

# 1985 Annual Report

---

**TENNESSEE CHEMICAL COMPANY**

8911030090 891101  
PDR FOIA  
HINKELMB9-291 PDR

# The Program Moves Forward...

## Message From Management

In early 1985, Tennessee Chemical announced its intention to discontinue mining operations at Copperhill over a 2½ to 3 year period and purchase the sulfur and copper raw materials previously mined. This decision was necessitated by weak pricing in copper caused by cheap imports, and the loss of our Calloway mine. The long lead time in making the announcement was necessary to permit the community and the affected employees to plan for the elimination of 900 jobs. The Company initiated an outplacement program for affected employees, secured state and federal assistance, coordinated support programs from the three states affected, and continues to provide impetus and leadership to all forms of assistance programs. Approximately 200 positions have already been eliminated. All but 10 were through voluntary programs initiated by the Company, and the 10 who were terminated were satisfactorily relocated within 90 days.

The year was one of continued improvement in Tennessee Chemical's operating performance. An analysis of the past five quarters ending December 31, 1985, clearly indicates increasing operating results, a trend that has carried forward into 1986.

Revenues for the last year were basically flat with 1984's, taking into account the reduced copper and other mineral sales which resulted from our mining phasedown program. Productivity was improved during the year in all areas of operations, continuing a trend which has increased our revenues and assets per employee by 15% over 1983 and prior levels. The combination of our dramatic debt reductions in 1983 and 1984, and our continuing

productivity increases, has allowed us to close 1985 with the ratio of our total bank debt to tangible net worth below 1.0 for the first time since Tennessee Chemical was formed in September, 1982.

The Company's liquidity remained strong during 1985. By December, our net working capital was in excess of \$10 million, down approximately \$2+ million from 1984 due to the additional retirement of long-term debt. The management of our working capital continues to be above industry standards. For example, Tennessee Chemical's days sales in accounts receivable was reduced 9% in 1985, whereas a composite of industrial chemical companies, as published in *Chemical Week* (May 7, 1986), indicated an 11% increase in their receivable equivalent.

Since the inception of the Company, we have reduced our bank debt over 60%, including the new debt taken on to acquire the alum businesses of Burris Chemical in 1983. In December, the Company's Board of Directors approved a refinancing offer from the Bank of Boston, 1986. The terms of our new lending agreement offer us (1) reduced borrowing costs, (2) simplified administrative requirements, (3) the elimination of the previously existing lien on our assets in Copperhill, our main processing facility, and (4) an increase in our overall credit availability.

A summary look at Tennessee Chemical's business and operating components in 1985 shows:

- (1) Record operating earnings from our "satellite" facilities in Augusta and Cedar Springs, GA, Catawba, SC, and Springfield, TN, which house our alum business, a major factor in our water treatment chemicals product line;
- (2) A significant improvement in productivity at our Copperhill facility;
- (3) Another record sales year for Ferri-Floc,<sup>®</sup> our iron-based coagulant water treatment product;
- (4) Continued strengthening of our

US copper chemicals market share leadership positions, and (5) A return to reasonable stability in our sulfur products marketplace.

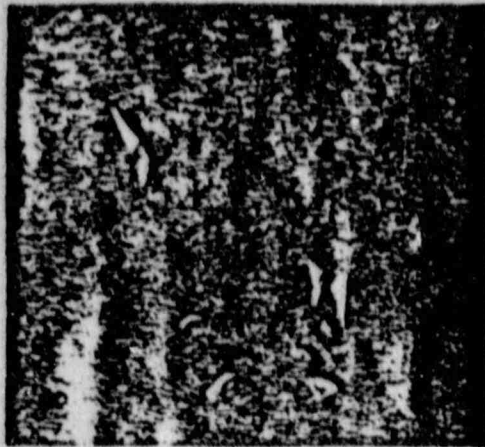
**We anticipate 1986,** Tennessee Chemical's last full year in mining operations, to be a year of accelerated growth in operating earnings based on an additional 5% productivity increase, modest revenue improvements in key product lines and continued emphasis on cost reduction programs to more than offset the quantum leap in liability insurance costs.

While we fully expect to reduce our long-term debt further in 1986, significant strategic investments will be made during the year. A strong start early in 1986 for Ferri-Floc<sup>®</sup> has clearly indicated a need for capacity expansion. In addition to the funds expended in 1985 to install sulfur burning capability at Copperhill, we will complete the mining phaseout capital program and continue to invest in our long-range environmental commitment to the Copperhill area. Further, we intend to markedly increase our contribution to our employees' welfare funds.

In order to enhance our ability to make our ambitious 1986 and future goals a reality, we have strengthened our management team with two key additions:

- Kyle B. Wescoat, formerly Vice President, Finance of ICN Biomedicals, Inc. of Costa Mesa, California, has been elected Vice President and Chief Financial Officer of the Company.
- Theodore J. Kowalski, previously general manager of Ciera International, Inc. and prior to that with Texasgulf, has been named Director of Sulfur Activities, responsible for the management of a most \$30 million in future annual sulfur procurements.

With our added management talent and the continued excellent response from all our management and employees, we are confident that 1986 will be just the beginning of greater stability and profitability for Tennessee Chemical.

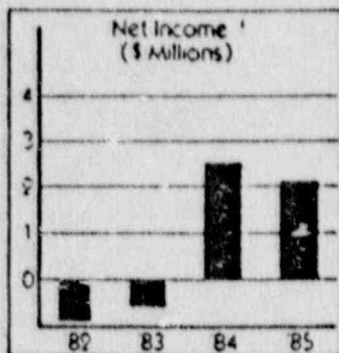
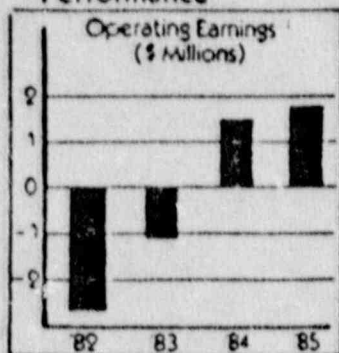


