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REPORT TO THE JANUARY MEETING OF THE
BOARD OF DIRECTORS ON THE STATUS OF
PCB IMPLEMENTATION PROGRAM

The worldwide PCB action plan reviewed with the Board in December is being fully implemented. Although customer acceptance has, in general, been positive, some are raising questions which may create problems. We remain hopeful we can resolve these problems on a case by case basis. We are on our established time schedule. The status report on the domestic program is as follows:

- 1) Formal letter of notification to heat transfer customers was sent by registered mail on December 15, 1971, to all known users. All sales have been discontinued. Some customer conversions to other fluids have been made, and our engineer team is available to help others convert on request.
- 2) All original equipment capacitor and transformer customers for our PCB dielectric fluids were notified on December 21, 1971, that further sales after January 15, 1972, would be dependent on receipt of financially meaningful and acceptable hold harmless agreements. To date six companies have complied, which represent 63% of domestic dielectric sales: General Electric, Westinghouse, McGraw-Edison, ITE Imperial, Sprague Electric and Federal Pacific. Additional customers indicate they will comply and we expect the majority to do so. Progress on this part of the program now permits us to notify miscellaneous "top-up" customers and repair shops of our plan and will permit referral to original equipment manufacturers for fluids. The dielectric program is also being extended to a small group of miscellaneous dielectric customers using our fluid in the manufacture of closed switch gears, electric magnets and hermetically sealed electric motors.
- 3) All plasticizer customers were notified on December 31, 1971, of our intention to discontinue PCT sales for this use effective March 31, 1972. In a limited number of hardship cases where the customer requires lead time to develop alternate formulations, such as certain investment casting customers, a program consistent with our overall program has been developed, including hold harmless agreements, to allow sufficient purchases before our cutoff date to permit the customer's required reformulations.

ADM 006024

- 4) A letter will be sent on January 31, 1972, to all users of PCT-containing hydraulic fluids, notifying them that Monsanto will eliminate sales of PCT's for this use no later than June 30, 1972.

The status report on our EX-U.S.A. program is as follows:

- 1) All sales of PCB's for all uses other than as dielectric fluids will be terminated January 31, 1972.
- 2) Continued sales of PCB's for use as dielectric fluids after March 31, 1972, will be dependent upon receipt of hold harmless agreements acceptable to Monsanto from customers whose financial responsibility makes such agreements meaningful in Monsanto's opinion.
- 3) Sales of PCT's Ex-U.S.A. will be discontinued on the same time schedule as used on domestic sales.

The President has authorized MICC's Managing Director to make exceptions on a case by case basis. Two have been made in our Ex-U.S.A. program:

- 1) Because of the safety needs of the German coal mining industry for our PCB-containing hydraulic fluids, sales will continue for this use for the shortest possible time beyond January 31, 1972, to permit clearance of substitute materials. Indemnity agreements are not possible, but techniques of sale reviewed with German counsel are being utilized to minimize our exposure.
- 2) A commitment to sell 600 tons of our PCB dielectric fluids was made to the Russian state purchasing authorities in December, 1971, prior to formulation of our Ex-U.S.A. program. Completion of deliveries before our March 31, 1972, cutoff date is not possible nor is an indemnity feasible. Full disclosure of problems is being made, but some deliveries will occur into July, 1972.

We have been in close touch with the Federal Interagency Task Force under Dr. Edward J. Burger, Jr.'s direction. This task force is preparing to issue a report on PCB's about mid-February. We will be allowed to work with them in its preparation.

On January 21 and 22, Monsanto representatives met with a group of scientists to discuss the general PCB situation. Present were Dr. Warren Muir, Council of Environmental Quality, Dr. Edward Goldberg, Scripps Institute of Oceanography, Dr. Robert Riseborough, University of California, and George Harvey, Woods Hole Oceanographic Institution. The meeting went well and we feel the scientists left with a much fuller understanding of the overall PCB issue than they had previously.

We have discussed the essentiality of the use of PCB's for dielectric fluids with key companies in the electrical industry and General Electric and Westinghouse Electric have submitted reports to the National Industrial Pollution Council and the Office of Science & Technology in which they testified as to the necessity for continued use in these applications and the steps being taken to contain the PCB's in these electrical closed systems.

