

EXHIBIT 1

VERMONT ASBESTOS GROUP, INC. HAS FOR NEARLY A CENTURY PLAYED AN IMPORTANT ROLE IN THE ECONOMY OF NORTHERN VERMONT BY PROVIDING NEEDED EMPLOYMENT IN THIS RURAL, ISOLATED AREA. PROBLEMS WITHIN THE ASBESTOS INDUSTRY AND THE COMPANY HAVE SEVERELY AFFECTED THE EMPLOYMENT BASE SUBJECTING IT TO FLUCTUATION AS SEEN IN THE ACCOMPANYING EMPLOYMENT AND FIBER PRODUCTION TABLES.

VERMONT ASBESTOS GROUP, INC.
AVERAGE EMPLOYMENT BY FISCAL QUARTERS

Average Number
Full-Time Employees

1979

1st Quarter	197
2nd Quarter	152
3rd Quarter	191
4th Quarter	191

1980

1st Quarter	206
2nd Quarter	184
3rd Quarter	135
4th Quarter	173

1981

1st Quarter	148
2nd Quarter	177
3rd Quarter	137
4th Quarter	184

1982

1st Quarter	38
2nd Quarter	77
3rd Quarter	175
4th Quarter	165

1983

1st Quarter	32
2nd Quarter	175

VERMONT ASBESTOS GROUP, INC.

EMPLOYMENT STATISTICS

<u>YEAR</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APRIL</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEPT</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>
1979	197	199	195	153	153	151	192	188	194	191	178	205
1980	206	206	208	204	227	120	35 ⁽¹⁾	181	190	169	171	180
1981	97	174	174	174	177	179	52 ⁽²⁾	176	183	183	181	188
1982	38 ⁽³⁾	44	32	39	42	150	175	175	175	175	175	145
1983	32	32	32	175	175	175						

NOTES:

(1) and (2) Vacation shut-down for mine and mill employees

(3) Limited staffing during re-opening negotiations with banks

Source: Vermont Asbestos Group, Inc. verified by Vermont Department of Employment and Training

VERMONT ASBESTOS GROUP, INC.
 PRODUCTION STATISTICS

DATE	NET SALES		PRODUCTION		INVENTORY	
	DOLLARS	TONS	DOLLARS	TONS	DOLLARS	TONS
07/01/79-06/30/80	8,279,133	24,033	8,334,376	27,001	1,907,605	9,030
07/01/80-06/30/81	7,474,562	21,787	8,036,893	23,293	2,744,272	10,723
07/01/81-06/30/82	5,722,719	15,960	4,238,160	12,798	1,702,806	6,326

EXHIBIT 2

A WIDE VARIETY OF AGENCIES AND INDIVIDUALS SUPPORTED THE COUNCIL'S EFFORTS TO ASSIST VERMONT ASBESTOS GROUP. CONTRIBUTIONS RANGED FROM MORAL AND POLITICAL SUPPORT TO ACTUAL TECHNICAL ASSISTANCE. A SAMPLING OF THAT SUPPORT FOLLOWS.

LAMOILLE COUNTY
DEVELOPMENT COUNCIL

P. O. BOX 577, MORRISVILLE, VT., 05661
TEL. 888 - 4548

September 14, 1982

State Planning Office
A-95 Coordinator
5th Floor, Pavilion Building
Montpelier, Vermont 05602

RE: VT82-187 Town of Lowell

Dear Sir:

The Lamoille County Development Council and Regional Planning Commission wholeheartedly support the request of the Town of Lowell for a UDAG grant for \$300,000 to accomplish their economic adjustment program. Lamoille County is very closely involved with the activities that occur in Lowell as far as employment and the economic ripple affect caused in our service area by the people employed in that area and their expenditures.

The rural area of Vermont cause the counties and the communities to work closely together on economic development.

Sincerely,

LAMOILLE COUNTY DEVELOPMENT COUNCIL


Anthony F. Ciaraldi
Executive Director

AFC/jt



STATE OF VERMONT
SENATE CHAMBER
MONTPELIER
05602

August 31, 1982

Urban Development Action Grant Office
U. S. Department of Housing and Urban Development
Manchester, New Hampshire 03101

To Whom It May Concern:

I am writing as one of the two State Senators from the Essex/Orleans District to express my strong support for the \$300,000. Urban Development Action Grant recently filed by the Town of Lowell on behalf of Vermont Asbestos Group Mines.

The asbestos mines are the economic mainstay for Lowell and surrounding municipalities, providing jobs for 175 individuals; and the need for support services, which in turn create even more employment opportunities. In my opinion, there will be no alternative forms of employment available for these individuals if the mine were to shut down.

There have been recent reports that because of the lessened demand for asbestos by United States auto makers, some Vermont banks are considering foreclosure moves against VAG.

The influx of \$300,000. UDAG money to the mines, passed through the Town of Lowell by way of a low interest loan to purchase new equipment, will increase mining efficiency and produce a better product.

The UDAG grant will also help pave the way for a \$1.4 million financial aid package for the mine through the anticipated cooperation of the Vermont Industrial Development Authority, the U. S. Small Business Administration and the North-eastern Vermont Development Association.

The NVDA, which is helping put together the financial aid package, went on record last week at my request as a board member in unanimous support for this grant application.

In conclusion, this grant request may seem small when compared to the applications from larger urban areas. However, I can assure you that, if approved, the grant will help immensely an industry with a good future along with the lives of those who depend upon its economic viability.

Sincerely,

A handwritten signature in cursive script that reads "Vince Illuzzi".

SENATOR VINCE ILLUZZI
Essex-Orleans County
(Orleans) Barton, Vermont

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

Box 640
44 Main Street
St. Johnsbury, Vermont 05819

Tel. (802) 748-5181

Excerpt from minutes of Board of Directors meeting of this regional planning and development commission held in St. Johnsbury, Vermont on August 16, 1982.

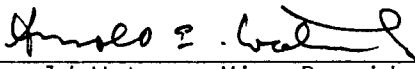
Following a discussion of the proposed UDAG application by the Town of Lowell to assist the Vermont Asbestos Group the consensus of the Board was that the project is of critical importance to the region and that an award of UDAG funds would make the project economically feasible.

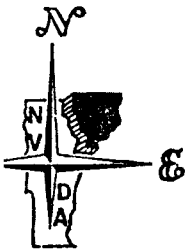
Thereupon Senator Vincent Illuzzi made the motion, duly seconded "that the Northeastern Vermont Development Association strongly endorse the Town of Lowell application to the U.S. Dept. of Housing & Urban Development for UDAG funds."

The motion carried unanimously

27 ayes
0 nays

a certified true copy


Arnold Waters, Vice-President



The Regional Commission Serving
The Northeast Kingdom, Caledonia, Essex, and Orleans Counties

United States Senate
WASHINGTON, D.C. 20510

September 21, 1982

Mr. Anthony F. Ciaraldi
Executive Director
Lamoille County Development Council
P. O. Box 577
Morrisville, VT 05661

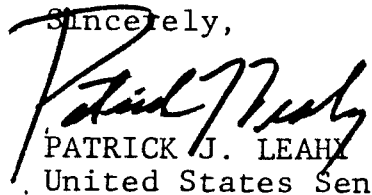
Dear Tony:

Thank you for sending along a copy of your letter to the Director of the Urban Development Action Grant (UDAG) office on behalf of the Vermont Asbestos Group.

As you may know, Tony, the Department of Housing and Urban Development (HUD) has received 6 applications from Vermont for consideration during the current round of funding. I have asked members of my staff to keep in touch with each of the communities that have submitted applications so that I can provide the necessary support and assistance they may require.

I realize this UDAG is an important component of the over-all financial package put together by the Northeastern Vermont Development Association. I am also very concerned about the economic and financial hardships that would result if the mine were forced into foreclosure. You can be assured that I will do all that I can to see that HUD gives this application every consideration.

Your interest and support in this is very important. Please let me know if there is anything further I can do.

Sincerely,

PATRICK J. LEAHY
United States Senator

PJL:kmr

SEP 27 1982

ROBERT T. STAFFORD
VERMONT

WASHINGTON OFFICE:
5219 SENATE OFFICE BUILDING
TEL.: (202) 224-5141

VERMONT OFFICES:
27 SOUTH MAIN STREET
RUTLAND, TEL.: 775-5446

FEDERAL BUILDING, SUITE 501
BURLINGTON, TEL.: 951-6707

United States Senate

WASHINGTON, D.C. 20510

COMMITTEES:
ENVIRONMENT AND PUBLIC
WORKS, CHAIRMAN
LABOR AND HUMAN RESOURCES
EDUCATION SUBCOMMITTEE,
CHAIRMAN
VETERANS' AFFAIRS
NEAL J. HOUSTON
ADMINISTRATIVE ASSISTANT

September 24, 1982

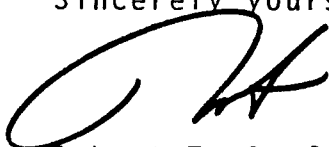
Mr. Anthony F. Ciaraldi
Executive Director
Lamoille County Development Council
P. O. Box 577
Morrisville, VT 05661

Dear Mr.  Ciaraldi:

Thanks very much for the copy of your September 14th letter to the Department of Housing and Urban Development concerning the Urban Development Action Grant application by the Town of Lowell, Vermont.

I have written to the Secretary of Housing and Urban Development in support of Lowell's application. You may be assured that I will do all I can to see that Lowell receives this grant.

Sincerely yours,



Robert T. Stafford
United States Senator

RTS/mk

JAMES M. JEFFORDS
VERMONT CONGRESSMAN

COMMITTEE ON AGRICULTURE

SUBCOMMITTEES:

CONSERVATION, CREDIT AND
RURAL DEVELOPMENT—
RANKING MINORITY MEMBER
LIVESTOCK, DAIRY AND POULTRY

COMMITTEE ON EDUCATION AND
LABOR

SUBCOMMITTEES:

EMPLOYMENT OPPORTUNITIES—
RANKING MINORITY MEMBER
ELEMENTARY, SECONDARY AND
VOCATIONAL EDUCATION
SELECT EDUCATION

SELECT COMMITTEE ON AGING

Congress of the United States
House of Representatives
Washington, D.C. 20515

September 29, 1982

PLEASE REPLY TO: OCT 6 1982

☐ 1524 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-4115

☐ P.O. Box 676
FEDERAL BUILDING
MONTPELIER, VERMONT 05602
(802) 223-5273

☐ Room 101
177 SOUTH WINDOOSKI AVENUE
BURLINGTON, VERMONT 05401
(802) 951-6732

☐ P.O. Box 397
POST OFFICE BUILDING
RUTLAND, VERMONT 05701
(802) 773-3878

Mr. Anthony F. Ciaraldi
Executive Director
Lamoille County Development Council
P.O. Box 577
Morrisville, Vermont 05661

Dear Tony:

I would like to take this opportunity to thank you for sending me a copy of your recent letter to the Director of UDAG at the Department of Housing and Urban Development in support of the Town of Lowell's application for federal financial assistance. I am aware of the situation at the Vermont Asbestos Group and also knew that Lowell had applied for support from the UDAG program.

As you know, HUD in Manchester is presently reviewing the six applications from Vermont. Interestingly, there are no applications from Maine or New Hampshire this year. The Manchester office will complete its review by the end of this month, and make its recommendations to HUD in Washington. Final review should be complete by the end of October. Awards are expected to be announced in early November.

I understand that HUD officials are presently working with all the Vermont applications. I have expressed my interest in the Lowell application. I will continue to monitor this review closely.

Thank you again for sending your letter to my attention. If you have any further questions or comments, please give me a call. Best wishes for a successful application.

Sincerely,


James M. Jeffords

JMJ/kn

EXHIBIT 3

THE CESSATION OF THE FORECLOSURE ACTION WAS CRITICAL TO THE PROJECT, BUT WAS ACHIEVED TOO LATE TO BE OF REAL ASSISTANCE. REFUSAL BY ONE OF THE PRINCIPAL LENDERS TO WITHDRAW THE ACTION LED TO PUBLICATION OF THE FACT IN SEVERAL CHURCH NEWSLETTERS LIKE THE ONE WHICH FOLLOWS. ULTIMATELY THE AGREEMENT (A PART OF WHICH IS ATTACHED) WAS EXECUTED.

July 6 Get desperate call from Charles Carter of Northeastern Vermont Development Association. He tells me that one bank in Lamoille County is standing in the way of the Asbestos Mines getting some major help that will keep them going. This is particularly disturbing in light of the fact that last Sunday after preaching in the Belvidere Church I learned how pleased the men were to be back working again.

First meeting of the Advisory Commity for the Block Grant project with Amy Davenport. Getting a handle on just which black grants are being used by which part of state government is the first step. Should there be some legislation that would mandate a public input process and the establishment of advisory boards for each grant?

July 7 REceived thank you letters from Association to Boost Lamoille Enterprises. They will use the funds for promotion and developing a larger membership. Also got a thank you from Green Mountain Industrial Development Corporation in White River Junction. They are now established and working with local businesses to help in "site location and loan packaging."

July 8 Vermont Samaritan people and Gus Root meet with Robert Burley and Jim Groom architects to work on the "cook Book" for churches or others wanting to do housing for the elderly. Key word: make it adaptable.

Lunch with Marylou Crooks, Sandy Dooley, Clark Hinsdale, and Martin Copenhaver of First Cong. Church to talk about HABITAT. A date has been set for a trip to Americus in October. Martin is lining up people from Burlington churches. Vermont Samaritan hopes to send two. Clark Hinsdale will be going, and perhaps Marylou.

July 10 Dr. Curtis Minter is elected with great enthusiasm as the new Conference Minister of the Vermont Conference of the United Church of Christ. He made a strong pitch for the importance of the local church as being on the 'front line' and was very clear about his committment to social action ministries. PRAISE GOD!

July 9 Lee Ann Betz receives special citation from President Reagan for her work as a volunteer at jails in Vermont. She also organized a petition drive at a state wide meeting of volunteers for corrections calling on the State of Vermont to provide Volunteer Coordinators in each of the Correctional centers. Some have NONE right now.

July 10 (again) Steve Horrell, Chelsea reports that Community Action did a splendid job in fixing up a mobil home for a widow in town. Her whole outlook on life has risen 100%. Next: a pitched roof is needed.

\$NEIGHBORS IN NEED.....\$250 sent to Christ Church, Saxton's River to help expenses of family whose young daughter is being treated for cancer in Boston. Prayers are sorely needed!

