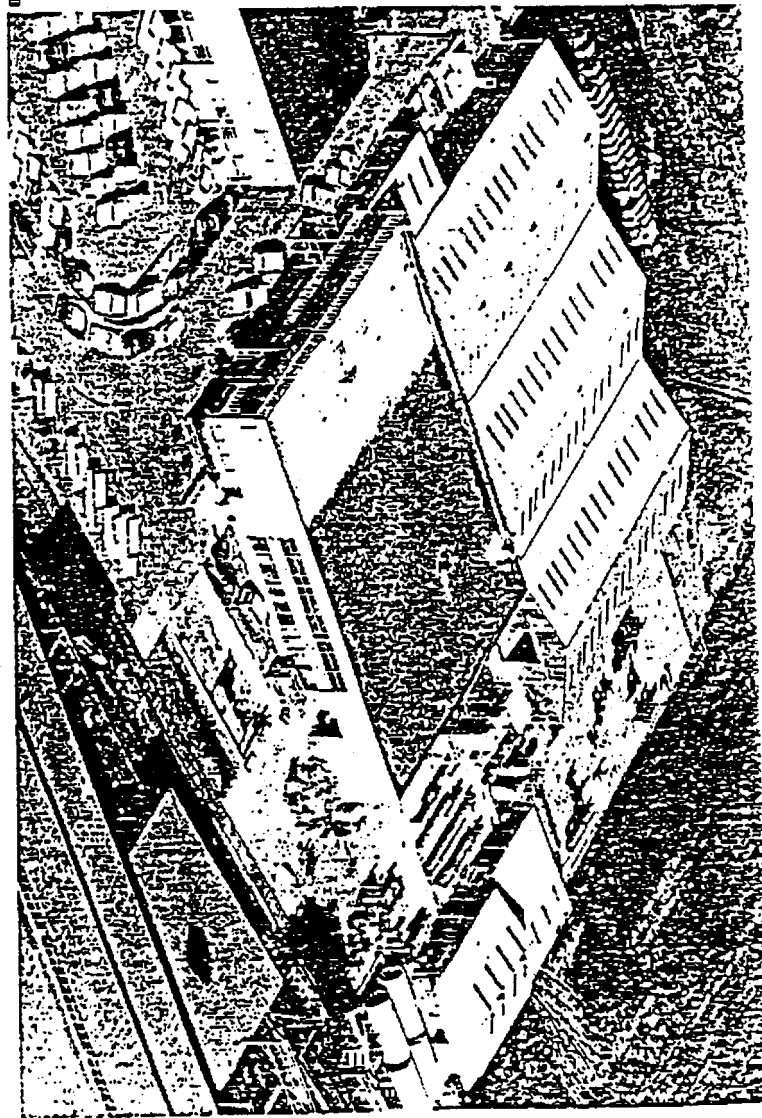
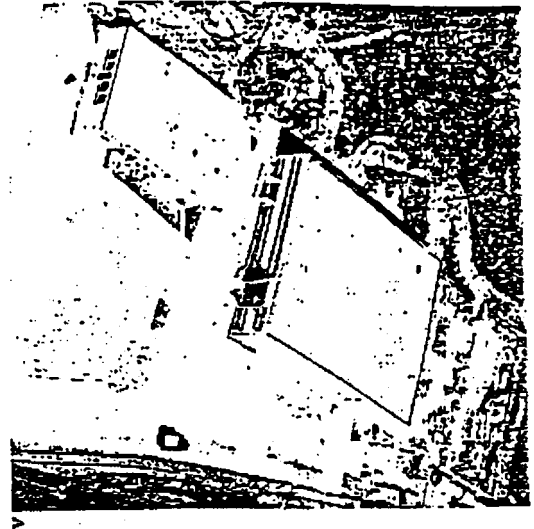
- A 14,000 sq. ft. plant purchased in 1956.
- B K-M San Carlos factory in 1961 with additions of tankage, resin and lacquer plants and warehouses.
- C Entrance to K-M main office, San Carlos.

Rx FOR GROWTH

By 1956 there were Kelly-Moore branch stores in San Jose, Stockton and Sacramento as well as San Carlos. Annual sales passed \$800,000. More plant capacity was required for further growth.

That year the Company optimistically purchased a modern 14,000 sq. ft. building on 2½ acres in San Carlos as the nucleus of its Northern California manufacturing facility.

