

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1997-05-15** | Period of Report: **1997-03-31**
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FILER

NUCLEAR METALS INC

CIK: **276331** | IRS No.: **042506761** | State of Incorpor.: **MA** | Fiscal Year End: **0928**
Type: **10-Q** | Act: **34** | File No.: **000-08836** | Film No.: **97609728**
SIC: **3350** Rolling drawing & extruding of nonferrous metals

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2229 MAIN STREET
CONCORD MA 01742

Business Address
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CONCORD MA 01742
5083695410

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
for the quarterly period ended March 31, 1997

or

Transition Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
for the transition period from _____ to _____

Commission File No. 0-8836

NUCLEAR METALS, INC.

(Exact name of Registrant as specified in its charter)

Massachusetts

(State or other jurisdiction of
incorporation or organization)

04-2506761

(I.R.S. Employer
Identification No.)

2229 Main Street,
Concord, Massachusetts

(Address of Principal Executive Offices)

01742

(Zip Code)

(508) 369-5410

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last
report)

Indicate by check mark whether the Registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding twelve months (or for such shorter period that the Registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days.

Yes X No

As of April 30, 1997 there were issued and outstanding 4,782,928 shares of the Registrant's Common Stock.

NUCLEAR METALS, INC. AND SUBSIDIARIES
FORM 10-Q
for the quarterly period ended March 31, 1997

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PART I

| | |
|-------------------------------------|--|
| Item 1. Financial Statements | |
| Preparation of Financial Statements | |

The financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and are subject to year-end audit by independent public accountants. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. It is suggested that the financial statements be read in conjunction with the financial statements and notes included in the Company's most recent Annual Report on Form 10-K.

The information furnished reflects all adjustments which, in the opinion of management, are necessary for a fair statement of results for the interim periods. It also should be noted that results for the interim periods are not necessarily indicative of the results expected for any other interim period or for the full year.

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NUCLEAR METALS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | (UNAUDITED) MARCH 31, 1997 ----- | SEPTEMBER 30, 1996 ----- |
|---|---|--------------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents..... | \$ 198,000 | \$ 1,051,000 |
| Restricted Cash..... | 250,000 | 250,000 |
| Accounts receivable, net of allowances for doubtful accounts of \$421,000 at March 31, 1997 and \$821,000 at September 30, 1996..... | 4,420,000 | 4,931,000 |
| Inventories..... | 11,679,000 | 12,025,000 |
| Other current assets..... | 576,000 | 376,000 |
| | ----- | ----- |
| Total current assets..... | 17,123,000 | 18,633,000 |
| | ----- | ----- |
| Property, Plant and Equipment..... | 47,748,000 | 46,980,000 |
| Less accumulated depreciation..... | 32,584,000 | 31,834,000 |
| | ----- | ----- |
| Net property, plant and equipment..... | 15,164,000 | 15,146,000 |
| | ----- | ----- |
| Other assets..... | 1,222,000 | 1,339,000 |
| | ----- | ----- |
| | \$ 33,509,000 | \$ 35,118,000 |
| | ----- | ----- |

| Liabilities and Stockholders' Equity | | |
|--|---------------|---------------|
| Current liabilities: | | |
| Current portion of long-term debt..... | \$ 950,000 | \$ 510,000 |
| Accounts payable and accrued expenses... | 6,224,000 | 8,874,000 |
| Total current liabilities..... | 7,174,000 | 9,384,000 |
| Notes Payable to Shareholders'..... | 749,000 | 850,000 |
| Long term obligations..... | 594,000 | 644,000 |
| Stockholders' equity: | | |
| Common stock, par value \$.10; authorized- 12,000,000 shares; 4,782,928 issued and outstanding for March 31, 1997 and 4,781,928 issued and outstanding for September 30, 1996..... | 478,000 | 478,000 |
| Additional paid-in capital..... | 14,022,000 | 13,889,000 |
| Warrants Issued..... | 130,000 | 130,000 |
| Retained earnings..... | 10,362,000 | 9,743,000 |
| Total stockholders' equity..... | 24,992,000 | 24,240,000 |
| | \$ 33,509,000 | \$ 35,118,000 |

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NUCLEAR METALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED:
(Unaudited)

| | THREE MONTHS ENDED | |
|--|--------------------|-------------------|
| | MARCH 31, 1997 | MARCH 31, 1996 |
| Net sales and contract revenues..... | \$5,342,000 | \$10,021,000 |
| Cost and expenses | | |
| Cost of sales..... | 3,318,000 | 8,163,000 |
| Selling, general and administrative..... | 1,400,000 | 1,345,000 |
| Research and development..... | 451,000 | 226,000 |

| | | |
|--|------------|------------|
| Total Cost and expenses..... | 5,169,000 | 9,734,000 |
| Operating income..... | 173,000 | 287,000 |
| Other income..... | 2,000 | 67,000 |
| Interest expense, net..... | (64,000) | (123,000) |
| Income before income taxes..... | 111,000 | 231,000 |
| Benefit (Provision) for income taxes..... | (2,000) | 7,000 |
| Net income..... | \$ 109,000 | \$ 238,000 |
| Per Share Information | | |
| ----- | | |
| Net income per common and common equivalent share..... | \$ 0.02 | \$ 0.05 |
| Weighted average number of common and common equivalent shares outstanding..... | 4,957,930 | 4,795,505 |

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NUCLEAR METALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED:
(Unaudited)

| | SIX MONTHS ENDED | |
|--|-------------------|-------------------|
| | MARCH 31, 1997 | MARCH 31, 1996 |
| | ----- | ----- |
| Net sales and contract revenues..... | \$ 12,613,000 | \$16,692,000 |
| Cost and expenses | | |
| Cost of sales..... | 8,588,000 | 13,398,000 |
| Selling, general and administrative..... | 2,587,000 | 2,449,000 |

| | | |
|---|------------|------------|
| Research and development..... | 699,000 | 360,000 |
| Total Cost and expenses..... | 11,874,000 | 16,207,000 |
| Operating income..... | 739,000 | 485,000 |
| Other income..... | 11,000 | 70,000 |
| Interest expense, net..... | (119,000) | (212,000) |
| Income before income taxes..... | 631,000 | 343,000 |
| Benefit(Provision) for income taxes..... | (13,000) | 4,000 |
| Net income..... | \$ 618,000 | \$ 347,000 |
| Per Share Information | | |
| ----- | | |
| Net income per common and common equivalent share..... | \$ 0.13 | \$ 0.07 |
| Weighted average number of common and common equivalent shares outstanding..... | 4,920,378 | 4,777,666 |

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NUCLEAR METALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIODS ENDED:
(Unaudited)

| | SIX MONTHS ENDED | |
|--|-------------------|-------------------|
| | MARCH 31, 1997 | MARCH 31, 1996 |
| | ----- | ----- |
| Cash flows from operating activities: | | |
| Net income..... | \$618,000 | \$ 406,000 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Depreciation and amortization..... | 751,000 | 778,000 |
| Changes in assets and liabilities, net (Increase) decrease in accounts receivable... | 511,000 | 287,000 |

| | | |
|---|-------------|--------------|
| (Increase) decrease in other current assets.. | -- | -- |
| (Increase) decrease in deferred income tax benefit..... | -- | -- |
| (Increase) decrease in inventories..... | 346,000 | (504,000) |
| Increase (decrease) in accounts payable and accrued expenses..... | (2,650,000) | 146,000 |
| Gain on sale of building..... | -- | (175,000) |
| Changes in prepaid and deferred taxes..... | (200,000) | (187,000) |
| Changes in other long-term liabilities..... | -- | -- |
| Other..... | 116,000 | (115,000) |
| | ----- | ----- |
| Net cash provided (used) by operating activities..... | (508,000) | 636,000 |
| | ----- | ----- |
| Cash flows from investing activities: | | |
| Capital expenditures, net..... | (785,000) | (422,000) |
| (Purchase) Sale of Marketable Securities..... | -- | 218,000 |
| Proceeds from sale of Property, Plant & Equipment..... | 12,000 | 487,000 |
| Other..... | -- | -- |
| | ----- | ----- |
| Net cash provided (used) in investing activities..... | (773,000) | 283,000 |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Total payments of debt, gross..... | (1,994,000) | (916,000) |
| Proceeds from debt..... | 2,422,000 | (532,000) |
| (Purchases) issuances of common stock..... | -- | 359,000 |
| Cash Dividends..... | -- | -- |
| | ----- | ----- |
| Net cash provided (used) in financing activities..... | 428,000 | (1,089,000) |
| | ----- | ----- |
| Net increase (decrease) in cash and equivalents... | (852,000) | (170,000) |
| Cash and equivalents at beginning of the period..... | 1,301,000 | 1,213,000 |
| | ----- | ----- |
| Cash and equivalents at end of the period..... | \$ 448,000 | \$ 1,043,000 |
| | ----- | ----- |
| | ----- | ----- |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest, net of amounts capitalized..... | \$ 46,000 | \$ 216,000 |
| Income taxes..... | \$ -- | \$ -- |

NOTES

1. The significant accounting policies followed by the Company in preparing its consolidated financial statements are set forth in Note (2) to such financial statements included in Form 10-K for the fiscal year ended September 30, 1996.

2. Inventories are stated at the lower of cost (first-in, first-out) or market, and include labor, materials, and overheads for manufacturing and engineering. Inventories at March 31, 1997 and September 30, 1996 consist of:

| | March 31, 1997 | September 30, 1996 |
|-----------------|-------------------|-----------------------|
| | ----- | ----- |
| Work-in process | \$8,319,000 | \$ 8,697,000 |
| Raw materials | 2,658,000 | 2,620,000 |
| Spare parts | 702,000 | 708,000 |
| | ----- | ----- |
| | \$11,679,000 | \$12,025,000 |
| | ----- | ----- |
| | ----- | ----- |

3. All references to shares of Common Stock have been restated to reflect a two-for-one stock split in the form of a dividend effective April 7, 1997.

