

STATE OF NEVADA
Department of Conservation & Natural Resources
DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor
Allen Biaggi, Director
Leo M. Drozdoff, P.E., Administrator

December 30, 2009

Susan Crowley (Contractor)
C/O Tronox LLC
PO Box 55
Henderson, NV 89009

Re: **Tronox LLC (TRX)**
NDEP Facility ID #H-000539
Nevada Division of Environmental Protection (NDEP) Response to:
Data Validation Summary Report Phase B Investigation Area I Soil
Dated December 21, 2009

Dear Ms. Crowley,

The NDEP has received and reviewed TRX's above-identified Deliverable and provides comments in Attachment A. A revised Deliverable should be submitted based on the comments found in Attachment A. TRX should additionally provide an annotated response-to-comments letter as an appendix to the revised submittal **by January 15, 2010.**

Please contact the undersigned with any questions at brakvica@ndep.nv.gov or (702) 486-2850 extension 247.

Sincerely,

Brian A. Rakvica P.E.
Supervisor, Special Projects Branch
Bureau of Corrective Actions
NDEP-Las Vegas Office
Fax: 702-486-5733

BAR:s



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Attachment A

1. General comment, the Deliverable does not conform to a number of previously issued NDEP guidance documents, examples are provided below.
2. **Level of Validation. Section 2.0 and General.** In Section 2.0 the data validation summary report (DVSR) indicates all of the Phase B Investigation data underwent validation with approximately 10% validated to Stage 4. Review of the database validation_flag field indicates 6260 of values are designated “N” and 262 has no designation (are blank) in this field. The database contains a total of 74,852 records in the results table. Review of the validation_stage field in the database indicates 4,569 records are designated to have been validated at Stage 4. The value of 4,569/74,852 indicates that approximately 6.1% of records have this designation, a value less than 10%. See item 2.c below also. The validation_flag field also indicates not all the records were validated. There are also inconsistencies between fields in the database (see 2.d below). The DVSR should clarify why the database appears to differ from the text.
3. **Database. General.** There are many issues associated with the EDD database provided with this DVSR that require attention. The database should be reviewed in detail. The following issues are noted with the database, however with the number of issues that have been identified it is recommended that all components of the database should be reviewed for accuracy and compliance with NDEP-required EDD format.
 - a. For the radiochemistry results: The result_uncertainty and the minimum_detectable_activity fields are all blank. It is unclear how the radiochemistry values in the MDL, SQL, and PQL related to uncertainty. These records need to be corrected to meet the NDEP *Guidance on Data Reporting and Detection Limits* as well as the NDEP Unified EDD Format guidance.
 - b. The asbestos results have none of the sensitivity (asbestos_analytical_sensitivity) and uncertainty (asbestos_sensitivity_units) information in the database that is required as described in the EDD Format guidance. The analyst_name information is also missing.
 - c. The analytical_suite field has a number of records that are blank, please added the appropriate code to these records. Also, the code “O.Pesticides” is ambiguous, please use OPPest or OCPest to differentiate the suites.
 - d. There are circa 3000 records in the database where the validation_flag is equal to “N” yet the validation_stage field has a designation that includes one of the following: 4, Stage 2B, Stage 4. If the data was validated to stage 4, Stage 2B, or Stage 4 then the validation_flag value should be T (see 2.g below).
 - e. The validation_stage has 32,857 blank values (of 74,852 records). In general, all records should have some type of validation designation.
 - f. Sensitivity DQIs. The sensitivity data quality indicators in the database do not appear to match the NDEP requirements. In many instances the sample quantitation limit (SQL) is equal to the practical quantitation limit (PQL). This is an uncommon association if the SQL and PQL are defined according to the NDEP guidance. It also appears that the MDL is used to establish the censoring level, where results are reported with a U qualifier at the MDL level. This approach is not recommended unless the MDL in the database is equivalent to the NDEP SQL definition where it represents the sample-specific (e.g. dilutions) detection limit.

The sensitivity indicators in the database should be reviewed against the NDEP *Guidance on Data Reporting and Detection Limits* and adjusted where appropriate.

- g. The validation_flag field should only contain one of two values: T or F. The database supplied uses Y or N, please correct these values.
 - h. There are a number of target compounds in the database with no result_report value and no final_validation_qualifier. With no qualifier it is unclear why no result_report value is provided. Values with no result_report are of no value unless they are correctly qualified. Please review and correct these values as appropriate.
4. **Holding Time Limits. Table 3-1.** The holding time limits in Table 3-1 are incorrect for EPA Method SW 846 8260B. A soil sample holding time limit for this method is 14 days when properly preserved. However, it does appear that the samples have been correctly qualified in this table. This table should be reviewed for accuracy of sampling holding times and the time limit corrected. The table should also show the true "Actual Prep HT" such as 21 days, not just a greater than (>) value.
 5. **Laboratory Qualifiers. Tables.** Several of the tables include laboratory qualifiers (LabQual) with uncommon designations (e.g. N, N*). Provide a definition for all qualifiers used in the tables.