AGREEMENT

This Agreement reduces to writing agreements by the parties, the primary intent of which is to allow additional time for Vermont Asbestos Group, Inc. (VAG) and Vermont Industrial Products Inc. (VIP) to pay, or to bring to a current status, and pay in full, certain loan obligations due to the Franklin-Lamoille Bank, The Vermont National Bank, The Sterling Trust Company and The Union Bank, (hereinafter sometimes referred to as "Banks") and at the same time provide the Banks with additional security for the loan obligations of VAG and VIP or either of them.

The parties understand and agree that the inducements for the Banks' agreement to extend the time for payment were certain projections made by VAG, VIP and The Masonite Corporation at a meeting held at the VAG and VIP offices in Morrisville, Vermont, on March 24, 1983, including, in part, a projection that Masonite would exercise an option it holds under a Lease with VIP on or before February 28, 1984 which would provide VIP and VAG sufficient cash to pay the indebtedness due to the Banks in full, at the earlier of the exercise of option by Masonite or before March 1, 1984.

With the above in mind, the Banks recognize there is a legitimate possibility that if the projections of the companies are accurate, VAG and VIP may be able to make their businesses viable, and the Banks are willing to enter into this Agreement to set forth the terms under which they will allow continued operation of the businesses to see if the projections can be met. If the projections are met, it will benefit not only the businesses, but the economic situation of the surrounding community.

Based upon their mutual covenants, the parties agree as follows:

1. The parties agree that the pending Court actions in the Lamoille Superior Court, Docket #S85-82Lc, S84-82Lc and S83-82Lc, including all claims and counterclaims shall be dismissed without prejudice.

EXHIBIT 4

A THE CORE OF THE COUNCIL'S PROPOSED STABILIZATION PROGRAM FOR VAG WAS AN EXTENSIVE UPGRADING OF THE MILL'S PACKAGING SYSTEM. THE EXISTING EQUIPMENT WAS ANTIQUATED AND BARELY ABLE TO MEET MSHA STANDARDS. INSTALLATION OF MIXING BINNS WOULD ALSO IMPROVE PRODUCT QUALITY AND MINIMIZE WASTED FIBER. THE ATTACHED BUDGET AND EQUIPMENT DESCRIPTION MORE FULLY EXPLAINS THE HUD UDAG REQUEST.

Project Description and Proposed Budget

The Vermont Asbestos Group, Inc. proposes, under financing described in the UDAG application, to design, purchase and install new packaging equipment in the company's Lowell, Vermont Mill. The specific project elements are as follows:

1. Design and Engineering

Structural and design review of existing mill facilities, recommendations and design for new equipment layout, oversight services for installation phase.

\$ 14,860

2. Site Preparation

Removal of existing equipment, preparation of vacated space for new installation, installation of four (4) 5-ton mixing bins for homogenization of fibre prior to entering packing phase.

\$ 137,046

3. Packing System

Purchase and installation of two (2) fully automatic pressure packing systems as more fully described in the attached equipment list.

\$ 629,498

4. Conveyor System

Purchase and installation of combined belt/roll conveyor and storage system connecting pressure packing line with palletizer and mill transportation dock.

\$ 274,096

Project Description and Proposed Budget - Page 2

5. Palletizer

Purchase and installation of fully automatic palletizer system for packaged product shipment.

\$ 124,600

6. Administration

On going administrative activities performed by the Town of Lowell to meet the requirements of HUD and to ensure effective project implementation.

\$ 19,900

TOTAL PROJECT BUDGET: \$ 1,200,000

Sources of Funding

Town of Lowell (UDAG proceeds)	\$ 300,000
Franklin-Lamoille Bank	300,000
Connell Brothers Co., Ltd.	<u>600,000</u>

TOTAL AVAILABLE: \$ 1,200,000

EXHIBIT 5

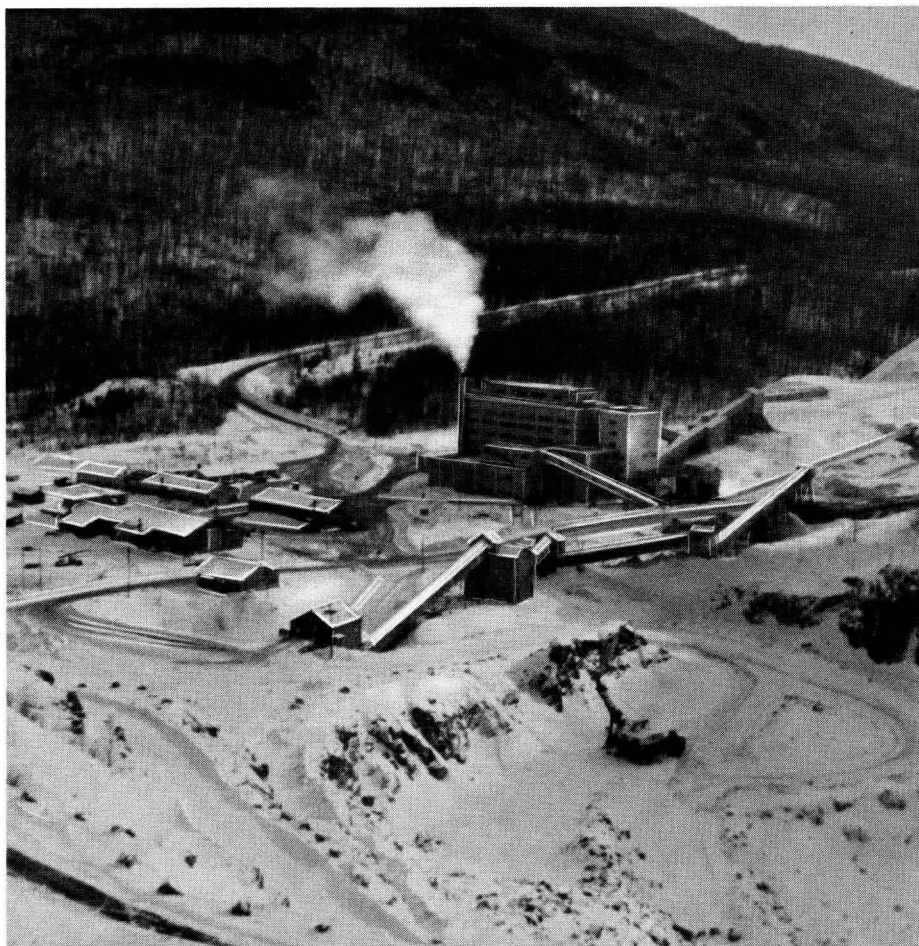
VAG'S MARKETING TECHNIQUE WAS A MAJOR CONCERN OF THE TRADE ADJUSTMENT OFFICE AND WAS EXPECTED TO BE A SIGNIFICANT PART OF THE PROPOSED FEDERAL TECHNICAL ASSISTANCE. VAG MARKETING IS PRIMARILY HANDLED THROUGH A MINERALS BROKER AND BY TELEPHONE CONTACT. POTENTIAL CUSTOMERS RECEIVE FIBER GRADE BREAKDOWNS AND QUOTATIONS ALONG WITH THE FOLLOWING BROCHURE.



VERMONT ASBESTOS GROUP, INC.

**QUALITY
CHRYSTOLE
ASBESTOS
FIBERS
for
INDUSTRIAL
APPLICATIONS**

- **CHLORINE
DIAPHRAGMS**
- **FRICTION
MATERIALS**
- **ASBESTOS CEMENT
PIPE AND
SHEET**
- **SPECIALTY
PAPERS AND
INORGANIC
FELTS**
- **PROTECTIVE
COATINGS
& MASTICS**
- **PLASTIC
REINFORCEMENTS**



**VERMONT ASBESTOS GROUP
MILL AND MINING OPERATION**

**YOUR TOTAL FIBER SOURCE...
WITH CONCERN FOR THE TOTAL ENVIRONMENT**



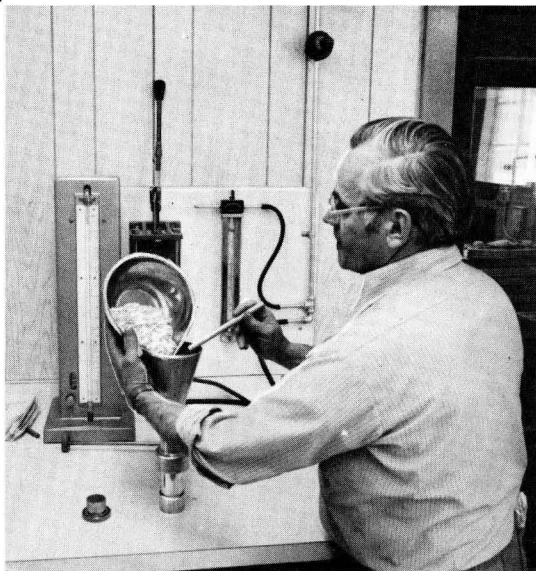
QUALITY CONTROL ...WITH INDIVIDUAL

ALL QUALITY CONTROL
AND LAB PROCEDURES
SET UP IN
ACCORDANCE WITH
STANDARDS
ESTABLISHED BY
THE QUEBEC
ASBESTOS
MINING
ASSOCIATION.

FIB
GRADING
AND
CLASSIFICATION



BAUER
McNETT
WET
CLASSIFICATION

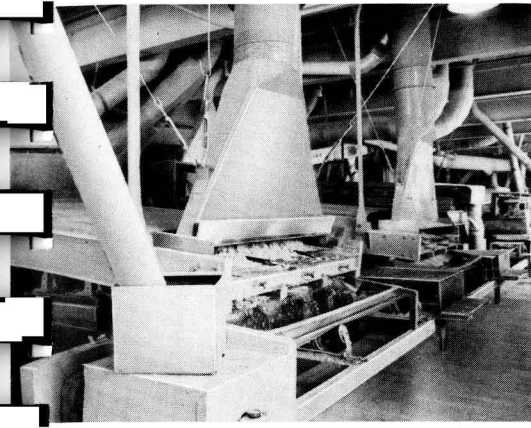


T&N RAPID-
SURFACE
AREA

ROTAP
DRY
SCREEN
CLASSIFIER



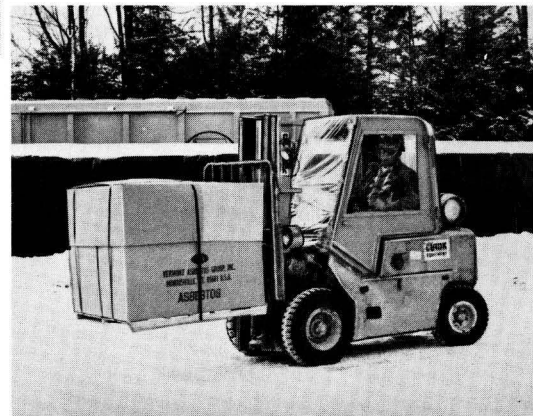
CUSTOMER ATTENTION AND FLEXIBILITY...
AND WITH CONCERN FOR THE TOTAL ENVIRONMENT



● **ORE
LOADING
IN UPPER
QUARRIES**



● **LOADING
CHLORINE
FIBER
AT
MORRISVILLE
WAREHOUSES**



● **UPPER
QUARRIES,
VERMONT
ASBESTOS
GROUP,
EDEN,
VERMONT**



**17 YEARS
PROVEN
ORE
RESERVES**



STANDARD GRADES AND APPLICATIONS

FIBER GRADES AND USAGE

Hooker No. 1 — Hooker No. 2 } Fibers Standard of the Chlorine
Diamond No. 1 — Diamond No. 2 } Industry for Diaphragm Cells

3Z — Low Chloride Packings
and Gaskets, Specialty Papers,
Plastics, Textiles.

6D — Asbestos Cement, Friction
Materials, Inorganic
Papers.

4T — Friction Materials, Asbestos
Cement, Clutch Facings.

6AC2 — Specialty Grade for
Papers and Felts,
Friction Materials.

5K — Friction Materials, Gaskets,
Asbestos Cement,
Specialty Papers.

7D — Inorganic Papers and
Felts, Friction Materials,
Plastic Reinforcements.

5R — Friction Materials, Gaskets,
Asbestos Cement,
Specialty Papers.

7H — Friction Materials.

7M — Friction Materials,
Protective Coatings,
Reinforced Plastics,
Specialty Papers.

5AV2 — Specialty Grade for
Friction Materials,
Inorganic Papers.

7R — Mastics and Coatings,
Fillers.



CAUTION

Contains Asbestos Fibers.
Avoid creating dust.
Breathing Asbestos dust may
cause serious bodily harm.

ORM-C



VERMONT ASBESTOS GROUP, INC.

P.O. BOX 54B, RR No. 1
MORRISVILLE, VERMONT 05661
PHONE: (802) 888-5716
TWX 510-299-0500 VT ASBEST MRRE

EXHIBIT 6

SIGNIFICANT PROGRESS WAS MADE IN NOVEMBER 1982 WHEN VAG WAS NOTIFIED THAT THE U.S. DEPARTMENT OF COMMERCE HAD APPROVED IT REQUEST FOR CERTIFICATION UNDER THE TRADE ADJUSTMENT ASSISTANCE PROGRAM. THE INITIAL APPLICATION (AS WITH THE UDAG, SBA, INDUSTRIAL AUTHORITY AND OTHERS) WAS PREPARED BY THE COUNCIL. THE COUNCIL ALSO ACTED AS LIASON WITH THE TRADE ADJUSTMENT ASSISTANCE CENTER IN BOSTON.

NOV 10 1975



UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

Mr. Howard Manosh
President
Vermont Asbestos Group, Inc.
Stafford Avenue
Morrisville, Vermont 05661

Dear Mr. Manosh:

Enclosed is a "Certificate of Eligibility to Apply for Trade Adjustment Assistance" issued to your firm.

Adjustment assistance will not be provided automatically. Approval of financial and technical assistance depends upon your firm's ability to meet other requirements of the Act and the availability of funds.

If you wish to consider using your area's Trade Adjustment Assistance Center to help you through the process, details on this service are available from Ms. Blanche Greenhill, Director of the New England Trade Adjustment Assistance Center at The Statler Office Building, Suite 620, Boston, Massachusetts 02116; telephone 617/542-2395.

Certification of eligibility enables your firm to receive technical assistance to help diagnose your problems and prepare an adjustment plan. Such assistance is not mandatory, but if you choose to take advantage of it, the law requires you to pay at least 25 percent of the cost. That adjustment plan, prepared in accordance with the enclosed guidelines, must be approved before a formal application for further technical assistance or a loan or loan guarantee can be considered. The plan should be submitted within two years of the date on the enclosed certificate to the Adjustment Plan Review Committee, Room 4004, U.S. Department of Commerce, Washington, D.C. 20230 (telephone 202/377-4101).

