

UNITED NUCLEAR CORPORATION
CHEMICALS DIVISION

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February 6, 1964

3600 North Second Street
St. Louis 7, Missouri
Chestnut 1-4522

Mr. Eber R. Price
Assistant Director
Division of Licensing and Regulation
U. S. Atomic Energy Commission
Washington 25, D.C.

ATTENTION: Mr. Robert L. Layfield, Acting Chief
Source & Special Nuclear Materials Branch
Division of Licensing & Regulation

SUBJECT: APPLICATION FOR SOURCE AND SPECIAL NUCLEAR MATERIAL
LICENSES FOR UNITED NUCLEAR CORPORATION'S SCRAP PLANT
FACILITIES AT WOOD RIVER JUNCTION, RHODE ISLAND

Gentlemen:

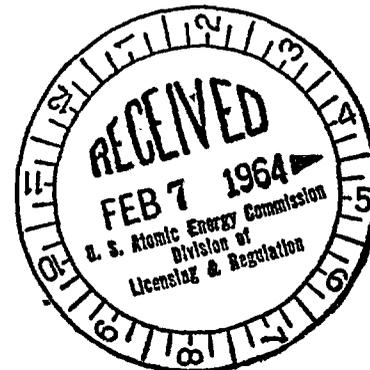
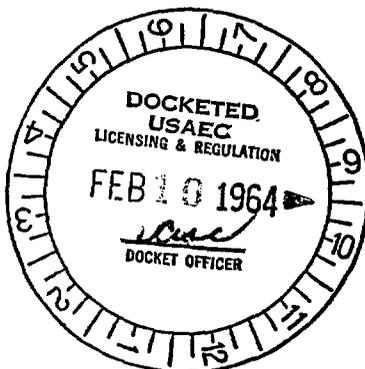
You have asked for more up-to-date financial information than that given in United Nuclear's Annual Report for 1963. As agreed, I am attaching a copy of our Third Quarter Report dated January 25, 1964.

Yours truly,

RW Shearer
R. W. Shearer

RWS:ek

Enclosures



ACKNOWLEDGED

B-153

BOARD OF DIRECTORS

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71
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Vice President—Development Division

George Slover, Jr., *Secretary*¹

General Counsel:
Johnson, Bromberg, Leeds & Riggs
Dallas, Texas

Ray Proof Corporation
(wholly owned subsidiary)

Arnold M. Zais, *President*

¹Partner, Johnson, Bromberg, Leeds & Riggs, Dallas, Texas

THIRD QUARTER REPORT

PERIOD ENDED DECEMBER 31, 1963

UNITED NUCLEAR
CORPORATION

GENTREVILLE, MD 21017

UNITED NUCLEAR
CORPORATION

TO THE STOCKHOLDERS:

Sales and net earnings for the third quarter rose to \$13,864,478 and \$1,264,763, respectively, from \$12,073,618 and \$977,696 for the same period last year. Sales and net earnings for the three quarters ended December 31, 1963, were \$41,420,055 and \$3,841,716, respectively, compared with \$33,862,615 and \$2,678,085 in the prior year. Per share earnings were 30¢ for the 1963 quarter and 90¢ to date compared with 24¢ and 65¢ in the prior year, an increase in year to date per share earnings of 38%. Earnings per share were computed on the average number of shares outstanding during the applicable period. Since December 31, 1962, a total of 297,970 additional shares have been issued to acquire uranium properties for future production, for conversion of debentures and for exercise of employee stock options.

Recently several developments have occurred which affect the nuclear energy industry and which, in some instances, have caused confusion. Your Company, therefore, believes that the record should be set straight, and these developments are discussed below.

In his State of the Union Message to Congress, President Johnson announced a 25% reduction in the production of "enriched uranium" affecting the operating levels of the Government-owned diffusion plants. Subsequent announcements by AEC Chairman Seaborg implemented this policy. The Government's uranium concentrate procurement program which reached a high of approximately 35,000 tons of concentrate per year in 1962 has already been reduced by approximately 50% through the failure to take concentrate optional under Canadian contracts together with the

stretch-out of the South African and domestic contracts effected over a year ago. This was discussed in previous reports to the stockholders. Such decline in the supply of concentrate correspondingly affects the level of operation of the enrichment plants. Inquiries to the company following the announcement indicated the belief that concentrate contracts held by your Company and others involved in the program were similarly affected. This is definitely not the case as is evidenced by the press release by the United States Atomic Energy Commission on January 10, 1964, with respect to the present concentrate contracts as follows:

"The Atomic Energy Commission today stated that President Johnson's decision to cut back fissionable materials production will not affect AEC uranium concentrate procurement commitments. Procurement through 1970 will be carried out in accordance with established programs.