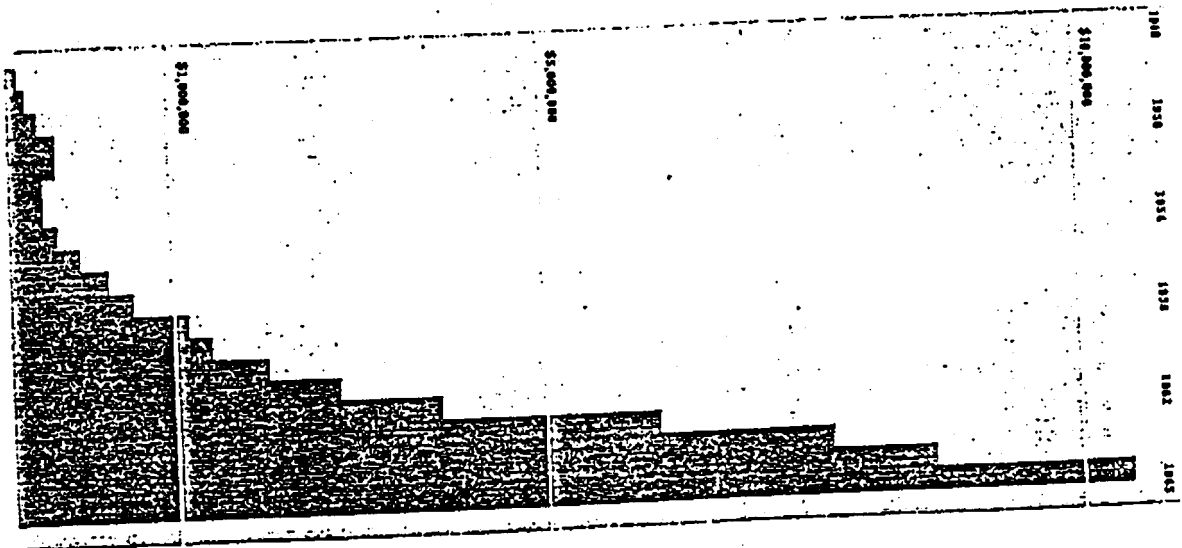
When 1961 rolled around, the new plant was servicing four additional branches in San Francisco, Oakland, Hayward and Carmel. K-M sales reached \$3,600,000. Synthetic resins and lacquers were being produced in quantity, an automatic pumping system had been installed to transfer resins, oils and solvents. The production flow moved from the spur track and truck dock in the foreground through the plant to finished-stock warehouses in the background.



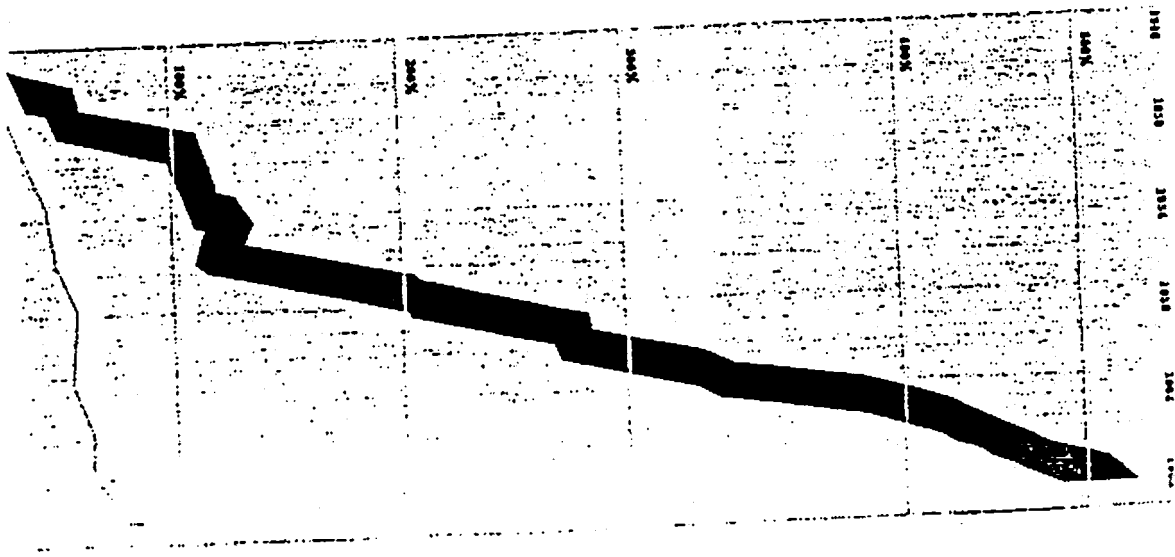
C

- A 14,000 sq. ft. plant purchased in 1956.
- B K-M San Carlos factory in 1963 with additions of tankage, rosin and lacquer plants and warehouses.
- C Entrance to K-M main office, San Carlos.

HIGH RISE
 How Kelly-Moore achieved the dynamic growth charted on this page (in an industry dominated by giants) is the story of our first twenty years.



K-M SALES
 K-M sales snowball with expansion into new market areas and allied industries.



