

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

DOCKETED
USNRC

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD '95 SEP 11 P3:43

In the Matter Of)
)
)
Sequoyah Fuels Corporation)
and General Atomics)
)
(Gore, Oklahoma Site Decontamination)
and Decommissioning Funding))
_____)

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Docket No. 40-8027EA
Source Materials
License No. SUB-1010
September 8, 1995

**INTERVENORS' RESPONSE TO JOINT MOTION
FOR APPROVAL OF SETTLEMENT AGREEMENT**

I. INTRODUCTION

Intervenors, Native Americans for a Clean Environment and the Cherokee Nation, hereby respond to the Nuclear Regulatory Commission ("NRC" or "Commission") staff's and Sequoyah Fuels Corporation's ("SFC's") Joint Motion for Approval of Settlement Agreement (August 24, 1995). The proposed agreement creates the unacceptable risk that what little funds SFC has left for decommissioning will be plundered by creditors who have no justifiable claim to SFC's assets. Further adjudication is required in order to identify all claims on SFC, and establish which of these claims is legitimate. Moreover, the proposed agreement is unacceptable in that it fails to provide information needed to determine whether SFC's obligations to ConverDyn are reasonable and legitimate, and whether SFC is earning reasonable fees from the relationship. Finally, the proposed settlement should be rejected to the extent that it virtually unconditionally waives

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SFC's and its successors' liability under the decommissioning funding regulations for all time.

II. FACTUAL BACKGROUND

On December 29, 1992, over a year after finding extensive radiological and chemical contamination on the SFC site, the NRC's Executive Director for Operations issued a Demand for Information to SFC and its parent corporation, General Atomics ("GA"), which required, among other things, that on or before February 16, 1993, SFC and GA must submit a decommissioning plan for the SFC site, and a "decommissioning funding plan that contains a cost estimate for decommissioning the SFC facility" to NRC cleanup criteria. The order also required SFC and GA to submit "a description of the method of assuring funds for decommissioning satisfying the requirements of 10 C.F.R. § 40.36 and the guidelines in Reg. Guide 3.66." Id. at 8-9.

In response to the Demand for Information, on February 13, 1993, SFC submitted a Preliminary Plan for Completion of Decommissioning ("PPCD"), which contained a table purporting to show where SFC intended to raise \$86 million in estimated decommissioning costs. PPCD, Table 10-2. The bulk of the expected revenues were predicted to come from SFC's share of the revenues of ConverDyn, a joint venture of General Atomics Energy Services ("GAES")¹ and Allied-Signal Energy Services, which was established for the purpose of "helping SFC satisfy its business com-

¹ GAES is a subsidiary of GA's parent, GATC.

mitments and D&D obligations"by carrying out SFC's remaining uranium conversion contracts. General Atomics' Answer and Request for Hearing at 14 (November 2, 1993).

On October 15, 1993, the NRC staff issued an enforcement order against SFC GA which ordered that they were "jointly and severally responsible" for providing funding, financial assurances, and updated and detailed decommissioning cost estimates for the cleanup of the SFC site. 58 Fed. Reg. 55,087, 55,092 (October 25, 1993). GA and SFC both challenged the order, and this hearing was commenced.

III. STANDARD FOR APPROVAL OF PROPOSED SETTLEMENT

Pursuant to 10 C.F.R. § 2.203, the proposed settlement is "subject to approval by the designated presiding officer," giving "due weight to the position of the staff." The presiding officer "may order such adjudication of the issues as he may deem to be required in the public interest to dispose of the proceeding." Thus, the presiding officer may order further adjudication if the reasonableness of the proposed settlement to protect public health and safety does not appear to be adequately supported in the record.

IV. ARGUMENT

As discussed below, there are a number of respects in which the proposed settlement agreement is either legally deficient or requires further investigation and before it can be approved as a reasonable settlement which serves the public interest.

A. The Board Should Investigate The Basis for Giving Primacy to Senior Lien Holders.

In par. 3. of the proposed Settlement Agreement, SFC "specifically pledges" to "devote all of its net assets and net revenues to completion of decommissioning." The term "net assets" is defined in par. 1.d. as SFC's "gross assets, subject to its obligations to CoverDyn and subject to the rights of senior lien-holders." Id. (emphasis added). In order to ensure that SFC is paying legitimate obligations and not obligations that belong to GA, and in order to ensure that SFC is not allowing creditors to plunder its assets, it is essential that the Board allow further discovery on the identity of these liens, their purpose, when they were incurred, how much they amount to, and the amount of interest that is being or has been charged. This includes all liens by GA, which are given only cursory mention in pars. 1.c.9. and 4.b. of the proposed Settlement Agreement.

Moreover, to the extent that Intervenors have been able to obtain information regarding existing liens on SFC's assets, there is one particularly large lien, a note to Kerr-McGee, which does not appear to be the appropriate responsibility of SFC. According to Table 10-2 of the PPCD, SFC owed \$10.6 million on a note to Kerr-McGee as of December 1992. Thus, it appears that one of the principal "senior lienholders" to which the proposed Settlement Agreement refers is Kerr-McGee. However, based on the

limited information that is available to Intervenors at this point,² it is not at all clear that SFC is or should be responsible for the payment of this entire debt, or even any amount of it.

The particular debt to which the PPCD refers apparently consists of a promissory note in which both SFC and its parent, Sequoyah Holding Corporation ("SHC") (a wholly owned subsidiary of GA) had committed to pay Kerr-McGee the sum of \$10,567,000, apparently for SHC's purchase of SFC from Kerr-McGee on November 4, 1988. Although Intervenors have not seen this promissory note, the amount of the note and the parties to it are reference in a mortgage between Kerr-McGee and SFC, in which SFC put up its real property as security for the promissory note. A copy of the mortgage is included as Attachment 1 to this pleading.

Thus, it appears that this promissory note was signed by SHC and entered into for the purpose of financing GA's ownership of SFC through SHC. Moreover, the loan was not used to finance any transactions by SFC itself, which already owned the property on which it was located, and had owned it while under Kerr-McGee's ownership.³ It is therefore necessary to determine, through further discovery and adjudication, what part of this promissory

² Intervenors note that the Licensing Board has bifurcated discovery, and thus Intervenors have not had an opportunity to propound discovery to SFC or GA on the issue of the cost of decommissioning or SFC's and GA's ability to pay for it.

³ See letter from Reau Graves, Jr. (SFC) to Leland C. Rouse (NRC) at 2 (October 18, 1988).

note, if any, SFC should be obligated to pay under the terms of the note, and what part should be the responsibility of SHC, GA's subsidiary.

It is also necessary to determine whether these circumstances warrant the piercing of the corporate veil to hold GA and SHC liable for the entire amount of the promissory note. As held in Bangor Punta Operations, Inc. v. Bangor & Aroostook RR Co., 417 U.S. 703, 713, 94 S.Ct. 2578, 2584 (1974), the corporate structure may not be used to frustrate an overriding public policy. See also First Natl. City Bank v. Banco para el Camerico Exterior de Cuba, 462 U.S. 611, 630, 103 S.Ct. 2591, 2601 (1983); Town of Brookline v. Gorsuch, 667 F.2d 215, 221 (1st Cir. 1981); Alman v. Danin, 801 F.2d at 3; Lowen v. Tower Asset Management, Inc., 829 F.2d 1209, 1220 (2d Cir. 1987). Here, it would be a horrendous perversion of NRC's policy of ensuring the adequacy of decommissioning funding if the limited revenues of SFC, which should be used to clean up the severely contaminated SFC site, are used to pay back a loan that was made not for SFC's benefit but for the benefit of its parent, SHC. The result is all the more unacceptable and unjust considering the fact that the settlement agreement would have SFC pay millions of dollars in funds that are needed for decommissioning to Kerr-McGee, which itself bears significant responsibility for having caused the serious contamination that is now so costly to clean up.

Moreover, as discussed in Native Americans for a Clean Environment's Opposition to General Atomics' Motion for Summary

Disposition or for an Order of Dismissal at 31 (April 13, 1994), and incorporated by reference herein, there is significant evidence that GA (and thus its subsidiary, SHC) knew, or should have known, that the SFC site was severely contaminated when it was purchased in 1988. Thus, under a common law theory of piercing the corporate veil, it also appears that SFC may have been a mere alter ego for GA, which used it to avoid liability on the promissory note, and which also realized that Kerr-McGee would not want the return of its contaminated property in lieu of full payment on the note.⁴ In this context, Intervenors note that SFC's president, Reau Graves, Jr. and SFC's secretary, James R. Edwards, who co-signed the November 4, 1988, mortgage, were also president and secretary, respectively, of SHC at that time.