If you have other questions, please call Mr. Jack Osburn, Director of our Certification Division on 202/377-5005.

Sincerely,

Lyle Ryter
Deputy Assistant Secretary
for Trade Adjustment Assistance

Enclosures



EXHIBIT 7

DURING THE COURSE OF THE PROJECT, NUMEROUS APPLICATION TO PRIVATE, STATE AND FEDERAL LENDERS WERE WRITTEN ON VAG'S BEHALF. ALL WERE BASED IN LARGE PART ON THE TRADE ADJUSTMENT PLAN THE COUNCIL DEVELOPED FOR THE COMPANY AND SUBMITTED TO THE DEPARTMENT OF COMMERCE. THE FOLLOWING IS A SAMPLE OF THESE EFFORTS - THE NARRATIVE PORTION OF AN EQUITY INVESTMENT REQUEST SUBMITTED TO THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES/OFFICE OF COMMUNITY SERVICES.

SECTION IV: PROGRAM NARRATIVE

Applicants

The joint application to the Department of Health and Human Services, Office of Community Services is made by the Economic Development Council of Northern Vermont, Inc. and the Northeastern Vermont Development Association. Background information on these organizations follows:

Economic Development Council of Northern Vermont, Inc. is a non-profit areawide development corporation serving the six northernmost counties of Vermont (Caledonia, Essex, Franklin, Grand Isle, Lamoille and Orleans). The region is bordered on the west by Lake Champlain and New York, on the north by the Province of Quebec and on the east by the state of New Hampshire. The Council was established in 1974 to address socio-economic issues of the region including long-term economic decline, high unemployment and low per capita income.(Exhibit IV-A)

Supported in part by the State of Vermont and the area's regional planning and development commissions, the Council's policy is established by a twenty member Board of Directors elected from the population of the service area. The Board represents a wide cross-section of the area's interests from social services to manufacturing and local government to finance. Policy is articulated through a medium-range (3-5 year) development strategy designed through consultation between the Board of Directors and regional interests in a public setting. Implementation of goals and objectives is achieved through cooperative effort between the Council and participating organizations and individuals. (See Exhibit IV-B)

In the recent past the Council has successfully operated an employment initiative demonstration program aimed at ensuring the availability of jobs for the chronically unemployed and underemployed in projects implemented with public funds. The Council has been active in efforts to reverse the seasonal nature of the area's tourism industry. With the assistance of state and federal agencies, the organization has produced a number of feasibility studies for locally-controlled ventures that would produce skilled jobs using available natural resources; these have included wood-fired boiler manufacturing, rail car rehabilitation facilities and value-added wood treatment processes.

One of the Council's most significant achievements is the establishment of a small revolving loan fund to assist local businesses. The fund is designed to supply both debt and equity capital and to spur local ownership of job-producing businesses in Northern Vermont. The loan fund has made significant investments in local machine tool, recreation and wood industries and has provided equity for community development corporation

projects. Despite the limited dollars available, the fund has had an impact on investment and job creation assisting in some twenty ventures.

Northeastern Vermont Development Association is regional development corporation serving the three counties familiarly known as the "Northeast Kingdom." Located within the geographic region of the Council, these counties represent one of the state's poorest areas. Ravaged by the loss of its industrial base following World War II, the area continued an economic decline well into the 1970's damaging its fragile rural social fibre at the same time. With a loss of population, jobs and income the area lost much of its dynamic potential. (Exhibit IV-C)

NVDA has been at the forefront of the battle to regain the area's socio-economic status. Organized in the 1950's, the association has implemented a far-reaching action agenda that includes housing, health care, economic development, job training, tourism, public transportation and programs for the elderly. Former Governor Dean Davis once praised the organization for "reviving the art of community living." Throughout the years since its inception, NVDA has consistently strived to re-work the worn threads of the region's social and economic fibre.

Much of the association's strength is drawn from its broad membership base which includes local representation from virtually every community in the three counties. With seventy-one members on the Board of Directors, NVDA can draw on community expertise for policy-making and project implementation. A brief glance at the Director's occupations will reveal a social worker, gerontologist, farmer, insurance agent, banker, parole officer, community developer, employment counselor, industrialist and selectman. In addition, members of the state Senate and House of Representatives also serve on the Board to provide a direct link to policy-making at the state level. (See Attachment IV-D)

Amid its long list of project-oriented accomplishments, NVDA has been instrumental in establishing several on-going programs that improve the quality of life in the Northeast Kingdom. These include development of an area agency on aging, a public transportation system and an employment and training organization. As an advocate for improved housing, NVDA has developed over 212 units of family and elderly housing in the three counties. The association has served as the catalyst, and where necessary the developer, of nine industrial and commercial projects designed to bring jobs to the unemployed. During the last five years, NVDA has raised over \$8 million in local, state and private funds to implement these projects.

The Northeastern Vermont Development Association possesses both the expertise and the affiliations to develop and implement projects and programs of regional importance. Supported primarily by local appropriations and limited state funding, NVDA has

proven to be a responsive, action-oriented organization capable of effecting broad community-based change. (See Attachment IV-E)

Project Intent

The goal of the proposed project is to stabilize and restructure the Vermont Asbestos Group, Inc. to ensure continued quality employment for its 175 employees. In achieving this goal, the applicants have established several objectives:

1. The applicants will use the requested funds from the Department to purchase 150 shares of retired VAG stock.

2. The committed private share of the grant proposal will be used to purchase necessary packaging equipment for the milling operation.

3. Proceeds of the stock purchase will be utilized by the firm as an integral part of the equipment purchase package described above.

4. The applicants will work closely with the VAG Board of Directors and its management to develop long-range restructuring of the company's debt and to explore areas of potential diversification.

5. The stock purchase will increase community and employee participation in the company's business planning and development. With the proposed acquisition, the stock breakdown will be altered significantly:

	CURRENT	PROPOSED
H.A. Manosh Corp.	30.0%	27.0%
H.A. Manosh	1.6%	1.4%
Wilbur-Ellis Corp.	14.6%	12.3%
Area Residents	27.0%	24.0%
VAG Employees	26.8%	24.3%
Applicants		10.0%

Changes such as these are vital if this economically disadvantaged area is to maintain this important source of employment. The company currently is threatened by financial problems that, without assistance and direction, could permanently force its closing. The economy of northeastern Vermont and its saturated labor market could not withstand this blow. The resulting need for social services would far exceed current public and private capabilities. (Exhibit IV-F)

Anticipated Benefits

The benefits derived from this proposal will include basic economic assistance for the targeted population, the employees of Vermont Asbestos Group.

1. Continued job security
2. Continued wage and benefit security
3. Assurance of increased participation in company operation
4. Potential for long-range industrial planning
5. Potential for product and/or market diversification
6. Opportunity to re-evaluate employee ownership interests
7. Demonstration of employee/development corporation team effectiveness

Project Approach

The applicants propose to implement this project in conjunction with their other efforts on VAG's behalf:

1. Applicants will continue to work with the U.S. Department of Commerce, Office of Trade Adjustment to bring technical assistance for engineering, geological testing and marketing to VAG during the next twelve months.

2. The applicants and the Board of Directors will implement a capital improvement program calling for the installation of new packagaing equipment to improve health conditions and marketing potential for the firm.

3. The applicants and the Board of Directors will continue their efforts to seek a long-term refinance of the company's assets to enhance continued profitable operation of the mine and mill.

Within the framework of activity already under way, this proposal will provide the applicants with direct access to the decision-making process. Working with the current management and with the resident/employee stockholders, the applicants will explore potential organizational restructuring that will again place VAG on firm managerial and financial footing.

PROPOSED BUSINESS PLAN

to accompany an

EQUITY INVESTMENT IN VERMONT ASBESTOS GROUP, INC.

The applicants, Economic Development Council of Northern Vermont, Inc. and Northeastern Vermont Development Association, propose to purchase 150 shares of retired stock in the Vermont Asbestos Group, Inc. This equity investment will be made for the purpose of implementing the Business Plan which follows.

V A G: A Historical Perspective

Vermont Asbestos Group, Inc. is a firm which produces and processes asbestos fiber at a mine and mill located in Lowell, Vermont (See Exhibit IV-G) Its administrative offices are located in Morrisville, Vermont.

The mine and mill have operated under a variety of owners at the Lowell site since the early 1900's. In 1954, the mine was purchased by the Ruberoid Corporation which later was absorbed by the U.S. conglomerate GAF Corporation. After operating the mine for twenty years, GAF announced its intention to cease operations at Lowell and to dismiss the 200-plus employees. The proposed Oclosing had a shattering effect upon the rural, isolated community since 90% of its commercial tax base and most of its employment were inextricably linked to the mine. Handicapped by its size and location (the nearest trading center is Newport, some 25 miles to the north), the community had grown up around its natural resources: lumber and an extremely high grade of asbestos ore. In the twelve months following the announcement, local residents/employees, regional development corporations and state officials forged an alliance to save the mine and its jobs. The result of these efforts was the formation of the Vermont Asbestos Group, Inc. (VAG), a public company with 78% of its stock held by employees and 22% by area citizens. By the spring of 1975, VAG under employee ownership was back in full production.

The firm's productivity and profits remained high during the first two years under the new management, but problems began to surface in 1977. The firm was heavily involved in an aggressive expansion program including research and development activities which drained significant capital. Dissatisfied employees began to divest themselves of stock, and by the 1978 annual meeting local entrepreneur Howard A. Manosh had acquired a sufficient interest in the company to be elected President. Combining his acquired stock with that of VAG's marketing agent Connell Brothers, Inc. and concerned local shareholders, Manosh's election put a definitive end to daily employee management. Within the year, the Board of Directors voted to retire a

significant portion of its stock to further tighten controls over the company. The stock retirement further reduced the company's available working capital.

Manosh set about reorganizing VAG with a focus on developing new markets and producing the high grade Hooker-1 fiber in demand by the chemical industry. As these plans began to take shape in 1980, the asbestos market began a serious decline (parallel to the housing and automobile markets) which reached major proportions throughout 1981. With sales in a drastic slump and with reduced cash flow, VAG was unable to subsidize overburden removal to reach the still-lucrative ore containing longer fibers. In December 1981 conditions worsened to the point that management announced an "indefinite shut-down of operations," and over 180 employees were laid off with no expectations for returning. The mine was able to reopen in July 1982, but not before many of the employees had exhausted their unemployment benefits and were without income.

Despite sluggish sales and intense competition from Canadian sales, VAG continued to mine exposed ore and to mill a full range of fiber. But the adversity the company faced in the marketplace was too great, and VAG found itself in a financially precarious position. Within the month, the four small area banks holding the bulk of VAG's debt bowed to pressure from their Boards and instituted foreclosure proceedings against the company. The Economic Development Council (EDC) and the Northeastern Vermont Development Association (NVDA), local non-profit development corporations, were by this time deeply involved in efforts to stabilize the company and to ensure its continued operation. Facing the loss of 175 full-time positions, the two organizations intensified their efforts on the employees' behalf.

Engaging professional and technical expertise, the organizations determined that VAG had potential for redevelopment with the addition of new packaging equipment, geological research and an expanded marketing program. Working closely with the Town of Lowell (and numerous VAG employees), EDC and NVDA prepared an application for trade adjustment certification from the U.S. Department of Commerce. The certification was received and a diagnostic survey of the company's technical needs is nearly complete. Application also has been made to the U.S. Department of Housing and Urban Development for an Urban Development Action Grant (UDAG) which will assist the company in acquiring badly needed equipment. The proceeds from this UDAG loan will revert to the Town of Lowell for the purpose of expanding its job base, making it less dependent on VAG for tax revenues as well. These efforts have been undertaken with the full knowledge and support of the VAG management and Board of Directors. On the strength of the commitment made by all parties involved to stabilize and strengthen Vermont Asbestos Group, the lending consortium agreed in May, 1983 to withdraw its foreclosure action and to defer the payment of back interest on its loans, thereby setting the stage for implementing the business plan. (Exhibit IV-H)

Current Management

The Vermont Asbestos Group, Inc. is managed on a daily basis by Howard A. Manosh who also is the company's president. Manosh, a local entrepreneur, also owns the the largest share of VAG's stock (31.6%) primarily through a family corporation. Because of other business interests, Mr. Manosh cannot devote 100% of his time to the company, and key employees are designated to fulfill financial management, mining and milling and product marketing positions. Unlike many other mining operations, which often are wholly owned by multi-national companies and managed as profit centers, the local management/ownership characteristic of VAG produces a long-term concern for the pofitability of the operation.

Although the operations staff is well experienced in the mining and milling processes, additional management capability is required in the areas of finance and industrial engineering. Improved financial management will result in the implementation of a financial plan for the company. Industrial engineering expertise could lead to greater productivity through improved layout and more efficient equipment and machinery. In recent months, the company has sought outside financial consultation for project specific information and has made limited use of industrial engineering expertise. In both instances, the technical assistance was not available for an extended period to provide an effective long-range strategy.

Product Line

Asbestos fiber is graded by length. The higher grade, longer fibers are utilized in textiles, woven brake linings, marine insulation and chlorine diaphragms. Lesser grades are utilized for friction materials, asbestos cement, plastic reinforcements, mastics and coatings. VAG produces 34 different sub-grades of fiber, including the highest grade, Hooker-1. In 1981, about 70% of VAG fiber was sold to the friction products industry. The balance was utilized for building products and chlorine diaphragms. (Exhibit IV-I)

Current management is concerned about the product mix, since about 70% of world-wide demand is for building materials, including asbestos cement products. There is also concern that the number and variety of sub-grades, while being responsive to customers needs, results in too many low-value, small orders. This has the effect of making VAG a "job shop" for the industry.

Markets

The apparent U.S. demand for asbestos (314,500 tons in 1981) has decreased sharply from a ten-year high of 795,000 tons in 1973. This is due primarily to the depressed state of the U.S. housing and automobile industries and to the publicity regarding potential health hazards associated with some asbestos products. Nevertheless, recent forecasts derived by contingency forecasting of major end-use demands and considering possible shifts caused by changing technology, dwindling resources and environmental problems indicate a probable demand of 620,000 metric tons in the year 2000. These forecasts, which took into account the twenty year trends in the housing and automobile industries, assume minimal annual growth rates for the following items: asbestos-cement products (.6%/p.a.), paper products (1%/p.a.), friction products (2.2%/p.a.). Further uses of asbestos for insulation and textiles have been discounted.