UPDATE 3-U.S. judge approves Tronox financing plan

4:14pm EST

* Judge approves emergency motion for DIP, exit financing

* Financing provided by Goldman Sachs

* Huntsman withdraws motion for Tronox auction

* Huntsman likely to receive break-up fee, expenses

(Recasts lead, headline and story to include judge approval of financing; adds byline)

By Chelsea Emery

NEW YORK, Dec 22 (Reuters) - A U.S. judge approved on Tuesday an emergency request by Tronox Inc to allow the bankrupt U.S. chemicals maker to access debtor-in-possession and exit financing provided by Goldman Sachs Group Inc <GS.N>.

The company rushed to have the agreement approved before Goldman's Dec. 24 deadline on worries the investment firm would not extend its offer and the tentative agreements reached by Tronox <TRXAQ.PK> stakeholders on restructuring the company would collapse.

An attorney representing Goldman told the court the investment firm did not intend to extend the commitment after the 24th.

"I believe that, if Goldman Sachs does not fund, all the interdependent compromises would likely fall apart," said Todd Snyder, managing director at Rothschild Inc, which has advised Tronox through its bankruptcy. "Each party's commitments are interdependent and roll up to the initial exit financing commitment."

Snyder testified at the hearing, held in Manhattan's Bankruptcy Court for the Southern District of New York.

HUNTSMAN

Also on Tuesday, Huntsman Corp <HUN.N> withdrew its request that Tronox proceed with an auction for its assets, even though the company has proposed an alternate plan, according to court documents.

Tronox had been scheduled to hold an auction on Dec. 21 for its titanium dioxide plants in the Netherlands and the United States and a 50 percent joint venture interest in a titanium dioxide plant in Australia and electrolytic production facilities.

Rival chemical maker Huntsman, which said it would bid \$415 million for the assets, had been scheduled to be the lead bidder, or "stalking horse," at the auction.

But on Tuesday, Huntsman filed documents with the court saying the company was withdrawing its motion for an order directing Tronox to comply with the bidding procedures. A company spokesman was not immediately available to say why Huntsman withdrew the motion.

Huntsman likely will receive a break-up fee and expense reimbursement. The amount of those possible fees was not immediately known.

Tronox has said in court documents that it intends to pay Huntsman those amounts.

Huntsman stock closed 5 cents higher at \$11.23 in trading on the New York Stock Exchange.

The case is: In re: Tronox Inc, U.S. Bankruptcy Court, Southern District of New York, No. 09-10156. (Reporting by Chelsea Emery; editing by Robert MacMillan and Andre Grenon)

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Tronox plans reorganization

AGREEMENT WILL ALLOW BANKRUPT CHEMICAL COMPANY TO KEEP ITS HEADQUARTERS IN OKLAHOMA CITY

BY DON MECOY [Comments](#) 0
Published: December 22, 2009

An 11th-hour reorganization plan for bankrupt Tronox Inc. will keep the chemical company's headquarters in Oklahoma City, an outcome that was in serious doubt had a scheduled auction of the business' assets taken place this week.

Had the auction occurred, "there was a strong probability that the headquarters would not have remained in Oklahoma City," Tronox spokesman Robert Gibney said Monday. "This is very good news for Oklahoma City."

Over the coming year, Tronox likely will begin rehiring some employees who lost jobs as the financially troubled company cut costs, Gibney said.

Tronox, which employed more than 300 people in Oklahoma City when it was spun off of Kerr-McGee Corp. in 2006, has about 140 local workers, Gibney said. The company also expects to restore some employee benefits that were eliminated, he said.

"We envision getting the 401(k) match back in place," Gibney said. "The Tronox pension will remain with New Tronox, which is good news for our employees."

The reorganization plan secures funding for the new Tronox and settles Tronox's environmental liabilities with the U.S. government, the company said. The agreement was filed late Sunday in federal bankruptcy court in New York. The bankruptcy court is scheduled to consider approval of the agreement today.

"It came down to the wire," Gibney said. "We were working into the evening last night and we worked all weekend. We pulled it off at the last minute."

The reorganization plan would grant certain bondholders a 70 percent stake in the reorganized company. Holders of other unsecured claims will gain a 30 percent share of the reorganized company. Holders of Tronox's common stock would receive nothing, according to a company statement. Tronox shares fell more than 45 percent on Monday to close at 30 cents.

Under the plan, all government claims related to Tronox's legacy environmental sites will be settled through creation of a remediation trust and a litigation trust. Tronox will

contribute \$115 million in cash and 88 percent of the potential proceeds of litigation against Anadarko Petroleum Corp. and former parent Kerr-McGee Corp. The remaining 12 percent of the Anadarko/Kerr-McGee litigation would go to claimholders, who also would be due a pro-rata share of \$7 million in cash from Tronox, according to the agreement.