In short, based on information currently available to Intervenors, the settlement proposal would appear to unjustly enrich Kerr-McGee and exonerate GA from liability for the debt on its purchase of SFC, all at the expense of the health and safety of the local community and the pocketbooks of the taxpayers. Accordingly, the Board should permit discovery and conduct a hearing on the reasonableness of the proposed settlement to the

⁴ See 18 Am. Jur. 2d Corporations, section 57 (1985) (If there is such a unity of interest between the two corporations so that the subsidiary is simply a business conduit of the parent and the subsidiary lacks its own identity, mind, or will, the veil will be pierced); G.E.J. Corp. v. Uranium, Inc., 311 F.2d 749 (9th Cir. 1962); other cases cited at page 31 of Native Americans for a Clean Environment's Opposition to General Atomics' Motion for Summary Disposition or for an Order of Dismissal.

extent that it provides for the payment of any liens by Kerr-McGee against SFC.

In considering this issue, and the propriety of all liens which SFC claims it must satisfy, the Board should keep in mind the fact that unlike an operating business, which has an interest in protecting its future financial health, SFC itself no longer has any interest in protecting itself from unjust or fraudulent commercial transactions. Any money saved by SFC by contesting either SHC's refusal to pay on the promissory note or Kerr McGee's insistence on its repayment will go to decommissioning costs, not to the profit margin of the company. Thus, although Table 10-2 of the PPCD vaguely refers to "negotiations" regarding SFC's payment on the note, SFC can no longer be expected to vigorously contest the propriety of its financial obligations, either against GA or Kerr-McGee. Thus, it devolves on the NRC to ensure that SFC pays only those debts which legitimately belong to it.

B. The Proposed Settlement Agreement Fails to Protect from Creditors SFC Funds That Have Already Been Committed to Decommissioning.

The proposed Settlement Agreement does not make any provision for decommissioning payments from two special accounts which have been set up by SFC explicitly for purposes of decommissioning. In fact, with respect to SFC's escrow account of \$750,000, rather than treat this as committed decommissioning funding as

required by the regulations, the proposed agreement treats it as a loan from GA that must be paid back with interest. This is contrary to the Commission's conditions for licensing SFC, as well as to NRC regulation 10 C.F.R. § 40.36.

1. Decommissioning reserve

On behalf of SHC, by letter dated October 18, 1988, Reau Graves Jr., the president of SHC, wrote to the NRC regarding the proposed purchase of SFC by SHC. In the letter, Mr. Graves made the following representation:

Sequoyah has established a policy of accruing decommission and reclamation expense for specific waste disposal projects and decommissioning activities, and intends to continue this policy upon transfer of ownership. These accruals are made based on units of production or a fixed monthly charge depending on the nature of the account. The sum of the balance of these accounts appears on Sequoyah's balance sheet as a Decommission and Reclamation Reserve. As work is performed on a specific project for which a reserve has been established, the related expense is funded from working capital and the balance of the reserve account is reduced. In the unlikely event the Sequoyah Facility would be required to decommission prematurely, the related cost would be funded from working capital.

Id. at 3 (emphasis added). In approving SHC's purchase of SFC, one of the factors considered by the NRC was that SFC:

has an established policy for accruing expense for waste disposal projects and decommissioning activities. Upon transfer of control, SHC intends to continue this policy. These accruals are based on units of production or a fixed monthly charge depending on the nature of the activity. The balance of the accounts for these activities appears as a decommission and reclamation reserve on the SFC balance sheet. The reserve is funded from working capital and is reduced to reflect costs related to specific disposal projects and decommissioning.

NRC Memorandum re: NRC Staff Assessment of Acquisition of Sequoyah Fuels Corporation by Sequoyah Holding Corporation at 3 (October 27, 1988). A copy is included as Attachment 2. Accordingly, the NRC specifically based its consent to SHC's acquisition of SFC:

The consent is subject to the issuance of a license amendment and commitments to submit financial statements for Sequoyah Holding Corporation and Sequoyah Fuels Corporation and to maintain the decommissioning and reclamation reserves.

Id., cover letter at 1 (emphasis added).

These statements raise two issues and a number of related questions. First, the decommissioning reserve should be separately identified as a source of decommissioning funding which is not subject to SFC's other debts and expenses. Questions related to this issue include: has the decommission reserve been maintained properly and according to the formula represented in SFC's financial reports? According to a financial report submitted by SFC to EPA on March 4, 1994, the balance in the decommissioning and reclamation account was \$3,794,022.⁵ How much money is the decommissioning reserve now? These questions must be answered

⁵ Letter from John Ellis to Mike Hebert (EPA), enclosing 1994 First Quarter Financial Statement. Relevant excerpts are included as Attachment 3. Although SFC generally withholds these financial statements from public disclosure when it sends them to EPA, on May 12, 1994, Mr. Ellis sent NACE director Lance Hughes a letter enclosing a copy of his March 4 letter to EPA and all of its attachments, including a copy of the quarterly financial report. Letter from John H. Ellis to Lance Hughes. Attachment 3. Thus, SFC waived confidentiality with respect to this report.

before the Board can find that the proposed settlement identifies all sources of decommissioning funding for the SFC site that are not subject to prior financial obligations.

The second issue relates to GA's responsibility for the decommissioning reserve. If the reserve has not been maintained as committed by SHC, then it is SHC's responsibility to make up the shortfall. Moreover, since SHC is nothing more than a holding company which is a subsidiary of GA, this raises questions about the liability of GA for this decommissioning reserve. It also raises questions as to whether SFC should be paying debts to GA, when GA may need to be making up the shortfall in the decommissioning reserve. These are obviously very complex questions that cannot be fully addressed without the benefit of full discovery on the nature of the decommissioning reserves and the degree to which they have been maintained.

2. Escrow Account

As required by 10 C.F.R. § 40.36, SFC has a letter of credit for \$750,000, which must be dedicated exclusively to decommissioning funding. Since 1992, the bank has required SFC to back up the letter of credit with a \$750,000 deposit. Letter from John H. Ellis to Michael Weber (July 7, 1995).⁶ According to

⁶ A copy of Mr. Ellis' letter was forwarded to the Licensing Board on August 8, 1995, via Board notification 95-01, Memorandum from Michael F. Weber to Atomic Safety and Licensing Board and all Parties re: New Information Relevant to Licensing Board Proceedings in the Matter of Sequoyah Fuels.

par. 4.b. of the proposed Settlement Agreement, this money was loaned to SFC by GA.

Nowhere in the proposed Settlement Agreement does SFC commit the \$750,000 fund required by 10 C.F.R. § 40.36 to the decommissioning of the plant. Instead, the only reference to the \$750,000 is the statement that the \$750,000 loan must be paid back to GA. Id., par. 4.b. Thus, in violation of § 40.36, the proposed agreement turns a \$750,000 segregated decommissioning guarantee into just another one of SFC's debts. The agreement should make it clear that a sum of at least \$750,000 is committed to decommissioning, regardless of any debts that SFC must pay.

The proposed agreement is also inadequate in that it makes no mention of interest earned by the \$750,000 account. SFC has been required to keep \$750,000 in cash in a trust fund since 1992. Letter from John H. Ellis to Michael Weber (July 7, 1995). According to SFC's Standby Trust Agreement with Citibank, interest earned by that account is to be reinvested with the principal. Standby Trust Agreement at 2, enclosed with letter from John H. Ellis to John W. N. Hickey (July 31, 1992). Attachment 4. In its July 7 letter to the NRC staff, SFC requested approval of an agreement, whereby it would transform its current letter of credit into an interest-bearing escrow account. However, Mr. Ellis' letter made no mention of the interest already earned by the Standby Trust, which by the terms of the Trust must be reinvested in the trust.

The draft escrow agreement enclosed by Mr. Ellis with his July 7 letter also fails to provide that the interest earned by the escrow account will be reinvested in the account. This is directly contrary to the guidance of NRC Regulatory Guide 3.66, which Mr. Ellis claims to have followed. According to Reg. Guide 3.66, the agent for the escrow account "shall invest and reinvest the principal and income of the escrow account and keep the escrow account invested as a single fund, without distinction between principal and income." Id. at 4-4. In violation of this guidance, SFC's proposed escrow agreement provides that:

All interest earned by the escrow account shall be considered to be outside the terms of this Agreement, shall not be considered part of the escrow account, and shall be paid by Escrow Agent directly to SFC on a regular basis but no less often than ten (10) days following the end of each calendar quarter.