The world-wide demand will show greater growth since developing countries in Africa, South America and the Middle East have greater construction potential and fewer environmental constraints. Assuming a moderate increase in living standards, the probable rest-of-the-world demand is for 11,987,000 metric tons in the year 2000.

VAG products are marketed through a network of seven minerals brokers and/or distributors and a sales manager employed by VAG. The president also engages in marketing. Although affiliation with Connell Brothers, a San Francisco-based minerals marketing firm, has improved the VAG sales program, there may be a need to supplement these efforts with additional in-house personnel. VAG realizes that developing countries in the Far East, Africa and South America constitute the fastest growing segment of market demand. VAG will attempt to service these markets by (1) improving fiber so that it is more acceptable to asbestos cement and building products industries and (2) attempting to maintain a 1:1 ratio of domestic sales to export sales.

Competition

Due to the environmental concerns associated with asbestos production and its use in unencapsulated form, there has been a strong effort to develop substitutes. To date, the only successful substitutes have been developed in thermal insulation products which constitute a small portion of the market. Attempts to find substitutes in the construction and automobile industries have been fruitless. Examples of substitutes include the use of glass fibers as reinforcement, cement and roofing tiles, polyvinyl chloride pipe, steel alloys for brake systems. Each of these products has difficulty in competing with asbestos-related counterparts for one of several reasons. The products may (1) lack the strength of asbestos, (2) lack chemical inertness, (3)

not resist corrosion, (4) lack the durability of asbestos or (5) not approach the low cost of asbestos.

Primary industrial competition for VAG comes from Canadian asbestos mines, some of which are owned by American companies such as Manville Corporation and Union Carbide. In the U.S. only one other mine remains in consistent operation in Calveras County, California. Thirty-nine percent of U.S. asbestos workers are employed at the VAG mine in Lowell, Vermont. Domestic production in 1981 accounted for only 1.6% of total world production. The intensity of the Canadian competition is significant, since much of the fiber is exported to the U.S. for re-export by major companies. Furthermore, Canadian prices set the pattern for the U.S. industries, and with the devaluation of the Canadian dollar, our northern neighbors command a strong influence on the marketplace. Vast government subsidies to develop mines and to purchase state-of-the-art technology have increased the Canadian ability to dominate world sales. Exhibit IV-J)

Facilities

The company's facilities consist primarily of its mill building in Lowell, Vermont (270,000 square feet), an office building, machine shop, maintenance shop and quarry building (12,000 square feet). VAG also owns warehouses in Hyde Park (7,000 square feet) and Morrisville (12,000 square feet). Total value of these buildings is \$605,260. VAG also owns milling and packaging equipment with a value of \$1.5 million and mobile equipment valued at \$1.4 million. Total fixed assets (less depreciation and accumulated depreciation were \$1.6 million at the end of 1982. Based on past experience, these facilities and equipment have a productive capacity of approximately 35,000 tons per year.

Labor Force

Generally, asbestos mining and milling requires a mix of approximately 30% semi-skilled and 70% skilled workers in 19 occupational categories. Semi-skilled workers include general laborers, conveyormen, loaders, baggers and general utilitymen. Current wages run from \$6.47 to \$6.77 per hour. Skilled workers include heavy equipment operators, blasters, drillers, machine operators, truck drivers and electricians. Wages range from \$6.87 to \$8.27 per hour. Unionized workers in the U.S. are represented by the United Cement, Lime and Gypsum Workers (A.F.L.-C.I.O.) and are offered a benefit package equal to 56% of base wage. The average U.S. asbestos worker earned \$10.76 per hour in 1982. (Exhibit IV-K)

Financial Data

Historical financial data for Vermont Asbestos Group, Inc. covering the years from 1979 through 1982 is attached as Exhibit IV-L.

Projected financial data for the company is attached as Exhibit IV-M.

Proposed Action Plan

SHORT TERM

- Cessation of Foreclosure (accomplished)
- Working Capital Advance (accomplished)
- Reduction of Operating Costs (accomplished)
- Increased Marketing (accomplished)

LONG TERM

- Financing of New Equipment (pending)
- Industrial Engineering Assistance (pending)
- Marketing Review and Assistance (pending)
- Acquisition of Stock by EDC/NVDA (proposed)
- Restructuring of Long Term Debt (proposed)

Environmental Information

Asbestos has been designated as a hazardous air pollutant pursuant to the Clean Air Act of 1970, and its production, use and disposal is regulated by many agencies including EPA, OSHA and CPSC. In general, regulation of asbestos and asbestos products concentrates on the following areas: (1) exposure to asbestos dust in the workplace, (2) disposal of asbestos wastes, (3) use of asbestos cement pipe for drinking water distribution, (4) use of asbestos in schools, (5) types of asbestos exports and (6) air pollution. To date, asbestos dust has been identified as a carcinogen but there is widespread disagreement concerning the level of exposure required, results of animal experiments and the interactivity of asbestos with other carcinogens. Understandably, the adverse publicity surrounding asbestos not only has affected the market, but has generated between 12,000 and 15,000 product liability lawsuits throughout the country. The Johns-manville Corporation has 8,000 cases pending involving 13,500 plaintiffs and recently sought protection under the Chapter 11 Bankruptcy Law due to the enormity of the potential liability.

There are no known occupational liability suits pending against U.S. mines which are now operating in compliance with federal regulations regarding asbestos dust emissions. As a result of environmental concerns and related litigation,

manufacturers have concentrated their efforts on the development of fully encapsulated asbestos products.

Vermont Asbestos Group complies with all state and federal health and safety laws and regulations. The company offers payment up to \$100 per employee for voluntary physical examinations and x-rays every two years. The company is subject to inspection by the Mine Safety and Health Administration, and unannounced inspections are made at least twice annually. Since VAG was formed in 1975, there have been no Workman's Compensation claims paid for asbestos-health issues. Inspections also are conducted by the Vermont Agency of Environmental Conservation with no violations reported to date.

EXHIBIT 8

THE FOLLOWING PRO FORMA INCOME STATEMENT IS TYPICAL OF THE TECHNICAL ASSISTANCE PROVIDED TO VAG IN DEVELOPING THE EQUIPMENT PACKAGE FOR UDAG SUBMISSION. THE TEN YEAR PROJECTION WAS BASED ON ACTUAL EXPERIENCE AND NTERMEDIATE RANGE FORECASTS DONE BY THE COMPANY'S FINANCIAL ANALYST. INTERIM PROJECTIONS WERE REVISED THREE TIMES DURING THE PERIOD FROM SEPTEMBER 1982 THROUG JULY 1984 TO REFLECT UPWARD MARKET TRENDS, PARTICULARLY IN THE FAR EAST, THAT EXCEEDED EXPECTATIONS.

VERMONT ASBESTOS GROUP, INC.
Income Statement

7/12/83

	ACTUAL		PROJECTED								
	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
SALES - Tons	19873	15485	15750	18000	20000	20000	20000	20000	20000	20000	20000
PRODUCTION - Tons	20990	11975	18600	18600	19800	19800	19800	19800	19800	19800	19800
CLOSE INVENT -Tons	11269	7759	10609	11209	11009	10809	10609	10409	10209	10009	9809
REVENUE:											
Sales - Fibre	7144	5363	6435	7942	9527	10295	11119	12008	12969	14006	15127
Sales - Other	197	172	190	238	281	304	328	355	383	414	447
Less:											
Cash Discount	134	152	185	231	271	294	318	343	370	400	432
Net Sales	7207	5383	6440	7949	9537	10305	11129	12020	12981	14020	15141
COST & EXPENSES											
Cost of Operation	7622	4971	6360	7068	7862	8488	9167	9900	10692	11548	12472
Invent. (Inc.)Dec	-332	518	-830	-350	68	73	79	86	93	100	108
Commissions	508	213	300	378	443	479	517	559	603	652	704
Interest	142	155	210	275	258	241	200	200	200	200	200
Total Cost Sales	7940	5857	6040	7371	8631	9281	9964	10745	11588	12499	13483
Op. Profit/(Loss)	-733	-474	400	578	906	1024	1166	1275	1393	1520	1658
Prov. for Taxes	4	0	0	0	155	308	466	510	557	608	663
P. A. T.	-737	-474	400	578	751	716	699	765	836	912	995

NOTE: No provision has been made for future equipment purchases or replacement, nor for any upgrading of machinery or equipment, or for any future investments to meet EPA regulations.
A provision for taxes in the amount of 40% of the operating profit has been included for each of the last five years.

VERMONT ASBESTOS GROUP, INC.

Sources and Uses of Cash

	ACTUAL 1982	1983	1984	PROJECTED 1985	1986	1987	1988	1989	1990	1991
OPENING CASH	-66	1	0	59	209	639	1844	3120	4475	5913
SOURCES OF CASH										
Net Sales	5383	6440	7949	9537	10305	11129	12020	12981	14020	15141
New Borrowing	300	350	0	0	0	0	0	0	0	0
Equipt. Financing			600							
Decrease Recvables	346	-40	-100	-100	-50	0	0	0	0	0
Increase Payables	-558	119	123	30	41	41	41	41	41	41
Connell	112	16								
Increase Accruals	-92	32	45	190	10	10	10	10	10	10
Depr. & Depl.	348	300	410	410	410	410	410	410	410	410
Other	-2	15	3	-4	5	5	5	5	5	5
TOTAL SOURCES	5837	7232	9030	10063	10721	11595	12486	13447	14486	15607
USES OF CASH										
Cost of Sales	5857	6040	7371	8631	9281	9964	10745	11588	12499	13483
Taxes				155	308	466	510	557	608	663
Increase Fibre In	-518	830	350	-68	-73	-79	-86	-93	-100	-108
Increase Other In	-2		40	40	40	40	40	40	40	40
Reduce Notes Pay.	89	162	160	150	300					
Reduce New Borrow				560	0					
Reduce New Eq.Fin			50	60	100					
Advances to VIP	294	101	90	75	25					
Fixed Asset Addit	50	100	910	310	310					
TOTAL USE	5770	7233	8971	9913	10291	10391	11209	12093	13048	14079
Net Cash Increase	67	-1	59	150	430	1205	1277	1354	1438	1529
Closing Cash	1	0	59	209	639	1844	3120	4475	5913	7442

NOTE: No provision has been made for future equipment purchases or replacement, nor for any upgrading of machinery or equipment, or for any future investments to meet EPA regulations. A provision for taxes in the amount of 40% of the operating profit has been included for each of the last five years.

EXHIBIT 9

IN ITS EFFORT TO KEEP THE FULL VAG BOARD OF DIRECTORS ABREAST OF ITS ACTIVITIES, THE COUNCIL ISSUES PERIODIC SUMMARIES OF WORK UNDERTAKEN WITH OTHER AREA ORGANIZATIONS - MOST NOTABLY THE NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION. THE FOLLOWING SUMMARY WAS PRESENTED TO THE BOARD AT ITS MARCH 1983 MEETING AND IS TYPICAL OF THE COUNCIL'S QUARTERLY UPDATES.

SUMMARY OF FINANCIAL AND TECHNICAL ASSISTANCE
TO
VERMONT ASBESTOS GROUP, INC.

March 24, 1983

Economic Development Council of Northern Vermont, Inc.
Northeastern Vermont Development Association

Introduction

Since June 1982 the Economic Development Council of Northern Vermont and the Northeastern Vermont Development Association have actively pursued sources of financial and technical assistance for the troubled Vermont Asbestos Group, Inc. mining and milling operation in Lowell. These efforts have revolved around the proposed installation of new packaging equipment resulting in a more marketable product for the company at significant savings. A longer-term goal of the program is the restructuring of VAG's debt to further stabilize the company. In their October 1982 strategy for economic recovery, the Council and NVDA presented four specific phases of activity. A status report and assessment of their potential aid to VAG follows.

CESSATION OF FORECLOSURE

Status Agreement has been reached between the Lending Consortium and Vermont Asbestos Group, Inc. for the cessation of foreclosure action. In a letter to VAG President Howard Manosh on October 6, 1982, the Franklin Lamoille Bank set forth the terms under which legal action would be halted. To date, VAG has been unable to meet the proposed terms, and negotiations appear to be at a stalemate.

Outlook Resolution of the conflict depends in large part on the company's ability to bring outstanding loans to current status and to withdraw its counter-action against the Franklin Lamoille Bank. Upcoming discussions between the twoparties may shed new light on this major obstacle to VAG's recovery.

TRADE ADJUSTMENT

Status VAG has been certified by the U.S. Department of Commerce, International Trade Administration as a firm suffering from unfair import competition. The ITA found that Canadian subsidization of asbestos fiber posed a serious threat to VAG's ability to market its product both domestically and internationally. As a result of these findings, a Trade Adjustment Strategy, funded by the Economic Development Council, has been submitted to the administration; ITA's regional representative, the New England Trade Adjustment Assistance Center in Boston, currently is preparing a diagnostic survey of the company. This survey will reinforce the assumptions about VAG's potential viability based on past performance and industry-wide analysis.

Outlook ITA has expressed significant interest in VAG and in its recovery proposal. Preliminary discussions have centered around the use of ITA funds for engineering, marketing and financial packaging. Upon completion of the diagnostic survey, expected within the next two weeks, VAG will be eligible to apply for technical assistance grants for these services in amounts up

to \$150,000. The company will be expected to provide only one-quarter of the actual costs of the selected engineers, marketing specialists and other professionals used in the recovery process. In the longer term, VAG will be eligible for up to \$2,000,000 in direct loan assistance, a valuable resource in restructuring the company's existing debt.

EQUIPMENT PACKAGE

Status As an integral part of VAG's recovery, the Council and NVDA have sought financial assistance to upgrade the mill's packaging equipment. The installation of new equipment will provide VAG with a more marketable product, reduce costs and ensure future compliance with MSHA emission standards. Trade Adjustment funds from ITA can be used for the design engineering and installation of the proposed equipment at a cost of up to \$50,000. Both public and private financing sources have been contacted for participation in the \$1.2 million package. The direct contacts made by the Council and NVDA appear below to illustrate the extent of the effort:

U.S. Department of Housing & Urban Development; the Town of Lowell has applied to HUD for an Urban Development Action Grant (UDAG) in the amount of \$300,000. The funds would be loaned by the Town to VAG at a very favorable rate and term. The UDAG office in Washington has expressed a desire to fund this project and has "held over" its decision for the past three fiscal quarters awaiting certification of the needed private investment. It is unlikely that the grant can be held beyond April 15, 1983, and it is therefore imperative that the private financing be, at least on a contingent basis, committed prior to that time.