4. New Accounting Standard - In March 1997, the Financial Accounting Standards Board issued SFAS No. 128, Earnings Per Share. SFAS No. 128 establishes standards for computing and presenting earnings per share and applies to entities with publicly held common stock. This statement is effective for fiscal years ending after December 15, 1997 and early adoption is not permitted. When adopted, the statement will require restatement of prior years earnings per share. The Company will adopt this statement for its fiscal year ending September 30, 1998 and does not believe that the effect of the adoption of this standard would be materially different from the amounts presented in the accompanying statements of income.

CONDITION AND RESULTS OF OPERATIONS

Second Quarter Fiscal 1997 Compared With Second Quarter Fiscal 1996

Net sales decreased by \$4,679,000 or 47% to \$ 5,342,000 in the second quarter of fiscal 1997. Sales in the Uranium Services & Recycle industry segment decreased by \$1,767,000 or 80%. Sales in the Specialty Metal Products industry segment decreased by \$136,000 or 4%. Sales in the Penetrator industry segments decreased by \$2,776,000 or 62%.

The sales decrease in the Uranium Services and Recycle industry segment was primarily due to lack of volume in depleted uranium products in the current quarter due to completion of a production contract for a foreign customer in fiscal 1996. The sales decrease in the Specialty Metal Products industry segment was primarily due to decreased volumes of beryllium product partially offset by higher volumes of medical powders. The sales decrease in the Depleted Uranium Penetrator industry segment was due to volume decreases in foreign military sales to a significant customer.

Gross profit in the second quarter increased by \$166,000 or 9% to \$2,024,000. The increase in gross profit was primarily the result of a reduction in the reserve requirements for certain site remediation costs of \$670,000 based on current contracts the Company has entered into for outside services and recognition of \$280,000 of revenue that had previously been deferred. The increase in gross profit also includes a reduction of \$650,000 in inventory reserves resulting from Management's confidence that current and anticipated orders will utilize existing inventory. This was partially offset by start-up costs on the first production orders for Beralcast-Registered Trademark-, NMI's patented lightweight material. As a percentage of sales, gross profit was 38% as compared to 19% for the second quarter of fiscal 1996.

Selling, general and administrative expenses increased by \$55,000 or 4% as compared to the second quarter of fiscal 1996. As a percentage of sales, selling, general and administrative expenses increased to 26% as compared to 13% for the same period a year earlier.

Other income decreased by \$65,000 to \$2,000, compared to \$67,000 for the second quarter of fiscal 1996. This decrease was primarily due to lower amounts available for investment.

Interest expense decreased by \$59,000 to \$64,000, from \$123,000 for the same period a year earlier. This decrease was primarily the result of the Company's higher levels of outstanding debt during the second quarter of fiscal 1996 as compared to the second quarter of fiscal 1995.

Income taxes benefited during the second quarter of fiscal 1996 and fiscal 1997 were at an effective rate of 2% net of approximately \$11,000 of income tax refunds received in the second quarter of fiscal 1996. The Company has unrecognized net operating loss carryforwards resulting in a minimal effective tax rate.

SIX MONTHS Fiscal 1997 Compared With SIX MONTHS Fiscal 1996

Net sales decreased by \$4,079,000 or 24% to \$12,613,000 in the first six months of fiscal 1997. Sales in the Uranium Services & Recycle industry segment decreased by \$2,174,000 or 56%. The decrease in the Uranium Services & Recycle industry segment was due primarily to decreased production volumes of depleted uranium. Sales in the Specialty Metal Products industry segment decreased by \$840,000 or 10%, due to decreased sales of beryllium products. Sales in the Penetrator segment decreased by \$1,065,000 or 17%, mainly due to lower large caliber sales.

Gross profit increased by \$731,000 or 22% to \$4,025,000. As a percentage of sales, gross profit was 32% as compared to 20% for the first six months of fiscal 1996. The increase in gross profit was primarily the result of a reduction of reserve requirements for certain site remediation costs of \$670,000, reduction of inventory reserves of \$650,000, and recognition of \$280,000 of revenue during second quarter of fiscal 1997 that had been previously deferred. This was partially offset by start-up costs on the first production orders for Beralcast-Registered Trademark-, NMI's patented lightweight material during fiscal 1997.

Selling, general and administrative expenses increased by \$138,000 or 6% as compared to the first six months of fiscal 1996. As a percentage of sales, selling, general and administrative expenses increased to 21%, as compared to 15% for the same period a year earlier.

Other income decreased by \$59,000 to \$11,000, compared to \$70,000 for the same period in fiscal 1996. This decrease was primarily due to lower amounts available for investment.

Interest expense decreased by \$93,000 to \$119,000 from \$212,000 for the same period a year earlier.

Income taxes during the first six months of fiscal 1997 and 1996 were at an effective rate of 2% net of approximately \$11,000 of income tax refunds received in the first six months of fiscal 1996. The Company has significant unrecognized net operating loss carryforwards resulting in a minimal effective tax rate.

LIQUIDITY AND CAPITAL RESOURCES

Working capital at the end of the first six months of fiscal 1997 was

\$9,949,000, a increase of \$700,000. Cash and investments at the end of the six month period were \$448,000, a decrease of \$852,000. The decrease in cash is primarily a function of applications to line of credit balances to reduce interest expense.

Capital spending will continue in support of facilities both in Concord, Massachusetts and at Carolina Metals, Inc., the Company's Barnwell, South Carolina subsidiary. The Company anticipates that this will require \$1,057,000 during fiscal 1997.

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PART II

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits:

- 27 Financial Data Schedule
- 10A Envirocare of Utah, Inc. Low-Activity Radioactive waste disposal agreement
- 10B Amendment of Solicitation/Modification of contract date March 10, 1997 issued by the Department of the Army

- b. Reports on Form 8-K: The Company did not file any reports on Form 8-K during the second quarter ended March 31, 1997.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Nuclear Metals, Inc.

By /s/ Robert E. Quinn

Robert E. Quinn, President
Chief Executive Officer

Date May 15, 1997

By /s/ James M. Spiezio

James M. Spiezio, Vice President, Finance & Administration
Chief Financial Officer

Date May 15, 1997

By /s/ Rebecca L. Perry

Rebecca L. Perry, Controller
Chief Accounting Officer

Date May 15, 1997

[Letterhead of Envirocare
of Utah, Inc.]

ENVIROCARE OF UTAH, INC.
LOW-ACTIVITY RADIOACTIVE WASTE
DISPOSAL AGREEMENT

THIS AGREEMENT made and entered into as of this 29 day of December, 1989, by and between NUCLEAR METALS, INC., having its general offices at 2229 Main Street, Concord, Massachusetts 01742 (hereinafter called "Customer"), and ENVIROCARE OF UTAH, INC., a Utah corporation, having its general offices at 215 South State Street Suite 1160, Salt Lake City, Utah 84111 (hereinafter called "Disposer").

WITNESSETH:

WHEREAS, Customer has certain quantities of waste materials as listed and described in Exhibit "A", attached hereto and made a part hereof (hereinafter called "Waste Material"), and desires to have Disposer receive and dispose of such material at its Clive, Utah, waste disposal facility (hereinafter called "The Facility"), which has been duly licensed by the State of Utah for receipt and disposal of such waste, and

WHEREAS, attached hereto, reviewed by Customer, and made a part hereof is Disposer's license #UT2300249 issued by the State of Utah, together with amendments thereto which restrict the license and amendments thereto which expand the license to permit Disposer to handle the Waste Material which is the subject of this Agreement; and

WHEREAS, Disposer understands the toxic nature and the radioactive characteristics of the Waste Material, as described in Exhibit "A" and is willing to receive, handle, store, and dispose of the Waste Material in accordance with Disposer's license, and other permit(s) or authorization(s) granted pursuant to applicable governmental laws, rules, regulations, ordinances, actions and requests (hereinafter referred to as "Regulations");

NOW, THEREFORE, in consideration of the payments to be made by Customer to Disposer, as herein provided, and the mutual covenants and agreements herein contained, Customer hereby engages Disposer and Disposer hereby agrees to receive, handle, store, and dispose of the Waste Material described in Exhibit "A" upon the terms and conditions hereinafter set forth.

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1. WASTE MATERIAL. The Waste Material to be disposed of under this Agreement shall be only of the type and quantities set forth in Exhibit "A", which is attached hereto and by reference made a part hereof. The Customer shall commence shipment or delivery of the Waste Material to the Disposer only if said

material conforms in every material respect to the description contained in Exhibit "A", and complies in every material respect with Disposer's license and other permit(s) or authorization(s) granted pursuant to the Regulations.

Customer shall not mix or otherwise combine the Waste Material with any other material or products from any other party or source, nor present the same for receipt by Disposer.

All Waste Material shall be _____ when it arrives at The Facility as determined by the Standard Proctor Method.

Customer shall execute properly and in full and deliver to Disposer the Radioactive Waste Shipment and Disposal Record Form, the Waste Profile Record Form, the Radiological Evaluation Form and the Physical Properties Evaluation Form submitted by Disposer. Disposer shall rely on the information and data set forth in said forms, and Customer represents and warrants that said information and data is true and correct in all respects and is in accordance with all applicable Regulations.

2. NONCONFORMING WASTE MATERIAL. The Disposer shall have no obligation to receive, handle, store, or dispose of any waste material delivered at The Facility which does not in fact conform to and/or comply with Disposer's license and the Regulations. Upon discovering any nonconformity or noncompliance, the Disposer will give written notification to Customer. Disposer, at its sole option: (1) may remove or cause any nonconforming waste material to be removed and returned to Customer or (2) may demand that the Disposer remove or cause the material to be removed as soon as reasonably possible. All costs, expenses and/or fees for or resulting from the preparation for removal and/or removal of the material, including analysis and handling of the same, shall be paid by Customer without regard to whether removal is made or caused to be made by Disposer or by Customer. All costs, expenses and fees in transporting and in preparing to transport the material from The Facility shall be paid by Customer. If Disposer arranges for return of the material to Customer, the material shall be transported to Customer by such means of transportation as Disposer shall select.