Id. at 2, par. 5. Any settlement agreement that is approved by this Board should be consistent with Reg. Guide 3.66, and provide that all interest earned by the account is committed to decommissioning. This is important in order to ensure that funds specifically earmarked for decommissioning, and required as a matter of federal regulation, are not used to pay off unrelated debts and expenses, which in this case may amount to a sizable proportion of, or even exceed, the amount of SFC's remaining funds.⁷ In

⁷ SFC's claimed outstanding debts and obligations may not add up to \$86 million, the amount that SFC thinks it will be able to contribute to decommissioning. However, as pointed out in the staff's October 15, 1993 order, it is at best uncertain whether SFC's revenues from ConverDyn will be as high as anticipated. 58 Fed. Reg. at 55,089. Thus, it is possible that SFC's debts may equal or exceed its revenues, thus leaving little or no funding for decommissioning.

addition, SFC should be required to commit any interest that has been earned by the \$750,000 deposit under the Standby Trust Agreement to decommissioning of the facility.

C. The Board Should Determine The Reasonableness of SFC's Financial Relationship With ConverDyn.

It is clear from the PPCD, Table 10-2 that the majority of funds for decommissioning the SFC site are expected to come from SFC's contracts with ConverDyn. However, little or nothing has been revealed about SFC's financial arrangements with ConverDyn. According to the proposed Settlement Agreement at page 3, par. 1.d., SFC's net assets are defined in part as being subject to SFC's "obligations to ConverDyn," but the nature of these obligations is not disclosed. In its March 4, 1994, financial report to EPA, SFC also stated that ConverDyn fees payable to SFC "are based on a recovery of cost for Sequoyah Fuels expenditures on cleanup activities, as well as a percentage of profits based on available cash of the partnership." Financial Assurance Quarterly Report, enclosed in letter from John H. Ellis to Mike Hebert. Attachment 3. This statement indicates that SFC's ability to share in the profits of ConverDyn is uncertain.

Because SFC and the NRC staff have failed to provide any information about the financial relationship between SFC and ConverDyn, it is impossible to determine whether SFC's obligations to ConverDyn are reasonable and legitimate, and whether it is earning reasonable fees from the relationship. As discussed

above with respect to the Kerr-McGee mortgage, neither SFC, Allied Signal, nor any of the GA affiliates associated with Con-
verDyn have any motivation to maximize SFC's profits from Con-
verDyn; thus, it is incumbent upon the NRC to obtain a reasonable
assurance that this business relationship is being conducted in a
reasonable manner. Nor is it enough for SFC to say that it will
act reasonably. Before the Board can approve this proposed
settlement, it should have confidence that there are sufficient
restrictions placed on SFC's obligations and on ConverDyn's
ability to withhold profits from SFC to ensure that profits rea-
sonably due to SFC will go to the decommissioning of the facil-
ity.

**D. The NRC Cannot and Should Not Unconditionally Waive the
Decommissioning Regulations as They Apply to SFC.**

In paragraphs 6 and 7 of the proposed Settlement Agreement,
the NRC proposes to forbear from taking any further enforcement
action against SFC to provide financial assurance for decommis-
sioning, beyond the commitments made in the agreement, unless it
obtains new information showing that any representation in the
agreement is incorrect. However, nothing in the proposed Settle-
ment Agreement represents that the parties intend that SFC will
shut down permanently and never operate any type of business
again. Thus, the proposed Settlement Agreement appears to
absolve SFC of any future liability for decommissioning, regard-
less of whether it remains a functioning commercial entity and
resumes some other type of profitable business against which

decommissioning funds could be assessed. This should be corrected. Moreover, the agreement should not absolve SFC's successors in title to the contaminated property of liability for decommissioning funding.

V. **CONCLUSION**

For the foregoing reasons, the Licensing Board should not accept the terms of this proposed Settlement Agreement unless and until it has further adjudicated the reasonableness of the agreement to protect public health and safety and the environment in all of the respects discussed above.

Respectfully submitted,

Diane Curran
6935 Laurel Avenue Suite 204
Takoma Park, MD 20912
(301) 891-2774
Counsel to NACE

James G. Wilcoxon
Wilcoxon, Wilcoxon & Primomo
P.O. Box 357
Muskogee, OK 74402
(918) 683-6696
Counsel to the Cherokee Nation

September 8, 1995

**LIST OF ATTACHMENTS TO INTERVENORS'
RESPONSE TO JOINT MOTION
FOR APPROVAL OF SETTLEMENT AGREEMENT**

- 1 Mortgage between Kerr-McGee and SFC (November 4, 1988)
- 2 NRC Cover Letter and Memorandum re: NRC Staff Assessment of Acquisition of Sequoyah Fuels Corporation by Sequoyah Holding Corporation at 3 (October 27, 1988).
- 3 Letter from John H. Ellis to Lance Hughes (May 12, 1994), enclosing letter from John Ellis to Mike Hebert (March 4, 1994), with selected attachments.
- 4 Letter from John H. Ellis to John W. N. Hickey (July 31, 1992).



009404

MORTGAGE

10970834-11357

This Mortgage is made Alvin H., 1988, between SEQUOYAH FUELS CORPORATION, a Delaware corporation, with an address at P. O. Box 610, Core, Oklahoma 74435 (herein called "Mortgagor"), and KERR-MCGEE CORPORATION, a Delaware corporation, whose address is Kerr-McGee Center, Oklahoma City, Oklahoma 73102 (herein called "Mortgagee").

WHEREAS, Mortgagor has, together with Sequoyah Holding Corporation, executed and delivered to Mortgagee a certain promissory note of even date herewith ("Note") payable to the order of Mortgagee in the principal sum of Ten Million Five Hundred Sixty-seven Thousand Dollars (\$10,567,000), together with interest thereon at the rate per annum, in the manner and at the times therein set forth, providing that Ten Million Dollars (\$10,000,000) of the principal sum and interest thereon is to be secured (the "Secured Sum"), and containing certain other terms and conditions all of which are specifically incorporated herein by reference.

NOW, THEREFORE, Mortgagor, in consideration of the debt or principal sum and as security for the payment of the Secured Sum as aforesaid, together with all other sums payable hereunder or, to the extent relating to the Secured Sum, under the terms of the Note, does hereby grant and convey unto Mortgagee, its successors and assigns, the following described tracts of real property located partially in Muskogee County, State of Oklahoma and partially in Sequoyah County, State of Oklahoma, described as follows, to-wit:

See Exhibit "A" attached hereto and made a part hereof;

together with all buildings and improvements thereon, the appurtenances thereunto belonging and the reversions, rents, issues and profits thereof. All replacements and additions shall also be covered by this Mortgage.

To have and to hold the same unto Mortgagee, its successors and assigns.

Provided, however, that if Mortgagor pays to Mortgagee the Secured Sum, and all other sums payable by Mortgagor to Mortgagee hereunder and, to the extent relating to the Secured Sum, under the terms of the Note and keeps and performs each of the other covenants, conditions, and agreements herein set forth, then this Mortgage and the estate hereby granted and conveyed shall become void.

PLASTIC ENCASEMENT
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BOOK 0634 PAGE 358

Mortgagor covenants that Mortgagor is lawfully seized of the estate hereby conveyed and has the right to mortgage, grant and convey to Mortgagee the mortgaged property. Mortgagor warrants good and defensible title to the mortgaged property (burdened by the exceptions, reservations, easements and similar burdens subject to which the mortgaged property was acquired by Mortgagor) as against all those claiming by, through or under Mortgagor; except for (i) liens for taxes or assessments not due and payable, or which are being contested in good faith by appropriate proceedings, and (ii) encumbrances, easements and other title imperfections which do not in the aggregate materially detract from the value or materially interfere with the use of such mortgaged property.

Mortgagor covenants and agrees that until the Secured Sum is fully paid or this Mortgage is released:

1. Mortgagor shall (a) pay and discharge, when and as the same become due and payable, all taxes, assessments, sewer and water rents, and all other charges, claims, and liens assessed, levied, imposed, or created from time to time on the mortgaged premises or any part thereof that shall or might have priority in lien, payment, or distribution to the Secured Sum secured hereby; (b) pay and discharge all material, mechanics' or labor liens that may be filed against the premises and that shall or might have priority in lien or payment to the Secured Sum secured hereby; and (c) promptly submit to Mortgagee evidence of the due and punctual payment of all the foregoing charges.

2. Mortgagor shall maintain all buildings and improvements on the mortgaged premises in good and substantial repair, as reasonably determined by Mortgagee. Mortgagor shall suffer no waste to the property subject to this Mortgage. Mortgagee shall have the right upon reasonable notice to enter on the mortgaged premises at any reasonable hour to inspect the order, condition, and repair of the buildings and improvements thereon. Mortgagor shall comply with all Nuclear Regulatory Commission monitoring, testing and sampling requirements with respect to the mortgaged premises and allow Mortgagee access to all resulting data and reports to the Nuclear Regulatory Commission based thereon.