- Bruce D. Davis, President & Chief Executive Officer

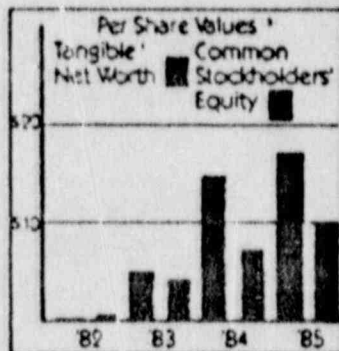
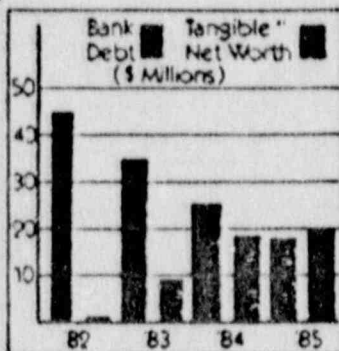
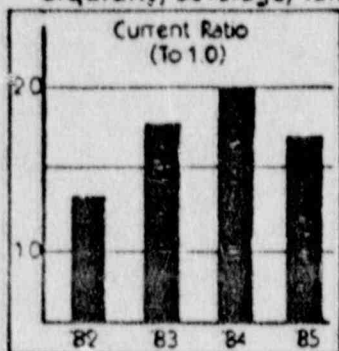
- William L. Westman, Senior Vice President & Director

# 1985 Annual Report Financial Highlights

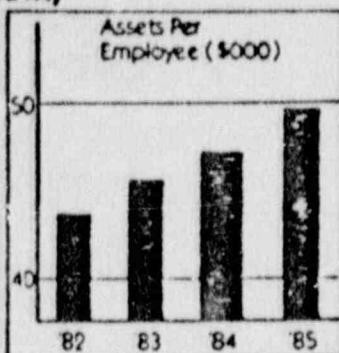
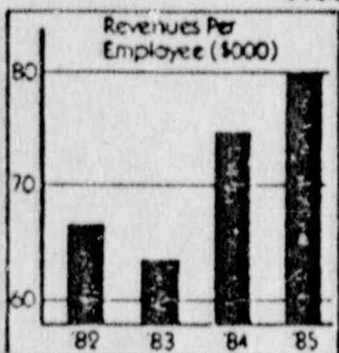
## Performance



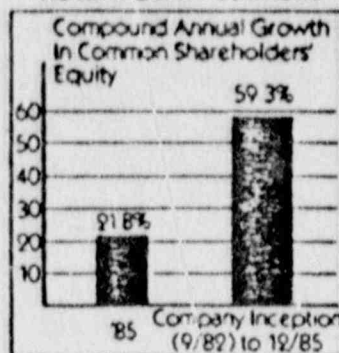
## Liquidity/Leverage/Values



## Productivity



## Return On Investment



**Note**

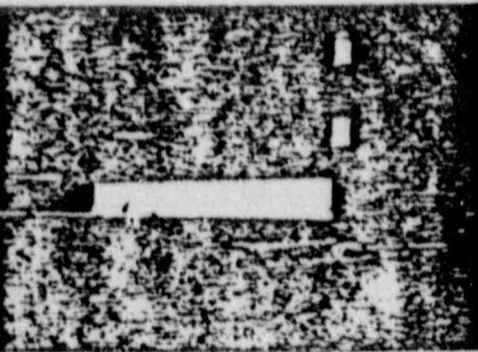
1. All performance results based on 9 months' (and less) of business operations under Ches Service Company and 3 months under Tennessee Chemical Company ownership.
2. Earnings before interest, income taxes and inventory valuation changes.
3. Net income or loss before extraordinary items.

4. Net worth excluding intangible assets and liabilities as defined in the loan agreement between the Company and its principal lender.
5. All share values based on a \$10.00 par value.
6. The consolidated financial statements for the years ended December 31, 1983 and 1984, and auditors' opinion are available for review in the office of the Chief Financial Officer at the Company's corporate headquarters in Cooperfield, Tennessee.

# Business Segments Poised For Future Growth

## Sulfur Chemicals

Despite poor business conditions in textile, agricultural, and basic industrial chemical markets during 1985, revenues from our sulfur-derived products remained near \$54 OM. Reduced sulfuric acid volume was essentially offset by stronger prices, improved liquid sulfur dioxide performance, and increased sales of elemental sulfur. In addition, the marketability of our sulfuric acid was enhanced by continued improvements in product

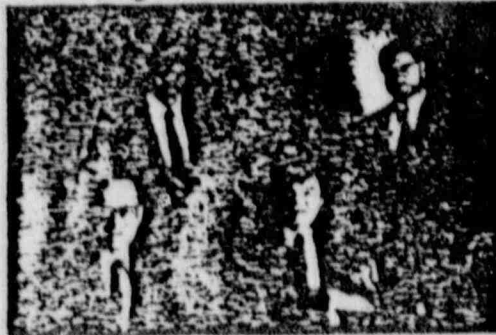


TCC began making plans for procurement of sulfur supplies.

quality and customer service. Continued success was also demonstrated in improving operations efficiencies and reducing product cost of sulfur chemicals.

Detailed mining plans for the phasing out of mine operations and the transition to alternate raw material sources were finalized. Implementation began early in 1985. Final design for sulfur handling and processing was completed, and facility construction is now essentially complete. During 1986, efforts will be intensified in the identification and quantification of our capacity to utilize different sources of sulfur raw materials at Copperhill. Present plant facilities, in conjunction with current construction projects, show promise, thus providing TCC with unique capabilities and operating flexibility in this area.

Recognizing our customers' needs for continued improvements in product utility, TCC directed considerable effort in 1985 toward quality and service improvements. A program of interchange between marketing and operations personnel

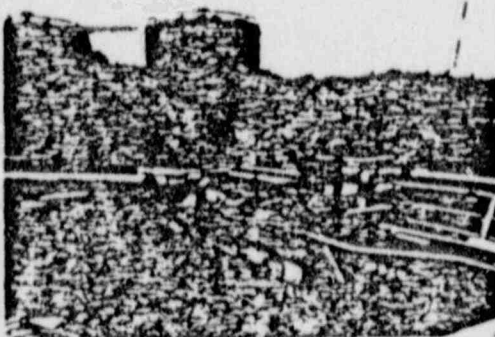


Cooperating Committee

Chairman: R.R. - K. Wayne Pittman, Executive Vice President and Chief Operating Officer; Kyle B. Westcoat, Chief President and Chief Financial Officer; Science R.R. - Edward J. Diehl, General Manager - Sales and Marketing; Marvin E. Werner, Vice President - Operations.

was central to this effort. Sales personnel are spending time working at the production facilities of the products they sell, while operations personnel are accompanying salesmen on customer visits. The program has been structured to educate, to improve working relationships, and to enhance TCC's ability to recognize and fulfill the changing needs of our customers.

