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MEMO
from the desk of
J. H. Marsh

New
Jeh
Asbestos Corporation

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EXHIBIT
P-635

M-635

CRMC-Motley1000-Subj-002196

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CORPORATE HEADQUARTERS
100 OAKVIEW DRIVE, TRUMBULL, CONNECTICUT 06611, (203) 371 0101

June 24, 1976

Mr. A. S. Johnson
Vice President
Asbestos Corporation Ltd.
1940 Sun Life Building
1155 Metcalfe Street
Montreal, Quebec, Canada H3B 2X6

Dear Andy:

SUBJECT: Health Agreement

When Mr. Simpson and I met with you on April 12 we agreed that Raybestos-Manhattan would give you the same assurances with respect to possible asbestos health hazards as Raybestos-Manhattan agrees to give Cassiar. An agreement for the sale of asbestos fiber has now been negotiated with Cassiar. This agreement contains the following language on this matter:

"In the event of claims against the Buyer in respect of personal injuries, diseases, or death, however arising, related directly or indirectly to the Buyer's acquisition of asbestos fiber from the Seller, the Buyer waives any of its rights against the Seller or its agent, but not as against claimants, with respect to such claims. The Buyer undertakes and agrees to adequately warn its employees, agents and customers of the possible dangers in exposure to, handling, use of or processing of asbestos fiber and, in particular, by breathing air containing asbestos fiber. In addition, the Buyer undertakes and agrees to proceed with a program to safeguard its employees and agents who handle asbestos fiber or products of the Buyer which contain asbestos fiber to protect them from such possible health hazards."

If you would substitute this language in lieu of (a) and (b) of Section 2 of your memorandum of agreement, we will sign the same. I believe the only modifications required would be to change "Buyer" to "Customer" wherever it appears and to delete the words "or its agent" in line 4 above.

We are very grateful for your cooperation in finding a solution to this problem.

On June 17th the Purchasing Managers from all plants met with me to again review our 1976 asbestos requirements and to initiate a further study of our needs for 1977. As soon as I can digest the information presented I will be in touch with you or Paul Leclerc, if he is back in the saddle by that time. In any event, please give Paul my best wishes for a speedy recovery from his accident.

Best regards,

Marcus N. Brooks

CC: Mr. W. Guenther
W. Simpson

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NOW, THEREFORE, THESE PRESENTS WITNESSETH THAT, for and in consideration of One Dollar ($1.00) Canadian Currency, paid by the Customer to the Seller, receipt of which is hereby acknowledged, and of other good and valuable consideration, including the mutual covenants and agreements of the parties hereto and contained herein, the parties hereto, each for itself and not for the other, do hereby agree and covenant as follows:

1. The Seller will sell and the Customer will purchase such quantities of asbestos fibre and at such prices, terms and conditions as may from time to time be mutually agreed upon during the term of this agreement.

2. All such sales or purchases during the term of this agreement are made strictly upon the following conditions:

   (a) The Customer hereby acknowledges and recognizes that asbestos in certain circumstances may have adverse effects on the health and well-being of persons who may be exposed to the inhalation of asbestos fibre and/or dust associated therewith, and to avoid such adverse effects, those in charge of operations involving the use of asbestos, should take appropriate protective measures, such as avoiding the creation of dust and providing employees with suitable protective devices.

   (b) The Customer hereby assumes full responsibility for and hereby agrees to hold the Seller free and harmless from and against any and all loss or damage arising from or in any way connected with the storage, handling, processing or any use of asbestos fibres sold by the Seller to the Customer under the provisions of this or any other agreement heretofore made between the parties hereto with respect to the sale and purchase of asbestos fibre, and the Customer further agrees to indemnify the Seller and hold the Seller harmless from and against any and all claims for such loss or damage from any third party including, but without limiting the generality of the foregoing, the agents or employees of the Customer.

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CRMC-Motley1000-Subj-002198

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August 6th, 1976

Mr. Marcus N. Brooks
Raybestos Manhattan
100 Oakview Drive
Trumbull, Conn. 06611
U.S.A.

RE: HEALTH AGREEMENT

Dear Marcus:

I must apologize for the delay in replying to your letter of June 24th in which you set forth your proposal with respect to the Health Agreement which we feel needs to be signed between our two companies.

We have examined the wording of the clause which is contained in your agreement with Cassiar, and although it does provide protection for us for claims arising against your company by waiving your rights of recourse against us, it does nothing to protect us for claims made directly against Asbestos Corporation by third parties, which is the situation we are trying to cover in the light of our experience to date in this area.

Secondly, we do not feel that your proposal can be substituted for Clause 2 in its entirety - we must insist on Clause 2(a) of our Agreement being incorporated in any agreement which we might reach. Perhaps we could agree to modify our Clause 2(b) by dropping the specific indemnity provision in cutting off Clause 2(b) at the fifth line after the word "customer".

I would be pleased to have your reaction.

With kind regards.

Yours very truly,
ASBESTOS CORPORATION LIMITED

A.S. Johnson
Vice President - Sales

ASJ/sf

cc: M.P. Carson
J.C. Campbell
P.E. Leclerc

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Why Cassiar Indemnity is Inadvisable

1. Potential plaintiffs, rather than Cassiar, would be the principal beneficiaries of the indemnity. In a case where employees of a Cassiar customer bring suit against Cassiar, the indemnity would improve the employees' case by bringing the employer directly into the lawsuit. Without the indemnity, the risk in such a suit to Cassiar, as the supplier of a basic natural resource is remote, because its liability would be predicated solely on its failure to warn its customer, and because its customer would normally be at least as knowledgeable as Cassiar on the subject of asbestos hazards. On the other hand, if the employer is made a party, the degree of care which the employer exercised in protecting his employees is brought directly into issue. This would instantly transform a weak case into a much stronger one. In the U. S., employees normally cannot sue their employer for asbestos injuries, since workmen's compensation is their sole remedy.

2. The indemnity would reduce the chances of the asbestos mining industry of obtaining special legislation in Canada which would make it impossible for American judgment creditors to enforce their judgments in Canada against Canadian raw materials producers. If Cassiar is indemnified against such judgments, this would indicate that other asbestos suppliers could obtain indemnities too, and there would be no need for the legislation.

3. In the case of R/M, Cassiar is obligated to sell to us whether or not we sign the indemnity. Our Prior Rights Agreement provides that as long as we own a specified number of Cassiar shares (which we do), and if we give Cassiar certain advance notices and commitments, Cassiar must sell us certain specified quantities at the prices of equivalent grades current at the time of shipment.

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