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REPORT TO THE JANUARY MEETING OF THE
BOARD OF DIRECTORS ON THE STATUS OF
PCB IMPLEMENTATION PROGRAM

The worldwide PCB action plan reviewed with the Board in December is being fully implemented. Although customer acceptance has, in general, been positive, some are raising questions which may create problems. We remain hopeful we can resolve these problems on a case by case basis. We are on our established time schedule. The status report on the domestic program is as follows:

- 1) Formal letter of notification to heat transfer customers was sent by registered mail on December 15, 1971, to all known users. All sales have been discontinued. Some customer conversions to other fluids have been made, and our engineer team is available to help others convert on request.
- 2) All original equipment capacitor and transformer customers for our PCB dielectric fluids were notified on December 21, 1971, that further sales after January 15, 1972, would be dependent on receipt of financially meaningful and acceptable hold harmless agreements. To date six companies have complied, which represent 63% of domestic dielectric sales: General Electric, Westinghouse, McGraw-Edison, ITE Imperial, Sprague Electric and Federal Pacific. Additional customers indicate they will comply and we expect the majority to do so. Progress on this part of the program now permits us to notify miscellaneous "top-up" customers and repair shops of our plan and will permit referral to original equipment manufacturers for fluids. The dielectric program is also being extended to a small group of miscellaneous dielectric customers using our fluid in the manufacture of closed switch gears, electric magnets and hermetically sealed electric motors.
- 3) All plasticizer customers were notified on December 31, 1971, of our intention to discontinue PCT sales for this use effective March 31, 1972. In a limited number of hardship cases where the customer requires lead time to develop alternate formulations, such as certain investment casting customers, a program consistent with our overall program has been developed, including hold harmless agreements, to allow sufficient purchases before our cutoff date to permit the customer's required reformulations.

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- 4) A letter will be sent on January 31, 1972, to all users of PCT-containing hydraulic fluids, notifying them that Monsanto will eliminate sales of PCT's for this use no later than June 30, 1972.

The status report on our EX-U.S.A. program is as follows:

- 1) All sales of PCB's for all uses other than as dielectric fluids will be terminated January 31, 1972.
- 2) Continued sales of PCB's for use as dielectric fluids after March 31, 1972, will be dependent upon receipt of hold harmless agreements acceptable to Monsanto from customers whose financial responsibility makes such agreements meaningful in Monsanto's opinion.
- 3) Sales of PCT's Ex-U.S.A. will be discontinued on the same time schedule as used on domestic sales.

The President has authorized MICC's Managing Director to make exceptions on a case by case basis. Two have been made in our Ex-U.S.A. program:

- 1) Because of the safety needs of the German coal mining industry for our PCB-containing hydraulic fluids, sales will continue for this use for the shortest possible time beyond January 31, 1972, to permit clearance of substitute materials. Indemnity agreements are not possible, but techniques of sale reviewed with German counsel are being utilized to minimize our exposure.
- 2) A commitment to sell 600 tons of our PCB dielectric fluids was made to the Russian state purchasing authorities in December, 1971, prior to formulation of our Ex-U.S.A. program. Completion of deliveries before our March 31, 1972, cutoff date is not possible nor is an indemnity feasible. Full disclosure of problems is being made, but some deliveries will occur into July, 1972.

We have been in close touch with the Federal Interagency Task Force under Dr. Edward J. Burger, Jr.'s direction. This task force is preparing to issue a report on PCB's about mid-February. We will be allowed to work with them in its preparation.

On January 21 and 22, Monsanto representatives met with a group of scientists to discuss the general PCB situation. Present were Dr. Warren Muir, Council of Environmental Quality, Dr. Edward Goldberg, Scripps Institute of Oceanography, Dr. Robert Riseborough, University of California, and George Harvey, Woods Hole Oceanographic Institution. The meeting went well and we feel the scientists left with a much fuller understanding of the overall PCB issue than they had previously.

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We have discussed the essentiality of the use of PCB's for dielectric fluids with key companies in the electrical industry and General Electric and Westinghouse Electric have submitted reports to the National Industrial Pollution Council and the Office of Science & Technology in which they testified as to the necessity for continued use in these applications and the steps being taken to contain the PCB's in these electrical closed systems.

We expect to complete our entire implementation program on schedule.

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