

B2SC Cumming Paton

June 9, 1972

Monthly Report
May 1972

T. L. GOSSAGE

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	May Sales		YTD	
	Budget	Estimated	Budget	Estimated
Aviation	\$148 M	\$227 M	\$588 M	\$700 M
Dielectrics*	556	614	2636	2867
Industrial	189	268	509	508
Process	385	489	1887	2053
PCB/PCT	0	283	1111	2712
	1278	1881	6731	8860

*Excluding PCT Pydrauls 0 included under PCB/PCT.

Financial Performance

^{May}
April sales were \$603M over budget or \$320M over when unbudgeted PCB/PCT sales are subtracted. All areas were well over budget. We are running into price pressure on our new Pydrauls from Stauffer and Houghton.

Problem Areas

1. We seem unable to command the anticipated premiums for our straight P.E. Pydrauls on the basis of technical superiority. Difficulties also exist in product cost due to the processing necessary to pass emulsion tests and in getting free phenolic levels that are down to the levels of competition. The free phenolic situation is further complicated by test method difficulties, solubilities in water and oil and new versus used fluids. Nevertheless it is a troublesome problem in today's pollution-conscious environment.
2. Competition to Therminol 66 in off-shore platforms continues strong with Coastal Chemical's Chemtherm 65 entering the fray alongside Dowtherm G.
3. A "new" producer of 99.7% biphenyl appeared in the dye carrier market at allegedly lower prices. However, latest information indicates this could be Dow upgrading their own by-product streams and the cloud could turn out to have a silver lining for MICC.

PLAINTIFF'S
EXHIBIT

TRAN 002593

234
10-26-95

4. Pydraul 312 failed Bureau of Mines Schedule 30 fire tests. This is unexplainable and we are now doing test work to prepare for discussions with the Bureau. Based on our test work and fluids now approved under Schedule 30, we will probably demand retesting at no charge.

Growth & Development Programs

1. In heat transfer, two candidates for a -65°F pour point fluid have been identified and look good on our testing. A fluid with an A.I.T. 100°F above Therminol 66 has been identified which would be attractive from both a market introduction and a manufacturing position. More work is needed before these candidates can be taken to the field.
2. Military qualification procedures on Turbinol 1223 to MIL-H-19457B are progressing as fast as government red tape allows. Although we are not qualified, we bid on about 50,000 gallons for delivery in August. Stauffer received the contract as lowest responsive bidder (our prices were 2-4¢/gallon higher). was declared "non-responsive" since they asked for later delivery dates and Houghton withdrew their bid.
3. Formulations for our all phosphate ester Turbinols are nearly firm and calls will be made over the next three months to major OEM's to obtain evaluations, field tests, and approvals (or at least "no objection" statements).
4. The Skylube 450 test program at received a large boost forward this month following the inspection of two flight test engines. One engine had 5400 flight test hours while the other had 6000 hours. Both were in excellent condition as rated by . This should complete our test obligation to to qualify for approval of Skylube 450 in JT3D and JT4 engines. As a note of interest, an engine flown on the advanced Mobil Type II lubricant was also inspected. It was heavily coated with coke and was regarded as a test failure by . Everyone now feels Mobil must reformulate to compete.

Business Outlook - Good

We should meet budget in June. The outlook for dielectrics looks brighter now that the PCB Task-Force has issued a report which essentially vindicates Monsanto's actions. Excellent progress has been made in getting signed warning letters from overseas dielectric customers.

TRAN 002594

Aviation

1. placed an order with us for 1,000 gallons of Skydrol 500C. They are shifting to 500C based on the product success at
2. A two year Skydrol contract was extended at
3. A Skydrol contract was submitted to for their next two year requirements.
4. have completed preliminary test work on 2300W and Hyjet III and see little or no advantage to using these products. They now are studying the possibilities of changing their fleet to Skydrol LD or 500C.
5. accepted our proposal to supply Coolanol 25 (\$25,000 over next 12 months). This is the first time in several years we have won a competitive bid over Chevron Flo Cool 180. We expect requests for bids from other locations in the near future.
6. The Coolanol 20 quality problem (flocculent solids) must be resolved to maintain the busi- ness in their current radar system. They have several new systems in design and desire to use Coolanol 20 if the fluid performs well in their current system.
7. Texas Eastern Transmission have decided to use Stauffer Fyrquel 150 and 220 to replace Turbinol 153 (PCB contain- ing) in the first two turbines of their changeover program. All indications are that Turbinol 1122 or 1223 will be used in later changeovers. Close contact with this customer and , the turbine builders, will be needed to insure this occurs.

