

Tronox LLC, Columbus

General Information

ID	Branch	SIC	County	Basin	Start	End
1696	Chemical	2491	Lowndes	Tombigbee River	10/27/1992	

Address

Physical Address (Primary)	Mailing Address
2300 14th Avenue North Columbus, MS 39701	PO Box 268859 Oklahoma City, OK 731268859

Telecommunications

Type	Address or Phone
Work phone number	(405) 775-5129

Alternate / Historic AI Identifiers

Alt ID	Alt Name	Alt Type	Start Date	End Date
2808700020	Tronox LLC, Columbus	Air-AIRS AFS	10/12/2000	06/01/2002
168000020	Kerr McGee Chemical Corporation, Columbus	Air-Construction	06/12/1998	
168000020	Kerr McGee Chemical Corporation, Columbus	Air-Synthetic Minor Operating	06/06/1997	06/01/2002
168000020	Kerr McGee Chemical Corporation, Columbus	Air-Synthetic Minor Operating	06/12/1998	06/01/2002
MSR220010	Kerr McGee Chemical Corporation, Columbus	GP-Wood Treating	10/27/1992	07/13/1997
MSD990866329	Kerr McGee Chemical Corporation, Columbus	Hazardous Waste-EPA ID	10/12/2000	
MSD990866329	Kerr McGee Chemical Corporation, Columbus	Hazardous Waste-TSD	06/11/2001	04/12/2006
MSD990866329	Tronox LLC, Columbus	Hazardous Waste-TSD	04/13/2006	05/31/2011
1696	Kerr McGee Chemical Corporation	Historic Site Name	10/27/1992	04/10/2006
1696	Tronox, LLC	Official Site Name	04/10/2006	
MSP090021	Kerr McGee Chemical Corporation, Columbus	Water-Pretreatment	10/11/1994	10/10/1999
MSP090021	Kerr McGee Chemical Corporation, Columbus	Water-Pretreatment	08/23/2000	07/31/2005
MSP090021	Kerr McGee Chemical Corporation, Columbus	Water-Pretreatment	10/31/2005	04/12/2006
MSP090021	Tronox LLC, Columbus	Water-Pretreatment	04/13/2006	09/30/2010

Regulatory Programs

Program	SubProgram	Start Date	End Date
Air	NSPS Subpart Dc	09/12/1990	06/01/2002
Air	SM	06/06/1997	06/01/2002
Hazardous Waste	Large Quantity Generator	04/01/1997	
Hazardous Waste	TSD - Not Classified	06/11/2001	
Water	PT CIU	10/11/1994	09/01/2003
Water	PT CIU - Timber Products	10/11/1994	09/01/2003

	Processing (Subpart 429)		
Water	PT NCS	09/01/2003	
Water	PT SIU	10/11/1994	

Locational Data

Latitude	Longitude	Metadata	S / T / R	Map Links
33 ° 30 ' 38 .51 (033.510697)	88 ° 24 ' 34 .02 (088.409450)	<p>Point Desc: PG - Plant entrance (General) Data collected by Louis Crawford on 7/11/00. PG - Plant Entrance (General) Data collected by Clift Jeter on 6/13/02. LAT 33deg 30min 36.6sec LON 88deg 24min 35.1sec</p> <p>Method: GPS Code (Psuedo Range) Differential</p> <p>Datum: NAD83</p> <p>Type: MDEQ</p>	<p>Section:</p> <p>Township:</p> <p>Range:</p>	<p>SWIMS</p> <p>TerraServer</p> <p>Map It</p>

10/13/2006 10:29:50 AM



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Department of Environmental Quality

Kerr McGee Chemical Corporation, Columbus

AI General Information

AI ID	Branch	SIC	County	Basin	Start	End
1696	Chemical Branch	2491	Lowndes	Tombigbee River Basin	10/27/1992	

Physical and Mailing Address

Physical Address (Primary)	Mailing Address
2300 14th Avenue North Columbus, MS 39701	2300 14th Avenue North Columbus, MS 39701

Telecommunications

Type	Address or Phone
Work phone number	(662) 328-7551

Alternate / Historic AI Identifiers

Alt ID	Alt Name	Alt Type	Start Date	End Date
08700020	Kerr McGee Chemical Corporation, Columbus	Air-AIRS AFS	10/12/00	
168000020	Kerr McGee Chemical Corporation, Columbus	Air-Construction	06/12/98	
168000020	Kerr McGee Chemical Corporation, Columbus	Air-Synthetic Minor Operating	06/06/97	06/01/02
168000020	Kerr McGee Chemical Corporation, Columbus	Air-Synthetic Minor Operating	06/12/98	06/01/02
MSR220010	Kerr McGee Chemical Corporation, Columbus	GP-Wood Treating	10/27/92	
MSD990866329	Kerr McGee Chemical Corporation, Columbus	Hazardous Waste-EPA ID	10/12/00	
MSD990866329	Kerr McGee Chemical Corporation, Columbus	Hazardous Waste-TSD	06/11/01	05/31/11
1696	Kerr McGee Chemical Corporation	Official Site Name	10/27/92	
MSP090021	Kerr McGee Chemical Corporation, Columbus	Water-Pretreatment	10/11/94	10/10/99
MSP090021	Kerr McGee Chemical Corporation, Columbus	Water-Pretreatment	08/23/00	07/31/05

Regulatory Programs

Program	SubProgram
Air	NSPS Subpart Dc
Air	SM - Not Classified
Hazardous Waste	TSD - Not Classified

Water	PT CIU
Water	PT CIU - Timber Products Processing (Subpart 429)
Water	PT SIU

Show/Hide NonPrint Sections

Report Generated: 12/10/2003 9:10:12 AM



**Mississippi Department of Environmental Quality
Office of Pollution Control
Hazardous Waste Financial Assurance Review**

Site Name: Tronox LLC, Columbus

EPA ID: MSD990866329

Permit Number: Hazardous Waste-TSD Permit No. MSD990866329

Physical Address

2300 14th Avenue North
Columbus, MS 39701
Lowndes County

Mailing Address

PO Box 268859
Oklahoma City, Oklahoma 73126-8859

Date Received: 01/14/2009

Date Reviewed: 01/14/2009

Evaluation Type: FRR - Financial Records Review

Financial Assurance Mechanism: Financial Test

Reviewer: David Peacock

Comments

Based on reports of pending bankruptcy filing by Tronox, MDEQ issued a letter requesting that Tronox provide evidence that they could still use the Financial Test to provide FA at its Columbus, Mississippi facility, and if they could not demonstrate that the FT mechanism was still acceptable, provide an alternate mechanism to maintain its RCRA financial requirements.

Signature: _____ **Date:** _____



Enforcement Alert

Volume 6, Number 2

Office of Regulatory Enforcement

April 2003

Financial Assurance Requirements: A Fundamental Compliance Obligation

*Failure to Comply with Financial Assurance Requirements Puts
Human Health and the Environment at Risk*

The Casmalia Resources Hazardous Waste Management Facility was a 252-acre commercial hazardous waste treatment, storage and disposal facility located in Santa Barbara County, Cali-

fornia. Between 1973 and 1989, the facility accepted approximately 5.6 billion pounds of waste in its landfills, ponds, shallow wells, disposal trenches, and treatment units. The owners and operators of the Casmalia facility did not provide sufficient funds to close the facility and care for the site. In 1991, they abandoned their efforts to properly close the facility and clean up the site, which subsequently became known as the Casmalia Resources Superfund Site. The U.S. Environmental Protection Agency (EPA) estimates that it will cost at least \$272 million to remediate this site. Casmalia is an example of how hazardous waste facilities' failure to adequately fulfill their financial assurance obligations can result in Superfund sites.

Given the importance of preventing situations like Casmalia, EPA is stepping up its enforcement of the Resource Conservation and Recovery Act (RCRA) financial assurance requirements that ensure that persons handling hazardous wastes have adequate funds to close facilities, clean up any releases of those wastes, and compensate others that are harmed by the release of hazardous wastes.

This *Enforcement Alert* focuses on the financial assurance requirements for RCRA hazardous waste facilities and highlights:

- Financial assurance requirements;

- Financial mechanisms available for complying with financial assurance requirements;

- Common violations of financial assurance requirements;

- Situations that may trigger an owner's or operator's duty to substitute the financial assurance mechanism; and

- Significant court decisions addressing financial assurance requirements.

Financial Assurance Requirements for Hazardous Waste Facilities

Financial assurance requirements address the cost of closing a hazardous waste facility in accordance with RCRA Subtitle C requirements; the annual cost required for post-closure monitoring and maintenance; liability coverage for sudden and non-sudden accidental occurrences; and corrective action required at solid and hazardous waste management units. Financial assurance requirements under Subtitle C cover permitted and interim status facilities. Financial assurance is required under RCRA Section 3004(a) and (t), and implementing requirements are found at 40 C.F.R. Part 264, Subpart H (for permitted facilities) and at 40 C.F.R.

About

Enforcement Alert

Enforcement Alert is published periodically by the EPA's Office of Regulatory Enforcement, Office of Enforcement and Compliance Assurance to inform and educate the public and regulated community of important environmental enforcement issues, recent trends and significant enforcement actions.

This information should help the regulated community anticipate and prevent violations of federal environmental law that could otherwise lead to enforcement action. Reproduction and wide dissemination of this publication are encouraged. *For information on how you can receive this newsletter electronically, send an email to the editor.*

Director, Office of Regulatory
Enforcement: Walker B. Smith

Editor: Virginia Bueno
bueno.virginia@epa.gov





Part 265, Subpart H (for interim status facilities). Where EPA has authorized a state to operate a hazardous waste program in lieu of the federal program, that state imposes financial assurance regulations that are at least as stringent as the federal regulations. Owners or operators of facilities located in an authorized state are required to comply with such state-issued financial assurance requirements, which are subject to enforcement by the state and EPA.

Closure and Post-Closure Requirements: Owners or operators of hazardous waste facilities must provide financial assurance for closure and post-closure care. They can accomplish this through a trust fund, surety bond, letter of credit, insurance policy, or financial test and corporate guarantee. Owners or operators must maintain financial assurance until the required closure and post-closure tasks are completed, a certification of completion has been submitted to the appropriate agency, and the owner or operator has received a notification from that agency indicating that financial assurance is no longer required.

Liability Requirements for Accidents: Owners or operators of hazardous waste facilities must be able to compensate third parties for bodily injury or property damage that might result from the accidental release of hazardous wastes. All hazardous waste facilities must demonstrate liability coverage for such sudden accidents. Hazardous waste facilities with land-based units such as landfills must also demonstrate liability coverage for non-sudden accidents, defined as events that take place over time and involve continuous or repeated exposure to hazardous waste.

Owners or operators may provide financial assurance for liability cover-

age through a trust fund, surety bond, letter of credit, insurance policy, or financial test and corporate guarantee. Owners or operators must maintain financial assurance until closure is completed, a certification of completion has been submitted to the appropriate agency, and the owner or operator has received a notification from the appropriate agency indicating that financial assurance is no longer required. Liabil-

ity coverage is generally not required during the post-closure period.

Situations Triggering Need to Replace Financial Mechanisms

EPA's regulations require owners or operators of hazardous waste facilities



Financial Mechanisms

- A **trust fund** allows an owner or operator to set aside money in increments according to a phased-in schedule (known as the pay-in period). At the end of the pay-in period, the facility will have enough money set aside to cover its financial assurance costs, and will have funds specifically earmarked for closure, post-closure care, and liability requirements.
- A **surety bond** is a guarantee by a surety company that the owner's or operator's financial assurance obligations will be fulfilled. If the owner or operator fails to pay or perform as specified in a bond, the surety company will become liable.
- A **letter of credit** is a guarantee by a financial institution that covers the owner's or operator's closure or post-closure care obligations. The appropriate agency may draw on the letter of credit if the owner or operator fails to perform.
- An **insurance policy** guarantees that funds will be available for closure or post-closure care in the event that the owner or operator fails to perform. Once closure or post-closure care begins, the insurer will be responsible for paying out funds, up to the face value of the policy, as directed by the appropriate agency.
- An owner or operator with the financial assets to absorb the costs of closure, post-closure care, and liability obligations may comply with financial assurance requirements by using the **financial test**. EPA's regulations set out the criteria that an owner or operator must meet to pass the financial test.
- An owner or operator may arrange a **corporate guarantee** by demonstrating that its corporate parent, grandparent, or sibling, or other firm with which it has a substantial business relationship, meets the financial test requirements on the owner's or operator's behalf. The corporate guarantor is required to perform closure or post-closure care, or to establish a trust fund, where the owner or operator fails to perform.



to replace the facility's financial mechanisms in certain situations. The most common situations, which involve the incapacity of the institution issuing the financial mechanism, are discussed below:

- If the institution issuing a **letter of credit** declares bankruptcy or has its issuing authority suspended or revoked by the relevant state or federal agency, the owner or operator of the hazardous waste facility has 60 days to establish other financial assurance.
- The financial institution issuing a **surety bond** must be listed as an acceptable surety of federal bonds in Circular 570 of the U.S. Department of the Treasury. If the surety company en-

ters bankruptcy or has its authority to issue surety bonds suspended or revoked by Treasury, the owner or operator of the hazardous waste facility has 60 days to establish other financial assurance. Copies of Circular 570 and interim changes may be obtained directly from the Government Printing Office by calling (202) 512-1800. Interim changes are published in the Federal Register and at <http://www.fms.treas.gov/c570/c570.html> as they occur.

- An **insurance company** must be licensed to transact the business of insurance, or must be eligible to provide insurance as an excess or surplus lines insurer, in one or more states. If the insurance company becomes bankrupt or has its authority to issue insurance suspended or revoked, the owner or

operator of the hazardous waste facility has 60 days to establish other liability coverage.

- An owner or operator using the **financial test** must send updated information to the appropriate agency within 90 days after the close of each fiscal year to provide alternate financial assurance.

Significant Court Decisions Address Financial Assurance Requirements

Owners and operators of RCRA hazardous waste facilities that fail to obtain or maintain acceptable financial assurance are in violation of the law. EPA and authorized states have taken enforcement actions against persons and entities not in compliance with financial assurance requirements.

In *Safety-Kleen, Inc. (Pinewood) v. Wyche*, 274 F. 3d 846 (4th Cir. 2001), the court held that financial assurance requirements are exempt from the automatic stay provisions under the Bankruptcy Act. The court held that South Carolina, a state authorized to run the program under RCRA, can issue and enforce orders to force companies to comply with financial assurance requirements during bankruptcy. The court concluded that the RCRA financial assurance requirements fall within the government's "regulatory exception" from the bankruptcy automatic stay provision because the financial assurance regulations serve the primary purpose of deterring environmental misconduct. "Stated more positively, the [financial assurance] regulations serve to promote environmental safety in the design and operation of hazardous waste facilities. The incentive for safety is obvious: the availability and cost of a bond will be tied directly to the structural integrity of a facility and the sound-

Common Violations of the Financial Assurance Requirements

- Failure to obtain financial assurance.
- Failure to substitute financial assurance based on the issuing financial institution's incapacity, through, for example, bankruptcy, rehabilitation, or removal from the U.S. Department of Treasury's Circular 570.
- Failure to maintain current cost estimates for closure and post-closure care.
- Failure to adjust closure or post-closure care costs for inflation. An owner or operator is required to adjust the estimated closure or post-closure care costs for inflation 60 days prior to the anniversary date of the establishment of the financial mechanism.
- Failure to adjust financial assurance coverage within 60 days after an increase in the adjustment to closure or post-closure care cost estimates.
- Failure to notify the appropriate agency, within 10 days, of the commencement of a bankruptcy proceeding naming the owner or operator as debtor.
- Failure of an owner or operator relying on the financial test to: (1) update the facility's financial information annually; (2) notify the appropriate agency of the owner's or operator's intent to obtain alternate financial assurance; or (3) obtain alternate financial assurance within 90 days after the end of the fiscal year in which the owner or operator no longer meets the financial test requirements.





United States
Environmental Protection Agency
Office of Regulatory Enforcement
(2248A)
Washington, D.C. 20460
Official Business
Penalty for Private Use \$300
'Enforcement Alert' newsletter



ness of its day-to-day operations." *Id.* at 866.

In *U.S. v. Power Engineering Co.*, 191 F.3d 1224 (10th Cir. 1999), the Tenth Circuit Court of Appeals upheld

Useful Compliance Assistance Resources

Office of Enforcement and Compliance Assurance:
<http://www.epa.gov/compliance>

RCRA Enforcement Division:
<http://www.epa.gov/compliance/civil/programs/rcra/index.html>

RCRA Financial Assurance Website:
<http://www.epa.gov/osw/hazwaste.htm#finance>

RCRA Online:
<http://www.epa.gov/rcraonline>

National Compliance Assistance Clearinghouse:
<http://www.epa.gov/clearinghouse>

Compliance Assistance Centers:
<http://www.assistancecenters.net>

Small Business Gateway:
<http://www.epa.gov/smallbusiness>

EPA's Audit Policy:
<http://oeaftp.sdc-moses.com/compliance/incentives/auditing/>

a district court decision granting EPA's request for an injunction requiring the Power Engineering Company to immediately comply with financial assurance requirements to ensure funds would be available to close its hazardous waste management units and to abate releases of hazardous waste from its facility. Power Engineering had illegally disposed of and managed hazardous waste for many years, and the hazardous waste, in some instances, had migrated into the groundwater and released into a nearby river. The 10th Circuit, in affirming the district court decision, required the company to immediately provide \$3.5 million in financial assurance.

Self-Disclosure of Financial Assurance Violations

The use of effective financial assurance mechanisms is necessary to ensure the protection of human health and the environment.

EPA encourages owners or operators who believe they may be in violation of these requirements to take advantage of the Agency's Audit Policy, *Incentives for Self-Policing: Discovery, Disclosure, Correction and Prevention of Violations*, 60 F.R. 66,706 (Dec. 22, 1995). The Audit Policy eliminates gravity-based penalties for owners or operators that voluntarily discover, promptly disclose, and expedi-

tiously correct violations of federal environmental law.

Further information about the Policy may be found at <http://www.epa.gov/compliance/incentives/auditing/auditpolicy.html>. Owners or operators interested in conducting an audit or disclosing violations should contact the appropriate EPA Regional office. Owners or operators with facilities located in more than one Region should contact Phil Milton, EPA's Office of Regulatory Enforcement, Office of Enforcement and Compliance Assurance, (202) 564-5029, or email: milton.philip@epa.gov.

For more information on RCRA financial assurance requirements, contact Lynn Holloway, Office of Regulatory Enforcement, Office of Enforcement and Compliance Assurance, (202) 564-4241 or email: holloway.lynn@epa.gov.

For compliance assistance information, contact Sharie Centilla, (202) 564-0697, Email: centilla.sharie@epa.gov.





**Mississippi Department of Environmental Quality
Office of Pollution Control
Financial Assurance Review
April, 2006**

Site Name: Tronox, LLC (formerly Kerr McGee Chemical Corporation), Columbus

EPA ID: MSD990866329

Permit No: Hazardous Waste-TSD

MSD990866329

Physical Address

2300 14th Avenue North
Columbus, MS 39701
Lowndes County

Mailing Address

PO Box 268859
Oklahoma City, Oklahoma 73126-8859

Date of Evaluation: 04/03/06

Evaluation Type: Financial Assurance Review

Investigator: Larry Hamil

Significant Non-Complier: N

Comments: Liability coverage for Closure/Post-Closure care is demonstrated through a "Financial Test" instrument, employing Alternative I. The Columbus facility manufacturing operations were discontinued in 2003 and closure has since been completed and closure costs are no longer applicable. Post-closure cost estimates are \$157,856 and Corrective Action cost estimates are \$707,698. As a note of explanation, Tronox was formed on May 17, 2005, in Delaware, in preparation for the contribution and transfer of Kerr-McGee's chemical business to Tronox, which was completed in the fourth quarter, 2005. The 2005 RCRA Inflation Factor is . The 2005 estimated liability coverage of all affected sites in the U.S. is \$37, 333,000.

Criteria necessary to demonstrate financial assurance, employing the Financial Test, Alternative I instrument, have been satisfied and include the following:

1. Net working capital not less than 6x current closure/post-closure, etc. cost estimates (15x demonstrated);
2. Tangible net worth greater than \$10,000,000 (\$409,421,000 demonstrated);
3. Total assets not less than 6x current closure, post-closure, etc. cost estimates due to having <90% total assets in the U.S. (25x demonstrated);
4. Liabilities to net worth ratio <2 (0.48 demonstrated);
5. Current assets to current liabilities ratio >1.5 (2.28 demonstrated); and
6. Net income to liabilities ratio >0.1 (0.39 demonstrate).

Signature: Larry Hamil

Date: 4-3-06

cc: Data Integration Division

Mississippi Department of Environmental Quality Office of Pollution Control

TSD Facilities

- | | |
|--|--|
| <input type="checkbox"/> DCH - Chemical/Physical/Biological | <input type="checkbox"/> DSI - Surface Impoundments |
| <input type="checkbox"/> DCL - Closure/Post-Closure | <input type="checkbox"/> DTR - Waste Tanks |
| <input type="checkbox"/> DCP - Contingency Plan | <input type="checkbox"/> DTT - Thermal Treatment |
| <input checked="" type="checkbox"/> DFR - Financial Responsibility | <input type="checkbox"/> DWP - Waste Pile |
| <input type="checkbox"/> DGS - General Standards | <input type="checkbox"/> CAS - C/A Compliance Schedule |
| <input type="checkbox"/> DGW - Groundwater Monitoring | <input type="checkbox"/> FEA - Former Enforcement Agreements |
| <input type="checkbox"/> DIN - Incineration | <input type="checkbox"/> CSS - Compliance Schedule Violation |
| <input type="checkbox"/> DLF - Landfill | <input type="checkbox"/> BRR - Differ Stds for Regulation of Residue |
| <input type="checkbox"/> DLB - Land Ban | <input type="checkbox"/> BPS - BIF Permit Standards |
| <input type="checkbox"/> DLT - Land Treatment | <input type="checkbox"/> BIS - BIF Interim Standards |
| <input type="checkbox"/> DMC - Container Management | <input type="checkbox"/> BCE - BIF Stds to Control Emissions |
| <input type="checkbox"/> DMR - Manifest | <input type="checkbox"/> BDT - BIF Stds to Direct Transfer |
| <input type="checkbox"/> DOR - Other Requirements | <input type="checkbox"/> DIA - Incinerator Waste Analysis |
| <input type="checkbox"/> DOT - Other Requirements (Oversight) | <input type="checkbox"/> DPS - Incinerator Performance Standards |
| <input type="checkbox"/> DPB - Part B Permit Application | <input type="checkbox"/> DOP - Incinerator Operating Requirements |
| <input type="checkbox"/> DPP - Preparedness Prevention | <input type="checkbox"/> DMI - Incinerator Monitoring and Inspection |

Generator Facilities

- | | |
|--|---|
| <input type="checkbox"/> GER - All Requirements (Oversight) | <input type="checkbox"/> GPT - Pre-Transport |
| <input type="checkbox"/> GGR - General Requirements | <input type="checkbox"/> GRR - Recordkeeping |
| <input type="checkbox"/> GMR - Manifest | <input type="checkbox"/> GSC - Special Conditions |
| <input type="checkbox"/> GLB - Land Ban | <input type="checkbox"/> GSQ - SQG Requirements |
| <input type="checkbox"/> GOR - Waste Min. Program
Annual/Biennial HW Report | <input type="checkbox"/> CESQG Requirements |

Transporters

- | | |
|---|---|
| <input type="checkbox"/> TGR - General Standards | <input type="checkbox"/> TWD - HW Discharges |
| <input type="checkbox"/> TMR - Manifest | <input type="checkbox"/> TRR - All Requirements |
| <input type="checkbox"/> TOR - Other Requirements | |



March 31, 2006

FEDERAL EXPRESS

Executive Director
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
P. O. Box 10385
2380 Hwy. 80 West
Jackson, Mississippi 39204

Dear Executive Director:

I am the chief financial officer of Tronox LLC (formerly Kerr-McGee Chemical LLC), 123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

<u>EPA IDENTIFICATION NO.</u> <u>Name & Address</u>	<u>COST ESTIMATES</u>		
	<u>Closure</u>	<u>Post Closure</u>	<u>Corrective Action</u>
MSD 990866329 Tronox LLC 607 14th Street, North Columbus, MS 39701	N/A	\$157,856	\$707,698

Tronox LLC

MSD 081387730 Tronox LLC Hwy 11 South P.O. Box 789 Meridian, MS 39301	N/A	323,667	283,908
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MSDEQ Order #459903 Tronox LLC Intersection of Pine and Corrine Hattiesburg, MS	N/A	553,500	N/A
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2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:
NONE

3. In States where the DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

<u>EPA IDENTIFICATION NO.</u> <u>Name & Address</u>	<u>COST ESTIMATES</u>		
	<u>Closure</u>	<u>Post Closure</u>	<u>Corrective Action</u>
NVD 008290330 Tronox LLC P.O.Box 55 Henderson, NV 89015 Region IX	N/A	\$482,361	N/A
MOD 007128978 Tronox LLC P.O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	1,553,500	N/A
ILD 020367561 Tronox LLC P.O. Box 166 Madison, IL 62060	N/A	619,005	N/A

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
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IDD 041310707 Tronox LLC P.O.Box 478 Soda Springs, ID 83276 (CERCLA)	N/A	N/A	1,000,000
MOD 007129408 Tronox LLC 2800 W. High Street Springfield, MO 65803	N/A	1,530,605	297,575
TXD 057111403 Tronox LLC 155 Buchanan Rd Texarkana, TX 75501 Texas Reg. #31002	N/A	968,867	1,844,336
ILD 980607493 Tronox LLC 2702 Odgen Ave. Sauget, IL 62201	3,288,146	2,722,418	N/A
SCD 987591815 Tronox LLC 7746 Hwy 17 S. Jericho, SC	N/A	3,500,000	N/A
Case #91-C-1396\92-C-6 Moss American Superfund Site 107 th St. & Brown Deer Road Milwaukee, WI	7,000,000		
CERCLA #10-200-3-0011 White King/Lucky Lass Site Fremont National Forest Lakeview, OR			2,500,000
	10,288,146	12,410,779	5,633,517 = 28,332,442

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
PAGE 4

264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:
NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

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

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 2005.

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
PAGE 5


<u>ALTERNATIVE I</u>			
<small>(Thousands of Dollars)</small>			
1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)	\$ 29,333	
2	Amount of annual aggregate liability coverage to be demonstrated	\$ 8,000	
3	Sum of lines 1 and 2	\$ 37,333	
* 4	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$ 689,234	
* 5	Tangible Net Worth	\$ 409,421	
* 6	Net Worth	\$ 437,613	
* 7	Current Assets	\$ 483,375	
* 8	Current Liabilities	\$ 211,666	
* 9	Net Working Capital (Line 7 minus Line 8)	\$ 271,709	
*10	The sum of net income plus depreciation, depletion and amortization	\$ 83,418	
*11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)	\$ 967,990	
		<u>YES</u>	<u>NO</u>
12	Is line 5 at least \$10 million?	X	
13	Is line 5 at least 6 times line 3?	X	
14	Is line 9 at least 6 times line 3?	X	
*15	Are at least 90% of assets located in the U.S.? (If not, complete line 16)		X
16	Is line 11 at least 6 times line 3?	X	
17	Is line 4 divided by line 6 less than 2.0?	X	
18	Is line 10 divided by line 4 greater than 0.1?	X	
19	Is line 7 divided by line 8 greater than 1.5?	X	

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
PAGE 6

I hereby certify that the wording of this letter is substantially identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

March 31, 2006

Date



Mary Mikkelsen, Senior Vice President
& Chief Financial Officer



Mississippi Department of Environmental Quality
Office of Pollution Control
Financial Assurance Review
April, 2004

Site Name: Kerr McGee Chemical Corporation, Columbus

EPA ID: MSD990866329

Permit No: Hazardous Waste-TSD MSD990866329

Physical Address

2300 14th Avenue North
Columbus, MS 39701
Lowndes County

Mailing Address

2300 14th Avenue North
Columbus, Mississippi 39701

Date of Evaluation: 04/08/04

Evaluation Type: Financial Assurance Review

Investigator: Larry Hamil

Significant Non-Complier: N

Comments: Liability coverage for Closure/Post-Closure care is demonstrated through a "Financial Test" instrument, employing Alternative I. Manufacturing operations were permanently discontinued and the facility closed in 2003. However, on-going corrective action costs are included, estimated at \$680,916.00 (vs. \$692,967 in 2002). The 2003 RCRA Inflation Factor is 1.016. Estimated liability coverage at the end of 2003 for all the corporation's eleven (11) sites in the U.S. is \$20,224,000 (vs. \$20,066,000 in 2002). The 2003 post-closure care estimated cost for the Columbus, MS site is \$151,882, a decrease of \$2,567 from the 2002 estimate of \$154,449. Also, the Financial Test reports that at least 90% of the company's assets are now located in the U.S., which has not been the case documented by previous reports.

Although the cost estimates do not satisfy the applicable inflation adjustment, of which further inquiry will be made, all other criteria necessary to pass the Financial Test Alternative I demonstration have been satisfied, which include:

1. Net working capital not less than 6x current closure/post closure cost estimates (16x);
2. Tangible net worth greater than \$10 million (\$683 million);
3. 90% of total assets located in U.S.;
4. Liabilities to net worth ration less than 2 (0.853); and
5. Current assets to current liabilities ratio greater than 1.5 (2.837).

Signature: _____

Date: 4/8/04

cc: Data Integration Division

Mississippi Department of Environmental Quality Office of Pollution Control

TSD Facilities

- | | |
|--|--|
| <input type="checkbox"/> DCH - Chemical/Physical/Biological | <input type="checkbox"/> DSI - Surface Impoundments |
| <input type="checkbox"/> DCL - Closure/Post-Closure | <input type="checkbox"/> DTR - Waste Tanks |
| <input type="checkbox"/> DCP - Contingency Plan | <input type="checkbox"/> DTT - Thermal Treatment |
| <input checked="" type="checkbox"/> DFR - Financial Responsibility | <input type="checkbox"/> DWP - Waste Pile |
| <input type="checkbox"/> DGS - General Standards | <input type="checkbox"/> CAS - C/A Compliance Schedule |
| <input type="checkbox"/> DGW - Groundwater Monitoring | <input type="checkbox"/> FEA - Former Enforcement Agreements |
| <input type="checkbox"/> DIN - Incineration | <input type="checkbox"/> CSS - Compliance Schedule Violation |
| <input type="checkbox"/> DLF - Landfill | <input type="checkbox"/> BRR - Differ Stds for Regulation of Residue |
| <input type="checkbox"/> DLB - Land Ban | <input type="checkbox"/> BPS - BIF Permit Standards |
| <input type="checkbox"/> DLT - Land Treatment | <input type="checkbox"/> BIS - BIF Interim Standards |
| <input type="checkbox"/> DMC - Container Management | <input type="checkbox"/> BCE - BIF Stds to Control Emissions |
| <input type="checkbox"/> DMR - Manifest | <input type="checkbox"/> BDT - BIF Stds to Direct Transfer |
| <input type="checkbox"/> DOR - Other Requirements | <input type="checkbox"/> DIA - Incinerator Waste Analysis |
| <input type="checkbox"/> DOT - Other Requirements (Oversight) | <input type="checkbox"/> DPS - Incinerator Performance Standards |
| <input type="checkbox"/> DPB - Part B Permit Application | <input type="checkbox"/> DOP - Incinerator Operating Requirements |
| <input type="checkbox"/> DPP - Preparedness Prevention | <input type="checkbox"/> DMI - Incinerator Monitoring and Inspection |

Generator Facilities

- | | |
|--|---|
| <input type="checkbox"/> GER - All Requirements (Oversight) | <input type="checkbox"/> GPT - Pre-Transport |
| <input type="checkbox"/> GGR - General Requirements | <input type="checkbox"/> GRR - Recordkeeping |
| <input type="checkbox"/> GMR - Manifest | <input type="checkbox"/> GSC - Special Conditions |
| <input type="checkbox"/> GLB - Land Ban | <input type="checkbox"/> GSQ - SQG Requirements |
| <input type="checkbox"/> GOR - Waste Min. Program
Annual/Biennial HW Report | <input type="checkbox"/> CESQG Requirements |

Transporters

- | | |
|---|---|
| <input type="checkbox"/> TGR - General Standards | <input type="checkbox"/> TWD - HW Discharges |
| <input type="checkbox"/> TMR - Manifest | <input type="checkbox"/> TRR - All Requirements |
| <input type="checkbox"/> TOR - Other Requirements | |

HAZARDOUS WASTE DIVISION
RCRIS CM&E EVALUATION

ENTERED BY: _____
DATE: ___/___/___

Facility ID: MSD 990866329

Date: 4/2/01

Facility Name: Kerr McGee Chemical Corporation (LOWNOES County)

Evaluation Data: New Change ___ Delete ___

Evaluating Agency: State

Evaluating Person: Larry Hamil

Date of Evaluation: 04/02/01 (M/D/Y)

ONLY USE IF THERE ARE
VIOLATIONS

TYPE OF EVALUATION

- CEI - Compliance Evaluation Inspection
- CME - Compliance (Groundwater) Monitoring Evaluation
- FRR - Financial Record Review
- NRR - Non-financial Record Review
- OAM - Operation & Maintenance Inspection
- CSE - Compliance Schedule Evaluation
- CDI - Case Development Inspection
- SPL - Sampling Inspection (often in conjunction with CES/CMS)
- CAO - Corrective Action Activities
- OTH - Other

- SNY - Significant Non-Complier Yes
- SNN - Significant Non-Complier No

COVERAGE AREAS: (X) E=Evaluated. BLANK = Not Applicable

TSD FACILITIES

- E
- DCH - Chemical/Physical/Biological
 - DCL - Closure/Post-Closure
 - DCP - Contingency Plan
 - DFR - Financial Responsibility
 - DGS - General Standards
 - DGW - Groundwater Monitoring
 - DIN - Incineration
 - DLF - Landfill
 - DLB - Land Ban
 - DLT - Land Treatment
 - DMC - Container Management
 - DMR - Manifest
 - DOR - Other Requirements
 - DOT - Other Requirements (Oversight)
 - DPB - Part B Permit Application
 - DPP - Preparedness Prevention

- E
- DSI - Surface Impoundments
 - DTR - Waste Tanks
 - DTT - Thermal Treatment
 - DWP - Waste Pile
 - CAS - C/A Compliance Schedule
 - FEA - Former Enforcement Agreement
 - CSS - Compliance Schedule Violation
 - BRR - Differ Stds for Regulation of Resi
 - BPS - BIF Permit Standards
 - BIS - BIF Interim Status Standards
 - BCE - BIF Stds to Control Emissions
 - BDT - BIF Stds for Direct Transfer
 - DIA - Incinerator Waste Analysis
 - DPS - Incinerator Performance Standar
 - DOP - Incinerator Operating Requireme
 - DMI - Incinerator Monitoring & Inspectio

GENERATOR FACILITIES

- E
- GER - All Requirements (Oversight)
 - GGR - General Requirements
 - GMR - Manifest
 - GLB - Land Ban
 - GOR - Waste Min. Program, Annual/Biennial HW Report)

- E
- GPT - Pre-Transport
 - GRR - Recordkeeping
 - GSC - Special Conditions
 - GSQ - SQG Requirements

TRANSPORTERS

- E
- TGR - General Standards
 - TMR - Manifest
 - TOR - Other Requirements

- E
- TWD - HW Discharges
 - TRR - All Requirements

HAZARDOUS WASTE DIVISION
RCRIS CM&E EVALUATION

ENTERED BY:

DATE: 9/1/99

Facility ID: MSD 990866329

Date: 8-30-99

Facility Name: Kerr-McGEE Corporation

Evaluation Data: New 1 Change Delete Louisa County

Evaluating Agency: State

Evaluating Person: Kirk A Shelton

Date of Evaluation: 8/30/99 (M/D/Y)

ONLY USE IF THERE ARE
VIOLATIONS

TYPE OF EVALUATION

- CEI - Compliance Evaluation Inspection
- CME - Compliance (Groundwater) Monitoring Evaluation
- FRR - Financial Record Review
- NRR - Non-financial Record Review
- OAM - Operation & Maintenance Inspection
- CSE - Compliance Schedule Evaluation
- CDI - Case Development Inspection
- SPL - Sampling Inspection (often in conjunction with CES/CMS)
- CAO - Corrective Action Activities
- OTH - Other

- SNY - Significant Non-Complier Yes
- SNN - Significant Non-Complier No

COVERAGE AREAS: (X) E=Evaluated, BLANK = Not Applicable

TSD FACILITIES

- E
- DCH - Chemical/Physical/Biological
 - DCL - Closure/Post-Closure
 - DCP - Contingency Plan
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 - DGS - General Standards
 - DGW - Groundwater Monitoring
 - DIN - Incineration
 - DLF - Landfill
 - DLB - Land Ban
 - DLT - Land Treatment
 - DMC - Container Management
 - DMR - Manifest
 - DOR - Other Requirements
 - DOT - Other Requirements (Oversight)
 - DPB - Part B Permit Application
 - DPP - Preparedness Prevention

- E
- DSI - Surface Impoundments
 - DTR - Waste Tanks
 - DTT - Thermal Treatment
 - DWP - Waste Pile
 - CAS - C/A Compliance Schedule
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 - CSS - Compliance Schedule Violation
 - BRR - Differ Stds for Regulation of Resid
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 - BIS - BIF Interim Status Standards
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 - BDT - BIF Stds for Direct Transfer
 - DIA - Incinerator Waste Analysis
 - DPS - Incinerator Performance Standard
 - DOP - Incinerator Operating Requirement
 - DMI - Incinerator Monitoring & Inspector

GENERATOR FACILITIES

- E
- GER - All Requirements (Oversight)
 - GGR - General Requirements
 - GMR - Manifest
 - GLB - Land Ban
 - GOR - Waste Min. Program, Annual/Biennial HW Report)

- E
- GPT - Pre-Transport
 - GRR - Recordkeeping
 - GSC - Special Conditions
 - GSQ - SQG Requirements

TRANSPORTERS

- E
- TGR - General Standards
 - TMR - Manifest
 - TOR - Other Requirements

- E
- TWD - HW Discharges
 - TRR - All Requirements

TRONOX



Mary Mikkelson
Senior Vice President and
Chief Financial Officer

405-775-5498
Fax 405-775-5153
Mary.Mikkelson@tronox.com

March 26, 2008

FEDERAL EXPRESS

Mr. David Lee
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
2380 Hwy. 80 West
Jackson, Mississippi 39204

Re: Financial Assurance
MSD 990866329/Columbus, MS
MSD 081387730/Meridian, MS
MDEQ Order No. 459903/Hattiesburg, MS

Dear Mr. Lee:

Attached are Tronox LLC's (formerly Kerr-McGee Chemical LLC) updated financial assurance instruments evidencing financial assurance for the referenced facilities.

If you have any questions, please do not hesitate to call Michael Alford at 405-775-5403.

Sincerely,

A handwritten signature in blue ink that reads "Mary Mikkelson".

Mary Mikkelson, Senior Vice President &
Chief Financial Officer

attachments

TRONOX

March 26, 2008

FEDERAL EXPRESS

Executive Director
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
2380 Hwy. 80 West
Jackson, Mississippi 39204

Dear Executive Director:

I am the chief financial officer of Tronox LLC (formerly Kerr-McGee Chemical LLC), One Leadership Square, Suite 300, 211 N. Robinson Ave, Oklahoma City, Oklahoma 73102. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO. <u>Name & Address</u>	<u>COST ESTIMATES</u>		
	<u>Closure</u>	<u>Post Closure</u>	<u>Corrective Action</u>
MSD 990866329 Tronox LLC 607 14th Street, North Columbus, MS 39701	N/A	\$159,292	\$733,285
MSD 081387730 Tronox LLC Hwy 11 South P.O. Box 789 Meridian, MS 39301	N/A	294,271	298,761

EPA IDENTIFICATION NO. <u>Name & Address</u>	COST ESTIMATES		
	<u>Closure</u>	<u>Post Closure</u>	<u>Corrective Action</u>
MSDEQ Order #459903 Tronox LLC Intersection of Pine and Corrine Hattiesburg, MS	N/A	N/A	539,200

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO. <u>Name & Address</u>	COST ESTIMATES		
	<u>Closure</u>	<u>Post Closure</u>	<u>Corrective Action</u>
NVD 008290330 Tronox LLC P.O.Box 55 Henderson, NV 89015 Region IX	N/A	\$469,177	N/A
MOD 007128978 Tronox LLC P.O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	2,047,976	N/A
ILD 020367561 Tronox LLC P.O. Box 166 Madison, IL 62060	N/A	589,373	N/A

IDD 041310707 Tronox LLC P.O.Box 478 Soda Springs, ID 83276 (CERCLA)	N/A	1,000,000	N/A
MOD 007129408 Tronox LLC 2800 W. High Street Springfield, MO 65803	N/A	1,636,169	318,098
TXD 057111403 Tronox LLC 155 Buchanan Rd Texarkana, TX 75501 Texas Reg. #31002	N/A	1,019,356	1,940,447
Case #91-C-1396\92-C-6 Moss American Superfund Site 107 th St. & Brown Deer Road Milwaukee, WI	N/A	N/A	7,500,000
CERCLA #10-200-3-0011 White King/Lucky Lass Site Fremont National Forest Lakeview, OR	N/A	N/A	2,500,000
CERCLA 04-2006-3772 Navassa Site Brunswick County, North Carolina	N/A	N/A	517,631

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

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

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 2007.

ALTERNATIVE I
(Thousands of Dollars)

1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)	\$ 21,563	
2	Amount of annual aggregate liability coverage to be demonstrated	\$ 0	
3	Sum of lines 1 and 2	\$ 21,563	
* 4	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$ 638,374	
* 5	Tangible Net Worth	\$ 390,160	
* 6	Net Worth	\$ 418,287	
* 7	Current Assets	\$ 468,339	
* 8	Current Liabilities	\$ 248,441	
* 9	Net Working Capital (Line 7 minus Line 8)	\$ 219,898	
*10	The sum of net income plus depreciation, depletion and amortization	\$ 83,297	
*11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)	\$ 846,205	
		<u>YES</u>	<u>NO</u>
12	Is line 5 at least \$10 million?	X	
13	Is line 5 at least 6 times line 3?	X	
14	Is line 9 at least 6 times line 3?	X	
*15	Are at least 90% of assets located in the U.S.? (If not, complete line 16)		X
16	Is line 11 at least 6 times line 3?	X	
17	Is line 4 divided by line 6 less than 2.0?	X	
18	Is line 10 divided by line 4 greater than 0.1?	X	
19	Is line 7 divided by line 8 greater than 1.5?	X	

I hereby certify that the wording of this letter is substantially identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

March 26, 2008 _____
Date



Mary Mikkelsen, Senior Vice President &
Chief Financial Officer

Report of Independent Accountants on Applying Agreed-Upon Procedures

Management of Tronox LLC

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Tronox LLC (the Company) as of and for the year ended December 31, 2007, and have issued our report thereon dated March 26, 2008. The combined financial statements of Basic Management, Inc. and Subsidiaries (a corporation in which the Company has a 31% interest, whose combined financial statements include The LandWell Company, L.P., a limited partnership in which the Company has a 29% direct interest), have been audited by other auditors whose report has been furnished to us, and our opinion on the consolidated financial statements, insofar as it relates to the amounts included for Basic Management, Inc. and Subsidiaries and The LandWell Company, L.P., is based solely on the report of other auditors. In the consolidated financial statements, the Company's combined investment in Basic Management, Inc. and Subsidiaries and The LandWell Company, L.P. is stated at \$21.3 million at December 31, 2007, and the Company's equity in combined net income of Basic Management, Inc. and Subsidiaries and The LandWell Company, L.P. is stated at \$1.5 million for the year then ended.

We have performed the procedures enumerated below, which were agreed to by management of the Company solely to assist management with respect to the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265 (the Regulations). Management is responsible for determining compliance with the financial test that is presented on the basis specified by the Regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We have performed the following procedures with respect to the Chief Financial Officer's accompanying letter dated March 26, 2008 to the Executive Director, Mississippi Department of Environmental Quality (MSD 990866329, MSD 081387730, and MSDEQ Order # 459903) (the Letter):

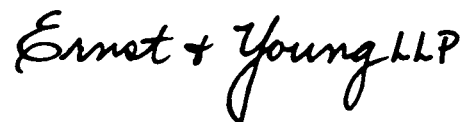
1. We compared the dollar amount of total liabilities (item 4), net worth (item 6), current assets (item 7), current liabilities (item 8), net working capital (item 9) as of

December 31, 2007, and the sum of net income plus depreciation, depletion and amortization (item 10) for the year ended December 31, 2007, in the Letter to the applicable amount in or that can be derived from the Company's audited consolidated financial statements referred to above, and found such to be in agreement.

2. We obtained the Company's schedule which calculates tangible net worth as of December 31, 2007. We recomputed the Company's schedule, and agreed amounts included in the calculation with amounts included in the Company's audited consolidated financial statements referred to above, and found such to be in agreement. We compared the dollar amount of tangible net worth as of December 31, 2007, from this schedule to the Letter (item 5) and found it to be in agreement.
3. We obtained the Company's schedule which calculates total assets in the United States as of December 31, 2007. We recomputed the Company's schedule, and agreed amounts included in the calculation with amounts included in the Company's accounting records and found such to be in agreement. We compared the dollar amount of total assets in the United States as of December 31, 2007, from this schedule to the Letter (item 11) and found it to be in agreement. We also recomputed the percentage of total assets in the U.S. from the company's schedule of total assets in the U.S. and the amount of total assets derived from the Company's audited consolidated financial statements as of December 31, 2007 and found the resulting percentage to be consistent with the Company's response to Item 15.

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

This report is intended solely for the information and use of the Company and the Mississippi Department of Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.



March 26, 2008

TRONOX LLC, A WHOLLY OWNED SUBSIDIARY OF TRONOX INCORPORATED

**CONSOLIDATED FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2007 AND 2006**

**TOGETHER WITH REPORTS
OF INDEPENDENT AUDITORS**

REPORT OF INDEPENDENT AUDITORS

Member
Tronox LLC

We have audited the accompanying consolidated balance sheets of Tronox LLC as of December 31, 2007 and 2006, and the related consolidated statements of operations, comprehensive income (loss) and member's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The combined financial statements of Basic Management, Inc. and Subsidiaries (a corporation in which the company has a 31% interest, whose combined financial statements include The LandWell Company, L.P., a limited partnership in which the Company has a 29% direct interest), have been audited by other auditors whose report has been furnished to us, and our opinion on the consolidated financial statements, insofar as it relates to the amounts included for Basic Management, Inc. and Subsidiaries and The LandWell Company, L.P., is based solely on the report of other auditors. In the consolidated financial statements, the Company's combined investment in Basic Management, Inc. and Subsidiaries and The LandWell Company, L.P. is stated at \$21.3 million and \$21.1 million at December 31, 2007 and 2006, respectively, and the Company's equity in combined net income of Basic Management, Inc. and Subsidiaries and The LandWell Company, L.P. is stated at \$1.5 million and \$6.3 million for the years ended December 31, 2007 and 2006, respectively.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Tronox LLC at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As explained in Note 1 to the consolidated financial statements, effective January 1, 2007, the Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes and effective January 1, 2006 the Company adopted EITF 04-6, Accounting for Stripping Costs Incurred During Production in the Mining Industry and Statement of Financial Accounting Standards No. 151, Inventory Costs — an Amendment of ARB No. 43, Chapter 4.

Ernst & Young LLP

March 26, 2008

Report of Independent Auditors

Board of Directors
Basic Management, Inc. and Subsidiaries
Henderson, Nevada

We have audited the accompanying combined balance sheets of Basic Management, Inc. and Subsidiaries (the Company), as of December 31, 2007 and 2006, and the related combined statements of income and comprehensive income, owners' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006, and the combined results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

/s/ Piercy Bowler Taylor & Kern

PIERCY BOWLER TAYLOR & KERN
Certified Public Accountants
Las Vegas, Nevada
February 29, 2008

TRONOX LLC, A WHOLLY OWNED SUBSIDIARY OF TRONOX INCORPORATED
CONSOLIDATED BALANCE SHEETS

As of **DECEMBER 31, 2007 AND 2006**
(Thousands of Dollars)

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents		\$ 30,806
Accounts receivable, net	\$ 8,232	\$ 160,990
Accounts receivable from affiliates	62,934	23,924
Notes receivable from affiliates	120,628	18,131
Income tax receivable	18,709	8,431
Inventories	6,754	235,447
Prepaid and other assets	238,232	5,907
Total Current Assets	12,850	483,636
Property, Plant and Equipment		
Land		58,326
Buildings	69,278	113,340
Machinery and equipment	114,002	1,286,725
Construction-in-progress	1,259,325	40,977
Other	27,282	60,615
	59,180	1,559,983
Less – reserves for depreciation and amortization	1,529,067	(1,019,519)
Total Property, Plant and Equipment	(1,023,666)	540,464
Other Assets	505,401	59,627
Intangible Assets	54,794	28,160
TOTAL ASSETS	\$ 1,056,661	\$ 1,111,887
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts payable		\$ 88,480
Long-term debt due in one year	\$ 104,695	\$ 1,670
Intercompany short-term debt	7,952	—
Accrued liabilities	10,589	133,857
Total Current Liabilities	125,205	224,007
Noncurrent Liabilities		
Note payable to affiliate		291,536
Note payable – related party	216,300	7,161
Deferred income taxes	—	57,650
Environmental remediation and/or restoration and other	51,698	136,889
Total Noncurrent Liabilities	121,935	493,236
TOTAL LIABILITIES	389,933	717,243
Member's Equity		
Member's net investment		671,609
Accumulated other comprehensive income	698,791	(1,408)
Due from Tronox and its affiliates	(357)	(275,557)
Total Member's Equity	(280,147)	394,644
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ 1,056,661	\$ 1,111,887

The accompanying notes are an integral part of these financial statements.

TRONOX LLC, A WHOLLY OWNED SUBSIDIARY OF TRONOX INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Thousands of Dollars)

	<u>2007</u>	<u>2006</u>
Net Sales	\$ 910,331	\$ 907,607
Cost of goods sold	<u>785,988</u>	<u>765,460</u>
Gross Margin	124,343	142,147
Selling, general and administrative expenses	81,377	84,041
Arbitration award received	—	(8,914)
Restructuring	9,904	(7,118)
Provision for environmental remediation and restoration, net of reimbursements	<u>1,713</u>	<u>(20,280)</u>
	31,349	94,390
Other expenses, net	<u>(32,951)</u>	<u>(21,901)</u>
Income (loss) from Continuing Operations before Income Taxes	(1,602)	72,489
Income tax provision	<u>2,097</u>	<u>34,481</u>
Income (loss) from Continuing Operations	(3,699)	38,008
Income (loss) from discontinued operations, net of income tax benefit of \$6,840 and \$10,206, respectively	<u>16,067</u>	<u>(15,550)</u>
Net Income	<u>\$ 12,368</u>	<u>\$ 22,458</u>

The accompanying notes are an integral part of these financial statements.