"Contracts for uranium procurement through 1966 were established several years ago to provide the uranium urgently needed for defense. A stretch-out program for uranium procurement was announced on November 17, 1962, under which a portion of the procurement will be deferred until 1967 and 1968. The AEC will purchase in 1969 and 1970 a quantity of uranium oxide equal to the amount deferred for delivery in 1967 and 1968. Deferrals are expected to total between 14,000 and 15,000 tons.

"A contract with the Anaconda Company, the first under the new stretch-out program, was

signed on December 27, 1963. Others are in the final stages of negotiation."

Furthermore, the cutback does not affect current markets or future activities related to our other products and services.

Secondly, during the quarter, a New York City public utility announced the withdrawal of its application for a large commercial nuclear power plant to be located in a densely populated area of the city. The utility's announcement stated it was investigating a Canadian source of power which might be obtained more cheaply than that from its proposed nuclear plant, in which the cost was estimated to be 7 mills per kilowatt hour. Of greater significance to the industry was the announcement during the quarter of a firm bid received by Jersey Central Power and Light Company for the construction of a 600,000 kilowatt commercial nuclear power plant at a fixed capital cost of \$113 per kilowatt compared with the previous capital cost levels of \$160 to \$175 per kilowatt. The Jersey utility estimated a nuclear power cost of 4.5 mills per kilowatt hour, an historically low commercial nuclear power cost as a result of a series of important development breakthroughs. This latest achievement should accelerate the development of nuclear power for commercial power plant purposes.

Thirdly, the press has devoted considerable space to arguments pro and con relative to nuclear powered naval surface vessels, and specifically the latest authorized aircraft carrier. In this connection the Joint Committee on Atomic Energy, Congress of the United States, in its published report, "Nuclear Propulsion for Naval Surface Vessels," which is a resume of hearings conducted on the subject, made the following conclusions and observations:

1. Nuclear propulsion provides significant military advantages for surface warships.

2. Increased costs attributable to nuclear power are minor. The lifetime cost of the nuclear carrier with its aircraft is estimated to be only about 3 per cent more than the lifetime cost of the conventional carrier with its aircraft.

3. The new aircraft carrier, CVA-67, should have nuclear power. If this carrier with a life expectancy of up to 30 years, is built with conventional power, it will reduce its capabilities from now to the 21st century. More tragically, such a decision means that the Navy may be committed to a future of planned obsolescence with grave implications for national security.

4. All future first-line surface warships should have nuclear power.

5. The research and development program for nuclear-powered surface warships should be continued.

Earlier your Company reported the formation of a separate commercial fuel division within the Company which operates independently of the previously established divisions of the Company. We have expended great efforts to enter the commercial power fuel field. During the current quarter the Company was awarded its first contract for the fabrication of a commercial power reactor core which is the first important distinct commercial contract that takes full advantage of the vertical integration of the company. The contract, together with others in the commercial area, will not interfere with or delay the larger volume of work currently being done for the military and other customers.

Construction of the Company's fuel recovery plant in Rhode Island is proceeding on schedule and is expected to go on stream before the end of the fiscal year. This new facility will substantially improve the fuel recovery portion of our business now being done near St. Louis.

Mining operations continued on a normal basis and the Company's policy of exploration and drilling for uranium and other metals was furthered. As previously stated, it

is the Company's policy to continue to add to uranium ore reserves at least as rapidly as ore is removed in the fulfillment of its contracts.

Respectfully submitted,

Lucien F. Tommaseo *Richard D. Bohlen II*
 Chairman of the Board President

January 20, 1964

STATEMENT OF EARNINGS

	Third Quarter Ended December 31, 1963	Third Quarter Ended December 31, 1962	Nine Months Ended December 31, 1963	Nine Months Ended December 31, 1962
Sales	\$13,864,478	\$12,073,618	\$41,420,055	\$33,862,615
Costs and expenses:				
Cost of goods sold	9,733,914	8,585,673	28,327,852	24,446,127
Depreciation, depletion and amortization exclusive of amounts applicable to minority interest in partnership	998,284	892,399	4,055,991	2,600,390
Selling, administrative and general expenses	898,914	664,600	2,392,248	1,849,939
Interest	375,810	48,831	1,162,209	74,074
	<u>12,006,922</u>	<u>10,191,403</u>	<u>35,938,300</u>	<u>28,970,530</u>
	1,857,556	1,882,215	5,481,755	4,892,085
Deduct: Income applicable to minority interest in partnership	592,793	904,519	1,640,039	2,214,000
Net earnings	<u>\$ 1,264,763</u>	<u>\$ 977,696</u>	<u>\$ 3,841,716</u>	<u>\$ 2,678,085</u>
Earnings per share, based upon the average number of shares outstanding	<u>30¢</u>	<u>24¢</u>	<u>90¢</u>	<u>65¢</u>

The above figures are subject to such adjustments as the annual audit by independent accountants may disclose to be necessary.