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3. TRANSPORTATION AND DELIVERY. Customer shall transport and deliver the Waste Material or cause it to be transported and delivered to The Facility in the manner and pursuant to the schedule specified in Exhibit "B", which is attached hereto and by reference made a part hereof. The Waste Material shall be transported and delivered only in accordance with Exhibit "B" in "strong tight" containers as defined by 49 CFR 173 and approved by Disposer in writing before loading and shipment and in accordance with the Regulations. Disposer shall have no responsibility for arranging for, scheduling, or transporting the said material.

The Customer shall notify Disposer in writing of each shipment _____

prior to arrival of the shipment at The Facility.

If the loaded vehicles and/or containers do not pass Disposer's inspection, Disposer shall give written notification to Customer, and Customer shall promptly remove the same from The Facility. under no circumstances shall such vehicles and/or containers be deemed or treated as accepted merely because the same are located on The Facility.

Customer shall deliver the Waste Material at The Facility
_____ . If delivery arrives after
_____ .

Disposer shall unload and release transporting vehicles and containers in a timely fashion. If after unloading, Disposer determines that the vehicles and/or containers are contaminated, Disposer shall give written notification to Customer and Customer shall promptly arrange for the decontamination of the vehicles and/or containers. Disposer shall perform the necessary decontamination services, if Customer requests such services from Disposer, at the rate of
_____ .

Customer acknowledges that the lawful and timely disposal of the Waste Material makes critical and vital the scheduling for delivery of the Waste Material to, The Facility. Customer, therefore, shall deliver the Waste Material at The Facility strictly according to the schedule set forth in Exhibit "B".

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4. PACKAGING. Customer shall be responsible for all packages and containers and warrants their compliance with the requirements and specifications in Exhibit "B", and with all rules, regulations, laws and/or ordinances which may be applicable to the safety, packaging, storage or transportation of such containers.

5. REPRESENTATIONS AND WARRANTIES.

CUSTOMER: Customer represents and warrants that (1) all Waste Material delivered to Disposer shall conform in every material respect to the description contained in Exhibit "A", (2) prior to delivery of the Waste Material to Disposer, Customer shall have obtained all required permits and approvals for shipment and delivery of the Material, (3) all vehicles, containers, packages, or equipment used by Customer in the shipment, transportation, or delivery of the Waste Material shall comply with all rules, regulations, laws, and/or ordinances which may be applicable to the safety, packaging, storage or transportation of such vehicles, containers, packages, or equipment, and (4) Customer, and its officers, employees, and agents, shall comply with the site regulations established by Disposer for The Facility and with all instructions and/or regulations of the Utah Department of Health and/or other governmental authority having jurisdiction over The Facility.

DISPOSER: Disposer represents and warrants that it shall perform its services in compliance with the Regulations.

6. INDEMNIFICATION. Customer shall indemnify, defend and save harmless Disposer, and Disposer's officers, employees, and agents, against any and all liability whatsoever, including all costs, expenses, and/or attorneys fees, which may arise out the breach of any representation or warranty of Customer contained in paragraph 5 above. This indemnification by the Customer is made notwithstanding the provisions of paragraph 8, and is not diminished or limited in any way by the said paragraph.

Disposer shall indemnify, defend and save harmless Customer, and Customer's officers, employees, and agents, against any and all liability whatsoever, including all costs, expenses, and/or attorneys fees, which may arise out of the breach of any representation or warranty of Disposer contained in paragraph 5 above.

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7. PAYMENT. In consideration of the receipt, handling, storage, and disposal of the Waste Material, Customer shall make payment to Disposer at the rates and prices set forth in Exhibit "C", which is attached hereto and by reference made a part hereof, plus any and all _____ and _____ which are in effect as of the date the Waste Material is disposed of at The Facility or are placed in effect subsequent to such date.

Measurement of the Waste Material shall be made by Disposer at any time prior to disposal and Disposer's measurements shall be conclusive.

Disposer shall submit appropriate invoices to customer and shall keep copies of said invoices for a period of at least two years as a record of disposal. All invoices shall be due and payable by Customer upon receipt.

_____. If Customer defaults in its payment obligations under this Agreement, it shall make payment to Disposer of all costs, expenses, and attorney fees, incurred by Disposer in effecting collection of said amounts. Failure to pay invoices when due shall constitute a material breach of this Agreement.

Notwithstanding any language to the contrary contained herein, if Customer is in default of this Agreement Disposer may, at its sole election, (1) waive any such default on such terms as Disposer shall determine, including, but not limited to, accepting Waste Material from Customer on a prepaid basis; (2) suspend further performance by Disposer under this Agreement; or (3) declare Customer in default of this Agreement.

8. TITLE TO WASTE MATERIAL. Upon the Disposer accepting and taking possession at The Facility of Waste Material conforming to the description in

Exhibit "A", title, risk of loss, and all other incidents of ownership to the material shall thereupon transfer from Customer and shall be held by Disposer. Customer shall upon request by Disposer, sign and deliver to Disposer on its approved form, a bill of lading to all such material so delivered. Customer shall have no right to recovery of any material contained in the Waste Material nor any credit for its potential value. Customer shall nevertheless remain obligated in accordance with paragraph 2 above with regard to removal from The Facility of Waste Material.

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9. INSURANCE. Envirocare of Utah shall take out and maintain, at its expense, during the term of this Agreement at least the following insurance with respect to Disposer's ownership and operation of The Facility:

| COVERAGE | LIMITS |
|---|--------|
| (a) Workman's compensation | |
| (b) Employer's Liability | |
| (c) Public Liability (Bodily Injury) | |
| (d) Public Liability (Property Damage) | |
| (e) Automotive Liability (Bodily Injury) | |
| (f) Automotive Liability (Property Damage) | |

10. FORCE MAJEURE. The performance of this Agreement, except for the payment of money owing for services actually rendered hereunder, may be suspended by either party in the event of national defense requirements, any act of God, war, riot, fire, explosion, accident, flood, sabotage, or lack of adequate fuel, power, raw materials, labor, containers or transportation facilities, or noncompliance by the other party with governmental requirements, laws, regulations, orders or actions, or because of breakage or failure of machinery or apparatus, or in the event of labor trouble, strike, lockout or injunction (provided that neither party shall be required to settle a labor dispute against its own best judgment), or any other event beyond the reasonable control of such party, which event prevents the delivery, transportation, acceptance or disposal of the Waste Material.

11. INDEPENDENT CONTRACTOR. Customer and Disposer are each separate entities. Neither of them, nor their employees or agents, shall be deemed to be employees or agents of the other of them and their subcontractors are independent agents for all purposes and at all times.

12. WAIVER. Any waiver by either party of the breach of any provision or condition of this Agreement shall not be construed or deemed to be a waiver of a subsequent breach of the same provision or condition, unless such waiver be expressed in writing and signed by the party to be bound.

13. NOTICE. Any notice, communication or statement required or permitted to be given hereunder shall be in writing and deemed to have been sufficiently given when delivered in person or by registered or certified mail, postage prepaid, return receipt requested, or by telefax machine addressed as follows:

CUSTOMER: Nuclear Metals, Inc.
2229 Main Street
Concord, Massachusetts 01742

Telefax # (508) 369-5410 ext. 500

DISPOSER: Envirocare of Utah, Inc.
215 South State Street, Suite 1160
Salt Lake City, Utah 84111
Attention: Mr. Khosrow B; Semnani

Telefax # (801) 537-7345

or at such other address as a party shall hereafter, in writing, direct.

14. TERMINATION. Either party may terminate this Agreement by notice in writing in the event that the other party makes an assignment for the benefit of creditors; or admits in writing inability to pay debts as they mature; or a trustee or receiver of the other or of any substantial part of the other's assets is appointed by any court; or a proceeding is instituted under any provision of the Federal Bankruptcy Code by the other or against the other, and is acquiesced in or is not dismissed within 60 days, or results in an adjudication in bankruptcy.

15. CONFIDENTIALITY. The parties shall treat as confidential property and not disclose to others during or subsequent to the term of this Agreement, except as is necessary to perform this Agreement hereunder and then only on a confidential basis satisfactory to both parties, and information, including technical information, experience or data, regarding the other party's plans, programs, plants, processes, products, disposal costs, equipment, operations, customers and/or the specific contractual terms contained herein which may come within the knowledge of the parties, their officers or their employees in the performance of this Agreement without in each instance securing the prior written consent of the other party. Disposer shall also treat as confidential and shall not disclose to other, except as

required by law, governmental rules, regulations and/or orders, information relating to the composition of the Waste Material and/or the quantity of

Waste Material delivered to it by Customer. Nothing herein, however, shall prevent either Disposer or Customer from disclosing to others or using in any manner information which either party can show:

- (a) Has been published and become part of the public domain other than by acts, omissions, or fault of Disposer or Customer or their employees.
- (b) Has been furnished or made known to Disposer or Customer by third parties other than those acting directly or indirectly for or on behalf of Customer or Disposer as a matter of legal right without restriction against disclosure.
- (c) Was in the other party's possession prior to the disclosure thereof by Customer or Disposer to each other.

16. SURVIVAL. The representations, warranties, covenants, and agreements made herein shall survive expiration and/or termination of this Agreement.

17. AMENDMENT/ASSIGNMENT. This Agreement may be amended or assigned only by the written agreement of the parties.

18. BINDING. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and permitted assigns.

19. DEFAULT. In the event any party to this Agreement defaults in any of the covenants or agreements contained herein, the defaulting party shall pay all costs and expenses, including reasonable attorney's fees, incurred by the other party in enforcing its rights arising hereunder.