TRONOX LLC, A WHOLLY OWNED SUBSIDIARY OF TRONOX INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) AND MEMBER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Thousands of Dollars)

	Member's Net Investment	Accumulated Other Comprehensive Income (Loss)	Due From Tronox and Its Affiliates	Total Member's Equity
Balance at December 31, 2005	\$659,268	\$(1,031)	\$(220,624)	\$437,613
Cumulative effect of an accounting change, net of income taxes	<u>(1,541)</u>	<u>—</u>	<u>—</u>	<u>(1,541)</u>
Balance at January 1, 2006	657,727	(1,031)	(220,624)	436,072
Comprehensive income:				
Unrealized loss on cash flow hedges, net of taxes of \$1,949	—	(3,551)	—	(3,551)
Reclassification of realized loss on cash flow hedges earnings, net of taxes of \$(1,712)	—	3,174	—	3,174
Net income	22,458	—	—	<u>22,458</u>
Total comprehensive income				22,081
Distribution to parent for:				
Government reimbursements	(13,107)	—	—	(13,107)
Cash management activity	(29,415)	—	—	(29,415)
Capital contribution from parent	33,946	—	—	33,946
Due from Tronox and its affiliates, net	<u>—</u>	<u>—</u>	<u>(54,933)</u>	<u>(54,933)</u>
Balance at December 31, 2006	<u>\$671,609</u>	<u>\$(1,408)</u>	<u>\$(275,557)</u>	<u>\$394,644</u>
Cumulative effect of an accounting change	<u>(2,522)</u>	<u>—</u>	<u>—</u>	<u>(2,522)</u>
Balance at January 1, 2007	669,087	(1,408)	(275,557)	392,122
Comprehensive income:				
Unrealized loss on cash flow hedges, net of taxes of \$464	—	(771)	—	(771)
Reclassification of realized loss on cash flow hedges earnings, net of taxes of \$(1,090)	—	1,822	—	1,822
Net income	12,368	—	—	<u>12,368</u>
Total comprehensive income				13,419
Distribution to parent for:				
Government reimbursements	(11,531)	—	—	(11,531)
Capital contribution from parent	28,867	—	—	28,867
Due from Tronox and its affiliates, net	<u>—</u>	<u>—</u>	<u>(4,590)</u>	<u>(4,590)</u>
Balance at December 31, 2007	<u>\$698,791</u>	<u>\$(357)</u>	<u>\$(280,147)</u>	<u>\$418,287</u>

The accompanying notes are an integral part of these financial statements.

TRONOX LLC, A WHOLLY OWNED SUBSIDIARY OF TRONOX INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Thousands of Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 12,368	\$ 22,458
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	70,929	68,930
Deferred income taxes	(10,810)	5,869
Asset Impairment	8,900	—
Provision for environmental remediation and restoration, net of reimbursements	(5,601)	(1,697)
Other	30,053	16,601
Changes in assets and liabilities and other -		
(Increase)/Decrease in accounts and notes receivable	(11,742)	61,832
Increase in inventory	(2,976)	(17,419)
Increase in accounts payable	14,102	10,385
Other	<u>2,333</u>	<u>(25,256)</u>
Net cash flows from operating activities	<u>107,556</u>	<u>141,703</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(42,062)	(41,377)
Proceeds from sale of assets	445	1,388
Other	<u>—</u>	<u>2,785</u>
Net cash flows from investing activities	<u>(41,617)</u>	<u>(37,204)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to parent	(11,531)	(42,522)
Repayment of debt	(1,794)	(1,073)
Net transfers to affiliates	<u>(75,188)</u>	<u>(62,699)</u>
Net cash flows from financing activities	<u>(88,513)</u>	<u>(106,294)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (22,574)	 (1,795)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>30,806</u>	 <u>32,601</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 8,232</u>	 <u>\$ 30,806</u>

The accompanying notes are an integral part of these financial statements.

TRONOX LLC, A WHOLLY OWNED SUBSIDIARY OF TRONOX INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The Company

Tronox LLC, (the "company") is a wholly owned subsidiary of Tronox Worldwide LLC (the "parent") which is a wholly owned subsidiary of Tronox Incorporated ("Tronox"). The company is in the business of producing and marketing inorganic industrial chemicals and heavy minerals. The primary product is titanium dioxide ("TiO₂"), a white pigment used in a wide range of products. The operations are in the United States and Australia. The Australian operations are part of the company's joint venture arrangement, in which the company has a 50% undivided interest, and include heavy minerals production that is integrated with the company's Australian pigment plant. The company also has third-party sales of minerals not utilized by the company's pigment operations. The company's other operations are comprised of electrolytic manufacturing and marketing operations in the United States.

Discontinued operations in the consolidated financial statements represent the company's former forest products operations as well as adjustments to amounts previously reported related to the company's former thorium compounds manufacturing.

Formation of Tronox Incorporated. Tronox Incorporated was formed on May 17, 2005, in Delaware, in preparation for the contribution and transfer by Kerr-McGee Corporation ("Kerr-McGee") of certain entities, including those comprising substantially all of its chemical business (the "Contribution") to Tronox. The Contribution was completed in November 2005 along with the recapitalization and initial public offering (the "IPO") of Tronox. Accordingly, effective upon the Contribution, Tronox became the parent of Tronox Worldwide LLC. Kerr-McGee retained an interest in Tronox by holding 56.7% of the total outstanding common stock of Tronox, with the remaining 43.3% held by the general public. On March 8, 2006, Kerr-McGee's Board of Directors declared a dividend of Tronox's Class B common stock owned by Kerr-McGee to its stockholders (the "Distribution"). The Distribution was completed on March 30, 2006, resulting in Kerr-McGee having no ownership or voting interest in Tronox.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Tronox LLC (the company, formerly known as "Kerr-McGee Chemical LLC"), a Delaware single member limited liability company that is wholly owned by Tronox Worldwide LLC (formerly known as "Kerr-McGee Chemical Worldwide LLC," herein referred to as parent), and its wholly-owned subsidiaries, Tronox Holdings, Inc. (THI, formerly known as "Kerr-McGee Holdings, Inc."), a Delaware Corporation, Tronox Western Australia Pty Ltd (TWA, formerly known as "KMCC Western Australia Pty Ltd"), a Western Australia Corporation. In circumstances where the company owns an undivided interest, the company recognizes its proportionate share of assets and liabilities.

As discussed in Note 17, the company has material transactions with related parties.

The company's investments in affiliated companies that are 20% to 50% owned are carried as a component of other assets in the Consolidated Balance Sheets at cost adjusted for equity in undistributed earnings. The company has investments in Basic Management, Inc. (a corporation in which the company has a 31% interest) and The LandWell Company, L.P. (a limited partnership in which the company has a 29% direct interest). Except for dividends, changes in equity in undistributed earnings are included in other expenses in the Consolidated Statements of Operations.

All intercompany transactions have been eliminated. Certain prior year amounts have been reclassified to conform with the current year presentation utilized by Tronox.

The following prior-year amounts have been reclassified to conform to the current-year presentation. These changes had no impact on income (loss) from continuing operations or net income.

- Sales rebates, previously presented with accounts payable, are now presented with accrued liabilities in the company's Consolidated Balance Sheets.
- Vendor commissions, previously a reduction of net sales, have been reclassified as selling, general and administrative expenses. The increase in net sales and selling, general and administrative expenses for 2006 were \$0.4 million.
- Reimbursements for research and development expenses previously accounted for as a reduction of selling, general and administrative expenses have been reclassified as net sales. The increase in net sales and selling, general and administrative expenses for 2006 were \$1.6 million.
- Railcar expenses previously accounted for as selling, general and administrative expenses have been reclassified as cost of goods sold. The increase in cost of goods sold and corresponding decrease in selling, general and administrative expenses for 2006 was \$1.6 million.

Significant Accounting Policies

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates as additional information becomes known.

Foreign Currencies. The U.S. dollar is considered the functional currency for TWA. TWA conducts transactions in currency other than the U.S. dollar. Foreign currency transaction gains or losses are recognized in the period incurred and are included in other expenses in the Consolidated Statement of Operations. The company recorded net foreign currency transaction losses of \$6.2 million and \$2.8 million in 2007 and 2006, respectively.

Cash Equivalents. The company considers all investments with original maturities of three months or less to be cash equivalents. Cash equivalents were \$3.7 million at December 31, 2007, and \$27.1 million at December 31, 2006. Of the \$3.7 million and \$27.1 million, nil and \$5.3 million was held outside the U.S. at December 31, 2007 and 2006, respectively.

Accounts Receivable. Accounts receivable are reflected at their net realizable values, reduced by an allowance for doubtful accounts to allow for expected credit losses. The allowance is estimated by management, based on factors such as age of the related receivables and historical experience, giving consideration to customer profiles. The company does not generally charge interest on accounts receivable, nor require collateral; however, certain operating agreements have provisions for interest and penalties that may be invoked, if deemed necessary. Accounts receivable are aged in accordance with contract terms and are written off when deemed uncollectible. Any subsequent recoveries of amounts written off are credited to the allowance for doubtful accounts.

Receivables Securitization — The company sold substantially all of its receivables associated with its U.S. operations to an affiliate as part of an ongoing asset securitization program implemented in 2007. When receivables are sold, the net carrying value of sold receivables (which includes the allowance for doubtful accounts) is removed from the balance sheet and an intercompany receivable is recognized.

Concentration of Credit Risk — A significant portion of the company's liquidity is concentrated in trade accounts receivable that arise from sales of TiO₂ to customers in the paint and coatings industry. The industry concentration has the potential to impact the company's overall exposure to credit risk, either positively or negatively, in that its customers may be similarly affected by changes in economic, industry or other conditions. The company performs ongoing credit evaluations of its customers, and uses credit risk

insurance policies from time to time, as deemed appropriate, to mitigate credit risk but generally does not require collateral. The company maintains reserves for potential credit losses based on historical experience and such losses have been within expectations.

Inventories. Inventories are stated at the lower of cost or market. The cost of finished goods inventories is determined by the first-in, first-out ("FIFO") method. Carrying values include material costs, labor and associated indirect manufacturing expenses. Costs for materials and supplies, excluding ore, are determined by average cost to acquire or standard cost, which approximates actual cost. Raw materials (ore) are carried at actual cost.

Property, Plant and Equipment. Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Maintenance and repairs are expensed as incurred, except that costs of replacements or renewals that improve or extend the lives of existing properties are capitalized.

Depreciation — Property, plant and equipment is depreciated over its estimated useful life, either by the units of production method or the straight-line method. Useful lives for certain property, plant and equipment are as follows:

	Units of Production
Mineral Leaseholds	3 — 10 years
Vessel linings, general mechanical and process equipment.....	10 — 15 years
Electrical equipment, process piping and waste treatment ponds	20 years
Support structures and process tanks.....	25 years
Electrical distribution systems, mining equipment and other infrastructure assets	10 — 40 years
Buildings	

The company is engaged in the acquisition, exploration and development of mineral properties to provide feedstock for its pigment production. Mineral property acquisition costs are capitalized in property, plant and equipment in accordance with Emerging Issues Task Force ("EITF") Issue No. 04-2, "Whether Mineral Rights Are Tangible or Intangible Assets," as tangible assets when management has determined that probable future benefits consisting of a contribution to future cash inflows have been identified and adequate financial resources are available or are expected to be available as required to meet the terms of property acquisition and budgeted exploration and development expenditures. As of December 31, 2007, the company has mineral leaseholds with a net book value of \$13.8 million which are depleted on a unit of production basis.

Mineral property acquisition costs are expensed as incurred if the criteria for capitalization is not met. Mineral property exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property through the commencement of production are capitalized.

The company currently leases office space for its headquarters under the terms of an operating lease. Improvements to the leased space are capitalized as leasehold improvements and amortized over a ten-year period (the life of the lease).

Retirements and Sales — The cost and related accumulated depreciation and amortization are removed from the respective accounts upon retirement or sale of property, plant and equipment. Any resulting gain or loss is included in cost of goods sold in the Consolidated Statement of Operations.

Interest Capitalized — The company capitalizes interest costs on major projects that require an extended period of time to complete. Interest capitalized in each 2007 and 2006 was \$1.3 million.

Asset Impairments. The company evaluates impairments by asset group for which the lowest level of independent cash flows can be identified. If the sum of these estimated future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized for the excess of the carrying amount of the asset over its estimated fair value.

Gain or Loss on Assets Held for Sale. Assets are classified as held for sale when the company commits to a plan to sell the assets, completion of the sale is probable and is expected to be completed within one year. Upon classification as held-for-sale, long-lived assets are no longer depreciated and a loss is recognized, if any, based on the excess of carrying value over fair value less costs to sell. Previous losses may be reversed up to the original carrying value as estimates are revised; however, gains are only recognized upon disposition.

Intangible Assets. Intangible assets consist of titanium dioxide proprietary chloride process technologies and patents. Certain indefinite-lived intangibles are not amortized but are reviewed annually for impairment, or more frequently if impairment indicators arise. The annual impairment assessment for the indefinite-lived intangible assets is completed at June 30 each year.

Derivative Instruments and Hedging Activities. From time to time, the company enters into foreign currency forward contracts to hedge a portion of its foreign currency risk associated with operating costs. The company also uses natural gas forward contracts to hedge a portion of its commodity price risk arising from natural gas consumption. Designated free-standing derivative instruments are accounted for in accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended ("SFAS No. 133"). Depending on when the contracts mature, derivative instruments are recorded in prepaid and other assets, other long-term assets, accrued liabilities or noncurrent liabilities-other in the Consolidated Balance Sheets, measured at fair value. Quoted market prices are used in determining fair value. For contracts that qualify and are designated as cash flow hedges of forecasted transactions under the provisions of SFAS No. 133, unrealized gains and losses are initially reflected in accumulated other comprehensive income to the extent effective and recognized in earnings in the periods during which the hedged forecasted transactions affect earnings (i.e., when operating costs are incurred and upon the sale of finished inventory, in the case of a hedged raw material purchase). The ineffective portion of the change in fair value of such hedges, if any, is included in current earnings. For derivatives not designated for hedge accounting, gains and losses are recognized in earnings in the periods incurred. Cash flows associated with derivative instruments are included in the same category in the Consolidated Statement of Cash Flows as the cash flows from the item being hedged.

Environmental Remediation and Other Contingencies. As sites of environmental concern are identified, the company assesses the existing conditions, claims and assertions, and records an estimated undiscounted liability when environmental assessments and/or remedial efforts are probable and the associated costs can be reasonably estimated. Estimates of environmental liabilities, which include the cost of investigation and remediation, are based on a variety of matters, including, but not limited to, the stage of investigation, the stage of the remedial design, evaluation of existing remediation technologies, and presently enacted laws and regulations. In future periods, a number of factors could significantly change the company's estimate of environmental remediation costs, such as changes in laws and regulations, or changes in their interpretation or administration, revisions to the remedial design, unanticipated construction problems, identification of additional areas or volumes of contaminated soils and groundwater, and changes in costs of labor, equipment and technology.

To the extent costs of investigation and remediation have been incurred and are recoverable from the U.S. government or from Kerr-McGee (as discussed in Note 8) and have been incurred or are recoverable under certain insurance policies or from other parties and such recoveries are deemed probable, the company records a receivable for the estimated amounts recoverable (undiscounted). Receivables are reflected in the Consolidated Balance Sheet as either accounts receivable or as a component of other assets, depending on estimated timing of collection.

Self Insurance The company is self-insured for certain levels of general and vehicle liability, property, workers' compensation and health care coverage. The cost of these self-insurance programs is accrued based upon estimated fully developed settlements for known and anticipated claims. Any resulting adjustments to previously recorded reserves are reflected in current operating results.

Asset Retirement Obligations. SFAS No. 143, "Accounting for Asset Retirement Obligations," ("SFAS No. 143") requires that an asset retirement obligation ("ARO") associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard), with an associated increase in the carrying amount of the related long-lived asset. The cost of the tangible asset, including the asset retirement cost, is depreciated over the useful life of the asset.

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations — An Interpretation of FASB Statement No. 143" ("FIN No. 47") to clarify that an entity must recognize a liability for the fair value of a conditional ARO when incurred, if the liability's fair value can be reasonably estimated. Conditional AROs under this pronouncement are legal obligations to perform asset retirement activities when the timing and/or method of settlement are conditional on a future event or may not be within the control of the entity. FIN No. 47 also provides additional guidance for evaluating whether sufficient information to reasonably estimate the fair value of an ARO is available. The company adopted FIN No. 47 as of December 31, 2005, with no material effect to the company's financial position or results of operations and no effect on reported cash flows.

To the extent a legal obligation exists, an ARO is recorded at its estimated fair value and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is measured using expected future cash outflows discounted at the company's credit-adjusted risk-free interest rate. No market-risk premium has been included in the company's calculation of ARO balances since no reliable estimate can be made by the company.

Research and Development. Research and development costs were \$5.9 million and \$7.6 million in 2007 and 2006, respectively, and were expensed as incurred.

Revenue Recognition. Revenue is recognized when persuasive evidence of a sales arrangement exists, delivery has occurred, sales price is fixed or determinable and collectibility is reasonably assured. All amounts billed to a customer in a sales transaction related to shipping and handling represent revenues earned and are reported as net sales. Costs incurred by the company for shipping and handling are reported as cost of goods sold.

Cost of Goods Sold. Cost of goods sold includes the costs of manufacturing and distributing products, including raw materials, energy, labor, depreciation and other production costs. Receiving, distribution, freight and warehousing costs are also included in cost of goods sold.

Selling, General and Administrative Expenses. Selling, general and administrative expenses include costs related to marketing, sales, agent commissions, research and development, legal and administrative functions such as accounting, treasury and finance, as well as costs for salaries and benefits, travel and entertainment, promotional materials and professional fees.

Income Taxes. The company is an entity disregarded as separate from its owner for all federal income tax purposes and, therefore, is treated as a division in Tronox's consolidated income tax return (and prior to the IPO was treated as a division in Kerr-McGee's consolidated return). However, the company has recognized the amount of current income tax allocated to its nontaxable stand-alone operations, from Tronox, as income taxes in the accompanying Consolidated Statement of Operations.

The company's subsidiaries, THI and TWA, are separate taxable entities and the amounts of income taxes attributable to their operations are recorded by the company in the accompanying Consolidated Statements of Operations. Deferred U.S. income taxes related to THI and deferred Australian income taxes related to TWA are provided to reflect the future tax consequences of differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. The distribution and tax amounts for each of these entities is recorded as directed by Tronox, but are generally calculated as though each entity filed a separate tax return. Certain deductions or benefits generated by each entity's operations may be considered in the calculation that might not otherwise be available if each entity was not part of a consolidated income tax return.

The company has elected an accounting policy in which interest and penalties on income taxes are presented as a component of income tax provision, rather than as a component of interest expense. Specifically, interest and penalties resulting from the underpayment or the late payment of income taxes due to a taxing authority and interest and penalties accrued relating to income tax contingencies are presented, on a net of tax basis, as a component of income tax provision.

New/Revised Accounting Standards

Inventory Costs. In November 2004, the FASB issued SFAS No. 151, "Inventory Costs — an Amendment of ARB No. 43, Chapter 4" ("SFAS No. 151"), which requires that abnormal amounts of idle facilities cost, freight, handling costs and spoilage be expensed as incurred and not capitalized as inventory. The company adopted the standard effective January 1, 2006, and there was no material effect on the company's financial position or results of operations.

Deferred Stripping Costs. On January 1, 2006, the company adopted EITF Issue No. 04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry" in relation to the mining activities conducted by the company and its partner under the company's joint venture arrangement in Australia. EITF Issue No. 04-6 addresses the accounting for stripping costs incurred during the production phase of a mine and requires treatment of these costs as variable production costs that should be included as a component of inventory to be recognized in costs applicable to sales in the same period as the revenue from the sale of inventory. As a result, capitalization of post-production stripping costs is appropriate only to the extent product inventory exists at the end of a reporting period. The guidance allows application through recognition of a cumulative effect adjustment to opening retained earnings in the period of adoption, with no charge to current earnings for prior periods. The results for prior periods have not been restated. The cumulative effect adjustment reduced opening retained earnings in 2006 by \$1.5 million (net of taxes) and eliminated the \$2.2 million net deferred stripping asset from the balance sheet. Adoption of EITF Issue No. 04-6 did not have a material impact on the company's income from continuing operations or net income for the year ended December 31, 2006.

Uncertain Tax Positions. In July 2006, the FASB issued Interpretation No. 48 ("FIN No. 48"), "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, Accounting for Income Taxes" ("SFAS No. 109"). The company adopted FIN No. 48 as of January 1, 2007. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. FIN No. 48 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The guidance required application through recognition of a cumulative effect adjustment to opening retained earnings in the period of adoption (2007), with no charge to current earnings for prior periods. As a result of the adoption of FIN No. 48, the company recognized a \$2.5 million charge to the January 1, 2007, balance of retained earnings. The total amount of unrecognized tax positions at January 1, 2007, was \$7.2 million.

Fair Value Measurement. In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The company does not expect the statement to materially impact its consolidated financial statements.

Fair Value Option. In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — including an Amendment of FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities." The company does not currently expect to adopt the provisions of this statement.

Business Combinations. In December 2007, the FASB issued SFAS No. 141 (Revised 2007), "Business Combinations" which will change the accounting for business combinations such that an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction, at the acquisition date fair value with limited exceptions. SFAS No. 141 also changes the accounting treatment for certain specific items such as expensing acquisition costs versus capitalizing them, recording in process research and development as an indefinite lived intangible asset and expensing restructuring costs after the acquisition date. SFAS No. 141 also includes additional disclosure requirements. The statement applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009.

2. ACCOUNTS RECEIVABLE

Summarized below are accounts receivable, net of the related allowance for doubtful accounts, at December 31, 2007 and 2006 (thousands of dollars):

	<u>2007</u>	<u>2006</u>
Accounts receivable - trade	\$16,056	\$117,203
Receivable from Kerr-McGee (Note 8) (1)	17,500	17,549
Department of Energy (Note 8) (2)	11,000	11,000
Receivable from insurers (Note 8) (2)	7,274	7,383
Other	<u>11,104</u>	<u>8,492</u>
	62,934	161,627
Allowance for doubtful accounts	—	(637)
Total	<u>\$62,934</u>	<u>\$160,990</u>

(1) See Note 8 for a description of the 2007 environmental-related receivable.

(2) Amounts receivable from U.S. Department of Energy and from insurers not expected to be collected within one year from the balance sheet date are reflected in Other Assets

The company executed an accounts receivable securitization program ("the Program") in September 2007 with an initial term of one year. Financing under the program can be extended for an additional two years with the consent of both parties in the form of a securitization or a secured borrowing as determined by the sponsoring institution, ABN AMRO Bank N.V. ("ABN"). Under the Program, substantially all receivables from the company's U.S. operations are sold on a recurring basis by the company to Tronox Funding LLC ("Funding"), a special purpose subsidiary wholly owned by the company's parent. Funding, in turn, sells to either Amsterdam Funding Corporation ("AFC"), an asset-backed multi-seller commercial paper conduit sponsored by ABN, or to ABN directly (both AFC and ABN collectively referred to as "Amsterdam") an undivided percentage ownership interest in the pool of receivables (subject to a program limit in the aggregate of \$100.0 million) Funding acquires from the company (subject to a program limit in the aggregate of \$100.0 million). The company's parent retains the servicing responsibility for the accounts receivable. At December 31, 2007, the balance in receivables sold by the company to Funding totaled \$97.3 million, of which \$57.0 million was sold to Amsterdam in the form of the purchased participation interest, resulting in a subordinated retained interest held by us with a carrying amount of \$39.5 million. The subordinated retained interest serves as over-collateralization on the purchased interest by Amsterdam and, thus, provides credit enhancement to the program.

The Program is designed to enable a true sale of receivables to Funding. Neither Funding nor Amsterdam have any recourse to the company beyond their interest in the pool of receivables owned by Funding.

The company accounts for the Program in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities — A Replacement of FASB Statement 125" and related accounting guidance. At the time a participation interest in the receivables is sold, the receivable representing that interest is removed from the Consolidated Balance Sheets and an intercompany receivable is recognized. No debt is recorded as part of this transaction, and the sale is reflected in net cash flows from financing activities.

Cash collections on sold receivables are deposited into the company's lockbox cash accounts. These collections are considered to be immediately reinvested by Funding in purchases of new receivables from the company. In the event the program is terminated, Funding may elect to repurchase receivables previously sold to Amsterdam or, through the designated servicing agent, remit proceeds on sold receivables as they are collected. If Funding elects the latter option, collections of sold receivables deposited into the company's accounts are restricted solely for remittance to Amsterdam up to the point that Amsterdam redeems its investment in those receivables.

The company incurred losses in connection with the sale of receivables under the Program of \$2.7 million for the year ended December 31, 2007. These losses are included in other income (expense) in the Consolidated Statement of Operations. There were no corresponding charges in the prior year as the program had not been implemented during that period.

3. INVENTORIES

The major categories of inventories at December 31, 2007 and 2006, are as follows (thousands of dollars):

	<u>2007</u>	<u>2006</u>
Raw materials	\$ 51,348	\$ 57,541
Work-in-progress	6,241	8,288
Finished goods (1)	133,066	121,025
Materials and supplies, net of allowance for obsolescence of \$7.5 million and \$7.0 million, respectively.	<u>47,577</u>	<u>48,593</u>
Total	<u>\$238,232</u>	<u>\$235,447</u>

(1) Includes inventory on consignment to others of approximately \$12.3 million and \$14.6 million in 2007 and 2006 respectively.

4. OTHER ASSETS

Other assets consist of the following at December 31, 2007 and 2006 (thousands of dollars):

	<u>2007</u>	<u>2006</u>
Receivable from Department of Energy (Note 8)	\$ 16,096	\$ 15,861
Investments in equity method investees	21,321	21,112
Receivables from insurers (Note 8)	15,308	19,620
Other	<u>2,069</u>	<u>3,034</u>
Total	<u>\$ 54,794</u>	<u>\$ 59,627</u>

5. INTANGIBLE ASSETS

The carrying amount of indefinite-lived intangible assets that are not subject to amortization was \$28.1 million and \$28.2 at December 31, 2007 and 2006, respectively.

The net carrying amount of intangible assets subject to amortization at both December 31, 2007 and 2006 was \$0.1 million.

6. RESTRUCTURING AND EXIT ACTIVITIES

In April 2005, in connection with the separation of the company from Kerr-McGee, discussed in Note 1, the company initiated an employee compensation program designed to provide an incentive to certain employees to remain with the company over a one-year period. Costs associated with this program were split based upon the periods in which participating employees met the service requirements, with Kerr-McGee bearing the costs for the period they benefited from this arrangement up to the IPO date and the company incurring the costs after the IPO date. During 2006, the company incurred costs of \$1.7 million and for incentives paid to employees. Kerr-McGee reimbursed the company for its proportionate share of the incentives paid.

On August 8, 2007, the parent announced an involuntary work force reduction program as part of its ongoing efforts to reduce operating and selling, general and administrative costs. The work force review was global in scope, with the exception of the Tronox's Uerdingen, Germany, facility. As a result of the program, the company's U.S. work force was reduced by 46 employees. An additional 55 positions that were vacant prior to the work force reduction were not filled. There were no costs associated with the elimination of vacant positions. The program was substantially completed as of December 31, 2007, with two employees remaining into early 2008 for transition purposes. In connection with the work force reduction, the company incurred pretax charges of \$4.2 million for severance and other employee related costs and \$5.7 million in allocated costs from the parent for noncash special termination benefits under Tronox's pension plan. These charges are included in restructuring charges in the Consolidated Statement of Operations. Of the total provision for severance and other employee related costs of \$4.2 million, \$3.8 million was paid in 2007 with remaining balance of \$0.4 million still outstanding at December 31, 2007.

The following table represents a reconciliation of the beginning and ending balances of reserves for exit and restructuring activities for 2007 and 2006. Amounts exclude AROs and special termination benefits allocated under the Tronox's benefit plan and include certain obligations of the discontinued forest products operations that have been retained by the company.

	2007				2006			
	Total	Personnel Costs	Dismantlement and Closure	Contract Termination	Total	Personnel Costs	Dismantlement and Closure	Contract Termination
	(Thousands of dollars)							
Beginning balance	\$3,020	\$ 925	\$1,895	\$200	\$5,994	\$891	\$4,077	\$1,026
Provisions	4,189	4,246	—	(57)	34	34	—	—
Payments	(5,386)	(4,225)	(1,018)	(143)	(2,783)	—	(2,182)	(601)
Adjustments	—	—	—	—	(225)	—	—	(225)
Ending balance	<u>\$1,823</u>	<u>\$ 946</u>	<u>\$ 877</u>	<u>\$ —</u>	<u>\$ 3,020</u>	<u>\$ 925</u>	<u>\$ 1,895</u>	<u>\$ 200</u>

Asset Impairment. The company had been working on the development of a raw materials feed project to improve efficiencies and reduce costs at the Savannah, Georgia, pigment facility. Due to reductions in capital spending, it is doubtful that this project will be completed, and therefore, it does not meet the criteria for treatment as an asset. Accordingly, the company recorded a charge of \$3.8 million reflected in cost of goods sold in the Consolidated Statement of Operations for the year ended December 31, 2007, to write off this project. The company also had a \$3.5 million write-off of an information technology project related to our financial and operational systems begun prior to Tronox's spin-off from Kerr-McGee. Additionally, other assets at the plant with a total net book value of \$1.1 million were not currently in use and were written off to cost of goods sold in 2007.

7. ASSET RETIREMENT OBLIGATIONS

A summary of the changes in the asset retirement liability during 2007 and 2006 is included in the table below (in thousands of dollars).

	<u>2007</u>	<u>2006</u>
Balance, January 1	\$26,847	\$34,898
Obligations incurred.....	733	—
Accretion expense	2,079	1,093
Changes in estimates, including cost and timing of cash flows.....	(111)	(6,869)
Remeasurement/translation	805	—
Asset retirement expenditures.....	<u>(1,847)</u>	<u>(2,275)</u>
Balance, December 31	<u>\$28,506</u>	<u>\$26,847</u>
Current portion(1)	<u>\$ 2,023</u>	<u>\$ 3,249</u>
Noncurrent portion(2)	<u>\$26,483</u>	<u>\$23,598</u>

- (1) Included in accrued liabilities
- (2) Included in noncurrent liabilities — environmental remediation and/or restoration and other

The company shut down its synthetic rutile plant in Mobile, Alabama, in 2003. In September 2004, the company shut down TiO₂ sulfate production and curtailed gypsum production at its Savannah, Georgia, plant. Until the decisions to shut down these facilities had been made, it was undeterminable when the asset retirement liability associated with these facilities would be settled. Upon deciding to shut down the facilities, the timing of settlement and method of abandonment became known and estimable and the related ARO was recorded at the estimated fair value. For the synthetic rutile plant in Mobile, Alabama, a \$17.6 million liability was recognized at the beginning of 2003. For the TiO₂ sulfate production facility at the company's Savannah, Georgia, plant, an abandonment liability of \$12.7 million was recognized in September 2004.

Operations at the Mobile, Alabama, facility included production of feedstock for the company's U.S. TiO₂ plants. The facility ceased feedstock production in June 2003, but was used on a temporary basis in 2005, part of 2006, and part of 2007 to dry ore for TiO₂ production. Feedstock operations had resulted in minor contamination of groundwater adjacent to surface impoundments resulting from the normal operations of these facilities. A groundwater recovery system was installed prior to closure and continues in operation, as required under the National Pollutant Discharge Elimination System (NPDES) permit. Remediation work, including groundwater recovery, closure of the impoundments and other minor work, is expected to be substantially completed in five years. In 2006, the estimates related to the cost and timing of expenditures for the final closure of the Mobile facility were updated to reflect the extended use of the facility for drying ore and the revised timing for the closure of the impoundments. As a result, the company recorded a restructuring credit of \$4.2 million in 2006, which was reflected in the Consolidated Statement of Operations.

In 2004, an asset retirement reserve related to the TiO₂ sulfate production at Savannah, Georgia, was established to address remediation activities resulting from the normal operations of these facilities, including environmental assessment, closure of certain impoundments, groundwater monitoring, asbestos abatement, and other work, which are expected to take more than 25 years. In 2006, the estimates related to this closure work were updated to reflect the permitted use of some of the assets to be abandoned and therefore delays in the expected timing of expenditures. As a result of these factors, and as assets associated with this facility had been written-off in previous periods, the company recorded a restructuring credit of \$2.9 million in 2006, which was reflected in the Consolidated Statement of Operations.

In 2005, in connection with the adoption of FIN No. 47, the company recognized an obligation for its 50% share of the cost to close and rehabilitate the mine site in Western Australia, operated by the joint venture partners. As of December 31, 2007, the accreted reserve represented management's estimate of the total costs to restore the area that has been disturbed, as required under the mining lease.

In 2007, a \$0.7 million asset retirement reserve related to a process waste landfill at the company's Hamilton, Mississippi, TiO₂ facility was established to address one-time closure costs (cap with liner and cover with soil) and annual monitoring costs of the closed landfill under applicable state environmental laws in Mississippi. Closure is expected to occur in approximately seven years.

8. CONTINGENCIES

The following discussion relates to legal and environmental matters involving sites currently or previously owned or operated by the company and/or its predecessors. Generally, the parent has assumed financial responsibility for the company's legal and environmental matters, including those discussed below (with the exception of Henderson, Nevada), although in certain situations, the company remains the primary obligor. Whenever the legal and financial responsibility is joint and several with the parent, the parent has recognized the provision and liability; thus, it has not been reflected in the accompanying consolidated financial statements. When the company is the primary obligor, the provision and liability have been reflected in the company's Consolidated Statement of Operations as provision for environmental remediation and restoration, net of reimbursements or loss from discontinued operations, net of income taxes and in the Consolidated Balance Sheet as accrued liabilities or noncurrent liabilities – environmental

remediation and/or restoration and other. When the parent pays amounts related to these matters, the payments have been reflected in the Consolidated Statement of Comprehensive Loss and Member's Equity as capital contribution from parent. When the company is the named recipient of reimbursements and such amounts are probable of receipt, they are reflected in the Consolidated Balance Sheet as accounts receivable or other assets depending on estimated timing of collection.

For the year ended December 31, 2007 and 2006, the parent recognized provisions (benefits) (which are not reflected herein) of \$1.5 million and \$(1.2) million, respectively, for environmental matters related to sites currently and/or previously owned by the company for which the parent and the company have joint and several liability. Related to these sites, the parent also recognized provisions (which are not reflected herein) for legal matters in the amount of nil and \$4.0 million in 2007 and 2006, respectively.

The table below summarizes changes in the environmental reserves for the company during 2007 for major sites, followed by discussion of those major sites. Although actual costs may differ from current estimates reflected in the reserve balances, the amount of any revisions in remediation costs cannot be reasonably estimated at this time.

<u>Location of Site</u>	<u>Reserve Balance at December 31, 2006</u>	<u>Provisions/ Accruals</u>	<u>Payments/ Settlements</u>	<u>Reserve Balance at December 31, 2007</u>
		<u>(Millions of dollars)</u>		
Henderson, Nevada (1).....	\$ 28.4	\$ 3.4	\$ (7.4)	\$ 24.4
West Chicago, Illinois (2)	74.8	1.8	(23.2)	53.4
Manville, New Jersey.....	35.0	—	—	35.0
Sauget, Illinois.....	6.8	—	(1.0)	5.8
Jacksonville, Florida.....	5.3	—	(0.2)	5.1
Other sites.....	<u>21.6</u>	<u>1.4</u>	<u>(3.3)</u>	<u>19.7</u>
Total of all sites with reserves	<u>\$ 171.9</u>	<u>\$ 6.6</u>	<u>\$ (35.1)</u>	<u>\$ 143.4</u>

- (1) Provisions include \$2.7 million recorded in 2007 related to expanded sampling and the development of a risk assessment plan pertaining to the 1996 agreement with the NDEP.
- (2) Provisions include \$1.8 million recorded in 2007 as a result of a determination that additional groundwater monitoring would be needed to meet state requirements.

Henderson, Nevada

In 1998, the company decided to exit the ammonium perchlorate business. At that time, the company curtailed operations and began preparation for the shutdown of the associated production facilities in Henderson, Nevada, that produced ammonium perchlorate and other related products. Manufacture of perchlorate compounds began at Henderson in 1945 in facilities owned by the U.S. government. The U.S. Navy expanded production significantly in 1953 when it completed construction of a plant for the manufacture of ammonium perchlorate. The U.S. Navy continued to own the ammonium perchlorate plant, as well as other associated production equipment at Henderson, until 1962, when the plant was purchased by a predecessor of the company. The ammonium perchlorate produced at the Henderson facility was used primarily in federal government defense and space programs. Perchlorate that may have originated, at least in part, from the Henderson facility has been detected in nearby Lake Mead and the Colorado River, which contribute to municipal water supplies in Arizona, Southern California and Southern Nevada.

The company began decommissioning the facility and remediating associated perchlorate contamination, including surface impoundments and groundwater, when it decided to exit the business in 1998. In 1999 and 2001, Tronox LLC entered into consent orders with the Nevada Division of Environmental Protection (the "NDEP") that require it to implement both interim and long-term remedial measures to capture and remove perchlorate from groundwater. In April 2005, the company entered into an amended consent order with the NDEP that requires, in addition to the capture and treatment of groundwater, the closure of a certain impoundment related to the past production of ammonium perchlorate, including treatment and disposal of solution and sediment contained in the impoundment. A separate agreement reached in 1999, with the NDEP also requires the company to test for various potential contaminants at the site, which is ongoing. The second phase of the site investigation including preparation of a risk assessment is expected to be completed by late-2008. Results of testing will lead to a further site characterization and possible additional remediation requirements, the costs of which, if any, are not currently included in the financial reserves discussed below.

In 1999, the company initiated the interim measures required by the consent orders. A long-term remediation system is operating in compliance with the consent orders. Initially, the remediation system was projected to operate through 2007. However, studies of the decline of perchlorate levels in the groundwater indicate that the company may need to operate the system through 2011. The scope, duration and cost of groundwater remediation likely will be driven in the long term by drinking water standards regarding perchlorate, which to date have not been formally established by applicable state or federal regulatory authorities. The EPA and other federal and state agencies continue to evaluate the health and environmental risks associated with perchlorate as part of the process for ultimately setting drinking water standards. Two state agencies, the Massachusetts Department of Environmental Protection and the California Environmental Protection Agency have established maximum contaminant levels (MCLs) for perchlorate, of 2 parts per billion and 6 parts per billion, respectively. Also, the EPA has established a reference dose for perchlorate, which is a preliminary step to setting drinking water standards. The establishment of applicable drinking water standards could materially affect the scope, duration and cost of the long-term groundwater remediation that the company is required to perform. The long-term scope, duration and cost of groundwater remediation and impoundment closure are uncertain and, therefore, additional costs beyond those accrued may be incurred in the future. However, the amount of additional costs, if any, cannot be reasonably estimated at this time.

Litigation — In 2000, the company initiated litigation against the United States seeking contribution for its Henderson response costs. The suit was based on the fact that the government owned the plant in the early years of its operation, exercised significant control over production at the plant and the sale of products produced at the plant, even while not the owner, and was the largest consumer of products produced at the plant. Before trial, the parties agreed to a settlement of the claims against the United States. The settlement was memorialized in a consent decree approved by the court on January 13, 2006. In February 2006, under the consent decree, the United States paid the company \$20.5 million in contribution for past costs. Commencing January 1, 2011, the United States will be obligated to pay 21% of the company's remaining response costs at Henderson, if any, related to perchlorate.

Insurance Reimbursement — In 2001, the company purchased a 10-year, \$100 million environmental cost cap insurance policy for groundwater and other remediation at Henderson. The insurance policy provides coverage after the company exhausts a self-insured retention of approximately \$62.3 million (\$61.3 million self-insured retention, plus an additional \$1.0 million retention for certain additional coverage under the policy) and covers only those costs incurred to achieve a cleanup level specified in the policy. As noted above, federal and applicable state agencies have not established a drinking water standard and, therefore, it is possible that the company may be required to achieve a cleanup level more stringent than that covered by the policy. If so, the amount recoverable under the policy may be less than the ultimate cleanup cost.

At December 31, 2007, the company had received \$16.4 million of cost reimbursement under the insurance policy, and expects that, to date, an estimated aggregate cleanup cost of \$84.9 million less the \$62.3 million self-insured retention to be covered by the policy (for a net amount of \$22.6 million in reimbursement). The company believes that additional reimbursement of approximately \$22.6 million is probable, and, accordingly, the company has recorded a receivable in the financial statements for that amount.

West Chicago, Illinois

In 1973, the company closed a facility in West Chicago, Illinois, that processed thorium ores for the federal government and for certain commercial purposes. Historical operations had resulted in low-level radioactive contamination at the facility and in surrounding areas. The original processing facility is regulated by the State of Illinois (the "State"), and four vicinity areas are designated as Superfund sites on the National Priorities List (the "NPL").

Closed Facility — Pursuant to agreements reached in 1994 and 1997 among the company, the City of West Chicago and the State regarding the decommissioning of the closed West Chicago facility, the company has substantially completed the excavation of contaminated soils and has shipped those soils to a licensed disposal facility. Surface restoration was completed in 2004, except for areas designated for use in connection with the Kress Creek and Sewage Treatment Plant remediation discussed below. Groundwater remediation is expected to continue for approximately seven years. Groundwater monitoring is expected to continue for approximately eleven years.

Vicinity Areas — The EPA has listed four areas in the vicinity of the closed West Chicago facility on the NPL and has designated the company as a PRP in these four areas. The company has substantially completed remedial work for three of the areas (known as the Residential Areas, Reed-Kepler Park and the Sewage Treatment Plant). In June 2007, a Chicago-area newspaper published articles suggesting that certain Residential Area properties were not cleaned up adequately in the 1980s or the 1990s. The company believes the cleanup of a significant portion of the Residential Area properties to be adequate, as the EPA was involved indirectly in the cleanup. One property has been found to require additional assessment. The company is currently assessing the property in order to prepare a work plan for this cleanup. The EPA is in the process of verifying the work done on the remaining residential properties and the cleanup requirements for the one property. The company has established a reserve for the work that has been identified. Future requirements that may result from the planned EPA work cannot be estimated at this time.

Work continues at the other NPL site known as Kress Creek. The work involves removal of low level insoluble thorium residues principally in streambanks and streambed sediments. The company has reached an agreement with the appropriate federal and state agencies and local communities regarding the characterization and cleanup of the sites, past and future government response costs, and the waiver of natural resource damages claims. The agreement is incorporated in consent decrees, which were approved and entered by the federal court in August 2005. The cleanup work, which began in the third quarter of 2005, is expected to be completed in 2010 and will require excavation of contaminated soils and stream sediments and shipment of excavated materials to a licensed disposal facility. Restoration of affected areas will continue into 2011. Monitoring of the restored areas will continue for three years after restoration is complete.

Government Reimbursement — Pursuant to Title X, the U.S. Department of Energy (the "DOE") is obligated to reimburse the company for certain decommissioning and cleanup costs incurred in connection with the West Chicago sites in recognition of the fact that about 55% of the facility's production was dedicated to U.S. government contracts. The amount authorized for reimbursement under Title X is \$365 million plus inflation adjustments. That amount is expected to cover the government's full share of West Chicago cleanup costs. Through December 31, 2007, the company had been reimbursed approximately \$304.2 million under Title X.

Reimbursements under Title X are provided by congressional appropriations. Historically, congressional appropriations have lagged the company's cleanup expenditures. As of December 31, 2007, the government's share of costs incurred by the company but not yet reimbursed by the DOE totaled approximately \$27.1 million, which includes \$11.7 million accrued in 2007. The company believes that receipt of the \$27.1 million in due course following additional congressional appropriations is probable and has reflected that amount as a receivable in the financial statements. The company will recognize recovery of the government's share of future remediation costs for the West Chicago site as it incurs the cash expenditures.

Although actual costs may differ from current estimates, the amount of any revisions in remediation costs, if any, cannot be reasonably estimated at this time. The amount of the reserve is not reduced by reimbursements expected from the federal government under Title X of the Energy Policy Act of 2002 ("Title X").

New Jersey Wood-Treatment Site

The company was named in 1999 as a potential responsible party ("PRP") under CERCLA at a former wood-treatment site in New Jersey at which the EPA is conducting a cleanup. On April 15, 2005, Tronox LLC received a letter from the EPA asserting it is liable under CERCLA as a former owner or operator of the site and demanding reimbursement of costs expended by the EPA at the site. The letter made demand for payment of past costs in the amount of approximately \$179 million, plus interest, though the EPA has informed the company that as of December 5, 2006, project costs are approximately \$244 million, plus other future costs and interest and would consider resolving the matter for \$239 million. The company did not operate the site, which had been sold to a third party before Tronox LLC succeeded to the interests of a predecessor in the 1960s. The predecessor also did not operate the site, which had been closed down before it was acquired by the predecessor. Based on historical records, there are substantial uncertainties about whether or under what terms the predecessor assumed any liabilities for the site. In addition, although it appears there may be other PRPs to whom notice has been given, the company does not know whether the other PRPs have any valid defenses to liability for the site or whether the other PRPs have the financial resources necessary to meet their obligations, if proven. Tronox LLC, Tronox Worldwide LLC, Tronox Incorporated, Kerr-McGee Worldwide Corporation, Kerr-McGee Corporation and the EPA entered into an agreement to toll the statute of limitations ("tolling agreement") on March 28, 2006, and the company and the EPA have submitted the matter to nonbinding mediation that could lead to a settlement or resolution of EPA's demand. In the event the mediation process does not lead to an acceptable solution, the company intends to vigorously defend against the EPA's demand.

On June 25, 2007, the New Jersey Department of Environmental Protection and the Administrator of the New Jersey Spill Compensation Fund sued the company and unnamed others in Superior Court, Law Division, Somerset County, New Jersey. The plaintiffs allege defendants are responsible for releases from the Federal Creosote Superfund Site that damaged the state's groundwater and seek natural resource damages, and reimbursement of costs that the state expended at the site and other similar relief. Tronox LLC has filed an answer in the matter. The state court has ordered that the case be stayed and referred the matter to the ongoing mediation with the EPA regarding the site.

As a follow-up to the July mediation session, another meeting was held on November 28, 2007, with the mediator, EPA, DOJ, the New Jersey Attorney General's office and the New Jersey DEP to discuss the remedy utilized by the government to clean up the site. Following this meeting, the DOJ and EPA discussed the next steps with the mediator and it was agreed that the EPA and DOJ would continue to focus on their evaluation of other potential PRPs and would submit a response (either in writing or in another meeting) to the issues raised by the company in the November mediation session. On January 16, 2008, the EPA served information requests on Tronox seeking additional information related to the transaction by Kerr-McGee that resulted in the ultimate spin-off of Tronox. A similar request was also served on Anadarko Petroleum Corporation on or about the same date.

On November 14, 2007, two members of the U.S. Senate requested the U.S. Government Accountability Office ("GAO") investigate EPA's cleanup of the site. On November 28, 2007, the GAO accepted the request and indicated it would begin its investigation around February 1, 2008.

The tolling agreement has been extended until the end of July 2008, in order to work through the various issues. If the mediation is unsuccessful, the company intends to vigorously defend against EPA's claim.

MSA Reimbursement — As of December 31, 2007, the company had a receivable of \$17.5 million representing 50% of the settlement amount that Anadarko Petroleum Corporation, on behalf of Kerr-McGee, has consented to contribute at or before the time the settlement, if accepted, becomes payable. The receivable has been reflected in accounts receivable in the accompanying Consolidated Balance Sheets.

Sauget, Illinois

From 1927 to 1969, the company operated a wood-treatment plant on a 60-acre site in the Village of Sauget (formerly known as Monsanto) in St. Clair County, Illinois. Operations on the property resulted in the contamination of soil sediment, surface water and groundwater at the site with creosote and other substances used in wood treating. In 1988, the company entered into a court-approved consent order with the Illinois Attorney General and Illinois Environmental Protection Agency. The investigation and feasibility study for sediments required by the order are complete. Pond sediment removal was completed in 2007, with final pond closure and groundwater investigation expected to be completed in 2008.

Jacksonville, Florida

In 1970, the company purchased a facility in Jacksonville, Florida, that manufactured and processed fertilizers, pesticides and herbicides. The company closed the facility in 1978. In 1988, all structures were removed, and the company began site characterization studies. In 2000, the company entered into a consent order with the EPA to conduct a remedial investigation and a feasibility study. The remedial investigation was completed and submitted to the EPA in August 2005. A feasibility study was submitted to the EPA in October 2006. The study recommended site soil remediation and excavation, site capping and limited groundwater remediation. The EPA has requested additional sediment data be collected to support the site recommendation. A sediment analysis plan has been prepared and was submitted in August 2007 to respond to the EPA's request. The analysis work plan was approved by the EPA in January 2008.

Other Sites

In addition to the sites described above, the company is responsible for environmental costs related to certain other sites. These sites relate primarily to wood treating and chemical production. As of December 31, 2007, the company had reserves of \$19.7 million for the environmental costs in connection with these other sites. Although actual costs may differ from current estimates, the amount of any revisions in remediation costs cannot be reasonably estimated at this time.

Master Separation Agreement

Pursuant to the MSA (which recites that it binds successors), Kerr-McGee will reimburse Tronox and its subsidiaries for a portion of the environmental remediation costs it incurs and pays (net of any cost reimbursements it recovers or expects to recover from insurers, governmental authorities or other parties). The reimbursement obligation extends to costs incurred at any site associated with any of the company's former businesses or operations.

With respect to any site for which the company has established a reserve as of the effective date of the MSA, 50% of the remediation costs the company incurs in excess of the reserve amount (after meeting a \$200,000 minimum threshold amount) will be reimbursable by Kerr-McGee, net of any amounts recovered or, in the company's reasonable and good faith estimate, that will be recovered from third parties. With respect to any site for which the company has not established a reserve as of the effective date of the MSA, 50% of the amount of the remediation costs the company incurs and pays (after meeting a \$200,000 minimum threshold amount) will be reimbursable by Kerr-McGee, net of any amounts recovered or, in the company's reasonable and good faith estimate, that will be recovered from third parties. The company received reimbursements from Kerr-McGee of \$0.6 million and \$1.1 million in 2007 and 2006, respectively. In addition, at December 31, 2007, the company had a receivable of \$17.5 million, primarily representing 50% of the settlement offer the company made related to the New Jersey wood-treatment site as described above that Anadarko Petroleum Corporation, on behalf of Kerr-McGee, has consented to contribute at or before the time the settlement, if accepted, becomes payable.

Kerr-McGee's aggregate reimbursement obligation to Tronox and its subsidiaries cannot exceed \$100 million and is subject to various other limitations and restrictions. For example, Kerr-McGee is not obligated to reimburse the company for amounts it pays to third parties in connection with tort claims or personal injury lawsuits, or for administrative fines or civil penalties that the company is required to pay. Kerr-McGee's reimbursement obligation also is limited to costs that the company actually incurs and pays within seven years following the completion of the IPO.

Litigation and Claims

Forest Products Litigation

The company is defending a number of lawsuits related to two former wood-treatment plants in Columbus, Mississippi and Texarkana, Texas. Both of these lawsuits seek recoveries under a variety of common law and statutory legal theories for personal injuries and/or property damages allegedly caused by exposure to and/or release of chemicals used in the wood-treatment process, primarily creosote. The company currently believes that claims asserted in these lawsuits are without substantial merit and is vigorously defending them except where reasonable resolutions can be achieved.

At Columbus, Mississippi, the consolidated federal case, which had been set for the initial trial of two plaintiffs in November 2007, was stricken from the court's docket so that the parties could pursue mediation. On October 3, 2007, the judge entered an order dismissing the consolidated litigation without prejudice, limiting future litigation to individual cases that are not settled through mediation. In December 2007, negotiations on the terms of a mediation agreement concluded with the execution of a mediation agreement. The first mediation hearing in this matter is expected to begin in the first half of 2008.

At Texarkana, Texas, the five plaintiffs in the May v. Tronox case concluded settlement negotiations with the insurer for Tronox LLC in April 2007, with the case being dismissed in June 2007. Similarly, in Avance v. Tronox, 27 plaintiffs reached settlements with the insurer in July, and the case was dismissed on October 12, 2007. In Jeans v. Tronox, six plaintiffs and insurer reached an agreement in principle to settle in January 2008. When the agreement is finalized, this case will be dismissed. It is expected that the settlement amount will be fully funded by the insurer.

Financial Reserves — As of December 31, 2007, the company had reserves of \$4.9 million related to certain forest products litigation. Although actual costs may differ from the current reserves, the amount of any revisions in litigation costs cannot be reasonably estimated at this time. The company currently believes that the ultimate resolution of this forest products litigation is not likely to have a material adverse effect on the company. Based upon the mediation agreement noted above for Columbus, Mississippi, the company reduced its reserve balance by \$2.0 million in 2007.