Tronox has entered into a credit agreement for a new \$425 million debtor-in-possession financing facility that will repay the company's outstanding secured debt, including the current debtor-in-possession financing, the company said.

It said bondholders also have committed to inject \$105 million of equity into its balance sheet through a rights offering.

"We're just excited that we were able to achieve this milestone as part of the process," Gibney said. "We're happy for our employees, customers, vendors and Oklahoma City as well. We're glad we can remain here."

TOOLS

[view all](#)



Black Friday: 2009

Shoppers were awake early to take advantage of discounts at area stores

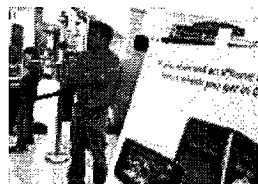
30 photos



Devon Groundbreaking: Tuesday, October 6,

Photos from the Devon Groundbreaking Tuesday, October 6, 2009

11 photos



Buyers line up to buy new iPhone 3GS

Customers lined up in Oklahoma City early Friday morning to purchase the phone.

5 photos



Sonic toys: Wednesday, April 22,

Photos of upcoming Sonic toys

10 photos

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*Counsel for the Official Committee
of Equity Holders of Tronox Inc.*

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	
)	Chapter 11
TRONOX INCORPORATED, et al.,)	
)	Case No. 09-10156 (ALG)
)	
Debtors.)	Jointly Administered
)	

**OBJECTION OF THE OFFICIAL COMMITTEE OF EQUITY
SECURITY HOLDERS TO TRONOX’S MOTION FOR ENTRY OF
AN ORDER AUTHORIZING AND APPROVING THE SALE OF
SUBSTANTIALLY ALL OF TRONOX’S ASSETS**

The Official Equity Security Holders Committee of Tronox Inc. (the “Equity Committee”), appointed pursuant to §§ 1102(a) and 1102(b) of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (as amended, the “Bankruptcy Code”) by the United States Trustee for the Southern District of New York in the above-captioned cases, hereby objects (the “Objection”) to the motion dated September 2, 2009 (Doc. No. 660) (the “Motion”)¹ filed by the above-captioned debtors and debtors-in-possession (the “Debtors”) to approve the sale of substantially all of Tronox’s operating assets. In support of the Objection, annexed hereto as

¹ Capitalized terms used but not defined herein shall have the meanings ascribed to those terms in the Motion.



Exhibit A is the Declaration of Stephen Floyd, dated December 17, 2009 (the “Floyd Decl.”).

The Equity Committee respectfully represents as follows:

PRELIMINARY STATEMENT

1. The proposed sale of the Debtors’ valuable business must be stopped. There is no legitimate business justification for permitting a third party to effectively steal the significant inherent value of the company at a deeply discounted price, thereby robbing creditors and equity holders of the intrinsic value of a healthy company. This Court should not permit these actions and should deny approval of the sale on the terms proposed by the Debtors.

2. The Debtors seek this Court’s approval for a *de facto* liquidation through a sale of all or substantially all of their assets pursuant to Section 363 of the Bankruptcy Code conducted during a time when the chemicals and M&A markets are at historical lows. Having embarked on this course, allowing the Debtors to remain on a path that capitulates to their Secured Lenders by pursuing a “fire sale” at a time that is sure to minimize—rather than maximize and preserve—value.

3. Tronox is fundamentally an operationally healthy company and commenced these bankruptcy proceedings primarily to address the impact of significant legacy liabilities improperly allocated to Tronox by its former parent, Kerr-McGee. But for those liabilities, Tronox was (and remains) an operationally profitable and intrinsically valuable business. Notwithstanding the positive economics of this company absent the improperly allocated legacy liabilities, the Debtors have spent much of the last eleven (11) months focused on appeasing only the Secured Lenders who insist upon being cashed out as quickly as possible, without regard to maximizing value of the estate.

4. As a result of the Secured Lenders’ persistence and notwithstanding the Debtors’ fiduciary duties to maximize value, the Debtors now request that this Court approve the Sale for

a price that is certain to be well below the true value of these estates. As an example, the Stalking Horse Bid is approximately 2.6-3.2x 2010E EBITDAR and 3.0-3.9x 2009E EBITDAR, depending on adjustments to the sale price, excess cash levels, and other adjustments to EBITDAR as may be appropriate. See Floyd Decl. at ¶ 2. These valuation multiples are below those of the vast majority of M&A transactions in the chemical industry during the past 10+ years. As explained further below, at this depressed price (or, even at a price within the realm of the Stalking Horse Bid) all of the Debtors' constituents (except the Secured Lenders) suffer tremendously.