In 1986 and beyond, TCC's position in sulfur chemicals is well entrenched with significant opportunities for improvement. Operating flexibility in the area of raw materials and full energy recovery capabilities contribute to our remaining the low cost Southeast merchant producer. Additionally, sulfur dioxide production capacity will auto-

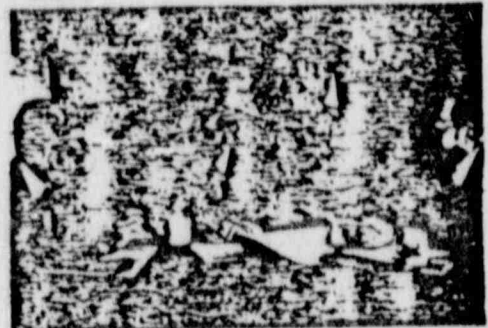


Construction of sulfur burning facilities at Copperhill is essentially complete.

matically increase as the transition is completed. These advantages, coupled with continued improvements in product quality and service, will greatly enhance profit potential.

## Water Treatment Products

Revenues from water treatment chemicals, approaching \$14 OM, continued to exhibit growth in 1985. Sales of Ferri-Floc<sup>®</sup>, our iron-based coagulant, increased 10%, establishing a new high for the eighth consecutive year. Improved product quality and consistency, a strong technical service program, and emphasis on markets where iron salts have a functional advantage as compared to competitive products were all contributing factors. Liquid alum revenues declined in 1985 as increased Southeast supply and flat demand depressed both industrial and municipal markets. Market strategies were realigned in mid-year to address changing conditions with TCC's market share rising as the year closed.



Marketing Staff: R.R. - Kevin P. Cannon, Sales Manager - Sulfur Products; Edward J. Diehl, General Manager - Sales and Marketing; Richard D. Estes, Manager - Marketing Services; R.A. Prekschat, Director of Marketing - Chemicals Products.

During 1985, both pilot and plant-scale tests confirmed operating parameters for manufacturing quality Ferri-Floc<sup>®</sup> from raw calcines. Final engineering is underway with total project implementation scheduled for completion during 1986. With considerably improved raw material control, product quality and consistency are being greatly enhanced.

With continued growth in

water treatment chemicals expected in future years, TCC has expanded our technical service capability through intensive recruitment of field personnel having knowledge and experience in both municipal

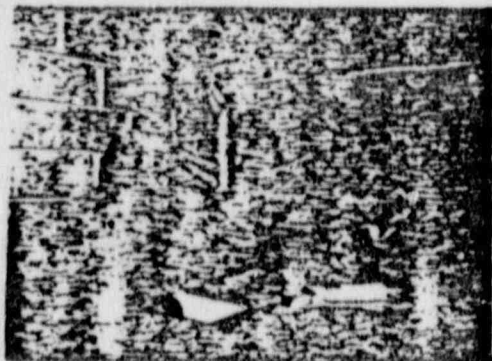


Significant progress made to provide technical service to water treatment industry was realized in 1985

and wastewater treatment. These staff additions, plus improved alum quality through product filtration, and the addition of polymers to our water treatment line, have positioned TCC to benefit from this expected growth and have set the stage for future expansion.

## Copper Chemicals

Sales revenue from copper chemicals, at \$14.3M, increased for the third consecutive year. Following the increase in soluble copper sulfate capacity in 1984, TCC was able in 1985 to solidify its number one market position.



Selenite plant managers (L-R) — Terry Sanders, Casa Vista, Mike Owens, Augusta, Steve Amerson, Cedar Springs, Rick Hutcherson, Springfield

Once again our copper sulfate sales enjoyed another record year with an 8% volume increase over 1984. Strong animal feed markets, coupled with production problems experienced by a major competitor, contributed to a favorable supply and demand balance

during the year. With the weather-related miseries experienced in the Florida citrus industry and other specialty crop markets around the country, sales of copper fungicides fell in 1985.

Despite increased competitiveness in 1986, continued improvement in copper chemical performance is expected. Some rebound is predicted for the Florida fungicide market. Additionally, the Western sales force has been strengthened by the addition of an agricultural chemical specialist, and a new marketing and distribution program is expected to show positive results in 1986.

After 1986, the outside purchase of copper raw material, which was formerly mined and smelted, will improve the quality of our finished copper chemicals, and enable TCC's entry into additional markets not previously enjoyed — including electronic chemicals.

## Copper — Other Mineral Products

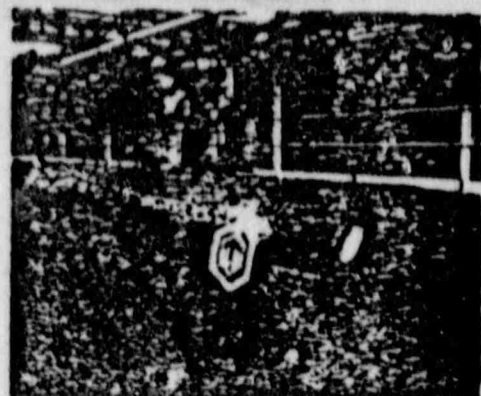
Combined sales revenue from all mineral products was substantially below prior years. Reduced copper and zinc concentrate volume, resulting from decreased production associated with the mine phase-down program, were primary factors.

Sales of slag from copper smelting tripled to nearly \$1.5M for use in sandblasting and as an aggregate in the home roofing industry. Due to considerable inventories, slag sales will continue for several years following the mine shutdown.

While continuing at about the same level in 1986, sales of both copper metal and zinc concentrate will cease by the end of 1987 as the mine operations are closed.

