PLAINTIFF'S EXHIBIT

UC-3588

UC 149 :

UNION CARBIDE

INTERNAL CORRESPONDENCE

MAR 3 1980

METALS DIVISION

270 PARK AVENUE, NEW YORK, NEW YORK 10017

To (Name) G. R. Bailey
Division R. L. Folkman
Location R. W. Rebholz
Floor Number F. J. Shortsleeve

Copy to W. G. Alesio

Date March 3, 1980

Originating Dept.

Floor Number

Answering letter date

Subject Asbestos Strategy

Attached is a rough draft version of the asbestos strategic plan, which will be reviewed at our March 28 meeting.

J. T. Kelly

JTK:tb

Attachment

UCC 008116

INDUSTRY DEFINITION

Those enterprises engaged in the worldwide production and marketing of short fiber asbestos and/or viscosity control agents.

BUSINESS DEFINITION

The mining, milling, chemical treatment and worldwide marketing of high quality short fiber asbestos.

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pla… Published by AsbestosClaims.Law
ACL Doc 18323 · Page 2 of 35 **asbestosclaims.law/library/18323/2**

ASBESTOS - GENERAL

UNITS ?

- TOTAL WORLDWIDE ASBESTOS SUPPLY/DEMAND — millions of short Tons

	PRODUCTION	CONSUMPTION
USSR	2.7	
Canada	1.7	
USA	0.1	
Europe	0.2	
Japan	-	
S. Africa	0.4	
Rhodesia	0.2	
Others	0.6	
TOTAL	5.9	5.9

- SHORT FIBER ASBESTOS PRODUCTION

  -- APPROXIMATELY 30% of TOTAL ASBESTOS PRODUCTION IS SHORT FIBER GRADES

  -- MOST SHORT FIBER ASBESTOS IS OBTAINED AS A BY-PRODUCT IN LONG FIBER OPERATIONS. NOT ALL IS CURRENTLY RECOVERED.

- MAJOR APPLICATIONS OF SHORT FIBER ASBESTOS

  ~~-- CEMENT PRODUCTS, TILE, PAPER, FRICTION MATERIALS~~

  Plastics, Floor Tile Asphalt Oil-well muds

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pla… Published by AsbestosClaims.Law
ACL Doc 18323 · Page 3 of 35 asbestosclaims.law/library/18323/3

UCC OPERATION

KING CITY, CALIFORNIA

"CALIDRIA" ASBESTOS

- MINING SITE AT COALINGA DEPOSIT, DISCOVERED IN 1957.

  TOTAL COALINGA RESERVES -- 3MM + TONS

  (100 + YEARS OPERATION)

- SHORT FIBER ASBESTOS ONLY. HIGH QUALITY (PURITY, FIBER CONTENT)

- MILLING OPERATIONS BEGAN IN 1964. CURRENTLY OPERATING AT 85% OF CAPACITY.

- PRODUCT SOLD IN U.S.A., JAPAN, EUROPE

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pla… Published by AsbestosClaims.Law

ACL Doc 18323 · Page 4 of 35 **asbestosclaims.law/library/18323/4**

UCC COMPETITORS

- SHORT FIBER ASBESTOS

	CAPACITY, M TONS/YR.
-- CAREY (Quebec, Canada)	230
-- JOHNS-MANVILLE (Quebec)	800
-- ATLAS (California)	25
KING CITY	33

- VISCOSITY CONTROL AGENTS

PRODUCT	CURRENT OPERATING RATE % CAPACITY
DE GUSSA	
CABOT	
NATIONAL LEAD	
BAKER	
KING CITY	

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pla... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 5 of 35 **asbestosclaims.law/library/18323/5**

UCC MARKETS
SHORT FIBER ASBESTOS

	USA		JAPAN		TOTAL	
	TONS	% SHARE	TONS	% SHARE	TONS	% SHARE
CAREY	61,000	47	33,000	73	94,000	53
JOHNS-MANVILLE	30,000	23	5,000	11	35,000	20
ATLAS	15,000	11	-	-	15,000	9
UCC	25,000	19	7,000	16	33,000	18
	131,000	100	45,000	100	176,000	100

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pla... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 6 of 35 asbestosclaims.law/library/18323/6

VISCOSITY CONTROL MARKETS

- MAJOR APPLICATIONS

  -- ADHESIVES, SEALANTS, COATINGS

- MARKET SHARE

	SHARES %			
	USA	JAPAN	EUROPE	TOTAL
DE GUSSA	25	70	70	40
CABOT	49	2	5	40
NATIONAL LEAD	10	2	3	3
BAKER	5	1	3	2
UCC	11	25	19	15

- UCC SUPPLYING THE ONLY ASBESTOS BASE PRODUCT.