Savannah Plant

On September 8, 2003, the Environmental Protection Division of the Georgia Department of Natural Resources (the "EPD") issued a unilateral Administrative Order to the company's subsidiary, Tronox Pigments (Savannah) Inc., claiming that the Savannah plant exceeded emission allowances provided for in the facility's Title V air permit. On September 19, 2005, the EPD rescinded the Administrative Order and filed a Withdrawal of Petition for Hearing on Civil Penalties. Accordingly, the proceeding on administrative penalties has been dismissed, without prejudice. After dismissal of the Administrative Order, representatives of the EPD, the EPA and Tronox continued with their discussions regarding a resolution of the alleged violations, with the EPA taking the lead role in these discussions. On December 6, 2006, the EPA informed Tronox Pigments (Savannah) Inc. that it had submitted a civil referral to the U.S. Department of Justice (the "DOJ") with respect to the air quality bypass issue and for matters stemming from the EPA led Resource Conservation and Recovery Act ("RCRA") Compliance Evaluation Inspection ("CEI") that occurred in January 2006. Prior to the filing of any formal action, the DOJ agreed to a series of settlement negotiations to determine if the matter can be resolved. After discussions with the EPA and the DOJ, Tronox Pigments (Savannah) Inc. tendered an offer of settlement and compromise to the government to settle all outstanding issues in the amount of \$0.6 million as a penalty to be paid over an eight-month period and approximately \$2.4 million in "Supplemental Environmental Projects." Discussions regarding the offer of settlement and compromise are ongoing.

Financial Reserves — As of December 31, 2007, the company had reserves of \$0.6 million related to the Savannah plant emission litigation. Although actual costs may differ from the current reserves, the amount, if any, of any revisions in litigation costs cannot be reasonably estimated at this time.

Hamilton

The EPA and the Mississippi Department of Environmental Quality ("MDEQ") conducted a CEI at the Hamilton facility during April 2006, which focused on compliance with the RCRA. In November 2006, the EPA transmitted to the facility a copy of its RCRA CEI Report and Sampling Report, which identified a number of "alleged violations" of the RCRA, as incorporated by the Mississippi Hazardous Waste Management Regulations. In March 2007, the facility sent a response to the alleged violations. In November 2007, the DOJ informed Tronox that the EPA, Region 4, had referred the alleged violations to the DOJ for civil enforcement. Prior to any enforcement being instituted, Tronox has requested a meeting with the DOJ and the EPA to discuss the alleged violations. Discussions with the DOJ and EPA are ongoing.

Kemira

In 2000, the company acquired its TiO₂ production facility in Savannah, Georgia, from Kemira Pigments Oy, a Finnish company, and its parent, Kemira Oyj (together, "the Sellers"). After acquiring the facility, the company discovered that certain matters associated with environmental conditions and plant infrastructures were not consistent with representations made by the Sellers. The company sought recovery for breach of representations and warranties in a proceeding before the London Court of International Arbitration ("LCIA"). On May 9, 2005, the company received notice from the LCIA that the LCIA had found in favor of the company as to liability with respect to certain of the claims. The LCIA hearing related to amount of damages was held in late May 2006. On November 10, 2006, the LCIA issued an Award on Quantum awarding the company a net of \$8.9 million in damages and interest, which was received in December 2006. This award is presented as Arbitration award received in the Consolidated Statement of Operations.

Other Matters

The company is party to a number of legal and administrative proceedings involving environmental and/or other matters pending in various courts or agencies. These proceedings, individually and in the aggregate, are not expected to have a material adverse effect on the company. These proceedings are also associated with facilities currently or previously owned, operated or used by the company and/or its predecessors, some of which include claims for personal injuries, property damages, cleanup costs and other environmental matters. Current and former operations of the company also involve management of

regulated materials and are subject to various environmental laws and regulations. These laws and regulations will obligate the company to clean up various sites at which petroleum and other hydrocarbons, chemicals, low-level radioactive substances and/or other materials have been contained, disposed of or released. Some of these sites have been designated Superfund sites by the EPA pursuant to CERCLA or state equivalents. Similar environmental laws and regulations and other requirements exist in foreign countries in which the company operates.

The company provides for estimates related to contingencies when a loss is probable and the amount is reasonably estimable. It is not possible for the company to reliably estimate the amount and timing of all future expenditures related to environmental and legal matters and other contingencies because, among other reasons:

- Some sites are in the early stages of investigation, and other sites may be identified in the future.
- Remediation activities vary significantly in duration, scope and cost from site to site depending on the mix of unique site characteristics, applicable technologies and regulatory agencies involved.
- Remediation requirements are difficult to predict at sites where remedial investigations have not been completed or final decisions have not been made regarding remediation requirements, technologies or other factors that bear on remediation costs.
- Environmental laws frequently impose joint, several liability on all potentially responsible parties ("PRPs"), and it can be difficult to determine the number and financial condition and possible defenses of PRPs and their respective shares of responsibility for clean-up costs.
- Environmental laws and regulations, as well as enforcement policies and cleanup levels, are continually changing, and the outcome of court proceedings, alternative dispute resolution proceedings (including mediation) and discussions with regulatory agencies are inherently uncertain.
- Unanticipated construction problems and weather conditions can hinder the completion of environmental remediation.
- Some legal matters are in the early stages of investigation or proceeding or their outcomes otherwise may be difficult to predict, and other legal matters may be identified in the future.
- The inability to implement a planned engineering design or use planned technologies and excavation or extraction methods may require revisions to the design of remediation measures, which can delay remediation and increase costs.
- The identification of additional areas or volumes of contamination and changes in costs of labor, equipment and technology generate corresponding changes in environmental remediation costs.

Summary

At year-end 2007 and 2006, the company had reserves totaling \$143.4 million and \$171.9 million, respectively, for remediating environmental sites, reflecting the reasonably estimable costs for addressing these sites. These reserves were reflected in the company's Consolidated Balance Sheet as accrued liabilities or noncurrent liabilities at December 31, 2007 and 2006 as follows (thousands of dollars):

	<u>2007</u>	<u>2006</u>
Accrued liabilities	\$ 77,550	\$ 78,534
Noncurrent liabilities -		
Environmental remediation and/or restoration	<u>65,818</u>	<u>93,326</u>
Total	<u>\$143,368</u>	<u>\$171,860</u>

Additionally, as of December 31, 2007 and 2006, the company had litigation reserves totaling \$5.5 million and \$11.0 million, respectively, for the reasonably estimable losses associated with litigation. These reserves are reflected in the company's Consolidated Balance Sheet as accrued liabilities (\$0.6 million and \$4.0 for 2007 and 2006, respectively) and as noncurrent liabilities – environmental remediation and/or restoration and other (\$4.9 million and \$7.0 million for 2007 and 2006, respectively). Management believes, after consultation with general counsel that currently the company has reserved adequately for the reasonably estimable costs of environmental matters and other contingencies. However, additions to the reserves may be required as additional information is obtained that enables the company to better estimate its liabilities, including liabilities at sites now under review, though the company cannot now reliably estimate the amount of future additions to the reserves.

In addition to the reserves noted above, the parent also has environmental remediation and/or restoration reserves totaling \$2.7 million and \$4.7 million at December 31, 2007 and 2006, respectively, and litigation reserves of \$4.0 million and \$4.0 million at December 31, 2007 and 2006, respectively, related to sites or matters for which it assumed the primary obligation from the company in matters involving joint and several liability.

9. OTHER LIABILITIES

Other liabilities consist of the following at December 31, 2007 and 2006 (thousands of dollars):

	<u>2007</u>	<u>2006</u>
Environmental remediation and/or restoration	\$ 65,820	\$ 93,326
Litigation	4,857	6,977
Workers' Compensation	3,153	2,081
General & Auto Liability	2,707	1,689
ARO	26,483	23,598
Other	18,915	9,218
Total	<u>\$ 121,935</u>	<u>\$ 136,889</u>

10. COMMITMENTS

The company has various commitments under noncancelable operating lease agreements, principally for railcars, office space and production equipment. Total rental expense was \$6.2 million in 2007 and \$5.7 million in 2006, including month-to-month rentals. Aggregate minimum annual rentals under all operating leases at December 31, 2007, totaled \$78.6 million, of which \$12.2 million is due in 2008, \$11.8 million in 2009, \$9.0 million in 2010, \$8.2 million in 2011, \$7.7 million in 2012, and \$29.7 million thereafter.

Purchase obligations are agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions, and the approximate timing of the transaction.

In the normal course of business, the company enters into contractual agreements to purchase raw materials, chemicals, services and utilities. Aggregate future payments under these contracts total \$379.6 million, of which \$156.5 million is expected to be paid in 2008, \$85.3 million in 2009, \$45.2 million in 2010, \$31.8 million in 2011, \$26.6 million in 2012, and \$34.2 million thereafter.

11. CASH FLOW INFORMATION

During 2007 and 2006, the company accrued interest of \$24.3 million and \$20.9 million on its net payable balance to Tronox, its parent or affiliates, respectively, of which \$1.3 million in both years were capitalized as part of construction-in-progress. There were no payments made on the accrued interest presented above. Interest of \$1.3 million and \$0.9 million was paid in 2007 and 2006, respectively, on the note payable to a related party. Additionally, during the same periods, the company was allocated current income tax expense associated with its nontaxable stand-alone operations from the company's parent of \$14.2 million and \$31.8 million, respectively.

During 2007 and 2006, noncash activities included the recognition of receivables from the government, insurers and others of \$13.6 million and \$53.2 million, respectively, and provisions for environmental liabilities of \$8.0 million and \$51.5 million, respectively (including amounts related to the company's discontinued forest products operations and thorium compounds manufacturing for environmental liabilities). See Note 8 for discussion of these matters. These activities also resulted in noncash capital contributions of \$28.9 million and \$32.4 million in 2007 and 2006, respectively, due to the direct payment of environmental remediation and/or restoration costs by the parent. Capital contributions of \$1.5 million in 2006 related to the separation from Kerr-McGee.

12. INCOME TAXES

The provision (benefit) for income taxes from continuing operations for 2007 and 2006 is summarized below (thousands of dollars):

	<u>2007</u>	<u>2006</u>
Taxable Entities		
U.S. Federal:		
Current	\$ (11,543)	\$ (4,124)
Deferred	<u>(3,058)</u>	<u>708</u>
	<u>(14,601)</u>	<u>(3,416)</u>
International:		
Current	10,211	906
Deferred	(5,264)	5,161
FIN No. 48	<u>(1,207)</u>	<u>—</u>
	<u>3,740</u>	<u>6,067</u>
Total Taxable Entities	(10,861)	2,651
Nontaxable (disregarded) entity income tax expense allocation from Tronox / Kerr-McGee		
Current	14,239	31,830
FIN No. 48	<u>(1,281)</u>	<u>—</u>
	<u>12,958</u>	<u>31,830</u>
Total Income Tax Provision	<u>\$ 2,097</u>	<u>\$ 34,481</u>

The effective income tax rate applicable to income from continuing operations in 2007 was (130.9)% compared to the U.S. federal income tax rate of 35%. The difference in the rates is primarily the result of deferred tax items not included in the consolidated income tax provision that are related to the company (which is disregarded as separate from its owner) and tax contingencies, partially offset by results of foreign operations and accrual to tax return adjustments.

TWA had undistributed earnings and profits of approximately US\$36 million at December 31, 2007. No provision for deferred U.S. income taxes has been made for these earnings because they are considered to be indefinitely invested outside the U.S. The distribution of these earnings in the form of dividends or otherwise, may subject the company to U.S. income taxes. However, because of the complexities of U.S. taxation of foreign earnings, it is not practicable to estimate the amount of additional tax that might be payable on any eventual remittance of these earnings.

Contingent tax liabilities of \$7.2 million at December 31, 2006, have been included in noncurrent liabilities, separate and apart from deferred income taxes. These contingent liabilities relate primarily to deductions related to the effects of foreign currency translation and other tax-related matters. With the adoption of FIN No. 48 as of January 1, 2007, certain issues represented by the \$7.2 million are now considered uncertain tax positions under FIN No. 48 and as such are now included in the FIN No. 48 liability.

As a result of the adoption of FIN No. 48, the company recognized a \$2.5 million charge to the January 1, 2007, balance of retained earnings. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	<u>2007</u>
	(Millions of dollars)
Balance at January 1, 2007.....	\$ 7.2
Reductions for tax positions related to the current year	(0.1)
Additions for tax positions of prior years.....	0.9
Reductions for tax positions of prior years.....	(1.6)
Reductions due to lapse of applicable statute of limitations.....	(1.3)
Balance at December 31, 2007.....	<u>\$ 5.1</u>

The net benefit associated with this reserve of \$5.1 million for unrecognized tax benefits, if recognized, would affect the effective income tax rate.

The company is not aware of any positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months.

The company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. During the year ended December 31, 2007, the company recognized approximately \$0.4 million from gross interest and penalties in the Statement of Operations. As of January 1, 2007, the company had approximately \$3.5 million accrued for the gross payment of interest and penalties. The equivalent amount at December 31, 2007, was \$4.2 million, including the effects of foreign currency translation.

The company was included in the U.S. federal income tax returns of Kerr-McGee Corporation and Subsidiaries for tax periods ending in 2005 and prior. The Internal Revenue Service has completed its examination of the Kerr-McGee Corporation and Subsidiaries' federal income tax returns for all years through 2002 and is currently conducting an examination of the years 2003 through 2005. The years through 2002 have been closed with the exception of issues for which a refund claim has been filed and is being pursued in United States Court of Federal Claims. Any amounts that may become payable to Kerr-McGee under the tax sharing agreement with respect to these closed years will be borne by the Company's parent; therefore no provisions for these periods are included in these financial statements.

The year 2002 has closed with respect to the tax audit of Australia and no periods have closed in the United States for periods subsequent to the IPO of Tronox Incorporated stock in November 2005. The company believes that it has made adequate provision for income taxes that may be payable with respect to years open for examination; however, the ultimate outcome is not presently known and, accordingly, additional provisions may be necessary and/or reclassifications of noncurrent tax liabilities to current may occur in the future.

The net deferred tax liability, classified as current assets – prepaid and other assets and noncurrent liabilities - deferred income taxes in the Consolidated Balance Sheet, represents the net deferred taxes related solely to the taxable operations of THI and TWA. Deferred tax assets or liabilities are composed of the following at December 31, 2007 and 2006 (thousands of dollars):

	<u>2007</u>	<u>2006</u>
Deferred tax assets		
Reserve for environmental and ARO	\$ 5,559	\$ 6,649
Interest	1,189	—
Notes Payable	2,086	—
Other	<u>3,967</u>	<u>3,866</u>
	<u>12,801</u>	<u>10,515</u>

Deferred tax liabilities		
Accelerated depreciation	43,373	46,704
Intangible assets	9,033	9,045
Land Improvements	6,803	6,803
Other	<u>2,656</u>	<u>5,613</u>
	<u>61,865</u>	<u>68,165</u>
Deferred income taxes, net	<u>\$ 49,064</u>	<u>\$ 57,650</u>

Tax Sharing Agreement and Tax Allocations – Tronox entered into a tax sharing agreement with Kerr-McGee that governs Kerr-McGee's and Tronox's respective rights, responsibilities and obligations subsequent to the IPO with respect to taxes for tax periods ending in 2005 and prior. Generally, taxes incurred or accrued prior to the IPO that are attributable to the business of one party will be borne solely by that party. Tronox will be responsible for or benefit from tax payables and tax receivables, respectively, that result in the future under the tax sharing agreement as the IRS completes its examination of the Kerr-McGee Corporation and subsidiaries' U.S. Federal income tax returns for tax periods ending in 2005 and prior. Accordingly, a portion of these payables and receivables may relate to the company, which would result in payables/receivables with Tronox.

The company, and/or the parent, may incur certain restructuring taxes as a result of the separation from Kerr-McGee. A restructuring tax is any tax incurred as a result of any restructuring transaction undertaken to effectuate the separation other than the IPO, the Distribution and entering into the senior secured credit facility, which in the judgment of the parties is currently required to be taken into account in determining the tax liability of Kerr-McGee or Tronox (or their respective subsidiaries) for any pre-deconsolidation period as defined in the tax sharing agreement. The tax sharing agreement provides that Kerr-McGee will be responsible for 100% of the restructuring taxes up to, but not to exceed, \$17.0 million. The company and the parent, collectively, are responsible for any restructuring taxes in excess of \$17.0 million. However, the company does not expect the restructuring taxes to exceed \$17.0 million. In addition, Tronox is required to indemnify Kerr-McGee for any tax liability incurred by reason of the Distribution being considered a taxable transaction to Kerr-McGee as a result of a breach of any representation, warranty or covenant made by Tronox in the tax sharing agreement.

13. FINANCIAL INSTRUMENTS AND DERIVATIVE ACTIVITIES

Financial Instruments

The company holds or issues financial instruments for other than trading purposes, including the following at December 31, 2007 and 2006: cash and cash equivalents, accounts receivable, accounts and notes receivable from affiliates, accounts payable, accrued liabilities, payables to affiliates, variable-rate debt and foreign currency and natural gas derivatives. The carrying amounts of all financial instruments, as reflected in the accompanying Consolidated Balance Sheet, approximate the estimated fair values. The carrying amount of the company's accounts and notes receivable from affiliates and note payable to affiliate approximates fair value based on the current rates for similar termed instruments. The carrying amounts of all other financial instruments approximate a fair value due to the nature or short maturities of such items. The company is unable to estimate the fair value of its long-term receivables because the timing of receipts is unknown.

The carrying value and estimated fair value of long-term receivables from the Department of Energy, Kerr-McGee and insurers related to environmental reserves is summarized below (in thousands of dollars):

	<u>2007</u>	<u>2006</u>
Long-term receivables – carrying value	\$31,404	\$35,481
Long-term receivables – estimated fair value	31,404	35,481

Derivative Instruments

At December 31, 2007 and 2006, the net fair value of foreign currency and natural gas contracts included in the Consolidated Balance Sheets was a liability of \$1.4 million and \$2.2 million, respectively, and the related balance of deferred after-tax losses in accumulated other comprehensive income (loss) was \$0.4 million and \$1.4 million, respectively.

The company enters into natural gas derivative contracts to reduce the risk of fluctuations in natural gas prices and to increase the predictability of cash flows. These contracts have been designated and qualify as cash flow hedges in accordance with SFAS No. 133. As such, the resulting changes in fair value of these contracts, to the extent they are effective, are recorded in accumulated other comprehensive income. Upon settlement, the gains and losses will be recognized in earnings in the periods during which the forecasted transactions affect earnings (i.e., reported as cost of goods sold when inventory is sold). All contracts outstanding at December 31, 2007, are expected to settle in 2008.

Pretax losses on qualifying cash flow hedges of \$3.1 million and \$4.9 million were reclassified from accumulated other comprehensive loss to earnings in 2007 and 2006. The 2007 amounts exclude gains and losses from the company's foreign currency derivatives (discussed below). Substantially all of such losses and gains are reflected as a component of cost of goods sold in the Consolidated Statements of Operations. No ineffectiveness was recognized in the periods presented.

In the first quarter of 2007, the company discontinued treating its foreign currency hedges as qualifying hedges in accordance with SFAS No. 133. However, the company continues to enter into foreign currency derivative contracts as economic hedges for a portion of its foreign currency transactions. Upon discontinuation of hedge accounting for foreign currency derivatives, the unrealized gains (losses) were reclassified from accumulated other comprehensive loss and were reflected in other income (expense) as net foreign currency transaction gain (loss). As such, the liability balance at December 31, 2007, of \$1.4 million referenced above includes a liability of \$0.9 million for foreign currency contracts not qualifying for hedge accounting. Upon settlement, realized gains and losses are also reflected in other income (expense) as net foreign currency transaction gain (loss). The total amount of net realized and unrealized losses reflected in other income (expense) for 2007 related to these contracts was nil. All contracts outstanding at December 31, 2007, are expected to settle in 2008.

14. OTHER EXPENSES, NET

Other expenses were as follows during the year ended December 31, 2007 and 2006 (thousands of dollars):

	<u>2007</u>	<u>2006</u>
Interest expense, net	\$24,531	\$20,340
Loss (Gain) on foreign currency exchange	6,233	2,840
Equity in net earnings of equity method investees	(1,459)	(6,315)
Loss on sales of assets	2,651	—
Legal and other	995	5,036
Total	<u>\$32,951</u>	<u>\$ 21,901</u>

15. BENEFIT PLANS

Retirement and Postretirement Benefits

Overview — Tronox is the sponsor of noncontributory defined benefit retirement plans in the U.S. and a U.S. contributory postretirement plan for health care and life insurance. Most of the company's employees are covered under Tronox's retirement plans, and substantially all U.S. employees may become eligible for the postretirement benefits if they reach retirement age while working for the company. As discussed below, Tronox's U.S. plans were established at the Distribution date, according to the employee benefit agreement between Kerr-McGee and Tronox.

Establishment of U.S. Plans — Effective with the Distribution at March 30, 2006, Tronox established a U.S. qualified defined benefit plan (funded), U.S. supplemental nonqualified benefit plans (unfunded) and a U.S. postretirement plan (unfunded). Benefits under the qualified plan are generally based on years of service and final average pay. The supplemental nonqualified benefit plans are designed to maintain benefits for all employees at the plan formula level.

For the retirement plans that qualify under the Employee Retirement Income Security Act of 1974 (ERISA), the benefit amount that can be provided to employees by the plans is limited by both ERISA and the Internal Revenue Code. Therefore, Tronox has unfunded supplemental nonqualified plans designed to maintain benefits for all employees at the plan formula level and to provide senior executives with benefits equal to a specified percentage of their final average compensation.

Tronox's policy is to fund the minimum amounts as permitted by the Employee Retirement Income Security Act of 1974 ("ERISA"). Tronox, as plan sponsor, makes any necessary contributions to the qualified retirement plan trust. Since the company is not a plan sponsor, the liabilities are not reflected in these consolidated financial statements.

Tronox is obligated under the MSA to maintain the Material Features (as defined in the employee benefits agreement of the MSA) of the U.S. postretirement plan without change for a period of three years following the Distribution date. During the third quarter of 2007, Tronox announced that effective April 1, 2009, certain features will change, including the cost-sharing provisions between Tronox and plan participants, life insurance benefits and certain retirement eligibility criteria. This announcement resulted in a plan remeasurement, which reduced 2007 annual net periodic postretirement cost allocated to the company by approximately \$6.0 million.

Effective January 1, 2008, Tronox's U.S. pension plan was amended to reflect certain changes, including prospective changes to retirement eligibility criteria, early retirement factors and the final average pay calculation. These changes will result in a reduction in allocated net periodic cost for 2008 and future periods.

Retirement Expense — Prior to the Distribution and the establishment of Tronox's U.S. plans, Kerr-McGee allocated costs associated with employees covered by its U.S. plans based on salary for defined benefit pension plans and based on active headcount for health and welfare postretirement plans. The company recognized total pension expense of \$2.3 million in 2007 compared to a net pension credit of \$0.2 million in 2006, based on the company's share of allocated net periodic cost. Additionally, in 2007, the company recorded \$5.7 million in expense representing allocated special termination benefits associated with the work force reduction program discussed in Note 6. Net periodic postretirement cost allocated to the company was \$4.6 million for 2007 and \$10.4 million for 2006.

Stock-Based Compensation

The company's ultimate parent company, Tronox Incorporated, has a Long Term Incentive Plan ("LTIP") which authorizes the issuance of shares of Tronox's Class A common stock to certain of the company's employees, generally in the form of fixed-price stock options, restricted stock, stock appreciation rights, or performance awards. Prior to Tronox's separation from Kerr-McGee, which was completed March 30, 2006, the company was allocated stock-based compensation cost from Kerr-McGee related to awards issued by Kerr-McGee to certain of the company's employees. Total stock-based compensation expense allocated from Tronox and Kerr-McGee and recognized in income from continuing operations in 2007 and 2006, was approximately \$5.3 million and \$6.3 million, respectively.

Savings Investment Plan

Effective with the Distribution at March 30, 2006, Tronox established a defined contribution Savings Investment Plan ("SIP") into which company employees contributions and matching company contributions are paid. In 2006, eligible employees who elected to participate could contribute and receive

a 100% company matching contribution of up to 6% of the employees' compensation (as defined in the SIP). Effective January 1, 2007, the company modified its matching contribution to be 75% of the best 6% of employees' contributed compensation (as defined in the SIP). Compensation expense in 2007 was approximately \$3.2 million. Compensation expense associated with the company's matching contribution for the period in 2006 following the establishment of the plan was approximately \$3.0 million.

Prior to the Distribution, most employees of the company were covered under Kerr-McGee's Employee Stock Ownership Plan ("ESOP"). Kerr-McGee's matching contributions for the employees' contributions to the Kerr-McGee Corporation Savings Investment Plan were paid into the ESOP. The company recognized allocated compensation expense related to the ESOP plan of approximately \$1.0 million in 2006.

16. DISCONTINUED OPERATIONS

The pretax loss in 2007 consisted primarily of environmental provisions for various wood-treating sites of \$2.6 million, \$(3.1) million of legal expenses and reserve changes and \$1.1 million of general and auto liability expenses. In 2006, the pretax loss related primarily to environmental provisions of \$19.5 million and litigation provisions of \$6.7 million. Refer to Note 8 for further discussion on environmental and litigation provisions.

In addition to the company's forest products operations, losses from discontinued operations for all periods presented include adjustments to estimated costs of environmental remediation and restoration activities directly related to the company's thorium compounds manufacturing. The company ceased operations at its West Chicago thorium processing facility in 1973. The company retained certain environmental remediation obligations and continues remediation activities directly related to this former operation. These environmental remediation and restoration costs, net of reimbursements, amounted to \$(9.8) million and \$(0.8) million in 2007 and 2006, respectively (see Note 8).

17. RELATED PARTY TRANSACTIONS

Until the IPO, the company was a part of Kerr-McGee's consolidated cash management system. Following the IPO, the company is a part of Tronox's consolidated cash management system. The company has numerous and significant transactions with Tronox, the parent, affiliated entities and with Kerr-McGee. These transactions include, but are not limited to, selling, general and administrative services (including employee benefit plans), environmental and legal matters, income taxes, intercompany advances and borrowings (including related interest expense) and sales of products.

The company conducts transactions with Basic Management, Inc. and its subsidiaries in support of the company's Henderson, Nevada facility. The company paid \$0.7 million during both 2007 and 2006 for these services.

The company conducted transactions with Exxaro Australia Sands Pty Ltd ("Exxaro"), the company's 50% partner in the Tiwest Joint Venture. The company purchased raw materials used in its production of TiO₂ and also purchased Exxaro's share of TiO₂ produced by the Tiwest Joint Venture. The company also provided administrative services and research and development activities which were reimbursed by Exxaro. The company made total net payments of \$15.8 million and \$17.4 million during 2007 and 2006, respectively, for these transactions and had a net payable to Exxaro totaling \$2.1 million at December 31, 2007. Additionally, in July 2006, one of the company's wholly owned subsidiaries completed the purchase of a 50% undivided interest in additional mining tenements and related mining assets that were owned by a subsidiary of Exxaro. The company acquired the mine tenements by entering into an eight-year note payable agreement. The company paid \$3.1 million and \$2.0 million during 2007 and 2006 to Exxaro for principal and interest on the note. The note balance at December 31, 2007, was \$7.9 million.

The company's Consolidated Statement of Operations includes allocations of costs for corporate functions historically provided to us by Kerr-McGee prior to the IPO (November 28, 2005), including general corporate expenses, employee benefits and incentives and interest expense. Subsequent to the IPO, general corporate services and employee benefits were provided to Tronox and Tronox provided general

corporate services to Kerr-McGee. The net payments to Kerr-McGee totaled \$26.2 million during 2006. The payments in 2006 also included reimbursement for payroll funding and processing performed by Kerr-McGee prior to Tronox establishing its own payroll processes. On March 30, 2006, Kerr-McGee distributed all of the company's Class B common stock as dividends to its shareholders (the "Distribution"), resulting in Kerr-McGee having no ownership or voting interest in Tronox.

The company had a net receivable from Kerr-McGee of \$17.5 million at December 31, 2007 and 2006. These balances are included in accounts receivable, net of allowance for doubtful accounts, in the Consolidated Balance Sheet. The balance at December 31, 2007, represents 50% of the estimated environmental remediation costs at a former wood-treating site in New Jersey (discussed further in Note 8).

Accounts receivable from affiliates – The company made sales of TiO₂ totaling \$202.2 million and \$152.1 million to affiliate TPL, in 2007 and 2006, respectively. Trade receivables from this affiliate aggregated \$36.2 million at December 31, 2007 and \$18.4 million at December 21, 2006, all of which were due within one year. Sales of TiO₂ totaling \$33.8 million in 2007 and \$28.1 in 2006 were made to affiliate Tronox Pigments International (TPI). Purchases of TiO₂ totaling \$11.9 million in 2007 and \$13.4 million in 2006 were made from TPI. The company concurrently sells and purchases TiO₂ from TPI in order to meet customers' demand for specific product grades in different geographic regions. At December 31, 2007, the net trade receivable from this affiliate was \$9.4 million. The company also made sales of natural rutile and synthetic rutile to an affiliate, Tronox Pigments (Holland) B.V., totaling \$2.0 million in 2007 and \$1.6 million in 2006. All of these amounts are included as net sales or cost of goods sold in the Consolidated Statement of Operations.

The company has balances of accounts receivable, accounts payable and advances with various affiliates. Account balances which the company does not expect settlement to occur (\$271.9 million and \$275.6 million at December 31, 2007 and 2006, respectively) are reported as a component of members' equity on the Consolidated Balance Sheet. At December 31, 2007, the company had an outstanding receivable balance with Tronox Worldwide LLC of \$75.0 million for which it expects full settlement to occur in 2008.

Promissory Notes with affiliates – At year-end 2007, the company had notes receivable from Tronox Luxembourg S.a.r.l. - Zurich Branch and Tronox Worldwide LLC for \$18.7 million and \$0.1 million, respectively. Interest is being accrued on all notes listed in the table below based on the three month LIBOR rate plus the margin of 1.50% for a range between 6.7% and 7.1%. Interest income on notes receivable for the years ended December 31, 2007 and 2006 was \$1.2 million and \$0.9 million, respectively, and is included in other expenses in the accompanying Consolidated Statement of Operations. A total of \$18.7 million in notes receivable from affiliates at December 31, 2007 is classified as current in the company's Consolidated Balance Sheet.

The company had notes payable to Tronox Worldwide LLC and Tronox Pigments Ltd. for \$216.3 million and \$10.0 million, respectively, at December 31, 2007. The note with Tronox Worldwide LLC was effective November 25, 2005 and is payable in full on December 31, 2012. The interest rate on the note payable, listed in the table below, was 7.75% and 8.25% at December 31, 2007 and 2006, respectively, and was based on the prime rate as established by JP Morgan Chase Bank, NA. Interest expense is included in other expense in the Consolidated Statements of Operations.

The company also had a note payable to Tronox Funding LLC for \$0.6 million at December 31, 2007. The note balance fluctuates monthly as a result of the company's asset securitization transaction with Funding, where the company sales domestic receivables to an affiliate (see Note 2). The balance represents the excess of collections on previously sold receivables over the amount of new receivables purchased by the Funding.

	Notes Receivable from Affiliates(1)		Notes Payable to Affiliates(1)	
	2007	2006	2007	2006
Beginning balance	\$18,131	\$ 6,296	\$291,536	\$269,365
New promissory note agreements	4,000	29,300	10,400	—
Receivables securitization activity	—	—	635	—
Accrued interest on promissory note agreements	1,236	1,209	25,090	22,171
Settlement of promissory notes, including interest	(4,658)	(18,674)	(100,772)	—
Ending balance	<u>\$18,709</u>	<u>\$ 18,131</u>	<u>\$226,889</u>	<u>\$291,536</u>

(1) Changes in notes with affiliates, excluding interest, is reflected as net transfers to affiliates, a component of cash flows from financing activities, in the Consolidated Statement of Cash Flows.

Concurrent with the IPO, the company's parent entered into borrowings of \$550.0 million from senior unsecured notes and a senior secured credit facility. This facility is unconditionally and irrevocably guaranteed by Tronox's direct and indirect material domestic subsidiaries, including the company. The facility is secured by a first priority security interest in certain domestic assets, including certain property and equipment, inventory and receivables, of the parent and the guarantors of the senior secured credit facility. The facility is also secured by pledges of the equity interest in the parent and its direct and indirect domestic subsidiaries and up to 65% of the voting and 100% of the non-voting equity interests in the Tronox's direct foreign subsidiaries and the direct foreign subsidiaries of the guarantors of the senior secured credit facility.

The company also has significant income tax transactions with Tronox, its parent and with Kerr-McGee prior to the IPO. See Note 12 for a discussion of these transactions.



STATE OF MISSISSIPPI

HALEY BARBOUR

GOVERNOR

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

TRUDY D. FISHER, EXECUTIVE DIRECTOR

April 21, 2009

CERTIFIED MAIL: 7008 3230 0002 4062 5057

Mr. Matthew A. Pague
Tronox LLC, Columbus
PO Box 268859
Oklahoma City, Oklahoma 73126-8859

Re: Notice of Violation
Tronox LLC

Columbus, Mississippi, Lowndes County
Hazardous Waste-TSD Permit No. MSD990866329
Meridian, Mississippi, Lauderdale County
Hazardous Waste-TSD Permit No. MSD081387730

Dear Mr. Pague:

On January 14, 2009, this Agency issued a finding of inadequacy in Tronox LLC's use of the Financial Test and Corporate Guarantee to provide financial assurance for its' two closed RCRA facilities, located in the State of Mississippi. Mississippi Hazardous Waste Management Regulations (*MHWMR*) 264.145 (7) requires that once this determination has been made, the owner/operator has 30 days to secure and demonstrate that an alternate financial assurance mechanism has been secured and put in service.

As of the date of this letter, Tronox LLC has failed to provide MDEQ with an acceptable alternate financial instrument.

While it is MDEQ's understanding that the Chapter 11 U. S. Bankruptcy codes do allow Tronox some protection from creditors/lenders, it is this Agency's belief that the bankruptcy filing does not negate Tronox's responsibilities established by the Resource Conservation and Recovery Act (RCRA) to provide, in a timely manner, adequate financial assurance for post-closure care of the two referenced Mississippi facilities. As one of the leading tenets of the RCRA program, financial assurance serves to protect the citizens of the State of Mississippi from potential financial exposure, resulting from long-term post closure care responsibilities.

Agency Interest No. 1696
ENF20090001

OFFICE OF POLLUTION CONTROL

Post Office Box 2261 • Jackson, Mississippi 39225-2261 • TEL: (601) 961-5171 • FAX: (601) 354-6612 • www.deq.state.ms.us

AN EQUAL OPPORTUNITY EMPLOYER

The Mississippi Department of Environmental Quality finds Tronox LLC in violation of the following permit conditions and/or regulatory requirements:

(1) **Permit Condition II.H.2** (HW Permit No. 990086329) – The Permittee shall demonstrate continuous compliance with MHWMR 264.145 by providing

documentation of financial assurance for post closure care in at least the amount of the cost estimate required by Condition II.H.1 of this permit.

or

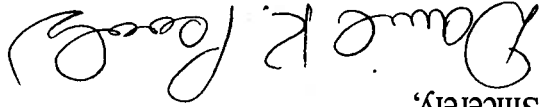
Permit Condition II.H. (HW Permit No. 081387730) – The Permittee shall demonstrate continuous compliance with MHWMR 264.145 by providing financial assurance, as required by MHWMR 264.151 or 264.149, in at least the amount of the cost estimates required by Permit Condition II.G. Changes in financial assurance mechanisms must be approved by the Director pursuant to MHWMR 264.145 or 264.149.

(2) **MHWMR 264.145(f)(7)** – The Executive Director may, based on a reasonable belief that the owner or operator may no longer meet the requirements of paragraph (f)(1) of this section, require reports of financial condition at any time from the owner or operator in addition to those specified in paragraph (f)(3) of this section. If the Executive Director finds, on the basis of such reports, or other information, that the owner or operator no longer meets the requirements of paragraph (f)(1) of this section, the owner or operator must provide alternate financial assurance as specified in this section within 30 days after notification of such a finding.

We request that you respond to these alleged violations within ten days following the receipt of this letter. We will review the information submitted before determining if further action is warranted. Failure to submit a response to this request may result in enforcement action.

If you have any questions concerning this matter, please contact me at (601) 961-5220.

Sincerely,



David Peacock

Technical Support Branch

Environmental Compliance and Enforcement Division

Matthew A. Paque



Sincerely,

The bankruptcy filing will allow the company to address debt issues while continuing normal operations. However, our ability to acquire financial assurance has been inhibited by the bankruptcy filing. Tronox will now have to work within the bounds of the bankruptcy proceeding to establish an appropriate financial assurance mechanism.

Tronox will continue to comply with applicable state and federal regulations and court orders. Both the Meridian and Columbus sites are in full compliance and shall remain in compliance with all conditions of their respective post closure care permits. Should there be any questions regarding the status of those sites please do not hesitate to contact me or Robert Pounds at (405) 775-5168. We look forward to working with the Department and appreciate your assistance in this matter.

Tronox has received your January 14, 2008 letter regarding financial assurance for the two sites listed above that are currently in post closure care. The letter indicates that the MDEQ has made a determination that Tronox no longer meets the requirements of financial assurance pursuant to 40 CFR 264.145(f)(7) the *Financial Test and Corporate Guarantee for Post Closure Care*, incorporated into the Mississippi Hazardous Waste Management Regulation (MHWMR). On January 12, 2009, Tronox and certain of its subsidiaries filed for relief under Chapter 11 of the U.S. Bankruptcy Code. Operators have 60 days following the filing of bankruptcy to establish alternative financial assurance. See 40 C.F.R. § 264.148(b).

Dear Mr. Sanders,

RE: Tronox LLC (Meridian) – MSD 081387730
Tronox LLC (Columbus) – MSD 990866329

Mr. Chris Sanders P.E., Chief
Environmental Compliance & Enforcement Division
Office of Pollution Control
PO Box 2261
Jackson, MS 39225-2261

CERTIFIED MAIL RETURN RECEIPT REQUESTED

January 23, 2009

Dept of Environmental Quality
Office of Pollution Control

Phone: (405) 775-5443
Fax: (405) 775-6570
e-mail: matt.paque@tronox.com

Matthew A. Paque
Associate Staff Counsel

TRONOX

Certified Article Number
7160 3901 9849 5063 0948
SENDERS RECORD

cc: Mary Mikkelsen, Chief Financial Officer, Tronox
Mike Alford, Director Risk Management, Tronox
Robert Pounds, Project Manager, Tronox

cc: Mary Mikkelsen, Chief Financial Officer, Tronox
Mike Alford, Director Risk Management, Tronox
Robert Pounds, Project Manager, Tronox

Mathew A. Paque
Associate Staff Counsel



Sincerely,

Tronox or one of its affiliates holds the above referenced RCRA post-closure permit. Under the permit, Tronox is required to provide financial assurance for post closure care. This letter shall serve as notice pursuant to 40 C.F.R. § 264.148 - *Incapacity of Owners or Operators, Guarantors, or Financial Institutions* that on January 12, 2009, Tronox and certain of its subsidiaries filed for relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court - Southern District of New York. This action will allow the company to address debt issues while continuing normal operations. As reorganization progresses, Tronox will conduct a thorough evaluation of appropriate financial assurance mechanisms. Please be assured that Tronox will continue to comply with applicable state and federal regulations and court orders. If you have any questions, please contact the Tronox Project manager copied below.

Dear Sir/Madam:

RE: RCRA Permit MSD 990866329, Financial Requirements for former Tronox
Columbus, MS Wood Treating site

Environmental Permitting Division, Chief
Mississippi Office of Pollution Control
PO BOX 10385
Jackson, Mississippi 39289-0385

January 15, 2009

Certified Article Number
7360 3903 9849 5063 1006
SENDERS RECORD

JAN 29 2009
Dept of Environmental Quality
Office of Pollution Control
Phone: (405) 775-5443
Fax: (405) 775-6570
e-mail: matt.paque@tronox.com

Mathew A. Paque
Associate Staff Counsel

TRONOX RECEIVED

cc: Mary Mikkelsen, Chief Financial Officer, Tronox
Mike Alford, Director Risk Management, Tronox
Keith Watson, Project Manager, Tronox

Matthew A. Paque
Associate Staff Counsel



Sincerely,

Tronox or one of its affiliates holds the above referenced RCRA post-closure permit. Under the permit, Tronox is required to provide financial assurance for post closure care. This letter shall serve as notice pursuant to 40 C.F.R. § 264.148 - *Incapacity of Owners or Operators, Guarantors, or Financial Institutions* that on January 12, 2009, Tronox and certain of its subsidiaries filed for relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court - Southern District of New York. This action will allow the company to address debt issues while continuing normal operations. As reorganization progresses, Tronox will conduct a thorough evaluation of appropriate financial assurance mechanisms. Please be assured that Tronox will continue to comply with applicable state and federal regulations and court orders. If you have any questions, please contact the Tronox Project manager copied below.

Dear Sir/Madam:

RE: Financial Assurance Requirements for Gulf States Creosoting Site, Consent Order No. 459903, Hattiesburg, MS

Environmental Permitting Division, Chief
Mississippi Office of Pollution Control
PO BOX 10385
Jackson, Mississippi 39289-0385

January 15, 2009

Certified Article Number
7160 3901 9849 5063 1273
SENDERS RECORD

Dept. of Environmental Quality
Office of Pollution Control
Phone: (405) 775-5443
Fax: (405) 775-6570
e-mail: matt.paque@tronox.com

RECEIVED
JAN 29 2009

TRONOX

Matthew A. Paque
Associate Staff Counsel

COPY

Chris Sanders, P.E., Chief
Environmental Compliance & Enforcement Division


Sincerely,

5220.
If you have any questions concerning this letter or questions on further financial assurance matters, please feel free to contact David Peacock with MDEQ at 601-961-

as such a finding.
264.145, within 30 days after notification of inadequacy. Please allow this letter to serve that the owner/operator provide alternate financial assurance, as specified in *MHWMR* Mississippi Hazardous Waste Management Regulation (*MHWMR*) 264.145(7) requires instrument is adequate to provide the proper financial assurance for post closure care. Based on the above referenced actions, this agency doesn't feel that the current financial

Tronox LLC (Meridian) - MSD 08138730
Tronox LLC (Columbus) - MSD 990866329

On January 13, 2009, the Mississippi Department of Environmental Quality (MDEQ) became aware of Tronox LLC actions to file for Chapter 11 bankruptcy protection in the state of New York. Currently, Tronox LLC is using the Corporate Financial Test to provide financial assurance for post closure and corrective action costs for the following RCRA facilities in the State of Mississippi:

Dear Ms. Mikkelson:

Ms. Mary Mikkelson
Senior Vice President & Chief Financial Officer
Tronox LLC
P. O. Box 268859
Oklahoma City, OK 73126-8859

January 14, 2009

STATE OF MISSISSIPPI
HALEY BARBOUR
GOVERNOR
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
TRUDY D. FISHER, EXECUTIVE DIRECTOR



TRONOX

RECEIVED

Phone: (405) 775-5443
Fax: (405) 775-6570
e-mail: matt.paque@tronox.com

JAN 26 2009
Dept. of Environmental Quality
Office of Pollution Control

January 23, 2009

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Chris Sanders P.E., Chief

Environmental Compliance & Enforcement Division

Office of Pollution Control

PO Box 2261

Jackson, MS 39225-2261

RE: Tronox LLC (Meridian) – MSD 08138730
Tronox LLC (Columbus) – MSD 990866329

Dear Mr. Sanders,

Tronox has received your January 14, 2008 letter regarding financial assurance for the two sites listed above that are currently in post closure care. The letter indicates that the MDEQ has made a determination that Tronox no longer meets the requirements of financial assurance pursuant to 40 CFR 264.145(f)(7) the *Financial Test and Corporate Guarantee for Post Closure Care*, incorporated into the Mississippi Hazardous Waste Management Regulation (MHWMR). On January 12, 2009, Tronox and certain of its subsidiaries filed for relief under Chapter 11 of the U.S. Bankruptcy Code. Operators have 60 days following the filing of bankruptcy to establish alternative financial assurance. See 40 C.F.R. § 264.148(b).

The bankruptcy filing will allow the company to address debt issues while continuing normal operations. However, our ability to acquire financial assurance has been inhibited by the bankruptcy filing. Tronox will now have to work within the bounds of the bankruptcy proceeding to establish an appropriate financial assurance mechanism.

Tronox will continue to comply with applicable state and federal regulations and court orders. Both the Meridian and Columbus sites are in full compliance and shall remain in compliance with all conditions of their respective post closure care permits. Should there be any questions regarding the status of those sites please do not hesitate to contact me or Robert Pounds at (405) 775-5168. We look forward to working with the Department and appreciate your assistance in this matter.

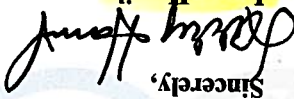
Sincerely,

Matthew A. Paque

cc: Mary Mikkelsen, Chief Financial Officer, Tronox
Mike Alford, Director Risk Management, Tronox
Robert Pounds, Project Manager, Tronox

Mississippi Department of Environmental Quality
Environmental Compliance & Enforcement Division

Larry Hamill



Sincerely,

Your continued cooperation and assistance in this regard are appreciated. Do not hesitate to contact me at 601-961-5123 if there are any questions or further comment.

Review has been completed of the of liability coverage responsibility for closure/post-closure care of the referenced sites in MS owned by Tronox LLC, as demonstrated through a Financial Test instrument, employing Alternative I. Criteria necessary to demonstrate adequate financial responsibility by this means have been satisfied.

Re: EPA ID No. **MSD990866329** - Columbus, MS Site
EPA ID No. **MSD081387730** - Meridian, MS Site
Financial Assurance Review

Dear Ms. Mikkelsen:

Ms. Mary Mikkelsen
Senior Vice President & Chief Financial Officer
Tronox LLC
P.O. Box 268859
Oklahoma City, OK 73126-8859

STATE OF MISSISSIPPI
HALEY BARBOUR
GOVERNOR
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
CHARLES H. CHISOLM, EXECUTIVE DIRECTOR
April 4, 2006



FILE COPY

LOWDES G
RCRA
Tronox (Formerly Kerr-McGee)
TSD Permit

Mary Mikkelsen
Senior Vice President
and Chief Financial Officer

405.775.5498
Fax 405.775.5153
Mary.Mikkelsen@tronox.com



LOWDES G.
TRONOX (formerly Kerr-M
RCRA
TSD Permit
CLH

March 31, 2006

FEDERAL EXPRESS

Mr. David Lee
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
2380 Hwy. 80 West
Jackson, Mississippi 39204

Re: Financial Assurance

MSD 990866329/Columbus, MS

MSD 081387730/Meridian, MS

MDEQ Order No. 459903/Hattisburg, MS

Dear Mr. Lee:

Attached are Tronox LLC's (formerly Kerr-McGee Chemical LLC) updated financial assurance instruments evidencing financial assurance for the referenced facilities.

If you have any questions, please do not hesitate to call me at 405-775-5498.

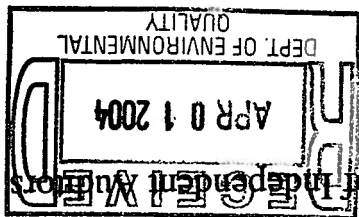
Sincerely,

Mary Mikkelsen
Mary Mikkelsen, Senior Vice President &
Chief Financial Officer

sr/attachments

Tronox LLC

123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102 • P.O. Box 268859, Oklahoma City, Oklahoma 73126-8859



Kerr-McGee Chemical LLC
123 Robert S. Kerr
Oklahoma City, OK 73102

Attention: Mr. Robert M. Wohleber, Senior Vice President and Chief Financial Officer

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Kerr-McGee Chemical LLC and subsidiaries for the year ended December 31, 2003, and have issued our report thereon dated March 19, 2004.

Mr. Robert M. Wohleber's March 19, 2004 letter pertaining to financial assurance for Environmental Protection Agency identification Nos. MSD 990866329 in Columbus, Mississippi; MSD 081387730 in Meridian, Mississippi; and MSD EQ Order #459903 in Hattiesburg, Mississippi is addressed to the Executive Director, Mississippi Department of Environmental Quality.

In connection with our audit and in accordance with subpart H of the Mississippi Hazardous Waste Regulations parts 264 and 265, we have compared the amounts presented in that letter for total liabilities, tangible net worth, net worth, current assets, current liabilities, net working capital, the sum of net income plus depreciation, depletion and amortization and total assets in U.S., listed under the caption Alternative 1, Items 4 through 11 and 15, with the corresponding amounts included in or derived from the consolidated financial statements referred to above. In connection with that procedure, no matters came to our attention that caused us to believe that the amounts shown on these lines should be adjusted.

This report is intended solely for your information and use and for the information and use of the Mississippi Department of Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

March 19, 2004

sr/attachments

Risk Management Department
Stacy Roberts, Supervisor

Sincerely,

405-270-3132.

If you have any questions, please do not hesitate to call me at

Attached are Kerr-McGee Chemical LLC's updated financial assurance instruments evidencing financial assurance for the referenced facilities.

Dear Mr. Lee:

MSD 990866329/Columbus, MS
MSD 081387730/Meridian, MS
MDEQ Order No. 459903/Hattisburg, MS

Re: Financial Assurance

Jackson, Mississippi 39204

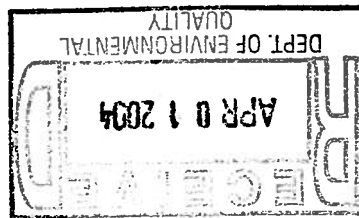
2380 Hwy. 80 West

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

Mr. David Lee

FEDERAL EXPRESS

March 29, 2003



KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

KERR-MCGEE CORPORATION



FEDERAL EXPRESS

Executive Director
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

P. O. Box 10385
2380 Hwy. 80 West
Jackson, Mississippi 39204

Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical LLC, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

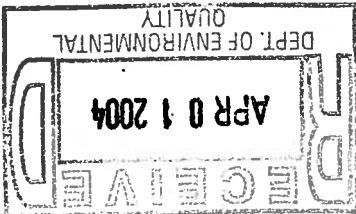
The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO.	NAME & ADDRESS	CLOSURE	POST CLOSURE	CORRECTIVE ACTION
	Kerr-McGee Chemical LLC 607 14th Street, North Columbus, MS 39701	N/A	\$151,882	\$680,916
MSD 081387730	Kerr-McGee Chemical LLC Hwy 11 South P.O. Box 789 Meridian, MS 39301	N/A	333,751	273,164
MSDEQ Order #459903	Kerr-McGee Chemical LLC Intersection of Pine and Corrine Hattiesburg, MS	N/A	645,000	N/A

March 19, 2004



KERR-MCGEE CHEMICAL LLC
KERR-MCGEE CENTER • P.O. BOX 25861 • OKLAHOMA CITY, OKLAHOMA 73125



2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
NVD 008290330	Kerr-McGee Chemical LLC P.O. Box 55 Henderson, NV 89015	N/A	\$458,374	N/A
MOD 007128978	Kerr-McGee Chemical LLC P.O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	1,843,300	N/A
ILD 020367561	Kerr-McGee Chemical LLC P.O. Box 166 Madison, IL 62060	N/A	625,021	N/A
MOD 007129408	Kerr-McGee Chemical LLC 2800 W. High Street Springfield, MO 65803	N/A	1,472,680	286,314
IDD 041310707	Kerr-McGee Chemical LLC P.O. Box 478 Soda Springs, ID 83276 (CERCLA)	N/A	N/A	1,000,000
TXD 057111403	Kerr-McGee Chemical LLC 155 Buchanan Rd. Texarkana, TX 75501 Texas Reg. #31002	N/A	968,867	1,844,336

ILD 980607493	\$3,288,146	2,852,300	N/A	Kerr-McGee Chemical LLC 2702 Odgen Ave. Sauget, IL 62201
SCD 987591815	N/A	3,500,000	N/A	Kerr-McGee Chemical LLC 7746 Hwy 17 S. Dericho, South Carolina

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a state through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent state mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

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

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 2003.

