December 23, 1975

MEMO FOR THE RECORD

Subject: MEETING WITH LUCAS P. HART, JR., GENERAL MANAGER, CAPACITOR DEPARTMENT, GENERAL ELECTRIC

1. PURPOSE

At my request and accompanied by Mr. R. G. Potter, Business Director, Functional Products group, I met with Mr. Hart in his office in Glen Falls, New York on December 19, 1975 to help Monsanto better understand GE's position with regard to the replacement of PCB's in capacitor use and to fill Mr. Hart in on Monsanto's position.

2. CONCLUSION

I regard the meeting as successful both in terms of reassuring Mr. Hart of Monsanto's desire to maintain a friendly business relationship between his department and Monsanto and, most important, in reaching agreement on a course of action to follow, hopefully, to an early decision on the future of PCB's and Monsanto's replacement candidate for capacitor use.

3. BACKGROUND

a. Both Monsanto and GE had been working from their individual vantage points of testing and evaluating Monsanto's replacement product for PCB's called MCS 1238. This work has been progressing over several years with both companies zeroing in on MCS 1238 as the likely replacement. The Specialty Chemicals Division had targeted February 15, 1976 as a date to bring to the Managing Director, MIC a plan which addressed itself to the replacement of PCB's in an orderly fashion but as quickly as possible.

b. This course of planning was interrupted on Saturday, December 13 when Mr. Hart called Mr. Fitzgerald to say that he needed to know by Monday, December 15 whether Monsanto would commit to 1238 and, if so, on what schedule we could deliver volume production to GE. It seemed apparent that a major decision and announcement by GE was imminent.

c. After substantial work over the weekend, I reported to Mr. Hart on Monday, December 15 that Monsanto would commit to MCS 1238, would phase into interim production as quickly as possible and commence delivery of quantities as required by GE for full replacement of PCB's for capacitor use by September, 1976. Members of SCD staff

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then filled Mr. Hart in on the details as best we were able to develop them within the short planning time allowed us.

d. It came as a considerable surprise to us to receive a call from Mr. Hart on December 16 saying that GE was not going to announce a replacement of the PCB product with 1238 and, indeed, in light of the changed economics and other factors which we had presented to them was going to consider alternative products or solutions to the problem. Mr. Hart implied that this change in attitude stemmed from three factors:

1) The "ball park" price which we quoted Mr. Hart for our interim production quantities significantly exceeded estimated numbers he had been given some months earlier.

2) The status of our toxicological and environmental testing was not as well documented as Dow.

3) A concern, apparently owing to the tenor of the discussion with him by some of our division people, that Monsanto was backing away from the "partnership arrangement" it had had with GE in the past and was pushing GE into a "go it alone position".

e. The apparently complete change in attitude and position by Mr. Hart seemed significant enough to us that I agreed with Mr. Fitzgerald to fly to New York and discuss the situation personally with Mr. Hart as quickly as possible. Hence, our meeting.

4. PERTINENT OBSERVATIONS ON THE MEETING

a. In opening the meeting I assured Mr. Hart of the following:

1) We at Monsanto had a long and valued association with GE and wished to keep it and strengthen it.

2) Monsanto recognized GE as the leader in the capacitor field.

3) PCB's are recognized by Monsanto as a joint problem of both GE and Monsanto.

4) Monsanto's position is to be responsible both to the public and its customers.

5) Monsanto wants to phase out of PCB's as quickly as possible while providing replacement products for our customer needs -- if possible.

6) Monsanto is gearing up as quickly as possible to help customers solve their problems.

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7) Monsanto would like GE acceptance and support of our product (MCS 1238).

8) We want a product acceptable to industry at large so our divisor is big enough to have sound economics for us and, in turn, for our customers.

9) We have had 1238 in GE's hands for several years and so they now should know its capabilities.

10) The odds are against Monsanto coming up with a "better product" in a time frame which will alleviate the pressures on us.

11) We are most anxious to hear GE's side of the picture.

b. Mr. Hart then spent a substantial period of time going back over past history with the key point apparently being that with the change in organizational structure and managers at Monsanto he simply was not sure that the "new management" was going to retain the feeling and partnership arrangement which he thought GE and Monsanto had had for many years. He appeared reassured by my comments and seemed to become visibly more at ease in our discussion.

c. Having gotten over that hurdle, Mr. Hart tended to zero in on the "ball park price" we quoted as being substantially higher than we had suggested to him in discussion some months ago. Parenthetically, I might add that we explained to him that we were doing everything possible to hold price down but we were talking about the eventual construction of a new plant, increased cost of raw materials, research, development, excessive management time, etc., and that the prices he had heard before simply were not realistic in today's world.

d. He recounted briefly the Albany hearings which he had just been through ending with his beliefs that GE will probably not be forced to a zero discharge situation and, through the expenditure of some $4M in effluent treatment, GE can reduce the PCB effluent to a satisfactory level. Obviously, we pointed out that the expenditure of some $4M to solve that problem might well be an expensive way to go if we could instead substitute 1238 for PCB's and eliminate the problem entirely.

e. We were never able to pin down precisely what happened within GE to produce the apparent "about face" on December 16-17, although Mr. Hart indicated that he was lining up alternatives to present to higher management.

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5. DETAILED PROGRAM

a. We concluded our meeting with the following general agreement:

1) PCB's have to go.

2) Both companies desire an orderly transition to a replacement product.

3) Both companies would like to make an announcement as soon as possible.

4) If we are going to go to the replacement product, we should try and do it before a Toxic Substances Act is passed, most likely in the March/April time frame.

5) Initiative by GE and Monsanto is important.

6) GE prefers 1238 but -- economics is a problem and they will not announce it until they get a price quote.

7) Neither company will make a unilateral announcement without consulting with the other.

8) Monsanto will be back to GE in the February time frame to firm up the details of our production, delivery and pricing for an interim product and our best estimates of long term prices based on a full scale production effort in Monsanto.

E. H. Harbison, Jr.

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