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pla… Published by AsbestosClaims.Law
ACL Doc 18323 · Page 7 of 35 **asbestosclaims.law/library/18323/7**

PROSPECTS FOR INDUSTRY GROWTH & PROFITABILITY

- SHORT FIBER ASBESTOS -- low to moderate

  The question of health hazards and associated governmental regulatory action and potential third party liability are expected to result in a zero-volume growth rate for this industry. Limited number of competitors and favorable pricing history are positive factors.

- VISCOSITY CONTROL AGENTS -- high

  The unfavorable asbestos publicity and restrictive government regulations have been less of a negative factor in customer consideration. Aplications for asbestos remain despite considerable effort to develop substitutes. Requirements for technical competence and capital investment in this area are high.

  Viscosity control products represent only 8% of the tonnage at King City, but account for 60% of the plant margin.

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pla... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 8 of 35 asbestosclaims.law/library/18323/8

INDUSTRY PROFILE

SHORT FIBER ASBESTOS

CRITICAL ITEMS	INDUSTRY PROSPECTS HIGH	MODERATE	LOW
VOLUME GROWTH			X
VULNERABILITY TO SUBSTITUTION		X	
COMPETITION	X		
PRICING RESPONSE	X		
CUSTOMERS	X		
GOVERNMENT INTERVENTION			X
ACTIVIST INFLUENCE			X
THIRD PARTY LIABILITY			X
VOLUME GROWTH			X
EARNINGS QUALITY		X	
OVERALL ASSESSMENT		X	

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pla… Published by AsbestosClaims.Law
ACL Doc 18323 · Page 9 of 35 **asbestosclaims.law/library/18323/9**

INDUSTRY PROFILE

VISCOSITY CONTROL AGENTS

CRITICAL ITEMS	INDUSTRY PROSPECTS HIGH	MODERATE	LOW
VOLUME GROWTH		X	
SUBSTITUTION	X		
COMPETITION	X		
BASIS OF PRODUCT COMPETITION	X		
CUSTOMERS	X		
VOLUME GROWTH		X	
EARNINGS QUALITY	X		
OVERALL ASSESSMENT		X	

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 10 of 35 **asbestosclaims.law/library/18323/10**

HAZARDS

HEALTH ~~QUESTION~~

- FOUR DISEASES CONNECTED WITH ASBESTOS EXPOSURE:

  ASBESTOSIS

  LUNG CANCER

  MESOTHELIOMA

  ~~GASTROINTESTINAL CANCER~~

- LATENT PERIOD VARIES FROM ABOUT 15 TO 50 YEARS.

- MESOTHELIOMA IS THE MOST CRITICAL CONCERN.

  CAN APPARENTLY BE CAUSED BY SHORT, RELATIVELY LOW EXPOSURES AND IS NOT SMOKING RELATED.

  REASON FOR SCHOOL CEILING & HAIR DRYER INCIDENTS.

- DEFINITIVE SCIENTIFIC ANSWER TO QUESTION OF CANCER RISK AT VERY LOW EXPOSURES WILL PROBABLY NOT BE FORTHCOMING IN THE NEAR FUTURE.

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl… Published by AsbestosClaims.Law
ACL Doc 18323 · Page 11 of 35 **asbestosclaims.law/library/18323/11**

ESTIMATE OF FURTHER REGULATORY IMPACTS

ON UCC ASBESTOS BUSINESS

1. WORKPLACE EXPOSURE LIMITS WILL BE REDUCED BY OSHA FROM 2.0 FIBERS/CC TO 0.5-1.0 RANGE.

2. LITTLE CHANGE IN OTHER REGULATIONS.

3. NO MANDATORY SUBSTITUTION. (NO STATUTORY AUTHORITY EXISTS AT PRESENT.)

4. "AFTER THE FACT" LEGISLATION WILL NOT SIGNIFICANTLY AFFECT UCC.