20. APPLICABLE LAW. This Agreement is entered into in the County of Salt Lake, State of Utah, shall be performed in the County of Tooele, State of Utah, and shall be governed and construed in accordance with the laws of the State of Utah. This Agreement is a contract for services, and passage to Disposer of

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title to Waste Material shall not cause the transaction to be characterized as a sale of goods.

21. HEADINGS AND PARAGRAPH NUMBERS. Headings and paragraph numbers have been inserted herein solely for convenience and reference and shall not be construed to affect the meanings, construction or effect of this Agreement.

22. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which may be executed by less than all of the parties hereto, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

23. SEVERABILITY. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, the Agreement shall continue in full force and effect without the said provision; provided that no such severability shall be effective if it materially changes the economic benefit of this Agreement to any party.

24. ENTIRE AGREEMENT. This Agreement constitutes the full and entire understanding and agreement between the parties hereto, and supersedes any language, term, condition, or other provision of any prior written materials, including any request for proposal, and any oral communications between the parties.

IN WITNESS WHEREOF, Disposer and Customer have been caused this Agreement to be executed by its duly authorized representative(s) on the day and year set forth below.

ENVIROCARE OF UTAH, INC.

NUCLEAR METALS, INC.

By /s/ Khosrow Semnani

By /s/ R. B. MacKay /s/ A.R. Gilman

Title President

Title V.P., Operations/V.P. Health/Safety

Date signed 2-20-90

Date signed 12-29-89

(DISPOSER)

(CUSTOMER)

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EXHIBIT "A"

NUCLEAR METALS, INC.

DESCRIPTION OF THE WASTE MATERIAL

The Waste Material to be disposed of is as follows:

as approved by the _____
_____ (a copy attached) in response to the information provided by Customer describing the waste material.

Any post-delivery adjustment _____ which is required by Disposer pursuant to paragraph 1 of this Disposal Agreement will be performed by Disposer at

EXHIBIT "B"

NUCLEAR METALS, INC.

DELIVERY SCHEDULE

The Waste Material shall be delivered to the facility no later than December 31, 1990 in quantities which may total less but not more than _____. The Waste Material shall be shipped and delivered in _____.

_____ Shipment shall be by _____. "Exclusive use" service shall be employed. Customer may, at its option, elect an alternative method of transportation of the Waste Material conditional upon it first obtaining the written agreement of Disposer as to such alternative transportation method and as to the price to be paid to Disposer for receipt and handling of said material pursuant to that alternative method. If Customer and Disposer agree to an alternative method of transportation, this Exhibit "B" shall thereupon be amended to reflect the agreement as to the alternative method. The Waste Material shall be delivered at such times and frequency as specifically set forth in written notice which Customer shall give to Disposer not less than thirty (30) days prior to delivery of the first shipment to The Facility.

EXHIBIT "C"

NUCLEAR METALS, INC.

PRICE SCHEDULE

The following charges will apply to Waste Material described in Exhibit "A" which meets each of the requirements of this Agreement:

If the delivery schedule requires The Facility to operate _____, an additional charge of _____ shall be added to the disposal charges given above.

FIRST ADDENDUM
TO
DISPOSAL AGREEMENT DATED DECEMBER 29, 1989, BETWEEN NUCLEAR METALS,
INC. ("CUSTOMER") AND ENVIROCARE OF UTAH, INC. (DISPOSER")

R E C I T A L S

1. Disposer has not received to date any Waste Material from the Customer (as defined in Exhibit "A" to the Disposal Agreement dated December 29, 1989), pursuant to the Disposal Agreement.

2. Customer and Disposer desire to amend the Disposal Agreement in the particulars hereinafter provided.

NOW THEREFORE, it is agreed as follows:

1. Customer and Disposer agree the Waste Material shall be delivered to The Facility no later than December 31, 1991 _____, pursuant to the terms of the Disposal Agreement as modified by this first Addendum to Disposal Agreement.

2. For the term of the Disposal Agreement and this First Addendum to Disposal Agreement, Disposer shall receive, handle, store and dispose of the Additional Waste Material from the Customer at the disposal rate outlined below:

EXHIBIT "C"
NUCLEAR METALS, INC.
PRICE SCHEDULE

The following charges will apply to all Waste Material (as defined in Exhibit "A" to the Disposal Agreement) delivered by Customer to Disposer which meets each of the requirements of this Agreement:

If the delivery schedule requires the Facility to operate _____ an additional charge of _____ shall be added to the disposal charges given above.

If Waste Material _____, an additional charge of _____

shall be added to the disposal charges given above.

4. All terms and provisions of the Disposal Agreement remain in full force, effect and unchanged except as hereinabove specifically provided.

THIS AGREEMENT made this eighteenth day of January, 1991.

ENVIROCARE OF UTAH, INC.

NUCLEAR METALS, INC.

By: /s/ Khosrow Semnani

By: /s/ R. B. MacKay /s/ A. R. Gilman

Title: President

Title: V.P., Operations V.P. Safety

Date Signed: February 25, 1991

Date Signed: January 31, 1991

SECOND ADDENDUM

TO

DISPOSAL AGREEMENT DATED DECEMBER 29, 1989, BETWEEN NUCLEAR METALS, INC., ("CUSTOMER") AND ENVIROCARE OF UTAH, INC., ("DISPOSER").

RECITALS:

1. Disposer has received from the Customer approximately _____ of Waste Material (as defined in Exhibit A to the Disposal Agreement dated December 29, 1989, pursuant to the Disposal Agreement.

2. By First Addendum dated January 18, 1991, Customer and Disposer amended said Disposal Agreement and now desire to further amend the Disposal Agreement in the particulars hereinafter provided.

NOW THEREFORE, it is agreed as follows:

1. This Second Addendum replaces and is executed in substitution of the First Addendum dated January 18, 1991.

2. Customer and Disposer agree that Disposer will receive, within the time as herein provided and will handle, store and dispose of additional Waste Material, i.e. Waste Material _____ received from the Customer. Said additional waste material (hereinafter "Waste Material") shall be so received, handled, stored and disposed of pursuant to the terms of the Disposal Agreement and this Second Addendum to Disposal Agreement.

3. FIRST/LAST SHIPMENT: The first shipment of Waste Material shall arrive at the Facility before January 31, 1992. The last shipment shall arrive at the Facility before December 31, 1994.

4. For the term of the Disposal Agreement and this Second Addendum, Disposer shall receive, handle, store and dispose of the Waste Material contemplated by this Second addendum at the rates outlined below:

5. Notwithstanding the terms of the Disposal Agreement and this Second Addendum, Disposer does reserve the right to refuse to accept all or any portion of the Waste Material contemplated by this Second Addendum in the event, conditional upon, and to the extent that any governmental agency or other authority having jurisdiction for the regulation or oversight of The Facility, including, but not limited to, the State of Utah and the Northwest Interstate Compact Committee, directs or requires that Disposer not accept delivery of said Waste Material at The Facility.

6. The following charges will apply to all Waste Material (as defined in Exhibit "A" to the Disposal Agreement) contemplated by this Second Addendum and delivered by Customer to Disposer and which meets each of the requirements of this Agreement:

If the delivery schedule requires the Facility to operate _____, an additional charge of _____ shall be added to the disposal charges given above.

If Waste Material _____, an additional charge of _____ shall be added to the disposal charges given above.

7. All terms and provisions of the Disposal Agreement remain in full force, effect and unchanged except as hereinabove specifically provided.

THIS AGREEMENT made this eleventh day of November, 1991.

ENVIROCARE OF UTAH, INC.

NUCLEAR METALS, INC.

By: /s/ Khosrow Semnani

By: /s/ R.B. MacKay

Title: President

Title: V.P., Operations

Date Signed: 12/2/91

Date Signed: November 22, 1991

NUCLEAR METALS, INC.

By: /s/ A. R. Gilman

Title: V.P. Health/Safety

Date Signed: November 22, 1991

THIRD ADDENDUM
TO THE
DISPOSAL AGREEMENT DATED DECEMBER 29, 1989, BETWEEN
NUCLEAR METALS, INC. ("CUSTOMER")
AND ENVIROCARE OF UTAH, INC., ("DISPOSER")

RECITALS

1. Disposer has received from the Customer as of January 31, 1995 approximately _____ of Waste Material (as defined in Exhibit "A" to the Disposal Agreement dated December 29, 1989.

2. Customer and Disposer desire to amend the Disposal Agreement in the particulars hereinafter provided.

NOW THEREFORE, it is agreed as follows:

1. Paragraph one (1) is amended extending the time during which the last shipment of Waste Material may arrive at The Facility to July 31, 1995.

2. Disposer shall accept and dispose of ___ constituting of _____. The disposal cost for said ___ shall be _____ will be figured at _____.

3. All terms and provisions of the Disposal Agreement and previous Addendums remain in full force, effect and unchanged except as hereinabove specifically provided.

THIS AGREEMENT made this 22nd day of March, 1995.

ENVIROCARE OF UTAH, INC.

NUCLEAR METALS, INC.

By: /s/ Charles A. Judd

By: /s/ Frank J. Vumbaco

Charles A. Judd

Title: Vice President

Title: VP Health & Safety

Date Signed: 5/2/95

Date Signed: 3/23/95

FOURTH ADDENDUM
TO THE
DISPOSAL AGREEMENT DATED DECEMBER 29, 1989, BETWEEN
NUCLEAR METALS, INC. ("CUSTOMER")
AND ENVIROCARE OF UTAH, INC. ("DISPOSER")

RECITALS

1. Disposer has received from the Customer as of July 31, 1995, approximately _____ of Waste Material (as defined in Exhibit "A" to the Disposal Agreement dated Dated December 29, 1989.

