

Bayer MaterialScience



Certified Mail 70042510000240339442
Return Receipt Requested

April 29, 2005

Mr. David Everhart
Nuclear Materials Safety Branch #2
U.S. Nuclear Regulatory Commission, Region I
475 Allendale Road
King of Prussia, PA 19406-1415

K-2
06-13053-04
03030292

RE: Radioactive Materials License 06-13053-04
Bayer Pharmaceuticals Corporation - West Haven, CT Facility

Dear Mr. Everhart:

Enclosed please find the annual financial assurance documentation to support the corporate guarantee for the following Bayer Pharmaceuticals Corporation radioactive material license holder:

Bayer MaterialScience LLC
100 Bayer Road
Pittsburgh, PA 15205-9741
Phone: 412 777-2000

Bayer Pharmaceuticals Corporation
400 Morgan Lane
West Haven, CT 06516
License No. 06-13053-04

Bayer Corporation (Bayer), as the parent of Bayer Pharmaceuticals Corporation, is providing this financial test update as assurance that funds will be available when needed for required decommissioning activities as specified in 10 CFR Part 30.

On March 31, 2005 Bayer provided notice to the Department that the audited financial statements for Bayer Corporation had not been finalized as of March 31, 2005; therefore, Bayer Corporation was unable to demonstrate that it met the financial test criteria for guarantors as specified in 10 CFR Part 30. In the notice, Bayer indicated that it would fulfill the obligations as the guarantor by establishing an appropriate financial assurance mechanism by April 30, 2005. On April 12, 2005, the audited financial statements for Bayer Corporation were finalized and Bayer can now demonstrate that it meets the financial test criteria.

The following items are enclosed:

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136708
NMCS/RGNI MATERIALS-002

Mr. David Everhart
U.S. Nuclear Regulatory Commission, Region I
April 29, 2005
Page 2

- 1) a letter from Willy Scherf, Chief Financial Officer of Bayer Corporation, to the Chief, Nuclear Materials Safety Branch #2;
- 2) a copy of the 2004 financial statements for Bayer Corporation and independent auditors' report for the statements from Pricewaterhouse Coopers;
- 3) a special report from Pricewaterhouse Coopers concerning their review of the financial test figures; and
- 4) a letter from Paolo Pucci, Chief Executive Officer of Bayer Pharmaceuticals Corporation, to the Chief, Nuclear Materials Safety Branch #2.

Bayer considers the year-end audited financial statement, which is not required to be filed with the Securities and Exchange Commission (SEC), to be highly confidential. Each page has been stamped "CONFIDENTIAL" and Bayer requests permanent confidential treatment of this information. A confidentiality statement is attached.

If you have any questions or need additional information concerning the financial assurance, please contact me at 412-777-7474.

Sincerely,



Terrence Sullivan
Safety and Environmental Center
Bayer MaterialScience LLC
FIN05019

Attachments

Bayer



April 27, 2005

Chief, Nuclear Materials Safety Branch #2
U.S. Nuclear Regulatory Commission, Region I
475 Allendale Road
King of Prussia, PA 19406-1415

Dear Chief:

I am the chief financial officer of Bayer Corporation, 100 Bayer Road, Pittsburgh, PA 15205, a business corporation organized under the laws of the state of Indiana. This letter is in support of this firm's use of the financial test to demonstrate financial assurance, as specified in 10 CFR Part 30.

This firm guarantees, through the parent company guarantee submitted to demonstrate compliance under 10 CFR Part 30, the decommissioning of the following facilities owned or operated by subsidiaries of this firm. The current cost estimates or certified amounts for decommissioning, so guaranteed, are shown for each facility. **See Attachments I, II and III.**

This firm is not required to file a Form 10-K with the U.S. Securities and Exchange Commission for the latest fiscal year.

This fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements and footnotes for the latest completed fiscal year, ended December 31, 2004: **See Attachment IV.** A copy of this firm's most recent financial statements is enclosed.

I hereby certify that the content of this letter is true and correct to the best of my knowledge.

BAYER CORPORATION

A handwritten signature in black ink, appearing to read "Willy Scherf", is written over the printed name "BAYER CORPORATION".

