LAWYERS WORK PRODUCT
ADVICE OF COUNSEL
DO NOT DISTRIBUTE FURTHER

Johns-Manville **Internal Correspondence**

To: J. A. McKinney, P. L. Pundsack, M. Harris, H. B. Moreno, P. Kotin

Date: July 3, 1980

From: G. Earl Parker

Copies: File

Subject: MEXICO INVESTMENTS

Asbestos de Mexico is 40 percent owned by Johns-Manville Corporation. Banco National de Mexico controls 53 percent.

We have undertaken to accomplish two basic goals at Asbestos de Mexico while maintaining the profitability of the Company and the value of our investment.

1. Adherence to a Code of Conduct which would allow compliance with the U.S. Foreign Corrupt Practices Act. A Code was adopted by the Board of Directors of Asbestos de Mexico and Banco pledged their support. Significant progress was made under the management of Ricardo Cabrerra. When the Code was adopted, Moreno and Cini agreed to serve on the Board of Asbestos de Mexico.

2. Environmental health standards were to be improved to a point that we could say that no asbestos related disease was being generated. Significant progress was made to the point of our general satisfaction at Almeria (also jointly owned with Banco). Significant progress was made at the main plant of Asbestos de Mexico despite the opposition of Banco which viewed the cost as "non-productive expenditures." Bill Reitze reports that progress has stopped and that conditions may be worse in some locations than two years ago. The Villa Hermosa plant, according to Reitze, is in a deplorable state. The Guadalahara plant is similarly bad.

Asbestos de Mexico usually owes us $50K to $1 million U.S. on fiber purchases which may be about 13,000 tons per year. We have recently had a confrontation with Banco on the management of Asbestos de Mexico. Cabrerra feels that his policies and plans were opposed and blocked to such extremes that he could not continue to manage the Company. He feared personal liability for payments made to customers which he was powerless to stop. He had been admonished to live up to certain commitments which had been made to officials in the Ministry for Human Resettlement and Public Works.

PRIVILEGED
J-M 83

EXP

000101

Published by AsbestosClaims.Law
asbestosclaims.law/library/11403/1

Moreno urged Banco not to accept Cabrerra's "resignation" until he had returned from Europe. Banco insisted on getting him out now. The manager of A. P. Green in Mexico was offered the job but was persuaded to stay with his Company. The job is now held by Grindi, formally in charge of marketing and not known for his fortitude.

We have reluctantly concluded that the brief period in the sun has come to an end and that our noble effort with a Code of Conduct will not be successful. We also expect our access for information about sales and marketing activities will be circumscribed. Accordingly, I have counselled Moreno and Cini to terminate their active involvement in the management of Asbestos de Mexico and they have resigned from the Board.

On fiber sales, Harris has devised a program to require surveillance of customer use of fiber. Full implementation of that program would in time add flesh to our policy of discontinuing sales where we have reason to believe adequate precautions will not be taken.

A definite program with definite objective dates should be established for Asbestos de Mexico. We have caused an improvement at those operations and we should make an effort to complete those improvements.

It is quite possible that Banco will refuse further "non-productive expenditures." Our ability to maintain our posture in courts and before agencies and Congress that we have acted responsibly to eliminate asbestos hazards under our control will survive only if we are willing to live up to our policy pronouncements on sales.

Without a strong conviction as to the rightness of our policy and our actions, we cannot hope to convince others of the merit of our case or the blamelessness of our past conduct.

What course should we pursue in regard to our ownership in Asbestos de Mexico? Most people expect a marked growth in Mexico during this decade. As a basic industry Asbestos de Mexico should benefit from that growth and the value of our investment should increase. Asbestos de Mexico is probably as good environmentally as most operations not controlled by Johns-Manville and is better than other Mexico operations. Without management control, it is arguable whether we have any liability under FPCA.

Nevertheless, should Asbestos de Mexico engage in bribery, etc. or fail to move aggressively toward environmental

PRIVILEGED
J-M 83
EXP

compliance, we must consider, in addition to implementing our policy on sales, the divestment of our interest.

Note: There are pending in Congress some amendments to FCPA which would require companies owning less than half of a foreign affiliate only to make a "good faith" effort to encourage the affiliate to adopt FCPA accounting standards. Early passage of those amendments is doubtful.

G. Earl Parker

PRIVILEGED
J-M 83
EXP