## Organics and other

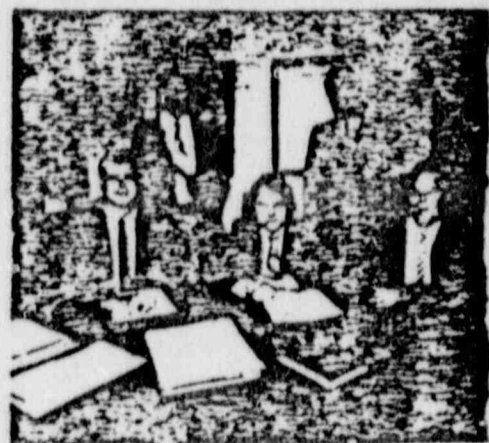
Sales of sulfonated organics and all other miscellaneous chemicals fell 15.2% to just below \$4.0M. Poor defoamer and sodium hydrosulfite markets were causative factors. Moreover, the poor farm economy



Acid fuel oil loading station

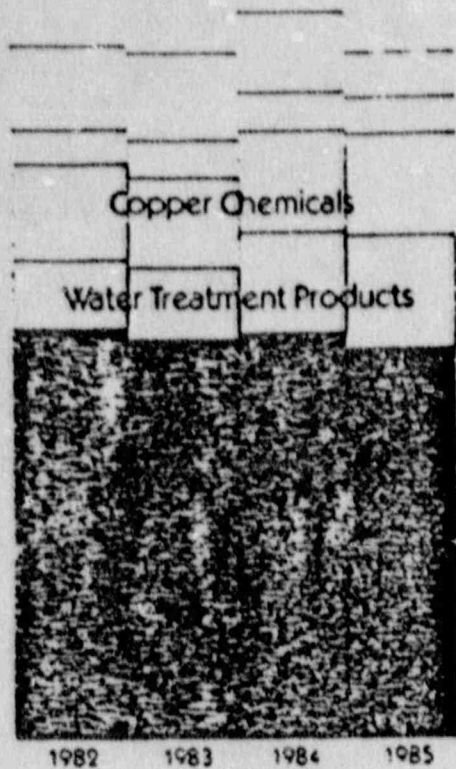
during all of 1985 resulted in a substantial reduction of phosphate fertilizer production, a primary market for TCC defoamers. Sodium hydrosulfite was also adversely impacted by increased import pressures and a poor U.S. textile market.

Considerable improvement is expected in 1986. An agreement has been executed to toll produce a specialty sulfonated organic to be marketed by a major customer. This, coupled with the unexpected reduction in imports of sodium hydrosulfite due to a materially improved exchange rate, should provide increased profitability during the coming year.



Senior operations staff (L-R) — Richard Lavender, Manager — Satellite Plants, J.C. Hedrick, Manager — Metallurgical and Chemicals Manufacturing, Paul Carter, Manager — Maintenance and Reliability, Tony Edey, Mine Consultant, Martin E. Vermer, Vice President — Operations

# Revenues — \$ Millions



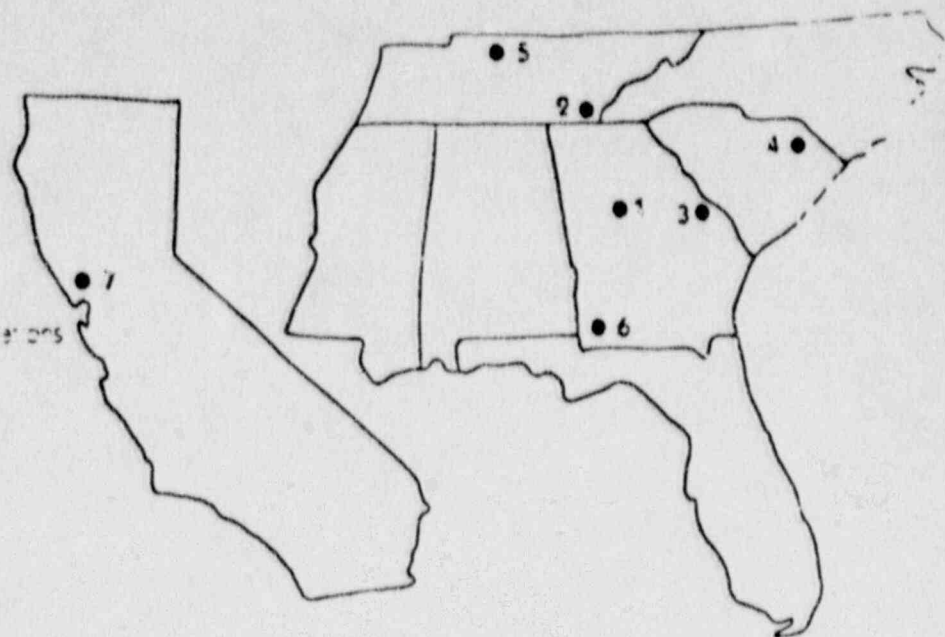
1986...

...with a strong emphasis on...  
 ...the expanded organic...  
 ...business will provide the...  
 ...increase in revenue.

- Sulfur Chemicals
- Water Treatment Products
- Copper Chemicals
- Organics & Other
- Copper & Other Minerals

## Company Facilities

- 1 Atlanta, Georgia  
Marketing & Sales Headquarters
- 2 Copperhill, Tennessee  
Corporate Headquarters & Copper Operations
- 3 Augusta, Georgia  
Acid & Alum Manufacturing
- 4 Catawba, South Carolina  
Alum Manufacturing
- 5 Springfield, Tennessee  
Alum Manufacturing
- 6 Cedar Springs, Georgia  
Alum Manufacturing
- 7 Pittsburg, California  
Distribution Center



**Directors**

Dr. P. Thibault Bran

Richard M. Cashin, Jr.