ALTERNATIVE I (Thousands of Dollars)	
1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)
\$ 20,224	
2	Amount of annual aggregate liability coverage to be demonstrated
\$ 8,000	
3	Sum of lines 1 and 2
\$ 28,224	
4	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)
\$ 614,299	
5	Tangible Net Worth
\$ 683,600	
6	Net Worth
\$ 719,785	
7	Current Assets
\$ 511,456	
8	Current Liabilities
\$ 180,222	
9	Net Working Capital (Line 7 minus line 8)
\$ 331,234	
10	The sum of net income plus depreciation, depletion and amortization
\$ 44,050	
11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)
YES	
NO	
12	Is line 5 at least \$10 million?
X	
13	Is line 5 at least 6 times line 3?
X	
14	Is line 9 at least 6 times line 3?
X	
*15	Are at least 90% of assets located in the U.S.? (If not, complete line 16)
X	
16	Is line 11 at least 6 times line 3?
X	
17	Is line 4 divided by line 6 less than 2.0?
X	
18	Is line 10 divided by line 4 greater than 0.1?
X	
19	Is line 7 divided by line 8 greater than 1.5?
X	

I hereby certify that the wording of this letter is substantially identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

March 19, 2004

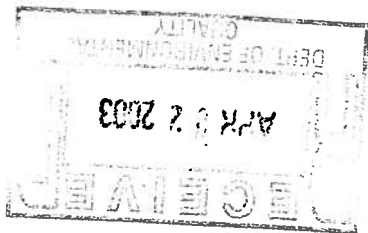
R M Wohleber

Robert M. Wohleber, Senior Vice President & Chief Financial Officer

Not Required
(0.853)
(0.071)
(2.837)

March 28, 2003

FEDERAL EXPRESS



KERR-MCGEE CORPORATION
KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125



Mr. David Lee

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

2380 Hwy. 80 West

Jackson, Mississippi 39204

Re: Financial Assurance

MSD 990866329/Columbus, MS

MSD 081387730/Meridian, MS

MDEQ Order No. 459903/Hattisburg, MS

Dear Mr. Lee:

Attached are Kerr-McGee Chemical LLC's updated financial assurance instruments evidencing financial assurance for the referenced facilities.

If you have any questions, please do not hesitate to call me at 405-270-3132.

Sincerely,

Stacy Roberts

Stacy Roberts, Supervisor
Risk Management Department

sr/attachments



March 31, 2003

FEDERAL EXPRESS

Executive Director
 MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
 P. O. Box 10385
 2380 Hwy. 80 West
 Jackson, Mississippi 39204
 Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical LLC, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265:

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO.	NAME & ADDRESS	Closure	Post Closure	Corrective Action
MSD 990866329	Kerr-McGee Chemical LLC 607 14th Street, North Columbus, MS 39701	N/A	\$154,449	\$692,967
MSD 081387730	Kerr-McGee Chemical LLC Hwy 11 South P.O. Box 789 Meridian, MS 39301	N/A	352,035	269,658
MSDEQ Order #459903	Kerr-McGee Chemical LLC Intersection of Pine and Corrine Hattiesburg, MS	N/A	645,000	N/A

ILD 980607493	\$3,288,146	2,852,300	N/A	Kerr-McGee Chemical LLC 2702 Odgen Ave. Sauget, IL 62201
SCD 987591815	N/A	3,500,000	N/A	Kerr-McGee Chemical LLC 7746 Hwy 17 S. Jeriho, South Carolina

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

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

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 2002.

ALTERNATIVE I (Thousands of Dollars)	
1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)
2	Amount of annual aggregate liability coverage to be demonstrated
3	Sum of lines 1 and 2
* 4	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)
* 5	Tangible Net Worth
* 6	Net Worth
* 7	Current Assets
* 8	Current Liabilities
* 9	Net Working Capital (Line 7 minus Line 8)
* 10	The sum of net income plus depreciation, depletion and amortization
* 11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)
12	Is line 5 at least \$10 million?
13	Is line 5 at least 6 times line 3?
14	Is line 9 at least 6 times line 3?
* 15	Are at least 90% of assets located in the U.S.? (If not, complete line 16)
16	Is line 11 at least 6 times line 3?
17	Is line 4 divided by line 6 less than 2.0?
18	Is line 10 divided by line 4 greater than 0.1?
19	Is line 7 divided by line 8 greater than 1.5?
	YES NO

I hereby certify that the wording of this letter is substantially identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

March 31, 2003

Robert M. Wohlbeber, Senior Vice President & Chief Financial Officer

R.M. Wohlbeber

← \$10 M. 11th
← 10M

Report of Independent Accountants

Kerr-McGee Chemical LLC
123 Robert S. Kerr
Oklahoma City, OK 73102

Attention: Mr. Robert M. Wohleber, Senior Vice President and Chief Financial Officer

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Kerr-McGee Chemical LLC and subsidiaries for the year ended December 31, 2002, and have issued our report thereon dated March 31, 2003.

Mr. Robert M. Wohleber's March 31, 2003 letter pertaining to financial assurance for Environmental Protection Agency identification Nos. MSD 990866329 in Columbus, Mississippi; MSD 081387730 in Meridian, Mississippi; and MSDEQ Order #459903 in Hattiesburg, Mississippi is addressed to the Executive Director, Mississippi Department of Environmental Quality.

In connection with our audit and in accordance with subpart H of the Mississippi Hazardous Waste Regulations parts 264 and 265, we have compared the amounts presented in that letter for total liabilities, tangible net worth, net worth, current assets, current liabilities, net working capital, the sum of net income plus depreciation, depletion and amortization and total assets in U.S., listed under the caption Alternative 1, Items 4 through 11 and 15, with the corresponding amounts included in or derived from the consolidated financial statements referred to above. In connection with that procedure, no matters came to our attention that caused us to believe that the amounts shown on these lines should be adjusted.

This report is intended solely for your information and use and for the information and use of the Mississippi Department of Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.



March 31, 2003

COMBOND CO., THE WHOLE, (M) 990 866 329, FINANCIAL ASSURANCE, CLH
 CERTIFICATE OF INSURANCE

(This Certificate of Insurance neither affirmatively or negatively amends, extends or alters the coverage, limits, terms or conditions of the policies it certifies.)

This certificate is executed by K-M INSURANCE COMPANY

<p>1. Name and address of party to whom this certificate is issued</p> <p>Mississippi Department of Environmental Quality 2380 Hwy 80 West Jackson, MS 39204 ATTN: James Masseny</p>	<p>2. Name and address of Insured</p> <p>KERR-MCGEE CHEMICAL LLC KERR-MCGEE CENTER OKLAHOMA CITY, OK 73125</p>
--	---

DESCRIPTION AND LOCATION OF OPERATIONS COVERED

COMPREHENSIVE GENERAL LIABILITY

All operations of the Insured, including contractual, products and completed operations, anywhere in the United States of America, including the Gulf of Mexico and/or its United States Tributaries and/or its United States Shoreline and/or Canada.

SPECIAL PROVISION

POLICY NUMBER	KIND OF INSURANCE	EXPIRATION DATE	LIMITS OF LIABILITY
GAL 89 1001-99	Comprehensive General Liability Including Bodily Injury and Property Damage	7/1/2003	\$1,000,000 Each Occurrence Combined Single Limit

This is to certify that the above Insurance Policies are in force in this company as of the date of this certificate. In the event of any material change in or cancellation of the above insurance, we will endeavor to mail thirty (30) days prior written notice of such change or cancellation, but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives.

C. L. FRATES AND COMPANY
 P.O. BOX 26967 - Okla. City, Okla. 73126-0967
 AUTHORIZED REPRESENTATIVE

June 24, 2002
 DATED

[Handwritten Signature]

LOWNDES CO., INC. WASTE FINANCIAL ASSURANCE, CLH
(Green dot file)

KERR-MCGEE CORPORATION



KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125



March 28, 2002

FEDERAL EXPRESS

Mr. David Lee

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

2380 Hwy. 80 West

Jackson, Mississippi 39204

Re: Financial Assurance

MSD 990866329/Columbus, MS

MSD 081387730/Meridian, MS

Dear Mr. Lee:

Attached are Kerr-McGee Chemical LLC's updated financial assurance instruments evidencing financial assurance for the referenced facilities.

If you have any questions, please do not hesitate to call me at 405-270-3132.

Sincerely,

Stacy Roberts

Stacy Roberts, Supervisor
Risk Management Department

sr/attachments



March 28, 2002

FEDERAL EXPRESS

Executive Director
 MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

P. O. Box 10385
 2380 Hwy. 80 West
 Jackson, Mississippi 39204

Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical LLC, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO.	NAME & ADDRESS	Closure	Post Closure	Corrective Action
MSD 990866329	Kerr-McGee Chemical LLC 607 14th Street, North Columbus, MS 39701	N/A	\$157,136	\$705,023
MSD 081387730	Kerr-McGee Chemical LLC Hwy 11 South P.O. Box 789 Meridian, MS 39301	N/A	374,139	266,119

COST ESTIMATES

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO. Name & Address

Closure Post Closure Corrective Action

COST ESTIMATES

NVD 008290330	Kerr-McGee Chemical LLC	P.O. Box 55	Henderson, NV 89015	N/A	\$460,767	N/A
MOD 007128978	Kerr-McGee Chemical LLC	P.O. Box 6208	2300 Oakland Kansas City, MO 64126	N/A	1,204,221	\$442,645
IDD 020367561	Kerr-McGee Chemical LLC	P.O. Box 166	Madison, IL 62060	N/A	912,521	N/A
MOD 007129408	Kerr-McGee Chemical LLC	2800 W. High Street	Springfield, MO 65803	N/A	1,479,072	209,927
IDD 041310707	Kerr-McGee Chemical LLC	P.O. Box 478	Soda Springs, ID 83276 (CERCLA)	N/A	N/A	1,000,000
TXD 057111403	Kerr-McGee Chemical LLC	Texas Reg. #31002	Texas Reg. #31002	N/A	943,879	1,796,770
ILD 980607493	Kerr-McGee Chemical LLC	2702 Odgen Ave.	Sauget, IL 62201	\$3,288,146	2,852,300	N/A

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a state through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent state mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

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

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 2001.

ALTERNATIVE I
(Thousands of Dollars)

1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)	\$ 16,093
2	Amount of annual aggregate liability coverage to be demonstrated	\$ 8,000
3	Sum of lines 1 and 2	\$ 24,093
* 4	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$ 463,672
* 5	Tangible Net Worth	\$ 555,617
* 6	Net Worth	\$ 591,387
* 7	Current Assets	\$ 334,149
* 8	Current Liabilities	\$ 98,745
* 9	Net Working Capital (Line 7 minus line 8)	\$ 235,404
* 10	The sum of net income plus depreciation, depletion and amortization	\$ 39,719
* 11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)	N/A
		YES
		NO
12	Is line 5 at least \$10 million?	X
13	Is line 5 at least 6 times line 3?	X
14	Is line 9 at least 6 times line 3?	X
* 15	Are at least 90% of assets located in the U.S.? (If not, complete line 16)	X
16	Is line 11 at least 6 times line 3?	N/A
17	Is line 4 divided by line 6 less than 2.0?	X
18	Is line 10 divided by line 4 greater than 0.1?	X
19	Is line 7 divided by line 8 greater than 1.5?	X

I hereby certify that the wording of this letter is substantially identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

March 28, 2002

Robert M. Wohleber
Robert M. Wohleber, Senior Vice President &
Chief Financial Officer



Report of Independent Public Accountants

To the Management of
Kerr-McGee Chemical LLC:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Kerr-McGee Chemical LLC and subsidiaries (the "Company") for the year ended December 31, 2001, and have issued our report thereon dated March 22, 2002. We have not performed any auditing procedures since that date.

We have performed the procedures enumerated below, which were agreed to by management of the Company and the Mississippi Department of Environmental Quality, solely to assist you with respect to demonstrating compliance with the financial test for liability of the Mississippi Department of Environmental Quality. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

At your request, we have read the letter dated March 28, 2002, from your chief financial officer to the Mississippi Department of Environmental Quality and compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 2001, referred to above, with the corresponding amounts in such financial statements. In connection with this officer's letter should be adjusted.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the information described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and is not intended to be and should not be used by anyone other than these specified parties.

Arthur Andersen LLP

Oklahoma City, Oklahoma
March 28, 2002

KERR-MCGEE CORPORATION



KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

March 30, 2001

FEDERAL EXPRESS

Mr. David Lee

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

2380 Hwy. 80 West

Jackson, Mississippi 39204

Re: Financial Assurance

MSD 990866329/Columbus, MS

MSD 081387730/Meridian, MS

Dear Mr. Lee:

Attached are Kerr-McGee Chemical LLC's updated financial assurance instruments evidencing financial assurance for the referenced facilities.

If you have any questions, please do not hesitate to call me at 405-270-3132.

Sincerely,

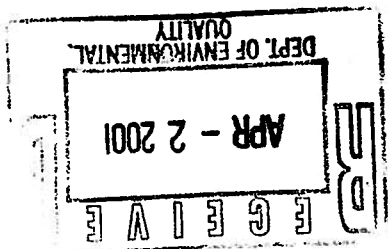
Stacy Roberts

Stacy Roberts, Supervisor
Risk Management Department

sr/attachments

INDEPENDENT FINANCIAL STATEMENT &

2000 ANNUAL REPORT IN KERR MCGEE CHEMICAL
COLUMBUS (LOWDES COUNTY) FILE.





March 29, 2001

FEDERAL EXPRESS

Executive Director
 MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

P. O. Box 10385
 2380 Hwy. 80 West
 Jackson, Mississippi 39204

Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical LLC, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE. The firm identified above is the direct or higher-tier parent corporation of the owner or operator.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
MSD 990866329	Kerr-McGee Chemical LLC 607 14th Street, North Columbus, MS 39701	N/A	\$159,131	\$713,977
MSD 081387730	Kerr-McGee Chemical LLC Highway 11 South P.O. Box 789 Meridian, MS 39301	N/A	393,775	261,414

COST ESTIMATES

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
NVD 008290330	Kerr-McGee Chemical LLC P.O. Box 55 Henderson, NV 89015	N/A	\$452,620	N/A
MOD 007128978	Kerr-McGee Chemical LLC P.O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	1,292,637	\$471,053
ILD 020367561	Kerr-McGee Chemical LLC P.O. Box 166 Madison, IL 62060	N/A	924,110	N/A
MOD 007129408	Kerr-McGee Chemical LLC 2800 W. High Street Springfield, MO 65803	N/A	1,452,919	206,216
IDD 041310707	Kerr-McGee Chemical LLC P.O. Box 478 Soda Springs, ID 83276 (CERCLA)	N/A	N/A	1,000,000
TXD 057111403	Kerr-McGee Chemical LLC Texarkana, TX 75501 Texas Reg. #31002	N/A	927,190	1,722,485

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a state through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent state mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

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

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 2000.

ALTERNATIVE I
(Thousands of Dollars)

1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)	\$ 9,978
2	Amount of annual aggregate liability coverage to be demonstrated	\$ 8,000
3	Sum of lines 1 and 2	\$ 17,978
* 4	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$490,636
* 5	Tangible Net Worth	\$610,239
* 6	Net Worth	\$612,924
* 7	Current Assets	\$290,511
* 8	Current Liabilities	\$ 94,670
* 9	Net Working Capital (Line 7 minus line 8)	\$195,841
*10	The sum of net income plus depreciation, depletion and amortization	\$102,456
*11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)	\$969,052
		YES NO
12	Is line 5 at least \$10 million?	X
13	Is line 5 at least 6 times line 3?	X
14	Is line 9 at least 6 times line 3?	X
*15	Are at least 90% of assets located in the U.S.? (If not, complete line 16)	X
16	Is line 11 at least 6 times line 3?	X
17	Is line 4 divided by line 6 less than 2.0?	X
18	Is line 10 divided by line 4 greater than 0.1?	X
19	Is line 7 divided by line 8 greater than 1.5?	X

I hereby certify that the wording of this letter is substantially identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

March 29, 2001
Date
Robert M. Wohleber, Senior Vice President &
Chief Financial Officer

R M Wohleber

Report of Independent Public Accountants

To the Management of
Kerr-McGee Chemical LLC:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Kerr-McGee Chemical LLC and subsidiary (the "Company") for the year ended December 31, 2000, and have issued our report thereon dated March 26, 2001. We have not performed any auditing procedures since that date.

We have performed the procedures enumerated below, which were agreed to by management of the Company and the Mississippi Department of Environmental Quality, solely to assist you with respect to demonstrating compliance with the financial test for liability of the Mississippi Department of Environmental Quality. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

At your request, we have read the letter dated March 29, 2001, from your chief financial officer to the Mississippi Department of Environmental Quality and compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 2000, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data in your chief financial officer's letter should be adjusted.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the information described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report is intended solely for the use of the specified users listed above and is not intended to be and should not be used by anyone other than these specified parties.

Arthur Andersen LLP

Oklahoma City, Oklahoma
March 29, 2001

sr/attachments

Stacy Roberts, Supervisor
Risk Management Department



Sincerely,

405-270-3132.

If you have any questions, please do not hesitate to call me at

Attached are Kerr-McGee Chemical LLC's updated financial assurance instruments evidencing financial assurance for the referenced facilities.

Dear Mr. Lee:

Re: Financial Assurance
MSD 990866329/Columbus, MS
MSD 081387730/Meridian, MS

Mr. David Lee
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
2380 Hwy. 80 West
Jackson, Mississippi 39204

FEDERAL EXPRESS

March 30, 2001



KERR-McGEE CORPORATION
KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125





March 29, 2001

FEDERAL EXPRESS

Executive Director
 MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

P. O. Box 10385
 2380 Hwy. 80 West
 Jackson, Mississippi 39204

Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical LLC, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE. The firm identified above is the direct or higher-tier parent corporation of the owner or operator.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
MSD 990866329	Kerr-McGee Chemical LLC 607 14th Street, North Columbus, MS 39701	N/A	\$159,131	\$713,977
MSD 081387730	Kerr-McGee Chemical LLC Highway 11 South P.O. Box 789 Meridian, MS 39301	N/A	393,775	261,414

COST ESTIMATES

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO.	NAME & ADDRESS	CLOSURE	POST CLOSURE	CORRECTIVE ACTION	COST ESTIMATES
NVD 008290330	Kerr-McGee Chemical LLC P.O. Box 55 Henderson, NV 89015	N/A	\$452,620	N/A	N/A
MOD 007128978	Kerr-McGee Chemical LLC P.O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	1,292,637	\$471,053	
ILD 020367561	Kerr-McGee Chemical LLC P.O. Box 166 Maddison, IL 62060	N/A	924,110	N/A	
MOD 007129408	Kerr-McGee Chemical LLC 2800 W. High Street Springfield, MO 65803	N/A	1,452,919	206,216	
IDD 041310707	Kerr-McGee Chemical LLC P.O. Box 478 Soda Springs, ID 83276 (CERCLA)	N/A	N/A	1,000,000	
TXD 057111403	Kerr-McGee Chemical LLC Texasarkana, TX 75501 Texas Reg. #31002	N/A	927,190	1,722,485	

Report of Independent Public Accountants

To the Management of
Kerr-McGee Chemical LLC:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Kerr-McGee Chemical LLC and subsidiary (the "Company") for the year ended December 31, 2000, and have issued our report thereon dated March 26, 2001. We have not performed any auditing procedures since that date.

We have performed the procedures enumerated below, which were agreed to by management of the Company and the Mississippi Department of Environmental Quality, solely to assist you with respect to demonstrating compliance with the financial test for liability of the Mississippi Department of Environmental Quality. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

At your request, we have read the letter dated March 29, 2001, from your chief financial officer to the Mississippi Department of Environmental Quality and compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 2000, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data in your chief financial officer's letter should be adjusted.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the information described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report is intended solely for the use of the specified users listed above and is not intended to be and should not be used by anyone other than these specified parties.

Oklahoma City, Oklahoma
March 29, 2001

Arthur Andersen LLP



4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

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

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 2000.

ALTERNATIVE I
(Thousands of Dollars)

1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)	\$ 9,978
2	Amount of annual aggregate liability coverage to be demonstrated	\$ 8,000
3	Sum of lines 1 and 2	\$ 17,978
* 4	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$490,636
* 5	Tangible Net Worth	\$610,239
* 6	Net Worth	\$612,924
* 7	Current Assets	\$290,511
* 8	Current Liabilities	\$ 94,670
* 9	Net Working Capital (Line 7 minus Line 8)	\$195,841
*10	The sum of net income plus depreciation, depletion and amortization	\$102,456
*11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)	\$969,052
		YES
		NO
12	Is line 5 at least \$10 million?	X
13	Is line 5 at least 6 times line 3?	X
14	Is line 9 at least 6 times line 3?	X
*15	Are at least 90% of assets located in the U.S.? (If not, complete line 16)	X
16	Is line 11 at least 6 times line 3?	X
17	Is line 4 divided by line 6 less than 2.0?	X
18	Is line 10 divided by line 4 greater than 0.1?	X
19	Is line 7 divided by line 8 greater than 1.5?	X

I hereby certify that the wording of this letter is substantially identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

March 29, 2001

Robert M. Wohleber, Senior Vice President &

Chief Financial Officer

R M Wohleber

Report of Independent Public Accountants

To the Management of
Kerr-McGehee Chemical LLC:

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of Kerr-McGehee Chemical LLC (the "Company") for the year ended December 31, 1999, and have issued our report thereon dated March 24, 2000. We have not performed any auditing procedures since that date.

We have performed the procedures enumerated below, which were agreed to by management of the Company and the Mississippi Department of Environmental Quality, solely to assist you with respect to demonstrating compliance with the financial test for liability of the Mississippi Department of Environmental Quality. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

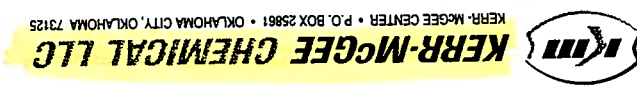
At your request, we have read the letter dated March 27, 2000, from your chief financial officer to the Mississippi Department of Environmental Quality and compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 1999, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data in your chief financial officer's letter should be adjusted.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the information described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Arthur Andersen LLP

Oklahoma City, Oklahoma
March 27, 2000

APR 2000
 RECEIVED
 Executive Director
 DEQ
 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30



March 27, 2000

FEDERAL EXPRESS

Executive Director
 MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

P. O. Box 10385
 2380 Hwy. 80 West
 Jackson, Mississippi 39204

Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical LLC, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE. The firm identified above is the direct or higher-tier parent corporation of the owner or operator.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
MSD 990866329	Kerr-McGee Chemical LLC 607 14th Street, North Columbus, MS 39701	N/A	\$180,122	\$721,627
MSD 081387730	Kerr-McGee Chemical LLC Highway 11 South P.O. Box 789 Meridian, MS 39301	N/A	411,791	256,288

COST ESTIMATES

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO. Name & Address
Closure Post Closure Corrective Action
 COST ESTIMATES

NVD 008290330	Kerr-McGee Chemical LLC	P.O. Box 55	Henderson, NV 89015	N/A	\$443,745	N/A
MOD 007128978	Kerr-McGee Chemical LLC	P.O. Box 6208	2300 Oakland Kansas City, MO 64126	N/A	1,374,834	\$497,350
ILD 020367561	Kerr-McGee Chemical LLC	P.O. Box 166	Madison, IL 62060	N/A	934,011	N/A
MOD 007129408	Kerr-McGee Chemical LLC	2800 W. High Street	Springfield, MO 65803	N/A	1,468,485	208,426
IDD 041310707	Kerr-McGee Chemical LLC	P.O. Box 478	Soda Springs, ID 83276 (CERCIA)	N/A	N/A	1,000,000
TXD 057111403	Kerr-McGee Chemical LLC	Texas Reg. #31002	Texas Reg. #31002	N/A	909,010	1,737,730

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

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

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 1999.

ALTERNATIVE I
(Thousands of Dollars)

1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)	\$ 10,143
2	Amount of annual aggregate liability coverage to be demonstrated	\$ 8,000
3	Sum of lines 1 and 2	\$ 18,143
* 4	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$324,886
* 5	Tangible Net Worth	\$593,790
* 6	Net Worth	\$596,487
* 7	Current Assets	\$250,963
* 8	Current Liabilities	\$ 66,706
* 9	Net Working Capital (Line 7 minus Line 8)	\$184,257
*10	The sum of net income plus depreciation, depletion and amortization	\$ 90,517
*11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)	\$768,961
		YES
		NO
12	Is line 5 at least \$10 million?	X
13	Is line 5 at least 6 times line 3?	X
14	Is line 9 at least 6 times line 3?	X
*15	Are at least 90% of assets located in the U.S.? (If not, complete line 16)	X
16	Is line 11 at least 6 times line 3?	X
17	Is line 4 divided by line 6 less than 2.0?	X
18	Is line 10 divided by line 4 greater than 0.1?	X
19	Is line 7 divided by line 8 greater than 1.5?	X

I hereby certify that the wording of this letter is substantially identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

Robert M. Wohlbeber

Robert M. Wohlbeber, Senior Vice President &
Chief Financial Officer

March 27, 2000
Date

Report of Independent Public Accountants

To the Management of
Kerr-McGee Chemical LLC:

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of Kerr-McGee Chemical LLC (the "Company") for the year ended December 31, 1999, and have issued our report thereon dated March 24, 2000. We have not performed any auditing procedures since that date.

We have performed the procedures enumerated below, which were agreed to by management of the Company and the Mississippi Department of Environmental Quality, solely to assist you with respect to demonstrating compliance with the financial test for liability of the Mississippi Department of Environmental Quality. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

At your request, we have read the letter dated March 27, 2000, from your chief financial officer to the Mississippi Department of Environmental Quality and compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 1999, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data in your chief financial officer's letter should be adjusted.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the information described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Arthur Andersen LLP

Oklahoma City, Oklahoma
March 27, 2000



March 27, 2000

FEDERAL EXPRESS

Executive Director
 MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

P. O. Box 10385
 2380 Hwy. 80 West
 Jackson, Mississippi 39204

Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical LLC, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE. The firm identified above is the direct or higher-tier parent corporation of the owner or operator.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
MSD 990866329	Kerr-McGee Chemical LLC 607 14th Street, North Columbus, MS 39701	N/A	\$180,122	\$721,627
MSD 081387730	Kerr-McGee Chemical LLC Highway 11 South P.O. Box 789 Meridian, MS 39301	N/A	411,791	256,288

Handwritten notes at the bottom left of the page.

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO.	NAME & ADDRESS	CLOSURE	POST CLOSURE	CORRECTIVE ACTION	COST ESTIMATES
NVD 008290330	Kerr-McGee Chemical LLC P.O. Box 55 Henderson, NV 89015	N/A	\$443,745	N/A	
MOD 007128978	Kerr-McGee Chemical LLC P.O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	1,374,834	\$497,350	
ILD 020367561	Kerr-McGee Chemical LLC P.O. Box 166 Madison, IL 62060	N/A	934,011	N/A	
MOD 007129408	Kerr-McGee Chemical LLC 2800 W. High Street Springfield, MO 65803	N/A	1,468,485	208,426	
IDD 041310707	Kerr-McGee Chemical LLC P.O. Box 478 Soda Springs, ID 83276 (CERCLA)	N/A	N/A	1,000,000	
TXD 057111403	Kerr-McGee Chemical LLC Texarkana, TX 75501 Texas Reg. #31002	N/A	909,010	1,737,730	

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following NIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

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

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 1999.

ALTERNATIVE I
(Thousands of Dollars)

1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)	\$ 10,143
2	Amount of annual aggregate liability coverage to be demonstrated	\$ 8,000
3	Sum of lines 1 and 2	\$ 18,143
* 4	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$324,886
* 5	Tangible Net Worth	\$593,790
* 6	Net Worth	\$596,487
* 7	Current Assets	\$250,963
* 8	Current Liabilities	\$ 66,706
* 9	Net Working Capital (Line 7 minus Line 8)	\$184,257
*10	The sum of net income plus depreciation, depletion and amortization	\$ 90,517
*11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)	\$768,961
		YES
		NO
12	Is line 5 at least \$10 million?	X
13	Is line 5 at least 6 times line 3?	X
14	Is line 9 at least 6 times line 3?	X
*15	Are at least 90% of assets located in the U.S.? (If not, complete line 16)	X
16	Is line 11 at least 6 times line 3?	X
17	Is line 4 divided by line 6 less than 2.0?	X
18	Is line 10 divided by line 4 greater than 0.1?	X
19	Is line 7 divided by line 8 greater than 1.5?	X

I hereby certify that the wording of this letter is substantially identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

K. M. W. H. H.

March 27, 2000

Robert M. Wohlbeber, Senior Vice President &
Chief Financial Officer

RECEIVED
APR - 1 1999
DEPT. OF ENVIRONMENTAL

KERR-MCGEE CORPORATION
KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125
RISK MANAGEMENT DEPARTMENT
(405) 270-3132



March 29, 1999

FEDERAL EXPRESS

Mr. David Lee
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

2380 Hwy. 80 West
Jackson, Mississippi 39204

Re: Financial Assurance
MSD 990866329/Columbus, MS
MSD 081387730/Meridian, MS

Dear Mr. Lee:

Attached are Kerr-McGee Chemical LLC's updated financial assurance instruments evidencing financial assurance for the referenced facilities.

If you have any questions, please do not hesitate to call me at 405-270-3132.

Sincerely,

Stacy Roberts

Stacy Roberts
INSURANCE COORDINATOR

sr/attachments



March 22, 1999

FEDERAL EXPRESS

Executive Director
 MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

P. O. Box 10385
 2380 Hwy. 80 West
 Jackson, Mississippi 39204

Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical LLC, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE. The firm identified above is the direct or higher-tier parent corporation of the owner or operator.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
MSD 990866329	Kerr-McGee Chemical LLC 607 14th Street, North Columbus, MS 39701	N/A	\$182,949	\$732,951
MSD 081387730	Kerr-McGee Chemical LLC Highway 11 South P.O. Box 789 Meridian, MS 39301	N/A	431,062	252,500

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO. Name & Address

CLOSE POST CLOSURE CORRECTIVE ACTION

NVD 008290330 Kerr-McGee Chemical LLC Henderson, NV 89015

MOD 007128978 Kerr-McGee Chemical LLC P.O. Box 55 2300 Oakland

N/A 1,459,940 \$525,000

ILD 020367561 Kerr-McGee Chemical LLC Kansas City, MO 64126

N/A 948,668 N/A

MOD 007129408 Kerr-McGee Chemical LLC Madison, IL 62060

N/A 1,491,529 211,697

IDD 041310707 Kerr-McGee Chemical LLC Springfield, MO 65803

N/A 1,000,000

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

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

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 1998.

ALTERNATIVE I
(Thousands of Dollars)

1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)	\$ 7,673
2	Amount of annual aggregate liability coverage to be demonstrated	\$ 8,000
3	Sum of lines 1 and 2	\$ 15,673
* 4	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$300,001
* 5	Tangible Net Worth	\$544,613
* 6	Net Worth	\$553,023
* 7	Current Assets	\$236,169
* 8	Current Liabilities	\$ 56,631
* 9	Net Working Capital (Line 7 minus Line 8)	\$179,538
*10	The sum of net income plus depreciation, depletion and amortization	\$189,607
*11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)	\$700,488
		YES
		NO
12	Is line 5 at least \$10 million?	X
13	Is line 5 at least 6 times line 3?	X
14	Is line 9 at least 6 times line 3?	X
*15	Are at least 90% of assets located in the U.S.? (If not, complete line 16)	X
16	Is line 11 at least 6 times line 3?	X
17	Is line 4 divided by line 6 less than 2.0?	X
18	Is line 10 divided by line 4 greater than 0.1?	X
19	Is line 7 divided by line 8 greater than 1.5?	X

I hereby certify that the wording of this letter is substantially identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

March 22, 1999
Date
John C. Linehan, Executive Vice President
and Chief Financial Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Management of
Kerr-McGee Chemical LLC:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of Kerr-McGee Chemical LLC (the "Company") for the year ended December 31, 1998, and have issued our report thereon dated March 24, 1999. We have not performed any auditing procedures since that date.

We have performed the procedures enumerated below, which were agreed to by management of the Company and the Mississippi Department of Environmental Quality, solely to assist you with respect to demonstrating compliance with the financial test for liability of the Mississippi Department of Environmental Quality. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

At your request, we have read the letter dated March 22, 1999, from your chief financial officer to the Mississippi Department of Environmental Quality and compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 1998, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data in your chief financial officer's letter should be adjusted.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the information described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Arthur Andersen LLP

Oklahoma City, Oklahoma
March 25, 1999

KEPR-MCGEE CORPORATION
RISK MANAGEMENT DEPARTMENT
KEPR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125
(405) 270-3132



March 25, 1998

FEDERAL EXPRESS

Mr. Bruce Ferguson
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
2380 Hwy. 80 West
Jackson, Mississippi 39204

Re: Financial Assurance

MSD 990866329/Columbus, MS
MSD 081387730/Meridian, MS

Dear Mr. Ferguson:

Attached are Kerr-McGee Chemical Corporation's updated financial assurance instruments evidencing financial assurance for the referenced facilities.

If you have any questions, please do not hesitate to call me at 405-270-3132.

Sincerely,

Stacy Roberts

Stacy Roberts
INSURANCE COORDINATOR

sr/attachments

KERR-MCGEE CHEMICAL CORPORATION
 KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125



March 23, 1998

FEDERAL EXPRESS

Executive Director
 MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

P. O. Box 10385
 2380 Hwy. 80 West
 Jackson, Mississippi 39204

Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical LLC, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE. The firm identified above is the direct or higher-tier parent corporation of the owner or operator.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
MSD 990866329	Kerr-McGee Chemical LLC 607 14th Street, North Columbus, MS 39701	N/A	\$186,739	\$748,138
MSD 081387730	Kerr-McGee Chemical LLC Highway 11 South P.O. Box 789 Meridian, MS 39301	N/A	451,900	250,000

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO. COST ESTIMATES
Name & Address Closure Post Closure Corrective Action

NVD 008290330	Kerr-McGee Chemical LLC	P.O. Box 55	Henderson, NV 89015	N/A	\$432,859	N/A
MOD 007128978	Kerr-McGee Chemical LLC	P.O. Box 6208	2300 Oakland	N/A	925,000	\$800,000
TXD 057111403	Kerr-McGee Chemical LLC	155 Buchanan Rd.	Texasarkana, TX 75501	N/A	923,275	6,165,293
ILD 020367561	Kerr-McGee Chemical LLC	P.O. Box 166	Madison, IL 62060	N/A	968,325	15,553
MOD 007129408	Kerr-McGee Chemical LLC	2800 W. High Street	Springfield, MO 65803	N/A	1,522,435	211,848
IDD 041310707	Kerr-McGee Chemical LLC	P.O. Box 478	Soda Springs, ID 83276	N/A	N/A	1,000,000

(CERCLA)

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

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

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 1997.

¹ Kerr-McGee Chemical Corporation and Kerr-McGee Chemical LLC merged effective 1-1-98 with Kerr-McGee Chemical LLC being the surviving company.

ALTERNATIVE I
(Thousands of Dollars)

1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)	\$ 14,601
2	Amount of annual aggregate liability coverage to be demonstrated	\$ 8,000
3	Sum of lines 1 and 2	\$ 22,601
4	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$522,860
5	Tangible Net Worth	\$322,478
6	Net Worth	\$352,436
7	Current Assets	\$299,203
8	Current Liabilities	\$100,214
9	Net Working Capital (Line 7 minus line 8)	\$198,989
*10	The sum of net income plus depreciation, depletion and amortization	\$ 96,035
*11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)	\$616,015
		YES
		NO
12	Is line 5 at least \$10 million?	X
13	Is line 5 at least 6 times line 3?	X
14	Is line 9 at least 6 times line 3?	X
*15	Are at least 90% of assets located in the U.S.? (If not, complete line 16)	X
16	Is line 11 at least 6 times line 3?	X
17	Is line 4 divided by line 6 less than 2.0?	X
18	Is line 10 divided by line 4 greater than 0.1?	X
19	Is line 7 divided by line 8 greater than 1.5?	X

I hereby certify that the wording of this letter is substantially identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

March 23, 1998

John C. Lineman, Executive Vice President
and Chief Financial Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Management of
Kerr-McGee Chemical LLC:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of Kerr-McGee Chemical Corporation and subsidiaries ("KMCC") for the year ended December 31, 1997, and have issued our report thereon dated March 23, 1998. We have not performed any auditing procedures since that date.

Effective January 1, 1998, KMCC was merged into Kerr-McGee Chemical LLC (the "Company"), a Delaware limited liability company that is also wholly owned by Kerr-McGee Corporation.

We have performed the procedures enumerated below, which were agreed to by management of the Company and the Mississippi Department of Environmental Quality, solely to assist you with respect to demonstrating compliance with the financial test for liability of the Mississippi Department of Environmental Quality. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

At your request, we have read the letter dated March 23, 1998, from your chief financial officer to the Mississippi Department of Environmental Quality and compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 1997, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data in your chief financial officer's letter should be adjusted.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the information described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Arthur Andersen LLP

Oklahoma City, Oklahoma
March 25, 1998

KERR-MCGEE CORPORATION
KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125
RISK MANAGEMENT DEPARTMENT
(405) 270-3132



RECEIVED
APR - 1 1997
DEPT. OF ENVIRONMENTAL QUALITY

FEDERAL EXPRESS

March 27, 1997

Mr. Bruce Ferguson
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

P.O. Box 10385
2380 Hwy. 80 West
Jackson, Mississippi 39204

Re: Financial Assurance
MSD 990866329/Columbus, MS
MSD 081387730/Meridian, MS

Dear Mr. Ferguson:

Attached are Kerr-McGee Corporation's updated financial assurance instruments evidencing financial assurance for the referenced facilities.

If you have any questions, please do not hesitate to call me at 405-270-3132.

Sincerely,

Stacy Roberts

Stacy Roberts
INSURANCE COORDINATOR

sr/attachments

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Management of

Kerr-McGee Chemical Corporation:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of Kerr-McGee Chemical Corporation and subsidiaries (the "Company") for the year ended December 31, 1996, and have issued our report thereon dated March 17, 1997. We have not performed any auditing procedures since that date.

We have performed the procedures enumerated below, which were agreed to by management of the Company and the Mississippi Department of Environmental Quality, solely to assist you with respect to demonstrating compliance with the financial test for liability of the Mississippi Department of Environmental Quality. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

At your request, we have read the letter dated March 17, 1997, from your chief financial officer to the Mississippi Department of Environmental Quality and compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 1996, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data in your chief financial officer's letter should be adjusted.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the information described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

ARTHUR ANDERSEN LLP

Oklahoma City, Oklahoma
March 25, 1997

March 17, 1997

FEDERAL EXPRESS

Executive Director
 MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
 P. O. Box 10385
 2380 Hwy. 80 West
 Jackson, Mississippi 39204
 Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical Corporation, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE. The firm identified above is the direct or higher-tier parent corporation of the owner or operator.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
MSD 990866329	Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701	N/A	\$188,740	\$733,469
MSD 081387730	Kerr-McGee Chemical Corporation Highway 11 South P.O. Box 789 Meridian, MS 39301	N/A	467,650	250,000

COST ESTIMATES

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO.	NAME & ADDRESS	CLOSURE	POST CLOSURE	CORRECTIVE ACTION
		COST ESTIMATES		
NVD 008290330	Kerr-McGee Chemical Corporation P.O. Box 55 Henderson, NV 89015	N/A	\$424,372	N/A
MOD 007128978	Kerr-McGee Chemical Corporation P.O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	1,008,600	\$1,014,750
TXD 057111403	Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501	N/A	933,167	6,231,346
ILD 020367561	Kerr-McGee Chemical Corporation P.O. Box 166 Madison, IL 62060	\$26,634	998,273	15,249
MOD 007129408	Kerr-McGee Chemical Corporation 2800 W. High Street Springfield, MO 65803	N/A	1,538,746	218,400
IDD 041310707	Kerr-McGee Chemical Corporation P.O. Box 478 Soda Springs, ID 83276 (CERCLA)	N/A	N/A	1,000,000

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a state through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent state mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

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

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 1996.

ALTERNATIVE I
(Thousands of dollars)

1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)	\$ 15,049
2	Amount of annual aggregate liability coverage to be demonstrated	\$ 8,000
3	Sum of lines 1 and 2	\$ 23,049
* 4	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$574,065
* 5	Tangible Net Worth	\$284,920
* 6	Net Worth	\$311,749
* 7	Current Assets	\$342,451
* 8	Current Liabilities	\$153,754
9	Net Working Capital (Line 7 minus line 8)	\$188,697
10	The sum of net income plus depreciation, depletion and amortization	\$103,319
*11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)	\$593,361
		YES
		NO
12	Is line 5 at least \$10 million?	X
13	Is line 5 at least 6 times line 3?	X
14	Is line 9 at least 6 times line 3?	X
*15	Are at least 90% of assets located in the U.S.? (If not, complete line 16)	X
16	Is line 11 at least 6 times line 3?	X
17	Is line 4 divided by line 6 less than 2.0?	X
18	Is line 10 divided by line 4 greater than 0.1?	X
19	Is line 7 divided by line 8 greater than 1.5?	X

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

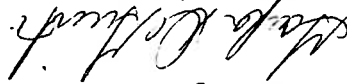
3/17/97

Date

John C. Linehan, Executive Vice President
and Chief Financial Officer

Attachments

Legal Assistant
Gayla Degusti



Sincerely,

If you have any questions, please do not hesitate to call me at the phone number above.
Attached are Kerr-McGee Chemical Corporation's updated financial assurance instruments for the referenced facilities.

Dear Mr. Ferguson:

FINANCIAL ASSURANCE
COLUMBUS FACILITY (MSD 990866329)
MERIDIAN FACILITY (MSD 081387730)

RE:

Mr. Bruce Ferguson
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
P. O. Box 10385
Jackson, Mississippi 39209

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 29, 1996

LAW DEPARTMENT

Writer's Direct No.
(406) 270-2848

Dept. of Environmental Quality
Office of Pollution Control

APR - 4 1996

RECEIVED

P. O. Box 25861 • OKLAHOMA CITY, OKLAHOMA 73125

KERR-MCGEE CORPORATION



KERR-MCGEE CHEMICAL CORPORATION

KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

March 29, 1996

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Executive Director

MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

P. O. Box 10385

Jackson, Mississippi 39209

Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical Corporation, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE. The firm identified above is the direct or higher-tier parent corporation of the owner or operator.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO. Name & Address

EPA IDENTIFICATION NO.	Name & Address	Closure	Post-Closure	CORRECTIVE ACTION
MSD 990866329	Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701	N/A	\$190,762	\$719,087
MSD 081387730	Kerr-McGee Chemical Corporation Highway 11 South P.O. Box 789 Meridian, MS 39301	N/A	\$480,256	N/A

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DRQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post-Closure	COST ESTIMATES	Corrective Action
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NVD 008290330	Kerr-McGee Chemical Corporation P.O. Box 55 Henderson, NV 89015	N/A	\$ 416,051	N/A	
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MOD 007128978	Kerr-McGee Chemical Corporation P.O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	\$1,045,000	\$1,110,000	
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TXD 057111403	Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501	N/A	\$ 943,165	\$6,109,163	
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IID 020367561	Kerr-McGee Chemical Corporation P.O. Box 166 Madison, IL 62060	\$26,112	\$1,008,968	\$ 14,950	
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MOD 007129408	Kerr-McGee Chemical Corporation 2800 W. High Street Springfield, MO 65803	N/A	\$1,555,231	\$ 214,118	
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4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the RPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

Executive Director
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
Jackson, Mississippi

March 29, 1996

Page 3

This firm is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on December 31. The figures for the following year-end financial statements are derived from this firm's independently audited, December 31, 1995.

ALTERNATIVE I
 (Thousands of Dollars)

1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)	\$ 13,833
2	Amount of annual aggregate liability coverage to be demonstrated	\$ 8,000
3	Sum of lines 1 and 2	\$ 21,833
* 4	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$532,966
* 5	Tangible Net Worth	\$245,220
* 6	Net Worth	\$267,701
* 7	Current Assets	\$334,236
* 8	Current Liabilities	\$196,977
9	Net Working Capital (Line 7 minus line 8)	\$137,259
10	The sum of net income plus depreciation, depletion and amortization	\$134,248
*11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)	\$516,427
		YES NO
12	Is line 5 at least \$10 million?	X
13	Is line 5 at least 6 times line 3?	X
14	Is line 9 at least 6 times line 3?	X
*15	Are at least 90% of assets located in the U.S.? (If not, complete line 16)	X
16	Is line 11 at least 6 times line 3?	X
17	Is line 4 divided by line 6 less than 2.0?	X
18	Is line 10 divided by line 4 greater than 0.1?	X
19	Is line 7 divided by line 8 greater than 1.5?	X

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

DATE: 3-29-96
 JOHN C. LINEHAN, VICE PRESIDENT

March 29, 1996

Arthur Andersen LLP

Suite 1200
20 Broadway
Oklahoma City OK 73102-8286
405 236 1491

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have audited, in accordance with generally accepted auditing standards, the financial statements of Kerr-McGee Chemical Corporation (the "Company") for the year ended December 31, 1995, and have issued our report thereon dated March 15, 1996. We have not performed any auditing procedures since that date.

At your request, we have read the letter dated March 29, 1996, from your chief financial officer to the Mississippi Department of Environmental Quality. As required, we have compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 1995, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data should be adjusted.

This report is furnished solely for the use of the Company and the Mississippi Department of Environmental Quality and is not to be used for any other purpose.

Very truly yours,

ARTHUR ANDERSEN LLP

March 30, 1995 MS

Attachments

GD:nom

Gayla Degiusti
Legal Assistant

Gayla Degiusti
Sincerely,

Dear Mr. Ferguson:
Attached are Kerr-McGee Chemical Corporation's updated financial assurance instruments for the referenced facilities.
If you have any questions, please do not hesitate to call me at the phone number above.

RE: FINANCIAL ASSURANCE
COLUMBUS FACILITY (MSD 990866329)
MERIDIAN FACILITY (MSD 081387730)

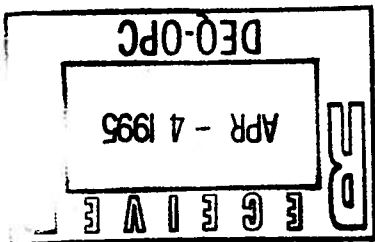
Mr. Bruce Ferguson
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
P. O. Box 10385
Jackson, Mississippi 39209

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 30, 1995

LAW DEPARTMENT

KERR-MCGEE CORPORATION
P. O. Box 25861 • OKLAHOMA CITY, OKLAHOMA 73125



Writer's Direct No.
(405) 270-2848

March 30, 1995 MS

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

MSD IDENTIFICATION NO.	Name & Address	Closure	Post-Closure	CORRECTIVE ACTION
MSD 990866329	Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701	N/A	\$192,053	\$719,087
MSD 081387730	Kerr-McGee Chemical Corporation Highway 11 South P.O. Box 789 Meridian, MS 39301	N/A	\$469,000	N/A

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONR. The firm identified above is the direct or higher-tier parent corporation of the owner or operator.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONR

I am the chief financial officer of Kerr-McGee Chemical Corporation, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

Dear Executive Director:

Executive Director
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
P. O. Box 10385
Jackson, Mississippi 39209

CERTIFIED MAIL RETURN RECEIPT REQUESTED

March 30, 1995

KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

KERR-MCGEE CHEMICAL CORPORATION



3. In States where the DQI is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO. Name & Address

NVD 008290330	Kerr-McGee Chemical Corporation	N/A	\$ 406,300	N/A
	P.O. Box 55			
	Henderson, NV 89015			

MOD 007128978	Kerr-McGee Chemical Corporation	N/A	\$1,106,000	\$1,205,000
	P.O. Box 6208			
	2300 Oakland			
	Kansas City, MO 64126			

TXD 057111403	Kerr-McGee Chemical Corporation	N/A	\$ 921,060	\$5,965,980
	155 Buchanan Rd.			
	Texarkana, TX 75501			

IID 020367561	Kerr-McGee Chemical Corporation	\$25,500	\$ 985,320	\$ 14,600
	P.O. Box 166			
	Madison, IL 62060			

MOD 007129408	Kerr-McGee Chemical Corporation	N/A	\$1,518,780	\$ 209,100
	2800 W. High Street			
	Springfield, MO 65803			

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

Executive Director
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
Jackson, Mississippi
March 30, 1995
Page 3

This firm is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.
The fiscal year of this firm ends on December 31. The figures for the following year-end financial statements for the latest completed fiscal year, ended December 31, 1994.

March 30, 1995 MS

ALTERNATIVE I
 (Thousands of Dollars)

1	\$ 13,738	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)
2	\$ 8,000	Amount of annual aggregate liability coverage to be demonstrated
3	\$ 21,738	Sum of lines 1 and 2
* 4	\$250,481	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)
* 5	\$478,857	Tangible Net Worth
* 6	\$484,159	Net Worth
* 7	\$293,675	Current Assets
* 8	\$127,160	Current Liabilities
9	\$166,515	Net Working Capital (Line 7 minus line 8)
10	\$105,659	The sum of net income plus depreciation, depletion and amortization
*11	\$467,044	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)
	YES	NO
12	X	Is line 5 at least \$10 million?
13	X	Is line 5 at least 6 times line 3?
14	X	Is line 9 at least 6 times line 3?
*15	X	Are at least 90% of assets located in the U.S.? (If not, complete line 16)
16	X	Is line 11 at least 6 times line 3?
17	X	Is line 4 divided by line 6 less than 2.0? .853
18	X	Is line 10 divided by line 4 greater than 0.1? .422
19	X	Is line 7 divided by line 8 greater than 1.5? 2.305

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

JOHN C. LINEHAN, VICE PRESIDENT

DATE

03/30

March 30, 1995

Arthur Andersen LLP

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have audited, in accordance with generally accepted auditing standards, the financial statements of Kerr-McGee Chemical Corporation (the "Company") for the year ended December 31, 1994, and have issued our report thereon dated March 17, 1995. We have not performed any auditing procedures since that date.

At your request, we have read the letter dated March 30, 1995, from your chief financial officer to the Mississippi Department of Environmental Quality. As required, we have compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 1994, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data should be adjusted.

This report is furnished solely for the use of the Company and the Mississippi Department of Environmental Quality and is not to be used for any other purpose.

Very truly yours,

Arthur Andersen LLP

Suite 1200
20 Broadway
Oklahoma City OK 73102-8286
405 236 1491



Gayla DeGust
Legal Assistant
MT-1104

March 30, 1994

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Executive Director
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
P. O. Box 10385
Jackson, Mississippi 39290

RE: **FINANCIAL ASSURANCE REQUIREMENTS**
COLUMBUS FACILITY (MSD 990866329)
MERIDIAN FACILITY (MSD 081387730)

Dear Executive Director:

Attached are Kerr-McGee Chemical Corporation's updated financial assurance instruments demonstrating evidence of financial responsibility for the estimated cost of post-closure and corrective action (Columbus only) for the referenced facilities.

If you have any questions, please do not hesitate to call me at 405/270-2848.

Sincerely,

Gayla DeGust
Gayla DeGust
Legal Assistant

GD:nom

Attachments

March 30, 1994

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Executive Director
 MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
 P. O. Box 10385
 Jackson, Mississippi 39209

Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical Corporation, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the firm identified above is the direct or higher-tier parent corporation of the owner or operator.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

<u>EPA IDENTIFICATION NO.</u>	<u>Name & Address</u>	<u>Closure</u>	<u>Post-Closure</u>	<u>Corrective Action</u>
MSD 990866329	Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701	N/A	\$ 452,000	\$ 127,000
MSD 081387730	Kerr-McGee Chemical Corporation Highway 11 South P. O. Box 789 Meridian, MS 39301	N/A	\$ 463,000	N/A

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DRQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO. **Name & Address** **Closure** **Post-Closure** **Corrective Action**
COST ESTIMATES

NVD 008290330	Kerr-McGee Chemical Corporation P.O. Box 55 Henderson, NV 89015	N/A	\$ 398,000	N/A
MOD 007128978	Kerr-McGee Chemical Corporation P.O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	\$ 1,167,000	\$ 1,525,000
TXD 057111403	Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501	N/A	\$ 903,000	\$ 5,849,000
IID 020367561	Kerr-McGee Chemical Corporation P.O. Box 166 Madison, IL 62060	\$ 25,000	\$ 966,000	N/A
MOD 007129406	Kerr-McGee Chemical Corporation 2800 W. High Street Springfield, MO 65803	N/A	\$ 1,489,000	\$ 205,000

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the RPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

This firm is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1993.

