

FROM (NAME & LOCATION): C. Paton - St. Louis B2SH

DATE: December 17, 1971

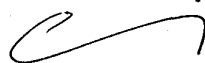
SUBJECT: CHANGES IN PCB PRODUCT LINE

REFERENCE:

TO: REGIONAL MANAGERS
FIELD SALESMEN

→ W.B. Papageorge

F.Y.I.



At their December Board Meeting, our Directors approved the following decisions which had been made earlier by Corporate Management:

1. Terminate all sales of PCB heat transfer fluid immediately (i.e. Therminol FR-Lo Temp, FR-O and FR-1).
2. Implement a program to phase out of plasticizer chlorinated terphenyl sales by March 31, 1972 (i.e. Aroclor 5432, 5430, 6000 series and 1221 B, etc.).
3. Continue to sell dielectric fluids to the capacitor/transformer industry only so long as certain conditions satisfactory to Monsanto are met.

Here you may wish to pause for a little before reading further! Actually we don't think this is going to be as gloomy for Specialty Products as you may first imagine -- we'll explain why later.

1. Plasticizers

Don't try to explain or answer questions in this area. Refer any specific inquiries to the Plasticizer Regional Manager for attention.

2. Dielectrics

You will be informed very shortly exactly what this decision means in detail and how it will be implemented. Do not communicate to customers on this without hearing further from Norm Johnson, Tom Gossage or myself. Meetings have already been held between top corporate V.P.'s of General Electric and Westinghouse and Monsanto's M.I.C.O. management which are extremely encouraging as far as the future of dielectrics is concerned.

3. Heat Transfer

It is in this area that action with regard to all customers is currently being implemented beginning December 15.

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The Effect of Therminol FR Withdrawal

The immediate discontinuation of all Therminol FR sales should be viewed as a positive step for Monsanto's Specialty Products Group:

- A. The sooner we get the FR problem completely behind us the better.
- B. Already over 160 locations have been converted from FR or about 20% of all FR locations. Ninety percent (90%) of these FR systems have been converted to Therminol 55 or 66. The task ahead is not an impossible one by any means.
- C. Quick action may well blunt Dow's attempts to win customers over to Dowtherm G because Dowtherm A isn't a very viable replacement for Therminol FR.
- D. Over the past few years, 50% of our Therminol 66 business has been new business. We already see enough firm commitments for 1972 to know it will be no exception.
- E. You'll hear a lot about Dowtherm G being an improvement over Dowtherm A. However, Jay Pullman has just gained 7000 gallons of new business at DuPont with Therminol 66 where Dowtherm G was a very strong contender. Also, Dowtherm G has no use history behind it; Therminol 66 is a proven product in use for over 8 years in heat transfer.
- F. Research has begun a program to get a fluid with AIT above Therminol 66. Initial results look promising. Please on no account mention this to anyone outside Specialty Products at this time. We tell you this only to show that we still see a profitable business in heat transfer fluids down the road.
- G. Obviously in refilling Therminol FR systems with Therminol 55 or 66, we'll have much higher sales than anticipated in 1972 even if we retain only 75-80% of existing FR systems. Conversion costs and other costs related to biphenyl, terphenyl will be high in 1972, but we still think that heat transfer will continue to be "in the black" in 1972.

How are we going to implement withdrawal on Therminol FR?

- 1. A task force on heat transfer conversions has been established. This task force is expected to be in existence for the next 4 months or so. The organization of the task force is attached.
- 2. Essentially we have augmented the talents of Jim Roder and Don Roush by getting 4 engineers on assignment. These are

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the "practical" men who will communicate to customers by phone, letter and visit on how to convert FR systems and how to go to Therminol 55 or 66 if the customer decides they are the satisfactory replacements.

3. Paul Gann will co-ordinate all the activities involved in a project of this magnitude and will report to me. Paul will be based in St. Louis. His responsibilities include:
 - Liaison with COP on orders for replacement fluids.
 - Liaison with distribution on T-55/T-66 needs.
 - Liaison with Sauget on incineration.
 - Accurate record keeping on each conversion.
 - Focal point for communications between customers, conversion team, field sales and product management.
 - Scheduling of conversion dates if T-55/T-66 refills are involved.
4. The object of the task force is to take all the workload of actual conversion off field sales. We will also take most of the load off you on customer notification. The reasons for this are as follows:
 - A. About 80-85% of unconverted Therminol FR customers have systems smaller than 2000 gallons. We feel your talents in selling will be more profitably utilized in going after other business than in taking the time needed to win 100-1000 gallon systems over to T-55 and T-66.
 - B. We don't want you to give up on heat transfer fluids but we would like you to allocate your heat transfer time to companies which routinely add new systems (e.g. PPG, Purex, Reichhold, etc.) or else to leads on new business.
5. We may need your assistance at key Monsanto accounts in negotiating the terms of conversions, etc. We will be in touch with regional managers on this. Rest assured, we'll keep you posted of our activities in your territories.
6. We attach the formal notification letter that will be mailed or hand carried to all existing Therminol FR users. Formal letters to non-key customers went out December 16, 1971.
7. About 110 key Monsanto customers or big Therminol FR users will be given a more personalized notification:
 - A. Cover letter attached to the formal letter explaining where active conversion is underway or which locations of a multi-point user have been converted. (Dec. 17, 1971)

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- B. By phone from St. Louis on December 17 to 20 with confirming formal letters mailed after the phone calls.
 - C. By phone from St. Louis to alert the customer (December 17 to 20) and set up a visit between December 20 and January 7, 1972. (The letter would be hand carried.)
- 8. Please do not notify customers on your own.
 - 9. Attached is a sample of the form the conversion team will use on each Therminol FR location. You will be sent a copy when a location in your territory has been "taken off" Therminol FR either to us or the competition.
 - 10. The engineers will write reports on all field calls made and you will get copies.