2. Customer and Disposer desire to amend the Disposal Agreement in the particulars hereinafter provided.

NOW THEREFORE, it is agreed as follows:

1. Paragraph one (1) is amended extending the time during which the last shipment of Waste Material may arrive at The Facility to December 31, 1996.

2. Disposer shall accept and dispose of all waste material at a disposal cost of _____.

3. All terms and provisions of the Disposal Agreement and previous Addendums remain in full force, effect and unchanged except as hereinabove specifically provided.

THIS AGREEMENT made this 16th day of August 1995.

ENVIROCARE OF UTAH, INC.

NUCLEAR METALS, INC.

By: /s/ Charles A. Judd

By: /s/ Frank J. Vumbaco

Charles A. Judd

Title: Vice President

Title: VP Health & Safety

Date Signed: 9/21/95

Date Signed: 8/25/95

FIFTH ADDENDUM
TO THE
DISPOSAL AGREEMENT DATED DECEMBER 29, 1989, BETWEEN

NUCLEAR METALS, INC., ("CUSTOMER")
AND ENVIROCARE OF UTAH, INC. ("DISPOSER")

RECITALS

1. Carolina Metals, Inc. is a wholly-owned subsidiary of Customer

2. Customer desires that Carolina Metals, Inc. be added as a wholly-owned subsidiary and a party to the Disposal Agreement.

2. Customer and Disposer desire to amend the Disposal Agreement in the particulars hereinafter provided.

NOW THEREFORE, it is agreed as follows:

1. The first sentence is amended to read as follows: THIS AGREEMENT made and entered into as of this 10th day of June, 1996, by and between NUCLEAR METALS, INC., having its general offices at 2229 Main Street, Concord, Massachusetts 01742, its wholly-owned subsidiary, CAROLINA METALS, INC. having its general offices at P.O. Box 1366, Highway 80, Barnwell, South Carolina 29812 (hereinafter called "Customer"), and ENVIROCARE OF UTAH, INC., a Utah corporation, having its general offices at 46 West Broadway, Suite 240, Salt Lake City, Utah 84101 (hereinafter called "Disposer").

2. Paragraph 13 is amended to add: CUSTOMER: Carolina Metals, Inc.
P.O. Box 1366
Highway 80
Barnwell, South Carolina
29812

3. All terms and provisions of the Disposal Agreement and previous Addendums remain in full force, effect and unchanged except as hereinabove specifically provided.

THIS AGREEMENT made this 7th day of June, 1996.

ENVIROCARE OF UTAH, INC.

NUCLEAR METALS, INC.

By: /s/ Charles A. Judd

By: /s/ Frank J. Vumbaco

Charles A. Judd

Frank J. Vumbaco

Title: Vice President

Title: Vice President, Health & Safety

Date Signed: 6/18/96

Date Signed: June 10, 1996

SIXTH ADDENDUM
TO THE
DISPOSAL AGREEMENT DATED DECEMBER 29, 1989, BETWEEN
NUCLEAR METALS, INC., ("CUSTOMER")
AND ENVIROCARE OF UTAH, INC. ("DISPOSER")

RECITALS

Customer and Disposer desire to amend the Disposal Agreement in the particulars hereinafter provided.

NOW THEREFORE, it is agreed as follows:

1. Paragraph 1 is amended extending the time during which the last shipment of Waste Material may arrive at The Facility _____ .
2. The attached SCHEDULE "C-1" is added to the Disposal Agreement.
3. All terms and provisions of the Disposal Agreement and previous Addendums with the exception of item 2 of the Fourth Addendum remain in full force, effect and unchanged except as herein specifically provided.

THIS AGREEMENT made this nineteenth day of September 20, 1996.

ENVIROCARE OF UTAH, INC.

NUCLEAR METALS, INC.

By: /s/ Charles A. Judd

By: /s/ James M. Spiezio

Charles A. Judd

Title: Vice President

Title: VP Finance

Date Signed: 9/20/96

Date Signed: 9/20/96

SCHEDULE "C-1"

(Disposal Only)

PRICE SCHEDULE

NUCLEAR METALS, INC

The following conditions and charges apply to the Waste Material to be delivered for disposal and which meets each of the requirements of this Agreement:

Customer represents that it will deliver _____ of Waste Material to The Facility. Customer represents that the Waste Material is _____. Customer represents that _____ Waste Material will be delivered to The Facility _____. Disposer will invoice Customer at the rate of _____ for disposal of the _____ Waste Material.

This Agreement is made by Envirocare in partial consideration of assurances given by Customer that Waste Material will be _____. Customer will insure that a _____ of Waste Material will be delivered to The Facility _____.

In the event Customer has not _____ as stated above _____, Disposer will invoice Customer at a rate of _____ for all Waste Material delivered.

Disposer will make all reasonable efforts to insure that all of the Waste Material is acceptable for disposal. The amount of any specific Waste Material found _____. In the event that the total _____ delivered is _____, then after the last shipment arrival date provided in paragraph 1 of the Agreement, Envirocare shall invoice Customer _____. Said invoice shall be due and payable by Customer as provided in paragraph 9 of the Agreement.

No more than _____ of Waste Material shall be disposed at The Facility for Customer under this schedule.

MEASUREMENT OF WASTE MATERIAL. For payment purposes, volume or weight measurement of the Waste Material shall be made by Envirocare at any time prior to treatment or disposal, and Envirocare's measurements shall be conclusive.

If the delivery schedule requires The Facility to operate _____, an additional charge of _____ shall be added to each applicable disposal charge.

For any Waste Material which _____, an additional charge of _____ shall be added to each applicable disposal charge for that particular Waste Material.

<TABLE>
<CAPTION>

<S> AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT <C> 1. CONTACT ID CODE <C> PAGE OF PAGE
1 19

| | | | |
|--|---|---|-----------------------------|
| 4. AMENDMENT/MODIFICATION NO. P00010 | 5. EFFECTIVE DATE 03/06/97 | 6. REQUIREMENT/PURCHAS REG. NO. 2p7AAQ-421A-MOD1 | PROJECT NO. (If applicable) |
| 6. ISSUED BY DEPARTMENT OF ARMY AMS1A-AR-PC-A B,10 PICATTNY ARSENAL NJ 07206 L. Ketter | CODE M15gkm03 205(201) 724-4771 | 7. ADMINISTERED BY (if other than hand) DCMAO BOSTON 495 SUMMER STREET BOSTON MA 02210-2184 | CODE 22206a |
| 8. NAME AND ADDRESS OF CONTRACTOR (No., county, State and Zip Code) Vender ID: 0-0004845 DQ | | 8a. AMENDMENT OF SOLICITATION NO. 9b. DATED (SEE ITEM 11) 10a. MODIFICATION OF ADMINISTRATION NO. X DAAK10-81-C-0323 10b. DATED (SEE ITEM 13) | |
| CODE 78465 | FACILITY CODE | | |

</TABLE>
// The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offer: // is extended, // is not extended, Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change and offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and be received prior to the opening hour and date specified.

<TABLE>
<CAPTION>

<S> 13. ACCOUNTING AND APPROPRIATION DATA (if required) <C> Obligated Amount US \$6,525,979.00
See Attached.

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OR CONTRACTS/ORDERS, IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

(X) A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: By authority: THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO.

B. THE ABOVE NUMBERED CONTRACT ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying officer, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 29, 100

x C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:

D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor // is not, /x/ is required to sign this document and return 2 copies to the issuing office. ---

14. DESCRIPTION OF AMENDMENT MODIFICATION (Organized by UCF section headings, including modifications/contracts were feasible.)
See attached continuation sheet.

Any attempt as provided herein, all terms and conditions of this reference and in full force and effect.

14A. NAME AND TITLE OF SIGNER (Type or print) 14B. NAME AND TITLE OF CONTRACTING OFFICER (Type of

| | | | |
|--|-----------------------------|---|-------------------------------|
| 15A. CONTRACTOR/ /s/ Donald T. King | 15C. DATE SIGNED 3/10/97 | 15C. UNITED STATES OF AMERICA or /s/ Harry Santa | 15D. DATE SIGNED 10 Mar 97 |
|--|-----------------------------|---|-------------------------------|

</TABLE>

<TABLE>
<CAPTION>

Page 1A of 19

DAAKIO-81-C-0323
Modification P00010
SUPPLIES OR SERVICES AND PRICES/COSTS

| ITEM | DESCRIPTION | QUANTITY | U/I | UNIT PRICE | AMOUNT |
|------|---|----------|-----|----------------|--------------|
| <S> | <C> | <C> | <C> | <C> | <C> |
| 0001 | This line covers the basic contract and mods up to P00009. PR Number: PreAud-****-0197 | 1.00 | EA | 7317996.000000 | 7,317,996.00 |
| 0009 | PR Number: 2P7AA0-421A-MG01 | 1.00 | EA | 6525979.000000 | 6,525,979.00 |

</TABLE>

CONTINUATION SHEET

DAAK10-81-C-0323
MODIFICATION P00010

PAGE 2 OF 19

The purpose of the Modification is to incorporate the attached Army Contract Adjustment Board Memorandum of Decision No. 1244, dated 13 Sep 1996 and implement same by a Supplement Agreement, the terms of which are as follows:

A. The Government shall pay the Contractor a firm fixed price of \$6,525,979 for the Contractor to conduct all activities necessary for Decontamination & Decommissioning (i.e. treat, excavate, transport, bury and otherwise cleanup) of the Holding Basin at Contractor's Concord facility as specified in the five performance based milestones set forth in Paragraph D. It is the contractor's responsibility to comply with all environmental laws, regulations, and standards, and obtain all environmental permits necessary to do the remediation effort. Execution of the Modification is implementation of an ACAB Decision and does not constitute any admission of liability by either party. Cleanup of areas other than the holding basin will be charged to appropriate overhead and/or G&A pools in accordance the ACAB decision.

B. Period of Performance is as specified in Performance Milestones and paragraph H.

C. The attached firm fixed price--services clauses are included in the contract and made applicable to this modification. None of the cost type clauses contained in the basic contract apply to this modification.