ALTERNATIVE I
(Thousands of Dollars)

1	\$	13,569	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above)
2	\$	8,000	Amount of annual aggregate liability coverage to be demonstrated
3	\$	21,569	Sum of lines 1 and 2
*4	\$	245,537	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)
*5	\$	481,588	Tangible Net Worth
*6	\$	491,877	Net Worth
*7	\$	285,105	Current Assets
*8	\$	115,263	Current Liabilities
9	\$	169,842	Net Working Capital (Line 7 minus Line 8)
*10	\$	86,146	The sum of net income plus depreciation, depletion and amortization
*11	\$	473,289	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)
12	YES NO		Is line 5 at least \$10 million?
13	X		Is line 5 at least 6 times line 3?
14	X		Is line 9 at least 6 times line 3?
*15	X		Are at least 90% of assets located in the U.S.? (If not, complete line 16)
16	X		Is line 11 at least 6 times line 3?
17	X		Is line 4 divided by line 6 less than 2.0?
18	X		Is line 10 divided by line 4 greater than 0.1?
19	X		Is line 7 divided by line 8 greater than 1.5?

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

March 30, 1994
DATE

JOHN C. LINEHAN
VICE PRESIDENT

John C. Linehan

Mississippi

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO. SC

March 30, 1994

Arthur Andersen & Co.

Suite 1200
20 Broadway
Oklahoma City OK 73102-8286
405 236 1491

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have audited, in accordance with generally accepted auditing standards, the financial statements of Kerr-McGee Chemical Corporation (the "Company") for the year ended December 31, 1993, and have issued our report thereon dated March 18, 1994. We have not performed any auditing procedures since that date.

At your request, we have read the letter dated March 30, 1994, from your chief financial officer to the Mississippi Department of Environmental Quality. As required, we have compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 1993, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data should be adjusted.

This report is furnished solely for the use of the Company and the Mississippi Department of Environmental Quality and is not to be used for any other purpose.

Very truly yours,

Arthur Andersen & Co.

Attachments

Legal Assistant
Gayla Decusti



Sincerely,

If you have any questions, please do not hesitate to call me at (405) 270-2848.

Attached are Kerr-McGee Chemical Corporation's updated financial assurance instruments demonstrating evidence of financial responsibility for the estimated cost of post-closure for the referenced facilities.

Dear Executive Director:

Re: Financial Assurance Requirements
Columbus Facility (MSD 990866329)
Meridian Facility (MSD 081387730)

Executive Director
Mississippi Department of Environmental Quality
P. O. Box 10385
Jackson, Mississippi 39290

March 30, 1993

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125



KERR-McGEE CHEMICAL CORPORATION
Office of Pollution Control
Dept. of Environmental Quality

RECEIVED
APR - 5 1993

I am the chief financial officer of Kerr-McGee Chemical Corporation, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE. The firm identified above is: (1) The direct or higher-tier parent corporation of the owner or operator.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimate covered by the test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post-Closure	Corrective Action	COST ESTIMATES
MSD 990866329	Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701	N/A	441,000	124,000	
MSD 081387730	Kerr-McGee Chemical Corporation Highway 11 South P.O. Box 789 Meridian, MS 39301	N/A	451,000	N/A	

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Executive Director
MISSISSIPPI DEPARTMENT OF
ENVIRONMENTAL QUALITY
P.O. Box 10385
Jackson, Mississippi 39209
Dear Executive Director:

March 30, 1993

KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

KERR-MCGEE CHEMICAL CORPORATION



3. In States where the DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post-Closure	Corrective Action
------------------------	----------------	---------	--------------	-------------------

COST ESTIMATES

NVD 008290330	Kerr-McGee Chemical Corporation P.O. Box 55 Henderson, NV 89015	N/A	373,259	N/A
MOD 007128978	Kerr-McGee Chemical Corporation P.O. Box 6208 2300 Oakland Kansas City, MO 64126 TXD 057111403	N/A	740,000	N/A
Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501		N/A	880,000	5,701,000
ILD 020367561	Kerr-McGee Chemical Corporation P.O. Box 166 Madison, IL 62060	3,867,000	976,000	N/A
MOD 007129406	Kerr-McGee Chemical Corporation 2800 W. High Street Springfield, MO 65803	N/A	1,451,000	200,000

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to RPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

This firm is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1992.

ALTERNATIVE I
(Thousands of Dollars)

1 Sum of current closure and post-closure cost estimates
(Total of all cost estimates listed above)
2 Amount of annual aggregate liability coverage to be demonstrated

3 Sum of lines 1 and 2
4 Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)

*5 Tangible Net Worth
*6 Net Worth

*7 Current Assets
*8 Current Liabilities

9 Net Working Capital (Line 7 minus Line 8)
*10 The sum of net income plus depreciation, depletion and amortization

*11 Total assets in U.S. (required only if less than 90% of assets are located in U.S.)

12 Is line 5 at least \$10 million?

13 Is line 5 at least 6 times line 3?

14 Is line 9 at least 6 times line 3?

*15 Are at least 90% of assets located in the U.S.? (If not, complete line 16)

16 Is line 11 at least 6 times line 3?

17 Is line 4 divided by line 6 less than 2.0?

18 Is line 10 divided by line 4 greater than 0.1?

19 Is line 7 divided by line 8 greater than 1.5?

YES	NO
X	
X	
X	
X	
	X
X	
X	
X	
X	

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

March 30, 1993 DATE

John C. Linehan

JOHN C. LINEHAN
VICE PRESIDENT

J.C.L.

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO. SC

March 30, 1993

Arthur Andersen & Co.

Suite 1200
20 Broadway
Oklahoma City OK 73102-8286
405 236 1491

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have audited, in accordance with generally accepted auditing standards, the financial statements of Kerr-McGee Chemical Corporation and subsidiaries (the "Company") for the year ended December 31, 1992, and have issued our report thereon dated March 15, 1993. We have not performed any auditing procedures since that date.

At your request, we have read the letter dated March 30, 1993, from your chief financial officer to the Mississippi Department of Environmental Quality. As required, we have compared the data which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 1992, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data should be adjusted.

This report is furnished solely for the use of the Company and the Mississippi Department of Environmental Quality and is not to be used for any other purpose.

Very truly yours,

Arthur Andersen & Co.

xc: Nick Bock
Gayla DeGuisi
John Getz
Ben Harmon

Attachment

CWT:HI

Clay Trumpolt, P.E.
Staff Environmental Engineer



Sincerely,

If I can answer any further questions, please contact me at 405-270-2529.

As per our telephone conversation of June 26, Kerr-McGee Chemical Corporation's two Mississippi facilities are not covered for financial assurance under a corporate guarantee as per 40 CFR 264.147(g) but rather utilize the financial test as per 40 CFR 264.147(f). Therefore, the requested certifications as specified in your correspondence of June 19 under 40 CFR 264.151(h)(2) do not apply.

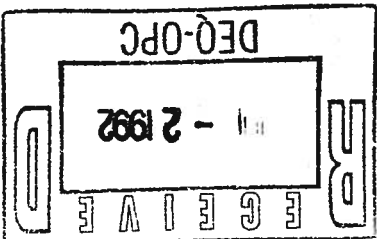
Dear Jerry,

Jerry B. Banks, P.E., Chief
RCRA Section
State of Mississippi
Department of Environmental Quality
Office of Pollution Control
P. O. Box 10385
Jackson, MS 39289-0385

June 29, 1992

ENVIRONMENT AND HEALTH MANAGEMENT DIVISION

KERR-McGEE CORPORATION
KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73126



6-22-92

cc N. Banks
letter to State
due 6-26-92
RCRA Section

Why can you take care of this?

JBB-1:mes

Jerry B. Banks, P.E., Chief
RCRA Section

Sincerely,
Jerry B. Banks

If you have any questions concerning this request, please contact me at (601) 961-5221.

The use of a corporate guarantee to satisfy liability coverage per MHWMR 264.147(g)(2)(1) is a valid mechanism only after the Attorney General of the State in which the facility is located and in which the parent corporation is located issues a certification that the Corporate Guarantee, as described in Mississippi Hazardous Waste Management Regulation (MHWMR) 264.151(h)(2), is a valid and enforceable document in that state. If you are using the corporate guarantee for liability coverage, please provide a copy of the above required certifications by July 17, 1992.

Re: Use of Corporate Guarantee
for Liability Coverage

Dear Sir:

OKLAHOMA CITY, OK 73125

P.O. BOX 25861

NICK E BOCK

KERR-MCGEE CHEMICAL CORP.

MSD081387730

June 19, 1992

STATE OF MISSISSIPPI
DEPARTMENT OF ENVIRONMENTAL QUALITY
JAMES I. PALMER, JR.
EXECUTIVE DIRECTOR



KMCC-Forest Products Division
ENVIRONMENTAL & QUALITY CONTROL

JUN 22 1992

RECEIVED

ENVIRONMENTAL SERVICES

JUN 26 1992

RECEIVED

J. H. Thompson

We plan to resolve the issue within 30 days after you notify us concerning the clarification of the regulations.

(2) "Schedule for correcting the violations"

David Shafer requested clarification of the information to be provided when he spoke with you on April 24, 1992. You advised you will contact the EPA to clarify the regulations pertaining to the alleged violations.

(1) "Actions that have been taken to correct the violations"

I have discussed with David Shafer, Assistant Corporate Controller, your letter dated April 20, 1992 regarding violations concerning our financial assurance letters for our Columbus and Meridian, Mississippi facilities. Per your request we are taking the following action as specified in your letter:

Dear Mr. Ferguson:

Re: Notice of Violation/Letter Dated 4/20/92

Mr. Bruce Ferguson
State of Mississippi
Department of Environmental Quality
Office of Pollution Control
P. O. Box 10385
Jackson, MS 39289-0385

CERTIFIED - RETURN RECEIPT REQUESTED

LAW DEPARTMENT

April 28, 1992

Writer's Direct No. (405) 270-2848

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

KERR-McGEE CORPORATION



RECEIVED
MAY 1 1992
Dept. of Environmental Quality
Office of Pollution Control


Mr. Bruce Ferguson
April 28, 1992
Page 2

(3) "Reasons that you believe the violations did not exist"

The letters submitted by our independent auditors have been the same since 1986 stating that Kerr-McGee Chemical Corporation is a nonpublic entity and therefore not subject to the requirements of FASB Statement No. 14, "Financial Reporting for Segments of a Business Enterprise". No question has been raised concerning this information in prior years.

The remaining information indicates we are well above the minimum requirements of the financial test.

Please contact me at 405/270-2848 as soon as you have spoken with the EPA and advise of any consideration which may be given in this matter.

Sincerely,

Gayla Degusti
Legal Assistant

We request that you respond to these apparent violations within 10 days of receipt of this letter. This response should contain: (1) actions that have been taken to correct the violations, (2) schedule for correcting the violations, or (3) reasons that you believe the violations did not exist. The Office will review this information before determining if further action including a penalty is warranted. Section 17-17-29 of the Mississippi Code Annotated (Sup 1989) allows assessments of penalties not more than \$25,000 per day per violation. Failure to submit this information may result in enforcement action.

- 1) MHWR 264.147(F)(3)(iii)(B) - In comparing the financial officer's letter to the independent auditor's report, no matters came to his attention which caused him to believe that the specified data should be adjusted.
- 2) MHWR 264.147(F)(1)(i)(c) - Assets in the U. S. amounting to either: (1) at least 90 percent of his total assets; or (2) at least six times the amount of liability coverage to be demonstrated by this test.

The Mississippi Office of Pollution Control has received the Financial Test for the above referenced facilities. Review of the submitted documents has revealed the following apparent violations:

Dear Ms. Degusti:

Re: Notice of Violation
Financial Requirements
Kerr-McGee Chemical Corp.
Forest Products Division
Columbus, Mississippi
Meridian, Mississippi

CERTIFIED MAIL NO. P 685 416 707
Ms. Gayla Degusti
Legal Assistant
Kerr-McGee Chemical Corporation
Kerr-McGee Center
Oklahoma City, Oklahoma 73125

April 20, 1992

STATE OF MISSISSIPPI
DEPARTMENT OF ENVIRONMENTAL QUALITY
JAMES I. PALMER, JR.
EXECUTIVE DIRECTOR



FILE COPY

If you have any questions, do not hesitate to contact me at (601) 961-5141.

Sincerely,



Bruce Ferguson
Hazardous Waste Division

Attachments

Legal Assistant
Gayla Degusti
Gayla Degusti

Sincerely,

If you have any questions, please do not hesitate to call me at (405) 270-2848.

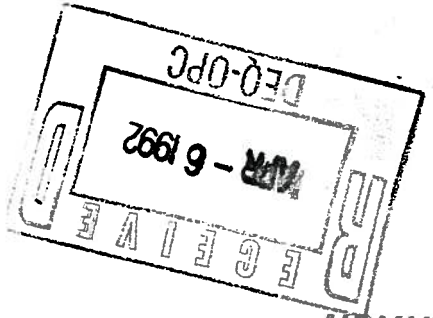
Attached are Kerr-McGee Chemical Corporation's updated financial assurance instruments demonstrating evidence of financial responsibility for the estimated cost of post-closure for the referenced facilities.

Dear Executive Director:

Re: Financial Assurance Requirements
Columbus Facility (MSD 990866329)
Meridian Facility (MSD 081387730)

Executive Director
Mississippi Department of Environmental Quality
P. O. Box 10385
Jackson, Mississippi 39289-0385

March 30, 1992



KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

KERR-MCGEE CHEMICAL CORPORATION



Trace Ferguson

Columbus, MS 39701

607 14th Street, North

Kerr-McGee Chemical Corporation

MSD 990866329

121,000

429,900

N/A

EPA Identification No.,
Name & Address

Cost Estimates
Closure Post-Closure Corrective Action

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: "None" The firm identified above is: (1) The direct or higher-tier parent corporation of the owner or operator.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

I am the chief financial officer of Kerr-McGee Chemical Corporation, of Kerr-McGee Center, Oklahoma City, OK 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

Dear Executive Director:

Executive Director
Mississippi Department of Environmental Quality
P. O. Box 10385
Jackson, Mississippi 39209

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 30, 1992

*Mail Corp 1/19/92
to EPA
MSD*

KERR-MCGEE CHEMICAL CORPORATION



KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

EPA Identification No., _____
 Name & Address _____
 Cost Estimates _____
 Closure Post-Closure Corrective Action _____

MSD 081387730
 Kerr-McGee Chemical Corporation
 Highway 11 South
 P. O. Box 789
 Meridian, MS 39301

N/A 507,000 N/A

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In states where DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA Identification No., _____
 Name & Address _____
 Cost Estimates _____
 Closure Post-Closure Corrective Action _____

NVD 008290330
 Kerr-McGee Chemical Corporation
 P. O. Box 55
 Henderson, NV 89015

N/A 363,800 N/A

MOD 007128978
 Kerr-McGee Chemical Corporation
 P. O. Box 6208
 2300 Oakland
 Kansas City, MO 64126

N/A 1,175,000 N/A

TXD 057111403
 Kerr-McGee Chemical Corporation
 155 Buchanan Rd.
 Texarkana, TX 75501

N/A 985,000 5,557,000

ILD 020367561
 Kerr-McGee Chemical Corporation
 P. O. Box 166
 Madison, IL 62060

N/A 951,000 3,769,000

MOD 007129406
 Kerr-McGee Chemical Corporation
 2800 W. High Street
 Springfield, MO 65803

N/A 1,414,000 195,000

(SEE PAGE 4)

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1991.

This firm is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility: NONE

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE.

ALTERNATIVE I

(Thousands of Dollars)

1. Sum of current closure and post-closure cost estimates \$ 15,468
 (Total of all cost estimates listed above)

2. Amount of annual aggregate liability coverage to be demonstrated \$ 8,000

3. Sum of lines 1 and 2 \$ 23,468

* 4. Total Liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)
 \$215,848

* 5. Tangible Net Worth \$898,449

* 6. Net Worth \$920,935

* 7. Current Assets \$631,387

* 8. Current Liabilities \$ 63,686

9. Net working capital (Line 7 minus line 8) \$567,701

*10. The sum of net income plus depreciation, depletion and amortization \$141,157

*11. Total assets in U. S. (required only if less than 90% of assets are located in the U. S.)
 \$879,440

12. Is line 5 at least \$10 million?
 YES _____ NO _____

13. Is line 5 at least 6 times line 3?
 X _____

14. Is line 9 at least 6 times line 3?
 X _____

*15. Are at least 90% of assets located in the U. S.?
 (If not, complete line 16)
 X _____

16. Is line 11 at least 6 times line 3?
 X _____

17. Is line 4 divided by line 6 less than 2.0? . 234
 X _____

18. Is line 10 divided by line 4 greater than 0.1? . 654
 X _____

19. Is line 7 divided by line 8 greater than 1.5? 9.914
 X _____

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

DATE
 March 30, 1991

John C. Linehan
 Vice President
 0432F

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO. SC

Arthur Andersen & Co.

Suite 1200
20 Broadway
Oklahoma City, OK 73102-8286
405 236 1491

March 30, 1992

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have audited, in accordance with generally accepted auditing standards, the financial statements of Kerr-McGee Chemical Corporation and subsidiaries (the "Company") for the year ended December 31, 1991, and have issued our report thereon dated March 13, 1992. We have not performed any auditing procedures since that date.

At your request, we have read the letter dated March 30, 1992, from your chief financial officer to the Mississippi Department of Environmental Quality. As required, we have compared the data set forth in Items 4 through 8, and 10, which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 1991, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data set forth in Items 4 through 8, and 10 should be adjusted.

Kerr-McGee Chemical Corporation is a nonpublic entity and therefore is not subject to the requirements of FASB Statement No. 14, "Financial Reporting for Segments of a Business Enterprise," and has not voluntarily elected to comply with that pronouncement. Accordingly, we were unable to, and did not, perform the procedure described in the preceding paragraph with respect to Items 11 and 15.

This report is furnished solely for the use of the Company and the Mississippi Department of Environmental Quality and is not to be used for any other purpose.

Very truly yours,

Arthur Andersen & Co.



STATE OF MISSISSIPPI

DEPARTMENT OF ENVIRONMENTAL QUALITY

JAMES I. PALMER, JR.
EXECUTIVE DIRECTOR

MEMORANDUM

TO: Hazardous Waste TSD Facilities

FROM: HEDQ/OEC-Hazardous Waste Division

RE: Annual Closure/Post-Closure Cost Estimate Updates

DATE: February 28, 1992

Mississippi Hazardous Waste Management Regulations (HWMR) Parts 264 and 265, Subpart H require owners and operators of hazardous waste management facilities to annually update closure and/or post-closure cost estimates for inflation.

The inflation factor for 1991 was 1.036. Therefore, if your current cost estimate is \$17,500, the adjusted cost will be $(\$17,500) \times (1.036) = \$18,130$.

If the updated costs exceed the amount provided by your financial assurance mechanism, the mechanism must be updated as follows:

A. Facilities that use the Financial Test must resubmit financial information incorporating the closure/post-closure cost estimate update within ninety (90) days after the end of their fiscal year!

B. Facilities that use the Trust Fund must update Schedule A of the Trust Fund within sixty (60) days after the change in the current cost estimate covered by the agreement. Annual payments into the Trust Fund must be made no later than thirty (30) days after the anniversary date of the mechanism!

C. Facilities that use the Surety Bond must either increase the penal sum of the bond and submit evidence of such increase to our office or obtain alternate financial assurance within sixty (60) days after computing the increase in costs!

D. Facilities that use the Letter of Credit must either cause the amount of the credit to be increased so that it at least equals the current closure/post-closure cost estimate and submit evidence of such increase to our office or obtain other financial assurance within sixty (60) days after computing the increase; or

E. Facilities that use Closure Insurance must either cause the face amount of the insurance to be increased to the current cost estimate and submit evidence to our office or obtain other financial assurance within (60) days after computing the increase.

If you have any questions, please call us at (601) 961-5171.

Bruce Ferguson

BRUCE FERGUSON

HAZARDOUS WASTE DIVISION



4298C

cc: J. Getz
J. Poor
C. Trumpolt

NB:wpc

REVIEWED BY *JH*
DATE
COMMENTS *OK*
Maild copy to EPA

KERR-MCGEE CHEMICAL CORPORATION
FOREST PRODUCTS DIVISION
Nick Bock
Nick Bock
Staff Environmental Specialist

Sincerely,

If you have any questions regarding cost estimates, or the facility's Waste Management Program, please telephone me at 405-270-3294.

Annually, by March 31st of each year, KMCC-FPD provides annual cost inflator adjustments for post-closure care. KMCC-FPD on April 12, 1990 provided a revised cost estimate of \$372,400 for the post-closure care period. KMCC-FPD will, after adjusting with the inflator, submit the post-closure care and corrective action cost estimates contained in the attached table on March 31, 1991, along with the financial responsibility document to the Executive Director as provided by permit No. HM-90-329-01.

Table 1 is attached and estimates the cost of operation, maintenance, inspection, and administration of the corrective action system for our Columbus, Mississippi facility. KMCC-FPD has estimated the corrective action system will be in operation for ten years at a cost of \$117,000.00.

Annualy, by March 31st of each year, KMCC-FPD provides annual cost inflator adjustments for post-closure care. KMCC-FPD on April 12, 1990 provided a revised cost estimate of \$372,400 for the post-closure care period. KMCC-FPD will, after adjusting with the inflator, submit the post-closure care and corrective action cost estimates contained in the attached table on March 31, 1991, along with the financial responsibility document to the Executive Director as provided by permit No. HM-90-329-01.

Dear Mr. Spengler:

Re: Kerr-McGee Chemical Corporation
Forest Products Division
Columbus, Mississippi Facility
Permit No.: HM-90-329-01

Mr. Steve Spengler
RCRA TDS Coordinator
Mississippi Bureau of Pollution Control
P. O. Box 10385
Jackson, MS 39289-0385

March 6, 1991

KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125



KERR-MCGEE CHEMICAL CORPORATION

RECEIVED
MAR 11 1991
Dept. of Environmental Quality
Bureau of Pollution Control

TABLE 1
 Corrective Action Cost Estimate
 Kerr-McGee Chemical Corporation
 Forest Products Division
 Columbus, Mississippi
 40 CFR 264.101(c)

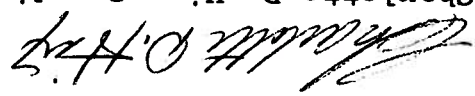
Item	Annual Cost
<u>Inspections</u>	
a) System Inspection: 24 hours/month, 12 months/year, \$7.50 hour	\$ 2,160.00
<u>Maintenance</u>	
a) Routine maintenance: including pump, recovery well and pump house: 2 hours/week, 100 hrs/year, \$10/hour	\$ 1,000.00
Replacement parts per year	\$ 1,000.00
b) Emergency	\$ 1,000.00
<u>Utilities</u>	
a) Electricity: \$20/month, 12 months/year	\$ 240.00
b) POTW user fee: None	
c) Water treatment: 400,000 gal/month, 12/months/year, \$.80/1000 gal	\$ 3,840.00
<u>Administration</u>	
a) Recordkeeping: 2 hour/month, 12 month/year, \$20/hour	\$ 480.00
b) Semi-Annual Report: 20 hours/report, 2 reports/year, \$25/hour	\$ 2,000.00
Annual Cost Estimate - Total	\$ 11,700.00
10 Year Cost Estimate	\$117,000.00

RECEIVED BY: JH
 DATE: 4-4-91
 COMMENTS: O.K.
Mild copy to EPA

DEPARTMENT OF SOLID WASTE

cdh/hs
Attachments

Charlotte D. Hix, Coordinator
 RISK MANAGEMENT DEPARTMENT



Very truly yours,

I trust you will find the attachments in order, however, should you have any questions please contact me at (405) 270-3138.

Attached are Kerr-McGee Chemical Corporation's updated financial assurance instruments demonstrating evidence of financial responsibility for the estimated cost of post-closure for the above referenced facilities.

Dear Executive Director:

RE: Financial Assurance Requirements
 Columbus Facility (MSD 990866329)
 Meridian Facility (MSD 081387730)

Executive Director
 Mississippi Department of Environmental Quality
 P. O. Box 10385
 Jackson, Mississippi 39209

March 29, 1991

DEPARTMENT OF
 ENVIRONMENTAL QUALITY

APR - 4 1991

RECEIVED

KERR-McGEE CHEMICAL CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125



\$415,000 N/A \$117,000

MSD 990866329
Kerr-McGee Chemical Corporation
607 14th Street, North
Columbus, MS 39701

Cost Estimates
Closure Post-Closure Corrective Action

EPA Identification No.
Name & Address

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:


The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: "None" The firm identified above is: (1) The direct or higher-tier parent corporation of the owner or operator.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage and post closure care as specified in Subpart H of the Mississippi use of the financial test to demonstrate financial responsibility for liability Kerr-McGee Center, Oklahoma City, OK 73125. This letter is in support of the I am the chief financial officer of Kerr-McGee Chemical Corporation, of

Dear Executive Director:

Executive Director
Mississippi Department of Environmental Quality
P. O. Box 10385
Jackson, Mississippi 39209

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

 **KERR-McGEE CHEMICAL CORPORATION**
KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125
March 27, 1991

EPA Identification No.,
Name & Address

Closure Post-Closure Corrective Action
Cost Estimates

MSD 081387730
Kerr-McGee Chemical Corporation
Highway 11 South
P. O. Box 789
Meridian, MS 39301

N/A \$489,000 N/A

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In states where DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA Identification No.,
Name & Address

Closure Post-Closure Corrective Action
Cost Estimates

NVD 008290330
Kerr-McGee Chemical Corporation
P. O. Box 55
Henderson, NV 89015
N/A \$ 341,016 N/A

MOD 007128978
Kerr-McGee Chemical Corporation
P. O. Box 6208
2300 Oakland
Kansas City, MO 64126
\$1,134,600 N/A

TXD 057111403
Kerr-McGee Chemical Corporation
155 Buchanan Rd.
Texarkana, TX 75501
\$4,195,400 \$ 858,000 \$5,364,400

ILD 020367561
Kerr-McGee Chemical Corporation
P. O. Box 166
Madison, IL 62060
\$3,638,000 \$ 918,000

MOD 007129406
Kerr-McGee Chemical Corporation
2800 W. High Street
Springfield, MO 65803
\$1,364,600 N/A \$ 188,000

(SEE PAGE 4)

This firm is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year. The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1990.

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility: NONE

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE.

John C. Linehan

[Signature]

DATE

March 27, 1991

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

19.	Is line 7 divided by line 8 greater than 1.5?	X	
18.	Is line 10 divided by line 4 greater than 0.1?	X	
17.	Is line 4 divided by line 6 less than 2.0?	X	
16.	Is line 11 at least 6 times line 3?	X	
*15.	Are at least 90% of assets located in the U. S.? (If not, complete line 16)	X	
14.	Is line 9 at least 6 times line 3?	X	
13.	Is line 5 at least 6 times line 3?	X	
12.	Is line 5 at least \$10 million?	X	
		YES	NO
*11.	Total assets in U. S. (required only if less than 90% of assets are located in the U. S.)		\$ 996,898
*10.	The sum of net income plus depreciation, depletion and amortization		\$ 118,717
9.	Net working capital (Line 7 minus line 8)		\$ 548,640
* 8.	Current Liabilities		\$ 115,918
* 7.	Current Assets		\$ 664,558
* 6.	Net Worth		\$ 825,510
* 5.	Tangible Net Worth		\$ 810,786
* 4.	Total Liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)		\$ 285,262
3.	Sum of lines 1 and 2		\$ 27,023
2.	Amount of annual aggregate liability coverage to be demonstrated		\$ 8,000
1.	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above)		\$ 19,023

(Thousands of Dollars)

ALTERNATIVE I

ARTHUR ANDERSEN & CO.

20 BROADWAY, SUITE 1200
OKLAHOMA CITY, OKLAHOMA 73102
(405) 236-1491

March 27, 1991

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have audited, in accordance with generally accepted auditing standards, the financial statements of Kerr-McGee Chemical Corporation and subsidiaries (the "Company") for the year ended December 31, 1990, and have issued our report thereon dated March 19, 1991. We have not performed any auditing procedures since that date.

At your request, we have read the letter dated March 27, 1991, from your chief financial officer to the Mississippi Department of Environmental Quality. As required, we have compared the data set forth in Items 4 through 8, and 10, which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 1990, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data set forth in Items 4 through 8, and 10 should be adjusted.

Kerr-McGee Chemical Corporation is a nonpublic entity and therefore is not subject to the requirements of FASB Statement No. 14, "Financial Reporting for Segments of a Business Enterprise," and has not voluntarily elected to comply with that pronouncement. Accordingly, we were unable to, and did not, perform the procedure described in the preceding paragraph with respect to Items 11 and 15.

This report is furnished solely for the use of the Company and the Mississippi Department of Environmental Quality and is not to be used for any other purpose.

Very truly yours,

Arthur Andersen & Co.



STATE OF MISSISSIPPI
DEPARTMENT OF ENVIRONMENTAL QUALITY
RAY MABUS
GOVERNOR

MEMORANDUM

TO: Hazardous Waste TSD Facilities
FROM: MDEQ/OPC-Hazardous Waste Division
RE: Annual-Closure/Post-Closure Cost Estimate Updates
DATE: February 5, 1991

Mississippi Hazardous Waste Management Regulations (MHWMR) Parts 264 and 265, Subpart H require owners and operators of hazardous waste management facilities to annually update closure and/or post-closure cost estimates for inflation.

The inflation factor for 1990 is 1.041. Therefore, if your current cost estimate is \$17,500, the adjusted cost will be (\$17,500) X (1.041) = \$18,217.50.

If the updated costs exceed the amount provided by your financial assurance mechanism, the mechanism must be updated as follows:

- A. Facilities that use the Financial Test must resubmit financial information incorporating the closure/post-closure cost estimate update within ninety (90) days after the end of their fiscal year;
- B. Facilities that use the Trust Fund must update Schedule A of the Trust Fund within sixty (60) days after the change in the current cost estimate covered by the agreement. Annual payments into the Trust Fund must be made no later than thirty (30) days after the anniversary date of the mechanism;
- C. Facilities that use the Surety Bond must either increase the penal sum of the bond and submit evidence of such increase to our office or obtain alternate financial assurance within sixty (60) days after computing the increase in costs;
- D. Facilities that use the Letter of Credit must either cause the amount of the credit to be increased so that it at least equals the current closure/post-closure cost estimate and submit evidence of such increase to our office or obtain other financial assurance within sixty (60) days after computing the increase; or
- E. Facilities that use Closure Insurance must either cause the face amount of the insurance to be increased to the current cost estimate and submit evidence to our office or obtain other financial assurance within (60) days after computing the increase.

If you have any questions, please call us at (601) 961-5171.

Martin T. Kelly
1/2/91

(405) 270-3138

WASTE
-11
5-29
KERR-MCGEE
438A

PS: You already have Kerr-McGee Chemical Corporation's audited financial statement and auditor's statement as these were included with the initial submission.

Charlotte D. Hix, Coordinator
RISK MANAGEMENT DEPARTMENT

Very truly yours,

Should you have any questions concerning attachments, please contact me at the telephone number shown below.

Please accept our apology for any inconvenience caused by issuance of the amended financial test.

The financial test has been amended to correct the estimated cost of closure and/or post closure care and to correct the form to correspond with the form published in 40 CFR 264.151g.

Attached is the amended financial test which demonstrates financial assurance for liability and/or closure and post-closure care as specified under Subpart H of 40 CFR Parts 264 and 265.

Gentlemen:

Executive Director
Mississippi Department of Environmental Quality
P. O. Box 10385
Jackson, Mississippi 39209

DEPARTMENT OF ENVIRONMENTAL QUALITY

MAY 21 1990

RECEIVED

May 10, 1990

KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

KERR-MCGEE CHEMICAL CORPORATION



SAV

DIVISION OF SOLID WASTE
 REVIEWED BY JH
 DATE 3-1-90
 COMMENTS Requested change
to remove DEC model 1 BWR
model copy to EPA

SEE PAGE TWO

The owner or operator identified above guarantees through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following subsidiaries of the firm: None"

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

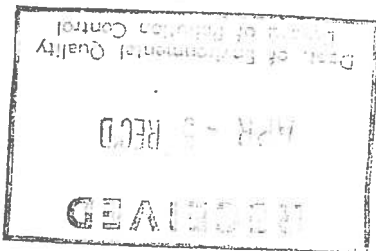
I am the Chief Financial Officer of Kerr-McGee Chemical Corporation of Kerr-McGee Center, Oklahoma City, OK 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

Dear Executive Director:

Attention:

Executive Director
 Mississippi Department of Natural Resources
 P. O. Box 10385
 Jackson, Mississippi 39209

CERTIFIED MAIL - RETURN RECEIPT REQUESTED



March 30, 1990

KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

KERR-MCGEE CHEMICAL CORPORATION



1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA Identification No.	Name & Address	Closure	Post-Closure	Corrective Action	Cost Estimates
------------------------	----------------	---------	--------------	-------------------	----------------

MSD 990866329	Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701	N/A	\$749,600	N/A	
---------------	---	-----	-----------	-----	--

MSD 081387730	Kerr-McGee Chemical Corporation Highway 11 South P. O. Box 789 Meridian, MS 39301	N/A	\$749,600	N/A	
---------------	--	-----	-----------	-----	--

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure or post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA Identification No.	Name & Address	Closure	Post-Closure	Corrective Action	Cost Estimates
------------------------	----------------	---------	--------------	-------------------	----------------

NVD 008290330	Kerr-McGee Chemical Corporation P. O. Box 55 Henderson, NV 89015	N/A	\$ 327,900	N/A	
---------------	--	-----	------------	-----	--

MOD 007128978	Kerr-McGee Chemical Corporation P. O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	1,080,000	N/A	
---------------	--	-----	-----------	-----	--

Closure Post-Closure Corrective Action

TXD 057111403	Kerr-McGee Chemical Corporation	\$3,995,000	\$ 904,800	\$5,108,000	
155 Buchanan Rd. Texarkana, TX 75501					
ILD 020367561	Kerr-McGee Chemical Corporation	3,464,000	2,633,500	N/A	
P. O. Box 166 Madison, IL 62060					
MOD 007129406	Kerr-McGee Chemical Corporation	N/A	1,312,100	188,000	
2800 W. High Street Springfield, MO 65803					

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE.

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	TOTAL ESTIMATED COST OF PLUGGING & ABANDONMENT
------------------------	----------------	--

Kerr-McGee Chemical Corporation
Generator #CAD 048456941
Permit No. CAS 000000082
Trona, CA

\$516,000

This owner or operator is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1989.

(SEE PAGE 4)

ALTERNATIVE I

(Thousands of Dollars)

1. Sum of current closure and post-closure cost estimates \$ 21,029
 (Total of all cost estimates listed above)

2. Amount of annual aggregate liability coverage to be demonstrated \$ 8,000

3. Sum of lines 1 and 2 \$ 29,029

4. Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)

* 5. Tangible Net Worth \$ 754,344

* 6. Net Worth \$ 763,781

* 7. Current Assets \$ 433,426

* 8. Current Liabilities \$ 58,158

9. Net working capital (Line 7 minus line 8) \$ 375,268

* 10. The sum of net income plus depreciation, depletion and amortization \$ 152,439

* 11. Total assets in U. S. (required only if less than 90% of assets are located in the U. S.) \$ 887,231

YES _____
 NO _____

12. Is line 5 at least \$10 million? _____ X

13. Is line 5 at least 6 times line 3? _____ X

14. Is line 9 at least 6 times line 3? _____ X

* 15. Are at least 90% of assets located in the U. S.?
 (If not, complete line 16) _____ X

16. Is line 11 at least 6 times line 3? _____ X

17. Is line 4 divided by line 6 less than 2.0? _____ X

18. Is line 10 divided by line 4 greater than 0.1? _____ X

19. Is line 7 divided by line 8 greater than 1.5? _____ X

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

John C. Linehan
 John C. Linehan
 Vice President

0432F

DATE
 March 30, 1990

AS AMENDED 05-10-1990

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

KERR-MCGEE CHEMICAL CORPORATION



KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

March 30, 1990

Executive Director
Mississippi Department of Environmental Quality
P. O. Box 10385
Jackson, Mississippi 39209

Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical Corporation, of Kerr-McGee Center, Oklahoma City, OK 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: "None" The firm identified above is: (1) The direct or higher-tier parent corporation of the owner or operator.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

<u>EPA Identification No.</u>	<u>Name & Address</u>	<u>Closure</u>	<u>Post-Closure</u>	<u>Corrective Action</u>
MSD 990866329	Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701	N/A	\$ 757,000	N/A

Cost Estimates

KERR-MCGEE CHEMICAL CORPORATION



KERR-MCGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

March 30, 1990

Executive Director
Mississippi Department of Environmental Quality
P. O. Box 10385
Jackson, Mississippi 39209

Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical Corporation, of Kerr-McGee Center, Oklahoma City, OK 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: "None" The firm identified above is: (1) The direct or higher-tier parent corporation of the owner or operator.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

<u>EPA Identification No.</u>	<u>Name & Address</u>	<u>Closure</u>	<u>Post-Closure</u>	<u>Corrective Action</u>
MSD 990866329	Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701	N/A	\$ 757,000	N/A

Cost Estimates

EPA Identification No.	Name & Address	Closure	Post-Closure	Corrective Action	Cost Estimates
------------------------	----------------	---------	--------------	-------------------	----------------

MSD 08138730	Kerr-McGee Chemical Corporation Highway 11 South P. O. Box 789 Meridian, MS 39301	N/A	\$ 757,000	N/A	
--------------	--	-----	------------	-----	--

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In states where DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA Identification No.	Name & Address	Closure	Post-Closure	Corrective Action	Cost Estimates
------------------------	----------------	---------	--------------	-------------------	----------------

NVD 008290330	Kerr-McGee Chemical Corporation P. O. Box 55 Henderson, NV 89015	N/A	\$ 331,000	N/A	
---------------	--	-----	------------	-----	--

MOD 007128978	Kerr-McGee Chemical Corporation P. O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	\$1,091,000	N/A	
---------------	--	-----	-------------	-----	--

TXD 057111403	Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501	\$4,034,000	\$ 914,000	\$5,158,000	
---------------	--	-------------	------------	-------------	--

ILD 020367561	Kerr-McGee Chemical Corporation P. O. Box 166 Madison, IL 62060	\$3,498,000	\$2,659,000	N/A	
---------------	---	-------------	-------------	-----	--

MOD 007129406	Kerr-McGee Chemical Corporation 2800 W. High Street Springfield, MO 65803	N/A	\$1,312,100	\$ 188,000	
---------------	---	-----	-------------	------------	--

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE.

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility:

EPA IDENTIFICATION NO. _____
Name & Address _____

Kerr-McGee Chemical Corporation
Generator #CAD 048456941
Permit No. CAS 000000082
Trona, CA

\$516,000

TOTAL
ESTIMATED COST OF
PLUGGING & ABANDONMENT

This firm is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1989.

(SEE PAGE 4)

ALTERNATIVE I

(Thousands of Dollars)

1.	Sum of current closure and post-closure cost estimates	\$ 21,215
	(Total of all cost estimates listed above)	
2.	Amount of annual aggregate liability coverage to be demonstrated	\$ 8,000
3.	Sum of lines 1 and 2	\$ 29,215
4.	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$ 222,840
5.	Tangible Net Worth	\$ 754,344
6.	Net Worth	\$ 763,781
7.	Current Assets	\$ 433,426
8.	Current liabilities	\$ 58,158
9.	Net working capital (Line 7 minus line 8)	\$ 375,268
10.	The sum of net income plus depreciation, depletion and amortization	\$ 152,439
*11.	Total assets in U. S. (required only if less than 90% of assets are located in the U. S.)	\$ 887,231

	YES	NO
12.	Is line 5 at least \$10 million?	X
13.	Is line 5 at least 6 times line 3?	X
14.	Is line 9 at least 6 times line 3?	X
*15.	Are at least 90% of assets located in the U. S.? (If not, complete line 16)	X
16.	Is line 11 at least 6 times line 3?	X
17.	Is line 4 divided by line 6 less than 2.0?	X .291
18.	Is line 10 divided by line 4 greater than 0.1?	X .681
19.	Is line 7 divided by line 8 greater than 1.5?	X 7.453

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

John C. Linehan
 John C. Linehan
 Vice President
 0432F

DATE
 March 30, 1990

Arthur Andersen & Co.

Very truly yours,

This report is furnished solely for the use of the Company and the Mississippi Department of Natural Resources and is not to be used for any other purpose.

Kerr-McGee Chemical Corporation is a nonpublic entity and therefore is not subject to the requirements of FASB Statement No. 14, "Financial Reporting for Segments of a Business Enterprise," and has not voluntarily elected to comply with that pronouncement. Accordingly, we were unable to, and did not, perform the procedure described in the preceding paragraph with respect to Items 11 and 15.

At your request, we have read the letter dated March 30, 1990, from your chief financial officer to the Mississippi Department of Natural Resources. As required, we have compared the data set forth in Items 4 through 8, and 10, which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 1989, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data set forth in Items 4 through 8, and 10 should be adjusted.

We have audited, in accordance with generally accepted auditing standards, the financial statements of Kerr-McGee Chemical Corporation and subsidiaries (the "Company") for the year ended December 31, 1989, and have issued our report thereon dated March 16, 1990. We have not performed any auditing procedures since that date.

Dear Sirs:

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

March 30, 1990

20 BROADWAY, SUITE 1200
OKLAHOMA CITY, OKLAHOMA 73102
(405) 236-1491

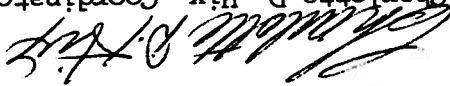
ARTHUR ANDERSEN & CO.

DIVISION OF SOLID WASTE
 REVIEWED BY IH
 DATE 4-5-89
 COMMENTS ok

cc: Jeffrey H. Bull

Attachments

Im

Charlotte D. Hix, Coordinator
 RISK MANAGEMENT DEPARTMENT


Very truly yours,

We trust you will find the attachments in order, however, should you have
 any questions please contact me at (405)270-3138.

Attached are Kerr-McGee Chemical Corporation's updated financial
 instruments, which demonstrate evidence of financial responsibility for
 liability and for the estimated post-closure costs at the above referenced
 locations.

Dear Executive Director:

RE: Financial Assurance Requirements
 Columbus Facility
 MSD 990866329
 Meridian Facility
 MSD 081387730

Executive Director
 Mississippi Department of Natural Resources
 P. O. Box 10385
 Jackson, Mississippi 39209

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

RECEIVED
 APR - 4 1989
 Dept. of Natural Resources
 Bureau of Pollution Control

March 30, 1989


KERR-McGEE CHEMICAL CORPORATION
 KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

The owner or operator identified above guarantees through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following subsidiaries of the firm: "None"

MSD 08138730
Kerr-McGee Chemical Corporation
Highway 11 South
P.O. Box 789
Meridian, MS 39301

"EPA Identification No.
Name and Address

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265:

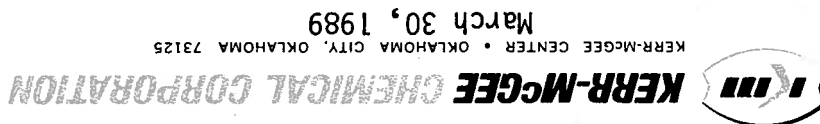
I am the Chief Financial Officer of Kerr-McGee Chemical Corporation of Kerr-McGee Center, Oklahoma City, OK 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

Dear Executive Director:

Attention:

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

CERTIFIED MAIL - RETURN RECEIPT REQUESTED



1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA Identification No.	Name & Address	Closure	Post-Closure	Corrective Action	Cost Estimates
MSD 990866329	Kerr-McGee Chemical Corporation 607 14th Street, North Columbus, MS 39701	N/A	\$ 727,800	N/A	
MSD 081387730	Kerr-McGee Chemical Corporation Highway 11 South P. O. Box 789 Meridian, MS 39301	N/A	\$ 727,800	N/A	

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure or post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA Identification No.	Name & Address	Closure	Post-Closure	Corrective Action	Cost Estimates
NVD 008290330	Kerr-McGee Chemical Corporation P. O. Box 55 Henderson, NV 89015	N/A	\$ 318,300	N/A	
MOD 007128978	Kerr-McGee Chemical Corporation P. O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	\$1,048,800	N/A	

Closure Post-Closure Corrective Action

ID	Company Name	Closure Cost	Post-Closure Cost	Corrective Action
TXD 057111403	Kerr-McGee Chemical Corporation 155 Buchanan Rd. Texarkana, TX 75501	\$3,878,700	\$ 878,400	\$ 4,959,700
ILD 020367561	Kerr-McGee Chemical Corporation P. O. Box 166 Madison, IL 62060	\$3,363,050	\$2,556,800	N/A
MOD 007129406	Kerr-McGee Chemical Corporation 2800 W. High Street Springfield, MO 65803	\$ 710,800	\$1,010,000	N/A

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE.

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility:

EPA IDENTIFICATION NO. Name & Address
 TOTAL ESTIMATED COST OF PLUGGING & ABANDONMENT

\$176,000

Kerr-McGee Chemical Corporation
 Generator #CAD 048456941
 Permit No. CAS 000000082
 Trona, CA

This owner or operator is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.
 The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1988.

(SEE PAGE 4)

ALTERNATIVE I

(Thousands of Dollars)

1.	Sum of current closure and post-closure cost estimates	\$ 20,356
	(Total of all cost estimates listed above)	
2.	Amount of annual aggregate liability coverage to be demonstrated	\$ 8,000
3.	Sum of lines 1 and 2	\$ 28,356
4.	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$ 208,191
5.	Tangible Net Worth	\$ 660,485
6.	Net Worth	\$ 662,286
7.	Current Assets	\$ 405,631
8.	Current liabilities	\$ 79,612
9.	Net working capital (Line 7 minus line 8)	\$ 326,019
10.	The sum of net income plus depreciation, depletion and amortization	\$ 131,690
11.	Total assets in U. S. (required only if less than 90% of assets are located in the U. S.)	\$ N/A

	YES	NO
12. Is line 5 at least \$10 million?	X	
13. Is line 5 at least 6 times line 3?	X	
14. Is line 9 at least 6 times line 3?	X	
15. Are at least 90% of assets located in the U. S.? (If not, complete line 16)	X	
16. Is line 11 at least 6 times line 3?	N/A	
17. Is line 4 divided by line 6 less than 2.0?	X	
18. Is line 10 divided by line 4 greater than 0.1?	X	
19. Is line 7 divided by line 8 greater than 1.5?	X	

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

DATE
March 30, 1989

John C. Linehan
Vice President &
Chief Financial Officer

ARTHUR ANDERSEN & CO.

20 BROADWAY, SUITE 1200

OKLAHOMA CITY, OKLAHOMA 73102

(405) 236-1491

March 30, 1989

Kerr-McGee Chemical Corporation
Kerr-McGee Center
Post Office Box 25861
Oklahoma City, Oklahoma 73125

Dear Sirs:

We have audited, in accordance with generally accepted auditing standards, the financial statements of Kerr-McGee Chemical Corporation and subsidiaries (the "Company") for the year ended December 31, 1988, and have issued our report thereon dated March 17, 1989. We have not performed any auditing procedures since that date.

At your request, we have read the letter dated March 30, 1989, from your chief financial officer to the Mississippi Department of Natural Resources. As required, we have compared the data set forth in Items 4 through 8, and 10, which the letter from the chief financial officer specifies as having been derived from the independently audited financial statements for the year ended December 31, 1988, referred to above, with the corresponding amounts in such financial statements. In connection with this procedure, no matters came to our attention which caused us to believe that the specified data set forth in Items 4 through 8, and 10 should be adjusted.

Kerr-McGee Chemical Corporation is a nonpublic entity and therefore is not subject to the requirements of SASB Statement No. 14, "Financial Reporting for Segments of a Business Enterprise," and has not voluntarily elected to comply with that pronouncement. Accordingly, we were unable to, and did not, perform the procedure described in the preceding paragraph with respect to Items 11 and 15.

This report is furnished solely for the use of the Company and the Mississippi Department of Natural Resources and is not to be used for any other purpose.

Very truly yours,

Arthur Andersen & Co.

THIS COPY

cc: Mr. D. C. Gaskin, Environmental Affairs, Kerr-McGee
Mr. Charlotte D. Hix, Risk Management & Claims Department, K-M.

DG:rcj

Donald G. McGraw, R.E.
Hazardous Waste Section

Sincerely,

Should you have any questions, please contact me or John Lister at (601) 961-5171.

Keep in mind the same situation may occur at the Meridian facility. Also, the fiscal year is near an end and a new financial year will be due the first of March, 1987.

Post Closure Financial Assurance for post-closure is needed, now that post-closure is required and as specified in KRM 265.118, it must be provided within 90 days of Kerr-McGee's determination that post-closure is required. This coincides with the January 7, 1987, submittal date of the Part B since it is also a part of the Part B. Please make the necessary changes to Mr. Hamrick's letter of March 31, 1986, to identify Post-Closure Care, and omitting closure cost for the Columbus facility. The existing letter from Arthur Anderson & Company, dated March 31, 1986 and the Kerr-McGee Chemical Corporation consolidated financial statement as of December 31, 1985 and 1984 need not be revised at this time.

We also concur with the closure certification letter that closure was performed according to the approved closure plan. Therefore, Liability Insurance Coverage is no longer needed at this facility.

The Bureau has reviewed Kerr-McGee's Closure Report and concurs that a post-closure Part B permit is required.

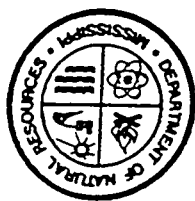
Re: Liability Requirements
KRM 265.147 (*)
Columbus facility
MSD 990866329

Dear Mr. Bull:

Mr. Jeffrey Bull, Manager
Environmental Affairs
Kerr-McGee Chemical Corporation
Kerr-McGee Center
Oklahoma City, Oklahoma 73125

RECEIVED
DEC 1 - 1986
Risk Management & Claims

November 26, 1986



MISSISSIPPI DEPARTMENT OF NATURAL RESOURCES
Bureau of Pollution Control
P. O. Box 10385
Jackson, Mississippi 39209
(601) 961-5171



THIS COPY #

cc: Mr. P. C. Gaskin, Environmental Affairs, Kerr-McGee
Ms. Charlotte D. Hix, Risk Management & Claims Department, K-M.

DGM:cl

Donald R. McGraw, R.E.
Hazardous Waste Section

Sincerely,

Should you have any questions, please contact me or John Lister at (601) 961-5171.

Keep in mind the same situation may occur at the Meridian facility. Also, the fiscal year is near an end and a new financial test will be due the first of March, 1987.

Post Closure Financial Assurance for post-closure is needed, now that post-closure is required and as specified in FHWHR 265.112, it must be provided within 90 days of Kerr-McGee's determination that post-closure is required. This coincides with the January 7, 1987, submittal date of the Part B since it is also a part of the Part B. Please make the necessary changes to Mr. Hamrick's letter of March 31, 1986, to identify Post-Closure Care, and omitting closure cost for the Columbus facility. The existing letter from Arthur Anderson & Company, dated March 31, 1986 and the Kerr-McGee Chemical Corporation consolidated financial statement as of December 31, 1985 and 1984 need not be revised at this time.

We also concur with the closure certification letter that closure was performed according to the approved closure plan. Therefore, Liability Insurance Coverage is no longer needed at this facility.

The Bureau has reviewed Kerr-McGee's Closure Report and concurs that a post-closure Part B permit is required.

Re: Liability Requirements
NHWHR 265.147 (e)
Columbus Facility
MSD 990866329

Dear Mr. Bull:

Mr. Jeffrey Bull, Manager
Environmental Affairs
Kerr-McGee Chemical Corporation
Kerr-McGee Center
Oklahoma City, Oklahoma 73125

RECEIVED
DEC 1 - 1986
Risk Management & Claims Department

November 26, 1986



MISSISSIPPI DEPARTMENT OF NATURAL RESOURCES
Bureau of Pollution Control
P. O. Box 10385
Jackson, Mississippi 39209
(601) 961-5171



attachments

Mary Mikkelson, Senior Vice President &
Chief Financial Officer



Sincerely,

Attached are Tronox LLC's (formerly Kerr-McGee Chemical LLC) updated financial assurance instruments evidencing financial assurance for the referenced facilities. If you have any questions, please do not hesitate to call me at 405-775-5498.

