Raw material sources became less dependable and as selling prices were increased, volume declined.

For the U.S.A. and Canadian Steel markets, a cost effective innovative replacement for commodity compounds in big steel was developed locally; U.S.A. Foundry, Canada and U.S.A. Steel only by July 1976.

Group technology gave products which could be effective in the small ingot market and for non-tracked bottom poured ingots but did not deal with the North American type steel industry demands, particularly B.E.U.

Asbestos-Free:

By January 1976, after a year's efforts locally, an asbestos-free Profax recipe was in use but with only fair manufacturing capability. Sales demanded paper-free which had to be rescinded in March 1976--after proving that competition used paper -

- No asbestos-free Proflex was available
- No asbestos-free Kalminex was available
- No asbestos-free Premix was available

In April, the U.S.A. Foseco was told by its product liability carrier that it was canceling the Foseco coverage--after increasing its premium by 400%.

Without Group support coverage was obtained but the carrier specified that we be asbestos-free by July 1.

At the same time, Bethlehem Steel demanded that we produce asbestos-free Premix.

The operating company technical competence was stretched beyond its means.

As of July:

- Raw material iosses skyrocketed
- Manufacturing efficiency plummeted
- Loss of control in insulating products existed at all three plants

Because of the larger volume throughput, Cleveland Plant was seen as the major problem and it was discovered that despite answers to the affirmative, the plant management was not using the work planning and control procedures previously implemented. After great resistance, these were reinstated and savings in direct labor and improved machine output are being realized. Properly maintained, this program can continue to save in excess of $500,000 per year.

PLAINTIFF'S EXHIBIT FOS-834