SALES COMPARISON
 Percent of Sales Increase from 1946 base:
 US Paint Industry trade sales*
 K-M sales
 *Source: National Paint, Varnish & Lacquer Association, Inc.

TAKING STOCK

- Kelly retired in 1952 at age 73, selling his interest in the business to Moore in accordance with their partnership agreement. The Company was incorporated at that time;
- The contemplated network of K-M owned and operated branches has become a reality, consisting of 31 full service stores in 1966;
- Manufacturing facilities have kept pace, with paint factories in San Carlos and Ontario, California and Dallas, Texas;
- The Company's policy of concentrating on direct sales to the professional painting contractor, through company-owned stores, has been maintained;
- Kelly-Moore's expansion into other industries allied to paint has broadened the scope of its service;
- The production of important raw materials has been integrated with the K-M operation.

HIGH RISE

How Kelly-Moore achieved the dynamic growth charted on this page (in an industry dominated by giants) is the story of our first twenty years.



William H. Kelly, age 68, retired general manager of the Glidden Company West Coast factories, who provided experience in paint formulation and production techniques.

This factory
Located in San Carlos, California, a small town 25 miles south of San Francisco, ideally situated to serve the Northern California market.

And a clear business objective
To supply professional quality paints direct to contractors through a network of company-owned branches.

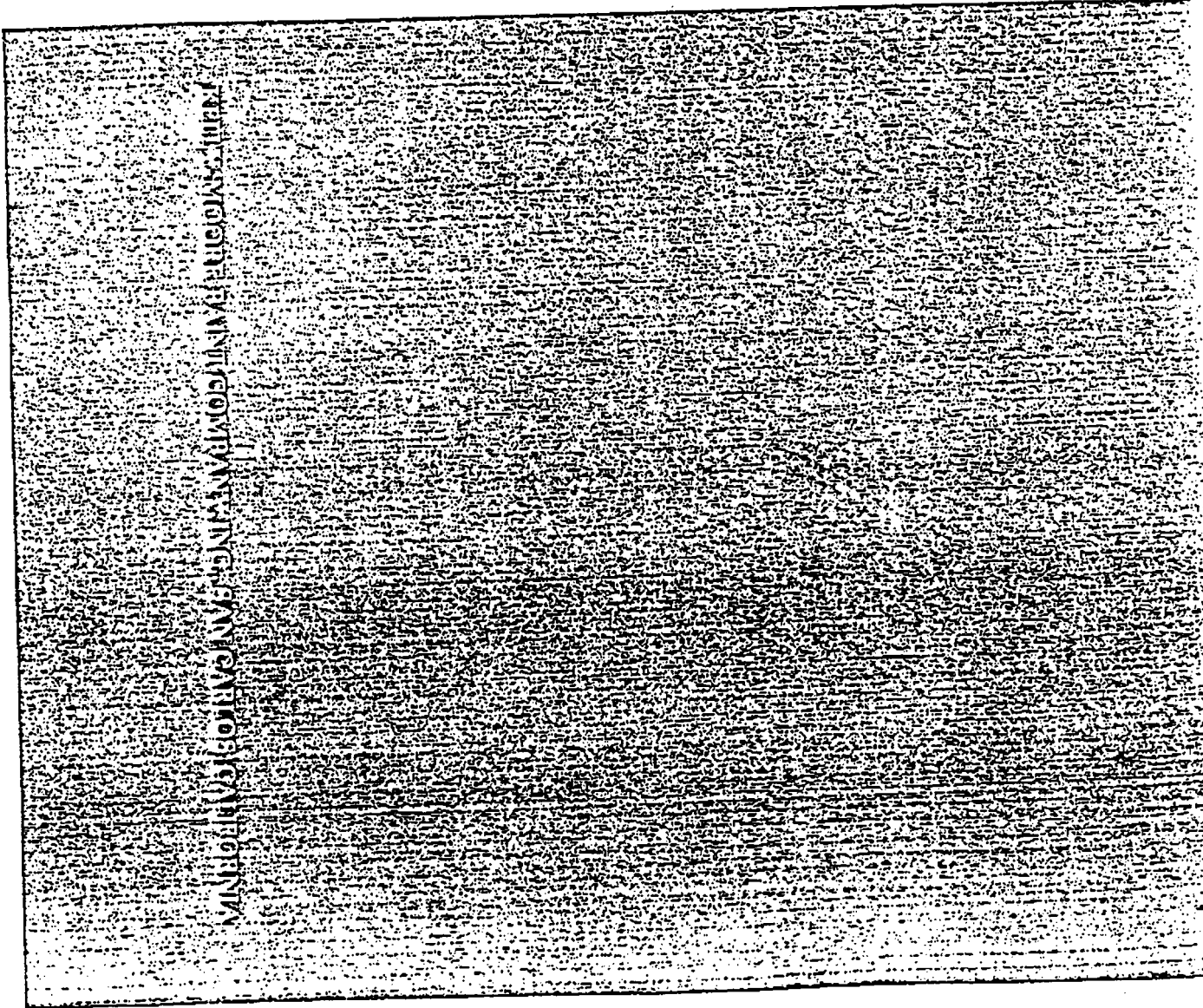
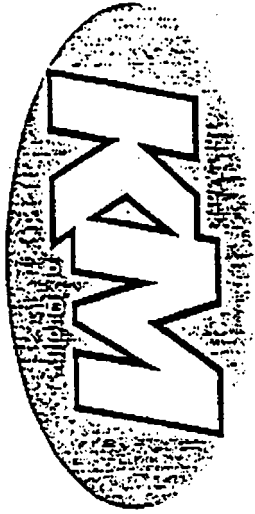
TO SET THE STAGE