3. In the event Mortgagor neglects or refuses to pay the charges mentioned above, or fails to maintain the buildings and improvements as aforesaid, Mortgagee may, after giving Mortgagor written notice and thirty (30) days opportunity to cure or make provision therefor (such as

bonding) satisfactory to Mortgagee, do so itself, add the cost thereof to the Secured Sum secured hereby, and collect the same as a part of the Secured Sum.

4. Mortgagor covenants and agrees not to create, nor permit to accrue, on all or any part of the mortgaged premises, any debt, lien or charge that would be prior to, or on a parity with, the lien of this Mortgage.

5. In the event of a total or partial taking of the mortgaged property through eminent domain, the proceeds shall be applied to the Secured Sum secured by this Mortgage, whether or not then due, with any excess of such proceeds paid to Mortgagor.

6. In case default is made in the payment of any installment of principal or interest pursuant to the terms of the Note then, without notice, (or in case default is made in the performance by Mortgagor of any of the other obligations of the Note or this Mortgage and such default continues after written notice and thirty days opportunity to cure or make provision therefor satisfactory to Mortgagee acting reasonably then, upon expiration of such thirty days) the entire unpaid balance of the Secured Sum shall at the option of Mortgagee become immediately due and payable, and foreclosure proceedings may be brought forthwith on this Mortgage and prosecuted to judgment, execution, and sale for the collection of the same, together with costs of suit and attorneys' fees. Mortgagor hereby forever waives and releases all errors in the proceedings, extension of time of payment, agrees to condemnation of any property levied on by virtue of any such execution, and waives all exemptions from levy and sale of any property that now is, or hereafter may be, exempted by law.

7. In the event of any default under this Mortgage or under the Note, Mortgagor hereby empowers any attorney of any court of record in the United States of America or elsewhere to appear for Mortgagor and for any and all parties claiming under or through Mortgagor and to confess a judgment or series of judgments against Mortgagor and any such party or parties, in favor of Mortgagee, in an amicable action of ejectment for possession of the mortgaged premises and authorize the entry of such action, confession of judgment therein for possession and for reasonable attorneys' fees. Mortgagee may bring such action before or after the institution of foreclosure proceedings on this Mortgage or after judgment thereon or on the Note, or after a sale of the mortgaged premises by the sheriff. The covenants, conditions, and agreements contained in

OCT 27 1988

Attachment 2

Docket No: 40-8027
License No: SUB-1010

Sequoyah Holding Corporation
ATTN: Mr. Reau Graves, Jr., President
P. O. Box 610
Gore, Oklahoma 74435

Gentlemen:

In accordance with your letter dated October 18, 1988, we have reviewed your request for NRC consent to the transfer of control of Sequoyah Fuels Corporation from Kerr-McGee Corporation to Sequoyah Holding Corporation. We understand that the proposed transfer will be a purchase of the outstanding stock of Sequoyah Fuels Corporation.

In your letter, you have stated that there will be no change to operations or in the existing conditions of the license affecting health and safety requirements and no major changes for the current onsite operating and management personnel. The President of Sequoyah Fuels Corporation, who is presently a Kerr-McGee employee, will be replaced by an employee of General Atomics. Kerr-McGee corporate positions with oversight and audit responsibilities will be assumed by General Atomics corporate staff.

Based upon the information submitted, we have determined that the transfer of control is in accordance with the provisions of Title 10, Code of Federal Regulations, Section 40.46. We find that there will be no adverse impact on the public health and safety or the common defense and security as a result of the transfer of control of Sequoyah Fuels Corporation by virtue of the change in stock ownership. Accordingly, pursuant to 10 CFR 40.46, the Commission hereby consents to Sequoyah Holding Corporation acquiring control of Sequoyah Fuels Corporation. The consent is subject to the issuance of a license amendment and commitments to submit financial statements for Sequoyah Holding Corporation and Sequoyah Fuels Corporation and to maintain the decommissioning and reclamation reserves. Sequoyah Holding Corporation's commitment for Sequoyah Fuels Corporation to submit a decommissioning funding plan at the time Sequoyah Fuels Corporation submits a license renewal application will become a condition in the license.

By separate letter, a license amendment reflecting changes in ownership and corporate oversight is being issued prior to the stock transfer. The amendment will become effective at the time of stock transfer. We understand that you will notify NRC at the time the transaction is consummated.

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OCT 27 1988

Sequoyah Holding Corporation 2

For your information, a copy of the staff assessment concerning this decision is enclosed. If you should have any questions regarding this matter, please contact Mr. Scott Pennington on (301) 492-0693 or me on (301) 492-0642.

FOR THE NUCLEAR REGULATORY COMMISSION

Original Signed By:

John P. Roberts for
Leland C. Rouse, Chief
Fuel Cycle Safety Branch
Division of Industrial and
Medical Nuclear Safety, NMSS

Enclosure:
Staff Assessment of Acquisition

cc w/encl: Dr. John C. Stauter
Sequoyah Fuels Corporation

Distribution w/encl.

IMUF R/F
Region IV
RFonner, OGC
PGarcia, URFO RIV

IMSB R/F
LCrouse
GJackson, LFMB SHO

VLTharpe
GHBidinger
MHorn

NMSS R/F
SPennington
RWood, NRR
CRobinson

OFC:IMUF:	IMUF:	IMUF: 27B	NRR:	OGC:	IMUF:
NAME:SPennington:mh:	VLTharpe:	GHBidinger:	RWood:	RFonner:	LCrouse:
DATE: 10/27/88	10/27/88	10/27/88	10/27/88	10/27/88	10/27/88

OFFICIAL RECORD COPY

Handwritten signatures and dates:
10/27
10-27-88

OCT 27 1988

DOCKET NO: 40-8027
LICENSEE: Sequoyah Fuels Corporation
FACILITY: Sequoyah Facility
Gore, Oklahoma
SUBJECT: NRC STAFF ASSESSMENT OF ACQUISITION OF SEQUOYAH FUELS
CORPORATION BY SEQUOYAH HOLDING CORPORATION

Background

Sequoyah Fuels Corporation (SFC) is an NRC licensee engaged in uranium hexafluoride production and uranium hexafluoride reduction activities. All SFC stock is held by Kerr-McGee Corporation.

Meetings were held between NRC staff and representatives of General Atomics and the firm's legal counsel, Winthrop, Stimson, Putman, and Roberts, on July 7 and August 2, 1988. During the August 2, 1988, meeting and by letter dated September 16, 1988, draft copies of the letter requesting NRC consent to the transfer of control of SFC from Kerr-McGee Corporation to Sequoyah Holding Corporation, a subsidiary of General Atomics, and of the license amendment application to reflect a change in ownership and corporate oversight were provided for staff comment. By letter dated October 7, 1988, staff provided General Atomics counsel with additional topics to be addressed in the letter and comments for the license amendment application. By separate letters dated October 18, 1988, Sequoyah Holding Corporation formally requested NRC consent for the transfer of control of SFC and an amendment to the license. The transfer of control of SFC would be effected by a transfer of stock ownership.

Staff's review of the request for consent was conducted pursuant to requirements in 10 CFR 40.46 to ensure there would be no adverse impact on the public health and safety or common defense and security as a result of the transfer of control of SFC. A separate evaluation is being prepared for the amendment application.

In support of the consent review, staff performed a financial review to determine whether the proposed change in SFC ownership will affect the financial resources of SFC for safely operating the plant and for future decommissioning of the Gore facility. Financial information for this review was provided in the draft documents submitted at the August 2, 1988, meeting, by telefax on August 25, 1988, and telephonically on August 29, 1988.

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Discussion

Subject to NRC consent and the issuance of an amendment to the license, Sequoyah Holding Corporation (Purchaser) has agreed to purchase SFC from Kerr-McGee Corporation, the current holder of SFC stock. The purchase includes acquisition of the uranium hexafluoride production and reduction facilities near Gore, Oklahoma, as well as ranches near the plant. The Purchaser will not acquire the Cimarron facility, the Wyoming properties, and other properties previously owned by SFC.

Sequoyah Holding Corporation is a wholly-owned subsidiary of General Atomics which is itself a wholly-owned subsidiary of General Atomics Technologies Corporation. General Atomics is a corporation that engages in commercial research and development in the areas of nuclear energy and defense products. Sequoyah Holding Corporation is not owned, controlled, or dominated by an alien, a foreign corporation, or foreign government.