Bruce D. Davis

Peter T. Grauer

Larry J. Lawrence, Chairman

Ronald MacNicholas

K. Wayne Pittman

E. Theodore Stolberg

William L. Westman, II

**Officers:**

Bruce D. Davis

President & Chief Executive Officer

K. Wayne Pittman

Executive Vice President & Chief

Operating Officer

William L. Westman, II

Senior Vice President

Marvin E. Werner

Vice President, Operations

Kyle B. Wescoat

Vice President & Chief Financial Officer

**Management Staff:**

Jerry E. Angel

Director of MIS

Kevin P. Cannon

Director of Marketing - Sulfur Products

Paul Carter

Manager - Maintenance & Railroad

Linda Collins

Personnel Director

Edward J. Diehl

General Manager - Sales & Marketing

Richard D. Estes

Manager - Marketing Services

James C. Hedrick

Manager - Metallurgical Chemistry

Manufacturing

David R. McDaniel

Manager - Environment, Safety, & Health

R.A. Preikschat

Director of Marketing -

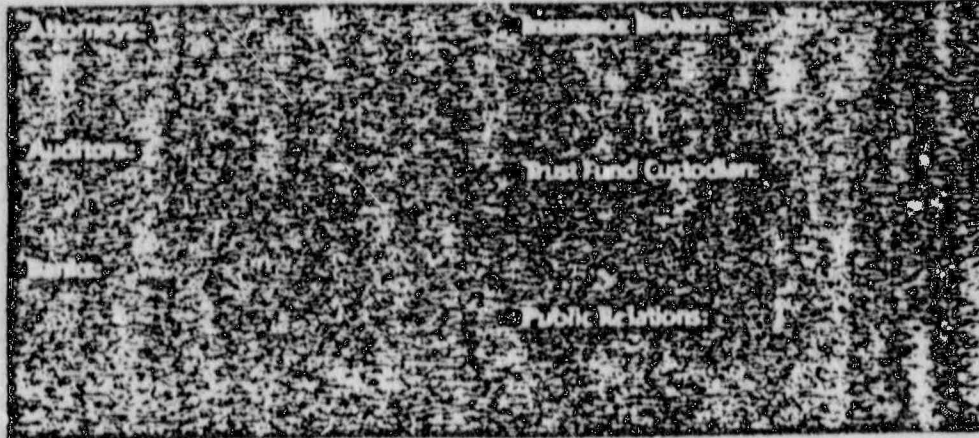
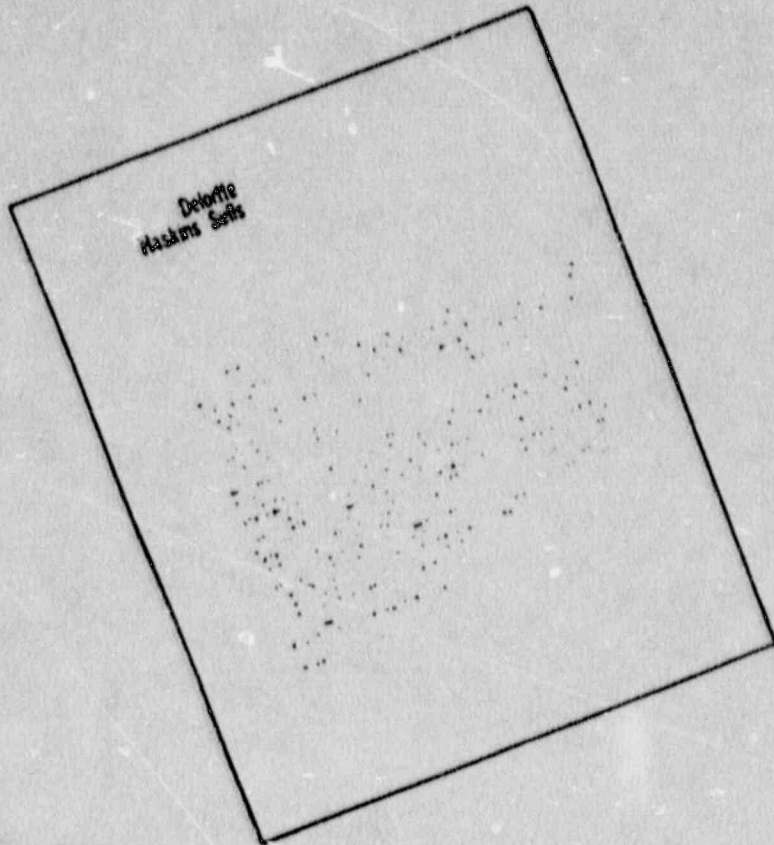
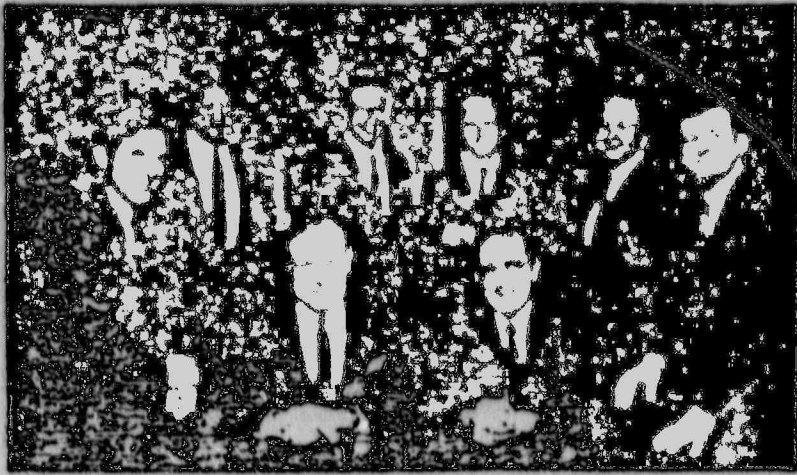
Chemical Products

James P. Sheffer

Director of Purchasing

W. Larry Walker

Controller



Enclosure 2

List of Limited Partners

Bruce D. Davis  
Dwight B. Ferguson, Jr.  
J. William Gibson  
Constance G. Goodsell  
W. King Grant, Jr.  
W. King Grant, Sr.  
M. Douglas Investor  
Charles R. Johnson  
Donald R. Keough  
Larry J. Lawrence  
W. Henry Maddox, III  
Justus C. Martin, Jr.  
Dudley L. Moore, Jr.  
Oliver C. Murray, Jr.  
Fred A. Smith  
William L. Westman  
Colman B. Woodhall



DWIGHT B. FERGUSON, JR.

**CURRENT POSITION**

Vice President and Treasurer

**RELEVANT EXPERIENCE**

Mr. Dwight B. Ferguson, Jr. serves as Vice President and Treasurer of Nuclear Assurance Corporation (NAC). He has been associated with NAC since December 1983. In this capacity Mr. Ferguson functions as Chief Financial Officer of the company. As such he is responsible for financial, accounting and data processing activities of the company. These activities include cash management, banking relations, financial reporting, tax planning and administration, insurance, financial planning and adherence to applicable government regulations.

