PLAINTIFF'S EXHIBIT

UC-3503

RM REPORT #57
APRIL 15, 1974

THURSDAY, APRIL 11:

THE "BEST SOLUTION TO THE RESERVE QUESTION" WOULD BE TO DISPOSE OF THE MINING COMPANY'S TACONITE WASTE ON-LAND NEAR BABBITT, MINNESOTA, THE MINNESOTA DEPARTMENT OF NATURAL RESOURCES (DNR) HAS RECOMMENDED IN A CONFIDENTIAL REPORT.

THE DNR REPORT ALSO RECOMMENDS THAT CERTAIN RESERVE PROCESSING FACILITIES AT SILVER BAY BE SHIFTED TO THE BABBITT AREA, AN ACTION WHICH COULD FORCE A SUBSTANTIAL NUMBER OF THE COMPANY'S 1500 PLANT EMPLOYEES AND THEIR FAMILIES TO MOVE TO BABBITT.

IN ADDITION, THE REPORT STATES THAT DISPOSING OF THE WASTES ON-LAND NEAR SILVER BAY--AS PROPOSED BY RESERVE IN PRIVATE NEGOTIATIONS--WOULD HAVE A SIGNIFICANT AND ADVERSE IMPACT ON THE ENVIRONMENT, INCLUDING THE LOSS OF SIX MILES OF TROUT STREAM AND TWO LAKES TOTALING 225 ACRES.

THIS STATEMENT BY THE DNR ALMOST CERTAINLY CONSTITUTES A TOTAL REJECTION BY THE STATE OF MINNESOTA OF RESERVE'S PROPOSED ON-LAND PLAN.

THE DNR REPORT IS VERY IMPORTANT--PERHAPS THE KEY--IN OUT-OF-COURT NEGOTIATIONS NOW UNDERWAY BETWEEN RESERVE, ITS TWO PARENT FIRMS, AND THE PLAINTIFFS IN THE TRIAL.

THE STATE AGENCY PREPARED ITS 75-PAGE REPORT IN RESPONSE TO RESERVE'S PROPOSAL TO DISPOSE OF ITS TACONITE WASTES ON-LAND AT PALISADE CREEK, AN AREA ABOUT 3 MILES NORTHWEST OF THE SILVER BAY PLANT.

RESERVE HAS PRESENTED THE PALISADE CREEK PROPOSAL, WHICH IT ESTIMATES WOULD COST $153 MILLION TO IMPLEMENT, IN THE PRIVATE TALKS. THE APPARENT REASON THE COMPANY MADE THE PROPOSAL WAS TO PREVENT IT FROM BEING ORDERED TO CONSTRUCT AN ON-LAND DISPOSAL SYSTEM NEAR BABBITT, WHERE RESERVE MINES ITS TACONITE.

IF ORDERED TO DISPOSE OF ITS WASTES NEAR BABBITT, RESERVE ALMOST CERTAINLY WOULD BE FORCED TO SHIFT MOST OF ITS PROCESSING PLANT TO THAT AREA.

THE DNR WAS ASKED BY THE PLAINTIFFS TO EVALUATE RESERVE'S PALISADE CREEK PROPOSAL.

IN ADDITION, THE DNR DOCUMENT REVEALS THAT THE STATE AGENCY ALSO STUDIED THREE OTHER PROPOSALS FOR ON-LAND DISPOSAL NEAR SILVER BAY, INCLUDING TWO OF ITS OWN. IN EACH CASE, THE STATE AGENCY HAS FOUND THE PROPOSALS TO HAVE CERTAIN

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RESERVE MINING REPORT #57

APRIL 15, 1974

KEY POINTS:

*A CONFIDENTIAL REPORT BY THE MINNESOTA DEPARTMENT OF NATURAL RESOURCES HAS CONCLUDED THAT THE BEST SOLUTION TO THE TAILINGS PROBLEM WOULD BE FOR RESERVE TO DISPOSE OF THEIR TAILINGS ON-LAND NEAR BABBITT, MINN.

*ON THURSDAY, APRIL 11, THE DULUTH CITY COUNCIL VOTED TO JOIN THE TRIAL AS A PLAINTIFF-INTERVENOR IN ORDER TO AVOID COSTS OF WATER FILTRATION.