Dear Mr. Lee:

Re: Financial Assurance
MSD 990866329/Columbus, MS
MSD 081387730/Meridian, MS
MDEQ Order No. 459903/Hattiesburg, MS

Mr. David Lee
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
2380 Hwy. 80 West
Jackson, Mississippi 39204

FEDERAL EXPRESS

March 30, 2007

Mary Mikkelson
Senior Vice President and
Chief Financial Officer

405-775-5498
Fax 405-775-5153
Mary.Mikkelson@tronox.com

DEPT OF ENVIRONMENTAL QUALITY
REC'D
APR - 1 2007





March 30, 2007

FEDERAL EXPRESS

Executive Director
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

2380 Hwy. 80 West
Jackson, Mississippi 39204

Dear Executive Director:

I am the chief financial officer of Tronox LLC (formerly Kerr-McGee Chemical LLC), One Leadership Square, Suite 300, 211 N. Robinson Ave, Oklahoma City, Oklahoma 73102. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
MSD 990866329	Tronox LLC 607 14th Street, North Columbus, MS 39701	N/A	\$161,771	\$714,250
MSD 081387730	Tronox LLC Hwy 11 South P.O. Box 789 Meridian, MS 39301	N/A	308,899	291,006

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
MSDEQ Order #459903	Tronex LLC Intersection of Pine and Corrine Hattiesburg, MS	N/A	N/A	546,208

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
NVD 008290330	Tronex LLC P.O.Box 55 Henderson, NV 89015 Region IX	N/A	\$469,177	N/A
MOD 007128978	Tronex LLC P.O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	1,994,815	N/A
ILD 020367561	Tronex LLC P.O. Box 166 Madison, IL 62060	N/A	603,880	N/A

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

IDD 041310707	N/A	1,000,000	N/A	Tronox LLC P.O.Box 478 Soda Springs, ID 83276 (CERCLA)
MOD 007129408	N/A	1,593,697	N/A	Tronox LLC 2800 W. High Street Springfield, MO 65803
TXD 057111403	N/A	992,895	N/A	Tronox LLC 155 Buchanan Rd Texarkana, TX 75501 Texas Reg. #31002
SCD 987591815	N/A	3,500,000	N/A	Tronox LLC 7746 Hwy 17 S. Jericho, SC
Case #91-C-1396\92-C-6	N/A	7,500,000	N/A	Moss American Superfund Site 107 th St. & Brown Deer Road Milwaukee, WI
CERCLA #10-200-3-0011	N/A	2,500,000	N/A	CERCLA #10-200-3-0011 White King/Lucky Lass Site Fremont National Forest Lakeview, OR
CERCLA 04-2006-3772	N/A	504,194	N/A	Navassa Site Brunswick County, North Carolina

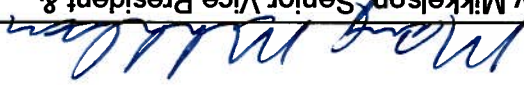
This firm is not required to file a Form 10K with the Securities and Exchange Commission for the latest fiscal year.

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 2006.

ALTERNATIVE I		(Thousands of Dollars)	
1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)	\$ 24,881	
2	Amount of annual aggregate liability coverage to be demonstrated	\$ 8,000	
3	Sum of lines 1 and 2	\$ 32,881	
* 4	Total liabilities (if any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$ 717,243	
* 5	Tangible Net Worth	\$ 366,484	
* 6	Net Worth	\$ 394,644	
* 7	Current Assets	\$ 483,636	
* 8	Current Liabilities	\$ 224,007	
* 9	Net Working Capital (Line 7 minus Line 8)	\$ 259,629	
*10	The sum of net income plus depreciation, depletion and amortization	\$ 91,388	
*11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)	\$ 935,609	
		YES	NO
12	Is line 5 at least \$10 million?	X	
13	Is line 5 at least 6 times line 3?	X	
14	Is line 9 at least 6 times line 3?	X	
*15	Are at least 90% of assets located in the U.S.? (if not, complete line 16)		X
16	Is line 11 at least 6 times line 3?	X	
17	Is line 4 divided by line 6 less than 2.0?	X	
18	Is line 10 divided by line 4 greater than 0.1?	X	
19	Is line 7 divided by line 8 greater than 1.5?	X	

I hereby certify that the wording of this letter is substantially identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

March 30, 2007


Mary Mikkelsen, Senior Vice President &
Chief Financial Officer

Report of Independent Accountants on Applying Agreed-Upon Procedures

Management of Tronox LLC

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Tronox LLC (the Company) as of and for the year ended December 31, 2006, and have issued our report thereon dated March 30, 2007. The combined financial statements of Basic Management, Inc. and Subsidiaries (a corporation in which the Company has a 31% interest, whose combined financial statements include The LandWell Company, L.P., a limited partnership in which the Company has a 29% direct interest), have been audited by other auditors whose report has been furnished to us, and our opinion on the consolidated financial statements, insofar as it relates to the amounts included for Basic Management, Inc. and Subsidiaries and The LandWell Company, L.P., is based solely on the report of other auditors. In the consolidated financial statements, the Company's combined investment in Basic Management, Inc. and Subsidiaries and The LandWell Company, L.P. is stated at \$21.1 million at December 31, 2006, and the Company's equity in combined net income of Basic Management, Inc. and Subsidiaries and The LandWell Company, L.P. is stated at \$6.3 million for the year then ended.

We have performed the procedures enumerated below, which were agreed to by management of the Company solely to assist management with respect to the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265 (the Regulations). Management is responsible for determining compliance with the financial test that is presented on the basis specified by the Regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We have performed the following procedures with respect to the Chief Financial Officer's accompanying letter dated March 30, 2007 to the Executive Director, Mississippi Department of Environmental Quality (the Letter):

1. We compared the dollar amount of total liabilities (item 4), net worth (item 6), current assets (item 7), current liabilities (item 8), net working capital (item 9) as of December 31, 2006, and the sum of net income plus depreciation, depletion and

March 30, 2007



This report is intended solely for the information and use of the Company and the Mississippi Department of Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

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

3. We obtained the Company's schedule which calculates total assets in the United States as of December 31, 2006. We recomputed the Company's schedule, and agreed amounts included in the calculation with amounts included in the Company's accounting records and found such to be in agreement. We compared the dollar amount of total assets in the United States as of December 31, 2006, from this schedule to the Letter (item 11) and found it to be in agreement. We also recomputed the percentage of total assets in the U.S. from the company's schedule of total assets in the U.S. and the amount of total assets derived from the Company's audited consolidated financial statements as of December 31, 2006 and found the resulting percentage to be consistent with the Company's response to Item 15.
2. We obtained the Company's schedule which calculates tangible net worth as of December 31, 2006. We recomputed the Company's schedule, and agreed amounts included in the calculation with amounts included in the Company's audited consolidated financial statements referred to above, and found such to be in agreement. We compared the dollar amount of tangible net worth as of December 31, 2006, from this schedule to the Letter (item 5) and found it to be in agreement.
1. We obtained the Company's schedule which calculates amortizable net worth as of December 31, 2006, in the Letter to the Company (item 10) for the year ended December 31, 2006, and found such to be in agreement.



TRONOX LLC, A WHOLLY OWNED SUBSIDIARY OF TRONOX
INCORPORATED
CONSOLIDATED FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2006 AND 2005
TOGETHER WITH REPORTS OF INDEPENDENT AUDITORS AND
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

REPORT OF INDEPENDENT AUDITORS

Member
Tronox LLC

We have audited the accompanying consolidated balance sheets of Tronox LLC as of December 31, 2006 and 2005, and the related consolidated statements of operations, comprehensive income (loss) and member's equity and cash flows for the years then ended. Our responsibility is to express an opinion on these financial statements based on our audits. The combined financial statements of Basic Management, Inc. and Subsidiaries include the LandWell Company, L.P., a limited partnership in which the Company has a 29% direct interest. LandWell Company, L.P., is based solely on the consolidated financial statements, insofar as it relates to the amounts included for Basic Management, Inc. and Subsidiaries and The LandWell Company, L.P., is based solely on the report of other auditors. In the consolidated financial statements, the Company's combined investment in Basic Management, Inc. and Subsidiaries and The LandWell Company, L.P. is stated at \$21.1 million at December 31, 2006, and the Company's equity in combined net income of Basic Management, Inc. and Subsidiaries and The LandWell Company, L.P. is stated at \$6.3 million for the year then ended.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Tronox LLC at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As explained in Note 1 to the consolidated financial statements, effective January 1, 2006, the Company adopted EITF 04-6, *Accounting for Stripping Costs Incurred During Production in the Mining Industry*, and Statement of Financial Accounting Standards No. 151, *Inventory Costs* – an Amendment of ARB No. 43, Chapter 4.

Ernst & Young LLP

March 30, 2007

Report of Independent Registered Public Accounting Firm

Board of Directors
Basic Management, Inc. and Subsidiaries
Henderson, Nevada

We have audited the accompanying combined balance sheet of Basic Management, Inc. and Subsidiaries (the Company), as of December 31, 2006, and the related combined statements of income and comprehensive income, owners' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006, and the combined results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

/s/ Percy Bowler Taylor & Kern

PERCY BOWLER TAYLOR & KERN
Certified Public Accountants & Business Advisors
A Professional Corporation
Las Vegas, Nevada
February 28, 2007

TRONOX LLC, A WHOLLY OWNED SUBSIDIARY OF TRONOX INCORPORATED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2006 AND 2005

(Thousands of Dollars)

	2006	2005
ASSETS		
Current Assets		
Cash and cash equivalents	30,806	32,601
Accounts receivable, net of allowance for doubtful accounts of \$637 in 2006 and \$772 in 2005	160,990	186,883
Accounts receivable from affiliates	23,924	18,378
Notes receivable from affiliates	18,131	6,296
Income tax receivable	8,431	—
Inventories	235,447	221,971
Prepaid and other assets	5,634	17,246
Derivatives	273	—
Total Current Assets	<u>483,636</u>	<u>483,375</u>
Property, Plant and Equipment	1,327,702	1,371,657
Land	58,326	58,995
Buildings	113,340	115,334
Other	60,615	61,644
Less – reserves for depreciation and amortization	(1,019,519)	(1,607,630)
Total Property, Plant and Equipment	<u>540,464</u>	<u>561,306</u>
Other Assets	59,627	53,974
Intangible Assets	28,160	28,192
TOTAL ASSETS	<u>\$ 1,111,887</u>	<u>\$ 1,126,847</u>
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts payable	101,252	90,167
Long-term debt due in one year	1,670	—
Accrued liabilities	121,085	121,499
Total Current Liabilities	<u>224,007</u>	<u>211,666</u>
Noncurrent Liabilities		
Note payable to affiliate	291,536	269,365
Note payable – related party	7,161	—
Deferred income taxes	57,650	55,572
Environmental remediation and/or restoration and other	136,889	152,631
Total Noncurrent Liabilities	<u>493,236</u>	<u>477,568</u>
Member's Equity		
Member's net investment	671,609	659,268
Accumulated other comprehensive income	(1,408)	(1,031)
Due from Tronox and its affiliates	(275,557)	(220,624)
Total Member's Equity	<u>394,644</u>	<u>437,613</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 1,111,887</u>	<u>\$ 1,126,847</u>

The accompanying notes are an integral part of these financial statements.

TRONOX LLC, A WHOLLY OWNED SUBSIDIARY OF TRONOX INCORPORATED
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
 (Thousands of Dollars)

	2006	2005	
	\$ 905,618	\$ 910,711	Net Sales
	763,883	722,315	Cost of goods sold
	141,735	188,396	Gross Margin
	83,657	71,801	Selling, general and administrative expenses
	(8,914)	—	Arbitration award received
	(7,118)	—	Restructuring credit
	(20,280)	16,900	Provision for environmental remediation and restoration, net of reimbursements
	94,390	99,695	Other expenses
	(21,901)	(8,723)	Income from Continuing Operations before Income Taxes
	72,489	90,972	Income tax provision
	(34,481)	(44,476)	Income from Continuing Operations
	38,008	46,496	Loss from discontinued operations, net of income tax benefit (provision) of \$10,206 and \$(8,540) in 2006 and 2005, respectively
	(15,550)	(34,177)	
	\$ 22,458	\$ 12,319	Net Income

The accompanying notes are an integral part of these financial statements.

TRONOX LLC, A WHOLLY OWNED SUBSIDIARY OF TRONOX INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) AND MEMBER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Thousands of Dollars)

	Total Member's Equity	Due From Tronox and its Affiliates	Accumulated Other Comprehensive Income (Loss)	Member's Net Investment
Balance at December 31, 2004	\$ 638,477	—	\$ 1,312	\$637,165
Comprehensive income:				
Unrealized gain on cash flow hedges, net of taxes of (\$1,750)	3,246	—	3,246	—
Reclassification of realized gain on cash flow hedges to earnings, net of taxes of \$2,985	(5,589)	—	(5,589)	—
Net income	12,319	—	—	12,319
Total comprehensive income	9,976	—	—	(65,652)
Distribution to Kerr-McGee for: Government reimbursements	(65,652)	—	—	75,436
Capital contribution from Kerr-McGee	75,436	—	—	—
Due from Tronox and its affiliates, net	(220,624)	(220,624)	—	659,268
Balance at December 31, 2005	437,613	(220,624)	(1,031)	657,727
Cumulative effect of an accounting change	(1,541)	—	—	(1,541)
Balance at January 1, 2006	436,072	(220,624)	(1,031)	657,727
Comprehensive income:				
Unrealized loss on cash flow hedges, net of taxes of \$1,949	(3,551)	—	(3,551)	—
Reclassification of realized loss on cash flow hedges earnings, net of taxes of \$1,712	3,174	—	3,174	—
Net income	22,458	—	—	22,458
Total comprehensive income	22,081	—	—	(13,107)
Distribution to parent for: Government reimbursements	(13,107)	—	—	33,946
Cash management activity	(29,415)	—	—	—
Capital contribution from parent	33,946	—	—	—
Due from Tronox and its affiliates, net	(54,933)	(54,933)	—	\$671,609
Balance at December 31, 2006	\$ 394,644	\$ (275,557)	\$ (1,408)	\$671,609

The accompanying notes are an integral part of these financial statements.

TRONOX LLC, A WHOLLY OWNED SUBSIDIARY OF TRONOX INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
 (Thousands of Dollars)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 22,458	\$ 12,319
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	68,930	71,099
Deferred income taxes	5,869	6,231
(Gain) loss on sale of assets	(1,155)	218
Other noncash items affecting net income -		
Provision for environmental remediation and restoration, net of reimbursements	(1,697)	28,515
Other	17,756	30,207
Changes in assets and liabilities and other -		
Decrease (increase) in accounts and notes receivable	61,832	(4,475)
Decrease in receivables for income taxes	(16,589)	11,604
Increase in inventory	(17,419)	(31,514)
Decrease (increase) in deposits and prepaid expenses	7,009	(405)
Increase in accounts payable and accrued liabilities	6,025	1,887
Decrease in environmental remediation and restoration and other	(11,316)	(11,102)
Net cash flows from operating activities	141,703	114,584
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(41,377)	(46,040)
Proceeds from sale of assets	1,388	3,047
Collections on notes receivable from affiliates	18,675	213,340
Issuance of notes receivable to affiliates	(30,509)	(109,889)
Other	—	70,347
Collections of repurchased receivables	2,785	3,627
Net cash flows from investing activities	(49,038)	134,432
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to parent	(42,522)	(65,652)
Repayment of debt	(1,073)	—
Increase in advances to affiliates	(50,865)	(135,589)
Payments on note payable to affiliates	—	(25,000)
Net cash flows from financing activities	(94,460)	(226,241)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,795)	22,775
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	32,601	9,826
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 30,806	\$ 32,601

The accompanying notes are an integral part of these financial statements.

TRONOX LLC, A WHOLLY OWNED SUBSIDIARY OF TRONOX INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The Company

Tronox LLC, (the "company") is a wholly owned subsidiary of Tronox Incorporated ("Tronox") and is in the business of producing and marketing inorganic industrial chemicals and heavy minerals. The primary product is titanium dioxide, a white pigment used in a wide range of products ("TiO₂"). The operations are in the United States and Australia. The Australian operations are part of our joint venture arrangement, in which we have a 50% undivided interest, and include heavy minerals production that is integrated with our Australian pigment plant. The company also has third-party sales of minerals not utilized by the company's pigment operations. The company's other operations are comprised of electrolytic manufacturing and marketing operations in the United States.

Discontinued operations in the consolidated financial statements represent the company's former forest products operations as well as adjustments to amounts previously reported related to the company's former thorium compounds manufacturing.

Formation of Tronox Incorporated. Tronox Incorporated was formed on May 17, 2005, in Delaware, in preparation for the contribution and transfer by Kerr-McGee Corporation ("Kerr-McGee") of certain entities, including those comprising substantially all of its chemical business (the "Contribution") to Tronox. The Contribution was completed in November 2005 along with the recapitalization and initial public offering (the "IPO") of Tronox. Accordingly, effective upon the Contribution, Tronox became the parent of Tronox Worldwide LLC. Kerr-McGee retained an interest in Tronox by holding 56.7% of the total outstanding common stock of Tronox, with the remaining 43.3% held by the general public. On March 8, 2006, Kerr-McGee's Board of Directors declared a dividend of Tronox's Class B common stock owned by Kerr-McGee to its stockholders (the "Distribution"). The Distribution was completed on March 30, 2006, resulting in Kerr-McGee having no ownership or voting interest in Tronox.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Tronox LLC (the company, formerly known as "Kerr-McGee Chemical LLC"), a Delaware single member limited liability company that is wholly owned by Tronox Worldwide LLC (formerly known as "Kerr-McGee Chemical Worldwide LLC," herein referred to as parent), and its wholly-owned subsidiaries, Tronox Holdings, Inc. (THI, formerly known as "Kerr-McGee Holdings, Inc."), a Delaware Corporation, Tronox Western Australia Pty Ltd (TWA, formerly known as "KMCC Western Australia Pty Ltd"), a Western Australia Corporation. In circumstances where the company owns an undivided interest, the company recognizes its proportionate share of assets and liabilities.

As discussed in Note 16, the company has material transactions with related parties.

The company's investments in affiliated companies that are 20% to 50% owned are carried as a component of other assets in the Consolidated Balance Sheet at cost adjusted for equity in undistributed earnings. The company has investments in Basic Management, Inc. (a corporation in which the company has a 31% interest) and The LandWell Company, L.P. (a limited partnership in which the company has a 31% direct interest). Except for dividends, changes in equity in undistributed earnings are included in other expenses in the Consolidated Statement of Operations.

All intercompany transactions have been eliminated. Certain prior year amounts have been reclassified to conform with the current year presentation utilized by Tronox.

Significant Accounting Policies

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates as additional information becomes known.

Foreign Currencies. The U.S. dollar is considered the functional currency for TVA. Foreign currency transaction gains or losses are recognized in the period incurred and are included in other expenses in the Consolidated Statement of Operations. The company recorded a net foreign currency transaction loss of \$2.8 million and a gain of \$2.5 million in 2006 and 2005, respectively.

Cash Equivalents. The company considers all investments with original maturities of three months or less to be cash equivalents. Cash equivalents totaling \$27.1 million at December 31, 2006, and \$21.5 million at December 31, 2005, were comprised of time deposits. Of the \$27.1 million at December 31, 2006, \$5.3 million was held outside the U.S.

Accounts Receivable. Accounts receivable are reflected at their net realizable values, reduced by an allowance for doubtful accounts to allow for expected credit losses. The allowance is estimated by management, based on factors such as age of the related receivables and historical experience, giving consideration to customer profiles. The company does not generally charge interest on accounts receivable, nor require collateral; however, certain operating agreements have provisions for interest and penalties that may be invoked, if deemed necessary. Accounts receivable are aged in accordance with contract terms and are written off when deemed uncollectible. Any subsequent recoveries of amounts written off are credited to the allowance for doubtful accounts.

Concentration of Credit Risk — A significant portion of the company's liquidity is concentrated in trade accounts receivable that arise from sales of TIO₂ to customers in the paint and coatings industry. The industry concentration has the potential to impact the company's overall exposure to credit risk, either positively or negatively, in that its customers may be similarly affected by changes in economic, industry or other conditions. The company performs ongoing credit evaluations of its customers, and uses credit risk insurance policies from time to time as deemed appropriate to mitigate credit risk but generally does not require collateral. The company maintains reserves for potential credit losses based on historical experience and such losses have been within expectations.

Inventories. Inventories are stated at the lower of cost or market. The cost of finished goods inventories is determined by the first-in, first-out ("FIFO") method. Carrying values include material costs, labor and associated indirect manufacturing expenses. Costs for materials and supplies, excluding ore, are determined by average cost to acquire or standard cost, which approximates actual cost. Raw materials (ore) are carried at actual cost.

Property, Plant and Equipment. Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Maintenance and repairs are expensed as incurred, except that costs of replacements or renewals that improve or extend the lives of existing properties are capitalized.

Depreciation — Property, plant and equipment is depreciated over its estimated useful life, either by the units of production method or the straight-line method. Useful lives for certain property, plant and equipment are as follows:

Mineral Leaseholds	3 — 10 years
Vessel linings, general mechanical and process equipment.....	10 — 15 years
Electrical equipment, process piping and waste treatment ponds	20 years
Support structures and process tanks.....	25 years
Electrical distribution systems, mining equipment and other infrastructure	10 — 40 years
Buildings	

The company is engaged in the acquisition, exploration and development of mineral properties to provide feedstock for its pigment production. Mineral property acquisition costs are capitalized in property, plant and equipment in accordance with Emerging Issues Task Force ("EITF") Issue No. 04-2, "Whether and equipment in accordance with Emerging Issues Task Force ("EITF") Issue No. 04-2, "Whether Mineral Rights Are Tangible or Intangible Assets," as tangible assets when management has determined that probable future benefits consisting of a contribution to future cash inflows have been identified and adequate financial resources are available or are expected to be available to meet the terms of property acquisition and budgeted exploration and development expenditures. The company currently has mineral leaseholds valued at \$14.9 million which are depleted on a unit of production basis.

Mineral property acquisition costs are expensed as incurred if the criteria for capitalization is not met. Mineral property exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property through the commencement of production are capitalized.

Retirements and Sales — The cost and related accumulated depreciation and amortization are removed from the respective accounts upon retirement or sale of property, plant and equipment. Any resulting gain or loss is included in cost of goods sold in the Consolidated Statement of Operations.

Interest Capitalized — The company capitalizes interest costs on major projects that require an extended period of time to complete. Interest capitalized in 2006 and 2005 was \$1.3 million and \$0.8 million, respectively.

Asset Impairments. The company evaluates impairments by asset group for which the lowest level of independent cash flows can be identified. If the sum of these estimated future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized for the excess of the carrying amount of the asset over its estimated fair value.

Gain or Loss on Assets Held for Sale. Assets are classified as held for sale when the company commits to a plan to sell the assets, completion of the sale is probable and is expected to be completed within one year. Upon classification as held-for-sale, long-lived assets are no longer depreciated and a loss is recognized, if any, based on the excess of carrying value over fair value less costs to sell. Previous losses may be reversed up to the original carrying value as estimates are revised; however, gains are only recognized upon disposition.

Intangible Assets. Intangible assets consist of titanium dioxide proprietary chloride process technologies and patents. Certain indefinite-lived intangibles are not amortized but are reviewed annually for impairment, or more frequently if impairment indicators arise. The annual impairment assessment for the indefinite-lived intangible assets is completed at June 30 each year.

Derivative Instruments and Hedging Activities. From time to time, the company enters into foreign currency forward contracts to hedge a portion of its foreign currency risk associated with operating costs. The company also uses natural gas swaps to hedge a portion of its commodity price risk arising from natural gas consumption. All free-standing derivative instruments are accounted for in accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS")

To the extent a legal obligation exists, an ARO is recorded at its estimated fair value and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is measured using expected future cash outflows discounted at the company's credit-adjusted risk-free interest rate. No market-risk premium has been included in the company's calculation of ARO balances since no reliable estimate can be made by the company.

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations — An Interpretation of FASB Statement No. 143" ("FIN No. 47") to clarify that an entity must recognize a liability for the fair value of a conditional ARO when incurred, if the liability's fair value can be reasonably estimated. Conditional AROs under this pronouncement are legal obligations to perform asset retirement activities when the timing and/or method of settlement are conditional on a future event or may not be within the control of the entity. FIN No. 47 also provides additional guidance for evaluating whether sufficient information to reasonably estimate the fair value of an ARO is available. The company adopted FIN No. 47 as of December 31, 2005, with no material effect to the company's financial position or results of operations and no effect on reported cash flows.

Asset Retirement Obligations. SFAS No. 143, "Accounting for Asset Retirement Obligations," ("SFAS No. 143") requires that an asset retirement obligation ("ARO") associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard), with an associated increase in the carrying amount of the related long-lived asset. The cost of the tangible asset, including the asset retirement cost, is depreciated over the useful life of the asset.

To the extent costs of investigation and remediation have been incurred and are recoverable from the U.S. government or from Kerr-McGee (as discussed in Note 8) and have been incurred or are recoverable under certain insurance policies or from other parties and such recoveries are deemed probable, the company records a receivable for the estimated amounts recoverable (undiscounted). Receivables are reflected in the Consolidated Balance Sheet as either accounts receivable or as a component of other assets, depending on estimated timing of collection.

Environmental Remediation and Other Contingencies. As sites of environmental concern are identified, the company assesses the existing conditions, claims and assertions, and records an estimated undiscounted liability when environmental assessments and/or remedial efforts are probable and the associated costs can be reasonably estimated. Estimates of environmental liabilities, which include the cost of investigation and remediation, are based on a variety of matters, including, but not limited to, the stage of investigation, the stage of the remedial design, evaluation of existing remediation technologies, and presently enacted laws and regulations. In future periods, a number of factors could significantly change the company's estimate of environmental remediation costs, such as changes in laws and regulations, or changes in their interpretation or administration, revisions to the remedial design, unanticipated construction problems, identification of additional areas or volumes of contaminated soils and groundwater, and changes in costs of labor, equipment and technology.

No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended ("SFAS No. 133"). Derivative instruments are recorded in prepaid and other assets or accrued liabilities in the Consolidated Balance Sheet, measured at fair value. When available, quoted market prices are used in determining fair value; however, if quoted market prices are not available, the company estimates fair value using either quoted market prices of financial instruments with similar characteristics or other valuation techniques. For contracts that qualify and are designated as cash flow hedges or forecasted transactions under the provisions of SFAS No. 133, unrealized gains and losses are initially reflected in accumulated other comprehensive income and recognized in earnings in the periods during which the hedged forecasted transactions affect earnings. The ineffective portion of the change in fair value of such hedges, if any, is included in current earnings. For derivatives not designated for hedge accounting, gains and losses are recognized in earnings in the periods incurred. Cash flows associated with derivative instruments are included in the same category in the Consolidated Statement of Cash Flows as the cash flows from the item being hedged.

Research and Development. Research and development costs were \$7.6 million and \$7.3 million in 2006 and 2005, respectively, and were expensed as incurred.

Revenue Recognition. Revenue is recognized when persuasive evidence of a sales arrangement exists. delivery has occurred, sales price is fixed or determinable and collectibility is reasonably assured. All amounts billed to a customer in a sales transaction related to shipping and handling represent revenues earned and are reported as net sales. Costs incurred by the company for shipping and handling are reported as cost of goods sold.

Cost of Goods Sold. Cost of goods sold includes the costs of manufacturing and distributing products, including raw materials, energy, labor, depreciation and other production costs. Receiving, distribution, freight and warehousing costs are also included in cost of goods sold.

Selling, General and Administrative Expenses. Selling, general and administrative expenses include costs related to marketing, sales, research and development, legal and administrative functions such as accounting, treasury and finance, as well as costs for salaries and benefits, travel and entertainment, promotional materials and professional fees.

Income Taxes. The company is an entity disregarded as separate from its owner for all federal income tax purposes and, therefore, is treated as a division in Tronox's consolidated income tax return (and prior to the IPO was treated as a division in Kerr-McGee's consolidated return). However, the company has recognized the amount of current income tax allocated to the company's nontaxable stand-alone operations from Tronox as income taxes in the accompanying Consolidated Statement of Operations.

The company's subsidiaries, THI and TWA, are separate taxable entities and the amounts of income taxes attributable to their operations are recorded by the company in the accompanying Consolidated Statements of Operations. Deferred U.S. income taxes related to THI and deferred Australian income taxes related to TWA are provided to reflect the future tax consequences of differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. The distribution and tax amounts for each of these entities are recorded as directed by Tronox, but are generally calculated as though each entity filed a separate tax return. Certain deductions or benefits generated by each entity's operations may be considered in the calculation that might not otherwise be available if each entity was not part of a consolidated income tax return.

The company has elected an accounting policy in which interest and penalties on income taxes are presented as a component of income tax provision, rather than as a component of interest expense. Specifically, interest and penalties resulting from the underpayment or the late payment of income taxes due to a taxing authority and interest and penalties accrued relating to income tax contingencies are presented, on a net of tax basis, as a component of income tax provision.

New/Revised Accounting Standards

Inventory Costs. In November 2004, the FASB issued SFAS No. 151, "Inventory Costs — an Amendment of ARB No. 43, Chapter 4" ("SFAS No. 151"), which requires that abnormal amounts of idle facilities cost, freight, handling costs and spoilage be expensed as incurred and not capitalized as inventory. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The company adopted the standard effective January 1, 2006, and there was no material effect on the company's financial position or results of operations.

Accounting Changes. In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS No. 154"), which will require that, unless it is impracticable to do so, a change in an accounting principle be applied retrospectively to prior periods' financial statements for all voluntary changes in accounting principles and upon adoption of a new accounting standard if the standard does not include specific transition provisions. SFAS No. 154 supersedes APB No. 20, "Accounting Changes," which previously required that most voluntary changes in accounting principles be recognized by including in the current period's net income (loss) the cumulative effect of changing to the new accounting principle. SFAS No. 154 also provides that if an entity changes its method of depreciation, amortization, or depletion

for long-lived, nonfinancial assets, the change must be accounted for as a change in accounting estimate. Under APB No. 20, such a change would have been reported as a change in an accounting principle. SFAS No. 154 is applicable to accounting changes and error corrections made by the company effective January 1, 2006.

Deferred Stripping Costs. On January 1, 2006, the company adopted EITF Issue No. 04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry" in relation to the mining activities conducted by the company and its partner under our joint venture arrangement in Australia. EITF Issue No. 04-6 addresses the accounting for stripping costs incurred during the production phase of a mine and requires treatment of these costs as variable production costs that should be included as a component of inventory to be recognized in costs applicable to sales in the same period as the revenue from the sale of inventory. As a result, capitalization of post-production stripping costs is appropriate only to the extent product inventory exists at the end of a reporting period. The guidance allows application through recognition of a cumulative effect adjustment to opening retained earnings in the period of adoption, with no charge to current earnings for prior periods. The results for prior periods have not been restated. The cumulative effect adjustment reduced opening retained earnings in 2006 by \$1.5 million (net of taxes) and eliminated the \$2.2 million net deferred stripping asset from the balance sheet. Adoption of EITF Issue No. 04-6 did not have a material impact on the company's income from continuing operations or net income for the year ended December 31, 2006.

Uncertain Tax Positions. In July 2006, the FASB issued Interpretation No. 48 ("FIN No. 48"), "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, Accounting for Income Taxes" ("SFAS No. 109"). FIN No. 48 is effective for fiscal years beginning after December 15, 2006, and clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. SFAS No. 109 does not prescribe a recognition threshold or measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. FIN No. 48 clarifies the application of SFAS No. 109 by defining criteria that an uncertain tax position must meet in order to be recognized in an enterprise's financial statements. The interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The cumulative effect of adopting FIN No. 48, if any, will be recorded to the beginning balance of retained earnings in the company's Consolidated Balance Sheet. The company is currently analyzing the impact of adopting FIN No. 48 on its financial statements and will complete such analysis during 2007.

Fair Value Measurement. In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are reviewing SFAS No. 157 to determine the statement's impact on our consolidated financial statements.

Fair Value Option. In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities." We are currently assessing whether or not we will choose to implement the provisions of this standard and what the financial statement impact would be, if any. If we choose to implement this standard, the effective date would be January 1, 2008.

2. ACCOUNTS RECEIVABLE

Summarized below are accounts receivable, net of the related allowance for doubtful accounts, at December 31, 2006 and 2005 (thousands of dollars):

	2006	2005
Accounts receivable - trade	\$117,203	\$141,490
Receivable from Kerr-McGee (Note 8) (1)	17,549	15,936
Department of Energy (Note 8) (2)	11,000	13,000
Receivable from insurers (Note 8) (2)	7,383	7,710
Other	8,492	9,519
Allowance for doubtful accounts	161,627	187,655
Total	<u>\$160,990</u>	<u>\$186,883</u>
	(637)	(772)

(1) See Note 8 for a description of the 2006 environmental-related receivable. The 2005 receivable from Kerr-McGee represents employee bonuses associated with services provided prior to the IPO, net of amounts payable to Kerr-McGee for services provided to the company under the transition services agreement.

(2) Amounts receivable from U.S. Department of Energy and from insurers not expected to be collected within one year from the balance sheet date are reflected in Other Assets.

Through April 2005, the company and its affiliates, some of which are not consolidated with the company, had an accounts receivable monetization program with a maximum availability of \$165.0 million. Under the terms of the program, selected qualifying customer accounts receivable were sold monthly to a special-purpose entity ("SPE"), which in turn sold an undivided ownership interest in the receivables to a third-party multi-seller commercial paper conduit sponsored by an independent financial institution. As the receivables were sold, such amounts were reflected as cash flows from operating activities within the Consolidated Statement of Cash Flows. The company and its affiliates sold, and retained an interest in, excess receivables to the SPE as over-collateralization for the program. The retained interest in sold receivables was subordinate to, and provided credit enhancement for, the conduit's ownership interest in the SPE's receivables, and was available to the conduit to pay certain fees or expenses due to the conduit, and to absorb credit losses incurred on any of the SPE's receivables in the event of program termination. No recourse obligations were recorded since the company had no obligations for any recourse actions on the sold receivables.

The accounts receivable monetization program included ratings downgrade triggers based on Kerr-McGee's corporate senior unsecured debt rating that provided for certain program modifications, including a program termination event, upon which the program would effectively liquidate over time and the third-party multi-seller commercial paper conduit would be repaid with the collections on accounts receivable. In April 2005, Kerr-McGee's senior unsecured debt was downgraded, triggering program termination. As opposed to liquidating the program over time in accordance with its terms, Kerr-McGee entered into an agreement to terminate the entire program by repurchasing the then outstanding balance of receivables sold of \$165.0 million. The repurchased receivables related to the company were then contributed to the company and its affiliates in a non-cash financing transaction. The balances of repurchased receivables have subsequently been collected by the company and its affiliates. Such collections are included in cash flows from investing activities in the Consolidated Statement of Cash Flows.

While the program was in effect in 2005, the company sold \$186.2 million of its pigment receivables. Pretax losses were nil for the same period.

3. INVENTORIES

The major categories of inventories at December 31, 2006 and 2005, are as follows (thousands of dollars):

	2006	2005
Raw materials	\$ 57,541	\$ 60,019
Work-in-progress	8,288	10,872
Finished goods	121,025	98,033
Materials and supplies, net	48,593	53,047
Total	<u>\$235,447</u>	<u>\$221,971</u>

4. OTHER ASSETS

Other assets consist of the following at December 31, 2006 and 2005 (thousands of dollars):

	2006	2005
Receivable from Department of Energy (Note 8)	\$ 15,861	\$ 12,455
Investments in equity method investees	21,112	17,582
Receivables from insurers (Note 8)	19,620	23,470
Other	3,034	467
Total	<u>\$ 59,627</u>	<u>\$ 53,974</u>

5. INTANGIBLE ASSETS

The carrying amount of indefinite-lived intangible assets that are not subject to amortization was \$28.0 million at both December 31, 2006 and 2005.

The net carrying amount of intangible assets subject to amortization at both December 31, 2006 and 2005 was \$0.2 million.

6. RESTRUCTURING AND EXIT ACTIVITIES

In April 2005, in connection with the separation of the company from Kerr-McGee discussed in Note 1, the company initiated an employee compensation program designed to provide an incentive to certain employees to remain with the company over a one-year period. Costs associated with this program were split based upon the periods in which participating employees met the service requirements, with Kerr-McGee bearing the costs for the period they benefited from this arrangement up to the IPO date and the company incurring costs after the IPO date. During 2006, the company incurred costs of \$1.7 million and incentives were paid to employees. Kerr-McGee reimbursed the company for its proportionate share of the incentives paid.

In 2004, the company shut down sulfate and curtailed gypsum production at the Savannah, Georgia facility, wrote down assets that were no longer in service and recognized a pretax charge of \$123.0 million. In 2005, \$1.2 million of severance was paid and the remainder of \$0.9 million, representing an excess of estimated provisions over actual costs, was reversed in 2005. The shutdown resulted in the elimination of approximately 100 positions.

Operations at the Mobile, Alabama, facility included production of feedstock for the company's TiO₂ plant. The facility ceased feedstock production in June 2003, but was used on a temporary basis in 2005 and part of 2006 to dry ore for TiO₂ production. Feedstock operations had resulted in minor contamination of groundwater adjacent to surface impoundments resulting from the normal operations of these facilities. A groundwater recovery system was installed prior to closure and continues in operation, as required under the National Pollutant Discharge Elimination System (NPDES) permit. Remediation work, including

The company shut down its synthetic rutile plant in Mobile, Alabama, in 2003. In September 2004, the company shut down sulfate and curtailed gypsum production at its Savannah, Georgia, plant. Until the timing of settlement and method of abandonment became known and estimable and the related ARO was recorded at the estimated fair value. For the synthetic rutile plant in Mobile, Alabama, a \$17.6 million liability was recognized at the beginning of 2003. For the sulfate production facility at the company's Savannah, Georgia, plant, an abandonment liability of \$12.7 million was recognized in September 2004.

	2006	2005
Balance, January 1	\$34,898	\$30,890
Obligations incurred	—	4,399
Accretion expense	1,093	937
Changes in estimates, including cost and timing of cash flows	(6,869)	1,035
Asset retirement expenditures	(2,275)	(2,363)
Balance, December 31	\$26,847	\$34,898
Current portion(1)	\$ 3,249	\$ 7,200
Noncurrent portion(2)	\$23,598	\$27,698

(1) Included in accrued liabilities
 (2) Included in noncurrent liabilities — environmental remediation and/or restoration and other

A summary of the changes in the asset retirement liability during 2006 and 2005 is included in the table below (in thousands of dollars).

7. ASSET RETIREMENT OBLIGATIONS

Asset impairment. The company has been working on the development of a raw materials feed project to improve efficiencies and reduce costs at its Savannah, Georgia, pigment facility. The initial trials of the project indicate that modifications would be required to achieve a satisfactory economic benefit. During the second quarter of 2006, additional studies were performed to determine the technical requirements needed to achieve operations and the additional cost to complete the project. The company is planning a trial to evaluate the effectiveness of the project. The trial will be scheduled when permitting and installation issues are confirmed, which is expected to occur by mid-2007. If it is determined that this is not a viable project, the assets will be written down approximately \$4.0 million to their net realizable value.

	2006			2005		
	Total	Personnel Costs	Dismantlement and Closure	Total	Personnel Costs	Dismantlement and Closure
Beginning balance	\$5,994	\$891	\$4,077	\$1,026	\$17,246	\$3,785
Provisions	34	34	—	90	90	90
Payments	(2,783)	—	(2,182)	(601)	(10,313)	(2,955)
Adjustments	(225)	—	—	(225)	(1,029)	(29)
Ending balance	\$3,020	\$925	\$1,895	\$200	\$5,994	\$891

(Thousands of dollars)

The following table represents a reconciliation of the beginning and ending balances of reserves for exit and restructuring activities for 2006 and 2005. Amounts exclude AROs and include certain obligations of the discontinued forest products operations that have been retained by the company.

In 1998, the company decided to exit the ammonium perchlorate business. At that time, the company curtailed operations and began preparation for the shutdown of the associated production facilities in Henderson, Nevada, that produced ammonium perchlorate and other related products. Manufacture of perchlorate compounds began at Henderson in 1945 in facilities owned by the U.S. government. The U.S. Navy expanded production significantly in 1953 when it completed construction of a plant for the manufacture of ammonium perchlorate. The U.S. Navy continued to own the ammonium perchlorate plant, as well as other associated production equipment at Henderson, until 1962, when the plant was purchased by a predecessor of the company. The ammonium perchlorate produced at the Henderson facility was used primarily in federal government defense and space programs. Perchlorate that may have originated, at least

Henderson, Nevada

For the year ended December 31, 2006 and 2005, the parent recognized provisions (which are not reflected herein) of \$(1.2) million and \$1.1 million, respectively, for environmental matters related to sites currently and/or previously owned by the company for which the parent and the company have joint and several liability. Related to these sites, the parent also recognized provisions (which are not reflected herein) for legal matters in the amount of \$4.0 million and nil in 2006 and 2005, respectively.

The following discussion relates to legal and environmental matters involving sites currently or previously owned or operated by the company and/or its predecessors. Generally, the parent has assumed financial responsibility for the company's legal and environmental matters, including those discussed below (with the exception of Henderson, Nevada), although in certain situations, the company remains the primary obligor. Whenever the legal and financial responsibility is joint and several with the parent, the parent has recognized the provision and liability; thus, it has not been reflected in the accompanying consolidated financial statements. When the company is the primary obligor, the provision and liability has been reflected in the company's Consolidated Statement of Operations as provision for environmental remediation and restoration, net of reimbursements or loss from discontinued operations, net of income taxes and in the Consolidated Balance Sheet as accrued liabilities or noncurrent liabilities - environmental remediation and/or restoration and other. When the parent pays amounts related to these matters, the payments have been reflected in the Consolidated Statement of Comprehensive Loss and Members' Equity as capital contribution from parent. When the company is the named recipient of reimbursements and such amounts are probable of receipt, they are reflected in the Consolidated Balance Sheet as accounts receivable or other assets depending on estimated timing of collection.

8. CONTINGENCIES

In 2005, in connection with the adoption of FIN No. 47, the company recognized an obligation for its share of the cost to close and rehabilitate the mine site in Western Australia, operated by the joint venture partners. As of December 31, 2005 and 2006, the accrued reserve represented management's estimate of the total costs to restore the area that has been disturbed, as required under the mining lease.

In 2004, an asset retirement reserve related to the TiO₂ sulfate production at Savannah, Georgia, was established to address remediation activities resulting from the normal operations of these facilities, including environmental assessment, closure of certain impoundments, groundwater monitoring, and other work, which are expected to take more than 25 years. In 2006, the estimate related to this closure work were updated to reflect the permitted use of some of the assets to be abandoned; therefore delays in the expected timing of expenditures. As a result of these factors, and as assets associated with this facility have been written-off in previous periods, the company recorded an amount of \$2.9 million in 2006, which is reflected in the Consolidated Statement of Operations as a reduction of credit.

As a result, and as assets associated with this facility have been written-off in previous periods, the company recorded a restructuring credit of \$4.2 million in 2006. Completed five years after the facility is no longer being used to dry ore. In 2006, the estimate related to the cost and timing of expenditures related to the final closure of the Mobile facility were updated. The extended use of the facility for drying ore and the revised timing for the closure of the impoundment, as a result, and as assets associated with this facility have been written-off in previous periods, the company recorded a restructuring credit of \$4.2 million in 2006.

At December 31, 2006, the company had received \$10.6 million of cost reimbursement under the insurance policy, and expects additional aggregate clean-up cost of \$88.4 million less the \$61.3 million self-insured retention to be covered by the policy (for a net amount of \$27.1 million in additional reimbursement).

Insurance - In 2001, the company purchased a 10-year, \$100 million environmental cost cap insurance policy for groundwater and other remediation at Henderson. The insurance policy provides coverage only after the company exhausts a self-insured retention of approximately \$61.3 million and covers only those costs incurred to achieve a clean-up level specified in the policy. As noted above, federal and state agencies have not established a drinking water standard and, therefore, it is possible that the company may be required to achieve a clean-up level more stringent than that covered by the policy. If so, the amount recoverable under the policy may be less than the ultimate clean-up cost.

Litigation - In 2000, the company initiated litigation against the United States seeking contribution for its Henderson response costs. The suit was based on the fact that the government owned the plant in the early years of its operation, exercised significant control over production at the plant and the sale of products produced at the plant, even while not the owner, and was the largest consumer of products produced at the plant. Before trial, the parties agreed to a settlement of the claims against the United States. The settlement was memorialized in a consent decree approved by the court on January 13, 2006. In February 2006, under the consent decree, the United States paid the company \$20.5 million in contribution for past costs. Commencing January 1, 2011, the United States will be obligated to pay 21% of the company's remaining response costs at Henderson, if any, related to perchlorate.

Financial Reserves - As of December 31, 2006, reserves for environmental remediation at Henderson totaled \$28.4 million. As noted above, the long-term scope, duration and cost of groundwater remediation and impoundment closure are uncertain and, therefore, additional costs beyond those accrued may be incurred in the future. However, the amount of any additional costs cannot be reasonably estimated at this time.

In 1999, the company initiated the interim measures required by the consent orders. A long-term remediation system is operating in compliance with the consent orders. Initially, the remediation system was projected to operate through 2007. However, studies of the decline of perchlorate levels in the groundwater indicate that the company may need to operate the system through 2011. The scope, duration and cost of groundwater remediation likely will be driven in the long term by drinking water standards regarding perchlorate, which date have not been formally established by applicable state or federal regulatory authorities. The Environmental Protection Agency ("EPA") and other federal and state agencies continue to evaluate the health and environmental risks associated with perchlorate as part of the process for ultimately setting drinking water standards. One state agency, the California Environmental Protection Agency, has set a public health goal for perchlorate, and the federal EPA has established a reference dose for perchlorate, which are preliminary steps to setting drinking water standards. The establishment of drinking water standards could materially affect the scope, duration and cost of the long-term groundwater remediation that the company is required to perform.

The company began decommissioning the facility and remediating associated perchlorate contamination, including surface impoundments and groundwater, when it decided to exit the business in 1998. In 1999 and 2001, the company entered into consent orders with the Nevada Division of Environmental Protection ("NDEP") that require it to implement both interim and long-term remedial measures to capture and remove perchlorate from groundwater. In April 2005, the company entered into an amended consent order with NDEP that requires, in addition to the capture and treatment of groundwater, the closure of a certain impoundment related to the past production of ammonium perchlorate, including treatment and disposal of impoundment contained in the impoundment. A separate agreement reached in 1996 with the NDEP solution and sediment contained in the impoundment. A separate agreement reached in 1996 with the NDEP also requires the company to test for various potential contaminants at the site, which is ongoing and is expected to be completed within the next 12 months. Results of testing may lead to further site characterization and remediation, the costs of which, if any, are not currently included in the financial reserves discussed below.

In part, from the Henderson facility has been detected in nearby Lake Mead and the Colorado River, which contribute to municipal water supplies in Arizona, Southern California and Southern Nevada.

The company believes that additional reimbursement of approximately \$27 million is probable, and, accordingly, the company has recorded a receivable in the financial statements for that amount.

West Chicago, Illinois

In 1973, the company closed a facility in West Chicago, Illinois, that processed thorium ores for the federal government and for certain commercial purposes. Historical operations had resulted in low-level radioactive contamination at the facility and in surrounding areas. The original processing facility is regulated by the State of Illinois (the "State"), and four vicinity areas are designated as Superfund sites on the National Priorities List ("NPL").

Closed Facility - Pursuant to agreements reached in 1994 and 1997 among the company, the City of West Chicago and the State regarding the decommissioning of the closed West Chicago facility, the company has substantially completed the excavation of contaminated soils and has shipped those soils to a licensed disposal facility. Surface restoration was completed in 2004, except for areas designated for use in connection with the Kress Creek and Sewage Treatment Plant remediation discussed below. Groundwater monitoring and remediation is expected to continue for approximately eight years.

Vicinity Areas - EPA has listed four areas in the vicinity of the closed West Chicago facility on the NPL and has designated the company as a Potentially Responsible Party ("PRP") in these four areas. The company has substantially completed remedial work for three of the areas (known as the Residential Areas, Reed-Kepler Park and the Sewage Treatment Plant). Work continues at the other NPL site, known as Kress Creek. The work involves low level insoluble thorium residues principally in streambanks and streambed sediments. The company has reached an agreement with the appropriate federal and state agencies and local communities regarding the characterization and cleanup of the sites, past and future government response costs, and the waiver of natural resource damages claims. The agreement is incorporated in consent decrees, which were approved and entered by the federal court in August 2005. The clean-up work, which began in the third quarter of 2005, is expected to take about four to five years to complete, will require excavation of contaminated soils and stream sediments, shipment of excavated materials to a licensed disposal facility and restoration of affected areas.

Financial Reserves - As of December 31, 2006, the company had reserves of \$74.8 million for costs related to the West Chicago facility and vicinity properties. During the year ended December 31, 2006, the company recorded an increase of \$12.0 million to the reserve for Kress Creek due to a cost increase implemented by the commercially licensed disposal facility. Although actual costs may differ from current estimates, the amount of any revisions in remediation costs cannot be reasonably estimated at this time. The amount of the reserve is not reduced by reimbursements expected from the federal government under Title X of the Energy Policy Act of 1992 ("Title X") (discussed below).

Government Reimbursement - Pursuant to Title X, the U.S. Department of Energy ("DOE") is obligated to reimburse the company for certain decommissioning and clean-up costs incurred in connection with the West Chicago sites in recognition of the fact that about 55% of the facility's production was dedicated to U.S. government contracts. The amount authorized for reimbursement under Title X is \$365 million plus inflation adjustments. That amount is expected to cover the government's full share of West Chicago clean-up costs. Through December 31, 2006, the company had been reimbursed approximately \$292.7 million under Title X.

Reimbursements under Title X are provided by congressional appropriations. Historically, congressional appropriations have lagged the company's clean-up expenditures. As of December 31, 2006, the government's share of costs incurred by the company but not yet reimbursed by the DOE totaled approximately \$26.9 million, which includes \$13.5 million accrued in 2006. The company received \$12.0 million from the government in April 2006 and believes receipt of the remaining \$26.9 million in due course following additional congressional appropriations is probable and has reflected that amount as a receivable in the financial statements. The company will recognize recovery of the government's share of future remediation costs for the West Chicago sites as it incurs the cash expenditures.

New Jersey Wood-Treatment Site

The company was named in 1999 as a PRP under CERCLA at a former wood-treatment site in New Jersey at which EPA is conducting a cleanup. On April 15, 2005, the company received a letter from the EPA asserting it is liable under CERCLA as a former owner or operator of the site and demanding reimbursement of costs expended by the EPA at the site. The letter made demand for payment of past costs in the amount of approximately \$179 million, plus interest, though the EPA has informed the company that as of December 5, 2006, project costs are approximately \$244 million, plus other future costs and interest, although the government has recently indicated it would consider resolving the matter for \$239 million. The company did not operate the site, which had been sold to a third party before the company succeeded to the interests of a predecessor owner in the 1960s. The predecessor also did not operate the site, which had been closed down before it was acquired by the predecessor. Based on historical records, there are substantial uncertainties about whether or under what terms the predecessor assumed liabilities for the site. In addition, although it appears there may be other PRPs to whom notice has been given, the company does not know whether the other PRPs have any valid defenses to liability for the site or whether the other PRPs have the financial resources necessary to meet their obligations, if proven. The company and EPA have submitted the matter to nonbinding mediation that could lead to a settlement or resolution of EPA's demand. In the event the mediation process does not lead to an acceptable solution, the company intends to vigorously defend against the EPA's demand.