SFC will remain as a separate corporate entity. The Purchaser has stated that (a) it will install a new board of directors for SFC, (b) the new President of SFC is currently an employee of General Atomics and will be located at the facility, (c) the principal officers of SFC will be changed, and (d) the current oversight and audit responsibilities of the Kerr-McGee corporate staff will be assumed by the General Atomics corporate staff.

The transfer of control of the license requires an amendment to the license. An amendment application was submitted to reflect a change in SFC ownership and corporate oversight. The proposed change in control is effected by a change in SFC ownership through a purchase of stock. There will be no changes in the current license conditions affecting health and safety requirements or plant operations. There are no major changes in onsite management and operating personnel.

A financial review to determine whether the proposed acquisition will affect SFC's financial resources to operate and decommission the Gore facilities has been conducted by Robert Wood, Office of Nuclear Reactor Regulation. The financial analysis evaluated SFC's ability to perform the activities authorized by the license and how such activities would be affected by the proposed transfer of ownership of SFC from Kerr-McGee Corporation to Sequoyah Holding Corporation. The review concluded that the proposed transfer of ownership will not impair SFC's ability to perform decommissioning and reclamation activities or to safely operate the plant.

Regarding the staff's additional topics provided to General Atomics' counsel by letter dated October 7, 1988, the Purchaser has addressed each topic and provided the following information and commitments:

1. Sequoyah Fuels Corporation and Quivira Mining Company have executed a contract which provides that the Quivira Uranium Mill continue to accept the Sequoyah Facility's raffinate and fluoride sludges for uranium

recovery. The contract remains in effect through December 1, 1992, and provides for yearly extensions for so long as Quivira is licensed to process source material. If Quivira terminates the contract at its completion, a portion of the mill will remain operable at an agreed upon rental rate to handle SFC processing needs. The provisions of the contract will survive if the mill is transferred to another party.

2. Sequoyah Holding Corporation has committed to submittal of the financial statements for itself and SFC within 90 days of December 31, 1988, and within 90 days of the close of each fiscal year thereafter until the time that SFC files a decommissioning funding plan.
3. Sequoyah Holding Corporation has committed SFC to the submittal of a decommissioning funding plan pursuant to the new decommissioning rule, Section 40.36 of 10 CFR Part 40, at the time SFC submits a license renewal application. The license is scheduled to expire September 30, 1990.
4. Sequoyah Fuels Corporation has an established policy for accruing expense for waste disposal projects and decommissioning activities. Upon transfer of control, SHC intends to continue this policy. These accruals are based on units of production or a fixed monthly charge depending on the nature of the activity. The balance of the accounts for these activities appears as a decommission and reclamation reserve on the SFC balance sheet. The reserve is funded from working capital and is reduced to reflect costs related to specific disposal projects and decommissioning.

Conclusions/Recommendations

Based on the above, the staff concludes that the proposed transfer of control of Sequoyah Fuels Corporation to Sequoyah Holding Corporation:

- a) Is in accordance with requirements in 10 CFR 40.46;
- b) Will not have an adverse effect on the public health and safety;
- c) Will not change the health and safety requirements in the license;
- d) Will not significantly change onsite management and operating personnel;
- e) Is not likely to adversely affect the common defense and security based on statements and representations of the Purchaser and the requirements of the license;
- f) Will provide for the continued acceptance of the plant's raffinate and fluoride sludges for uranium recovery at the Quivira Uranium Mill in New Mexico;

- g) Includes the acquisition of the Gore facilities and nearby ranches but not the Cimarron facility, the Wyoming properties, and other previously owned SFC properties;
- h) Provides a commitment for the submittal of annual financial statements for Sequoyah Fuels Corporation and Sequoyah Holding Corporation;
- i) Provides a commitment to maintain the reserves for decommissioning and reclamation expenses;
- j) Provides a commitment for SFC to submit a decommissioning funding plan at the time SFC submits a license renewal application.

Based on these conclusions, staff recommends NRC consent to the transfer of Sequoyah Fuels Corporation to Sequoyah Holding Corporation subject to the issuance of a license amendment and the commitments described in the above items h) and i). Furthermore, staff recommends that item j) be made a condition of the SFC license.

Original Signed By:

W. Scott Pennington
 Uranium Fuel Section
 Fuel Cycle Safety Branch
 Division of Industrial and
 Medical Nuclear Safety, NMSS

Approved by: Original Signed By:
 George H. Bidinger, Section Leader

OFC: IMUF:	IMUF:	IMUF:	IMUF:	OFC:	IMSB:
NAME: WSPennington:sh:	VL Tarpe:	GHBidinger:	Rhood:	Personner:	LCrouse:
DATE: 10/27/88	10/27/88	10/27/88	10/27/88	10/27/88	10/27/88

OFFICIAL RECORD COPY



May 12, 1994

9459-NA

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. Lance Hughes, Director
Native Americans for a Clean Environment
P.O. Box 1671
Tahlequah, OK 74465

Dear Lance:

I understand from Mike Hebert that you have informally requested a copy of SFC's 1994 Financial Assurance Budget, dated March 4, 1994, which was submitted to EPA under terms of SFC's AOC. As you are probably aware, SFC requested that this budget report be treated as proprietary and confidential under the terms of 40 CFR Part 2, Subpart B.

After reviewing the budget report, SFC has concluded that it would be acceptable to provide a copy of this report directly to you, as the information contained in this report is similar to that contained in SFC's Preliminary Plan for Completion of Decommissioning. The 1994 Financial Assurance Budget Report is identified as Enclosure 1.

I have also included a copy of SFC's Financial Assurance Quarterly Report (1st quarter - 1994) which also was recently submitted as proprietary and confidential to EPA. This submittal includes a First Quarter Financial Statement which SFC maintains must remain proprietary and is therefore not included. Enclosure 2 is the quarterly report as was submitted to the EPA, excluding the pages constituting the financial statement. In the future, you will receive these reports directly when they are submitted to the EPA.

Should you have any questions on this information, please call me at (918) 489-3390.

Sincerely,

John H. Ellis
President, SFC

Enclosures - 2

Distribution:

Diane Curran, Esq.
c/o IEER
6935 Laurel Avenue, Suite 204
Takoma Park, MD 20912

Jim Wilcoxon, Esq.
Wilcoxon & Wilcoxon
Cherokee Nation of Oklahoma
P.O. Box 357
Muskogee, OK 74402-0357

Fred Allenbaugh, SAFEST
P.O. Box 98
Gore, OK 74435

Jim Shepherd
Office of Nuclear Material
Safety & Safeguards, NMSS
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Mike Hebert (6H-CX) - w/o enclosures
RCRA Enforcement Branch
U.S. Environmental Protection Agency
1445 Ross Avenue, Suite 1200
Dallas, TX 75202-2733

Damon Wingfield, Chief
Waste Management Service
Department of Environmental Quality
1000 N.E. 10th Street
Oklahoma City, OK 73117-1299

March 4, 1994

RE: 9427-E

AIRBORNE EXPRESS

Mr. Mike Hebert (6H-CX)
RCRA Enforcement Branch
U. S. Environmental Protection Agency
1445 Ross Avenue, Suite 1200
Dallas, TX. 75202-2733

RE: Sequoyah Fuels Corporation
1994 Financial Assurance Budget
Proprietary Information Enclosed
RCRA § 3008(h) Administrative Order on Consent
U. S. EPA Docket No. VI-005-(h)93-H
EPA I. D. No. OKD051961183

Dear Mr. Hebert:

Enclosed are four (4) copies of the 1994 Financial Assurance Budget for Sequoyah Fuels Corporation which is required under Part XII.2 of the referenced Consent Order. The budget report is required to be submitted by January 31st of each year but was allowed an extension for 1994 until today's date to allow EPA's comments to be addressed concerning the budget report format.

Sequoyah Fuels requests that the referenced enclosed information be treated as proprietary information under the provisions of 40 C.F.R. Part 2, Subpart B. Pursuant to Section 2.206 of 40 C.F.R., SFC is requesting that EPA issue an advance determination that the enclosed information is entitled to confidential treatment.

Should the EPA determine that these materials are not entitled to confidential treatment, SFC requests that the EPA return all copies of these materials to SFC in accordance with 40 C.F.R. § 2.206(d). In the alternative, should EPA determine that these materials are entitled to confidential treatment, please inform SFC of such in writing. It is SFC's understanding that because the information is deemed proprietary a copy will not be provided to the NRC by EPA as normally done under terms of the Consent Order.

SFC will send a letter to Damon Wingfield at the Oklahoma Department of Environmental Quality informing him of today's submittal. I will copy you on that letter.