Willy Scherf
Chief Financial Officer
Bayer Corporation

Bayer Corporation
100 Bayer Road
Pittsburgh, PA 15205-9741

Phone: 412 777-2000

**ATTACHMENT I
FACILITIES COVERED BY FINANCIAL ASSURANCE**

RCRA CLOSURE AND POST-CLOSURE

<u>Facility</u>	<u>Address</u>	<u>EPA ID Number or Permit Number</u>
Baytown	8500 West Bay Road Baytown, TX 77520-9730	TXD 058260977
Institute	Route 25 Institute, WV 25112	WVD 005005509
Kansas City	8400 Hawthorn Road Kansas City, MO 64120-0013	MOD 056389828
New Martinsville	Route 2 North New Martinsville, WV 26155-0500	WVD 056866312
Woodbine*	5954 Harriet's Bluff Road East Woodbine, GA 31569	Permit No.: 020-015D(SL)(I)

NRC AND STATE DECOMMISSIONING

<u>Facility</u>	<u>Address</u>	<u>RML Number</u>
Stilwell	17745 S. Metcalf Avenue Stilwell, KS 66085-9104	26-B226-01
West Haven	400 Morgan Lane West Haven, CT 06516	06-13053-04

* RCRA Subtitle D Landfill

**ATTACHMENT II
RCRA FINANCIAL OBLIGATIONS**

CLOSURE COST ESTIMATES (IN CURRENT \$)

<u>Facility</u>	<u>Address</u>	<u>EPA ID Number or Permit Number</u>	<u>Closure Cost</u>
Baytown	8500 West Bay Road Baytown, TX 77520-9730	TXD 058260977	\$ 601,433
Institute	Route 25 Institute, WV 25112	WVD 005005509	3,310,903
Kansas City	8400 Hawthorn Road Kansas City, MO 64120-0013	MOD 056389828	1,695,730
New Martinsville	Route 2 North New Martinsville, WV 26155-0500	WVD 056866312	1,554,259
Woodbine	5954 Harriet's Bluff Road East Woodbine, GA 31569	020-015D(SL)(I)	201,632
TOTAL			\$ 7,363,957

POST-CLOSURE COST ESTIMATES (IN CURRENT \$)

<u>Facility</u>	<u>Address</u>	<u>EPA ID Number or Permit Number</u>	<u>Post-Closure Cost</u>
Baytown	8500 West Bay Road Baytown, TX 77520-9730	TXD 058260977	\$ 1,842,745
Institute	Route 25 Institute, WV 25112	WVD 005005509	7,378,096
New Martinsville	Route 2 North New Martinsville, WV 26155-0500	WVD 056866312	20,998,363
Woodbine	5954 Harriet's Bluff Road East Woodbine, GA 31569	020-015D(SL)(I)	469,064
TOTAL			\$ 30,688,268

CORRECTIVE ACTION (C/A) COST ESTIMATES (IN CURRENT \$)

<u>Facility</u>	<u>Address</u>	<u>EPA ID Number</u>	<u>C/A Cost</u>
Baytown	8500 West Bay Road Baytown, TX 77520	TXD 058260977	\$ 4,954,550
TOTAL			\$ 4,954,550

GRAND TOTAL CLOSURE, POST-CLOSURE & C/A COST ESTIMATES	\$ 43,006,775
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**ATTACHMENT III
OTHER FINANCIAL OBLIGATIONS**

NRC AND STATE DECOMMISSIONING COST ESTIMATES (IN CURRENT \$)

<u>Facility</u>	<u>Address</u>	<u>RML Number</u>	<u>Decommissioning Cost</u>
Stilwell	17745 S. Metcalf Avenue Stilwell, KS 66085-9104	26-B226-01	\$ 750,000
West Haven	400 Morgan Lane West Haven, CT 06516	06-13053-04	1,125,000
TOTAL NRC AND STATE DECOMMISSIONING COST ESTIMATES			\$ 1,875,000