5. Approval of the Sale at this juncture would violate Section 363 of the Bankruptcy Code. Specifically, the Debtors have offered no valid business reason to justify this Sale when M&A transaction values are so clearly depressed and when the financial performance and value of Tronox's assets are steadily increasing. See *In re Lionel*, 722 F.2d 1063, 1071 (2d Cir. 1983) (requiring "sound business justifications" for a sale of significant assets). As discussed herein, less than six months ago, the Second Circuit reaffirmed *Lionel's* holding as the proper, most comprehensive framework for judging the validity of a proposed Section 363 transaction. Further, the sale of an entire business through the Section 363 of the Bankruptcy Code is only permitted when in the best interests of a debtor's entire estate, not, as here, merely because such sale is desired by one over-secured party in order to expedite its repayment at the expense and to the detriment of all other constituencies.

6. Without doubt, fundamentally healthy companies that are maintaining or increasing in value, such as Tronox, should be reorganized and the intrinsic value of its continued operations should flow to creditors and equity holders as the residual risk-bearers of the estates. This is particularly true here, where reorganization of Tronox is not only feasible but

also the natural and right outcome in these cases. If the Sale is not approved at this time, the Equity Committee is highly confident that Tronox could achieve a consensual reorganization that would result in recoveries to all stakeholders in an amount substantially greater than the existing Stalking Horse Bid. Indeed, the Equity Committee continues to actively develop its own plan proposal and submits that with additional time and without the continuing distraction of a potential sale, a feasible reorganization plan will likely be developed. In any event, Tronox and its stakeholders could also revisit the sale option at a later date when offers for Tronox's assets will inevitably increase as the company's operations become increasingly more profitable and as the credit, chemicals and M&A markets continue to recover from the fallout of the last year.

7. The Debtors should abandon the Sale and continue to work with their stakeholders to formulate a value-maximizing plan. Accordingly, the only option is for this Court to deny the Motion. Doing so will send a clear message to the Debtors: sever the stranglehold that the Secured Lenders hold over them and, instead, work to formulate a consensual plan of reorganization that truly maximizes and preserves estate value for the benefit of *all* of their constituents.

BACKGROUND

Procedural Background

8. The Debtors each filed voluntary Chapter 11 petitions on January 12, 2009 (the "Petition Date"). The Debtors continue to operate and manage their businesses as debtors-in-possession under §§ 1107 and 1108 of the Bankruptcy Code. No trustee has been appointed in these cases.

9. On January 21, 2009, the United States Trustee appointed the seven (7) member official committee of unsecured creditors (the “Creditors’ Committee”) to represent unsecured creditors during the Debtors’ bankruptcy cases (Doc. No. 76).

10. On March 13, 2009, the United States Trustee appointed the seven (7) member Equity Committee to represent all of Tronox’s public shareholders during the Debtors’ bankruptcy cases (Doc. No. 245 (amending Doc. No. 244)). On November 18, this Court approved Eureka Capital Partners, LLC and Young & Partners, LLC (collectively, “Eureka/Young”) as financial advisors to the Equity Committee *nunc pro tunc* to October 10, 2009.

The Debtors’ Post-Petition Financing

11. On the Petition Date, the Debtors filed a motion to approve their proposed debtor-in-possession financing (the “DIP Facility”), which authorized up to \$125 million in post-petition lending (Doc. No. 4). Section 5.17 of the DIP Facility required the Debtors to commence “a process . . . to sell all or substantially all of the assets of the [Debtors]” within six months. *Id.* An interim order approving the DIP Facility was entered on January 13, 2009 (Doc. No. 46), and a final order was entered on February 6, 2009 (the “DIP Order”) (Doc. No. 148). As of September 30, 2009, the outstanding balance on the DIP Facility was approximately \$54.2 million.

12. As is often the case, Tronox’s Secured Lenders under the DIP Facility are also the company’s pre-petition secured lenders. The Secured Lenders have pre-petition claims against the Debtors in the aggregate of approximately \$212.6 million, representing funding extended through a revolver and term loan. In addition to the pre-petition indebtedness, the Debtors had outstanding letters of credit which have been rolled into the DIP Facility. The Equity Committee

submits that all amounts are secured by assets worth in excess of one billion dollars. In addition, the Secured Lenders are being compensated generously during these cases at a rate at LIBOR plus 4.5% with LIBOR floor of 2.5% as adequate protection to protect against the diminution of the value of their collateral. The Secured Lenders themselves have conceded that they are fully-secured creditors. *See* Defendants' Motion to Dismiss Adversary Complaint, Adv. Pro. No. 09-01388 (ALG) at 28 (Doc. No.16).

13. On May 11, 2009, the Debtors filed a motion for authority to enter into a waiver and amendment with respect to the DIP Facility (the "DIP Amendment") (Doc. No. 429). Pursuant to the DIP Amendment, the Debtors agreed, *inter alia*, to accept a stalking horse bid for all or substantially all of their assets by May 31, 2009 and to file a motion for approval of such a sale under Section 363(b) of the Bankruptcy Code within one week thereafter. In exchange, the Debtors were to receive a waiver of certain non-monetary, technical defaults under the DIP Facility.² Citing the mandatory sale provision, the Equity Committee objected to the DIP Amendment arguing it was fundamentally inequitable for the Debtors to surrender their independent business judgment with respect to a critical aspect of these cases (Doc. No. 436). The Creditors' Committee also objected to the DIP Amendment on similar grounds (Doc. No. 435).