D. Payments shall be made as performance based payments in accordance with FAR 52.232-32 and the performance schedule set forth below. Each of the individual milestone payments will be paid in full when the US Army TACOM-ARDEC is provided with documentation confirming full performance of each individual milestone, and has been properly invoiced.

CONTINUATION SHEET

DAAK10-81-C-0323
MODIFICATION P00010

PAGE 3 OF 19

- | | |
|--|--------------|
| 1. SUBMITTAL OF Decontamination & Decommissioning/Response Action Measure for the Holding Basin to Army (30 calendar days after contract award) | \$2,000,000. |
| 2. Completion of enclosure construction/obtain equipment. | 500,000. |
| 3. Complete excavation and packaging of Basin Material in accordance with D&D/RAM Plan. NMI is not authorized to proceed, or to receive any payment under the provisions of this Modification until it demonstrates and provides to the Army proof that it has received regulatory approval of all of the necessary cleanup, decommissioning, and decontamination plans. The Contracting Officer may suspend payments in the | |

event NMI does not prepare or submit to regulatory agencies, any required environmental analysis, environmental reports, or other information required for regulatory agencies to take approval action on D&D plans.

- a. At the time 1,500 cubic yards of the basin material have been removed and delivered to the rail site. Expected to be on or about 15 Jul 97. NMI will provide documentary evidence with its invoice that a sufficient number of rail cars have been loaded to achieve a level of 1,500 cubic yards. 1,000,000.
- b. At the time 1,500 cubic yards of the basin material have been removed and delivered to the rail site (in addition to the item 3.a material). Expected to be on or about 15 Aug 97. NMI will provide documentary evidence with its invoice that a sufficient number of rail cars have been loaded to achieve a level of 1,500 cubic yards. 1,000,000.
- c. At the time 1,500 cubic yards of the basin material have been removed and delivered to the rail site (in addition to the item 3.a and 3.b material). Expected to be on or about 15 Sep 97. NMI will provide documentary evidence with its invoice that a sufficient number of rail cars have been loaded to achieve a level of 1,500 cubic yards. 1,000,000.

NMI is not authorized to proceed on excavation until they have received prior approval from the appropriate regulatory agencies of the Decontamination and Decommissioning and Response Action Measure Plans associated with the holding basin and provide evidence of same to the Army.

CONTINUATION SHEET DAAK10-81-C-0323 PAGE 4 OF 19

MODIFICATION P00010

- 4. D&D of basin enclosure certification from regulatory agency. 250,000.
 - 5. Provide Army with all necessary regulatory acceptance/certification by Local, State and Federal Agencies of confirmatory post basin site survey and release of NMI and the US Army in accordance with regulatory criteria. NMI's Preliminary Decommissioning Plan will be submitted to the Army within 90 days after contract award. 775,979.
- Total 6,525,979.

E. In consideration of the above, the Contractor agrees to waive, release, indemnify and hold the Government harmless from any and all claims of any kind related to existing contamination and/or waste at NMI's concord site, including, but not limited to, any type of contract, environmental claims, CERCLA claims, including claims based on being an arranger for disposal, or an operator, or any claims of active or passive negligence by the Government or its agents or employees but excluding only claims for decontamination and disposal of government-furnished equipment maintained and identified under facilities Contract No. DAAA09-90-E-0013 or any successor facilities contract. Any and all violations or fines by any authority regarding the presence, removal, or disposal of waste will be the responsibility of the contractor.

F. Monthly letter reports and copies of any correspondence between NMI, regulator or other government agencies (i.e. letters, document, reports, studies, notices of meetings/ plans, etc.) (contractor format is acceptable) are to be submitted to US Army, ARDEC, ATTN: Michael Los, AMSTA-AR-SRC, Building 172, Picatinny Arsenal, NJ 07806-5000.

G. Stop Work Order clause (52.242-15) is amended to include: "should a stop work order be issued, the contractor must make necessary safeguards at holding basin and work area to preclude environmental damage during the stoppage".

H. "Site-wide" environmental assessment plans approved by The Regulatory Agency shall be completed and provided within 16 months of execution of this modification. NMI's Preliminary Decommissioning Plan will be submitted to the Army within 90 days after contract award.

Payment will be made by DFAS Columbus Center DFAS-CO/DPRO West Division, P.O. Box 182511, Columbus, OH 43218-2225.

As a result of this modification, the contract is increased by \$6,525,979.00 from \$7,317,996.00 to \$13,843,975.00.

All other terms and conditions remain unchanged.

MODIFICATION P00010

FIRM FIXED PRICE CLAUSES

INSPECTION AND ACCEPTANCE:

52.246-4 INSPECTION OF SERVICES-
FIXED-PRICE

AUG 1996

52.242-15 STOP-WORK ORDER. (AUG 1989)

(a) The Contracting Officer may, at any time, by written order to the Contractor, require the Contractor to stop all, or any part, of the work called for by this contract for a period of 90 days after the order is delivered to the Contractor, and for any further period to which the parties may agree. The order shall be specifically identified as a stop-work order issued under this clause. Upon receipt of the order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage. Within a period of 90 days after a stop-work order is delivered to the Contractor, or within any extension of that period to which the parties shall have agreed, the Contracting Officer shall either:

- (1) Cancel the stop-work order; or
- (2) Terminate the work covered by the order as provided in the Default, or the Termination for Convenience of the Government, clause of this contract.

(b) If a stop-work order issued under this clause is canceled or the period of the order or any extension thereof expires, the Contractor shall resume work. The Contracting Officer shall make an equitable adjustment in the delivery schedule or contract price, or both, and the contract shall be modified, in writing, accordingly, if:

- (1) The stop-work order results in an increase in the time required for, or in the Contractor's cost properly allocable to, the performance of any part of this contract; and
- (2) The Contractor asserts its right to the adjustment within 30 days after the end of the period of work stoppage; provided, that, if the Contracting Officer decides the facts justify the action, the Contracting Officer may receive and act upon a proposal submitted at any time before final payment under this contract.

(c) If a stop-work order is not canceled and the work covered by the order is terminated for the convenience of the Government, the Contracting Officer shall allow reasonable costs resulting from the stop-work order in arriving at the termination settlement.

(d) If a stop-work order is not canceled and the work covered by the order is terminated for default, the Contracting Officer shall allow, by equitable adjustment or otherwise, reasonable costs resulting from the stop-work order.

CONTRACT ADMINISTRATION DATA

PRON: 2F7AA0421ANG
ACCTG CLASS: 2172034 75H5H00P210 25CZ S28017

CONTRACTOR'S REMIT-TO ADDRESS FOR PAYMENT OF INVOICES

Payment shall be made to the remit-to address shown on the invoice as authorized by the contractor.

CONTRACTORS INVOICES

Request for Payment: Submit Public Vouchers to the Finance Office FOUND IN Block 6 of Standard Form 30 (Amendment of Solicitation/ Modification of Contract)

ADDITIONAL INFORMATION

Contract Specialist: Linda Kettler
Organization Code: AMSTA-AR-PC-C
Telephone Number: 201-724-4771
Facsimile Number: 201-724-4524 252-201-7000

CONTRACTING OFFICER'S REPRESENTATIVE. (DEC 1991)

(a) "Definition. Contracting officer's representative" means an individual designated in accordance with subsection 201.602-2 of the Defense Federal Acquisition Regulation Supplement and authorized in writing by the contracting officer to perform specific technical or administrative functions.

(b) If the Contracting Officer designates a contracting officer's representative (COR), the Contractor will receive a copy of the written designation. It will specify the extent of the COR's authority to act on behalf of the contracting officer. The COR is not authorized to make any commitments or changes that will affect price, quality, quantity, delivery, or any other term or condition of the contract.

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252.223-7001 HAZARD WARNING LABELS. (DEC 1991)

(a) "Hazardous material," as used in this clause, is defined in the Hazardous Material Identification and Material Safety Data clause of this contract.

(b) The Contractor shall label the item package (unit container) of any hazardous material to be delivered under this contract in accordance with the Hazard Communication Standard (29 CFR 1910.1200 "et seq"). The Standard requires that the hazard warning label conform to the requirements of the standard unless the material is otherwise subject to the labelling requirements of one of the following statutes:

- (1) Federal Insecticide, Fungicide and Rodenticide Act;
(2) Federal Food, Drug and Cosmetics Act;
(3) Consumer Product Safety Act;
(4) Federal Hazardous Substances Act; or\
(5) Federal Alcohol Administration Act.

(c) The Offeror shall list which hazardous material listed in the Hazardous Material Identification and Material Safety Data clause of this contract will be labelled in accordance with one of the Acts in paragraphs (b) (1) through (5) of this clause instead of the Hazard Communication Standard. Any hazardous material not listed will be interpreted to mean that a label is required in accordance with the Hazard Communication Standard.

Material (if none, insert "none.") Act

(d) The apparently successful Offeror agrees to submit, before award, a copy of the hazard warning label for all hazardous materials not listed in paragraph (c) of this clause. The Offeror shall submit the label with the Material Safety Data Sheet being furnished under the Hazardous Material Identification and Material Safety Data clause of this contract.

(e) The Contractor shall also comply with MIL-STD-129, Marking for Shipment and Storage (including revisions adopted during the term of this contract).

REQUIRED INSURANCE (WRITTEN IN PLAIN ENGLISH)

Under FAR 52.228-5, in Section I, you must have the kinds and minimum amounts of insurance in FAR 28.307-2.