The Fund, Inc.; Northern Vermont's non-profit revolving loan fund has made a tentative commitment of \$100,000 (its full loan limit) to VAG for the proposed equipment purchase and installation. The commitment is contingent on participation by other sources including UDAG for a total of \$1.1 million. The Fund's commitment has been extended by 90 days in an effort to provide maximum flexibility in packaging but will expire in mid-April.

SBA 503; the Northeast Kingdom Development Corporation has made a commitment to process an SBA 503 loan for \$200,000 toward the equipment purchase. Since other participants must be identified, the application is pending; SBA has indicated its interest in participating based on the potential for job retention.

Vermont Industrial Development Authority; VIDA staff has indicated a willingness to participate in a small direct loan or in an industrial revenue bond for VAG. VIDA remains insistent that the foreclosure issue must be resolved before their consideration of the package and that all other financing commitments must be secured.

Industrial Revenue Bond; extensive discussions with secondary market sources indicate that an industrial revenue bond for VAG likely would not be saleable without bond insurance. These same sources indicated their interest in purchasing an insured IRB from VAG. Meeting with established bond insurers in New York, it was learned that these firms would not consider VAG for coverage until the foreclosure issue is resolved.

National Rural Development & Finance Corporation; NRD is a quasi-public lending institution specializing in rural business loans. While the organization has expressed interest in Vermont investments, a personal meeting with NRD staff revealed an aversion to participation in VAG until the pending litigation is settled.

Bank of America; Bank of California; with the assistance of Connell Brothers, Ltd., discussions have taken place with two private lending institutions. The Bank of America has expressed no interest in the VAG proposal because of its inability to service the loan. The Bank of California has indicated that it would consider purchasing a VAG loan on the secondary market provided that it could be guaranteed or insured. VAG's inability to qualify for such guarantees essentially has eliminated this resource.

Vermont Lenders; A number of Vermont lending institutions have reviewed the proposed package and have declined participation because of the pending litigation. These include the Burlington Savings Bank, the Chittenden Trust Company and the Merchants Bank. One Vermont lending institution has come forth to offer its assistance in packaging the VAG equipment loan for a guaranteed resale on the secondary market. No time limit has been imposed on this offer, and it is likely that the institution will become involved once VAG qualifies itself for guarantees and/or insurance.

Financial Advisory Services; a nation-wide association of commercial banks, FAS assists in the packaging and sale of economic development loans. FAS staff has reviewed the VAG proposal in anticipation of submitting it to its member banks for financing. The FAS application work has been completed, but the proposal cannot be considered until the legal issues are resolved.

Outlook Very little time remains for the successful completion of the proposed equipment package. With a pending UDAG deadline of April 15th and no commitment for the remaining private financing, a concerted, intensive effort must be mounted if VAG is to achieve this goal. Throughout the discussions with lenders and potential guarantors the issue of the pending foreclosure action surfaced time and again. All expressed a belief that the greatly reduced losses suffered by VAG in 1982 reflect both an upward trend in the market and sound financial management practices by the company. Most indicated an interest in participating in the project once the threat of foreclosure

was removed and VAG was again eligible for guarantees, etc. If a mutually acceptable solution to the pending foreclosure and counter-suit can be devised within the next ten days to two weeks, the Council and NVDA remain optimistic that the upgrading of VAG's equipment can be accomplished as proposed.

DEBT RESTRUCTURING

Status The New England Trade Adjustment Assistance Center has made available its professional financial staff to assist VAG in a review of its long-term debt structure. At the conclusion of this evaluation, NETAAC will offer recommendations for altering the structure to achieve maximum yield for the company and minimum exposure for the lenders. If refinance is indicated, the ITA will be requested to participate with direct and guaranteed Federal loans up to a maximum of \$2 million. The Foreign Credit Insurance Association (affiliate of the Import/Export Bank) has expressed interest in providing Federally-guaranteed coverage for VAG's foreign receivables.

Outlook The long-term outlook for VAG seems favorable with a variety of assistance from trade-oriented agencies. Access to this financial/technical assistance, however, will be controlled by the resolution of the pending legal issues.

EXHIBIT 10

PRESS COVERAGE OF VAG'S PROBLEMS AND THE PROPOSED SOLUTIONS HAS BEEN BROAD AND VARIED. IT HAS RANGED FROM SYMPATHETIC ACCOUNTS OF THE ECONOMIC/EMPLOYMENT IMPACT TO CRITICAL ANALYSES OF THE INDUSTRY'S SOCIAL RESPONSIBILITIES. SEVERAL EXAMPLES FOLLOW.

population — about 57,160 people — identified themselves as being of French origin.

About 144,500 people — 28 percent of the population — listed themselves as having "French and other" ancestry, it said.

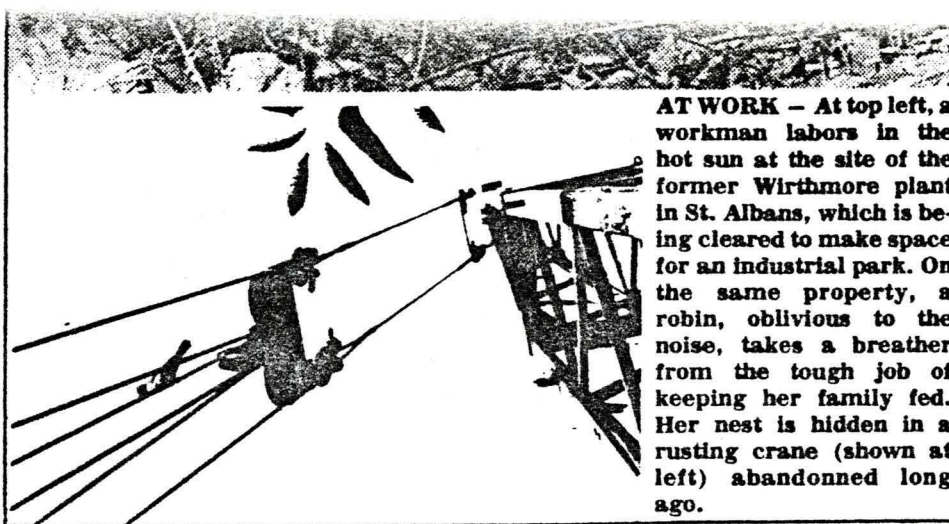
However, the commission said Vermont's Franco-American population has tended to be nearly indiscernible as a statewide ethnic group, and is underrepresented in higher education and some employment and political fields.

Vermont schools offer little if any materials about the Franco-American heritage in their social studies curricula, the commission said, and less than 10 percent of the University of Vermont's enrollment consists of

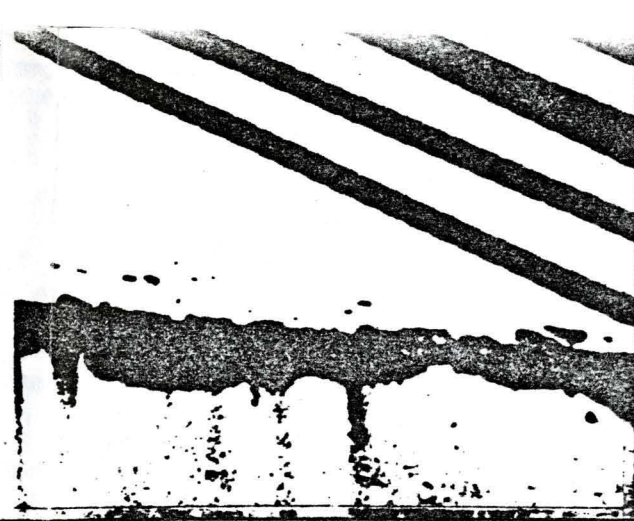
The findings were listed in a 53-page report titled "Franco-Americans in Vermont" and produced in conjunction with the the commission's Vermont Advisory Committee.

The commission said it could not find clear evidence of discrimination against Franco-Americans, but believed the report raised questions warranting further study.

"Findings of statistical disparities raise rather than settle questions," it said. "They certainly do not prove discrimination. Why such disparities exist can only be ascertained by additional historical research and by analyses of educational and employment practices and societal attitudes."



AT WORK — At top left, a workman labors in the hot sun at the site of the former Wirthmore plant in St. Albans, which is being cleared to make space for an industrial park. On the same property, a robin, oblivious to the noise, takes a breather from the tough job of keeping her family fed. Her nest is hidden in a rusting crane (shown at left) abandoned long ago.



Vermont Asbestos Group faces foreclosure

by CATHERINE GEANOUSIS

EDEN/LOWELL — A proposed loan agreement for the Vermont Asbestos Group, Inc. (VAG) apparently is in serious trouble, a situation which raises the possibility of Lamoille County Court foreclosure action against the 2,700-acre mining and development firm. VAG employs 175 people.

The Messenger has learned that foreclosure action by the Franklin-Lamoille Bank, in consortium with three other banks, is nearing the court hearing stage. The loan plan is in trouble, say those close to the situation, because one of the banks involved has serious questions about extending funds to the firm.

A written agreement between the banks, which would have halted foreclosure on the company, was prepared and ready to be signed by the four

banks last week, according to St. Albans attorney Robert Cronin, who represents the consortium.

All or Nothing

"We hit a snag because one of the banks (Sterling Trust) had at least tentatively agreed to go along with everything and backed out at the last minute, about June 9," Cronin said. He said the total loan package is now "about \$1 million."

As a result, the Franklin-Lamoille, as the lead bank in the consortium, is "responsible for taking action" in foreclosure proceedings, Cronin explained. "It's got to be all or nothing," he said, referring to the lack of agreement among the consortium.

The three banks: Sterling Trust, Union Savings, and Vermont National, along with the Franklin-Lamoille, had earlier this spring reached a verbal

and tentative agreement to allow VAG an extension on repayments. The plan also allowed a reduced payment figure for a set period of time on the loan taken by VAG in 1979, said Cronin.

With Sterling Trust's refusal last week, however, VAG, which has an international market for its product, faces foreclosure proceedings.

"I had no inkling they (Sterling Trust) would pull out," Cronin said.

Two Possibilities

Cronin said there are two possibilities which could halt the threatened foreclosure: another bank taking Sterling Trust's place in terms of its share of the loan to VAG or Sterling Trust changing its mind.

But Sterling Trust President Norman Rolband told the Messenger, "We never did have an agree-

ment.

"We (the consortium) discussed it (a contract to extend VAG loan payments) many times and I said that I thought maybe we could go for it, but when I saw it in print I decided it wasn't the agreement that we wanted," Rolband said.

Rolband was referring to parts of the unsigned consortium contract with VAG that he said do not have to do with the consortium: a loan to VAG solely by Franklin-Lamoille, and an additional loan to VAG by Franklin-Lamoille in conjunction with one other bank. It is that portion of the general contract that Rolband says was not "up to our requirements."

Referring to provisions for the two loans found questionable by Sterling Trust, Rolband said, (Continued On Page 10)

Pignona has new manager's contract

CATHY BRAUNER

those assurances through, and I hope that he will."

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Pope urges U.S.-Poland ties

WARSAW, Poland (UPI) — Pope John Paul II told Poland's Communist leaders today they must end martial law and appealed to them to restore full ties with the United States and not to lock the nation the Soviet bloc.

pop and Premier W
ja Jan ski is fa

for Czesochowa in hopes of meeting the pope over the weekend. The pope later today was to celebrate an outdoor Mass at Warsaw's 10th Anniversary Stadium, where up to 1 million Poles were expected to attend.

In a historic meeting,
Pol born told
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Thursday on his second papal tour of his homeland, John Paul spoke bluntly in the face-to-face encounter with Jaruzelski, President Henryk Jablonski and other Polish officials in the Baroque splendor of the Belvedere Palace.

asked Jaruzelski and his
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authorities. He also condemned the West's campaign of trade sanctions and embargos imposed against Poland since martial law was imposed 18 months ago.

"I confirm our will to lift martial law and to implement proper humanitarian and legal solutions," he said in a

VAG loan: (Continued From Page 1)

"That's all part of that (general) agreement and we can't agree to something we have no knowledge of whatsoever. That's bringing something in that has nothing to do with us."

VAG Responds

VAG President Howard Manosh told the Messenger that last summer VAG "reached a technical default in that our ratio's were not being maintained according to the loan agreement."

"So we reached a tentative agreement with the lead bank, the Franklin-Lamoille.... We had some negotiations and they agreed to forestall any more (foreclosure) action."

Manosh said early this spring VAG and the banks in the consortium held other meetings "and we showed them our plan of action and what we intended to do, which we are doing just as we agreed to do."

Manosh said he and the banks tentatively agreed that VAG would continue working under its outlined plan of action until the spring of 1984. As Manosh understood things a review then would determine any changes in the loan agreement.

Business Good

He said business for asbestos products is on the increase as a result of a generally improved economic situation nationwide.

"We're doing well," Monash said.

He said gross sales at this time this year, compared with this time last year, have increased about 15 percent. Monash said VAG mines and mills about 30,000 tons of asbestos annually.

"This material is shipped around the world. It's an international operation," Manosh explained. He noted that as a result of the general economy, the demand for asbestos had lessened during the last two years, leaving "quite a glut of it out there. When the automobile industry is down some, then we're down some," Monash said.

But he added that the automobile industry is now making heavier cars and that business associated with replacing parts is increasing as well. "Right now business is pretty good," he said.

Monash explained that VAG had intended to apply for both a federal grant and a federal loan to help the company get through the recent difficult times, but that the grant and the loan depended, in part, on halting the foreclosure proceedings.

He said he still has faith that "something will happen" to stop the foreclosure, but said that if the foreclosure goes through, then VAG intends to continue with a counter suit to stop that action.

In reference to the foreclosure proceedings, which are currently awaiting a hearing date in Lamoille Superior Court, attorney Cronin said, "Foreclosure is never a good answer to anything. It's only a last resort."

equipment saved the day for Killington.

"At the beginning of the year, nobody guessed would be a record season," he said. "Snowmaki turned it around."

But even all that equipment could not stand up the current warm spell.

Courcelle said as Killington closed Thursday skiers were sliding down an 800-foot patch of snow near the summit, where the mercury topped 80.

"It's been the die-hard advanced skiers," said. "But now its time to pack it in."



Birth

BAXTER - On Thursday, June 9, 1983, daughter, weighing 8 lbs. 11 ozs., to Michael and Jane (Walters) Baxter, Swanton.