*ON THURSDAY, JUDGE LORD TOLD THE MINNESOTA ATTORNEY IN THE TRIAL TO REDUCE THE QUEST FOR DOCUMENTS, AND TO SEEK INFORMATION ON CONTRIBUTIONS ONLY TO MAJOR STATE AND NATIONAL CAMPAIGNS. (THIS ACTION WITH REGARD TO POLITICAL INFLUENCE, PLUS THE ISSUE OF ACCUMULATED FINES, ARE INTERPRETED PRIMARILY AS EFFORTS TO ENHANCE THE PLAINTIFFS BARGAINING POSITION IN OUT-OF-COURT NEGOTIATIONS.)

*ON FRIDAY, DR. BROWN TESTIFIED THAT ASBESTOS FIBERS SHOULD NOT BE PRESENT IN THE AIR AND WATER OF THE NORTH SHORE REGIONS. HE SAID THE TINY MATERIALS ARE CARCINOGENIC WHEN INHALED OR INGESTED. DURING CROSS-EXAMINATION ON FRIDAY, HE SAID THERE WAS NO EVIDENCE "ONE WAY OR THE OTHER" TO SHOW THAT THE FIBERS IN THE LAKE HAVE BEEN ASSOCIATED WITH ANY PAST OR PRESENT HUMAN DISEASE. HE SAID HE WAS UNABLE TO PREDICT THAT THERE WOULD BE AN ADVERSE EFFECT ON NORTH SHORE RESIDENTS DUE TO THE FIBERS, BUT HE FELT IT WAS BETTER TO TAKE STEPS TO PREVENT A POTENTIAL PUBLIC HEALTH RISK RATHER THAN NOT ACT AT ALL.

*THE JUDGE'S FINAL DECISION IS NOT EXPECTED UNTIL NEXT WEEK. IN THE MEANTIME HE WILL HEAR A VARIETY OF PENDING MOTIONS FROM BOTH SIDES.

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CINOGEN IS IN MY VIEW CAUSE FOR CONCERN," HE TOLD JUDGE LORD. "IF THERE ARE MEANS OF REMOVING THAT HUMAN CARCINOGEN FROM THE ENVIRONMENT, THAT SHOULD BE DONE."

IN YET ANOTHER DEVELOPMENT, LAKE COUNTY AND THE TOWNS OF SILVER BAY AND BEAVER BAY FILED A MOTION FRIDAY ASKING THAT THEY NOT HAVE TO PAY FOR EMERGENCY FIBER-FREE WATER SUPPLIES.

THOSE THREE GOVERNMENT UNITS ARE DEFENDANT-INTERVENORS IN THE RESERVE TRIAL.

A MEMORANDUM FILED IN SUPPORT OF THE MOTION SAYS THAT NEITHER OF THE COMMUNITIES NOR RESERVE SHOULD BEAR THE COST BECAUSE THE CORPS OF ENGINEERS AND OTHER GOVERNMENT AGENCIES ISSUED PERMITS ALLOWING THE DISCHARGE INTO LAKE SUPERIOR.

"NO ONE PARTY OR GROUP CAN REALLY BE HELD RESPONSIBLE OR HELD TO 'BLAME' FOR THE SITUATION SINCE NO ONE HAD ANY KNOWLEDGE OF THE (FIBER) PROBLEM UNTIL UNCOVERED BY NEW SCIENTIFIC AND TECHNOLOGICAL ADVANCES," THE MEMORANDUM SAID.

SATURDAY, APRIL 13

ON SATURDAY, JUDGE LORD CLOSED TESTIMONY ON THE PUBLIC HEALTH ISSUE IN THE TRIAL, ALTHOUGH CERTAIN OTHER ASPECTS OF THE COMPLEX CASE HAVE YET TO BE RESOLVED.

THE JUDGE TOLD PARTIES IN THE CASE THAT HE WILL MEET WITH THEM NEXT WEEK TO OUTLINE A SCHEDULE FOR TESTIMONY ON THE OTHER ASPECTS, INCLUDING QUESTIONS OF POSSIBLE CIVIL PENALTIES AGAINST THE MINING FIRM.

THE LAST WITNESS ON THE PUBLIC HEALTH ISSUE WAS DR. BROWN, WHO APPEARED SATURDAY FOR LENGTHY CROSS-EXAMINATION BY RESERVE ATTORNEYS AND BRIEF CROSS-EXAMINATION BY THE FEDERAL GOVERNMENT.

UNDER CROSS-EXAMINATION BY EDWARD FRIDE, RESERVE'S CHIEF ATTORNEY, DR. BROWN SAID SATURDAY THAT "THERE'S NO EVIDENCE ONE WAY OR THE OTHER" TO SHOW THAT ASBESTOS FIBERS IN LAKE SUPERIOR HAVE BEEN ASSOCIATED WITH ANY "PAST OR PRESENT HUMAN DISEASE."