SAFETY REQUIREMENTS FOR HAZARDOUS ITEMS (WRITTEN IN PLAIN ENGLISH)

- a. The contractor shall use the safety data provided in the Hazardous Component Safety Data Sheets (HCSDS) to insure the safe handling of the energetic material. The HCSDS are in Section J of the contract.
- b. The contractor shall comply with Paragraph F, Chapter 1 of DOD 4146.26M, DOD Contractor's Safety Manual for Ammunition and Explosives. This requires the contractor to submit all site and construction plans through the local Defense Contract Management District Safety Office to the Contracting Officer for approval. The contractor must also submit changes for approval. Contractors will assure that their subcontractors follow the same procedures.
- c. Whenever the contractor uses a government facility, he shall comply with the local safety requirements of that facility.
- d. The contractor must obtain written approval from the Contracting Officer before the award of a subcontract involving explosives, propellants or pyrotechnic materials. When the contractor requests the Contracting Officer's approval, the Contracting Officer will arrange a Defense Logistics Agency preaward safety survey for each subcontractor.
- e. The contractor is responsible for decontaminating all facilities/equipment at the end of the contract unless they intend to continue using the facilities/equipment for similar purposes. You must include these costs original contract. The contractor must provide the Contracting Officer with a certification that you decontaminated all contaminated facilities/equipment.
- f. The contractor is responsible for properly disposing of hazardous materials during this contract. If disposal is done on the subcontractor's site, the contractor must note this in his site plan per paragraph b. The Contracting Officer must approve a subcontractor prior to him performing disposal per paragraph d.
- g. The contractor will provide reports of accidents/incidents as required by Data Item DI-H- 1329A. The government reserves the right to investigate any accident/incident under Chapter 2, Paragraphs F and G of DOD 4145.26M, DOD Contractor's Safety Manual for Ammunition and Explosives.

GOVERNMENT CONTRACTOR RELATIONSHIPS (WRITTEN IN PLAIN ENGLISH)

The Government and the Contractor agree that:

- a. The Contractor will not perform or be paid for any personal services.
- b. The Contractor or its employees will notify the Contracting Officer of any suspected personal services prior to performance.
- c. No employer-employee relationships will exist between the Government and the Contractor or its employees.
 - (1) A military or civilian Government employee will not appoint, employ, supervise, direct or evaluate contractor personnel.
 - (2) Contractor personnel will not:
 - (a) make Government policy;
 - (b) command, supervise, direct, or evaluate Government military or civilian personnel or other contractor personnel; or
 - (c) be part of a Government organization.
- d. The Contractor and/or its employees will not exercise personal judgment or discretion on behalf of the Government.

e. Contractor employees will act and exercise personal judgment or discretion only on behalf of the Contractor.

f. The Contractor and its employees entering Picatinny Arsenal will follow the installation's rules, regulations, directions and other requirements for good order, security and administration.

MATERIAL INSPECTION AND RECEIVING REPORT (WRITTEN IN PLAIN ENGLISH)

Distribute DD Form 250 to the following:

1 each - ARDEC, ATTN: Michael Los, AMSTA-AR-SRC
Building 172
1 each - Contract Admin Office Block 6 of SF30
1 each - Contract Office Block 5 of SF30
4 each - Payment Office As shown in on Page 4 of this modification.

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MATERIAL SAFETY DATA SHEETS (MSDS) (WRITTEN IN PLAIN ENGLISH)

1. The contractor shall send the Material Safety Data Sheets (MSDS) prior to award to the Contracting Officer and a copy with the first delivery of supplies to Commander, U.S. Army ARDEC, ATTN: SMCAR-SE, Picatinny Arsenal, NJ 07806-5000, required by FAR 52.223-3, Hazardous Material Identification and Material Safety Data, FAR 52.223-3.

2. We will not accept a delivery of any hazardous chemical/material when:

a. the applicable MSDS is not delivered with the first delivery of the supplies; and/or

b. the container label on the supplies is inadequate, unreadable, missing, or does not agree with the accompanying MSDS.

52.252-2 CLAUSES INCORPORATED BY REFERENCE. (JUN 1988)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available.

| | | |
|-----------|--|----------|
| 52.202-1 | DEFINITIONS | OCT 1995 |
| 52.203-3 | GRATUITIES | APR 1984 |
| 52.203-5 | COVENANT AGAINST CONTINGENT FEES | APR 1984 |
| 52.203-6 | RESTRICTIONS ON SUBCONTRACTOR SALES TO THE GOVERNMENT | JUL 1995 |
| 52.203-7 | ANTI-KICKBACK PROCEDURES | JUL 1995 |
| 52.203-8 | CANCELLATION, RESCISSION, AND RECOVERY OF FUNDS FOR ILLEGAL OR IMPROPER ACTIVITY | JAN 1997 |
| 52.203-10 | PRICE OR FEE ADJUSTMENT FOR ILLEGAL OR IMPROPER ACTIVITY | JAN 1997 |
| 52.204-4 | PRINTING/COPYING DOUBLE-SIDED ON RECYCLED PAPER | JUN 1996 |

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|-----------|--|----------|
| 52.209-6 | PROTECTING THE GOVERNMENT'S INTEREST WHEN SUBCONTRACTING WITH CONTRACTORS DEBARRED, SUSPENDED, OR PROPOSED FOR DEBARMENT | JUL 1995 |
| 52.211-15 | DEFENSE PRIORITY AND ALLOCATION REQUIREMENTS | SEP 1990 |
| 52.215-2 | AUDIT AND RECORDS--NEGOTIATION | AUG 1996 |

| | | |
|-----------|---|----------|
| 52.230-3 | DISCLOSURE AND CONSISTENCY OF COST ACCOUNTING PRACTICES | APR 1996 |
| 52.232-32 | PERFORMANCE-BASED PAYMENTS | OCT 1995 |
| 52.232-8 | DISCOUNTS FOR PROMPT PAYMENT | APR 1989 |
| 52.232-9 | LIMITATION ON WITHHOLDING OF PAYMENTS | APR 1984 |
| 52.232-11 | EXTRAS | APR 1984 |
| 52.232-17 | INTEREST | JUN 1996 |
| 52.232-23 | ASSIGNMENT OF CLAIMS --ALTERNATE I (APR 1984) | JAN 1986 |
| 52.232-25 | PROMPT PAYMENT | MAR 1994 |
| 52.233-1 | DISPUTES | OCT 1995 |
| 52.233-3 | PROTEST AFTER AWARD | AUG 1996 |
| 52.242-13 | BANKRUPTCY | JUL 1995 |
| 52.243-1 | CHANGES--FIXED-PRICE --ALTERNATE I (APR 1984) | AUG 1987 |
| 52.244-1 | SUBCONTRACTS (FIXED-PRICE CONTRACTS) | FEB 1995 |
| 52.244-5 | COMPETITION IN SUBCONTRACTING | DEC 1996 |
| 52.246-25 | LIMITATION OF LIABILITY--SERVICES | FEB 1997 |
| 52.249-2 | TERMINATION FOR CONVENIENCE OF THE GOVERNMENT (FIXED-PRICE) | SEP 1996 |
| 52.249-8 | DEFAULT (FIXED-PRICE SUPPLY AND SERVICE) | APR 1984 |
| 52.253-1 | COMPUTER GENERATED FORMS | JAN 1991 |

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| | | |
|--------------|--|----------|
| 252.203-7000 | STATUTORY PROHIBITIONS ON COMPENSATION TO FORMER DEPARTMENT OF DEFENSE EMPLOYEES | NOV 1995 |
| 252.203-7001 | SPECIAL PROHIBITION ON EMPLOYMENT | NOV 1995 |
| 252.204-7003 | CONTROL OF GOVERNMENT PERSONNEL WORK PRODUCT | APR 1992 |
| 252.225-7001 | BUY AMERICAN ACT AND BALANCE OF PAYMENTS PROGRAM | JAN 1994 |
| 252.225-7002 | QUALIFYING COUNTRY SOURCES AS SUBCONTRACTORS | DEC 1991 |
| 252.231-7000 | SUPPLEMENTAL COST PRINCIPLES | DEC 1991 |
| 252.242-7000 | POSTAWARD CONFERENCE | DEC 1991 |

52.215-42 REQUIREMENTS FOR COST OR PRICING DATA OR INFORMATION OTHER THAN

COST OR PRICING DATA--MODIFICATIONS. (JAN 1997)

(a) Exceptions from cost or pricing data.

(1) In lieu of submitting cost or pricing data for modifications under this contract, for price adjustments expected to exceed the threshold set forth at FAR 15.804-2(a)(1) on the date of the agreement on price or the date of the award, whichever is later, the Contractor may submit a written request for exception by submitting the information described in the following subparagraphs. The Contracting Officer may require additional supporting information, but only to the extent necessary to determine whether an exception should be granted, and whether the price is fair and reasonable--

(i) Identification of the law or regulation establishing the price offered. If the price is controlled under law by periodic rulings, reviews, or similar actions of a governmental body, attach a copy of the controlling document, unless it was previously submitted to the contracting office.

(ii) Information on modifications of contracts or subcontracts for commercial items.

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(A) If (1) The original contract or subcontract was granted an exception from cost or pricing data requirements because the price agreed upon was based on adequate price competition, or prices set by law or regulation, or was a contract or subcontract for the acquisition of a commercial item, and (2) the modification (to the contract or subcontract) is not exempted based on one of these exceptions, then the Contractor may provide information to establish that the modification would not change the contract or subcontract from a contract or subcontract for the acquisition of a commercial item to a contract or subcontract for the acquisition of an item other than a commercial item.

(B) For a commercial item exception, the Contractor shall provide, at a minimum, information on prices at which the same item or similar items have previously been sold that is adequate for evaluating the reasonableness of the price of the modification. Such information may include:

(1) For catalog items, a copy of or identification of the catalog and its date, or the appropriate pages for the offered items, or a statement that the catalog is on file in the buying office to which the proposal is being submitted. Provide a copy or describe current discount policies and price lists (published or unpublished), e.g., wholesale, original equipment manufacturer, or reseller. Also explain the basis of each offered price and its relationship to the established catalog price, including how the proposed price relates to the price of recent sales in quantities similar to the proposed quantities.

