Exhibit F

REPORT BY THE DIRECTOR OF GOVERNMENT RELATIONS

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CONGRESS NEARS ADJOURNMENT AMID GROWING ELECTION FEVER

Leaders of both the House and Senate continue to aim for October 2 adjournment of the 94th Congress. Despite the fact that both houses appear on schedule, some observers are skeptical since Congress rarely meets deadlines for ending its work.

Not only are the remaining days few in number, but thoughts of the November election are proving increasingly distracting to Members. A number of Congressmen have already gone home to campaign and attendance problems could cause difficulty for party leaders in these closing weeks as they attempt to complete remaining legislation.

The final days before adjournment are always a difficult and uncertain period for Congress and for those who follow its activities closely. Time pressures and distractions lead to hasty action in some cases and the legislative process becomes all the more unpredictable.

Nonetheless, it is possible to speak with assurance on the fate of several important bills which have received our attention in recent months:

- the patent reform bill, earlier passed in objectionable form by the Senate, will die in the House Judiciary Committee;

- oil divestiture legislation never really got off the ground but is certain to prove controversial in 1977.

- the bill providing for deregulation of natural gas is stalled.

On the other hand, passage appears likely for the Air Quality Act Amendments, and for a Toxic Substances Control bill.

THE "PARENS PATRIAE" BILL IS STILL ALIVE

A major anti-trust reform bill continues to move through the Congress. The Senate last week passed a very tough and controversial version. As a result, parliamentary maneuvering is underway as opponents seek to block passage by the House.

The major provisions of the legislation are:

- expanded investigative authority for the Department of Justice and the Federal Trade Commission;

- requirement for pre-merger notification of Justice and FTC where companies fit certain trigger guidelines, thus giving the Government the opportunity to block intended mergers;

- the controversial "parens patriae" section, allowing state attorneys general to bring treble-damages class-action suits against businesses on behalf of the state's citizens.

WATER QUALITY AMENDMENTS NEARING CONFERENCE

House and Senate conferees will soon meet to determine the fate of a bill amending the Federal Water Pollution Control Act in several significant respects. Major point of contention will be the wording of the wetlands section - that is, how to control pollution resulting from dredge and fill operations in wetlands, lakes and streams.

Other provisions:

- construction grants for municipal sewage treatment plants;

- funding for EPA aid in the form of loan guarantees for cities' shares of Federally-funded sewage treatment projects;

- modification of deadlines within which public treatment plants must meet requirements.

The wetlands pollution controversy arises as a result of regulations written by the Army Corps of Engineers pursuant to the original Federal Water Pollution Control Act of 1972 (92-500). A 1975 court ruling held that these regulations apply to all waters of the U. S. and not just those defined as navigable under the law.

Staff members of the House and Senate Public Works Committees have been meeting in an effort to find a basis for compromise.

Regardless of the outcome, the next Congress will be conducting an in-depth review of PL 92-500 and the report of the President's Commission on Water Quality. MCA expects to take an active role in those deliberations and our preparations are already underway.

ENACTMENT SEEMS LIKELY FOR SOLID WASTE LEGISLATION

The Senate calls it "solid waste utilization" while the House refers to it as "resource conservation and recovery", but whatever the name, a new solid waste law appears to be in prospect.

The Senate passed S. 2150 last June in a generally acceptable form. In recent months the House Interstate and Foreign Commerce Committee has been at work on several versions of its own. Subcommittee draft language was circulated for comment and a number of helpful changes incorporated. The Committee bill has now been cleared for House floor consideration next week. It appears unlikely that the House/Senate conference will encounter substantial difficulty and enactment appears to be a good bet. Industry appears favorably inclined toward both bills.

The major provisions:

- mandatory Federal standards on hazardous waste, including its generation, transport, storage and disposal; EPA may delegate implementation to the states;

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- EPA guidelines for state solid waste management plans, with grants and technical aid handled through a new Office of Discarded Materials;

- substantial EPA research and development programs aimed at small-scale and low-technology systems, sludge management, reducing air quality problems from incineration, and energy recovery;

- study programs in eleven specified areas including plastics recovery, energy recovery, sludge reduction, and waste reduction.

OUTLOOK FAVORABLE FOR MASSIVE TAX REFORM BILL

It has taken two years, over a thousand pages of text, and two weeks of intensive House/Senate conferences, but the massive tax reform bill is finally near enactment. It must be considered the most significant tax bill since 1969 since it impacts the taxation of every individual and corporation in the United States.

The bill extends through next year, although in somewhat different form, the anti-recession tax cuts voted last year by the Congress. It places higher taxes on upper-bracket taxpayers through increased minimum taxes and reduction of "tax shelters". It alters treatment of estate and gift taxes, deductions for the use of private homes in business, deductions for vacation homes, and individual retirement accounts.

Especially significant is the fact that the bill raises approximately $1.6 billion in revenue for the next fiscal year. This was essentially the target of the House bill and of both the Senate and House Budget Committees. The bill is therefore regarded as something of a victory for House Ways and Means Committee Chairman Al Ullman (D-Ore.), and for the new Congressional budget-setting process itself.

To refresh your memory, the Tax Reform Act passed the House in December 1975 and in the Spring underwent hearings in the Senate Finance Committee for about two months. Mr. F. Perry Wilson testified on behalf of MCA, urging adoption of provisions which would encourage capital investment and opposing changes in tax provisions related to foreign operations of U. S. companies. The Committee completed mark-up of its bill in mid-June and the Senate floor debate began later that month. A bi-partisan coalition of moderates, led by Senator Russell Long, held off the efforts of "reformers" to add a variety of anti-business amendments. The Senate passed the measure in early August. Last week House and Senate conferees reached agreement on all provisions.

The conference compromise contains the following items of interest to our industry:

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A. Capital Formation and Corporate Tax Rates

1. The investment tax credit is extended for 4 years at the 10% rate.

2. Corporate tax rates are set at 20% on the first $25,000, 22% on the next $25,000 and 48% on income above $50,000. These levels are extended through 1977.

3. Taxpayers who are now allowed a 3-year carryback and a 5-year carryforward of net operating losses will receive an additional two years to write off their losses.

4. The minimum tax rate for corporations is increased from 10% to 15%.

5. The 6-month holding period for long-term capital gains is increased to 9 months in 1977, and to one year in 1978.

B. Foreign Source Income

1. DISC benefits are applicable to that increment of export gross receipts which exceed 67% of base period gross receipts. The base period will be taxable years 1972 to 1975.

2. Illegal payments to foreign officials may not be deducted, do not reduce earnings and profits, and are deemed immediately repatriated for tax purposes.

3. Companies complying or cooperating with international boycotts are denied the foreign tax credit, deferral and DISC benefits on that portion of their income related to the boycott. The provision would not apply to boycotts approved or agreed to by the U. S.

4. The earned income abroad exclusion is reduced to $15,000.

The conferees agreed to remove energy tax provisions from the tax reform bill, preferring to handle this area separately. In a last minute change, they included state tax reform provisions.