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SUPERIOR STEEL CORPORATION

January 5, 1954

United States Atomic Energy Commission
P. O. Box 30
Ansonia Station
New York 23, New York

Subject: Supplemental Proposal for the Production of Uranium Strip

Gentlemen:

On or about December 2, 1953 we submitted to you a document entitled "Proposal for the Production of Uranium Strip" (hereinafter called the "Original Proposal"). This proposal covered in general two different types of facilities: First, the new facilities necessary for the storage, finishing, inspection and shipping of your material to be rolled on our present strip mill, and second, an extra precision stand to be added to our present strip mill since you may require closer accuracy in thickness than would normally be expected even from our present accurate mill. The first facilities above, we will designate herein "Facilities A" and the second, "Facilities B".

After review by you of the Original Proposal you requested that we further into the possibility of acquiring the necessary production facilities by private financing and submit a firm unit price for the conversion work on the product.

This proposal (hereinafter called the "Supplemental Proposal") is submitted as a result of that request and supplements our Original Proposal. The Supplemental Proposal is, in reality, three different or alternative proposals which, for convenience, we have designated Method 1, Method 2 and Method 3.

In brief, Method 1 contemplates the furnishing by the Government of all the facilities at its expense (these being either Facilities A plus Facilities B at a total cost of $1,850,000, or Facilities A only, at a total cost of approximately $500,000), in either case, at a fixed price of $.2884 per pound for the conversion of the uranium strip. Method 2 contemplates the furnishing by us, at our expense, of both Facilities A and Facilities B, at a conversion price of $.3940 per pound. Method 3 contemplates the furnishing by us at our expense, of Facilities A only, at a conversion price of $.3169 per pound.

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Unclassified

In all three methods we will receive uranium bars furnished by the Government at its expense, and perform the following services with respect thereto: - weigh, identify and account for, heat under controlled conditions, hot roll to strip, cut to lengths, flatten, shear to width, machine edges, prepare for shipment, weigh, account for and ship. We shall also collect, account for, prepare for shipment and ship all scrap and residues. The foregoing services (hereinafter called the "Production Services"), shall be performed in accordance with your specifications.

In all three methods the price per pound hereinafter quoted means per pound of charged weight, i.e., material put into production at our hot mill furnace. The price quoted shall be paid for charged weight regardless of rejection by you of the finished product, unless such rejection is occasioned by the gross negligence or willful misconduct of our employees, or by failure of equipment during processing.

METHOD 1

You will furnish at your expense, and we will install and maintain at your expense, either Facilities A plus Facilities B, at an estimated cost, including installation, of $1,850,000, or at your option, Facilities A only, at an estimated cost, including installation, of $500,000. You will retain title to such facilities.

You shall furnish us and authorize conversion of a minimum of 100 tons and a maximum of [illegible] tons of uranium bars per month, provided, that the minimum shall be 50 tons per month for the first twelve months after production begins, with 50 tons shall be authorized for one rolling. The tonnage mentioned in the preceding sentence is subject to change by mutual agreement.

Production is estimated to begin twelve months after the date of the contract, if all the facilities are installed, and nine months after such date if Facilities A only are installed.

We shall perform the Production Services on the uranium bars mentioned above at the fixed price of $.2884 per pound. A price breakdown under Method 1 is included in Exhibit "A", annexed hereto.

Over the life of the contract you agree to furnish not less than 3,000 tons of uranium bars. In the event we may develop a commercial application for the use of any of your facilities, we shall pay you rental therefor based on the following formula:

Cost of each unit of equipment X 12% ÷ 6,000 hrs. = Cost per Hour

Cost of each unit of equipment = Total cost of each unit of equipment installed

12% = Annual Rate of Charge

6,000 hrs. = (3 turns x 8 hrs. x 250 days).

DECLASSIFIED

METHOD 2

We shall furnish at our expense and shall take title to Facilities A plus Facilities B, at an estimated cost of $1,850,000.

You shall furnish us and authorize conversion of uranium bars in not less than the quantities set forth below:

Tonnage	Period
500 tons	1st year
4,000 tons	2nd year
4,000 tons	3rd year
4,000 tons	4th year
4,000 tons	5th year

"Year" as mentioned above means a period of 12 consecutive months after production begins, and each anniversary thereof. Production is estimated to begin twelve months after the contract is signed.

We shall not be obliged to convert less than 50 tons at any one rolling nor more than 500 tons per month, unless changed by mutual agreement.

We shall perform the Production Services on the uranium bars mentioned above at the fixed price of $.3940 per pound. A price breakdown under Method 2 is included in Exhibit "A".