**ATTACHMENT IV
PARENT COMPANY GUARANTEE FINANCIAL TEST**

1. Current decommissioning cost estimates or certified amounts		
a. Decommissioning amounts covered by this parent company guarantee	<u>\$ 1,125,000</u>	
b. All decommissioning amounts covered by other NRC or Agreement State parent company guarantees or self-guarantees	<u>\$ 750,000</u>	
c. All amounts covered by parent company guarantees, self-guarantees, or financial tests of other Federal or State agencies (e.g., EPA)	<u>\$ 51,006,775</u>	
TOTAL		<u>\$ 52,881,775</u>
2. Current bond rating of most recent unsecured issuance and name of rating service		<u>A3 [Moody] A+ [Standard and Poor's]</u>
3. Date of issuance of bond:		<u>January 24, 2002</u>
4. Date of maturity of bond		<u>January 2, 2013</u>
5. Tangible net worth** (if any portion of estimates for decommissioning is included in total liabilities on your firm's financial statements, you may add the amount of that portion to this line)		<u>\$ 403,000,000</u>
6. Total assets in United States (required only if less than 90 percent of firm's assets are located in the United States)		<u>N/A</u>
7. Is line 5 at least \$10 million? (Yes/No)		<u>Yes</u>
8. Is line 5 at least 6 times line 1? (Yes/No)		<u>Yes</u>
9. Are at least 90 percent of firm's assets located in the United States? If not, complete line 10. (Yes/No)		<u>Yes</u>
10. Is line 6 at least 6 times line 1? (Yes/No)		<u>N/A</u>
11. Is the rating specified on line 2 BBB or better (if issued by Standard & Poor's) or Baa or better (if issued by Moody's)? (Yes/No)		<u>Yes</u>

* Denotes figures derived from financial statements.

** Tangible net worth is defined as net worth minus goodwill, patents, trademarks, and copyrights.

Report of Independent Auditors

To the Management of
Bayer Corporation

We have performed the procedures included in the Nuclear Regulatory Commission's (NRC) financial assurance regulations, 10 CFR Part 30 Appendix A (b), which were agreed to by the management of the Corporation (the Company), solely to assist the specified parties in evaluating the Company's compliance with the financial test option as of December 31, 2004, included in the applicable accompanying letter dated April 27, 2005 from Mr. Willy Scherf, Chief Financial Officer of the Company. Management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures consisted of the following related to the data contained in Attachment IV, Alternative II in the letter from the Chief Financial Officer of the Company dated April 27, 2005:

1. Item 5, Tangible net worth. We subtracted the dollar amount of total liabilities of the Company (obtained from the audited financial statements of the Company) and the intangible assets (obtained from the Company's underlying accounting records) from the dollar amount of total assets (obtained from the audited financial statements of the Company.) We compared the calculated tangible net worth with the Company's response to Item 5. No exceptions were noted.
2. Item 9, Are at least 90 percent of assets located in the U.S? We determined the appropriateness of the Company's response by calculating the percentage of assets located in the U.S., based upon the Company's total U.S. assets (as obtained from the Company's underlying accounting records) and the Company's total consolidated



assets (obtained from the audited financial statements of the Company.) We compared the calculated percentage with the Company's response to Item 9. No exceptions were noted.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Company and the Nuclear Regulatory Commission (NRC), and is not intended to be and should not be used by anyone other than these specified parties.

Price Waterhouse Coopers LLP

April 27, 2005

**Bayer HealthCare
Pharmaceuticals**



March 11, 2005

Paolo Pucci
Senior Vice President & President
Global Specialty Business Unit,
Bayer HealthCare

**Chief, Nuclear Materials Safety Branch #2
U.S. Nuclear Regulatory Commission, Region I
475 Allendale Road
King of Prussia, PA 19406-1415**

Dear Chief:

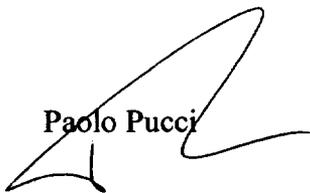
I am the chief executive officer of Bayer Pharmaceuticals Corporation, 400 Morgan Lane, West Haven, CT 06516, a corporation. This letter is in support of using the financial test to demonstrate financial assurance, as specified in 10 CFR Part 30.

I hereby certify that Bayer Pharmaceutical Corporation is currently a going concern.

This firm is not required to file a Form 10-K with the U.S. Securities and Exchange Commission for the latest fiscal year. The fiscal year of this firm ends on December 31.

I hereby certify that the content of this letter is true and correct to the best of my knowledge.

Sincerely,


Paolo Pucci

Bayer Pharmaceuticals Corporation
400 Morgan Lane
West Haven, CT 06516

Phone: 203 812-2050
Fax: 203 812-5300
paolo.pucci.b@bayer.com