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 12 of 35 **asbestosclaims.law/library/18323/12**

UCC PRODUCT DIRECTIONS

- EMPHASIZE DUST CONTROLLED "CALIDRIA" ASBESTOS PRODUCTS.

- IMPROVE PACKAGING

- CONCENTRATE ON END USES WHERE FREE FIBER GENERATION IS MINIMIZED OR ELIMINATED.

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 13 of 35 **asbestosclaims.law/library/18323/13**

FINANCIAL SUMMARY

"CALIDRIA" ASBESTOS

	1975	1976	1977	1978	1979
SALES ($MM)	4.3	4.9	5.3	7.2	6.4
NET INCOME ($MM)	0.1	0.5	0.6	1.2	1.0
(¢/SHARE)	0.2	0.8	1.0	1.9	1.5
ROS %	2.3	10.2	11.3	16.7	16.4
ROA %	1.6	10.5	12.9	25.4	19.8
CASH GENERATED ($MM)	0.2	0.1	1.1	1.0	1.2

UCC 008129

Published by AsbestosClaims.Law
asbestosclaims.law/library/18323/14

SPU COMPETITIVE POSITION

- SHORT FIBER ASBESTOS -- STRONG/LEADING

  High level of product quality and service to a diverse customer base overcome the disadvantage on costs of competing against a by-product situation.

- VISCOSITY CONTROL AGENTS -- STRONG

  A strong technical service effort, the most varied product line, and superior cost position have helped to offset the health factor, which has limited market share and remains a threat to future participation in these markets.

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 15 of 35 **asbestosclaims.law/library/18323/15**

SPU COMPETITIVE PROFILE

SHORT FIBER ASBESTOS

CRITICAL ITEMS	LEADING	STRONG	FAIR	WEAK
MARKET SHARE		*———*		
PRODUCT LINE BREADTH		*———*		
BREADTH/CUSTOMER BASE		*———*		
COST POSITION			*———*	
TECHNOLOGY POSITION		*———*		
PRODUCT QUALITY	*———*			
SERVICE/RELIABILITY	*———*			
OVERALL		*———*		

UCC 008131

Assessment of Principal Competitors
Relative to Key Competitive Factors

Asbestos Category

	UCC	Carey	Johns-Manville	Atlas
Market Share	Strong	~~Strong~~	Strong	~~Strong~~
Product Line Breadth	Strong	Strong/ Fair	Strong	Weak
Breadth Customer Base	Strong	Strong	Strong	Weak
Total Cost Position	Fair	Strong	Leading/ Strong	Fair
Technical Position	~~Leading~~ Strong	Weak	Strong	Weak
Product Quality	Leading	Strong/ Fair	Fair	Strong
Customer Service/Dependable Supplier	Leading	Weak	Strong	Weak
Overall	Leading/ Strong	Strong/ Fair	Strong	Fair/ Weak
Rank	1	3	2	4

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 17 of 35 **asbestosclaims.law/library/18323/17**

SPU COMPETITIVE PROFILE

VISCOSITY CONTROL AGENTS

CRITICAL ITEMS	LEADING	STRONG	FAIR	WEAK
PRODUCT LINE BREADTH		*	*	
BREADTH/CUSTOMER BASE	*	*		
COST POSITION	*	*		
TECHNOLOGY POSITION		*	*	
PRODUCT QUALITY	*	*		
HEALTH FACTOR				* *
OVERALL		*	*	

UCC 008133

Assessment of Principal Competitors Relative to Key Competitive Factors

Non-Asbestos Category

	UCC	Natl. Lead	Cabot	DeGussa	Baker
Product Line Breadth	Strong	Fair/ Weak	Fair	Fair	Fair/ Weak
Breadth of Customer Base	Leading	Fair	Strong	Strong	Fair
Total Cost Position	Leading	Strong	Strong	Strong	Strong
Technical Position	Leading/ Strong	Strong	Strong	Strong	Fair
Product Quality	Leading	Strong	Strong	Strong	Strong
Health Factor	Weak	Strong	Strong	Strong	Strong
Overall	Strong/ Fair[1]	Strong/ Fair	Strong	Strong/ Fair	Strong/ Fair
Rank	2	2	1	2	2

[1] The health factor was weighted at 4 to 1 against other factors in the overall rating for UCC.