The contract shall be satisfactory to the Bank from which we propose to borrow the money for the contract, as mentioned in the Bank's commitment letter dated December 11, 1953, annexed hereto as Exhibit "B".

As mentioned in such letter, the Bank will require accelerated amortization of the facilities to the extent of 100% of the cost thereof over a period of five years. Charges for accelerated amortization shall be eliminated from the invoiced price per ton to you, after the total of prior billings for accelerated amortization, for any calendar year, shall equal the permissible income tax deduction for accelerated amortization during that calendar year.

METHOD 3

We shall furnish at our expense and shall take title to Facilities A at an estimated cost of $500,000.

You shall furnish us and authorize conversion of uranium bars in not less than the quantities set forth below:

Tonnage	Period
500 tons	1st year
4,000 tons	2nd year
4,000 tons	3rd year
4,000 tons	4th year
4,000 tons	5th year

DECLASSIFIED

"Year" as mentioned above means a period of 12 consecutive months after production begins, and each anniversary thereof. Production is estimated to begin nine months after the contract is signed.

We shall not be obliged to convert less than 50 tons at any one rolling nor more than 500 tons per month, unless changed by mutual agreement.

We shall perform the Production Services on the uranium bars mentioned above at the fixed price of $.3169 per pound. A price breakdown under Method 3 is included in Exhibit "A".

The contract shall be satisfactory to the Bank from which we propose to borrow the money for the contract, as mentioned in the Bank's commitment letter, Exhibit "B" hereto. While the commitment is for $2,000,000, we understand the Bank, under Method 3, will be willing to lend $500,000 at the same terms.

As mentioned in such letter, the Bank will require accelerated amortization of the facilities to the extent of 100% of the cost thereof over a period of five years. Charges for accelerated amortization shall be eliminated from the invoiced price per ton to you, after the total of prior billings for accelerated amortization, for any calendar year, shall equal the permissible income tax deduction for accelerated amortization during that calendar year.

GENERAL

Superior Steel Corporation is a corporation organized and existing under the laws of the Commonwealth of Virginia, with its principal plant and place of business at Carnegie, Pennsylvania. The number of people presently employed is approximately 1,[illegible].

You will note that our price breakdown (Exhibit "A" annexed hereto) makes no cost provision for injury or death to persons or injury to property, whether in the plant or in the community, which may be caused by reason of our work under the proposed contract. Since it is not feasible to insure against such risks, we desire that the Government assume such risks and save us harmless therefrom, unless injury or death is occasioned by the gross negligence or willful misconduct of our employees.

We propose to perform the above work under a standard Atomic Energy Commission form of contract, modified to the extent consistent with this proposal.

The proposals embodied in Methods 2 and 3 will remain firm until January 31, 1954, since that is the terminal date of the Bank's commitment, and the proposal in Method 1 will remain firm for sixty days from the date hereof.

We will be glad to discuss with you all or any part of the Supplemental Proposal, and will do our best to supply any additional information that may be requested.

Very truly yours,

SUPERIOR STEEL CORPORATION

By (signed) C. I. Collins, President

PRELIMINARY

EXHIBIT "A"

PRICE BREAKDOWN

Operations (Methods 1, 2 and 3)

Receiving and Storage	$ 3.55 N.T.	
Hot Rolling	116.25	
Cutting to length and Inspection	60.91	
Straightening and Flattening	56.24	
Square Shearing	16.24	
Machining Edges	55.80	
Boxing, Shipping and Invoicing	19.35	
Handling, Transportation and Identification between Operations	18.21	
Total Operational Cost	$347.25 N. T.	
Costs for cleaning mill before and after each run $1376.80 - 50 N.T. rolling	27.54	
Administrative Costs	23.00	
Total Cost - exclusive of equipment amort. and financing	$397.79	

(1) Government furnished equipment, Cost $500,000 or $1,850,000 (Method 1)

Operations Cost as above	$397.79	
Conversion Profit 45% of costs	179.01	Per [illegible]
Conversion price per ton	$576.80	$.2308

(2) Superior purchased equipment, cost $1,850,000 (Method 2)

Additional Costs

Cost of Operations as listed	$397.79	
Property Taxes	23.55	
Amortization	112.12	
Interest Expense	14.40	
Total	$547.86	
Conversion Profit 45% of costs exclusive of interest	240.06	$.3840
Conversion price per ton	$787.92	

(3) Superior purchased equipment, cost $500,000 (Method 3)

Additional Costs

Costs of Operations as listed	$397.79	
Property Taxes	6.36	
Amortization	30.30	
Interest Expense	3.90	
Total	$438.35	
Conversion Profit 45% of costs exclusive of interest	195.50	
Conversion price per ton	$633.85	$.3169