SFC will be sending EPA a Financial Assurance Quarterly Report and Financial Statement following completion of the first quarter in 1994. This report and statement must be submitted to your office by April 30, 1994 according to the terms of the Consent Order.

Please let me know if you have any questions regarding the attached submittal.

Sincerely,



Tom Blachly
Project Coordinator

Approved:



John Ellis
President

Enclosures

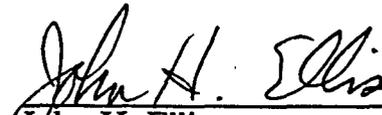
Affidavit of

JOHN H. ELLIS

I, John H. Ellis, President of Sequoyah Fuels Corporation, do hereby affirm and state:

- 1) I am authorized to execute this affidavit on behalf of Sequoyah Fuels Corporation.
- 2) The affiant is an officer of the Licensee, Sequoyah Fuels Corporation, which is a wholly-owned subsidiary of Sequoyah Fuels International Corporation, which is a wholly-owned subsidiary of Sequoyah Holding Corporation.
- 3) This affidavit is submitted under the provisions of 40 CFR Part 2, Subpart B in order to withhold the enclosed information from disclosure or publication.
- 4) The subject information contains confidential information of a privately-held corporation which have been held in confidence by the owner and are customarily held in such confidence. These documents have been transmitted to the EPA in confidence, and are not available in public sources. Public disclosure would create substantial harm to the owner by providing detailed financial information to its other parties whose interest may be adverse to the owner.

SEQUOYAH FUELS CORPORATION



John H. Ellis
President

SUBSCRIBED AND SWORN to before me this 4th day of March, 1994.



Notary Public

My Commission Expires:

December 1, 1996

FINANCIAL ASSURANCE QUARTERLY REPORT

FINANCIAL ASSURANCE QUARTERLY REPORT
1ST QUARTER 1994

REVENUE SOURCE	1ST QTR BUDGET	1ST QTR ACTUAL
CONVERDYN FEES 1	3,000,000	5,104,721
G A ADVANCES 2	0	0
INTEREST INCOME	8,000	17,579
OTHER	0	33,060
TOTAL REVENUE	3,008,000	5,155,360
EXPENDITURES		
CORRECTIVE ACTIONS	563,429	716,815
CORRECTIVE ACTION SUPPORT	505,693	689,910
ADMINISTRATION	925,594	968,049
INTEREST EXPENSE	0	0
DEBT REPAYMENT	0	199,030
TOTAL EXPENDITURES	1,994,716	2,573,804

1 ConverDyn fees are monies payable to Sequoyah Fuels Corporation from the partnership formed by GAES and ASES. These fees are based on a recovery of cost for Sequoyah Fuels expenditures on cleanup activities, as well as a percentage of profits based on available cash of the partnership.

2 GA advances are Sequoyah Fuels borrowing against a revolving note with General Atomics. Revenues from the partnership that exceed expenditures in any period will be used to retire this debt.

CORRECTIVE ACTION	1ST QTR BUDGET	1ST QTR ACTUAL	% OF TOTAL
SOW 320101	34,562	63,505	2.67%
SOW 320201	35,809	63,044	2.65%
SOW 320401	218,935	245,679	10.35%
SOW 320402	23,075	64,417	2.71%
SOW 320501	8,422	5,354	0.23%
SOW 320502	67,767	178,814	7.53%
SOW 320601	23,345	15,177	0.64%
SOW 320602	7,979	16,635	0.70%
SOW 330201	4,691	53,468	2.25%
SOW 330202	101,299	388	0.02%
SOW 340602	37,545	10,333	0.44%
SUB TOTAL CORRECTIVE ACTION	563,429	716,814	30.18%
CORRECTIVE ACTION SUPPORT			
ENVIRONMENTAL DEPT	56,330	75,468	3.18%
LABORATORY SUPPORT	102,295	151,384	6.37%
HEALTH PHYSICS DEPT	97,023	180,867	7.62%
QUALITY ASSURANCE	33,173	28,157	1.19%
LICENSING DEPT	46,719	61,955	2.61%
PLANNING SUPPORT	80,386	46,896	1.97%
PROJECT SUPPORT	69,108	113,581	4.78%
COMMUNITY RELATIONS	3,089	7,533	0.32%
TRAINING SUPPORT	17,570	24,069	1.01%
SUB TOTAL CORRECTIVE ACTION SUPPORT	505,693	689,910	29.05%
ADMINISTRATION			
LICENSE FEES	67,098	38,397	1.62%
TAXES AND INSURANCE	242,752	243,533	10.25%
ADMINISTRATION	74,898	77,771	3.27%
UTILITIES	153,591	177,012	7.45%
MAINTENANCE	56,691	119,838	5.05%
SECURITY	27,479	35,341	1.49%
FINANCE	24,736	38,196	1.61%
EXECUTIVE	155,855	(54,876)	-2.31%
LEGAL	103,197	286,089	12.05%
HUMAN RESOURCES	19,297	6,752	0.28%
SUB TOTAL GENERAL & ADMINISTRATION	925,594	968,053	40.76%
TOTAL EXPENSES	1,994,716	2,374,777	100.00%

1994 FIRST QUARTER FINANCIAL STATEMENT

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SEQUOYAH FUELS
CONSOLIDATED
10-K STATEMENT OF OPERATIONS

	PERIOD ENDED MARCH 31	
	1994	1993
REVENUES	7,871,440.75	6,199,598.53
COSTS AND EXPENSES		
COST OF PRODUCT & MATERIAL	2,716,719.86	0.00
OPERATING EXPENSES	2,176,600.49	6,592,709.71
DEPRECIATION, DEPLETION & AMORTIZATION	121,162.20	428,865.91
TAXES OTHER THAN INCOME TAX	37,496.48	112,976.74
TOTAL COSTS AND EXPENSES	5,051,979.03	7,134,552.36
INCOME (LOSS) FROM OPERATIONS	2,819,461.72	(934,953.83)
OTHER INCOME (EXPENSE)	0.00	0.00
GAIN (LOSS) ON SALE OF PROPERTY	0.00	0.00
INTEREST INCOME	17,579.22	0.00
INTEREST (EXPENSE)	0.00	(69,278.89)
TOTAL OTHER INCOME (EXPENSE)	17,579.22	(69,278.89)
NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	2,837,040.94	(1,004,232.72)
PROVISION FOR INCOME TAXES		
FEDERAL INCOME TAXES	0.00	0.00
STATE INCOME TAX	0.00	0.00
TOTAL PROVISION FOR INCOME TAXES	0.00	0.00
NET INCOME (LOSS)	2,837,040.94	(1,004,232.72)

INDIRECT METHOD
FOR PERIOD ENDED MARCH 31, 1994

OPERATING ACTIVITIES:

Net Income		\$2,837,040.94
Adjustments to reconcile net income to cash provided by operating activities:		
Decrease in Accounts Receivable-Regular	221,267.69	
-Employee	(1,080.00)	
-Intercompany	(106,538.52)	
Increase in Deferred Conversion Services	0.00	
Increase in Inventories	(0.00)	
Increase in Deposits & Prepaids	151,184.35	
Increase in Deferred Charges	0.00	
Increase in Accounts Payable	(481,152.34)	
Decrease in Current Portion of Long Term Debt	0.00	
Increase in Current Income Taxes Payable	0.00	
Increase in Accrued Liabilities:		
Taxes Other Than Income Tax	(138,286.46)	
Payroll	(233,528.43)	
Other	0.00	
Increase in Deferred Credits:		
Decommission & Reclamation	0.00	
Other	0.00	
Income Taxes	0.00	
Increase in Depreciation and Amortization	121,162.20	
(Gain) or Loss on Sale of Property	0.00	

NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ 2,370,069.43

INVESTING ACTIVITIES:

Purchases of Property, Plant & Equipment		9,646.44
Proceeds from sale of equipment - Original Cost	0.00	
- less Accum Depre	0.00	
- plus Gain or (Loss)	0.00	

NET CASH USED IN INVESTING ACTIVITIES		9,646.44

FINANCING ACTIVITIES:

Dividends		0.00
Payment on Long-term Debt	0.00	

NET CASH PROVIDED BY FINANCING ACTIVITIES		0.00

Net Increase/(Decrease) in Cash		\$ 2,379,715.87
Cash balance at beginning of period		2,359,090.05