Prior to joining NAC, Mr. Ferguson had ten years of experience in the metal industry. Most recently with Taracorp, Inc., an Atlanta, Georgia based \$100 MM Multi Plant lead smelter, refiner, and fabricator. Mr. Ferguson served as controller and later was promoted to Chief Financial Officer. Mr. Ferguson was responsible for the company's financial, accounting, and data processing activities. Additional duties included participation as a member of the Company's Executive Committee and Profit Sharing Trustee Committee.

Prior to joining Taracorp, Mr. Ferguson was with Southwire Company in Carrolton, Georgia, for five years. Southwire Company was the nation's largest independent manufacturer of wire and cable with sales of \$500 MM. Mr. Ferguson was employed as Assistant Controller, and later promoted to Group Controller. As such, Mr. Ferguson was in charge of corporate accounting, financial analysis, budgeting, accounting systems development, and LIFO inventories. Mr. Ferguson had a dotted line responsibility over the accounting functions of four operating divisions including Southwire's primary metals division and copper refinery division.

Mr. Ferguson spent four years in public accounting after graduation from college. Three of those years were with the international public accounting firm of Main Lafrentz & Co. Mr. Ferguson was involved in the audit and tax preparation of a diversified group of clients.

Mr. Ferguson is a Certified Public Accountant and is a member of the Georgia Society of Certified Public Accounts, the American Institution of Certified Public Accountants and the National Association of Accountants (NAA). He is a past president of the 550-member Atlanta North Chapter of NAA. He has served as a member of the national committee of NAA on marketing and membership and is currently serving on the chapter organization committee.

**EDUCATION**

Mr. Ferguson is a graduate of the University of Virginia where he received a Bachelor of Science degree with distinction, finishing 7th in his graduating class of 100.

CHARLES R. JOHNSON, P.E.

### CURRENT POSITION

Senior Vice President and Chief Engineer

### RELEVANT EXPERIENCE

Mr. Johnson has 35 years of experience in the nuclear industry and has worked at NAC since 1979. As Chief Engineer, Mr. Johnson oversees all engineering activities at NAC. These include spent fuel shipping and storage cask design, special equipment design for handling and inspection of irradiated materials including spent fuel and on-site engineering services supplied by NAC. Mr. Johnson is an experienced materials engineer and has often served as a consultant and expert witness. He is also knowledgeable in the area of NRC regulations, particularly those governing the design and operation of radioactive materials shipping containers. Before his promotion to Senior Vice President, Mr. Johnson was Vice President and General Manager of the Engineering and Transportation Services Division of NAC. In addition to ongoing spent fuel transportation and site engineering services, the ETS Division developed an automated fuel leak testing system and a rod consolidation system under Mr. Johnson's direction.

Prior to joining NAC in 1979, Mr. Johnson was associated with the Babcock and Wilcox Company (B&W) for 28 years. In the Nuclear Power Generation Division of B&W, Mr. Johnson was Manager of International Fuel Programs with responsibility for International license agreements for nuclear fuel design and manufacture. In his previous assignments at B&W, he was Manager of Fuel Marketing, managing the sale of all B&W reactor fuel purchased during his tenure. Before his Marketing assignment, he was Manager of Fuel Manufacturing in B&W's Commercial Nuclear Fuel Plant where he was instrumental in automating light water reactor fuel rod production. He also directed the development, installation and initial startup of UO<sub>2</sub> pellet production at B&W. Before his promotion to Manager of Manufacturing, he managed Fuel Capital Projects and was responsible for Fuel Planning and Development. With the assistance of computer systems analysts, he developed programs for forecasting fuel fabrication costs that incorporated the myriad of variables affecting costs. This system was used to evaluate capital investments for fuel manufacturing as well as to forecast costs.

In the Research and Development Division of B&W he managed the Materials Laboratory at the Lynchburg Research Center with principal projects in uranium, plutonium, and thorium fuels development, radiation effects on fuels and structural materials, development of ceramic materials for nuclear applications, corrosion of nuclear materials in reactor environments, and development of non-destructive methods of inspection for reactor components. While at the R&D Division, Mr. Johnson was often called upon to consult with other B&W Divisions, including the Naval Nuclear Fuel Plant and both the Commercial and Naval pressure vessel and components manufacturing organizations at B&W.

Mr. Johnson has made presentations to symposiums and served on national committees sponsored by the American Nuclear Society, Atomic Industrial Forum, American Society of Mechanical Engineers, International Atomic Energy Agency, American Society for Testing and Materials, American Society for Metals, the Atomic Energy Commission and the Institute of Nuclear Materials Management. He has had papers published in Nuclear Applications and Technology, Industrial Research and Materials Evaluation, and ATOM and has been granted patents in automated remote non-destructive examination and nuclear fuels manufacturing technology.

#### EDUCATION

Mr. Johnson holds a B.S. degree in Metallurgical Engineering from Purdue University and an M.B.A. from Lynchburg College, and has done graduate work in Metallurgy and Materials Science at Virginia Polytechnic Institute and State University. He is a licensed Professional Engineer in the State of Virginia and a member or past member of the American Nuclear Society, American Society for Metals, and American Institute of Mining and Metallurgical Engineers.

## Enclosure 3(c)

### PAUL F. SCHUTT

Paul F. Schutt is a founding Director of Nuclear Assurance Corporation and serves as its President.

#### RELEVANT EXPERIENCE

Mr. Schutt has a broad range of experience in the energy field ranging from direct responsibility in critical experiments and nuclear reactor engineering to the development of wood conversion to alcohol and thermionic energy generation.

Prior to joining NAC, he served as a senior analyst at Union Carbide Corporation, AEC Combined Operations Planning Group (AECOP), where he led studies of the interface of USAEC operations with the Department of Defense, and interactions with private industry. His reports on private enrichment, plutonium pricing, and national laboratory operations had a direct influence on administration policies.

As Manager of Program Development and Propositions, Atomic Energy Division of the Babcock and Wilcox Company (B&W), he was responsible for new product planning and marketing. As research and development manager, he managed the multimillion dollar B&W nuclear R&D program. He planned and directed a comprehensive thorium fuel cycle development program including U-233 recycle, feed preparation using the Sol-Gel microsphere process, remote rod fabrication using vibratory compaction, irradiation testing, critical experiments, core physics methods development and systems and economic studies. Previously, he served as a nuclear engineer and research physicist at B&W.