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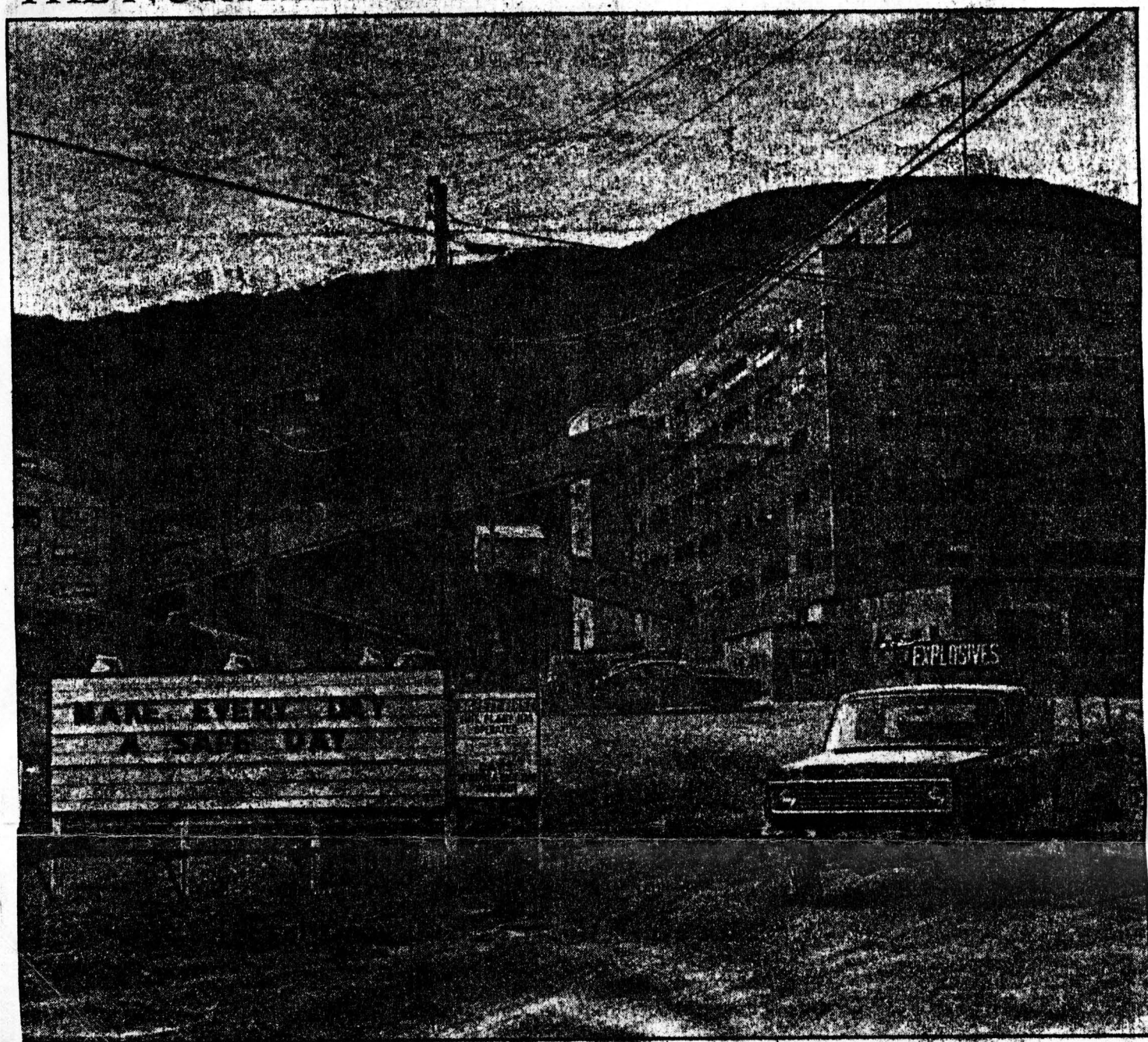
BOSTON, MASSACHUSETTS



MESSENGER

One Man and the Mill:

THE NORTHERN VERMONT ASBESTOS TRAGEDY



the vermont Vanguard Press

VERMONT'S STATEWIDE WEEKLY

JANUARY 9-16, 1983

VOL. VI, NO. 1

By Edward Gale

In the morning the son gets home from his night shift at the mill. His father is already up and having breakfast in the kitchen. He didn't sleep well the night before. He doesn't get up from the table, and his breath is short like he's just finished bringing in the morning's wood. Only he hasn't. He hasn't done any exercise, and he can't. For 24 years he worked in the same mill that his son works in now. Like his son, he had no other choice. There was no other work around. And at the end of 24 years, the man retired. He didn't want to retire, but he had to. It wasn't the company that forced him to — his lungs did. Now the man has only part of one lung left. The other had to be completely removed. This was what he got for working twenty-four years at the mill.

And the mill isn't a cotton mill down south, it isn't associated with the coal mines of West Virginia, and it isn't part of the Dupont chemical works in Delaware. It's an asbestos mill in Northern Vermont, locally owned, once owned by a multi-national corporation, and even once owned by the workers themselves when the multi-national closed it down. They are industrious, want to make an honest living and stay off the welfare rolls in an area that offers no other employment. What the workers didn't know, and what they are just finding out now, is that the work they have been doing is slowly going to kill many of them.

Asbestos is perhaps one of the most widely used dangerous substances in the United States, so much so that asbestos was the first industry to be regulated by the Occupational Safety and Health Act in 1972. An estimated 11 million people have worked with asbestos, from the mills that produce it, to installers

Continued on page 8

On the advice of his attorney and fearful of possible reprisals from his former co-workers, the subject of this story asked that his name be withheld.

Continued from page 1

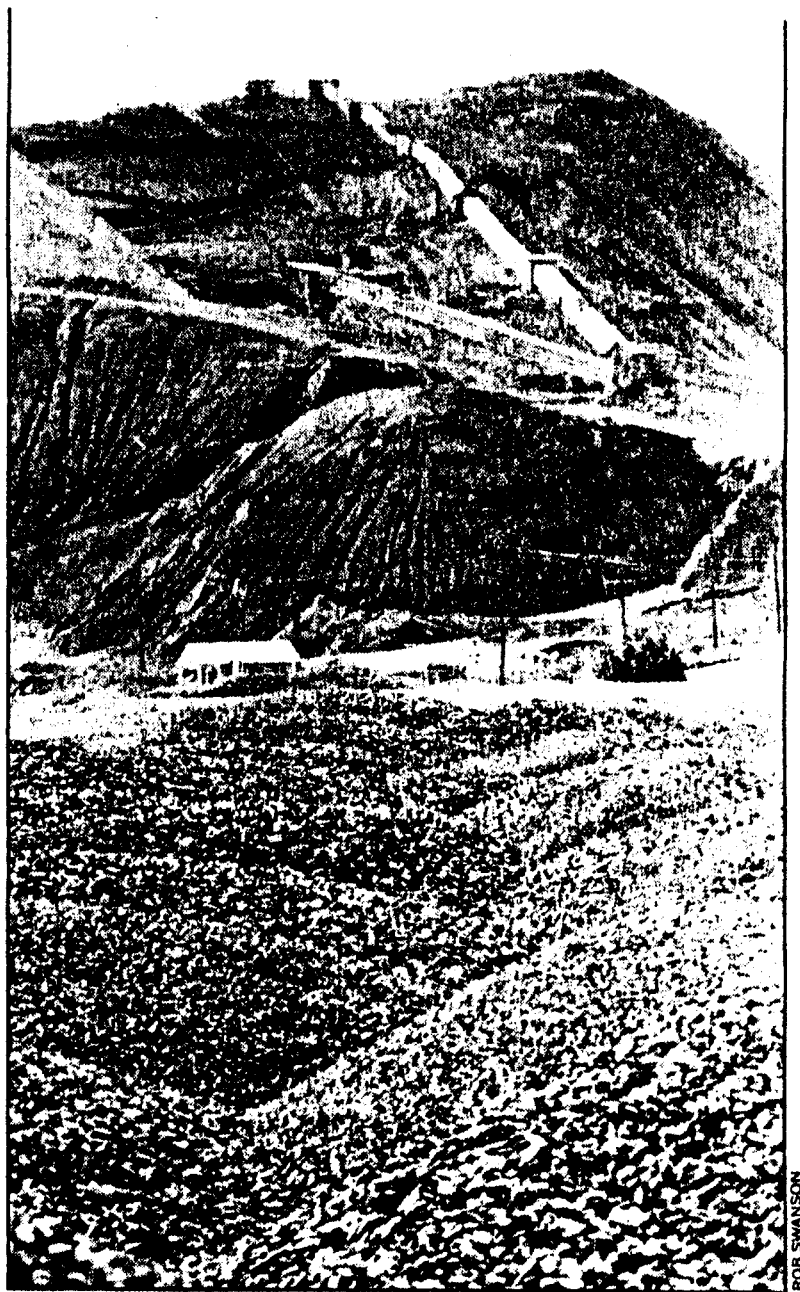
of brake pads in cars, ship builders for the United States Navy, insulation workers in public schools, and even manufacturers of asbestos cloth. The qualities of asbestos that make it so valuable for these industries are also what make it so dangerous. Although it is a mineral, asbestos is formed in thin, tensile fibers that are flame retardant and resist chemical breakdown. In the workplace, these fibers float in the air like unpretentious house dust. Only unlike house dust, they act like tiny needles and lodge themselves in the linings of the lungs and pericardium. And once they are in, they don't come out.

Studies conducted in Great Britain shortly after the turn of the century concluded that asbestos can be hazardous to human health. The first death due to asbestosis was verified in the United States in 1935. Perhaps it's possible that something could have been done about the situation then, except for an unexpected interruption: World War II. Asbestos was crucial to the building of ships, and the US Navy needed to build more ships. Environmental regulations were fine, as long as they didn't get in the way of the national interest.

What the shipyard workers didn't know about was three different diseases specifically associated with asbestos: bronchiogenic carcinoma, or lung cancer; asbestosis, or fibrosis of the lungs; and mesothelioma, or a tumor of the cells of the lining of the lungs. All are caused by the introduction of asbestos fibers into the lungs.

The diseases are slow developing, and the victims don't know they have it until it's too late. Up until now, there has been no attempt to warn asbestos workers of the possible hazards. In 1977, the federal government was held liable in part of a \$20 million settlement in which 445 Tyler, Texas asbestos workers alleged that the government collaborated in suppressing information concerning the dangers of asbestos (the asbestos was used to manufacture insulation sleeves for piping aboard US Navy ships). Closer to home, the workers at the Belvidere, Vermont mine were equally unaware of the dangers. "We had no idea," said the man whose lung had to be removed. "We never thought more of it than going out and washing the car."

One Man and the Mill:



ROB SWANSON

The man remained unaware for twenty-four years, from the time he started working in the mill as a bagger in 1954. The mill was then owned by the Ruberoid Corporation, and there were virtually no environmental controls to protect employees from the dust. From where he was working, the asbestos came down chutes into burlap sacks. For twelve years he lifted the 100 lb. bags and loaded them out, and by the end of the day this dust would form a fluffy layer on his work clothes. An air hose was installed to blow it off, but it only stirred up more dust. The only filtering system available was the hair lining the inside of his nose, and he had to dig that out with his fingers before it got too clogged. "People worry about asbestos in ceilings," he said, "but that's sealed in. What would they do if they saw it floating in the air?"

In the 1960s, the mill was taken

over by the GAF Corp. and the man was promoted to testing, where he would set the machinery to produce the required fiber size. The job was far less strenuous than lifting the asbestos bags, but it also involved greater exposure to asbestos dust, because he often had to climb into the bin to dislodge the fibers so they'd fall freely through the chutes.

But GAF got out of the asbestos industry with the coming of the Environmental Protection Agency and the Occupational Safety and Health Act. The EPA set standards for dust levels in the mill, and it gave GAF a year to comply with them, or else the mill would have to be shut down. GAF agreed, and one year after the decree the corporation shut the plant down rather than spend the \$1.5 million for pollution control equipment that would be required to meet the new standards. In the meantime, it invested no new capital into the mill, instead letting the equipment deteriorate so the corporation would not lose as much money. At the end of the year the mill was closed and in disrepair, GAF had gone on to bigger and better things, and roughly two hundred employees in Northern Vermont were out of work with no place to turn.

In what was a miracle for the employees, and in what may also turn out to be a tragedy for many of them in the end, a scheme was devised in which the employees were able to secure a loan from the state to buy the mill and install

the needed equipment required by the EPA. The employees, including the man, each bought up to ten shares in the new company at \$50 a share. The mill started up again, and it was granted another year to comply with the new regulations.

The new company, the Vermont Asbestos Group, worked closely with the EPA in order to keep the mill running. According to Arthur Lange, an industrial hygienist with the Vermont State Division of Occupational and Radiological Health, VAG "put in the control systems, and got in touch with the division of industrial hygiene and asked for help." Lange maintains the state conducted unannounced independent health checks to monitor the effectiveness of the new controls, as well as inspections by request. He always found the company responsive to the state's suggestions for improvement. "We told them to do it, and they did it," said Lange.

But, some workers claim, Lange may have been deceived. The new company wanted to do everything within its power to stay open, with good reason. The price of the owner-employees' \$50 share stocks had sky-rocketed into the thousands because the VAG was now the only asbestos plant still running in the United States after the EPA crackdown. Lange maintains that no one in his department gave warning before a health inspection was conducted - he would be liable for a \$10,000 fine if he did. But the man claims

the EPA let them know a week ahead of time. The foremen would go through and shut down the trouble spots, and sometimes close certain areas for "repairs," he says now. Even today, some workers claim the foreman comes around to make sure everyone is wearing his respirator when the inspector is on his way. It may be that the VAG used the times it invited the state in to ask for advice to double as inspections, which were conducted every six months. This would have saved the state a trip up to Belvidere, and it would save the company time and money in trying to comply with the regulations.

The man was in a sense an accomplice to what was going on, but, like his fellow employees, he had no idea of the danger he was exposing himself to. Neither did local doctors. Eventually the man developed pain in his lungs coupled with severe coughing, and in February of 1977, doctors in St. Albans took x-rays and diagnosed the white lining around his lungs as being caused by pneumonia. But it was not until October, when he was sent to the Medical Center Hospital in Burlington for further tests, that his condition was diagnosed as asbestosis. It was decided one of his lungs would have to be removed as soon as possible. "Down in Burlington, Dr. Miller, when he found out I'd been working in the mill all my life, he told me he thought I was crazy for working with asbestos for so long," the man said. "But what was I going to do? I had a wife, and four kids, and a family here, and this was home. That was the only work around. I didn't know."