Dielectrics

1. PCB Task-Force issued a report confirming essential nature of PCBs in dielectrics. Report vindicates actions taken by M.I.C.C.
2. Presentation given to PCB Task Force on May 15 on biodegra- dation of PCB homologs and steps taken by MICC to change dielectric product line to move degradable PCBs well re- ceived.

TRAN 002595

3. Now that Hold Harmless agreements signed MOCAN expects to be on budget by year-end as transformer manufacturers all have long term askarel transformer contract orders.
4. PCB situation explained to Mexican customers, Mexican IEEE and government officials. We were first PCB producer to do so and results extremely favorable. Signed warning letters received and we are proceeding to implement price increases. At long last bulk shipments to Mexico seem to be getting off dead-center thanks to efforts by Frank Camargo, Paul Benignus and Lorenzo Ysasi.
5. ANSI C-107 is in the final draft stages of guidelines for handling PCBs in capacitors and transformers to minimize environmental contamination.

Industrial Fluids

1. Outstanding job being done in getting A series Pydraul domestic inventories down to essentially zero at least ten days before June 30 cut-off date.
2. - Extremely low bids by competitors on the 1972-73 contract have forced us to match competitive prices much lower than we have bid in the past on the Pydraul business. We will know shortly whether we keep only a token portion of our past business or whether we will keep all of our past business. Our change to straight PE fluids (like Houghton and Stauffer) has opened up the entire \$350-450M Alcoa business to intense competition. We have bid on the entire business (some of which was not open to us before) but odds are considered low that we will gain over 50% (\$175-225M) - approximately our present volume.
3. The following major accounts are now in the fold with first orders for our new Pydraul products:

Pydraul 312C	\$60M potential
Pydraul 50E	\$50M
Pydraul 50E	\$70M
4. has committed to conversion to Pydraul 50E from Pydraul 312A. They will start a reclamation program (internal) which will reduce their purchases by an estimated 50%. Dollar sales loss will be 20-25%, however, due to conversion to a higher cost Pydraul.

TRAN - 002596

5. The following accounts have been lost:

\$28M Fyrquel 220

\$15M Fyrquel 150

lost on price while claimed
lower phenolic content in Fyrquel was reason for switch.

6. A tank truck order at was lost to Stauffer's
low cost Fyrtek 290 on price after we had obtained the
first two tank truck orders with Pydraul 230C.

Process Fluids

Carbonless Paper Solvents

1. First 5000 gallon T/T shipment Santosol 100 to . En-
capsulation has been carried out without problems.
2. rejected MCS 1296 but 1297 seems OK.
3. has agreed to terms of contract on Santosol 300
through 1973. This will also lead to MCL/Reed contract
in UK.
4. bought 27M lb. MIPB and 27M lb. Santosol 300. Still
not clear what their plans are for the future.

Biphenyl

1. Dow apparently has decided to upgrade their HDA biphenyl
streams. This could cut us off as supplier of biphenyl
for Dowtherm but could help us a great deal in the dye-
carrier market by reducing sources for
etc. The net result could be much stronger pricing
in dye carriers.
2. Excellent month at (249M lb.).
came in for 3 T/Ts in spite of rumored lower price from
competitor (Dow?). took 35M lb. and Dow has
placed 2 T/C orders for June. Dow is 600M lb. behind
budget YTD.

TRAN 002597

Heat Transfer

1. Sales were strong at \$76M over budget.
2. Conversions to T-55/T-66 in May were worth \$55M (~26M gallons final fill).
3. Strong competition from both Dowtherm G and Coastal Chemicals Chemtherm 65 in the offshore industry. It is reported that Dowtherm G has replaced T-66 in the specification for (6000-8000 gals.) and at in two systems totaling 3000-4000 gals. Chemtherm 65 is apparently operating in one platform and has just been ordered for a new PCB conversion (2500 gals.). Chemtherm 65 offers low toxicity, high AIT, and offshore delivery to platform is available.
4. New business worth \$21M received including (3000 gallons T-55), (2200 gallons T-55), (2300 gallons T-66).

PCB/PCT

1. Through May, 172 customers have committed to convert to T-55 or T-66 with lost customers totalling 32.
2. Announcement of termination of free incineration July 1 has jelled conversion dates at many accounts. Good conversion business now expected through August. Task force should be reduced to Paul Gann only on June 30.
3. Major conversion success in May was 20,000 gallon MCS 681/T-55 combined flush/refill sale to who earlier had turned away from Monsanto.

Cumming Paton

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TRAN 002598