CASH BALANCE AT END OF PERIOD		\$ 4,738,805.92
		=====

SEQUOYAH FUELS
CONSOLIDATED BALANCE SHEETS

	MARCH 31, 1994	JANUARY 1, 1994	CHANGE
ASSETS			

CURRENT ASSETS			

CASH	4,738,805.92	2,359,090.05	2,379,715.87
ACCOUNTS RECEIVABLE			
REGULAR	140,690.67	361,958.36	(221,267.69)
EMPLOYEES & OFFICERS	116,260.36	115,180.36	1,080.00
INTERCOMPANY	862,929.45	756,390.93	106,538.52
	-----	-----	-----
TOTAL ACCOUNTS RECEIVABLE	1,119,880.48	1,233,529.65	(113,649.17)
	-----	-----	-----
DEFERRED CONVERSION SERVICES	0.00	0.00	0.00
MATERIALS & SUPPLIES	345,776.55	345,776.55	0.00
	-----	-----	-----
TOTAL DEFERRED CONV. SERVICES AND MATERIALS & SUPPLIES	345,776.55	345,776.55	0.00
	-----	-----	-----
DEPOSITS & PREPAID EXPENSE	399,903.90	551,088.25	(151,184.35)
	-----	-----	-----
TOTAL CURRENT ASSETS	6,604,366.85	4,489,484.50	2,114,882.35
	-----	-----	-----
INVESTMENTS & OTHER ASSETS			

ADVANCES INTERCOMPANY	-	-	0.00
LONG-TERM RECEIVABLES	-	-	0.00
INVESTMENT IN SUBSIDIARY	-	-	0.00
	-----	-----	-----
TOTAL INVEST & OTHER ASSETS	0.00	0.00	0.00
	-----	-----	-----
PROPERTY, PLANT & EQUIPMENT			
INVESTMENTS	13,378,013.22	13,387,659.66	(9,646.44)
RESERVES	(7,134,747.81)	(7,013,585.61)	(121,162.20)
	-----	-----	-----
PROPERTY, PLANT & EQUIPMENT (NET)	6,243,265.41	6,374,074.05	(130,808.64)
	-----	-----	-----
DEFERRED CHARGES			

OTHER	0.00	0.00	0.00
	-----	-----	-----
TOTAL ASSETS	12,847,632.26	10,863,558.55	1,984,073.71
	=====	=====	=====

SEQUOYAH FUELS
CONSOLIDATED BALANCE SHEETS

	MARCH 31, 1994	JANUARY 1, 1994	CHANGE
LIABILITIES & STOCKHOLDERS EQUITY			
CURRENT LIABILITIES			
NOTES PAYABLE	-	-	0.00
ACCOUNTS PAYABLE			
THIRD PARTY	43,253.96	325,376.71	(282,122.75)
INTERCOMPANY	164,763.14	363,792.73	(199,029.59)
TOTAL ACCOUNTS PAYABLE	208,017.10	689,169.44	(481,152.34)
LONG-TERM DEBT DUE WITHIN ONE YEAR	65,606.35	65,606.35	0.00
CURRENT TAXES ON INCOME	0.00	0.00	0.00
ACCRUED LIABILITIES			
TAXES OTHER THAN INCOME TAX	38,858.80	177,145.26	(138,286.46)
PAYROLL	3,863,987.62	4,097,516.05	(233,528.43)
INTEREST	-	-	0.00
OTHER	0.00	0.00	0.00
TOTAL ACCRUED LIABILITIES	3,902,846.42	4,274,661.31	(371,814.89)
TOTAL CURRENT LIABILITIES	4,176,469.87	5,029,437.10	852,967.23
LONG-TERM DEBT	24,218.69	24,218.69	0.00
DEFERRED CREDITS & RESERVES			
DECOMMISSION & RECLAMATION	3,794,022.20	3,794,022.20	0.00
OTHER	0.00	0.00	0.00
SUBTOTAL	3,794,022.20	3,794,022.20	0.00
INCOME TAXES	0.00	0.00	0.00
TOTAL DEFERRED CREDITS & RES.	3,794,022.20	3,794,022.20	0.00
STOCKHOLDERS' EQUITY			
COMMON STOCK	1,000.00	1,000.00	0.00
CAPITAL IN EXCESS OF PAR VALUE	15,407,153.90	15,407,153.90	0.00
RETAINED EARNINGS	(13,392,273.34)	(13,392,273.34)	0.00
PROFIT (LOSS) FOR PERIOD	2,837,040.94	0.00	2,837,040.94
DIVIDENDS	0.00	0.00	0.00
TOTAL STOCKHOLDERS' EQUITY	4,852,921.50	2,015,880.56	2,837,040.94
TOTAL LIAB. & STOCKHOLDERS' EQUITY	12,847,632.26	10,863,558.55	1,984,073.71



July 31, 1992

Mr. John W. N. Hickey
 Fuel Cycle Safety Branch
 Division of Industrial and
 Medical Nuclear Safety, NISS
 U.S. NUCLEAR REGULATORY COMMISSION
 Washington, D.C. 20555

RE: License No. SUB-1010, Docket No. 40-8027
 Submission of the Financial Assurance Instrument

- Reference: Letter from John W. N. Hickey to John D. Richardson dated March 4, 1992
- Letter from John D. Richardson to John W. N. Hickey dated May 1, 1992
- Letter from John W. N. Hickey to John D. Richardson dated May 18, 1992
- Letter from John D. Richardson to John W. N. Hickey dated June 3, 1992
- Letter from John S. Dietrich to John W. N. Hickey dated June 30, 1992

Dear Mr. Hickey:

Attached is one fully executed copy of the Standby Trust Agreement, with original signatures and corporate seals affixed. This revision addresses the concerns raised in your correspondence of March 4, 1992.

Please contact Reggie Cook at (918) 489-3322, if you have any questions or comments regarding the Standby Trust Agreement.

Sincerely,

John S. Dietrich
 Vice President
 Regulatory Affairs

JSD/RAF:lh

- xc: Merri Horn (w/o attachment)
- James L. Milhoan (w/o attachment)
- Robert M. Bernero (w/o attachment)

9208100172 920731
 PDR ADOCK 04008027
 C PDR

NFOI
~~ADOCK~~
 1/1

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of July 1, 1990, by and between Sequoyah Fuels Corporation, a Delaware corporation, herein referred to as the "Grantor," and Citicorp Trust N.A., 725 South Figueroa, Los Angeles, CA 90017, the "Trustee."

WHEREAS, the U.S. Nuclear Regulatory Commission (NRC, Washington, D.C. 20555), an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, has promulgated regulations in Title 10, Chapter I of the code of Federal Regulations, Part 40. These regulations, applicable to the Grantor, require that a holder of, or an applicant for, a Part 40 license provide assurance that funds will be available when needed for required decommissioning activities.

WHEREAS, the Grantor has elected to use a "letter of credit" to provide "all" of such financial assurance for the facilities identified herein; and

WHEREAS, when payment is made under a "letter of credit", this standby trust shall be used for the receipt of such payment; and

WHEREAS, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this Agreement, and the Trustee is willing to act as trustee,

NOW, THEREFORE, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

- (a) The term "Grantor" means the NRC licensee who enters into this Agreement and any successors or assigns of the Grantor.
- (b) The term "Trustee" means the trustee who enters into this Agreement and any successor Trustee.

Section 2. Costs of Decommissioning. This Agreement pertains to the costs of decommissioning the materials and activities identified in License Number SUB-1010 issued pursuant to 10 CFR Part 40 as shown in Schedule A.

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a standby trust fund (the Fund) for the benefit of the NRC. The Grantor and the Trustee intend that no third party have access to the Fund except as provided herein.

Section 4. Payments Constituting the Fund. Payments made to the Trustee for the Fund shall consist of cash, securities, or other liquid assets acceptable to the Trustee. The Fund is established initially as consisting of the property, which is acceptable to the Trustee, described in Schedule B attached hereto. Such property and any other property subsequently transferred to the

Trustee are referred to as the "Fund," together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount of, or adequacy of the Fund, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by the NRC.

Section 5. Payment for Required Activities Specified in the Plan. The Trustee shall make payments from the Fund to the Grantor upon presentation to the Trustee of the following.

- a. A certificate duly executed by the Secretary of the Depositor attesting to the occurrence of the events, and in the form set forth attached Specimen Certificate, and
- b. A certificate attesting to the following conditions:
 - (1) that decommissioning is proceeding pursuant to an NRC-approved plan.
 - (2) that the funds withdrawn will be expended to activities undertaken pursuant to that Plan, and
 - (3) that the NRC has been given 30 days prior notice of Sequoyah Fuels Corporation's intent to withdraw funds from the escrow fund.

No withdrawal from the fund can exceed 10 percent of the outstanding balance of the Fund or 75,000 dollars, whichever is greater unless NRC approval is attached.