Financial Reserves – During the year ended December 31, 2006, the company recorded a reserve of \$35.0 million as a result of an offer made during settlement discussions. Although ultimate costs may differ from the current estimate, the amount of any revision cannot be reasonably estimated at this time.

Reimbursement – During the year ended December 31, 2006, the company recorded a receivable of \$17.5 million representing 50% of the settlement amount that Anadarko Petroleum Corporation, on behalf of Kerr-McGee, has consented to contribute at or before the time the settlement, if accepted, becomes payable. The receivable has been reflected in accounts receivable in the accompanying Consolidated Balance Sheet.

Sauget, Illinois

From 1927 to 1969, the company operated a wood-treatment plant on a 60-acre site in the Village of Sauget (formerly known as Monsanto) in St. Clair County, Illinois. Operations on the property resulted in the contamination of soil sediment, surface water and groundwater at the site with creosote and other substances used in wood treating. In 1988, the company entered into a court-approved consent order with the Illinois Attorney General and Illinois Environmental Protection Agency. The investigation and feasibility study for sediments required by the order are complete. Pond sediment removal is expected to be complete in 2007, with final pond closure and groundwater investigation to follow.

Financial Reserves – As of December 31, 2006, the company had reserves of approximately \$6.8 million for the remediation activities related to contaminated soils and sediments. Additional groundwater characterization will occur upon completion of the soils and sediments removal. Although actual costs may differ from current estimates, the amount of any revisions in remediation costs cannot be reasonably estimated at this time.

Jacksonville, Florida

In 1970, the company purchased a facility in Jacksonville, Florida, that manufactured and processed fertilizers, pesticides and herbicides. The company closed the facility in 1978. In 1988, all structures were removed and the company began site characterization studies. In 2000, the company entered into a consent order with EPA to conduct a remedial investigation and a feasibility study. The remedial investigation was completed and submitted to EPA in August 2005. A feasibility study was submitted to the EPA in October 2006. The study recommended site soil remediation and excavation, site capping and limited groundwater remediation.

In 1995, the company executed an exclusive agreement with Western Fertilizer, Inc. ("Western Fertilizer") for the storage and distribution of fertilizer produced by the company. In May 2000, the company terminated the agreement because the owner, operator and the key person of Western Fertilizer, had been sentenced to serve 17 years in prison for federal crimes involving activities unrelated to the company, thus rendering Western Fertilizer unable to perform its duties under the agreement. In June 2000, Western Fertilizer filed for bankruptcy, and its trustee alleged that the company did not have the right to terminate the agreement. In May 2003, Western Fertilizer's bankruptcy claim against the company was transferred to a litigation trust, and, in October 2004, the litigation trust filed an amended complaint in a pending federal lawsuit in the U.S. District Court in Idaho, seeking monetary damages of approximately \$13 million for alleged breaches of contract. Discovery in the litigation was completed in February 2006. On March 1, 2006, both parties filed motions for summary judgment. On June 30, 2006, the court ruled on the parties' motions for summary judgment. It granted in part and denied in part the motion of each, ordered the parties to meet and confer regarding any remaining open issues and report back to the court. The company and plaintiff then undertook

Western Fertilizer Contract

Litigation and Claims

Kerr-McGee's aggregate reimbursement obligation to Tronox and its subsidiaries cannot exceed \$100 million and is subject to various other limitations and restrictions. For example, Kerr-McGee is not obligated to reimburse the company for amounts it pays to third parties in connection with tort claims or personal injury lawsuits, or for administrative fines or civil penalties that the company is required to pay. Kerr-McGee's reimbursement obligation also is limited to costs that the company actually incurs and pays within seven years following the completion of the IPO.

With respect to any site for which the company has established a reserve as of November 28, 2005, 50% of the remediation costs the company incurs in excess of the reserve amount (after meeting a \$200,000 minimum threshold amount) will be reimbursable by Kerr-McGee, net of any amounts recovered or, in the company's reasonable estimate, that will be recovered from third parties. With respect to any site for which the company has not established a reserve as of the effective date of the MSA, 50% of the amount of the remediation costs the company incurs and pays (after meeting a \$200,000 minimum threshold amount) will be reimbursable by Kerr-McGee, net of any amounts recovered or, in the company's reasonable estimate, that will be recovered from third parties. At December 31, 2006, the company had a receivable of \$17.5 million, representing 50% of the settlement offer the company made related to the New Jersey wood-treatment site as described above that Anadarko Petroleum Corporation, on behalf of Kerr-McGee, has consented to contribute at or before the time the settlement, if accepted, becomes payable.

Pursuant to the MSA (which recites that it binds successors), Kerr-McGee will reimburse Tronox and its subsidiaries for a portion of the environmental remediation costs it incurs and pays (net of any cost reimbursements it recovers or expects to recover from insurers, governmental authorities or other parties). The reimbursement obligation extends to costs incurred at any site associated with any of the company's former businesses or operations.

Master Separation Agreement ("MSA")

In addition to the sites described above, the company is responsible for environmental costs related to certain other sites. These sites relate primarily to wood treating and chemical production. As of December 31, 2006, the company had reserves of \$21.6 million for the environmental costs in connection with these other sites. Although actual costs may differ from current estimates, the amount of any revisions in remediation costs cannot be reasonably estimated at this time.

Other Sites

Financial Reserves - As of December 31, 2006, the company had reserves of \$5.3 million to conduct the clean-up and remediation activities recommended in the feasibility study submitted to the EPA. Although actual costs may differ from the current estimates, the amount of any revisions in remediation costs cannot be reasonably estimated at this time.

On September 8, 2003, the Environmental Protection Division of the Georgia Department of Natural Resources ("EPD") issued a unilateral Administrative Order to our subsidiary, Tronox Pigments (Savannah)

Savannah Plant

In 2000, the company acquired its TiO₂ production facility in Savannah, Georgia, from Kemira Pigments Oy, a Finnish company, and its parent, Kemira Oyj (together, "the Sellers"). After acquiring the facility, the company discovered that certain matters associated with environmental conditions and plant infrastructures were not consistent with representations made by the Sellers. The company sought recovery for breach of representations and warranties in a proceeding before the London Court of International Arbitration ("LCIA"). On May 9, 2005, the company received notice from the LCIA that the LCIA had found in favor of the company as to liability with respect to certain of the claims. The LCIA hearing related to amount of damages was held in late May 2006. On November 10, 2006, the LCIA issued an Award on Quantum awarding the company a net of \$8.9 million in damages and interest, which was received in December 2006. This award is presented as Arbitration award received in the Consolidated and Combined Statement of Operations.

Kemira

Financial Reserves – As of December 31, 2006, the company had reserves of \$7.1 million related to these forest products litigation issues. No reserves have been established for the remaining former plant sites. Although actual costs may differ from the current reserves, the amount of any revisions in litigation costs cannot be reasonably estimated at this time. The company currently believes that the ultimate resolution of this forest products litigation is not likely to have a material adverse effect on the company.

At Texarkana, three federal lawsuits filed from 2004 to 2006 are pending with 27 plaintiffs in the first case, five plaintiffs in a second case and 12 in the third case. In the first case, the judge ruled that five plaintiffs who resided at the same house near the company's plant will have their claims tried at the first trial. Pursuant to an insurance policy issued to the company, the insurer has acknowledged a defense duty. In addition, the insurer is engaged in settlement negotiations with plaintiffs' counsel in all three Texarkana cases.

At Columbus, Mississippi, the Maranatha Faith Center filed a state court property damage lawsuit in 2000. The church filed bankruptcy in 2003, but continues to prosecute its lawsuit. The company moved for change of venue due to adverse publicity in the Columbus community stemming from prior litigation and settlements. In September 2006, the judge agreed with the company and ordered the transfer of venue. After the new trial is determined a trial date will be set. Also pending in Mississippi state courts are a case with 26 plaintiffs alleging personal injury and a case with two local businesses alleging property damage. Pending in Mississippi federal court are 238 cases filed from 2002 to 2005 that have been consolidated for pretrial and discovery purposes. While many plaintiffs have been dismissed on motions filed by the company, over 2,000 plaintiffs remain in the consolidated action. In January 2007, the judge granted the company severance motion, requiring each individual plaintiff's case to be tried separately. However, the judge accepted from his severance order two plaintiffs (one with personal injuries and the other with property damage) who are set to be tried jointly in June 2007.

The company is defending a number of lawsuits related to two former wood-treatment plants in Columbus, Mississippi, and Texas. Both of these lawsuits seek recoveries under a variety of common law and statutory legal theories for personal injuries and/or property damages allegedly caused by exposure to and/or release of chemicals used in the wood-treatment process, primarily creosote. The company currently believes that claims asserted in these lawsuits are without substantial merit and is vigorously defending them.

Forest Products Litigation

Financial Reserves – As of December 31, 2006, the company had reserves of \$3.7 million related to the plaintiff's claims. Payment of settlement amounts was made on January 3, 2007.

Settlement discussions that resulted in a written settlement agreement, signed in 2006, requiring the company to pay \$3.7 million and waive its rights to approximately \$0.6 million in fertilizer proceeds, signed by the parties before the end of 2006.

- Some sites are in the early stages of investigation, and other sites may be identified in the future.
- Remediation activities vary significantly in duration, scope and cost from site to site depending on the mix of unique site characteristics, applicable technologies and regulatory agencies involved.
- Remediation requirements are difficult to predict at sites where remedial investigations have not been completed or final decisions have not been made regarding remediation requirements, technologies or other factors that bear on remediation costs.
- Environmental laws frequently impose joint, several liabilities on all potentially responsible parties, and it can be difficult to determine the number and financial condition and possible defenses of potentially responsible parties and their respective shares of responsibility for clean-up costs.
- Environmental laws and regulations, as well as enforcement policies and clean-up levels, are continually changing, and the outcome of court proceedings, alternative dispute resolution proceedings (including mediation) and discussions with regulatory agencies are inherently uncertain.
- Unanticipated construction problems and weather conditions can hinder the completion of environmental remediation.
- Some legal matters are in the early stages of investigation or proceeding or their outcomes otherwise may be difficult to predict, and other legal matters may be identified in the future.

The company provides for costs related to contingencies when a loss is probable and the amount is reasonably estimable. It is not possible for the company to reliably estimate the amount and timing of all future expenditures related to environmental and legal matters and other contingencies because, among other reasons:

The company is party to a number of legal and administrative proceedings involving environmental and/or other matters pending in various courts or agencies. These proceedings, individually and in the aggregate, are not expected to have a material adverse effect on the company. These proceedings are also associated with facilities currently or previously owned, operated or used by the company and/or its predecessors, some of which include claims for personal injuries, property damages, clean-up costs and other environmental matters. Current and former operations of the company also involve management of regulated materials and are subject to various environmental laws and regulations. These laws and regulations will obligate the company to clean up various sites at which chemicals, low-level radioactive substances and/or other materials have been contained, disposed of or released. Some of these sites have been designated Superfund sites by EPA pursuant to CERCLA or state equivalents. Similar environmental laws and regulations and other requirements exist in foreign countries in which the company operates.

Other Matters

Inc., claiming that the Savannah plant exceeded emission allowances provided for in the facility's Title V air permit. On September 19, 2005, the EPD rescinded the Administrative Order and filed a Withdrawal of Petition for Hearing on Civil Penalties. Accordingly, the proceeding on administrative penalties has been dismissed, without prejudice. After dismissal of the Administrative Order, representatives of the EPD, the EPA and the company continued with their discussions regarding a resolution of the alleged violations, with EPA taking the lead role in these discussions. On December 6, 2006, EPA informed Tronox Pigments (Savannah) Inc. that it has submitted a civil referral to the U.S. Department of Justice ("DOJ") with respect to the air quality bypass issue and for matters stemming from the EPA led Resource Conservation and Recovery Act ("RCRA") Compliance Evaluation Inspection ("CEI") that occurred in January 2006. Prior to the filing of any formal action, DOJ has agreed to a series of settlement negotiations to determine if the matter could be resolved. Though imposition of a penalty is probable, it is believed that any penalties related to this matter are not likely to have a material adverse effect on the company.

In the normal course of business, the company enters into contractual agreements to purchase raw materials, chemicals, services and utilities. Aggregate future payments under these contracts total \$489.3 million, of which \$171.2 million is expected to be paid in 2007, \$143.2 million in 2008, \$80.7 million in 2009, \$37.4 million in 2010, \$26.1 million in 2011, and \$30.7 million thereafter.

Purchase obligations are agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions, and the approximate timing of the transaction.

The company has various commitments under noncancelable operating lease agreements, principally for railcars, office space and production equipment. Total rental expense was \$17.9 million in 2006 and \$14.8 million in 2005, including month-to-month rentals. Aggregate minimum annual rentals under all operating leases at December 31, 2006, totaled \$50.7 million, of which \$8.2 million is due in 2007, \$7.5 million in 2008, \$6.6 million in 2009, \$5.7 million in 2010, \$5.3 million in 2011, and \$17.4 million thereafter.

9. COMMITMENTS

In addition to the reserves noted above, the parent also has environmental remediation and/or restoration reserves totaling \$4.7 million and \$6.4 million at December 31, 2006 and 2005, respectively, and litigation reserves of \$4.0 million and \$0.5 million at December 31, 2006 and 2005, respectively, related to sites or matters for which it assumed the primary obligation from the company in matters involving joint and several liability.

Additionally, as of December 31, 2006 and 2005, the company had litigation reserves totaling \$11.0 million and \$7.4 million, respectively, for the reasonably estimable losses associated with litigation. These reserves are reflected in the company's Consolidated Balance Sheet as accrued liabilities (\$4.0 million and nil for 2006 and 2005, respectively) and as noncurrent liabilities - environmental remediation and/or restoration and other (\$7.0 million and \$7.4 million for 2006 and 2005, respectively). Management believes, after consultation with general counsel that currently the company has reserved adequately for the reasonably estimable costs of environmental matters and other contingencies. However, additions to the reserves may be required as additional information is obtained that enables the company to better estimate its liabilities, including liabilities at sites now under review, though the company cannot now reliably estimate the amount of future additions to the reserves.

	Total	
	Environmental remediation and/or restoration	
	- Noncurrent liabilities	
2006	\$ 78,534	93,326
2005	\$ 54,588	109,626
	<u>\$ 171,860</u>	<u>\$164,214</u>

At year-end 2006 and 2005, the company had reserves totaling \$171.9 million and \$164.2 million, respectively, for remediating environmental sites, reflecting the reasonably estimable costs for addressing these sites. These reserves were reflected in the company's Consolidated Balance Sheet as accrued liabilities or noncurrent liabilities at December 31, 2006 and 2005 as follows (in thousands of dollars):

Summary

- The inability to implement a planned engineering design or use planned technologies and excavation or extraction methods may require revisions to the design of remediation measures, which can delay remediation and increase costs.
- The identification of additional areas or volumes of contamination and changes in costs of labor, equipment and technology generate corresponding changes in environmental remediation costs.

10. CASH FLOW INFORMATION

During 2006 and 2005, the company accrued interest of \$20.9 million and \$26.3 million on its net payable balance to Kerr-McGee, its parent or affiliates, respectively, of which \$1.3 million and \$0.8 million, respectively, were capitalized as part of construction in process. There were no payments made on the accrued interest presented above. Interest of \$0.9 million and nil was paid in 2006 and 2005, respectively, on the note payable to a related party. Additionally, during the same periods, the company was allocated current income tax expense associated with its nontaxable stand-alone operations from Kerr-McGee or the company's parent of \$21.6 million and \$49.6 million, respectively.

During 2006 and 2005, noncash activities included the recognition of receivables from the government, insurers and others of \$53.2 million and \$34.4 million, respectively, and provisions for environmental liabilities of \$51.5 million and \$70.1 million, respectively (including amounts related to the company's discontinued forest products operations and thorium compounds manufacturing for environmental liabilities). See Note 8 for discussion of these matters. These activities also resulted in noncash capital contributions of \$32.4 million and \$34.8 million in 2006 and 2005, respectively, due to the direct payment of environmental remediation and/or restoration costs by the parent. Capital contributions of \$1.5 million and \$40.6 million in 2006 and 2005, respectively, related to the separation from Kerr-McGee.

11. INCOME TAXES

The provision (benefit) for income taxes from continuing operations for 2006 and 2005 is summarized below (thousands of dollars):

	2006	2005
Taxable Entities		
U.S. Federal:		
Current	\$ (4,124)	\$ (9,258)
Deferred	708	4,714
	<u>(3,416)</u>	<u>(4,544)</u>
International:		
Current	906	6,419
Deferred	5,161	1,517
	<u>6,067</u>	<u>7,936</u>
Total Taxable Entities	2,651	3,392
Nontaxable (disregarded) entity income tax expense allocation from Trolox / Kerr-McGee	31,830	41,084
Total Income Tax Provision ⁽¹⁾	<u>\$ 34,481</u>	<u>\$ 44,476</u>

(1) For the years ended December 31, 2006 and 2005, respectively, the company provided a provision (benefit) of \$(10.2) million and \$8.5 million attributable to discontinued operations.

The effective income tax rate applicable to income from continuing operations in 2006 was 47.6% compared to the U.S. federal income tax rate of 35%. The difference in the rates is primarily the result of deferred tax items not included in the consolidated income tax provision that are related to the company (which is disregarded as separate from its owner) and tax contingencies, partially offset by results of foreign operations and accrual to tax true up adjustments.

TWA had undistributed earnings and profits of approximately \$31 million at December 31, 2006. No provision for deferred U.S. income taxes has been made for these earnings because they are considered to be indefinitely invested outside the U.S. The distribution of these earnings in the form of dividends or otherwise, may subject the company to U.S. income taxes. However, because of the complexities of U.S. taxation of foreign earnings, it is not practicable to estimate the amount of additional tax that might be payable on any eventual remittance of these earnings.

Contingent tax liabilities of \$7.2 million and \$4.6 million at December 31, 2006 and 2005, respectively, have been included in noncurrent liabilities, separate and apart from deferred income taxes. It is not expected that these contingent amounts will be paid within the next 12 months. These contingencies relate primarily to deductions related to the effects of foreign currency translation and other tax-related matters. The company believes that it has made adequate provision for income taxes that may be payable with respect to years open for examination.

On October 22, 2004, the President of the United States signed into law the American Jobs Creation Act of 2004 (the "Act"). A provision of the Act includes a one-time dividends received deduction of 85% of certain foreign earnings that are repatriated, as defined in the Act. On April 11, 2005, Kerr-McGee's management completed its analysis of the impact of the Act on its plans for repatriation. Based on this analysis, the company repatriated \$131.0 million in extraordinary dividends, as defined in the Act, during 2005. Accordingly, income tax expense, net of available tax credits, of \$4.7 million has been recognized in the company's Consolidated Statement of Operations in 2005. Cash requirements for the dividends were met with cash on hand at the time each of the distributions was made.

The net deferred tax liability, classified as noncurrent liabilities - deferred income taxes in the Consolidated Balance Sheet, represents the net deferred taxes related solely to the taxable operations of THI and TWA. Deferred tax assets or liabilities are composed of the following at December 31, 2006 and 2005 (thousands of dollars):

	2006	2005
Deferred tax assets		
Reserve for environmental and ARO	\$ 6,649	\$ 7,237
Other	3,866	4,846
	<u>10,515</u>	<u>12,083</u>
Deferred tax liabilities		
Accelerated depreciation	46,704	45,224
Intangible assets	9,045	9,056
Other	12,416	13,375
	<u>68,165</u>	<u>67,655</u>
Deferred income taxes, net	<u>\$ 57,650</u>	<u>\$ 55,572</u>

Tax Sharing Agreement and Tax Allocations - Tronox entered into a tax sharing agreement with Kerr-McGee that governs Kerr-McGee's and Tronox's respective rights, responsibilities and obligations subsequent to the IPO with respect to taxes for tax periods ending in 2005 and prior. Generally, taxes incurred or accrued prior to the IPO that are attributable to the business of one party will be borne solely by that party. Tronox will be responsible for or benefit from tax payables and tax receivables, respectively, that result in the future under the tax sharing agreement as the IRS completes its examination of the Kerr-McGee Corporation and subsidiaries' U.S. Federal income tax returns for tax periods ending in 2005 and prior. Accordingly, a portion of these payables and receivables may relate to the company, which would result in payables/receivables with Tronox.

The company, and/or its parent companies, may incur certain restructuring taxes as a result of the separation from Kerr-McGee. A restructuring tax is any tax incurred as a result of any restructuring transaction undertaken to effectuate the separation other than the IPO, the Distribution and entering into the senior secured credit facility, which in the judgment of the parties is currently required to be taken into account in determining the tax liability of Kerr-McGee or Tronox (or their respective subsidiaries) for any pre-deconsolidation period as defined in the tax sharing agreement. The tax sharing agreement provides that Kerr-McGee will be responsible for 100% of the restructuring taxes up to, but not to exceed, \$17.0 million. The company and its parent companies, collectively, are responsible for any restructuring taxes in excess of \$17.0 million. However, the company does not expect the restructuring taxes to exceed \$17.0 million. In addition, Tronox is required to indemnify Kerr-McGee for any tax liability incurred by reason of the Distribution being considered a taxable transaction to Kerr-McGee as a result of a breach of any representation, warranty or covenant made by Tronox in the tax sharing agreement.

12. FINANCIAL INSTRUMENTS AND DERIVATIVE ACTIVITIES

Financial Instruments

The company holds or issues financial instruments for other than trading purposes, including the following at December 31, 2006 and 2005: cash and cash equivalents, accounts receivable, accounts and notes receivable from affiliates, accounts payable, accrued liabilities, payables to affiliates, variable-rate debt and foreign currency and natural gas derivatives. Except for long-term receivables from the Department of Energy and from insurers (see Note 8), at December 31, 2006 and 2005, the carrying amounts of all other financial instruments, as reflected in the accompanying Consolidated Balance Sheet, approximate the estimated fair values. The carrying amount of the company's accounts and notes receivable from affiliates and note payable to affiliate approximates fair value based on the current rates for similar termed instruments. The carrying amounts of all other financial instruments approximate a fair value due to the nature or short maturities of such items. The estimated fair value of long-term receivables is based on discounted cash flows.

The carrying value and estimated fair value of long-term receivables from the Department of Energy and from insurers is summarized below (in thousands of dollars):

	2006	2005
Long-term receivables – carrying value	\$35,481	\$35,925
Long-term receivables – estimated fair value	30,754	30,510

Derivative Instruments

At December 31, 2006 and 2005, the net fair value of foreign currency and commodity hedging contracts included in the Consolidated Balance Sheets was a liability of \$2.2 million and \$1.6 million, respectively, and the related balance of deferred after-tax losses in accumulated other comprehensive income was \$1.4 million and \$1.0 million, respectively. All contracts outstanding at December 31, 2006 are expected to settle in 2007. In 2006 and 2005, pretax gains (losses) on cash flow hedges of \$(4.9) million and \$8.6 million, respectively, were reclassified from accumulated other comprehensive income to earnings. Substantially all of such gains are reflected as a component of cost of goods sold in the Consolidated Statement of Operations. No hedges were discontinued and no ineffectiveness was recognized in the periods presented.

13. OTHER EXPENSES

Other expenses were as follows during the year ended December 31, 2006 and 2005 (thousands of dollars):

	2006	2005
Interest expense, net	\$20,340	\$11,146
Loss (Gain) on foreign currency exchange	2,840	(2,519)
Equity in net earnings of equity method investees	(6,315)	(2,011)
Loss on sales of assets	—	19
Legal and other	5,036	2,088
Total	\$21,901	\$ 8,723

14. BENEFIT PLANS

Retirement Benefits

As of the Distribution date, Tronox established certain retirement plans that provide benefits to the company's qualified current and former U.S. employees. Qualified active and inactive U.S. employees are covered under noncontributory defined benefit retirement plans, including a supplemental plan intended to provide employees with benefits in excess of the limits under the Federal tax law. The benefits of the

In 2004, the company's forest products operations met the criteria for reporting as discontinued operations. Revenues applicable to discontinued forest products operations totaled nil and \$0.2 million and pretax losses totaled \$26.6 million and \$25.0 for the years 2006 and 2005, respectively.

15. DISCONTINUED OPERATIONS

Prior to the Distribution, most employees of the company were covered under Kerr-McGee's Employee Stock Ownership Plan ("ESOP"). Kerr-McGee's matching contributions for the employees' contributions to the Kerr-McGee Corporation Savings Investment Plan ("SIP") were paid into the ESOP. The company recognized compensation expense related to the ESOP plan of approximately \$1 million and \$3 million in 2006 and 2005, respectively.

Effective with the Distribution at March 30, 2006, Tronox established a defined contribution Savings Investment Plan ("SIP") into which employees contributions and matching company contributions are paid. Eligible employees who elect to participate can contribute and receive a 100% company matching contribution of up to 6% of the employees compensation (as defined in the SIP). Effective January 1, 2007, the company has modified its matching contribution to be 75% of the first 6% of employees' contributed compensation (as defined in the SIP). Compensation expense associated with the company's matching contribution for the period in 2006 following the establishment of the plan was approximately \$3 million.

Savings Investment Plan

The company's ultimate parent company, Tronox Incorporated, has a Long Term Incentive Plan ("LTIP") which authorizes the issuance of shares of Tronox's Class A common stock to certain of the company's employees, generally in the form of fixed-price stock options, restricted stock, stock appreciation rights or performance awards. Prior to Tronox's separation from Kerr-McGee, which was completed March 30, 2006, the company was allocated stock-based compensation cost from Kerr-McGee related to awards issued by Kerr-McGee to certain of the company's employees. Total stock-based compensation expense allocated from both Tronox and Kerr-McGee recognized in income from continuing operations in 2006 and 2005, was \$6.3 million and \$3.3 million, respectively. Stock-based compensation expense recognized in 2006 is based on the fair value of the awards, while, in 2005, it reflected the intrinsic value of the awards, if any.

Stock-Based Compensation

The expense recognized by the company for postretirement health care and life insurance benefits is based on the company's share of Tronox's or Kerr-McGee's net periodic cost. Net periodic cost allocated to the company was \$10.4 million for 2006 and \$6.9 million for 2005. Since the company is not a plan sponsor, no liability is reflected in these consolidated financial statements.

As of the Distribution date, Tronox established contributory plans to provide certain health care and life insurance benefits for retired employees. Substantially all the company's employees may become eligible for these benefits if they reach retirement age while working for the company; however, benefits available and costs to individual employees vary depending on the employee's date of retirement and date of employment with the company.

Postretirement Benefits

Tronox's policy is to fund the minimum amounts as permitted by the Employee Retirement Income Security Act of 1974. Tronox, as plan sponsor, makes any necessary contributions to the qualified retirement plan trust. The company recognized net pension expense of \$0.2 million in 2006 compared to a net pension credit of \$0.6 million in 2005 based on the company's share of Tronox's or Kerr-McGee's net periodic cost. Since the company is not a plan sponsor, no liability is reflected in these consolidated financial statements.

The pretax loss in 2006 consisted primarily of environmental provisions for various wood-treating sites of \$19.5 million and \$6.7 million of legal expenses. In 2005, the pretax loss related primarily to environmental provisions of \$10.6 million and litigation provisions of \$7.3 million. Refer to Note 8 for further discussion on environmental and litigation provisions.

In addition to the company's forest products operations, losses from discontinued operations for all periods presented include adjustments to estimated costs of environmental remediation and restoration activities directly related to the company's thorium compounds manufacturing. The company ceased operations at its West Chicago thorium processing facility in 1973. The company retained certain environmental remediation obligations and continues remediation activities directly related to this former operation. These environmental remediation and restoration costs, net of reimbursements, amounted to \$(0.8) million and \$0.1 million in 2006 and 2005, respectively (see Note 8).

16. RELATED PARTY TRANSACTIONS

Until the IPO, the company was a part of Kerr-McGee's consolidated cash management system. Following the IPO, the company is a part of Tronox's consolidated cash management system. The company has numerous and significant transactions with Tronox, the parent, affiliated entities and with Kerr-McGee. These transactions include, but are not limited to, selling, general and administrative services (including employee benefit plans), environmental and legal matters, income taxes, intercompany advances and borrowings (including related interest expense) and sales of product.

The company conducts transactions with Basic Management, Inc. and its subsidiaries in support of the company's Henderson, Nevada facility. The company paid \$0.7 million and \$0.8 million during 2006 and 2005, respectively, for these services.

The company conducted transactions with Exxaro Australia Sands Pty Ltd ("Exxaro"), who is the other 50% partner in the Tiwest Joint Venture. The company purchased raw materials used in its production of TiO₂. The company made total net payments of \$9.9 million and \$15.5 million during 2006 and 2005, respectively for these purchases. Additionally, in July 2006, one of the company's wholly-owned subsidiaries completed the purchase of a 50% undivided interest in additional mining tenements and related mining assets that were owned by a subsidiary of Exxaro. The company acquired the mine tenements by entering into an eight-year note payable agreement. The debt requires scheduled payments through 2014, with an early payment option at the end of 2007. Interest is currently accrued at the rate of 13.26% per annum on the outstanding balance as of the first day of each calendar year and is calculated through December 31, with payments made on July 28 of each year in which an installment is due. During 2006, the company paid \$2.0 million to Exxaro for principal and interest on the note.

The company's Consolidated Statement of Operations includes allocations of costs for corporate functions historically provided to us by Kerr-McGee prior to the IPO (November 28, 2005), including general corporate expenses, employee benefits and incentives and interest expense. These allocations totaled \$58.6 million during 2005. Subsequent to the IPO, general corporate services and employee benefits were provided to the company and the company provided general corporate services to Kerr-McGee. The net general corporate expense charged to the company in 2006 was \$3.0 million for the period prior to the expiration of the transition services agreement. In the first quarter of 2006, Kerr-McGee billed the company \$8.1 million in costs related to employee benefits. The net payments to Kerr-McGee totaled \$26.2 million and \$0.6 million during 2006 and 2005, respectively. The payments in 2006 included reimbursement for payroll funding and processing performed by Kerr-McGee prior to Tronox establishing its own payroll processes. On March 30, 2006, Kerr-McGee distributed all of Tronox's Class B common stock as dividends to its shareholders (the "Distribution"), resulting in Kerr-McGee having no ownership or voting interest in Tronox.

At December 31, 2005, the company had a net receivable from Kerr-McGee of \$17.5 million and \$15.9 million, respectively. These balances are included in accounts receivable, net of allowance for doubtful accounts, in the Consolidated Balance Sheet. The balance at December 31, 2006, represents 50% of the estimated environmental remediation costs at a former wood-treating site in New Jersey (discussed further in Note 8).

Accounts receivable from affiliates - The company made sales of TIO₂ totaling \$152.1 million and \$183.6 million to affiliate TPL in 2006 and 2005, respectively. At both December 31, 2006 and 2005, trade receivables from this affiliate aggregated \$18.4 million, all of which were due within one year. Sales of TIO₂ totaling \$28.1 million in 2006 and nil in 2005 were made to Tronox Pigments International. Purchases of TIO₂ totaling \$13.4 million in 2006 and \$14.3 million in 2005 were made from Tronox Pigments International. The company concurrently sells and purchases TIO₂ from Tronox Pigments International in order to meet customers' demand for specific product grades at different geographic regions. At December 31, 2006, the net trade receivable from this affiliate was \$5.5 million. The company also made sales of natural rutile and synthetic rutile to an affiliate, Tronox Pigments (Holland) B.V., totaling \$1.6 million in 2006 and \$3.1 million in 2005. All of these amounts are included as net sales or cost of goods sold in the Consolidated Statement of Operations. The company believes these transactions were made at prices that approximate the prices which would have been received from an unrelated party for the same products.

Promissory Notes with affiliates - At year-end 2006, the company had notes receivable from Tronox Pigments Limited and Tronox Luxembourg S.a.r.l. - Zurich Branch for \$4.6 million and \$13.5 million, respectively. Interest is being accrued on all notes listed in the table below based on the three month LIBOR rate plus the margin of 1.75% for a range between 6.28% and 7.12%. Interest income on these notes for the years ended December 31, 2006 and 2005 was \$0.9 million and \$0.1 million, respectively, and is included in other expenses in the accompanying Consolidated Statement of Operations. The total \$18.1 million in notes receivable from affiliates at December 31, 2006 is classified as current in the company's Consolidated Balance Sheet.

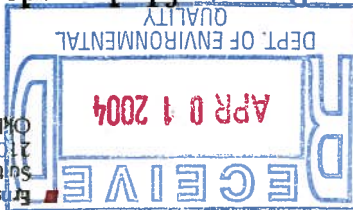
Note payable to affiliate at December 31, 2006 and 2005 consisted of a note payable (including accrued interest) to the company's parent, Tronox Worldwide LLC. The note was effective November 25, 2005 and is payable in full on December 31, 2008. The interest rate on the note payable, listed in the table below, was 8.25% and 6.75% at December 31, 2006 and 2005, respectively, and was based on the prime rate as established by JP Morgan Chase Bank, NA. Interest expense is included in other expense in the Consolidated Statements of Operations.

	2006	2005	2006	2005
Beginning balance	\$ 6,296	\$109,747	\$269,365	\$
New promissory note agreements	29,300	109,200	267,659	—
Accrued interest on promissory note agreements	1,209	688	22,171	1,706
Settlement of promissory notes, including interest	(18,674)	(213,339)	\$291,536	\$269,365
Ending balance	\$18,131	\$ 6,296	\$269,365	\$

During 2006 and 2005, net cash flows associated with transactions with Tronox, its parent and affiliates, except for net sales of TIO₂ to affiliates, represented a use of cash of \$121.6 million and \$111.2 million, respectively.

Concurrent with the IPO, our parent entered into a \$450 million senior secured credit facility. This facility is unconditionally and irrevocably guaranteed by Tronox's direct and indirect material domestic subsidiaries, including the company. The facility is secured by a first priority security interest in certain domestic assets, including certain property and equipment, inventory and receivables, of the parent and its guarantors of the senior secured credit facility. The facility is also secured by pledges of the equity interest in the parent and its direct and indirect domestic subsidiaries and up to 65% of the voting and 100% of the non-voting equity interests in the Tronox's direct foreign subsidiaries and the direct foreign subsidiaries of the guarantors of the senior secured credit facility.

The company also has significant income tax transactions with Tronox, its parent and with Kerr-McGee prior to the IPO. See Note 11 for a discussion of these transactions.



Report of Independent Auditors

Ernst & Young LLP
210 Park Avenue
Suite 2500
Oklahoma City, Oklahoma 73102
Phone: (405) 278-6800
Fax: (405) 278-6823
Fax: (405) 278-6834
www.ey.com

Kerr-McGee Chemical LLC
123 Robert S. Kerr
Oklahoma City, OK 73102

Attention: Mr. Robert M. Wohleber, Senior Vice President and Chief Financial Officer

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Kerr-McGee Chemical LLC and subsidiaries for the year ended December 31, 2003, and have issued our report thereon dated March 19, 2004.

Mr. Robert M. Wohleber's March 19, 2004 letter pertaining to financial assurance for Environmental Protection Agency identification Nos. MSD 990866329 in Columbus, Mississippi; MSD 081387730 in Meridian, Mississippi; and MSDEQ Order #459903 in Hattiesburg, Mississippi is addressed to the Executive Director, Mississippi Department of Environmental Quality.

In connection with our audit and in accordance with subpart H of the Mississippi Hazardous Waste Regulations parts 264 and 265, we have compared the amounts presented in that letter for total liabilities, tangible net worth, net current assets, current liabilities, net working capital, the sum of net income plus depreciation, depletion and amortization and total assets in U.S., listed under the caption Alternative 1, Items 4 through 11 and 15, with the corresponding amounts included in or derived from the consolidated financial statements referred to above. In connection with that procedure, no matters came to our attention that caused us to believe that the amounts shown on these lines should be adjusted.

This report is intended solely for your information and use and for the information and use of the Mississippi Department of Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

March 19, 2004

sr/attachments

Risk Management Department
Stacy Roberts, Supervisor

Sincerely,

If you have any questions, please do not hesitate to call me at 405-270-3132.

Attached are Kerr-McGee Chemical LLC's updated financial assurance instruments evidencing financial assurance for the referenced facilities.

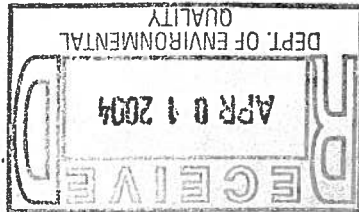
Dear Mr. Lee:

Re: Financial Assurance
MSD 990866329/Columbus, MS
MSD 081387730/Meridian, MS
MDEQ Order No. 459903/Hattisburg, MS

Mr. David Lee
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
2380 Hwy. 80 West
Jackson, Mississippi 39204

FEDERAL EXPRESS

March 29, 2003



KERR-McGEE CORPORATION
KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125





KERR-MCGEE CHEMICAL LLC
 KERR-MCGEE CENTER • P.O. BOX 25861 • OKLAHOMA CITY, OKLAHOMA 73125

March 19, 2004

FEDERAL EXPRESS

Executive Director
 MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

P. O. Box 10385
 2380 Hwy. 80 West
 Jackson, Mississippi 39204

Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical LLC, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265: NONE

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
MSD 990866329	Kerr-McGee Chemical LLC 607 14th Street, North Columbus, MS 39701	N/A	\$151,882	\$680,916
MSD 081387730	Kerr-McGee Chemical LLC Hwy 11 South P.O. Box 789 Meridian, MS 39301	N/A	333,751	273,164
MSDEQ Order #459903	Kerr-McGee Chemical LLC Intersection of Pine and Corrine Hattiesburg, MS	N/A	645,000	N/A

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DRQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO.	NAME & ADDRESS	CLOSURE	POST CLOSURE	CORRECTIVE ACTION
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NVD 008290330	Kerr-McGee Chemical LLC P.O. Box 55 Henderson, NV 89015	N/A	\$458,374	N/A
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MOD 007128978	Kerr-McGee Chemical LLC P.O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	1,843,300	N/A
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ILD 020367561	Kerr-McGee Chemical LLC P.O. Box 166 Madison, IL 62060	N/A	625,021	N/A
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MOD 007129408	Kerr-McGee Chemical LLC 2800 W. High Street Springfield, MO 65803	N/A	1,472,680	286,314
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IDD 041310707	Kerr-McGee Chemical LLC P.O. Box 478 Soda Springs, ID 83276 (CERCLA)	N/A	N/A	1,000,000
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TXD 057111403	Kerr-McGee Chemical LLC 155 Buchanan Rd. Texarkana, TX 75501 Texas Reg. #31002	N/A	968,867	1,844,336
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ILD 980607493	\$3,288,146	2,852,300	N/A	Kerr-McGee Chemical LLC 2702 Odgen Ave. Sauget, IL 62201
SCD 987591815	N/A	3,500,000	N/A	Kerr-McGee Chemical LLC 7746 Hwy 17 S. Verricho, South Carolina

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a state through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent state mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

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

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 2003.

ALTERNATIVE I (Thousands of Dollars)	
1	Sum of current closure and post-closure cost estimates (Total of all cost estimates listed above.)
2	Amount of annual aggregate liability coverage to be demonstrated
3	Sum of lines 1 and 2
4	Total liabilities (If any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)
5	Tangible Net Worth
6	Net Worth
7	Current Assets
8	Current Liabilities
9	Net Working Capital (Line 7 minus line 8)
10	The sum of net income plus depreciation, depletion and amortization
11	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)
12	Is line 5 at least \$10 million?
13	Is line 5 at least 6 times line 3?
14	Is line 9 at least 6 times line 3?
15	Are at least 90% of assets located in the U.S.? (If not, complete line 16)
16	Is line 11 at least 6 times line 3?
17	Is line 4 divided by line 6 less than 2.0?
18	Is line 10 divided by line 4 greater than 0.1?
19	Is line 7 divided by line 8 greater than 1.5?

I hereby certify that the wording of this letter is substantially identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

March 19, 2004

Robert M. Wohlbeber, Senior Vice President & Chief Financial Officer

R Wohlbeber

Not Required
(0.853)
(0.071)
(2.837)

YES
NO

**Mississippi Department of Environmental Quality
Office of Pollution Control
Hazardous Waste Compliance Inspection Report**

April, 2004

Site Name:

Kerr McGee Chemical LLC, Meridian

EPA ID: MSD081387730

Permit No: Hazardous Waste-TSD HW8873001

Physical Address

Highway 11 South
Meridian, MS 39301
Lauderdale County

Mailing Address

PO Box 25861
Oklahoma City, Oklahoma 73125

Date of Evaluation: 04/15/04

Evaluation Type: Financial Assurance Review

Investigator: Larry Hammil

Significant Non-Complier: N

Comments: Liability coverage for Closure/Post-Closure care is demonstrated through a "Financial Test" instrument employing Alternative I. Manufacturing operations were discontinued and the facility closed a number of years ago. On-going corrective action costs for 2003 are estimated at \$273,164 (vs. \$269,658 in 2002). The 2003 RCRA Inflation Factor is 1.016. Estimated liability coverage at the end of 2003 for all the corporation's eleven (11) identified sites in the U.S. is \$20,224,000 (vs. \$20,066,000 in 2002). The 2003 post-closure care estimated cost for the Meridian, MS site is \$333,751, a decrease of \$18,284 from the 2003 estimate of \$352,035. Also the Financial Test reports that at least 90% of the company's assets are now located in the U.S., which has not been the case documented by previous reports.

Although the cost estimates do not satisfy the applicable inflation adjustment, of which further inquiry will be made, all other criteria necessary to pass the Financial Test Alternative I demonstration have been satisfied, which include:

1. Net working capital at least 6x current closure/post-closure cost estimates (16x);
2. Tangible net worth greater than \$10 million (\$683 million);
3. 90% of total assets located in U.S.;
4. Liabilities to net worth ratio less than 2 (0.853); and
5. Current assets to current liabilities ratio greater than 1.5 (2.837).

Signature:

Larry Hammil
4-15-04

cc: Data Integration Division

sr/attachments

Risk Management Department
Stacy Roberts, Manager



Sincerely,

If you have any questions, please do not hesitate to call me at 405-270-3132.

Attached are Kerr-McGee Chemical LLC's updated financial assurance instruments evidencing financial assurance for the referenced facilities.

Dear Mr. Lee:

Re: Financial Assurance
MSD 990866329/Columbus, MS
MSD 08138730/Meridian, MS
MDEQ Order No. 459903/Hattisburg, MS

Mr. David Lee
MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY
2380 Hwy. 80 West
Jackson, Mississippi 39204

FEDERAL EXPRESS

March 31, 2005

DEPT OF ENVIRONMENTAL QUALITY
REC'D
APR 01 2005

KERR-McGEE CORPORATION



KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125



March 28, 2005

FEDERAL EXPRESS

Executive Director
 MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL QUALITY

P. O. Box 10385
 2380 Hwy. 80 West
 Jackson, Mississippi 39204

Dear Executive Director:

I am the chief financial officer of Kerr-McGee Chemical LLC, Kerr-McGee Center, Oklahoma City, Oklahoma 73125. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265:

Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, liability coverage for both sudden and non-sudden accidental occurrences at the following facilities owned or operated by the following: NONE.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
	MSD 990866329 Kerr-McGee Chemical LLC 607 14th Street, North Columbus, MS 39701	N/A	\$155,462	\$696,965
	MSD 081387730 Kerr-McGee Chemical LLC Hwy 11 South P.O. Box 789 Meridian, MS 39301	N/A	318,758	279,602
	MSDBQ Order #459903 Kerr-McGee Chemical LLC Intersection of Pine and Corrine Hattiesburg, MS	N/A	574,000	N/A

COST ESTIMATES

2. The firm identified above guaranties, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: NONE

3. In States where the DEQ is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

EPA IDENTIFICATION NO.	Name & Address	Closure	Post Closure	Corrective Action
NVD 008290330	Kerr-McGee Chemical LLC P.O. Box 55 Henderson, NV 89015	N/A	\$469,177	N/A
MOD 007128978	Kerr-McGee Chemical LLC P.O. Box 6208 2300 Oakland Kansas City, MO 64126	N/A	1,886,747	N/A
ILD 020367561	Kerr-McGee Chemical LLC P.O. Box 166 Madison, IL 62060	N/A	639,753	N/A
MOD 007129408	Kerr-McGee Chemical LLC 2800 W. High Street Springfield, MO 65803	N/A	1,507,391	293,062
IDD 041310707	Kerr-McGee Chemical LLC P.O. Box 478 Soda Springs, ID 83276 (CERCLA)	N/A	N/A	1,000,000
TXD 057111403	Kerr-McGee Chemical LLC 155 Buchanan Rd. Texarkana, TX 75501 Texas Reg. #31002	N/A	991,703	1,887,807

COST ESTIMATES

ILD 980607493	\$3,288,146	2,852,300	N/A	Kerr-McGee Chemical LLC 2702 Odgen Ave. Sauget, IL 62201
SCD 987591815	N/A	3,500,000	N/A	Kerr-McGee Chemical LLC 7746 Hwy 17 S. Jericcho, South Carolina

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care is not demonstrated either to the EPA or a state through the financial test or any other financial assurance mechanisms specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent state mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates required by 40 CFR 144.62 are shown for each facility: NONE

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

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year ended December 31, 2004.

Report of Independent Accountants on Applying Agreed-Upon Procedures

Management of Kerr-McGee Chemical LLC

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Kerr-McGee Chemical LLC and subsidiaries (the Company) as of and for the year ended December 31, 2004, and have issued our report thereon dated March 28, 2005.

We have performed the procedures enumerated below, which were agreed to by management of the Company solely to assist management with respect to the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in subpart H of the Mississippi Hazardous Waste Regulations parts 264 and 265 (the Regulations). Management is responsible for determining compliance with the financial test that is presented on the basis specified by the Regulations. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We have performed the following procedures with respect to the Chief Financial Officer's accompanying letter dated March 28, 2005 to the Executive Director, Mississippi Department of Environmental Quality (the Letter):

1. We compared the dollar amount of total liabilities (item 4), net worth (item 6), current assets (item 7), current liabilities (item 8), net working capital (item 9) as of December 31, 2004, and the sum of net income plus depreciation, depletion and amortization (item 10) for the year ended December 31, 2004, in the Letter to the applicable amount in or that can be derived from the Company's audited consolidated financial statements referred to above, and found such to be in agreement.

2. We obtained the Company's schedule which calculates tangible net worth as of December 31, 2004. We recomputed the Company's schedule, and agreed amounts included in the calculation with amounts included in the Company's audited consolidated financial statements referred to above, and found such to be in agreement. We compared the dollar amount of tangible net worth as of December 31, 2004, from this schedule to the Letter (item 5) and found it to be in agreement.

3. We obtained the Company's schedule which calculates total assets in the United States as of December 31, 2004. We recomputed the Company's schedule, and agreed amounts included in the calculation with amounts included in the Company's accounting records and found such to be in agreement. We compared the dollar amount of total assets in the United States as of December 31, 2004, from this schedule to the Letter (item 11) and found it to be in agreement.

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

This report is intended solely for the information and use of the Company and the Mississippi Department of Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

March 28, 2005



CONSOLIDATED FINANCIAL STATEMENTS
Kerr-McGee Chemical LLC and Subsidiaries
As of December 31, 2004 and 2003 Together with Report of Independent Auditors

REPORT OF INDEPENDENT AUDITORS

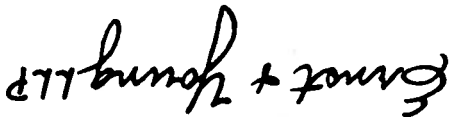
Management of Kerr-McGee Chemical LLC:

We have audited the accompanying consolidated balance sheets of Kerr-McGee Chemical LLC (a wholly owned subsidiary of Kerr-McGee Chemical Worldwide LLC) and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of operations, comprehensive loss and member's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kerr-McGee Chemical LLC and subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations."



Oklahoma City, Oklahoma
March 28, 2005

KERR-MCGEE CHEMICAL LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

(Thousands of Dollars)

ASSETS

	2004	2003
CURRENT ASSETS		
Cash and cash equivalents	9,826	11,977
Accounts and notes receivable, net of allowance for doubtful accounts of \$650 in 2004 and \$1,117 in 2003	147,739	114,823
Accounts receivable from affiliates	18,805	9,609
Notes receivable from affiliates	109,747	51,300
Inventories	190,457	250,966
Deposits and prepaid expenses	16,919	17,906
Derivatives	2,646	13,799
Advances to affiliates	129,690	-
Assets held for sale	3,350	3,804
Total Current Assets	<u>629,179</u>	<u>473,284</u>
PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment	1,348,409	1,371,193
Land	63,293	48,418
Buildings	113,381	115,897
Other	37,927	43,563
Less - Reserves for depreciation and amortization	(991,474)	(904,299)
Total Property, Plant and Equipment	<u>571,536</u>	<u>674,772</u>
OTHER ASSETS		
Advances to Affiliates	-	50,930
Intangible Assets	28,224	35,705
Total Assets	<u>\$ 1,270,395</u>	<u>\$ 1,343,038</u>
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	75,426	92,150
Accrued liabilities	99,086	88,072
Advances from parent and affiliates	-	8,954
Total Current Liabilities	<u>174,512</u>	<u>189,176</u>
NOTE PAYABLE TO AFFILIATE	221,000	221,000
ADVANCES FROM AFFILIATE	62,814	-
DEFERRED CREDITS AND RESERVES		
Deferred income taxes	52,963	83,874
Environmental remediation and / or restoration and other	120,629	129,203
Total Deferred Credits and Reserves	<u>173,592</u>	<u>213,077</u>
MEMBER'S EQUITY		
Members' investment	493,882	493,882
Accumulated other comprehensive income	1,312	9,923
Undistributed earnings	143,283	215,980
Total Member's Equity	<u>638,477</u>	<u>719,785</u>
Total Liabilities and Member's Equity	<u>\$ 1,270,395</u>	<u>\$ 1,343,038</u>

The accompanying notes are an integral part of these financial statements

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	2004	2003
SALES	<u>\$ 863,271</u>	<u>\$ 736,700</u>
COSTS AND EXPENSES		
Costs and operating expenses	640,402	664,189
Selling, general and administrative expenses	61,049	71,073
Shipping and handling expenses	43,922	33,841
Depreciation and amortization (Note 2)	164,319	92,715
Asset impairment	7,449	1,850
Provision for environmental remediation and restoration, net of reimbursements	17,666	21,029
Taxes, other than income taxes	10,623	12,939
Total Costs and Expenses	<u>945,430</u>	<u>797,636</u>
OTHER EXPENSE	<u>(16,473)</u>	<u>(18,669)</u>
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	<u>(98,632)</u>	<u>(77,517)</u>
INCOME TAX BENEFIT	<u>50,454</u>	<u>55,242</u>
LOSS FROM CONTINUING OPERATIONS	<u>(48,178)</u>	<u>(22,275)</u>
LOSS FROM DISCONTINUED OPERATIONS	<u>(15,345)</u>	<u>(15,431)</u>
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	<u>-</u>	<u>(14,100)</u>
NET LOSS	<u>\$ (63,523)</u>	<u>\$ (51,806)</u>

KERR-MCGEE CHEMICAL LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
 (Thousands of Dollars)

KERR-MCGEE CHEMICAL LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND MEMBER'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(Thousands of Dollars)

	Accumulated Other Comprehensive Income (Loss)	Undistributed Earnings	Members Investment	Total Members Equity
Balance at December 31, 2002	\$ (879)	\$ 232,210	\$ 493,882	\$ 725,213
Comprehensive loss:				
Unrealized gain on cash flow hedges, net of taxes of (\$7,581)	17,861	-	-	17,861
Reclassification of realized gain on cash flow hedges to earnings, net of taxes of \$3,022	(7,059)	-	-	(7,059)
Net loss	-	(51,806)	-	(51,806)
Total comprehensive loss	-	-	-	(41,004)
Distribution to parent for:				
Government reimbursements	-	(14,832)	-	(14,832)
Capital contribution from parent	-	50,408	-	50,408
Balance at December 31, 2003	9,923	215,980	493,882	719,785
Comprehensive loss:				
Unrealized gain on cash flow hedges, net of taxes of (\$1,066)	2,082	-	-	2,082
Reclassification of realized gain on cash flow hedges to earnings, net of taxes of \$4,668	(10,693)	-	-	(10,693)
Net loss	-	(63,523)	-	(63,523)
Total comprehensive loss	-	-	-	(72,134)
Distribution to parent for:				
Government reimbursements	-	(44,450)	-	(44,450)
Capital contribution from parent	-	35,276	-	35,276
Balance at December 31, 2004	\$ 1,312	\$ 143,283	\$ 493,882	\$ 638,477

The accompanying notes are an integral part of these financial statements

KERR-MCGEE CHEMICAL LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
 (Thousands of Dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (63,523)	\$ (51,806)
Adjustments to reconcile to net cash provided by operating activities-		
Depreciation and amortization (Note 2)	165,129	95,856
Asset impairment	7,449	1,850
Loss on sale of assets	(27,062)	(7,766)
Cumulative effect of change in accounting principle	3,616	2,975
Other noncash items affecting net loss	-	14,100
Environmental provision (includes forest products environmental provision)	23,746	22,529
Changes in assets and liabilities and other-		
(Increase) decrease in accounts and notes receivable	21,292	11,252
(Increase) decrease in advances to parent and affiliates	30,760	(5,138)
(Increase) decrease in inventory	(24,900)	25,191
(Increase) decrease in deposits and prepaid expenses	60,509	(903)
Decrease in receivables from parent for income taxes	987	(2,719)
Increase (decrease) in accounts payable and accrued liabilities	5,862	7,340
(Decrease) in environmental remediation and restoration, and other	(25,044)	40,070
Net cash provided by operating activities	155,460	(36,101)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(52,254)	(72,669)
Proceeds from sale of assets	312	4,978
Proceeds from notes receivable from affiliates	152,100	97,100
Issuance of notes receivable to affiliates	(210,547)	(130,300)
Other	(2,172)	(1,101)
Net cash used in investing activities	(112,561)	(101,992)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to parent for government reimbursements	(44,450)	(14,832)
Net cash used in financing activities	(44,450)	(14,832)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,551)	(94)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,377	11,471
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 9,826	\$ 11,377

The accompanying notes are an integral part of these financial statements

KERR-McGEE CHEMICAL LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Kerr-McGee Chemical LLC (the company), a Delaware single member limited liability company that is wholly owned by Kerr-McGee Chemical Worldwide LLC (the parent), and its wholly-owned subsidiaries, Kerr-McGee Holdings, Inc. (KMH), a Delaware Corporation, KMCC Western Australia Pty Ltd. (KMWA) and the proportionate share of joint ventures in which the company has an undivided interest. The ultimate parent of the company is Kerr-McGee Corporation (Kerr-McGee).

