

June 19, 2009



The Honorable Mike Crapo  
U.S. Senate  
239 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Senator Crapo:

Thank you very much for requesting our input on proposals that would impact 3M's use of over-the-counter (OTC) derivatives.

As you know, 3M is a U.S.-based employer headquartered in Minnesota. We are home to such well-known brands as Scotch, Post-it, Nexcare, Filtrete, Command, and Thinsulate. 3M has some 34,000 employees in the US and operations in 27 states, where over 60% of 3M's worldwide R&D and over 60% of our manufacturing occurs. While our U.S. presence is strong, being able to compete successfully in the global marketplace is critical. In 2008, 64% of our sales (over \$16 billion) were outside the U.S. – this number is expected to grow to over 70% by 2010.

It is because of the global success of our brands that we manage foreign currency risks via the OTC markets. Likewise, our desire to efficiently manage our raw material and financing costs gives rise to our use of OTC commodity and interest rate tools. It is important to note that 3M, like the majority of end users, does not speculate with derivatives. All of our hedge transactions are carefully matched with underlying risks from the operation of our businesses.

We greatly appreciate your interest in our perspective on proposals to establish a regulatory framework for OTC derivatives. While 3M supports the objectives outlined by the Administration and some Members of Congress, we have strong concerns about the potential impact on OTC derivatives and 3M's ability to continue to use them to protect our operations from the risk of currency, commodity, and interest rate volatility.

3M agrees that the recent economic crisis has exposed some areas in our financial regulatory system that should be addressed. However, not all OTC derivatives have put the financial system at risk and they should not all be treated the same. The OTC foreign exchange, commodity, and interest rate markets have operated uninterrupted throughout the economy's financial difficulties. We urge policy makers to focus on the areas of highest concern.

3M understands and respects the need for reporting and record keeping. Publicly held companies are currently required by the SEC and FASB to make significant disclosures about our use of derivatives instruments and hedging activities, including disclosures in

our 10Ks and 10Qs. We would like to work with policy makers on ways to efficiently collect information into a trade repository to further enhance transparency.

3M opposes a mandate to move all derivatives into a clearing or exchange environment. One key characteristic of OTC derivatives for commercial users is the ability to customize the instrument to meet a company's specific risk management needs. Provisions that would require the clearing of OTC derivatives would lead to standardization, thus impeding a company's ability to comply with hedge accounting requirements for financial reporting, thereby exposing reported corporate financial results to unwarranted volatility and distracting from operating results.

While we are mindful of the reduction in credit risk inherent in a clearing or exchange environment, robust initial and variation margin requirements would create substantial incremental liquidity and administrative burdens for commercial users, resulting in higher financing, and operational costs. The hedging of business risks could well be discouraged. Scarce capital currently deployed in growth opportunities would need to be maintained as margin, which could result in slower job creation, lower capital expenditures, less R&D or higher costs to consumers.

Regarding whether our use of derivatives poses any risk to the company, in the over 20 years that we have used them, we have found that these derivatives have been successful in helping us manage risks and have not posed any financial threat to the company. Our use of derivatives is governed by written policies that are reviewed regularly to assure that they protect the company's interests. Compliance with policies and results are overseen by our Financial Risk Management Committee. In addition, results are reported regularly to the Finance Committee of the Board of Directors. We have not had a negative surprise in connection with any of our hedging programs including the use of derivatives as tools to achieve the protection we seek. We purposefully distribute our counterparty risk across different companies to minimize concentration in one institution, but have not had any problems with any of the providers with whom we work.

Again, thank you for studying the critical details related to financial system reforms and for considering our perspective in this important debate. 3M respectfully urges Congress to preserve commercial users' ability to continue using derivative products to manage various aspects of corporate risk while addressing concerns about stability of the financial system. 3M looks forward to working with you and the Committee as you craft legislation on this issue.

Sincerely,

Handwritten signature of Janet K. Yeomans in cursive script.