14. After a series of negotiations among the Debtors, the agent under the DIP Facility (the "DIP Agent"), the Equity Committee and the Creditors' Committee, an interim compromise.

² The defaults centered around the Debtors' failure to timely provide the Secured Parties audited financial statements for the fiscal year ended December 31, 2008. The delay was caused by the company's continuing investigation into the adequacy of its environmental and other contingent reserves. Concerns over the adequacy of such reserves were well known to the Secured Parties when the DIP Facility was entered into and were well disclosed publicly in the company's first day filings in these bankruptcy cases and, in a subsequent 8K that explained the impact of the reserve issue on the ability to produce financing statements.

was reached with respect to the pending objections to the DIP Amendment. In exchange for an increase of fees paid by the company, the date by which the Debtors were required to accept a stalking horse bid for all of Tronox's operating assets was pushed back from May 31, 2009 to July 31, 2009. This date could also be extended up to thirty (30) days at the discretion of the DIP Agent. The Debtors were still required to file a motion to approve the sale to the stalking horse bidder within seven (7) days of its mandatory acceptance of such stalking horse bid no matter what the terms of the agreement provided. *See* DIP Amendment § 2(i). While this compromise avoided a sale of Tronox's operating assets in the immediate term, it did not address the Equity Committee's stated concern that the Debtors were relinquishing their judgment concerning such a sale to a constituency that is fully protected by a significant equity cushion and that has no economic incentive to maximize the value of the Debtors' estates.

15. On May 27, 2009, the Debtors submitted the DIP Amendment compromise to the Court (the "DIP Compromise Statement") (Doc. No. 455). The Court approved the DIP Amendment, as modified per the compromise set forth in the DIP Compromise Statement, on May 28, 2009 (Doc. No. 465).

16. On October 2, 2009, the Debtors filed a notice (the "Notice") of the Second Waiver and Amendment to the DIP Facility (the "Second DIP Amendment"). The Second DIP Amendment requires the Debtors to hold the auction on or before December 8, 2009 and to have an order entered approving a sale on or before December 10, 2009. These *new* deadlines imposed by the Secured Lenders as part of the Second DIP Amendment were a material change acting as an iron-clad grip on the Debtors' independent evaluation on whether or not it is in the best interest of the estates to sell their assets at this time.

The Equity Committee's Reorganization Efforts

17. On November 10, 2009, the Equity Committee filed a Motion to Terminate the Debtors' Period of Exclusivity to File a Plan of Reorganization and Notice of Filing of Chapter 11 Plan Term Sheet (Doc. No. 857) (the "Equity Committee Exclusivity Motion"). On November 23, 2009, the Equity Committee withdrew the Equity Committee Exclusivity Motion in an effort to coordinate efforts with the Debtors in pursuing a standalone plan of reorganization.

18. In connection with its Exclusivity Motion, the Equity Committee submitted a draft term sheet for a viable reorganization plan (the "EC Term Sheet"), which was developed in consultation with Eureka/Young.³ A plan developed pursuant to the EC Term Sheet would allow Tronox's fundamentally healthy and profitable operations to reorganize ("Reorganized Tronox") and emerge largely free of the improperly allocated Legacy Liabilities. Under the plan structure outlined in the EC Term Sheet, a trust would be established and funded to continue litigation against Anadarko Petroleum Corp. and to address environmental remediation concerns pending the resolution of Anadarko litigation. Claims asserted by the EPA and various tort claimants would be satisfied by the proceeds of the Anadarko litigation. Allowed unsecured claims would be paid in full with a combination of cash and preferred shares of Reorganized Tronox. Public shareholders will also receive new equity and rights to purchase additional shares in Reorganized Tronox. The EC Term Sheet provided that Reorganized Tronox could be capitalized by: (i) the company's excess cash; (ii) a new senior term loan and revolving credit facility of \$[280-\$300] million; (iii) a high yield issue of \$[205-\$225] million; and (iv) a back-stopped rights offering to

³ The Equity Committee and its advisors are continuing to pursue and develop the EC Term Sheet, which remains a work in progress. While as yet no other party has agreed to be bound by the terms of the EC Term Sheet, the Equity Committee submits that the structure proposed is achievable and could reasonably lead to a confirmable plan of reorganization.

the public shareholders of \$[100] million. In addition, the EC Term Sheet set forth a mechanism for an Equity Sponsor to back-stop a rights offering giving Tronox's existing public shareholders and noteholders an opportunity to invest additional new money in Reorganized Tronox. The Equity Committee firmly believes that a plan formulated pursuant to the EC Term Sheet would provide all creditors and equity holders with substantially higher recoveries than the proceeds that will be generated via a Sale at this time.