We expect to complete our entire implementation program on schedule.

Monsanto

MONSANTO INDUSTRIAL CHEMICALS CO.
800 N. Lindbergh Boulevard
St. Louis, Missouri 63166
Phone: (314) 694-1000

Dear Sir:

We are writing to advise you that Monsanto has adopted certain restrictive policies with respect to its further sale and delivery of all polychlorinated biphenyl (PCB's) products used as dielectric fluids in transformers and capacitors including but not limited to those sold under tradenames such as Aroclor[®], Inerteen[®], and Pyranol[®], and under the generic term askarel.

Effective 15 January 1972 Monsanto will sell and deliver these products only to manufacturers of transformers or capacitors who have entered into agreement to indemnify and hold harmless Monsanto in the use of these products. The two copies of such an agreement are attached. The acceptance by Monsanto of such an agreement is subject to receipt of financial and other information from you (such as evidence of adequate insurance protection) which, in Monsanto's opinion, makes the agreement meaningful.

As we have previously advised you, studies indicate PCB's may be accumulating in the environment. In some instances, PCB's have been found in food or in the food chain. For your information, attached is an article by Carl G. Gustafson of the Federal Water Quality Administration appearing in "Environmental Science & Technology" which deals with this subject. Because of Monsanto's concern over this problem, we are discontinuing sales of PCB's in any applications except as dielectric fluids for use in transformers and capacitors.

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If you desire to continue purchase of these products from Monsanto after 15 January, please have the attached copies of agreement signed by an authorized officer on behalf of your company and forward a fully signed copy, together with your most recent audited financial statement and any other information which you feel will assist Monsanto in its evaluation.

If you have any questions please telephone (314) 694-2455 or write directly to Mr. H. S. Bergen, Monsanto Company, P. O. Box 14617, St. Louis, Missouri 63178.

We sincerely regret any hardships that this decision may cause you but it is taken in an effort to continue to make available these products for critical electrical applications.

Very truly yours,



Howard Bergen, Director
Specialty Products Group
Monsanto Industrial Chemicals Co.

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Enclosures

Monsanto

MONSANTO INDUSTRIAL CHEMICALS CO.
800 N. Lindbergh Boulevard
St. Louis, Missouri 63166
Phone: (314) 694-1000

SPECIAL UNDERTAKING BY PURCHASERS OF POLYCHLORINATED BIPHENYLS

Monsanto Company ("Monsanto") manufactures certain polychlorinated biphenyl products ("PCB's") which _____ ("Buyer") desires to purchase. While Buyer desires to purchase PCB's because of certain desirable flame resistant and insulator properties, Buyer acknowledges that it is aware and has been advised by Monsanto that PCB's tend to persist in the environment; that care is required in their handling, possession, use and disposition; that tolerance limits have been or are being established for PCB's in various food products.

Monsanto has therefore adopted certain restrictive policies with respect to its further production, sale and delivery of PCB's, including the receipt of undertakings from its customers as set forth below, and Buyer is willing to agree to such undertakings with respect to sales and/or deliveries of PCB's by Monsanto to Buyer.

Accordingly, Buyer hereby covenants and agrees that, with respect to any and all PCB's sold or delivered by or on behalf of Monsanto to Buyer on or after the date hereof and in consideration of any such sale or delivery, Buyer shall defend, indemnify and hold harmless Monsanto, its present, past and future directors, officers, employees and agents, from and against any and all liabilities, claims, damages, penalties, actions, suits, losses, costs and expenses arising out of or in connection with the receipt, purchase, possession, handling, use, sale or disposition of such PCB's by, through or under Buyer, whether alone or in combination with other substances, including, without implied limitation, any contamination of or adverse effect on humans, marine and wildlife, food, animal feed or the environment by reason of such PCB's.

All existing contracts for the sale of PCB's by Monsanto to Buyer are hereby amended to contain the provisions set forth above.