As discussed in footnotes 3, 4, 7, 9, 10, 11, 14 and 15 the company has material transactions with related parties.

The company produces and markets inorganic industrial chemicals and heavy minerals. The primary product is titanium dioxide. The operations are in the United States and Australia.

Discontinued operations in the consolidated financial statements represent the company's former forest products operations (see note 18).

The company's investments in affiliated companies that are 20% to 50% owned are carried as Other Assets in the Consolidated Balance Sheets at cost adjusted for equity in undistributed earnings. Except for dividends, changes in equity in undistributed earnings are included in the Consolidated Statements of Operations. All intercompany transactions have been eliminated.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Foreign Currencies

As the U.S. dollar is considered the functional currency for KMWA, foreign currency transaction gains and losses are recognized in the period incurred and included in Other Expense in the Consolidated Statements of Operations. The company recorded net foreign currency transaction losses of \$4.3 million and \$3.9 million in 2004 and 2003, respectively.

Cash Equivalents

The company considers all investments with a maturity of three months or less to be cash equivalents.

Accounts Receivable and Receivable Sales

Accounts receivable are reflected at their net realizable value, reduced by an allowance for doubtful accounts to allow for expected credit losses. The allowance is estimated by management, based on factors such as age of the related receivables and historical experience, giving consideration to customer profiles. The company does not generally charge interest on accounts receivable which are generally unsecured; however, certain operating agreements have provisions for interest and penalties that may be invoked if deemed necessary. Accounts receivable are aged in accordance with contract terms and are written off when deemed uncollectible. Any subsequent recoveries of amounts written off are credited to the allowance for doubtful accounts.

Under an accounts receivable monetization program, the company sells selected pigment customers' accounts receivable to a special-purpose entity (SPE). The company does not own any of the common stock of the SPE. When the receivables are sold, the company retains an interest in excess receivables that serve as over-collateralization for the program and retains interests for servicing and in preference stock of the SPE. The interest in the preference stock is essentially a deposit to provide further credit enhancement to the securitization program, if needed, but otherwise is recoverable by the company at the end of the program. Management believes the servicing fee represents adequate compensation and is equal to what would otherwise be charged by an outside servicing agent. The loss associated with the receivable sales is determined as the difference in the book value of receivables sold and the total of cash and fair value of the deposit retained by the SPE. The losses are recorded in other expense. The estimate of fair value of the retained interests is based on the present value of future cash flows discounted at rates estimated by management to be commensurate with the risks.

Inventories

Inventories are stated at the lower of cost or market. The costs of product inventories are determined by the first-in, first-out (FIFO) method. Inventory carrying values include material costs, labor and associated indirect manufacturing expenses. Costs for materials and supplies, excluding ore, are determined by average cost to acquire. Raw materials are carried at actual cost.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less reserves for depreciation and amortization. Maintenance and repairs are expensed as incurred, except that costs of replacements or renewals that improve or extend the lives of existing properties are capitalized.

The company evaluates impairments by asset group for which the lowest level of independent cash flows can be identified. If the sum of these estimated future cash flows (undiscounted and without interest charges) is less than the carrying amount of the property, an impairment loss is recognized for the excess of the carrying amount over the estimated fair value of the property.

Property, plant and equipment is depreciated or amortized over its estimated life by the straight-line method. Useful lives range from 10 to 35 years for buildings and from 3 to 20 years for machinery and equipment. The cost and related depreciation and amortization reserves are removed from the respective accounts upon retirement or sale of property, plant and equipment. Upon retirement, the resulting gain or loss is included in Costs and operating expenses in the Consolidated Statements of Operations and upon sale, the resulting gain or loss is included in Other Expense in the Consolidated Statements of Operations.

To the extent costs of investigation and remediation are recoverable from the U.S. government under Title X and under certain insurance policies and such recoveries are

contamination, and changes in costs of labor, equipment and technology. unanticipated construction problems, identification of additional areas or volumes of costs, such as changes in laws and regulations, revisions to the remedial design, factors could significantly change the company's estimate of environmental remediation technologies, and presently enacted laws and regulations. In future periods, a number of investigations, the stage of the remedial design, evaluation of existing remediation, remediation, are based on a variety of matters, including, but not limited to, the stage of remedial efforts are probable and the associated costs can be reasonably estimated. records an estimated undiscounted liability when environmental assessments and/or identified, the company assesses the existing conditions, claims and assertions, and As sites of environmental concern for which the company is the responsible party are

Environmental Remediation and Other Contingencies

The company's subsidiaries, KMH1 and KMWA, are separate taxable entities and the amount of income taxes attributable to their operations are recorded by the company in the accompanying Consolidated Statements of Operations. Deferred U.S. income taxes related to KMH1 and deferred Australian income taxes related to KMWA are provided to reflect the future tax consequences of differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. The distribution and tax amounts for each of these entities are recorded as directed by Kerr-McGee, but are generally calculated as though each entity filed a separate tax return. Certain deductions or benefits generated by each entity's operations may be considered in the calculation that might not otherwise be available if each entity was not part of a consolidated return.

The company is an entity disregarded as separate from its owner for all federal income tax purposes and, therefore, is treated as a division in Kerr-McGee's consolidated income tax return. However, the company has elected to recognize the amount of current income tax allocated to the company's nontaxable stand-alone operations from Kerr-McGee as income taxes in the accompanying Consolidated Statements of Operations.

Income Taxes

Revenue is recognized when delivery occurs, title and risk of loss passes to the customer and collection of the resulting receivable is probable.

Revenue Recognition

Intangible assets consist of titanium dioxide proprietary chloride and sulfate process technologies and seven patents. Certain indefinite-lived intangibles are not amortized but are reviewed annually for impairment, or more frequently if impairment indicators arise. The annual test for impairment was completed at June 30, 2004, with no impairment indicated for the indefinite-lived intangible assets associated with the chloride and sulfate process technologies. However, a subsequent impairment of \$7.4 million was recorded in 2004 on sulfate process technologies in conjunction with the shutdown of sulfate production at the company's Savannah, Georgia facility (see Note 2).

Intangible Assets

The company capitalizes interest costs on major projects that require an extended period of time to complete. Interest capitalized in 2004 and 2003 was \$1.7 million and \$1.4 million, respectively.

deemed probable, the company records a receivable for the estimated amounts recoverable (undiscounted). Receivables are reflected in the Consolidated Balance Sheets as either accounts receivable or as other assets, depending on estimated timing of collection.

Asset Retirement Obligations

In June 2001, the FASB issued Statement No. 143, "Accounting for Asset Retirement Obligations" (FAS No. 143). FAS No. 143 requires that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard), with an associated increase in the carrying amount of the related long-lived asset. The cost of the tangible asset, including the asset retirement cost, is depreciated over the useful life of the asset. The company adopted the new standard on January 1, 2003, as discussed further in Note 17.

Generally, the company does not recognize an asset retirement obligation associated with its operating facilities either because no legal obligation exists or the life of such facilities is indeterminate. However, if a decision to decommission a facility is made and the timing of liability settlement becomes known, in accordance with the provisions of FAS No. 143, a liability is recognized and the remaining asset retirement cost is depreciated over the remaining useful life of the assets. The ARO is recorded at its estimated fair value and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is measured using expected future cash outflows discounted at the company's credit-adjusted risk-free interest rate. No market risk premium has been included in the company's calculation of ARO balances since no reliable estimate can be made by the company.

Derivative Instruments and Hedging Activities

The company accounts for all its derivative financial instruments in accordance with FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS No. 133), as amended. Derivative financial instruments are recorded as assets or liabilities in the Consolidated Balance Sheets, measured at fair value. When available, quoted market prices are used in determining fair value; however, if quoted market prices are not available, the company estimates fair value using either quoted market prices of financial instruments with similar characteristics or other valuation techniques.

The company uses forwards to reduce the effects of fluctuations in foreign currency exchange rates. Unrealized gains or losses due to changes in the fair value of instruments that are designated as cash flow hedges and that qualify for hedge accounting under the provisions of FAS No. 133 are recorded in Accumulated other comprehensive income. Realized hedging gains or losses are recognized in earnings in the periods during which the hedged forecasted transactions affect earnings. The ineffective portion of the change in fair value of such hedges, if any, is included in current earnings. Derivative instruments that are not designated as hedges or that do not meet the criteria for hedge accounting are recorded in the Consolidated Balance Sheets at fair value, with gains or losses reported currently in earnings.

Cash flows associated with derivative instruments are included in the same category in the Consolidated Statements of Cash Flows as the cash flows from the item being hedged.

Shipping and Handling Fees and Costs

All amounts billed to a customer in a sales transaction related to shipping and handling represent revenues earned and are reported as sales. Costs incurred by the company for shipping and handling are reported as expense.

New Accounting Standards

In December 2004, the FASB issued FASB Staff Position No. FAS 109-2 (FSP No. 109-2), "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provisions within the American Jobs Creation Act of 2004" (the Jobs Act). FSP No. 109-2 provides guidance with respect to reporting the potential impact of the repatriation provisions of the Jobs Act on an enterprise's income tax expense and deferred tax liability. The Jobs Act was enacted on October 22, 2004, and provides for a temporary 85% dividends received deduction on certain foreign earnings repatriated during a one-year period. The deduction would result in an approximate 5.25% federal tax rate on the repatriated earnings. Additionally, withholding taxes may be due in certain tax jurisdictions. To qualify for the deduction, the earnings must be reinvested in the United States pursuant to a domestic reinvestment plan established by a company's chief executive officer and approved by a company's board of directors. Certain other criteria in the Jobs Act must be satisfied as well. FSP No. 109-2 states that an enterprise is allowed time beyond the financial reporting period to evaluate the effect of the Jobs Act on its plan for reinvestment or repatriation of foreign earnings. Kerr-McGee has not yet completed its evaluation of the impact of the repatriation provisions of the Jobs Act and its impact on the company on a stand-alone basis. Accordingly, as provided for in FSP No. 109-2, the company has not adjusted its tax expense or deferred tax liability to reflect the repatriation provisions of the Jobs Act.

In November 2004, the FASB issued FAS No. 151, "Inventory Costs - an Amendment of ARB No. 43, Chapter 4," which requires that abnormal amounts of idle facilities cost, freight, handling costs and spoilage be expensed as incurred and not capitalized as inventory. FAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The company will adopt the standard effective January 1, 2006. The effect of adoption is not expected to have a material effect on the company's financial position or results of operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates as additional information becomes known.

WORK FORCE REDUCTION AND EXIT ACTIVITIES

2.

In September 2004, the company shut down sulfate and gypsum production at its Savannah, Georgia facility. In 2004, the company recognized a pretax charge of \$104.7 million for costs associated with the shutdown. Of the total, \$68.3 million represented accelerated depreciation of plant assets (of which \$12.7 million related to an asset retirement obligation recognized during the third quarter of 2004), \$15.6 million for inventory revaluation, \$7.4 million for impairment of intangible assets, \$6.7 million for severance and benefit plan curtailment costs, and \$6.7 million for other closure costs. Severance cost of \$2.1 million was paid during 2004 and \$2.1 million remained in the reserve at the end of the year. See Note 17 for additional discussion regarding the asset retirement obligation. The shutdown will result in the elimination of approximately 100 positions, the last of which will occur in early 2005. In addition, an \$18.3 million charge was recognized in 2004 for

accelerated depreciation of other plant assets at the Savannah facility that are no longer in service. The company's 2004 Consolidated Statement of Operations includes \$86.6 million in depreciation expense, \$29.0 million in costs and operating expenses and \$7.4 million in asset impairment, for total pretax charges of \$123.0 million associated with the Savannah facility.

In September 2003, Kerr-McGee announced a program to reduce its U.S. non-bargaining work force through both voluntary retirements and involuntary terminations. As a result of the program, the company's work force was reduced by 138 employees. Qualifying employees terminated under this program were eligible for enhanced benefits under Kerr-McGee's pension and postretirement plans, along with severance payments. The program was substantially complete by the end of 2003, with certain retiring employees staying into 2004 for transition purposes. In connection with the work force reduction program, the company incurred a pretax charge of \$9.4 million for severance-related costs. Of the total provision, \$2.6 million was paid through December 31, 2003, and \$6.5 million was paid during 2004. The remaining reserve balance of \$0.3 million, representing an excess of estimated provisions over actual costs, was reversed in 2004.

During 2003, the company provided \$60.8 million pretax for costs associated with the closure of its synthetic rutile plant in Mobile, Alabama. Included in the \$60.8 million were \$14.1 million for the cumulative effect of change in accounting principle related to the recognition of an asset retirement obligation, \$15.2 million for accelerated depreciation, \$14.9 million for other closure costs, \$10.5 million for severance benefits and \$6.1 million for benefit plan curtailment costs. Additionally, in 2004, \$6.8 million was provided by the company for additional costs associated with the plant closure, of which \$3.6 million was accelerated depreciation of additional asset retirement costs and \$1.0 million was environmental remediation costs. See Note 17 for a discussion of the related asset retirement obligation. The reserve balance related to this plant closure was \$2.0 million and \$2.2 million at the end of 2004 and 2003, respectively. Approximately 127 employees will ultimately be terminated in connection with this plant closure, of which 111 had been terminated as of December 31, 2004. Payments are expected to continue through the end of 2007.

During 2002, the company provided \$16.5 million for costs associated with exiting its forest products business. Additional provisions of \$5.2 million and \$1.9 million were recorded in 2003 and 2004, respectively, for a total of \$23.6 million over the three-year period. Of this amount, \$17.0 million was provided for dismantlement and closure costs and \$6.6 million for severance costs. Through December 31, 2004, \$17.1 million has been paid, with \$6.5 million remaining in the reserve at year-end. Payments related to the plant closures are expected to continue for several years in connection with dismantlement and cleanup efforts; however, all of the severance costs are expected to be paid by the end of March 2005. The company operated its fifth plant, a leased facility located in The Dalles, Oregon, through December 2004. In January 2005, the assets located at The Dalles were sold. In connection with the plant closures, approximately 235 employees will be terminated of which 216 were terminated as of year-end 2004. In addition to the provisions for severance, dismantlement and closure, the company recognized \$8.8 million in 2003 and \$8.1 million in 2004 for other costs associated with the shutdown. The 2003 costs included accelerated depreciation on plant assets, curtailment costs and special termination benefits related to pension and postretirement plans, while 2004 costs represented operating costs during the shutdown period. As discussed in Note 18, in the fourth quarter of 2004, criteria for presenting results of operations of the forest products business as discontinued operations have been met. Therefore, the provisions for plant closures discussed above are included in loss from discontinued operations for all periods presented.

restoration costs by the parent.

and 2003, respectively, due to the direct payment of environmental remediation and/or also resulted in non-cash capital contributions of \$35.3 million and \$50.4 million in 2004 environmental liabilities). See Note 10 for discussion of these matters. These activities respectively (including amounts related to discontinued forest products operations for provision for legal and environmental liabilities of \$37.9 million and \$54.7 million, Department of Energy and insurers of \$14.2 million and \$32.1 million, respectively, and During 2004 and 2003, non-cash activities included the recognition of receivables from the

During 2004 and 2003, the company paid interest of \$14.7 million and \$12.0 million to Kerr-McGee or affiliates, respectively, of which \$1.7 million and \$1.4 million was capitalized associated with construction in process. Additionally, during the same periods, the company was allocated current income tax expense (benefits) associated with its nontaxable stand-alone operations from Kerr-McGee of \$2.1 million and (\$37.0) million, respectively.

4. CASH FLOW INFORMATION

The company also has significant income tax transactions with its parent and affiliates. See Notes 4 and 1 for a discussion of these transactions.

The company recorded net interest expense totaling \$2.3 million in 2004 and \$2.8 million in 2003, for interest on advances made to and received from KMIC. These advances primarily consist of net cash flows for the company and are due on demand. The net interest expense is reflected in Other Expense in the Consolidated Statements of Operations. Interest on the advances is based on the Federal Short-Term Rate, which ranged from 1.5% to 2.5% in 2004 and 1.2% to 1.8% in 2003. The aggregate of these advances and other non-interest bearing intercompany receivables or payables are carried in the Consolidated Balance Sheets as Advances from parent and affiliates and do not include intercompany receivables or payables related to income taxes.

The company made sales of titanium dioxide pigment totaling \$198.0 million and \$147.8 million to affiliate Kerr-McGee Pigments, Ltd., in 2004 and 2003, respectively. As of December 31, 2004 and 2003, receivables from this affiliate aggregated \$18.8 million and \$9.6 million, respectively, all of which were due within one year. Similar sales to affiliate Kerr-McGee Pigments International were \$0.2 million in 2003. The company also made sales of natural rutile and synthetic rutile to affiliate Kerr-McGee Pigments (Holland) BV totaling \$4.0 million in 2004 and \$4.8 million in 2003. All of these amounts are included as sales in the Consolidated Statements of Operations. The company believes the sales were made at prices that approximate the prices which would have been received from an unrelated party for the same products.

In 2001, Kerr-McGee issued \$1.5 billion of long term notes in a public offering. The notes have been fully and unconditionally guaranteed, on a joint and several basis, by the company's parent and another Kerr-McGee subsidiary.

The company has entered into a borrowing agreement with an affiliated company. See Note 9 for a discussion of this borrowing agreement.

Summarized below are accounts and notes receivable, net of the related allowance for doubtful accounts and notes, at December 31, 2004 and 2003 (thousands of dollars):

	2004	2003
Accounts receivable	\$ 66,000	\$ 44,000
Department of Energy (Note 10)	6,000	-
Receivable from insurers	76,389	71,594
Accounts receivable - trade	-	46
Notes Receivable	148,389	115,640
Allowance for doubtful accounts and notes	(650)	(1,117)
Total	<u>\$ 147,739</u>	<u>\$ 114,523</u>

In December 2000, the company began an accounts receivable monetization program for its pigment business through the sale of selected accounts receivable with a three-year credit-insurance-backed asset securitization program. On July 30, 2003, the company restructured the existing accounts receivable monetization program to include the sale of receivables originated by the company's European chemical operations. During 2004, the company completed its renewal of the program, extending the term through July 27, 2005. The maximum availability under the program is \$165 million. Under the terms of the program, selected qualifying customer accounts receivable are sold monthly to a special-purpose entity (SPE), which in turn sells an undivided ownership interest in the receivables to a third-party multi-seller commercial paper conduit sponsored by an independent financial institution. The company sells, and retains an interest in, excess receivables to the SPE as over-collateralization for the program. The company's retained interest in the SPE's receivables is classified in trade accounts receivable in the accompanying Consolidated Balance Sheets. The retained interest is subordinate to, and provides credit enhancement for, the conduit's ownership interest in the SPE's receivables, and is available to the conduit to pay certain fees or expenses due to the conduit, and to absorb credit losses incurred on any of the SPE's receivables in the event of termination. However, the company believes that the risk of credit loss is very low since its bad-debt experience has historically been insignificant. The company retains servicing responsibilities and receives a servicing fee of 1.07% of the receivables sold for the period of time outstanding, generally 60 to 120 days. No recourse obligations were recorded since the company has no obligations for any recourse actions on the sold receivables. The company also holds preference stock in the SPE, which essentially represents a retained deposit to provide further credit enhancements, if needed, but is otherwise recoverable by the company at the end of the program. The carrying value of our investment in the preference stock was \$2.4 million at December 31, 2004 and 2003.

The program includes a ratings downgrade trigger in the event Kerr-McGee's corporate senior unsecured debt rating falls below BBB- by S&P or Ba3 by Moody's, or in the event such rating has been suspended or withdrawn by S&P or Moody's. The result of the downgrade trigger is an increase in the cost of the program, along with other program modifications. In addition, the program includes a ratings downgrade termination event, upon which the program effectively liquidates over time and the third-party multi-seller commercial paper conduit is repaid by the collections on accounts receivable sold by the SPE. The ratings downgrade termination event is triggered if Kerr-McGee's corporate senior unsecured debt (i) is rated less than BBB- by S&P and Ba3 by Moody's (ii) is rated less than BB+ by S&P or Ba1 by Moody's or (iii) is withdrawn or suspended by S&P or Moody's.

During 2004 and 2003, the company sold \$520.1 million and \$424.6 million, respectively, of its pigment receivables, resulting in pretax losses of \$3.6 million and \$2.7 million,

respectively. The losses are equal to the difference in the book value of the receivables sold and the total of cash and the fair value of the deposit retained by the SPE. As of December 31, 2004 and 2003, the outstanding balance on receivables sold, net of the company's retained interest in receivables serving as over-collateralization, was \$70.1 million and \$71.0 million, respectively. The outstanding balance of receivables serving as over-collateralization totaled \$28.4 million and \$15.7 million at December 31, 2004 and 2003, respectively. There were no delinquencies as of year-end 2004.

INVENTORIES

The major categories of inventories at December 31, 2004 and 2003, are as follows (thousands of dollars):

	2004	2003
Raw materials	\$ 53,822	\$ 78,339
Finished goods	89,615	126,046
Materials and supplies	47,020	46,581
Total	\$ 190,457	\$ 250,966

OTHER ASSETS

Other assets consist of the following at December 31, 2004 and 2003 (thousands of dollars):

	2004	2003
Receivable from Department of Energy (Note 10)	\$ 12,792	\$ 65,014
Investments in equity affiliates	16,750	14,931
Receivables from insurers and suppliers	9,000	24,530
Other	2,914	3,872
Total	\$ 41,456	\$ 108,347

8. INTANGIBLE ASSETS

The changes in the carrying amount of indefinite-lived intangible assets for 2003 and 2004 are as follows (thousands of dollars):

	2004	2003
Carrying Amount	\$ 28,021	\$ 35,470
Impairment associated with Savannah sulfate plant shutdown (1)	(7,449)	
Balance at December 31, 2004	\$ 28,021	
Balance at December 31, 2003		\$ 35,470
Intellectual Property		

(1) See Note 2 for additional information on the Savannah sulfate plant shutdown.

The original processing facility is regulated by the State of Illinois (the State), and four vicinity areas are designated as Superfund sites on the National Priorities List (NPL).

Closed Facility – Pursuant to agreements reached in 1994 and 1997 among the company, the City of West Chicago (the City) and the State regarding the decommissioning of the closed West Chicago facility, the company has substantially completed the excavation of contaminated soils and has shipped those soils to a licensed disposal facility. Surface restoration was completed in 2004, except for areas designated for use in connection with the Kress Creek and Sewage Treatment Plant remediation discussed below. Groundwater monitoring and remediation is expected to continue for approximately 10 years.

Vicinity Areas – The Environmental Protection Agency (EPA) has listed four areas in the vicinity of the closed West Chicago facility on the NPL and has designated the company as a Potentially Responsible Party (PRP) in these four areas. The company has substantially completed remedial work for two of the areas (known as the Residential Areas and Reed-Keppeler Park). The other two NPL sites, known as Kress Creek and the Sewage Treatment Plant, are contiguous and involve low levels of insoluble thorium residues, principally in streambanks and streambed sediments, virtually all within a floodway. The company has reached an agreement with the appropriate federal and state agencies and local communities regarding the characterization and cleanup of the sites, past and future government response costs, and the waiver of natural resource damages claims. The agreement will be incorporated in a consent decree, which must be entered by a federal court. It is anticipated that the consent decree will be filed with the court in April 2005 and approved by the court in due course thereafter. The company has already conducted an extensive characterization of Kress Creek and the Sewage Treatment Plant and, at the request of EPA, is conducting limited additional characterization that is expected to be completed in early 2005. The cleanup work, which is expected to take about four years to complete following entry of the consent decree, will require excavation of contaminated soils and stream sediments, shipment of excavated materials to a licensed disposal facility and restoration of affected areas.

Financial Reserves – In 2004, \$28.5 million was added to the reserve for the West Chicago site to cover increased soil volumes encountered at the closed facility, anticipated groundwater remediation the company believes will be required following soil removal at the closed facility and increased soil volumes at Kress Creek. As of December 31, 2004, the company had reserves of \$99.6 million for costs related to West Chicago. Although actual costs may exceed current estimates, the amount of any increase cannot be reasonably estimated at this time. The amount of the reserve is not reduced by reimbursements expected from the federal government under Title X of the Energy Policy Act of 1992 (Title X) (discussed below).

Government Reimbursement – Pursuant to Title X, the U.S. Department of Energy (DOE) is obligated to reimburse the company for certain decommissioning and cleanup costs incurred in connection with the West Chicago sites in recognition of the fact that about 55% of the facility's production was dedicated to U.S. government contracts. The amount authorized for reimbursement under Title X is \$365.0 million plus inflation adjustments. That amount is expected to cover the government's full share of West Chicago cleanup costs. Through December 31, 2004, the company had been reimbursed approximately \$215.0 million under Title X.

Reimbursements under Title X are provided by congressional appropriations. Historically, congressional appropriations have lagged the company's cleanup expenditures. As of December 31, 2004, the government's share of costs incurred by the company but not yet reimbursed by the DOE totaled approximately \$78.8 million. The company believes receipt of the remaining arrearage in due course following additional congressional appropriations is probable and has reflected the arrearage as a receivable in the consolidated financial statements. Approximately \$65.7 million of the \$78.8 million arrearage was received during the first quarter of 2005, with additional funds expected to be received later in 2005. The

company will recognize recovery of the government's share of future remediation costs for the West Chicago sites as the company incurs the cash expenditures. As the company is part of Kerr-McGee's cash management system, the government reimbursements received by the company have been remitted to the parent and reflected in the Consolidated Statements of Comprehensive Loss and Member's Equity as a Distribution to parent.

Henderson, Nevada

In 1998, the company decided to exit the ammonium perchlorate business. At that time, it curtailed operations and began preparation for the shutdown of the associated production facilities in Henderson, Nevada, that produced ammonium perchlorate and other related products. Manufacture of perchlorate compounds began at Henderson in 1945 in facilities owned by the U.S. Navy expanded production significantly in 1953 when it completed construction of a plant for the manufacture of ammonium perchlorate. The Navy continued to own the ammonium perchlorate plant as well as other associated production equipment at Henderson until 1962, when the plant was purchased by a predecessor of the company. The ammonium perchlorate produced at the Henderson facility was used primarily in federal government defense and space programs. Perchlorate has been detected in nearby Lake Mead and the Colorado River.

The company began decommissioning the facility and remediating associated perchlorate contamination, including surface impoundments and groundwater when it decided to exit the business in 1998. In 1999 and 2001, the company entered into consent orders with the Nevada Division of Environmental Protection that require the company to implement both interim and long-term remedial measures to capture and remove perchlorate from groundwater.

In 1999, the company initiated the interim measures required by the consent orders. Construction of a long-term remediation system is complete, and the system is operating in compliance with the consent orders. While the remediation system currently is projected to operate through 2007, the scope, duration, and cost of groundwater remediation will be driven in the long term by drinking water standards, which to date have not been formally established by state or federal regulatory authorities. EPA and other federal and state agencies currently are evaluating the health and environmental risks associated with perchlorate as part of the process for ultimately setting drinking water standards. One state agency, the California Environmental Protection Agency (CalEPA), has set a public health goal for perchlorate, and the federal EPA has established a reference dose for perchlorate, which are preliminary steps to setting drinking water standards. The establishment of drinking water standards could materially affect the scope, duration and cost of the long-term groundwater remediation that the company is required to perform.

Financial Reserves – Remaining reserves for Henderson totaled \$10.3 million as of December 31, 2004. As noted above, the long-term scope, duration and cost of groundwater remediation are uncertain and, therefore, additional costs beyond those accrued may be incurred in the future. However, the amount of any additional costs cannot be reasonably estimated at this time.

Litigation – In 2000, the company initiated litigation against the United States seeking contribution for response costs. The suit is based on the fact that the government owned the plant in the early years of its operation, exercised significant control over production at the plant and the sale of products produced at the plant, and was the largest consumer of products produced at the plant. The discovery stage of litigation is substantially complete, and the parties have filed certain pretrial motions that are being considered by the court. Although the outcome of the litigation is uncertain, the company believes it is likely to recover a portion of its costs from the government. The amount and timing of any recovery cannot be estimated at this time and, accordingly, the company has not recorded a receivable or otherwise reflected in the consolidated financial statements any potential recovery from the government.

In addition, on July 26, 2004, the company was served with a lawsuit, which was filed in the United States District Court for the District of Arizona. The lawsuit, Alan Curtis and Linda Curtis v. City of Bullhead City, et al., in which the company is one of several defendants (the Defendants), alleges various causes of action under a variety of common law theories and federal environmental laws and seeks recovery for damages allegedly caused by the alleged exposure to and the migration of various chemical contaminants contained in the Colorado River. The two plaintiffs, who are not suing on behalf of any other party, also seek an order requiring the Defendants to remediate contamination. The company intends to vigorously defend against the lawsuit. The company believes that the litigation will not have a material adverse effect on its financial condition or results of operations.

Insurance - In 2001, the company purchased a 10-year, \$100.0 million environmental cost cap insurance policy for groundwater and other remediation at Henderson. The insurance policy provides coverage only after the company exhausts a self-insured retention of approximately \$61.3 million and covers only those costs incurred to achieve a cleanup level specified in the policy. As noted above, federal and state agencies have not established a drinking water standard and, therefore, it is possible that the company may be required to achieve a cleanup level more stringent than that covered by the policy. If so, the amount recoverable under the policy could be affected.

At December 31, 2004, expenditures incurred to date of approximately \$67.2 million plus remaining costs to be incurred of approximately \$9.5 million exceed the self-insured retention. The company believes that the reimbursement is probable and, accordingly, the company has recorded a receivable in the consolidated financial statements of \$15.0 million.

Milwaukee, Wisconsin

In 1976, the company closed a wood-treatment facility it had operated in Milwaukee, Wisconsin. Operations at the facility prior to its closure had resulted in the contamination of soil and groundwater at and around the site with creosote and other substances used in the wood-treatment process. In 1984, EPA designated the Milwaukee wood-treatment facility as a Superfund site under CERCLA, listed the site on the NPL and named the company a PRP. The company executed a consent decree in 1991 that required it to perform soil and groundwater remediation at and below the former wood-treatment area and to address a tributary creek of the Menominee River that had become contaminated as a result of the wood-treatment operations. Actual remedial activities were deferred until after the decree was finally entered in 1996 by a federal court in Milwaukee.

Groundwater treatment was initiated in 1996 to remediate groundwater contamination below and in the vicinity of the former wood-treatment area. It is not possible to reliably predict how groundwater conditions will be affected by soil removal in the vicinity of the former wood-treatment area, which has been completed, or how groundwater conditions will be affected by ongoing groundwater treatment; therefore, it is not known how long groundwater treatment will continue. Soil cleanup of the former wood-treatment area began in 2000 and was completed in 2002. Also in 2002, terms for addressing the tributary creek were agreed upon with EPA, after which the company began the implementation of a remedy to reroute the creek and to remediate associated sediment and stream bank soils. Completion of the creek remedy is expected to take about three more years.

Financial Reserves - In 2004, \$3.7 million was added to the reserves for the excavation and disposal of additional soil volumes encountered during remediation of the tributary creek of the Menominee River. As of December 31, 2004, the company had reserves of \$6.5 million for the costs of the remediation work described above. Although actual costs may exceed current estimates, the amount of any increases cannot be reasonably estimated at this time.

In 1999, EPA notified the company and the parent that they were PRPs at a former wood-treatment site in New Jersey that has been listed by EPA as a Superfund site. At that time, the company knew little about the site as neither it nor the parent had ever owned or operated the site. A predecessor of the company had been the sole stockholder of a company that owned and operated the site. The company that owned the site already had been dissolved and the site had been sold to a third party before the company became affiliated with the former stockholder in 1964. Actual costs incurred by EPA through 2004 were approximately \$164.0 million.

There are substantial uncertainties about the company's responsibility for the site, and it is evaluating possible defenses to any claim by EPA for response costs. EPA has not articulated the factual and legal basis on which EPA notified the company and the parent that they are potentially responsible parties. The EPA notification may be based on a successor liability theory premised on the 1964 transaction pursuant to which the company became affiliated with the former stockholder of the company that had owned and operated the site. Based on available historical records, it is uncertain whether and, if so, under what terms, the former stockholder assumed liabilities of the dissolved company. Moreover, as noted above, the site had been sold to a third party and the seller that owned and operated the site had been dissolved before the company became affiliated with the seller's stockholder. In addition, there appear to be other PRPs, though it is not known whether the other parties have received notification from EPA. EPA has not ordered the company or the parent to perform work at the site and is instead performing the work itself. The company has not recorded a reserve for the site as it is not possible to reliably estimate the liability the company or the parent may have for the cleanup because of the aforementioned uncertainties and the existence of other PRPs.

Forest Products Litigation

Between 1999 and 2001, the company and the parent were named in 22 lawsuits in three states (Mississippi, Louisiana and Pennsylvania) in connection with present and former forest products operations located in those states (in Columbus, Mississippi; Bossier City, Louisiana; and Avoca, Pennsylvania). The lawsuits sought recovery under a variety of common law and statutory legal theories for personal injuries and property damages allegedly caused by exposure to and/or release of creosote and other substances used in the wood-treatment process. The company has executed settlement agreements that are expected to resolve substantially all of the Louisiana, Pennsylvania and Columbus, Mississippi, lawsuits described above. Accordingly, most of the suits have been, or are expected to be, dismissed.

Following the adoption by the Mississippi legislature of tort reform, plaintiffs' lawyers filed many new lawsuits across the state of Mississippi in advance of the reform's effective date. On December 31, 2002, approximately 245 lawsuits were filed against the company and its affiliates on behalf of approximately 4,600 claimants in connection with its Columbus, Mississippi, operations, seeking recovery on legal theories substantially similar to those advanced in the litigation described above. Substantially all of these lawsuits have been removed to the U.S. District Court for the Northern District of Mississippi, and the court has consolidated these lawsuits for pretrial and discovery purposes. On December 31, 2002, June 13, 2003, and June 25, 2004, three lawsuits were filed against the company in connection with a former wood-treatment plant located in Hattiesburg, Mississippi. On September 9, 2004, February 11, 2005, and March 2, 2005, three lawsuits were filed against the company in connection with a former wood-treatment plant located in Texas. In addition, on January 3, 2005, and February 16, 2005, 30 lawsuits were filed against the company in connection with the Avoca, Pennsylvania facility described above. These lawsuits seek recovery on legal theories substantially similar to those advanced in the litigation described above. A total of approximately 3,300 claimants now have asserted claims in connection with the Hattiesburg plant, there are 63 plaintiffs

- The company provides for costs related to contingencies when a loss is probable and the amount is reasonably estimable. It is not possible for the company to reliably estimate the amount and timing of all future expenditures related to environmental and legal matters and other contingencies because, among other reasons:
 - some sites are in the early stages of investigation, and other sites may be identified in the future;
 - remediation activities vary significantly in duration, scope and cost from site to site depending on the mix of unique site characteristics, applicable technologies and regulatory agencies involved;
 - cleanup requirements are difficult to predict at sites where remedial investigations have not been completed or final decisions have not been made regarding cleanup requirements, technologies or other factors that bear on cleanup costs;
 - environmental laws frequently impose joint and several liability on all potentially responsible parties, and it can be difficult to determine the number and financial condition of other potentially responsible parties and their respective shares of responsibility for cleanup costs;
 - environmental laws and regulations, as well as enforcement policies, are continually changing, and the outcome of court proceedings and discussions with regulatory agencies are inherently uncertain;

The company provides for costs related to contingencies when a loss is probable and the amount is reasonably estimable. It is not possible for the company to reliably estimate the amount and timing of all future expenditures related to environmental and legal matters and other contingencies because, among other reasons:

The company and/or its affiliates are parties to a number of legal and administrative proceedings involving environmental and/or other matters pending in various courts or agencies. In the ordinary course of its business the company experiences disputes with federal, state, and other regulatory authorities. These disputes, individually and in the aggregate, are not expected to have a material adverse effect on the company. These are also proceedings associated with facilities currently or previously owned, operated or used by the company, its subsidiaries and/or their predecessors, some of which include claims for personal injuries and property damages. Current and former operations of the company and/or its subsidiaries also involve management of regulated materials and are subject to various environmental laws and regulations. These laws and regulations will obligate the company, and/or its subsidiaries, and/or the parent to clean up various sites at which chemicals, low-level radioactive substances and/or other materials have been disposed of or released. Some of these sites have been designated Superfund sites by EPA pursuant to CERCLA. Similar environmental regulations exist in foreign countries in which the company and/or its affiliates operate.

Other Matters

The company and its affiliates believe that the follow-on Columbus and Avoca claims, the remaining Hattiesburg claims and the claims related to the Texarkana plants are without substantial merit and are vigorously defending against them. The company has not provided a reserve for these lawsuits because at this time it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. The company believes that the ultimate resolution of the forest products litigation will not have a material adverse effect on the company's financial condition or results of operations.

named in the Texarkana lawsuit and approximately 4,600 plaintiffs are named in the new Avoca lawsuits. The company has resolved approximately 1,490 of the Hattiesburg claims pursuant to a settlement reached in April 2003, which has resulted in aggregate payments by the company of approximately \$0.6 million.

The parent had additional reserves totaling \$7.7 million and \$7.9 million at December 31, 2004 and 2003, respectively, for sites which it assumed the primary obligation from the company in matters involving joint and several liability. Additionally, as of December 31, 2004, the company and/or the parent had litigation reserves totaling approximately \$2.8 million for the reasonably estimable losses associated with litigation all of which has been reflected as an obligation of the parent. Management believes, after consultation with general counsel that currently the company and the parent have reserved adequately for the reasonably estimable costs of environmental matters and other contingencies. However, additions to the reserves may be required as additional information is obtained that enables the company to better estimate its liabilities, including liabilities at sites now under review, though the company cannot now reliably estimate the amount of future additions to the reserves.

	2004	2003			
Accrued liabilities	\$ 51,942	\$ 50,971			
Deferred credits and reserves -	91,130	105,427			
Environmental remediation and/or restoration and other	<u>\$ 143,072</u>	<u>\$ 156,398</u>			

At year-end 2004 and 2003, the company had reserves totaling \$143.1 million and \$156.4 million for cleaning up and remediating environmental sites, reflecting the reasonably estimable costs for addressing these sites. These reserves were reflected in the company's Consolidated Balance Sheets as Accrued liabilities or Deferred credits and reserves at December 31, 2004 and 2003 as follows (thousands of dollars):

- some legal matters are in the early stages of investigation or proceeding or their outcomes otherwise may be difficult to predict, and other legal matters may be identified in the future;
- unanticipated construction problems and weather conditions can hinder the completion of environmental remediation; the inability to implement a planned engineering design or remediation measures, which delay remediation and increase costs; and the identification of additional areas or volumes of contamination and changes in costs of labor, equipment and technology generate corresponding changes in environmental remediation costs.

The provision (benefit) for income taxes for 2004 and 2003 is summarized below (thousands of dollars):

	2004	2003
U.S. Federal:		
Current	\$ (37,815)	\$ (19,619)
Deferred	(24,259)	6,224
	<u>(62,074)</u>	<u>(13,395)</u>
International:		
Current	12,349	9,175
Deferred	(2,803)	(13,990)
	<u>9,546</u>	<u>(4,815)</u>
Total Taxable Entities	(52,528)	(18,210)
Non-taxable (disregarded) entity income tax expense (benefit) allocation from Kerr-McGee	2,074	(37,032)
Total Income Tax Benefit	\$ (50,454)	\$ (55,242)

Undistributed earnings of KMWA totaled \$92.1 million at December 31, 2004. No provision for deferred U.S. income taxes has been made for these earnings because they are considered to be indefinitely invested outside the U.S. The distribution of these earnings in the form of dividends or otherwise, may subject the company to U.S. income taxes. However, because of the complexities of U.S. taxation of foreign earnings, it is not practicable to estimate the amount of additional tax that might be payable on the eventual remittance of these earnings.

On October 22, 2004, the President of the United States signed the American Jobs Creation Act of 2004 (the "Act") into law. A provision of the Act includes a deduction of 85% of certain foreign earnings that are repatriated, as defined in the Act. We may elect to apply this provision to qualifying earnings repatriated during the reporting period ending December 31, 2005. We are currently evaluating the potential impact of this legislation, including assessing the details of the Act and analyzing the funds available for repatriation. However, given the preliminary status of the evaluation, we do not expect to be able to complete the analysis until after Congress or the Department of the Treasury provides additional clarifying language. Currently, the range of possible amounts that we are considering for repatriation under this provision is between zero and \$145.0 million. The related potential range of income and foreign withholding tax for such repatriation is between zero and \$8.0 million.

From time to time, the company enters into financial derivative instruments that generally fix the commodity prices to be paid for a portion of its forecasted natural gas purchases.

Natural Gas Derivatives

From time to time, the company enters into forward contracts to buy and sell foreign currencies. These contracts (purchases of Australian dollars) have been designated and have qualified as cash flow hedges of the company's anticipated operating costs. These forward contracts generally have original duration of less than three years. The resulting changes in fair value of these contracts are recorded in Accumulated other comprehensive income. At December 31, 2003, the fair value of foreign currency derivative assets included in the Consolidated Balance Sheets was \$13.5 million (there were no foreign currency derivatives at December 31, 2004). At December 31, 2003, the company had after tax gains of \$9.4 million in Accumulated other comprehensive income related to these forward contracts. The amounts are recognized in earnings in the periods during which the hedged forecasted transactions affect earnings (i.e., when the operating costs are incurred). In 2004 and 2003, the company reclassified pre-tax gains of \$14.2 million and \$10.1 million, respectively, on forward contracts from Accumulated other comprehensive income to Costs and operating expenses in the Consolidated Statements of Operations. No hedges were discontinued during 2004, and no ineffectiveness was recognized.

Foreign Currency Derivatives

The company holds or issues financial instruments for other than trading purposes, including the following at December 31, 2004 and 2003: cash, accounts and notes receivable, accounts and notes payable from Kerr-McGee and affiliates, accounts payable, accrued liabilities, foreign currency and natural gas derivatives and note payable to affiliate. At December 31, 2004 and 2003, the carrying amounts of all financial instruments, as reflected in the accompanying Consolidated Balance Sheets, approximate their estimated fair values. The carrying amount of the company's accounts and notes receivable from Kerr-McGee and affiliates and note payable to affiliate approximate fair value based on the current rates for similar termed instruments. The carrying amounts of all other financial instruments approximate a fair value due to the nature or short maturities of such items.

Financial Instruments

12. FINANCIAL INSTRUMENTS AND DERIVATIVE ACTIVITIES

	2004	2003
Deferred tax assets	\$ 11,268	\$ 6,066
Deferred tax liabilities	33,277	56,983
Accelerated depreciation	11,686	11,686
Intangible assets	188	4,038
Derivatives	19,080	17,233
Other	64,231	89,940
Deferred income taxes, net	\$ 52,963	\$ 83,874

The net deferred tax liability, classified as Deferred Credits and Reserves - Deferred income taxes in the Consolidated Balance Sheets, represents the net deferred taxes related solely to the taxable operations of KMH and KMWA. Deferred tax assets or liabilities are composed of the following at December 31, 2004 and 2003 (thousands of dollars):

These contracts have been designated and qualified as cash flow hedges. As such, the resulting changes in fair value of these contracts, to the extent effective in achieving the risk management objective, are recorded in Accumulated other comprehensive income. At December 31, 2004 and 2003, the fair value of natural gas derivative assets included in the Consolidated Balance Sheets was \$2.0 million and \$0.8 million, respectively. At December 31, 2004 and 2003, the company had after-tax gains of \$1.3 million and \$0.5 million, respectively, in Accumulated other comprehensive income related to these instruments. The amounts will be recognized in earnings in the periods during which the hedged forecasted transactions affect earnings (i.e., when the natural gas is purchased). In 2004, the company reclassified \$1.2 million of pre-tax gains on gas contracts from Accumulated other comprehensive income to Costs and operating expenses in the Consolidated Statement of Operations. Of the existing unrealized gains, approximately \$2.0 million in pre-tax gains will be reclassified into earnings during the next 12 months, assuming no further changes in fair value of the contracts. No hedges were discontinued during 2004, and no ineffectiveness was recognized.

13. OTHER EXPENSE

Other expense was as follows during the year ended December 31, 2004 and 2003 (thousands of dollars):

	2004	2003
Interest expense, net	\$ 9,001	\$ 8,818
Loss on foreign currency exchange	4,312	3,868
Loss on sale of assets	3,616	2,975
Legal and other	(456)	3,008
Total	\$ 16,473	\$ 18,669

14. POSTRETIREMENT BENEFITS

Kerr-McGee sponsors contributory plans to provide certain health care and life insurance benefits for retired employees. Substantially all the company's employees may become eligible for these benefits if they reach retirement age while working for the company; however, benefits available and costs to individual employees vary depending on the employee's date of retirement and date of employment with the company.

The expense allocated to the company and recognized for postretirement health care and life insurance benefits was \$10.2 million for 2004 and \$12.0 million for 2003. Kerr-McGee recognizes the future benefit obligation related to these plans and no liability is reflected in these consolidated financial statements.

15. RETIREMENT PLANS

Most employees of the company are covered under Kerr-McGee's noncontributory defined benefit retirement plan. The benefits of this plan are based primarily on years of service and employees' remuneration near retirement. Kerr-McGee's policy is to fund the minimum amounts as permitted by the Employee Retirement Income Security Act of 1974. Kerr-McGee makes all contributions to the retirement plan trust. Also, Kerr-McGee sponsors supplemental retirement plans to provide employees with benefits provided for by the plans, but in excess of the limits under the Federal tax law. The company recognized net pension credits of \$6.2 million for 2004, offset by \$3.9 million of charges for curtailment and special termination benefits related to the closure of Savannah Sulfate and settlements associated with normal retirements and retirements resulting from the 2003 work force reduction program compared to net pension credits of \$15.9 million for 2003. The future benefit

Discontinued Operations - During 2002, the company approved a plan to exit its forest products business. This decision was made as part of the company's strategic plan to focus on its core businesses. At the time of this decision, five plants were in operation. Four of these plants were closed and abandoned during 2003. Provisions associated with the closure of these plants are discussed in more detail in Note 2. The fifth plant, a leased facility, was operated throughout 2004 until the lease expired and the fixed assets at the

recognition of other charges. life of certain assets, which would result in the acceleration of depreciation expense and the redeployment of certain assets, idling of certain assets and reduction of the future useful 2005. The possible reconfiguration of the Savannah site, if any, could include understanding of how the Savannah site might be reconfigured to exploit its capabilities in continued to evaluate its performance. The company expects to have a better year, the company continued to operate its new high-productivity oxidation line and hardware configurations and reduced maintenance requirements. As of the end of the oxidation lines and allows for improved operating efficiencies through simplification of results in low-cost, incremental capacity increases through modification of existing chloride Savannah, Georgia, chloride process pigment plant in January 2004. This new technology The company began production through a new high-productivity oxidation line at its

shutdown. intangible assets in 2004. See Note 2 for information on other provisions related to the closure, the company recognized a \$7.4 million asset impairment on indefinite-lived titanium dioxide pigment production at its Savannah, Georgia facility. In connection with the **Asset Impairments** - In September 2004, the company shut down sulfate-process

18. ASSETS IMPAIRMENTS AND DISCONTINUED OPERATIONS

this time. exceeded current estimates, the amount of any increase cannot be reasonably estimated at As of December 31, 2004, the reserve was \$12.9 million. Although actual costs may monitoring, asbestos abatement, and other work, which are expected to take over 25 years. including environmental assessment, closure of certain impoundments, groundwater, at Savannah, Georgia, was established to address probable remediation activities, In 2004, an abandonment reserve related to the titanium dioxide pigment sulfate production

estimated at this time. costs may exceed current estimates, the amount of any increases cannot be reasonably described above and \$6.7 million related to decommissioning of the facility. Although actual had remaining abandonment reserves of \$11.3 million related to the remediation work be substantially completed in about five years. As of December 31, 2004, the company groundwater recovery, closure of the impoundments and other minor work, is expected to Discharge Elimination System (NPDES) permit. Future remediation work, including installed prior to closure and continues in operation as required under the National Pollutant groundwater adjacent to surface impoundments. A groundwater recovery system was in June 2003. Operations prior to closure had resulted in minor contamination of dioxide pigment plants of the company's chemical business. The facility ceased operations Operations at the Mobile, Alabama, facility included production of feedstock for titanium

recognized in September 2004. company's Savannah, Georgia, plant, an abandonment liability of \$12.7 million was liability was recognized at the beginning of 2003. For the sulfate production facility at the estimated fair value. For the synthetic rutile plant in Mobile, Alabama, a \$17.6 million became estimable and the related asset retirement obligation was recorded at the would be settled. Upon deciding to shut down the facilities, the timing of settlement it was indeterminable when the asset retirement liability associated with these facilities Savannah, Georgia, plant. Until the decisions to shut down these facilities had been made,

facility were sold in January 2005. Criteria for classification of these assets as held for sale were met in 2004, at which time the results of forest products operations met the requirements for reporting as discontinued operations in the accompanying Consolidated Statements of Operations for all years presented. The assets held for sale at December 31, 2004 are included in Assets Held for Sale in the Consolidated Balance Sheet at estimated sales price less costs to sell of \$3.4 million. No gain or loss was recognized on the disposition of these assets. Environmental liabilities associated with the forest products sites are being retained by the company and are included in the Consolidated Balance Sheets in Accrued liabilities and Environmental remediation and/or restoration and other. Revenues applicable to the discontinued operations totaled \$21.8 million and \$105.0 million for 2004 and 2003, respectively. Pretax loss from discontinued operations totaled \$15.3 million and \$15.4 million for the years 2004 and 2003, respectively.

19. SUBSEQUENT EVENTS

Kerr-McGee announced on March 8, 2005, that its Board of Directors authorized management to proceed with its proposal to pursue alternatives for the separation of its chemical business, which includes the company, through a spinoff or sale. The impact of this decision on the company cannot be determined at this time.