The Debtors' Sale Process and Auction

19. On September 3, 2009, the Debtors filed their Motion to establish Bidding Procedures for the sale of Tronox's operating assets (the "Bidding Procedures Motion"). Pursuant to the order dated September 23, 2009 approving the Bidding Procedures Motion (Doc. No. 715), the auction was originally scheduled for December 8, 2009 and the sale hearing was scheduled for December 10, 2009. At a status conference on December 3, this Court adjourned the auction until December 21, 2009 and the sale hearing until December 22, 2009.

20. Huntsman Corporation ("Huntsman") has been elected as the stalking horse bidder pursuant to that certain Asset and Equity Purchase Agreement, dated as of August 28, 2009. The stalking horse bid for Tronox's operating assets was originally for a mere \$415 million (the "Stalking Horse Bid").⁴

21. As noted above, on December 21, 2009, Tronox will hold an auction for the sale of substantially all of its assets. This Court will hold a hearing regarding approval of the Sale to the winning bidder the following day, on December 22, 2009.

⁴ On December 13, 2009, Huntsman filed a Motion For An Order Directing Compliance with the Bidding Procedures Order and AEPA (the "Huntsman Motion"). A hearing regarding the Huntsman Motion is scheduled to be heard at the December 22 sale hearing. Notably, the Motion states that Huntsman has forwarded a "superior proposal" to Tronox's Board of Directors. See Huntsman Motion at ¶ 28. However, the details of that "superior proposal" are confidential and, accordingly, the Equity Committee has not responded to that purchase price in this Objection and reserves all of its rights in connection therewith.

ARGUMENT

22. This Court should not approve the Sale. Simply put, even at a price well above the Stalking Horse Bid, the proposed Sale is demonstrably improper and destroys the inherent value of these estates by disenfranchising those most at risk - the Debtors' creditors and equity holders.⁵ Further, Tronox has not - because it cannot - demonstrated sufficiently sound business justifications for the proposed Sale of substantially all of its operating assets. *See In re Lionel*, 722 F.2d 1063 (2d Cir. 1983). Accordingly, the Debtors' Motion should be denied.

I. THE DEBTORS ARE IN BREACH OF THEIR FIDUCIARY OBLIGATIONS IN PURSUING A SALE THAT MINIMIZES – RATHER THAN MAXIMIZES – VALUE

23. The Sale process that the Debtors have undertaken during the past months has produced a wholly unacceptable result. Approval of the Sale would result in the intrinsic value of the Debtors' assets being siphoned away for only enough cash to satisfy the Secured Lenders in full, while providing the Debtors' creditors and equity holders with little to no value. Although this result may be acceptable in some liquidating Chapter 11 cases, it is indefensible here. As explained below, (i) the Debtors' inherent value is significantly higher than the proceeds that may be generated by the Sale, (ii) the M&A and chemicals markets are expected to improve during the coming months and thus, postponing a fire sale can only be value-enhancing, and (iii) with the availability of exit financing and/or replacement DIP financing, there are superior reorganization alternatives. Thus, there are no *legitimate* exigent circumstances to approve the Sale. Accordingly, instead of rubber-stamping the Secured Lenders' demands in

⁵ The Equity Committee recognizes that the winning bid may result in a higher price for the assets than the current Stalking Horse Bid. The Equity Committee does not believe that such a price increase will be sufficiently material to impact the value analysis. Accordingly, the Equity Committee reserves all of its rights to object to the winning bid and the proposed sale to the winning bidder.

compelling the Sale, this Court should require the Debtors to preserve value through continued pursuit of a meaningful reorganization process.

A. The Sale Will Destroy The Inherent Value of the Debtors' Assets

24. As explained above, the Stalking Horse Bid is for a mere \$415 million – a price substantially below the true inherent value of the Debtors' profitable business. As noted above, the Stalking Horse Bid itself is valued at approximately 2.6-3.2x 2010E EBITDAR and 3.0-3.9x 2009E EBITDAR, depending on adjustments to the sale price, excess cash levels, and other adjustments to EBITDAR as may be appropriate. As discussed below, these multiples of EBITDAR are below the vast majority of M&A transactions in the chemical industry during the past 10+ years. *See* Floyd Decl. at ¶ 2. As a result, any proposed sale at a price not *substantially* higher than the Stalking Horse Bid will significantly undervalue the Debtors' estates and fall substantially below the valuation benchmarks established by the majority of M&A transactions in the chemicals industry.