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 19 of 35 **asbestosclaims.law/library/18323/19**

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 20 of 35 **asbestosclaims.law/library/18323/20**

KEY EXTERNAL ASSUMPTIONS

VOLUME GROWTH:

- VISCOSITY CONTROL -- 8% PER YEAR
- SHORT FIBER ASBESTOS -- 0% PER YEAR

GOVERNMENT:

- CLEAR POSITION TAKEN ON HEALTH QUESTION WITHIN 2-3 YEARS.
- NO WIDESPREAD BANS OR MANDATORY SUBSTITUTION
- OSHA TLV NO MORE RESTRICTIVE THAN ~~1.0~~ 0.5 FIBER/CC

COMPETITION:

- NO NEW MAJOR EXPLOITATION OF COALINGA DEPOSIT
- RUSSIANS DO NOT ENTER SHORT FIBER MARKET
- VISCOSITY CONTROL COMPETITORS DO NOT REDUCE PRICES
- MARKETING POLICY OF SHORT FIBER PRODUCERS UNCHANGED
- ATLAS OPERATES THROUGH AT LEAST 1981

CUSTOMERS:

- HEALTH FACTOR HAS NO SIGNIFICANT ADDITIONAL IMPACT ON SHORT FIBER ASBESTOS MARKET
- APPREHENSION OF CUSTOMERS IN THE VISCOSITY CONTROL AREA WILL SUBSIDE IN 2-3 YEARS

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 21 of 35 asbestosclaims.law/library/18323/21

CURRENT DIRECTION

THE ASBESTOS BUSINESS HAS BEEN OPERATED TO MAXIMIZE EARNINGS AND CASH FLOW. AGGRESSIVE MARKETING AND PRODUCT DEVELOPMENT PROGRAMS HAVE BEEN MAINTAINED. CAPITAL INVESTMENT HAS BEEN LIMITED TO DUST CONTROL IMPROVEMENTS AND OTHER MINOR REQUIREMENTS.

-- MAINTAIN POSITION WHILE MINIMIZING RISK IN VIEW OF MARKET UNCERTAINTIES.

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 22 of 35 **asbestosclaims.law/library/18323/22**

SALES HISTORY

	M TONS				
	1975	1976	1977	1978	1979
SHORT FIBER	28.5	22.5	22.8	32.9	26.5
VISCOSITY CONTROL	1.6	2.1	2.1	2.4	2.2
TOTAL	30.1	24.6	24.9	35.3	28.7

CONSTRUCTION EXPENDITURES

	$ M
1975	542
1976	197
1977	47
1978	77
1979	57

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 23 of 35 **asbestosclaims.law/library/18323/23**

STRATEGY SELECTION

STRATEGY:	STRATEGIC DIRECTION	
	SHORT FIBER	VISCOSITY CONTROL
CONSTANT CAPACITY (BASE CASE)	Maintain Position	Concede Position
SHORT FIBER EXPANSION	Improve Position	Concede Position
VISCOSITY CONTROL EXPANSION	Maintain Position	Maintain Position
UNIT ABANDONMENT	-	-

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 24 of 35 **asbestosclaims.law/library/18323/24**

STRATEGY ASSUMPTIONS

CONSTANT CAPACITY (BASE CASE):

- SHORT FIBER ASBESTOS

  --MARKET SHARE 18-20% OVER PLAN PERIOD

  -- TOTAL VOLUME RELATIVELY CONSTANT

- VISCOSITY CONTROL

  -- MARKET SHARE 15% THROUGH 1982, DROPS TO 12% BY 1988
  DUE TO CAPACITY LIMITATION OF CHEMICAL CURCUIT

SHORT FIBER EXPANSION:

- SHORT FIBER ASBESTOS

  -- INCREASE CAPACITY BY 25,000 TPY (75%) IN 1981,
  AT CAPITAL COST OF $6.3 MM

  -- MARKET SHARE EXPANDED FROM 18% TO 32% BY 1982
  (OBTAIN 12,000 TPY CONTRACT WITH GAF)

- VISCOSITY CONTROL

  -- SAME AS BASE CASE

VISCOSITY CONTROL EXPANSION:

- SHORT FIBER ASBESTOS

  -- SAME AS BASE CASE

- VISCOSITY CONTROL

  -- EXPAND CHEMICAL CURCUIT 1800 TPY (100%) BY 1983,
  AT CAPITAL COST OF $5.8 MM

  -- MAINTAIN MARKET SHARE AT 15% TRHOUGH THE PLAN PERIOD

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 25 of 35 **asbestosclaims.law/library/18323/25**

STRATEGY ASSUMPTIONS

UNIT ABANDONMENT

A - SHUT DOWN OPERATION

- CLOSE KING CITY PLANT IN 1980
  - -- DECOMMISSION COST $1.2 MM
  - -- NET BOOK VALUE $2.6 MM

B - SELL OPERATION

- 1980 SALE AT $7 MM (7X EARNINGS)

25

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 26 of 35 **asbestosclaims.law/library/18323/26**

RISK ADJUSTMENTS

DEPLETION ALLOWANCE

- ASSIGNED 25% PROBABILITY TO THE LOSS OF DEPLETION BY 1983

SALES

- SHORT FIBER ASBESTOS VOLUME REDUCED BY 7-10% STARTING IN 1984
- VISCOSITY CONTROL PRODUCTS GROWTH RATE LOWERED FROM 8% TO 6% FOR THE ENTIRE PLAN PERIOD

PLANT COSTS

- INCREASED 3% ABOVE ANNUAL INFLATION RATE DUE TO TIGHTENING REGULATIONS

CAPITAL COSTS

- INCREASED 12.5% ABOVE PLAN

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 27 of 35 **asbestosclaims.law/library/18323/27**

SALES VOLUME (FOR ADJUSTED)
M TONS
SHORT FIBER PRODUCTS
VISCOSITY CONTROL PRODUCTS
SHORT FIBER EXPANSION
BASE CASE &
VISCOSITY CONTROL EXPANSION
VISCOSITY CONTROL EXPANSION
BASE CASE &
SHORT FIBER EXPANSION
1979
80
81
82
83
84
85
86
87
88
60
50
40
30
20
10
5
4
3
2
27

UCC 008143

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl...
ACL Doc 18323 · Page 29 of 35

RISK ADJUSTED FINANCIAL SUMMARY -- ASBESTOS

STRATEGY	1979 - 1988 IMPACT				1988 ANNUAL RESULTS		
	CASH FLOW $ MM	EARNINGS $/ SHARE	AVERAGE ROA	CAPITAL $ MM	CASH FLOW $ MM	EARNINGS $/ SHARE	ROA
CONSTANT CAPACITY	12.0	.152	23	1.6	1.4	.017	36
SHORT FIBER EXPANSION	8.2	.128	10	8.5	1.8	.013	14
VISCOSITY CONTROL EXPANSION	7.8	.144	13	7.7	2.2	.021	19
UNIT ABANDONMENT -- SHUT DOWN	3.7	(.017)	-	0.3	-	-	-
-- SELL	8.0	.050	-	0.3	-	-	-

UCC 008144

Published by AsbestosClaims.Law
asbestosclaims.law/library/18323/29

THIRD PARTY LIABILITY

CLASSES OF POSSIBLE PLAINTIFFS

- INSULATION WORKERS

  -- UCC HAS NO EXPOSURE

- END USERS

  -- LOW RISK TO UCC SINCE ASBESTOS IS "ENCAPSULATED" IN MOST CUSTOMER PRODUCTS

  -- POSSIBLE EXCEPTION IS TAPE JOINT COMPOUNDS. CALIDRIA USED IN THIS APPLICATION FOR APPROX. 10 YRS.