He has contributed invited papers and presentations to the General Advisory Committee of the former USAEC, Chemical Week, Electric World, Nucleonics, Nuclear News, the British Nuclear Energy Society, Atomic Industrial Forum, American Nuclear Society, American Society of Mechanical Engineers, Edison Electric Institute, and many other organizations. He has authored numerous reports and holds three patents in the nuclear field. He frequently instructs short courses in nuclear power at the Georgia Institute of Technology. He is a member of Sigma Xi, Delta Tau Delta, American Nuclear Society, Sigma Pi Sigma, and the American Association for the Advancement of Science. He is past president of the Atlanta Section of the American Nuclear Society and past president of the Windsor Forest Civic Association of Roswell, Georgia.

Mr. Schutt is an elected Fellow of the American Nuclear Society and served in the U.S. Army where he was awarded an Outstanding Service Citation for contributions to infrared systems development.

#### EDUCATION

University of Arizona 1955  
Master of Science in Physics

Illinois Institute of Technology 1952  
Bachelor of Science in Physics

COLMAN B. WOODHALL

### CURRENT POSITION

Vice President, Technical Analysis Division

### RELEVANT EXPERIENCE

Mr. Woodhall has 23 years of experience in the nuclear industry and has worked at NAC since 1973. Major experience since 1963 includes almost all areas of the nuclear industry--power, research, and sea-based reactor design and analysis; research reactor instruction and operation; reactor and fuel cycle economics; uranium and mixed-oxide fuel development and fabrication; large spent-fuel cask development, design, and licensing; spent-fuel rod consolidation design, development, and licensing; spent-fuel, uranium, and plutonium storage and transportation; reprocessing and recovered product recycle; energy development strategy and planning; international brokerage; complex project management, division management and corporate management. Active (as one of only two industry participants) in the U.S.-INFCE international effort on spent-fuel storage and reprocessing. Visited and evaluated reactor spent-fuel storage and transportation capabilities in Argentina, Brazil, the Philippines, Taiwan, and South Korea. Authored or co-authored 27 reports on national and international nuclear energy topics. Responsible for the design and licensing submittal of the NAC Storage/Transportation Cask.

### PREVIOUS POSITIONS

Vice President, Technical Analysis Division (1983-Present)  
Vice President, Finance and Administration (1980-1983)  
Vice President and General Manager, Fuel-Trac Division (1974-1980)  
Manager, Plutonium Storage Project (1973-1974)

Prior to coming to NAC in 1973, Mr. Woodhall worked for Nuclear Fuel Services as Marketing Manager, Reload Fuel, with responsibility for marketing strategy, proposals and pricing for fuel fabrication, reprocessing, and uranium. Mr. Woodhall was instrumental in establishing the program for the U.S.'s first complete recycle of uranium and plutonium fuel back into the same reactor from which it had been discharged.

Mr. Woodhall worked for Babcock and Wilcox from 1963 to 1970. His experience included Core physics, 1,200 MWe reactor development, fuel cycle economics, marketing, reactor proposal and division planning.

Mr. Woodhall worked for NUS Corporation from 1966 to 1967 in the analysis of nuclear-powered ships.

**EDUCATION**

Harvard Graduate School of Business Administration  
Master of Business Administration

Massachusetts Institute of Technology  
Master of Science - Nuclear Engineering

North Carolina State University  
Bachelor of Science - Nuclear Engineering

University of North Carolina  
Mathematics

**SITE EXPERIENCE**

Dept. of Energy - West Valley

Rockville, Maryland  
November 5, 1979

Escrow Number E 10042

The Chase Manhattan Bank, N.A.  
Trust Department  
1211 Avenue of the Americas  
New York, New York 10036

Attention: Escrow Division

Gentlemen:

In accordance with arrangements made by Nuclear Fuel Services, Inc., a Maryland corporation, (herein called "the Depositor"), the Depositor agrees to pay or deliver to you the sum of Five Hundred Sixteen Thousand (\$516,000) Dollars each year commencing on December 15, 1979 and continuing through December 15, 1988, unless such payments are to terminate in accordance with the terms of this Agreement (herein, together with any additions, substitutions or other property in which the same may be invested or for which the same may be exchanged, called "the Fund"), to be held by you, as Escrow Agent, IN ESCROW upon the following terms:

1. The Fund shall be paid or delivered to the Depositor as follows:

Upon presentation to you of a certificate duly executed by the Secretary of the Depositor attesting to the occurrence of the events, and in the form set forth in the attached Specimen Certificate.

2. The Depositor shall advise the Escrow Agent or the Investment Department to purchase Certificates of Deposit or similar instruments at the time deposits are made.
3. Upon the maturity of any and all Certificates of Deposit or similar instruments placed with the Escrow Agent, Depositor shall reinvest the principal of the proceeds and all earned interest thereon in or on Certificates of Deposit or similar instruments by so instructing the Escrow Agent.
4. Investment directions will be given by telephone with written confirmation from Depositor through its authorized agents, namely Peter L. Conti, Finance Manager and Treasurer, or David P. Traut, Financial Planning Manager, or such other individual as may be designated from time to time by notice given in accordance with the terms of this agreement.
5. You may register any securities or other assets of the Fund held by you in your own name or in the name of a nominee or in bearer form.

6. Unless otherwise expressly provided in this Agreement, all interest and other earnings and profits upon or in respect of the investment of the Fund shall constitute part of the Fund.
7. The Escrow Agent shall furnish monthly transaction statements showing principal, interest earned, investments held, and maturity dates.
8. The Depositor agrees with you as follows:
- a. You shall not be bound in any way by any other agreement or contract entered into by the Depositor (whether or not you have knowledge thereof), and your only duties and responsibilities shall be to hold the Fund and to invest and dispose of it in accordance with terms of this Agreement.
  - b. The Depositor has satisfied itself as to the authority of any persons signing this Agreement in a representative capacity. Should it be necessary for you to accept or act upon any instructions, directions, documents or instruments signed or issued by or on behalf of any corporation, partnership, trade-name, fiduciary or individual, it shall not be necessary for you to inquire into the authority of the signer(s) unless and to the extent expressly provided in this Agreement.
  - c. This Agreement may be altered or amended only with the consent of the Depositor and with your consent. Should the Depositor attempt to change this Agreement in a manner which, in your sole discretion, you deem undesirable, you may resign as Escrow Agent by notifying the Depositor in writing; otherwise, you may resign as Escrow Agent at any time upon 30 days prior written notice to the Depositor. The Depositor may remove you as Escrow Agent at any time upon 30 days prior written notice to you. In the case of your resignation your only duty, until a successor Escrow Agent shall have been appointed and shall have accepted such appointment, shall be to hold, invest and dispose of the Fund in accordance with the original provisions contained in this Agreement (but without regard to any notices, requests, instructions or demands received by you from the Depositor after your notice of resignation shall have been given, unless the same shall be a direction by the Depositor that the entire Fund be paid or delivered out of escrow).
  - d. Any notice required to be given by you shall be effective when delivered by messenger, or dispatched by registered mail, cable or telex, to the Depositor at its address specified below, namely:

Nuclear Fuel Services, Inc.  
6000 Executive Boulevard  
Rockville, Maryland 20852

Attention: Treasurer



or such other address as the Depositor may have furnished to you in writing. Any notice to you shall be effective when received at your address above, addressed to the attention of the Escrow Division and making reference to the Escrow Number above.

- e. Your fees as Escrow Agent shall be determined in accordance with, and shall be payable as specified in, the Schedule of Fees for Escrow Services dated Nov. 13, 1979, copy attached. You shall also be reimbursed by the Depositor for any reasonable expenses incurred in connection with this Agreement, including but not limited to the actual cost of legal services should you deem it necessary to retain counsel. Depositor will indemnify Escrow Agent for the payment of such fees and expenses.
- f. You shall not be liable for any action taken or omitted by you in good faith in accordance with the advice of your counsel and in no event shall you be liable or responsible except for your own gross negligence or willful misconduct. You shall not be responsible for any loss to the Fund resulting from the investment thereof in accordance with the terms of this Agreement.
- g. The Depositor warrants to and agrees with you that, unless otherwise expressly set forth in this Agreement: there is no security interest in the Fund or any part thereof; no financing statement under the Uniform Commercial Code is on file in any jurisdiction claiming a security interest in or describing (whether specifically or generally) the Fund or any part thereof; and you shall have no responsibility at any time to ascertain whether or not any security interest exists in the Fund or any part thereof or to file any financing statement under the Uniform Commercial Code with respect to the Fund or any part thereof.
9. This Agreement shall be construed in accordance with and governed by the laws of the State of New York and shall be binding upon you and the Depositor and your and its respective successors and assigns; provided that any assignment or transfer by the Depositor of its rights under this Agreement or with respect to the Fund shall be void as against you unless (i) written notice thereof shall be given to you, (ii) the assignee or transferee shall agree in writing to be bound by the provisions of this Agreement, and (iii) you and the Depositor shall have consented to such assignment or transfer.
10. This Agreement shall not become effective (and you shall have no responsibility hereunder except to return the Fund to the Depositor) until you shall have received the following and shall have advised the Depositor in writing that the same are in form and substance satisfactory to you:

Certified resolution of its Board of Directors authorizing the making and performance of this Agreement

Certificate as to the names and specimen signatures of its officers or representative authorized to sign this Agreement and notices, instructions and other communications hereunder.

If the foregoing Agreement is satisfactory to you, please so indicate by signing at the place provided below.

Ralph W. Deuster

Subject to paragraph 10, we accept appointment as Escrow Agent.

THE CHASE MANHATTAN BANK, N.A.

By Joseph S. Lehr  
Title  
Joseph S. Lehr  
Second Vice President

Executed in Field (5)  
counterparts of which this is No.  
T-17-2

THE CHASE MANHATTAN BANK, N.A.

Schedule of Fees for Escrow Services

To: Nuclear Fuel Services, Inc.  
6000 Executive Boulevard  
Rockville, Maryland 20852

For: Nuclear Fuel Services, Inc. Depository

In connection with the above account(s), the annual compensation for our escrow services will be determined on the following basis:

START-UP FEE \$50. First Year Only;

BASIC FEE \$600. per year or portion thereof payable upon execution of the Agreement.

ACTIVITY \$15. each security transaction: buy, sell, receive, deliver, Redemption in excess of four (4) per

BILLING PROCEDURE - Fee bills will be rendered annually, in advance, and will be payable upon receipt.

The foregoing covers service normally performed in the administration and investment of an escrow account. Charges for additional reports, services, amendments, additions, deletions, etc will be determined as mutually agreed upon. Fee is subject to review and renegotiation one year from date shown.

THE CHASE MANHATTAN BANK, N.A.

By Joseph S. Lehr  
Title: Joseph S. Lehr  
Second Vice President  
Dated November 13, 1974

AGREED:

[Signature]



[REDACTED]

SPECIMEN CERTIFICATE

The Chase Manhattan Bank, N.A.  
Trust Department  
1211 Avenue of the Americas  
New York, New York 10036

Attention: Escrow Division

Gentlemen:

In accordance with the terms of the Agreement with you dated \_\_\_\_\_  
1979, I, \_\_\_\_\_, Secretary of Nuclear Fuel Services, Inc., hereby  
certify that the following events have occurred:

1. Nuclear Fuel Services, Inc. is required to commence the decommissioning of its uranium facilities located at Erwin, Tennessee (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 Nuclear Fuel Services, Inc. has adopted the attached resolution authorizing the commencing of the decommissioning.

Enclosures (2)

AFFIDAVIT OF PAUL F. SCHUTT

County of Gwinnett )  
                          ) ss:  
State of Georgia    )

PAUL F. SCHUTT, being duly sworn, deposes and says:

1. I am General Partner of NFS Services, Ltd., a Georgia Limited Partnership.

2. Pursuant to 10CFR 2.790, I hereby request that my letter, dated February 26, 1987, to Mr. Hugh L. Thompson, Director, Office of Nuclear Material Safety and Safeguards, along with Enclosures 2 through 5 thereto, be withheld in whole from public disclosure. My request is based on the fact that the letter and its enclosures contain confidential commercial and financial information. Specifically,

- (a) the information contained in the February 26, 1987, letter and the referenced enclosures has been held in confidence by Nuclear Fuel Services and NFS Services Ltd.;
- (b) The letter and the enclosures contain information of a type customarily held in confidence by those entities because of the pendency of the sensitive business transaction involved and because the information is financially and personally confidential;
- (c) the information was transmitted to and received by the Commission in confidence;
- (d) the information is not available in public sources; and