In the event of the Grantor's default or inability to direct decommissioning activities, the Trustee shall make payments from the Fund as the NRC shall direct, in writing, to provide for the payment of the costs of required activities covered by this Agreement. The Trustee shall reimburse the Grantor or other persons as specified by the NRC, or State agency, from the Fund for expenditures for required activities in such amounts as the NRC, or State agency, shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the NRC specified in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 6. Trust Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this section. In vesting, reinvesting, exchanging, selling, and

managing the Fund, the Trustee shall discharge its duties with respect to the Fund solely in the interest of the beneficiary and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

- (a) Securities or other obligations of the Grantor, or any owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended (15 U.S.C. 80a-2(a)), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government;
- (b) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the Federal government; and
- (c) For a reasonable time, not to exceed 60 days, the Trustee is authorized to hold uninvested cash, awaiting investment or distribution, without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

- (a) To transfer from time to time any or all of the assets of the fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and
- (b) To purchase shares in any investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.), including one that may be created, managed, underwritten, or to which investment advice is rendered, or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustee. Without in any way limiting the powers and discretion conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

- (a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale, as necessary for prudent management of the Fund;
- (b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

- (c) To register any securities held in the Fund in its own name, or in the name of a nominee, and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, to reinvest interest payments and funds from matured and redeemed instruments, to file proper forms concerning securities held in the Fund in a timely fashion with appropriate government agencies, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee or such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the U.S. Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;
- (d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal government; and
- (e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Annual Valuation. After payment has been made into this standby trust fund, the Trustee shall annually, at least 30 days before the anniversary date of receipt of payment into the standby trust fund, furnish to the Grantor and to the NRC a statement confirming the value of the Trust. Any securities in the Fund shall be valued at market value as of no more than 60 days before the anniversary date of the establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and the NRC, or State agency, shall constitute a conclusively binding assent by the Grantor, barring the grantor from asserting any claim or liability against the Trustee with respect to the matters disclosed in the statement.

Section 11. Advice of Counsel. The Trustee may from time to time consult with counsel, with respect to any question arising as to the construction of this Agreement or any action to be taken

hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting on the advice of counsel.

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor. (See Schedule C.)

Section 13. Successor Trustee. Upon 90 days notice to the NRC, the Trustee may resign; upon 90 days notice to NRC and the Trustee, the Grantor may replace the Trustee; but such resignation or replacement shall not be effective until the Grantor has appointed a successor Trustee and this successor accepts the appointment. The successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor Trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor Trustee the funds and properties then constituting Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions. The successor Trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the NRC or State agency, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this section shall be paid as provided in Section 9.

Section 14. Instructions to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are signatories to this agreement of such other designees as the Grantor may designate in writing. The Trustee shall be fully protected in acting without inquiry in accordance with the grantor's orders, requests, and instructions. If the NRC or State agency issues orders, requests, or instructions to the Trustee these shall be in writing, signed by the NRC, or State agency, or their designees, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor, the NRC, or State agency, hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instruction from the Grantor and/or the NRC, or State agency, except as provided for herein.

Section 15. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee and the NRC, or State agency, or by the Trustee and the NRC or State agency, if the Grantor ceases to exist.

Section 16. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 15, this trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee,

and the NRC or State agency, or by the Trustee and the NRC or State agency, if the Grantor ceases to exist. Upon termination of the trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor or its successor.

Section 17. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this trust, or in carrying out any directions by the Grantor, the NRC, or State agency, issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the trust fund, or both, from and against any personal liability to which the Trustee may be subjected by reason or any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

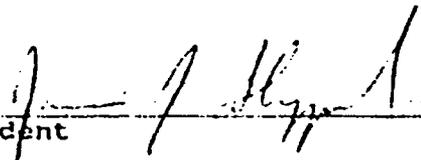
Section 18. This agreement shall be administered, construed, and enforced according to the laws of the State of Oklahoma.

Section 19. Interpretation and Severability. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement. If any part of this agreement is invalid, it shall not affect the remaining provisions which will remain valid and enforceable.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by the respective officers duly authorized and the incorporate seals to be hereunto affixed and attested as of the date first written above.

ATTEST:

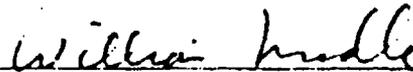
SEQUOYAH FUELS CORPORATION



President

ATTEST:

CITICORP TRUST, N.A.



TRUST AGREEMENT SCHEDULE

SCHEDULE A

This Agreement demonstrates financial assurance for the following cost estimates for the following licensed activities:

U.S. NUCLEAR REGULATORY COMMISSION LICENSE NUMBER: SUB-1010

NAME AND ADDRESS OF LICENSEE: Sequoyah Fuels Corporation
Highway 10 and Interstate 40
P. O. Box 610
Gore, OK 74435

ADDRESS OF LICENSED ACTIVITY: Same

COST ESTIMATES FOR REGULATORY ASSURANCES DEMONSTRATED BY THIS AGREEMENT: \$750,000

SCHEDULE B

AMOUNT: \$750,000

AS EVIDENCED BY A LETTER OF CREDIT

SCHEDULE C

Citibank Trustee's Fees:

1% of First 1 million of Assets
.6% on Next 4 million of Assets
.35% on balance of Assets

Minimum: \$5,000.00

No proration if terminated in less than full year

CERTIFICATE OF EVENTS

Citicorp Trust NA
725 South Figueroa
Los Angeles, CA 90017

Attention: Trust Division

Gentlemen:

In accordance with the terms of the Agreement with you dated _____, I, _____, Secretary of Sequoyah Fuels Corporation, hereby certify that the following events have occurred:

1. Sequoyah Fuels Corporation is required to commence decommissioning of its facility located at Gore, Oklahoma (hereinafter called the decommissioning).
2. The plans and procedures for the commencement and conduct of the decommissioning have been approved by the United States Nuclear Regulatory Commission, or its successor, on _____ (copy of approval attached).
3. The Board of Directors of Sequoyah Fuels Corporation has adopted the attached resolution authorizing the commencement of the decommissioning.

Secretary of Sequoyah Fuels Corporation

Date

TRUSTEE:
CITICORP TRUST, N.A.

William Medley
WILLIAM MEDLEY, SR. V.P.

STATE OF CALIFORNIA)
) SS.
COUNTY OF LOS ANGELES)

Before me, a Notary Public in and for said County and State, on the 10th day of July, 1992, personally appeared WILLIAM MEDLEY, personally known to me or proved to me on the basis of satisfactory evidence to the person who executed the within instrument as the Sr. Vice-President of the Corporation that executed the within instrument and acknowledged to me that such Corporation executed the within instrument pursuant to its bylaws or a resolution of its Board of Directors.

Given under my hand and seal the day and year last above written.

Commission Expires:

11/24/1996

Belinda C. Singleton
Notary Public



ACKNOWLEDGEMENT

STATE OF OKLAHOMA

COUNTY OF SEQUOYAH

On this 30th day of June, 1992, before me, a notary public in and for the county and State aforesaid, personally appeared James J. Sheppard, and he did depose and say that he is the President of Sequoyah Fuels Corporation, a Delaware corporation, which executed the above instrument, that he knows the seal of said association; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the association; and that he signed his name thereto by like order.

Norma Vess
Notary Public

M/ Commission Expires: Dec. 1, 1992

CERTIFICATE OF SERVICE

I certify that on September 8, 1995, copies of the foregoing INTERVENORS' RESPONSE TO JOINT MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT were served by first-class mail on the following:

Office of Commission Appellate Adjudication
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Administrative Judge James P. Gleason
Atomic Safety and Licensing Board
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Administrative Judge G. Paul Bollwerk
Atomic Safety and Licensing Board
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Administrative Judge Jerry R. Kline
Atomic Safety and Licensing Board
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Administrative Judge Thomas D. Murphy
Atomic Safety and Licensing Board
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Steven R. Hom, Esq.
Office of General Counsel
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Maurice Axelrad, Esq.
Morgan, Lewis & Bockius
1800 M Street N.W.
Washington, D.C. 20036

Stephen M. Duncan, Esq.
Bradfute W. Davenport, Jr., Esq.
Mays & Valentine
110 South Union Street
Alexandria, VA 23314

Office of the Secretary
Docketing and Service
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

OFFICE OF SECRETARY
DOCKETING & SERVICE
BRANCH

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DOCKETED
USNRC

John R. Driscoll
General Atomics
3550 General Atomics Court
San Diego, CA 92121

John H. Ellis, President
Sequoyah Fuels Corp.
P.O. Box 610
Gore, OK 74435

Alan D. Wingfield, Esq.
Mays & Valentine
P.O. Box 112
Richmond, VA 23208



Diane Curran