The man had the operation, and he had to retire from the mill. But that was only the beginning of his troubles. He attempted to apply for Social Security disability benefits, and he was denied. Not knowing what to do, he went to Legal Aid, who referred him to Bill Brooks, a lawyer with the firm of Tyler and Bruce in St. Albans. Brooks assisted the man in obtaining the Social Security benefits. The lawyer also noticed something that would certainly confuse workers in the mill and make it less likely that they would apply for the workmen's compensation to which they were entitled. The man was receiving one year's retirement pay from the Aetna Insurance company. The terms of the retirement pay were almost exactly the same as what the man was eligible for under the workmen's compensation law. At the same time, workmen's compensation for the VAG was administered by the Travelers Insurance Company. Significantly, according to the Vermont Occupational Disease Law a claim is forever barred if notice of the injury is not given to the employer "as soon as practicable after the happening thereof." If the man assumed he was receiving workmen's compensation and not retirement pay, then by the time the retirement pay ran out and he realized what had happened, it would be too late to file for workmen's compensation.

The man filed with the Vermont State Department of Labor and Industry for what he was entitled to under workmen's compensation and the Occupational Disease Law, and the Travelers Insurance Company disputed the man's claim on

the grounds that it was not made as soon as practicable.

Fortunately for the man, the Department of Labor and Industry didn't agree with the Travelers in its preliminary findings. The department pointed out that according to state law "compensation shall not be payable for disablement by reason of occupational disease unless such disablement results within five years after the last injurious exposure to such disease in the employment." The department further stated in its opinion, dated March 11, 1982, "that to permit compensation for disablement within five years of exposure, but bar such compensation for claims not made within one year of such exposure (i.e., date of injury), would be to reach a perverse result, one which I do not feel the legislature intended when it enacted the Occupational Disease Law."

The man's case still awaits final decision. Perhaps it could have been settled much earlier if the law were written more clearly. The Occupational Disease Law is vague about when an occupational disease occurs and when a victim should file for compensation. The responsibility for correcting this lies solely with the state legislature. The legislature should take it upon itself to not only clarify the intent of the law, but also make it easier to read. People like the man, who are of a limited educational background as well as most susceptible to such occupational diseases, understand what their rights are and what benefits they may be entitled to.

The Occupational Disease Law also has another drawback in that while it appears to protect the worker, it actually protects the company by limiting the compensation a worker can receive. As it now stands, the most anyone can hope to gain from his efforts is two-thirds of his end salary over a six year period, plus all medical expenses he may incur as a result of the injury. This is because he works for the company that produces the asbestos. If the man had been working for another company that used VAG asbestos, and he contracted asbestosis, he could also sue VAG and collect a much larger settlement.

And then there are those who still must work in the mill, since purchased by Howard Manosh for two thousand dollars per share. They want to get out, but there is no other work available.

The mill is a safer place to work in — but how safe is safe? Filters have been installed to keep the dust levels down, and progress has been made in keeping the levels even lower. When the EPA regulations were first implemented, there was a limit of no more than five fibers more than five microns in length per cubic centimeter of air. Today that level has been lowered to two fibers per cubic centimeter. state Inspector Lange is confident that all necessary steps are taken to insure the workers' safety. He sees to it that the levels are met through sound engineering controls, and that when these controls are temporarily insufficient, respirators have to be worn. "And if we know a better technique, we'll have them do it."

But it's not easy to make a worker wear a respirator when the temperature in the mill is 90

or 100 degrees in the summer, and sweat is pouring down his face. Also, says Dr. Margaret Becklake of McGill University in Montreal, we cannot be sure if even the new dust compliance levels are safe.

"Among the important unresolved issues is the risk associated with low level exposure," she says. "The issue is pertinent because even the latest engineering technology is capable of controlling fiber emissions to indeterminably low levels only in certain operations...."

A third problem, and one which the state is responsible for, is that although both federal regulations and the Vermont Occupational Disease Law require that asbestos workers receive a physical examination and chest x-ray at least once a year, the state is only providing for such examinations once every three to five years. According to Lange, this is because in the opinion of the Vermont Commissioner of Health, Lloyd Novick, annual x-rays would be more of a hazard due to exposure to radiation than would be the daily exposure to asbestos fibers. Dr. Brook Mossman, a pathology professor at the University of Vermont who's conducting research on asbestosis, disagrees. Mossman maintains that a chest x-ray is the only way to detect for sure the three diseases associated with exposure to asbestos fibers. Dr. John Clements, a radiology expert with the university, agrees, stating that the x-ray is essential to detect early risk. The radiation from a quality x-ray, he says, "is no worse than the background radiation experienced by the residents of Denver, Colorado." The only danger he could foresee would be an increase in breast cancer, and this would not apply because of the predominately male population working in the mill. The only danger the man could see in having the x-rays taken is that he used to have to stand in line with his shirt off outside the state mobile x-ray lab while he was waiting to undergo his physical, and he had a tendency to catch cold.

The fate of the man has already been determined, but it's impossible to say what may become of the son. It is possible that the mill is now a safe place to work. But that's something that won't be known for another 15 to 20 years, the period it takes for asbestos-related diseases to develop.

Amazingly, the man is not bitter. He is limited in what he can do and can't undertake any strenuous exercise. He has a new deer rifle that he bought and sighted in just before he found he needed to have the operation in October, 1977. He hasn't been able to use the rifle since. Still, he's happy, happy that he survived his operation, and happy that he has his family and his home, which is why he worked in the mill for 24 years in the first place. He doesn't want to see the mill closed down because many of his friends still work there. In fact, he is afraid to cause too much of a stir in filing for workmen's compensation, because he fears his friends may think he is trying to shut the mine down and put them out of work. In the meantime, although they won't admit it, many of the man's friends have begun to have a hauntingly familiar cough. ●

Ripple Effect

Firms That Didn't Mine or Sell Asbestos Are Also Caught in the Tide of Litigation

By RAYMOND A. JOSEPH

Staff Reporter of THE WALL STREET JOURNAL

There are two kinds of agony in the asbestos troubles.

First, there is the agony of the disease victims and their survivors. The awards and settlements they win, no matter how large, can't make up for their suffering.

Then there is the agony of the companies. Those same awards and settlements can wreck businesses nurtured and cherished for decades. Many of these companies didn't mine asbestos or directly sell it. Some used it in their products. Others were simply conduits in the distribution pipeline. Many are small firms with few assets.

James Sullivan, a 52-year-old Philadelphian who used to be an insulation worker, is going through both kinds of agony. He has mesothelioma, a usually fatal cancer that eats away at the lining of the lungs, and asbestosis, a scarring of the lungs that gradually impairs breathing. He is also the chairman and chief executive officer of Pacor Inc., formerly Philadelphia Asbestos Co., a small insulation contractor and distributor of building products. More than 2,500 suits have been filed against Pacor, and new suits keep coming at the rate of 60 a month. The bulk are still pending.

"I don't know what the future will bring," Mr. Sullivan says. "There's no way for the little guy like me to bear the burden of all the litigation. In the end we'll have to do the same thing as Manville, or go further by declaring outright bankruptcy."

Filed for Protection

Manville Corp., the world's leading producer of asbestos, filed last summer for court protection from creditors under Chapter 11 of the federal Bankruptcy Code. Its action suspended thousands of lawsuits that it said threatened to wipe out its \$2.2 billion in assets. Other companies have filed for similar protection, but Manville is the biggest.

All told, some 300 companies have been sued. They include many that few people would associate with asbestos. Bendix Corp., for example, was sued because it makes asbestos-containing shoe brakes for cars and trucks. Mobil Corp. used to make Dumdum, an asbestos-reinforced paint used on ships. General Dynamics Corp. used asbestos to fireproof and insulate ships. Occidental Petroleum Corp. made molding containing asbestos for appliances and for electrical and automotive applications.

Typical of the suits is one by Clarence Rouse and his wife, Hazel, filed in federal district court in Pittsburgh. Manville and 12 other defendants have been named, including Bendix and units of General Motors Corp. and of Studebaker Worthington Inc. Mr. Rouse worked from 1942 to 1950 as a millwright, bricklayer and brake mechanic in Grove City, Pa., at a plant of Cooper Energy Services of Mount Vernon, Ohio. Cooper Energy, a division of Houston-based Cooper Industries Inc., is an international supplier of engines, turbines, compressors and controls for the oil, gas, chemical and power-generation industries.

Mr. Rouse charges that his exposure to asbestos fibers gave him asbestosis and mesothelioma. He says he has been totally disabled. Manville made insulation material that Mr. Rouse handled on the job. Bendix and units of GM and Studebaker Worthington either made or used asbestos-containing shoe brakes that Mr. Rouse repaired.

No exact count of asbestos products exists, but the Washington-based Asbestos Information Association estimates that there are "upwards of 3,000 discrete uses" of asbestos in friction products, asbestos-cement pipe and sheet, asbestos textiles, floor tiles, roofing felts, insulation and other building materials.

It is difficult to apportion liability. In some out-of-court settlements, companies have been assessed according to their portion of the business involved. Thus, in a \$6.1 million settlement reached in Honolulu this year, Manville agreed to pay nearly 82% of the damages caused by asbestos provided to Pearl Harbor Naval Shipyard beginning in the 1940s. Celotex Corp., a Tampa, Fla., subsidiary of Jim Walter Corp., paid about 15% and Nicolet Inc., a smaller concern in Amblerville, Pa., paid a little over 3%.

The situation becomes murkier in so-called third-party suits involving companies that don't mine or sell asbestos. Just so long as they facilitated its flow in commerce, they can be liable, and this has ominous implications for many companies. "If the going gets so tough for rich Manville that they seek court protection, think what it will mean for the Pacors of the industry," says John Hays, vice president of Cummings Insulation Co. of Meriden, Conn.

Life at Pacor, which has annual sales of about \$20 million and few assets, is dominated by asbestos litigation. Two years ago Mr. Sullivan relinquished the company's presidency and stopped running day-to-day operations to devote attention to the problem. One full-time secretary and a part-time employee do nothing but process asbestos claims. Two copiers are kept busy spewing out a total of 35,000 copies a month of asbestos-related material, up from 500 copies in the days before the litigation began. And Pacor spent \$250,000 last year to defend itself in asbestos lawsuits. "That money could have gone to profit," Mr. Sullivan says. "Besides, my company has lost my valuable time."

'Only Paper Shufflers'

Some defendants think the whole thing is unfair. "We were only paper shufflers for many orders," says the chief executive officer of a Southern insulation concern who declines to be identified for fear of touching off more lawsuits. For example, his company has been sued for \$3 million by 350 employees of a boat manufacturer that had ordered asbestos-containing products through his concern. "My company made only about \$1,000 profit from the deal," the executive laments.

Mr. Hays of Cummings Insulation also decries the charges against third parties. His company, a small one, did some asbestos insulation work under contract, but for the most part it was only a supplier, usually to shipyards. He declares: "We never manufactured the product. We didn't know it was hazardous. We didn't touch 90% of the material; it was shipped directly from manufacturer to shipyard. How can we be sued for negligence and for covering up the knowledge of a hazardous substance?"

While not contradicting Mr. Hays specifically, Thomas Henderson, a Pittsburgh lawyer representing asbestos plaintiffs, says, "We have documents that clearly indicate that small insulation companies knew of the problem of asbestos as far back as the 1950s."

Insurance Problems

Asbestos-related companies also are having problems with insurance companies that have raised their premiums or canceled their policies. The Southern asbestos distributor says that his company's premiums jumped about 120% in the past three years. Pacor's insurance was canceled in 1979; the courts are still dealing with cases filed before 1975.

An insurance executive who declines to be named says, "I have a list of companies that I won't consider for insurance. And a standard question these days is to ask whether a company is involved in asbestos before considering its application for insurance."

The wariness of the insurance companies is understandable. Besides asbestosis and mesothelioma, incidences of cancer in the esophagus, stomach, colon, rectum and kidney have been traced to asbestos. It usually takes 20 to 40 years after exposure for the ill effects to show up. In the next three decades, insurers will face claims for damages that occurred between the 1940s and the mid-1970s, when the use of asbestos began to decline.

A controversial study by a Yale University economist, Paul W. MacAvoy, estimates

that employers and their insurers are likely to pay anywhere from \$38.2 billion to \$90 billion in asbestos claims over the next 35 years.

Financial rating agencies have been downgrading the debt issues of some companies involved in asbestos litigation. In late October, Moody's Investors Service Inc. lowered the ratings of six companies. It cited "estimates of future cash flows . . . and the risk of higher asbestos-litigation costs." Standard & Poor's Corp., another major rating concern, downgraded the debt issues of four major companies. The rating agencies' actions will probably make raising capital more difficult for the downgraded corporations.

Also, auditors have taken to qualifying the financial statements of some companies. And companies whose stock is publicly traded are required to mention the possible effect of asbestos litigation whether their financial statements are qualified or not.

Another ripple: For small insulation companies saddled with asbestos lawsuits and distracted by them, competition is getting stiffer. "In the past five years, many new insulation companies have come in to take our business," says Arthur Rank, president of Philadelphia-based Universal Insulation Co. "While we're fighting on the legal front, they're coming in through the back door," he says. Pacor's Mr. Sullivan adds, "Everybody thinks we are the crippled horse now, and they're coming after us."

Edward Hogstrom, president of Associated Insulation Inc., could be considered among the new breed. His Philadelphia concern was established six years ago. "We have been fortunate," he reflects. "We got into the business after asbestos went out of the product."

DECEMBER 6, 1982

ASBESTOS PROBLEMS AGGRAVATE OUTLOOK FOR VERMONT MINE

By Sally H. Jacobs

The beginning of the trouble was almost a decade ago.

GAF Corp., perhaps sensing what was to come in the asbestos industry, decided the cost of installing the federally mandated health protection equipment at its sprawling Vermont asbestos mining operation was simply too much; the Vermont Asbestos Group was slated for shutdown.

But the 2,300-acre mine complex, perched on the Lowell-Eden town line, has thus far escaped that fate. The mine instead has survived, albeit with a tenuous grip on life. A succession of attempts have been made to keep its head above water—a briefly successful period of employee ownership, takeover by a local well driller, and diversification through a new wallboard making subsidiary, Vermont Industrial Products.

But despite these attempts, VAG's prospects increasingly have come to look grim. Since takeover by local businessman Howard A. Manosh in 1978, the company has suffered steadily declining sales as inventories mount steadily. Periodic layoffs at the company, one of the largest employers in sparsely populated, rural northern Vermont, have become a way of life. Manosh says the majority of VAG's 175 employees will be laid off again this year.

Besides his basic business problems—and problems have been pretty

"We believe VAG can be a viable and profitable operation, and we believe we can show lenders that this can be a lucrative investment."

basic in the asbestos business in recent years—Manosh faces a series of foreclosure suits. The situation, too, is complicated by counterclaims brought by VAG in the lawsuits, and by efforts by local development officials to help Manosh find a way out of his problems.