(2) For market-price items, the source and date or period of the market quotation or other basis for market price, the base amount, and the applicable discounts. In addition, describe the nature of the market.

(3) For items included on an active Supply Service Multiple Award Schedule contract, proof that an exception has been granted for the schedule.

(2) The Contractor grants the Contracting Officer or an authorized representative the right to examine, at any time before award, books, records, documents, or other directly pertinent records to verify any request for an exception under this clause, and the reasonableness of price. Access does not extend to cost or profit information or other data relevant solely to the Contractor's determination of the prices to be offered in the catalog or marketplace.

(b) Requirements for cost or pricing data. If the Contractor is not granted an exception from the requirement to submit cost pricing data, the following applies:

(1) The Contractor shall submit cost or pricing data on standard Form (SF) 1411 Contract Pricing Proposal Cover Sheet (Cost or Pricing Data Required), with supporting attachments prepared in accordance with Table 15-2 of FAR 15.804-6(b) (2).

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MODIFICATION P00010

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(2) As soon as practical after agreement on price, but before award (except for unpriced actions), the Contractor shall submit a Certificate of Current Cost or Pricing Data, as prescribed by FAR 15.804-4.

I.3 52.223-3 HAZARDOUS MATERIAL IDENTIFICATION AND MATERIAL SAFETY DATA.

(JAN 1997)

(a) "Hazardous material," as used in this clause, includes any material defined as hazardous under the latest version of Federal Standard No. 313 (including revisions adopted during the term of the contract).

(b) The offeror must list any hazardous material, as defined in paragraph (a) of this clause, to be delivered under this contract. The hazardous material shall be properly identified and include any applicable identification number, such as National Stock Number or Special Item Number. This

information shall also be included on the Material Safety Data Sheet submitted under this contract.

Material (if none, insert "None")

Identification No.

(c) This list must be updated during the performance of the contract whenever the Contractor determines that any other material to be delivered under this contract is hazardous.

(d) The apparently successful offeror agrees to submit, for each item as required prior to award, a Material Safety Data Sheet, meeting the requirements of 29 CFR 1910.1200(g) and the latest version of Federal Standard No. 313, for all hazardous material identified in paragraph (b) of this clause. Data shall be submitted in accordance with Federal Standard No. 313, whether or not the apparently successful offeror is the actual manufacturer of these items. Failure to submit the Material Safety Data Sheet prior to award may result in the apparently successful offeror being considered non responsible and ineligible for award.

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(e) If, after award, there is a change in the composition of the item(s) or a revision to Federal Standard No. 313, which renders incomplete or inaccurate the data submitted under paragraph (d) of this clause, the Contractor shall promptly notify the Contracting Officer and resubmit the data.

(f) Neither the requirements of this clause nor any act or failure to act by the Government shall relieve the Contractor of any responsibility or liability for the safety of Government, Contractor, or subcontractor personnel or property.

(g) Nothing contained in this clause shall relieve the Contractor from complying with applicable Federal, State, or local laws, codes, ordinances, and regulations (including the obtaining of licenses and permits) in connection with hazardous material.

(h) The Government's rights in data furnished under this contract with respect to hazardous material are as follows: (1) To use, duplicate and disclose any data to which this clause is applicable. The purposes of this right are to:

(i) Apprise personnel of the hazards to which they may be exposed in using, handling, packaging, transporting, or disposing of hazardous materials;

(ii) Obtain medical treatment for those affected by the material; and

(iii) Have others use, duplicate, and disclose the data for the Government for these purposes.

(2) To use, duplicate, and disclose data furnished under this clause, in accordance with subparagraph (h)(1) of this clause, in precedence over any other clause of this contract providing for rights in data.

(3) The Government is not precluded from using similar or identical data acquired from other sources.

52.223-7 NOTICE OF RADIOACTIVE MATERIALS. (JAN 1997)

(a) The Contractor shall notify the Contracting Officer or designee, in writing, []* days prior to the delivery of, or prior to completion of any servicing required by this contract of, Items containing either

(1) radioactive material requiring specific licensing under the regulations issued pursuant to the Atomic Energy Act of 1954, as amended, as set forth in title 10 of the Code of Federal Regulations, in effect on the date of this contract; or

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(2) other radioactive material not requiring specific licensing in which the

specific activity is greater than 0.002 microcuries per gram or the activity per item equals or exceeds 0.01 microcuries. Such notice shall specify the part or parts of the items which contain radioactive materials, a description of the materials, the name and activity of the isotope, the manufacturer of the materials, and any other information known to the Contractor which will put users of the items on notice as to the hazards involved (OMB No. 9000-0107).

* The contracting Officer shall insert the number of days required in advance of delivery of the item or completion of the servicing to assure that required licenses are obtained and appropriate personnel are notified to institute any necessary safety and health precautions. See FAR 23.601(d).

(b) If there has been no change affecting the quantity of activity, or the characteristics and composition of the radioactive material from deliveries under this contract or prior contracts, the Contractor may request that the Contracting Officer or designee waive the notice of requirement in paragraph (a) of this clause. Any such request shall:

(1) Be submitted in writing;

(2) State that the quantity of activity, characteristics, and composition of the radioactive material have not changed; and

(3) Cite the contract number on which the prior notification was submitted and the contracting office to which it was submitted.

(c) All items, parts or subassemblies which contain radioactive materials in which the specific activity is greater than 0.002 microcuries per gram or activity per item equals or exceeds 0.01 microcuries, and all containers in which such items, parts or subassemblies are delivered to the Government shall be clearly marked and labeled as required by the latest version of MIL-STD 129 in effect on the date of the contract.

(d) This clause, including this paragraph (d), shall be inserted in all subcontracts for radioactive materials meeting the criteria in paragraph (a) of this clause.

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52.244-6 SUBCONTRACTS FOR COMMERCIAL ITEMS AND COMMERCIAL COMPONENTS.

(OCT 1995)

(a) Definition.

Commercial item, as used in this clause, has the meaning contained in the clause at 52.202-1, Definitions.

Subcontract, as used in this clause, includes a transfer of commercial items between divisions, subsidiaries, or affiliates of the Contractor or subcontractor at any tier.

(b) To the maximum extent practicable, the Contractor shall incorporate, and require its subcontractors at all tiers to incorporate, commercial items or non developmental items as components of items to be supplied under this contract.

(c) Notwithstanding any other clause of this contract, the Contractor is not required to include any FAR provision or clause, other than those listed below to the extent they are applicable and as may be required to establish the reasonableness of prices under Part 15, in a subcontract at any tier for commercial items or commercial components:

(1) 52.222-26, Equal Opportunity (E.O. 11246);

(2) 52.222-35, Affirmative Action for Special Disabled and Vietnam Era Veterans (38 U.S.C. 4212(a));

(3) 52.222-36, Affirmative Action for Handicapped Workers (29 U.S.C. 793);
and

(4) 52.247-64, Preference for Privately Owned U.S.-Flagged Commercial Vessels (46 U.S.C. 1241) (flow down not required for subcontracts awarded beginning May 1, 1996).

(d) The Contractor shall include the terms of this clause, including this paragraph (d), in subcontracts awarded under this contract.

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| <TOTAL-REVENUES> | 12,613,000 |
| <CGS> | 8,588,000 |
| <TOTAL-COSTS> | 11,874,000 |
| <OTHER-EXPENSES> | (11,000) |
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| <INTEREST-EXPENSE> | 119,000 |
| <INCOME-PRETAX> | 631,000 |
| <INCOME-TAX> | 13,000 |
| <INCOME-CONTINUING> | 0 |
| <DISCONTINUED> | 0 |
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| <EPS-PRIMARY> | 0.13 |
| <EPS-DILUTED> | 0.13 |

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"SAFE HARBOR" STATEMENT UNDER PRIVATE SECURITIES LITIGATION
REFORM ACT OF 1995

Forward-looking statements made by or on behalf of the Company represent the Company's reasonable judgement on the future and are subject to risks and uncertainties. Actual results may differ materially from those projected in the forward-looking statements. Such risks and uncertainties include, among others:

DEPENDENCE ON PROPRIETARY TECHNOLOGY. The Company's success is heavily dependent upon its proprietary technology. The Company attempts to protect its proprietary technology through patents, copyrights, trademarks, trade secrets and license agreements. Nevertheless, there can be no assurance that the Company will be able to protect its technology from misappropriation or that competitors will not be able to be able to develop similar technology independently. In addition, effective patent, copyright, trademark and trade secret protection may be unavailable or limited in certain foreign countries.

DEPENDENCE ON KEY PERSONNEL. The success of the Company is dependent in part on its ability to hire and retain qualified managerial personnel. Although the Company to date has been able to hire and retain such personnel, there can be no assurance that the Company will be successful in recruiting and retaining such personnel in the future.

SIGNIFICANT CUSTOMERS. The Company has several customers which account for a significant portion of the Company's business. If any of these customers were lost to the Company, this could have a material adverse effect on the Company.

GOVERNMENT AND ENVIRONMENTAL REGULATION. Certain of the materials regularly processed by the Company, i.e. depleted uranium and beryllium, have characteristics considered to be health or safety hazards by various federal, state or local regulatory agencies. Furthermore, depleted uranium is a low-level radioactive material and the Company is subject to regulation by the United States Nuclear Regulatory Commission. The regulatory process may be time consuming and costly and is subject to considerations generally affecting the process of governmental decision making. The Company cannot predict the impact of future regulations and rules imposed upon the Company's business.

RESEARCH AND DEVELOPMENT. The Company engages in various research and development activities in order to stay competitive with its competitors. There is no guarantee that such research and development will yield new products or technologies or create additional revenue for the Company.

GOVERNMENT CONTRACTS. The Company derives significant portions of its

revenue from sales made to various governments (and government contractors) and militaries around the world. Therefore any change in the government or military spending of the Company's customers may impact the Company's net revenues.