25. Since the commencement of these cases, the Debtors have stated that their business operations are inherently valuable. The Debtors acknowledge in their own first day pleadings that Tronox has significant inherent value on account of, among other things:

- The company's scale as "the world's third-largest producer and marketer of titanium dioxide." Declaration of Gary Barton, Senior Director at Alvarez & Marsal North America LLC, In Support of First Day Motions ¶ 11 ("Barton Decl.") (Doc. No. 3);
- The company's market-leading technology as its "chloride process is superior to the traditional sulfate process . . . which customers prefer for many end-use applications." *Id.* ¶ 18;
- The substantial barriers to competitive entry into the titanium dioxide industry, since "Tronox is one of a limited number of titanium dioxide producers that holds proprietary rights to a chloride manufacturing process." *Id.*; and

- The historically profitable nature of the titanium dioxide business when end markets are not trampled by a world recession. *Id.* ¶¶ 10-11.

26. The Debtors' inherent value is further illustrated by Tronox's strong operations during the course of these proceedings as demonstrated, in part, by the company's monthly operating reports filed with the Bankruptcy Court (which, notably, do not contain the consolidated financial results of non-U.S. debtors, and therefore, reflect only a portion of Tronox's positive momentum). In fact, based only on the results reported in the monthly operating reports, Tronox's sales have grown approximately 20% and gross profit has roughly *tripled*. *See generally*, Monthly Operating Statements. As further evidence of its steadily improving financial performance and momentum, Tronox recently announced several price increases for its titanium dioxide product in North America, Europe, Asia and other locations globally.⁶ These price increases are by no means isolated events, as numerous similar announcements have been made recently by each of the other largest market participants.⁷

27. In addition, the Debtors have filed suit against Anadarko Petroleum Corporation and Kerr-McGee Corporation, Adv. Pro. No. 09-01198 (Bankr. S.D.N.Y.) (the "Anadarko Litigation") to extricate itself from the massive and crippling liabilities allocated to Tronox from its former parent company during its 2005 subsidiary IPO and subsequent 2006 spin-off (the "Legacy Liabilities").⁸ These Legacy Liabilities, which never should have been assigned to Tronox, have forced the company to pay hundreds of millions of dollars to clean-up property it

⁶ *See, e.g.*, Tronox Announces TiO2 Price Increases, REUTERS (July 27, 2009) (referring to price increases in Latin America and Asia), a copy of which is attached hereto as Exhibit B; Tronox Announces TiO2 Price Increases, REUTERS (July 17, 2009) (referring to price increases in Europe, the Middle East, Africa, the United States and Canada), a copy of which is attached hereto as Exhibit C; Tronox Announces TiO2 Price Increases in Asia and Latin America, REUTERS (June 5, 2009), a copy of which is attached hereto as Exhibit D; Tronox Announces TiO2 Price Increases in North America, Europe and the Middle East, REUTERS (May 18, 2009), a copy of which is attached hereto as Exhibit E.

⁷ Since May 1, 2009, there have been at least 49 titanium dioxide price increase announcements by the five largest industry participants, including at least nine by Tronox. *See* Floyd Decl. at ¶ 4.

⁸ Tronox was spun-off from Kerr McGee Corporation in 2006. Soon thereafter Kerr McGee Corporation was merged into Anadarko Petroleum Corporation. *See* Barton Decl. ¶¶ 24-41.

never owned or from which it derived any benefit. These Legacy Liabilities also caused significant uncertainty concerning the extent of Tronox's future environmental obligations, severely limiting the company's strategic options. In addition, Tronox incurred significant secured and unsecured debt obligations in connection with the subsidiary IPO and subsequent spin-off. The funds raised, however, were provided to Kerr McGee and were not utilized in support of Tronox's operations. Litigation to avoid a portion of these debt obligations has been initiated by the Creditors' Committee. *See* Adv. Pro. No. 09-01388 (Bankr. S.D.N.Y.) (the "Creditors' Committee Litigation"). In the likely event that the Anadarko and the Creditors' Committee Litigations are successful, Tronox will be relieved of millions of dollars of Legacy Liabilities and secured debt that it should never have been responsible for.

28. Notwithstanding the Debtors' admissions that the business operations are valuable and profitable, and despite the Debtors' operational improvements since the commencement of these cases, and although the Debtors are focused on recouping millions of dollars in connection with the Legacy Liabilities, the Debtors are seeking to sell their valuable assets now for significantly depressed price. In evaluating the proceeds that may be generated through the Sale, it is clear that any bid within the range of the Stalking Horse Bid will fail by a significant margin to represent the inherent value of Tronox's operating assets. Specifically, here, the Stalking Horse Bid is approximately 2.6-3.2x 2010E EBITDAR and 3.0-3.9x 2009E EBITDAR (depending on adjustments to the sale price, excess cash levels, and other adjustments to EBITDAR as may be appropriate). *See* Floyd Decl. at ¶ 2. Yet comparable publicly-traded chemicals companies (including Huntsman, the Stalking Horse bidder) trade publicly at an average of 7.0x 2010E EBITDA and 8.3x 2009E EBITDA. Furthermore, these public trading multiples reflect the change in ownership of small, non-control blocks of shares in public

companies; therefore, it is normal to apply a 30%-50% “control premium” to public company equity values in order to estimate the valuation for a change-of-control (M&A) transaction. This places the Stalking Horse Bid at (or below) the lowest possible end of the valuation range for publicly-traded comparable chemicals companies. *See* Floyd Decl. at ¶ 3.