THE PATHOLOGIST ALSO TESTIFIED THAT HE WOULD BE "UNABLE TO PREDICT THAT THERE WILL BE AN ADVERSE EFFECT" ON NORTH SHORE RESIDENTS "DUE TO THE PRESENCE OF FIBERS IN THEIR ENVIRONMENT."

BUT HE AGAIN STATED THAT, IN HIS OPINION, IT WAS BETTER TO TAKE STEPS TO PREVENT A POTENTIAL PUBLIC-HEALTH RISK FROM THE FIBERS THAN NOT TO ACT AT ALL.

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ENVIRONMENTALLY UNSOUND FEATURES, AND RECOMMENDS THAT THE BEST SOLUTION IS A DISPOSAL SYSTEM AT BABBITT.

THE FOUR PROPOSALS ARE:

*RESERVE'S PALISADE CREEK PLAN. THIS PLAN IS EFFECTIVELY REJECTED BY THE DNR.

*THE LAX LAKE/WESTON PROPOSAL. THIS PLAN WAS MADE SEVERAL YEARS AGO BY ROY F. WESTON, INC., AN ENVIRONMENTAL-ENGINEERING FIRM RETAINED BY THE U.S. EPA. IT WOULD COST $150 MILLION TO $200 MILLION AND WOULD RESULT IN A TAILINGS BASIN AT LAX LAKE, ABOUT FIVE MILES NORTHWEST OF SILVER BAY.

*TWO PROPOSALS BY THE DNR FOR TAILINGS DISPOSAL AT LAX LAKE. EACH OF THESE PROPOSALS BY THE DNR WOULD RESULT IN THE LOSS OF STREAMS.

ALSO, THURSDAY, THE CITY OF DULUTH TOOK STEPS TO BOLT FROM OFFICIALS OF OTHER NORTH SHORE COMMUNITIES BY JOINING PLAINTIFFS IN THE RESERVE TRIAL.

THURSDAY'S ACTION WAS AN INFORMAL VOTE BY THE CITY COUNCIL, WITH SEVEN COUNCIL MEMBERS VOTING TO JOIN THE TRIAL AS A PLAINTIFF-INTERVENOR.

THE CITY OF SUPERIOR, WISCONSIN HAD ACTED EARLIER TO JOIN THE CASE AS A PLAINTIFF-INTERVENOR.

IN A RELATED DEVELOPMENT, JUDGE LORD SAID THURSDAY THAT HIS ORDER THAT RESERVE, ARMCO AND REPUBLIC PRODUCE ALL RECORDS OF POLITICAL CONTRIBUTION WAS "MUCH TOO BIG A DRAGNET."

LORD TOLD BYRON STARNS, DEPUTY MINNESOTA ATTORNEY GENERAL, TO TRY TO "LIGHTEN THE BURDEN" IN HIS QUEST FOR INFORMATION ON WHETHER POLITICAL INFLUENCE HAD PLAYED A KEY ROLE IN THE LAWSUIT AGAINST RESERVE.

JUDGE LORD TOLD STARNS THAT THE FOCUS OF STARNS' SUBPOENA AND HIS OWN ORDER OUGHT TO BE ON CONTRIBUTIONS TO MAJOR STATE AND NATIONAL CAMPAIGNS.

FRIDAY, APRIL 12:

ON FRIDAY, DR. BROWN, THE JUDGE'S CHIEF IMPARTIAL COURT WITNESS, TESTIFIED THAT HIS STUDIES HAVE LEFT HIM WITH ONE MAJOR CONCLUSION: ASBESTOS FIBERS "SHOULD NOT BE PRESENT" IN THE AIR OR WATER OF THE NORTH SHORE REGION.

DR. BROWN ACKNOWLEDGED THAT THERE IS A GREAT DEAL OF "INCOMPLETE KNOWLEDGE" ABOUT THE HEALTH AND BIOLOGICAL EFFECTS OF THE FIBERS.

HOWEVER, HE SAID THAT THE FIBERS ARE "CERTAINLY" PRESENT IN LAKE SUPERIOR DRINKING WATER—INCLUDING DULUTH'S WATER SUPPLY—AND THAT THE TINY MATERIALS ARE CARCINOGENIC WHEN INHALED OR INGESTED. "THE PRESENCE OF A KNOWN HUMAN CAR-

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