Paint industry sales are broadly classified as either industrial sales (to manufacturers for product finishes) or trade sales (to retail consumers and painting contractors for new construction and maintenance work).

In the trade sales category it is estimated that retail consumers account for about 70% of the volume. The painting contractors' share of market has been declining due to high labor costs and the improvements in paints which have made them more practical for amateur use.

Kelly-Moore's initial decision to concentrate on contractor sales thus committed the new company to the smallest and most demanding segment of the trade sales market and the one with the most volatile credit problems.

However, at the time K-M was formed, no single paint manufacturer among approximately 60 in the area could be said to dominate the contractor market in Northern California. Furthermore, while its share of market was decreasing, the painting contractor trade represented a large and satisfying potential to any concern that could capture a major part of it, in view of the post-war boom in housing and commercial development that was in store for the West Coast.



THE KELLY-MOORE ORGANIZATION

PRESIDENT

MANAGEMENT COMMITTEE
 President
 V. P. Sales
 V. P. Home Improvement Centers
 V. P. Production
 Secretary-Treasurer

Paco Textures Corp.
 Cal-Pacific Truck Lines
 Management Data Services
 Del-Well Tape Co.

INDUSTRIAL MINERALS
 Industrial Minerals Co.
 Marble Valley Limestones Co.
 Cal-Mica Co.

V.P. PRODUCTION

San Carlos Paint Production
 Vermont and Lacquer
 Freightliner
 San Carlos Paper Production
 San Carlos Printing
 Texco Production
 Bell Carles Packaging
 San Carlos Manufacturing
 Bell and Beech R & P
 Papp R & P

V.P. SALES

WESTERN REGION
 Bay Area District
 Valley District
 So. California District
 Arizona District
 Spokane District

V.P. REGION

Palmer Yachery
 Texas Regional
 Papp Regional
 Trillium Corp.
 Agribal Sales
 Cereal
 Agricultural Paper

V.P. HOME IMPROVEMENT CENTERS

K-M Home Improvement Centers
 San Carlos
 San Luis Obispo
 Santa Barbara
 Santa Maria
 Chipp-Quinn Products Co.
 K-M Quick Company

SECRETARY-TREASURER

General Accounting
 Consolidation Accounting
 Branch Accounting
 Internal Auditing
 Taxes
 Time and Billing
 Systems and Procedures
 Paper Processing
 Office Services
 Corporate Minutes
 Legal Files

Organization Chart Illustrates Lines of Responsibility and Coordination of K-M Activities

ATTACHMENT "A"

KELLY-MOORE ASBESTOS-CONTAINING PRODUCTS

1. Bedding Cement
2. Taping Compound
3. Finishing Compound
4. Quick-Set Joint Compound
5. All Purpose (Triple Duty)
6. Ready Mix Taping
7. Ready Mix All Purpose
8. Ready Mix Topping
9. Wall Texture (Bestex A)
10. Texture Paint
11. Splatter Texture
12. Sand Finish
13. Ceiling Texture (Bestex D)
14. Product 225 (paint)
15. Product 235 (paint)
16. Product 521 (paint)
17. Radiant Heat Fill
18. Bedding Cement
19. Topping Cement
20. All Purpose Joint Cement
21. Triple Duty, Bestex D
22. Bestex A
23. Ready Mix

24. Paco No. 4051 Vinyl Ready-Mix Joint Compound
25. Paco-Tex Wall Texture No. 5565
26. Paco Vinyl Joint Compound No. 5512
27. Paco Decorative Ceiling Texture No. 6373
28. Paco Quick Set Joint Compound
29. Paco Finishing Compound No. 5535
30. Paco Taping Compound No. 5525
31. Paco Ready Mix Topping Compound

* products from #17-31
are not described, nor are
dates provided.

KM 01019

PLAINTIFF'S
EXHIBIT
20 KM

tabbles