In the most recent attempt to shore up the company's tenuous financial position, Manosh proposed devoting a portion of VAG's property for use as an asbestos waste site. Local opposition to

the project, however, was unyielding, and the idea has been at least temporarily abandoned.

VAG now faces a \$1.6 million foreclosure suit brought by the Franklin-Lamoille Bank, which claims the company has failed to make good on three loans in as many years. There are some who believe the legal action could spell the company's end.

The company has claimed in its response that the suit, filed in Lamoille County Superior Court, is a malicious action and is part of a conspiracy to obtain control of the company's assets. Furthermore, VAG claims the bank's action violates an earlier agreement that foreclosure action would not be taken provided the company met certain conditions.

INVENTORIES

VAG officials contend that the company had accumulated \$500,000 in back orders, one of the agreed conditions, when the St. Albans-based bank began the legal action. In its response, company officials describe the move as one that "maliciously and intentionally interfered with contractual relations of VAG and third parties." They seek \$3 million in damages.

Bank spokesmen have denied those claims and describe the legal action as a simple foreclosure suit. As with many in the area, bank representatives say they are eager to help preserve the mine in the interest of the county's fiscal well-being and thus waited as long as possible before bringing the suit.

St. Albans attorney Robert Cronin, representing the bank, has denied the counterclaims, but says he is not altogether surprised by VAG's response. "I think [the suit] has become complicated by the fact that VAG has so much at stake they are raising any defense they can," he said.

Despite the odds confronting them, local development officials are not prepared to give up and have made a renewed attempt to stave off the economic havoc they fear would result from VAG's closing. With the support of local officials, the Economic Development Council of Northern Vermont has proposed a \$1 million revitalization plan designed to upgrade equipment and

packaging in the company's mill. Its financing plan includes a \$300,000 federal Urban Development Action Grant and \$400,000 from the Small Business Administration, with the remainder to be supplied by private lenders. Officials expect a response to their local applications within the next few months.

ASBESTOS MARKET

Chris Page, executive director of the council, says he is confident that VAG's future is bright, despite the darkening horizon for what may be a moribund industry. Although many former asbestos customers have turned to alternative products, Page believes VAG's sales should not be heavily affected by health concerns. Most of the company's fiber, he said, is encapsulated before use in building and friction materials.

Page said VAG's prospects have also brightened with a recent finding by the U.S. Department of Commerce that the company is eligible for trade adjustment assistance in light of the impact Canadian exports have had on the market. As a result of the finding, Page said, the New England Trade Adjustment Assistance Center will assist the company in obtaining counseling services necessary to develop a new business plan or whatever is deemed necessary to reverse the company's fortunes.

"We believe VAG can be a viable and profitable operation, and we believe we can show lenders that this can be a lucrative investment," said Page.

"There are 175 jobs involved here and this is a lifeline to an isolated northern Vermont community. There's no way this can't be worth it."

* Above commentary by
Franklin Lamoille Bank
Executive Vice President

CP

Chris:
you did much better
in the article than I did.
Steve *

VAG Faces Foreclosure For Loans

By SALLY JACOBS

Free Press Correspondent

HYDE PARK — The Franklin-Lamoille Bank has brought a foreclosure suit against Vermont Asbestos Group, seeking reimbursement for loans totalling over \$1.6 million.

The suit, filed in Lamoille County Superior Court, claims the asbestos mining company has failed to meet payments on three loans approved by the St. Albans-based bank over the past three years.

Company President Howard Manosh could not be reached for comment.

In June 1979, Manosh took out the first of the loans for \$1,300,000 for which he pledged as collateral all the inventory owned and later acquired by VAG and Vermont Industrial Products Inc., the company's wallboard-making subsidiary in Morrisville. All accounts receivable at VAG and property leased to VIP also were posted as collateral.

According to the suit, filed by bank attorney Robert Cronin, VAG owes the bank \$985,833 in principal and \$49,484 in accumulated interest on the loan.

In addition, it says the company owes \$101,345 plus \$5,004 in interest for a loan received in March 1981. For that loan, Manosh put up as collateral two 40-ton trucks and a bucket loader.

On the most recent loan, approved last September, and for which Manosh mortgaged VAG's approximately 2,000 acres which cut across the Lowell-Eden border, the company owes \$480,000 plus \$26,235 in interest.

Manosh has been asked to appear in court Aug. 12 to show why the bank is not entitled to possess the property pledged as collateral.

The suit comes in the wake of mounting economic difficulties for the company. Sales of the asbestos fiber, used primarily for brake linings, have declined steadily over the past few years. Fear of the carcinogenic properties of asbestos has prompted some customers to seek alternative products.

Banks foreclose on asbestos group

After a lengthy and detailed investigation of the asbestos market and consideration of the financial condition of Vermont Asbestos Group and its affiliate, Vermont Industrial Products, the four lenders — Franklin-Lamoille Bank, Vermont National Bank, Sterling Trust Company, and Union Bank — began foreclosure proceedings to protect their investments.

Due to the severe restraints in the use of asbestos, the controversy that surrounds the products, and the numerous lawsuits pending against asbestos mining companies and manufacturers of asbestos-related products, the lenders felt the future was too uncertain to continue.

Foremost in the banks' decision was the impact that the closing would have not only to the labor market but the small spin-off industries and the area tax base. For those reasons, the banks waited as long as possible.

Only a few months ago the company's approximately 175 workers resumed their jobs after several months of being laid off. Manosh has said it is likely the company will close again this winter when a sufficient inventory has been accumulated.

Last year, in an attempt to shore up the company's tenuous financial position, Manosh proposed an asbestos waste site on the property. Local residents strongly opposed the site, which they feared would create a serious health hazard.

A resolution banning the transportation and disposal of hazardous waste in the area was passed by the town and Manosh has said he is no longer actively considering the project.

EXHIBIT 11

THE FOLLOWING TIME LINE TRACES THE COUNCIL'S ACTIVITY WITH VAG
AND ENNUMERATES MANY OF THE ACTIONS TAKEN UNDER THIS PROJECT.

PROJECT TIME LINE

08/82

Council approves assistance to Vermont Asbestos Group
Initial meetings with VAG management to assess problems
Initial meeting with VAG Board of Directors
Preliminary discussions with Trade Adjustment
Completion of Trade Adjustment Certification application

09/82

Preliminary meeting with HUD/UDAG staff to determine eligibility
Research and writing of HUD/UDAG application
Meetings with lending institutions re: foreclosure
Identification of financial, engineering and marketing consultants
Meetings with FmHA; SBA; Vermont Industrial Development Authority; The Fund, Inc.; IDBI Managers, Inc.; Lehman Brothers; Bank of Boston; National Rural Development & Finance Corp.; twelve regional lending institutions regarding potential participation in a restructuring package.
UDAG public hearing in Lowell; project approved

10/82

Preliminary meetings with VAG marketing firm regarding potential sales and possible equity investment in the company.
Completion of Draft Trade Adjustment Plan by Council
Meetings with Trade Adjustment staff re: certification
Initial negotiations with electric utility and fuel dealer for cost reduction program
Preliminary meetings with Masonite Corp. re: purchase of R&D division of VAG
VAG files countersuit against lending consortium

11/82

Certification of VAG by Trade Adjustment
Initiation of diagnostic survey of the company
Indication by lending consortium of willingness to drop foreclosure upon approval of restructuring package
UDAG application withdrawn due to lack of private investment
Power negotiations completed

12/82

VAG closes for winter season
Negotiations with banks and lending consortium resume
Trade Adjustment continues survey
Engineering consultant begins review of production needs

01/83

Revisions submitted to UDAG; application reactivated
Trade Adjustment accepts proposed adjustment plan

Plans developed for technical assistance in marketing and engineering

02/83

Meeting with VAG Board of Directors to assess progress
Proposed financial packages rejected
UDAG application placed on hold

03/83

Diagnostic survey of the company completed
Preliminary proposals for technical assistance drafted
Further assistance postponed due to foreclosure action
Negotiations with lending consortium continues

04/83

Financial packaging negotiations continue
Equipment requirements determined
Lending consortium/VAG reach agreement
VAG production resumes at mine and mill

05/83

Foreclosure agreement is executed by three of the four banks
Agreement executed by VAG
UDAG application reactivated
Private investor identified

06/83

Fourth bank rejects foreclosure agreement
Legal action reactivated
VAG accepts equity injection by investor
Trade adjustment places hold on project due to legal problems

07/83

UDAG application again withdrawn
Fourth bank position purchased by another lender
EPA announces accelerated implementation of dust emission regulation
Proposal for EDC to acquire VAG stock submitted to the Office of
Community Services

08/83

Negotiations with union begin for new employee contract
Congressional delegation offers support for OCS project
Town meeting in Lowell with Rep. Jeffords to discuss project progress and
potential impact of EPA ruling
Discussions with private investors regarding stock purchase

09/83

Negotiations with Union break down
VAG/EDC decide against resubmitting UDAG application
Trade Adjustment officially declares VAG file inactive

10/83

Union threatens strike against VAG
Lending consortium calls for year-end review of company status

11/83

Union calls VAG strike
VAG management closes operation for winter
Decline of railroad threatens potential sale of R&D division
OCS rejects request for investment capital

EXHIBIT 12

VERMONT ASBESTOS GROUP CURRENTLY FACES A STRIKE BY ITS UNIONIZED MINE AND MILL WORKERS. COMPANY WAGES HAVE BEEN TRADITIONALLY HIGH BY NORTHERN NEW ENGLAND STANDARDS, BUT HAVE BEEN FROZEN SINCE 1982 IN A COST CONTAINMENT EFFORT APPROVED BY THE UNION. THE COMPREHENSIVE BENEFIT PROGRAM, ENACTED DURING THE EMPLOYEE MANAGEMENT/OWNERSHIP PERIOD EXCEEDS THAT OF ANY REGIONAL INDUSTRY AT 52% OF GROSS WAGES. IN DISPUTE IS THE COMPANY'S PROPOSAL TO PAY ONLY ONE-HALF OF EMPLOYEE HEALTH COVERAGE PREMIUMS DURING THE FOUR MONTH ANNUAL SHUT-DOWN PERIOD.

EXHIBIT "A"

JOB GROUP NUMBER	JOB CLASSIFICATION	STRAIGHT TIME HOURLY RATE EFFECTIVE		
		10/1/80	10/1/81	4/1/82
Group 1 -	General Laborer - Milling	5.57	6.07	6.47
	General Laborer - Quarry			
Group 2 -	Conveyor Man - Milling	5.66	6.17	6.57
	Conveyor Man - Quarry			
Group 3 -	Piler Loader - Unloader Bagger	5.75	6.27	6.67
Group 4 -	Waste Conveyor Man - Milling	5.84	6.37	6.77
Group 5 -	General Utility Man B	5.93	6.47	6.87
	Crusher Man			
	Quarry Dump Truck Operator			
Group 6 -	Dryer House Man B	6.02	6.57	6.97
	Driller G - Quarry			
	Floorman			
Group 7 -	Mill Maintenance Man 3rd Class	6.11	6.67	7.07
	Greaser-Oiler-Milling			
	Quarry Maintenance 3rd Class			
	Power Shovel Man B			
	Head Bagger			
	Mill Bulldozer and/or			
	Front end loader under 5 yards			
	Quarry Bulldozer and/or			
	Front end loader under 5 yards			
	Grader Operator			
	Electrician 3rd Class			
Group 8 -	Warehouse Man	6.20	6.77	7.17
	Head Loader			
	Driller E- Quarry			
	Trucker - Quarry			
	Tractor - Trailer Operator			
	Bay Stock & Supply Man			
	Trucker-Quarry-Scalper			
Group 9 -		6.29	6.87	7.27
Group 10 -	Dryerhouse Man A	6.38	6.97	7.37
Group 11 -	Mill Maintenance 2nd Class	6.47	7.07	7.47
	Mill Maintenance 2nd Class Hardface			
	Welder			
	Quarry Maintenance 2nd Class			
	Mill shift Mechanic			
	Driller F			
Group 12 -	Electrician 2nd Class	6.56	7.17	7.57
	Quarry Maintenance Man-Automotive			
Group 13 -		6.65	7.27	7.67
Group 14 -	Tester Grader	6.74	7.37	7.77
Group 15 -	Mill Maintenance - 1st Class	6.83	7.47	7.87
	Quarry Maintenance - 1st Class			
	Machinist			
	Quarry Welder - Maintenance Man			
	Shop Maintenance Man			
Group 16 -	Power Shovel Man and/or	6.92	7.57	7.97
	Front End loader over 5 yards			
	Plant Electrician			
Group 17 -	Milling Head Maintenance Repair Man	7.01	7.67	8.07
Group 18 -		7.10	7.77	8.17
Group 19 -	Electrician 1st Class	7.19	7.87	8.27

EXHIBIT "B"
VACATION PLAN FOR
HOURLY-PAID EMPLOYEES

During the term of this Agreement the Vacation Plan for Hourly Paid Employees shall be herein provided.

On each anniversary date of their continuous employment with the Company hourly paid Factory Employee (except as stipulated in paragraphs 7, 8 and 9 below) shall be entitled to receive the following benefits:

- (a) 1st employment anniversary - 1 weeks time off with pay, or 1 weeks extra pay without time off.
- (b) 2nd and 3rd employment anniversaries - 2 weeks time off with pay, or 2 weeks extra pay without time off.
- (c) 4th to 9th inclusive employment anniversaries - 2½ weeks time off with pay or 2½ weeks extra pay without time off.
- (d) 10th to 14th inclusive employment anniversaries - 3 weeks time off with pay, or 3 weeks extra pay without time off.
- (e) 15th to 19th inclusive employment anniversaries - 3½ weeks time off with pay, or 3½ weeks extra pay without time off.
- (f) 20th to 24th inclusive employment anniversaries - 4 weeks time off with pay, or 4 weeks extra pay without time off.

In addition to the agreed to wage increase, effective October 1, 1981, the wages will be increased by an additional forty (40) cents across the board on April 1, 1982.

**UNITED CEMENT, LIME AND GYPSUM
WORKERS INTERNATIONAL UNION
LOCAL #338**

*Joseph B. Granich
Monte A. Mason
Raymond S. Whitney
Ronald L. Gamble
Bryan E. Deuso
Richard L. Thompson
Armand J. Williams*

VERMONT ASBESTOS GROUP, INC.

*Howard A. Manosh
Elvern A. Jones*