Nothing herein shall create or imply any duty or obligation of Monsanto to sell or deliver any PCB's to Buyer. No conditions, understandings or agreements purporting to modify or vary the terms hereof shall be binding unless hereafter made in writing specifically referring to this agreement and signed by the party to be bound and no modification or variance of the above undertaking shall be effected by the acknowledgment or acceptance of any sale document, purchase order, shipping instruction or other forms containing terms or conditions at variance herewith.

_____	_____
(Buyer)	MONSANTO COMPANY
BY: _____	BY: _____
TITLE: _____	
DATE: _____	

Monsanto

MONSANTO INDUSTRIAL CHEMICALS CO.
800 N. Lindbergh Boulevard
St. Louis, Missouri 63188
Phone: (314) 684-1000

February 4, 1972

Dear Sir:

We are writing to advise you that Monsanto has adopted certain policies with respect to its further sale and delivery of all polychlorinated biphenyl (PCB) products used as dielectric fluids including but not limited to those sold under tradenames such as Aroclor [®], Inerteen [®], and Pyranol [®], and under the generic term askarel.

Effective immediately Monsanto will sell and deliver these products only to manufacturers of electrical equipment or components who utilize the products as dielectric fluids and who have entered into agreement to indemnify and hold harmless Monsanto in the use of these products. The two copies of such an agreement are attached. The acceptance by Monsanto of such an agreement is subject to receipt of financial and other information from you (such as evidence of adequate insurance protection) which, in Monsanto's opinion, makes the agreement meaningful.

As you are undoubtedly aware, studies indicate PCBs may be accumulating in the environment. In some instances, PCBs have been found in food or in the food chain. For your information, attached is an article by Carl G. Gustafson of the Federal Water Quality Administration appearing in "Environmental Science & Technology" which deals with this subject. Because of Monsanto's concern over this problem, we have discontinued sales of PCBs except for use as dielectric fluids in electrical equipment and components.

If you desire to continue purchase of these products from Monsanto, please have the attached copies of agreement signed by an authorized officer on behalf of your company and forward a fully signed copy, together with your most recent audited financial statement and any other information which you feel will assist Monsanto in its evaluation.

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We sincerely regret any hardships that this decision may cause you but it is taken in an effort to continue to make available these products for these important electrical applications.

Very truly yours,



Howard Bergen, Director
Specialty Products Group
Monsanto Industrial Chemicals Co

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St. Louis, Missouri 63166
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SPECIAL UNDERTAKING BY PURCHASERS OF POLYCHLORINATED BIPHENYLS

Monsanto Company ("Monsanto") manufactures certain polychlorinated biphenyl products ("PCB's") which _____ ("Buyer") desires to purchase. While Buyer desires to purchase PCB's because of certain desirable flame resistant and insulator properties, Buyer acknowledges that it is aware and has been advised by Monsanto that PCB's tend to persist in the environment; that care is required in their handling, possession, use and disposition; that tolerance limits have been or are being established for PCB's in various food products.

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Accordingly, Buyer hereby covenants and agrees that, with respect to any and all PCB's sold or delivered by or on behalf of Monsanto to Buyer on or after the date hereof and in consideration of any such sale or delivery, Buyer shall defend, indemnify and hold harmless Monsanto, its present, past and future directors, officers, employees and agents, from and against any and all liabilities, claims, damages, penalties, actions, suits, losses, costs and expenses arising out of or in connection with the receipt, purchase, possession, handling, use, sale or disposition of such PCB's by, through or under Buyer, whether alone or in combination with other substances, including, without implied limitation, any contamination of or adverse effect on humans, marine and wildlife, food, animal feed or the environment by reason of such PCB's.

All existing contracts for the sale of PCB's by Monsanto to Buyer are hereby amended to contain the provisions set forth above.

Nothing herein shall create or imply any duty or obligation of Monsanto to sell or deliver any PCB's to Buyer. No conditions, understandings or agreements purporting to modify or vary the terms hereof shall be binding unless hereafter made in writing specifically referring to this agreement and signed by the party to be bound and no modification or variance of the above undertaking shall be effected by the acknowledgment or acceptance of any sale document, purchase order, shipping instruction or other forms containing terms or conditions at variance herewith.

(Buyer)

MONSANTO COMPANY

BY: _____

BY: _____

TITLE: _____

DATE: _____