Questions from Customers

We're sure you will get questions. We are sending you a set of typical questions we expect you will get and answers to them. It is vitally important that you stick to those answers. We expect to mail these questions to you in the next few days. Any questions not covered but with important ramifications for Monsanto should be routed first to your regional manager.

Please do not xerox any prepared questions and answers for circulation to customers. Do not volunteer more information than the customer asks. If you are asked to put anything on Monsanto's decisions and policies in writing, please clear first with the task force.

Attention Regional Managers

Please contact myself, Norm Johnson or Tom Gossage if you have any doubts.

Conversion Terms

Regional managers will get the guidelines the product group may use on the refill costs of Therminol 55 and Therminol 66 for Therminol FR conversions in the next few days. Please do not make any commitments on refill prices of Therminol 55 or 66 other than schedule without consulting Tom Gossage or myself. I suggest we use per gallon prices, not per pound prices on Therminol 66 when comparing it to Therminol FR. After all, we price Therminol 55 by the gallon in our price books. Furthermore, Therminol 66 costs considerably less per gallon than Therminol FR. So, if you or the product group are asked what the price of Therminol 66 is in 10 drum lots, the answer is \$3.17 per gallon FOB Anniston (usually cheaper freight as well for most customers) versus \$4.22 per gallon (Therminol FR-Lo Temp) or \$4.13 per gallon (Therminol FR-0 or \$3.31 per gallon (Therminol FR-1). In addition to the lower initial cost, Therminol 66

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make-up costs will be 16-25% less per year than Therminol FR assuming both use the same amount of make-up per year. We attach per gallon pricing on all Therminol products.

International

Canada

Notification will follow the U.S. pattern as quickly thereafter as practical.

Other World Areas

Action will be taken through World Area Marketing Management in first quarter of 1972.

Other Business Groups

Since these decisions on PCBs and chlorinated terphenyls may have repercussions on other Business Groups, we are informing them of the situation. This is for information purposes only as we don't want them to be surprised. Separate memos will be sent to Regional Vice Presidents/Business Groups Directors and Directors of Marketing/Field Sales Directors and Managers/District Managers. A copy of the memo to the latter is attached.

COP/Future Orders of Therminol FR

1. No more orders of Therminol FR will be shipped to U.S. Domestic customers for U.S. domestic use after December 15. Corporate Management has established very rigid guidelines for exceptions for a very limited time only. Your regional manager is the person to apply to if you get involved in "extreme hardship" cases -- but, remember, we are trying to minimize your involvement in FR conversions. Don't give customers any opportunity to feel exceptions will be made -- mighty few will be granted, if any!
2. One solution the conversion group may suggest where an immediate change-out is not possible is to top up with a drum or two of Therminol 66. This may enable medium-sized systems to keep going for another 1-2 months before conversion. This is a matter for a conversion engineer to judge on a case-by-case basis.
3. COP personnel will tell Therminol FR customers who call in that the products are on hold and someone will call back that same day. COP will relay this to Paul Gann who will assign someone from the task force to contact the customer and decide on the course of action. COP personnel will not engage in "arguments" with customers on Therminol FR availability. The task force will contact the customer that day as long as it is not a 5 p.m. inquiry!

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4. A "hold" has been put on all warehouse stocks of Therminol FR until they can be shipped back to Sauget for disposal.
5. Some customers may ask you if you can tell them where they can get "make-up" FR from the inventory of some other customers. Do not get involved in this at all.

Returned Therminol FR

1. We may establish "consolidation centers" at certain warehouses for the return of Therminol FR for disposal to minimize freight costs to Monsanto. We will work with Distribution on this.
2. Monsanto is absorbing return freight and incineration costs on all Therminol FR fluid drained from systems after December 15, 1971.

We hope we have covered most of the major points on a project of this kind.

A VERY MERRY CHRISTMAN and A BUSY NEW YEAR.

C. Paton

P.S. We'll be mailing you a list of all customers who got our notification letter

P.P.S. It may seem that if we are asking you not to participate in Therminol FR conversions, we are giving you a long memo to read. The reason is that you will encounter customers asking questions as you go about getting new heat transfer business and on other calls; we do want you to be informed about what we are doing, but we don't want you to get over-involved on Therminol FR anymore. Let me hasten to add it is not because you are not capable -- in fact, there are those of us who may wish at times we could turn this over to your capable hands!

C. Paton

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