Monsanto

FROM (NAME & LOCATION) [redacted]

DATE December 20, 1971

SUBJECT CUSTOMER CRITERIA --
HOLD HARMLESS AGREEMENTS

REFERENCE

cc Mr. R. B. Chapman (G5ND)
Mr. H. S. Bergen, Jr. (B2SA)
Mr. R. C. Hellwig (G5NF)
Mr. P. S. Park

TO Mr. W. R. Corey

Dear Wink:

Howard Bergen, Dick Hellwig, Bob Chapman and I met this afternoon and discussed the criteria for determining financial responsibility of dielectric customers. We used your thinking as a basis and have supplemented your thinking and come up with the attached revised suggested criteria.

As I indicated, I am going to be away through Wednesday night. Phocion is familiar with the problem and can help you if you should need it. Chapman and Hellwig proposed taking this draft of the criteria up through the Finance Department for any comments, and I believe we left it that you would obtain Ned Putzell's thoughts on it.

John F. Stapleton

John F. Stapleton
Attorney

JFS:mjm

Attachment

0034343

IN-10L

EX P-2425
Page 1 of 7

PCB-ARCH0748042

CRITERIA FOR DETERMINING FINANCIAL RESPONSIBILITY OF DIELECTRIC CUSTOMERS TO WHOM MONSANTO MAY MAKE FURTHER SALES OF PCB'S UNDER HOLD HARMLESS AGREEMENTS.

I. Business inputs -- Howard S. Bergen.

A. Determine customers' uses for PCB's and the disposition or distribution by customer of its PCB-containing products.

B. Determine customers' annual usage of PCB's in pounds and dollars, and evaluate in relationship to the dollar value of customers' PCB-containing products and customers' other sales volume.

C. Determine number and location of customers' consuming plants and any distribution network.

D. Evaluate security measures in effect by customer to protect against misuse, spillage or other escape to environment.

E. Determine and evaluate customers' policy with respect to notification of its customers as to possible hazards of PCB's.

F. Determine and evaluate customers' quality control procedures for PCB-containing products.

G. Determine and evaluate, if available, statistical data on customers' experience with frequency of leakage of PCB-containing products.

II. Legal inputs -- John F. Stapleton

A. Determine and evaluate customers' understanding of the risks and of customers' and Monsanto's legal exposure.

B. Determine acceptability of any negotiated changes in hold harmless standard form agreement.

C. With the business inputs in hand, establish to the extent possible a reasonable estimate of magnitude of legal exposure customer is confronted with.

D. Evaluate customer's ability to defend itself against legal action, and the likelihood that customer's usage or distribution of PCB-containing products, or accidents in connection therewith, is likely to precipitate suits by third parties against Monsanto.

III. Financial Inputs -- Richard C. Hellwig

A. Determine and evaluate the customer's financial strength, reviewing:

1. Annual sales.
2. Stockholders equity.
3. Net worth.
4. Debt-equity ratio.
5. Other.

B. Evaluate ability of customer to adequately protect itself against magnitude of legal exposure he may face (from legal inputs).

C. Estimate maximum line of credit Monsanto would grant the customer.

D. Determine and evaluate other protection which customer may have available against legal exposure such as insurance coverage.

E. Evaluate any other financial information that may be available and pertinent.

IV. Insurance inputs -- Robert B. Chapman

A. Make detailed evaluation as required of a customer's indicated insurance coverage, consulting with underwriters if appropriate.

CRITERIA FOR DETERMINING FINANCIAL RESPONSIBILITY OF DIELECTRIC CUSTOMERS TO WHOM MONSANTO MAY MAKE FURTHER SALES OF PCB'S UNDER HOLD HARMLESS AGREEMENTS.

I. Business inputs -- Howard S. Bergen.

A. Determine customers' uses for PCB's and the disposition or distribution by customer of its PCB-containing products.

B. Determine customers' annual usage of PCB's in pounds and dollars, and evaluate in relationship to the dollar value of customers' PCB-containing products and customers' other sales volume.

C. Determine number and location of customers' consuming plants and any distribution network.

D. Evaluate security measures in effect by customer to protect against misuse, spillage or other escape to environment.

E. Determine and evaluate customers' policy with respect to notification of its customers as to possible hazards of PCB's.

F. Determine and evaluate customers' quality control procedures for PCB-containing products.

G. Determine and evaluate, if available, statistical data on customers' experience with frequency of leakage of PCB-containing products.

II. Legal inputs -- John F. Stapleton

A. Determine and evaluate customers' understanding of the risks and of customers' and Monsanto's legal exposure.

B. Determine acceptability of any negotiated changes in hold harmless standard form agreement.

C. With the business inputs in hand, establish to the extent possible a reasonable estimate of magnitude of legal exposure customer is confronted with.

D. Evaluate customer's ability to defend itself against legal action, and the likelihood that customer's usage or distribution of PCB-containing products, or accidents in connection therewith, is likely to precipitate suits by third parties against Monsanto.

III. Financial Inputs -- Richard C. Hellwig

A. Determine and evaluate the customer's financial strength, reviewing:

1. Annual sales.
2. Stockholders equity.
3. Net worth.
4. ~~Debt-equity~~ ratio.
5. Other.

B. Evaluate ability of customer to adequately protect itself against magnitude of legal exposure he may face (from legal inputs).

0034359

C. Estimate maximum line of credit Monsanto would grant the customer.

D. Determine and evaluate other protection which customer may have available against legal exposure such as insurance coverage.

E. Evaluate any other financial information that may be available and pertinent.

IV. Insurance inputs -- Robert B. Chapman

A. Make detailed evaluation as required of a customer's indicated insurance coverage, consulting with underwriters if appropriate.