- CUSTOMER EMPLOYEES

  -- DISSATISFACTION WITH LOW WORKERS' COMPENSATION AWARDS MAY LEAD TO LITIGATION AGAINST ASBESTOS SUPPLIERS

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 30 of 35 **asbestosclaims.law/library/18323/30**

THIRD PARTY LIABILITY

- WARNINGS TO UCC CUSTOMERS
  - -- NO WARNING ON UCC PACKAGE FROM LATE 1965 TO JUNE 1978
  - -- "WEAK" WARNING LABEL USED ON UCC PACKAGING BEGINNING JUNE 1968
  - -- OSHA WARNING LABEL PRESCRIBED IN JUNE 1972. NOT AN ABSOLUTE BAR TO LIABILITY, BUT HAS NOT BEEN TESTED IN COURTS
  - -- MASSIVE GOVERNMENT EDUCATION CAMPAIGN IN 1978 A FURTHER BASIS FOR CLAIMING PUBLIC HAS BEEN ADEQUATELY WARNED

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 31 of 35 **asbestosclaims.law/library/18323/31**

THIRD PARTY LIABILITY

ANALYSIS OF UCC EXPOSURE

- 1963 - 1977
  - -- EXPECT 2-3 SETTLEMENTS PER YEAR @ $60,000 EACH
  - -- WITH 20 YEAR INCUBATION PERIOD, CLAIMS WOULD BEGIN IN 1983

- POST 1977
  - -- ASSUME CLAIMS DROP TO $40,000 PER YEAR TOTAL

- RISK FACTOR
  - -- FIGURE LIABILITY 50% HIGHER THAN ABOVE ESTIMATES

- ESTIMATE OF UCC EXPOSURE
  - -- CONTINUED OPERATION CASES -- $4 MM
  - -- ABANDONMENT CASE -- $3.5 MM

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 32 of 35 asbestosclaims.law/library/18323/32

THIRD PARTY LIABILITY

ANALYSIS OF UCC EXPOSURE

- IMPACT ON STRATEGY RESULTS

1979-1988 IMPACT (ZERO LIABILITY)

	CASH FLOW $ MM	EARNINGS $/SHARE	AVERAGE ROA
CONSTANT CAPACITY	12.0	.152	23
SHORT FIBER EXPANSION	8.2	.128	10
VISCOSITY CONTROL EXPANSION	7.8	.144	13
UNIT ABANDONMENT - SHUT DOWN	3.7	(.017)	-
- SELL	8.0	.050	-

1979-1988 IMPACT (ACCRUE FOR LIABILITY)

	CASH FLOW $ MM	EARNINGS $/SHARE	AVERAGE ROA
CONSTANT CAPACITY	9.9	.120	18
SHORT FIBER EXPANSION	6.1	.096	8
VISCOSITY CONTROL EXPANSION	5.7	.112	10
UNIT ABANDONMENT - SHUT DOWN	1.9	(.045)	-
- SELL	6.2	.022	-

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 33 of 35 asbestosclaims.law/library/18323/33

RECOMMENDED STRATEGY

CONSTANT CAPACITY

- HIGHEST EARNINGS QUALITY
- LIMITED CAPITAL INVESTMENT
- LOW RISK (POTENTIAL THIRD PARTY LIABILITY LARGELY RELATED TO PRE-'77 OPERATION)

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl… Published by AsbestosClaims.Law
ACL Doc 18323 · Page 34 of 35 **asbestosclaims.law/library/18323/34**

ANNUAL CHECK POINTS

- GOVERNMENT REGULATORY ACTION.
- STATUS OF ASBESTOS LITIGATION.
- MARKET DEMAND.

ACTION PLANS

- MAINTAIN STRONG TECHNICAL SERVICE IN VISCOSITY CONTROL AREAS.
- CONTINUE TO WORK WITH GOVERNMENT AGENCIES ON ASBESTOS REGULATORY MATTERS.
- SPONSOR RESEARCH ON UCC CALIDRIA.

Union Carbide trial exhibit UC-3588: J. T. Kelly to G. R. Bailey and Others Transmitting Draft Asbestos Strategic Pl... Published by AsbestosClaims.Law
ACL Doc 18323 · Page 35 of 35 **asbestosclaims.law/library/18323/35**