29. In addition, since March, 1996, there have been approximately 212 chemical industry M&A transactions completed with public EBITDA valuation multiples. Of those 212 transactions, 199 were at a valuation *higher* than Huntsman’s Stalking Horse Bid. In other words, the Stalking Horse Bid valuation falls into the *bottom 6%* of chemical industry transactions during the past nearly fourteen (14) years. *See* Floyd Decl. ¶ 5. Furthermore, the median EBITDA multiple for these 212 transactions was approximately 8.4x. The Stalking Horse Bid, therefore, values Tronox at nearly a 60% discount to the median multiple for chemical industry M&A transactions, and any higher bid would likely come at a significant valuation discount as well. *See* Floyd Decl. ¶ 5.

B. Improvements in Market Conditions In the Coming Months Will Add Value To the Debtors’ Enterprise Value

30. As the Debtors and their advisors well understand, this is a terrible time to engage in a forced sale of virtually any sizeable operating company. Yet, pursuant to the Sale Motion, the Debtors continue to press forward with this fire sale at a time when Tronox’s value is expected to improve in the coming months.

31. Tronox commenced these Chapter 11 proceedings last January during the trough of the historic 2008–2009 recession. As illustrated above, it required Chapter 11 protection not because its operations were flawed or suffering, but rather because it needed shelter while it dealt with the burden of its ill-bestowed Legacy Liabilities and debt obligations. Nothing has changed since then; the Debtors continue to be operationally healthy while the markets continue to suffer.

Thus, in pursuing the Sale now, the Debtors cannot honestly expect that value will be maximized. Rather, currently in the chemicals industry, as in many other sectors, there are simply too many potential sellers and not enough potential buyers to complete transactions at prices that bear any resemblance to a company's intrinsic value. Virtually the only sellers in this market are those who are forced to sell (for example, to deleverage, to meet financial covenants, or to sell in the context of a bankruptcy proceeding, etc.) and the relatively few buyers there are—sensing blood in the water—calibrate their bids accordingly. For example, between January and September 30, 2009, annualized chemical industry M&A deal volume was merely one-fifth of the levels achieved in 2007 and one-fourth the average activity level since 1996. *See* Floyd Decl. at ¶ 6.

32. The Equity Committee realizes that the chemicals industry M&A market appears to have passed its trough and may have finally begun to improve. To illustrate, during the ten (10) year period ending just before the financial crisis erupted in the fall of 2008, an average of twenty-one (21) chemical industry M&A transactions (in excess of \$25 million) were announced per quarter (and which were subsequently completed). *See* Floyd Decl. at ¶ 7. This same industry activity declined precipitously with the onset of the financial crisis, with only eight (8) transactions announced during the fourth quarter of 2008 and only three (3) transactions announced in the first quarter of 2009, representing the lowest activity level in well over a decade. *See* Floyd Decl. at ¶ 7. This market has begun to recover with eight (8) transactions announced during the third quarter of 2009. However, chemical industry M&A deal volume remains far below normalized levels and signs of improvement have only recently begun to appear. *See* Floyd Decl. at ¶ 7.

33. The chemical industry high yield financing environment has also begun to show early signs of improvement. For example, during the ten (10) year period ending just before the financial crisis erupted in the fall of 2008, an average of sixteen (16) tranches of high yield debt were issued in the chemical sector annually, for an average of over \$5 billion of issuance per year. *See* Floyd Decl. ¶ 8. Chemical industry high yield issuance also declined precipitously in the fall of 2008, with no issuance from September 2008 through April 2009. Since May 2009, however, there have been at least ten (10) chemical industry high yield issuances for a total of approximately \$4.0 billion. Notably, this includes a \$600 million issuance for a Huntsman affiliate in September 2009 and a \$400 million issuance for Solutia, Inc. in October 2009.

34. As a result of the state of the chemicals and M&A markets during the past year, the fact that the Debtors' Sale process has resulted in such a low Stalking Horse Bid has very little to do the intrinsic value of Tronox's operating assets. Although demand for TiO₂—Tronox's primary product—is both seasonal and cyclical, several decades of data establish that TiO₂ demand very closely tracks changes over time in Gross Domestic Product ("GDP"). As compared to 2005 when Kerr McGee received bids in excess of \$1 billion for Tronox (excluding the Legacy Liabilities), the current United States GDP is higher by approximately 12%, and even the significant inventory correction that was precipitated by last year's global financial crisis is currently in the process of being reversed. Even a deep, cyclical (but almost certainly temporary) decline in TiO₂ demand cannot justify the enormous decline in enterprise value seen in this Tronox auction process. *See* Floyd Decl. at ¶ 9. This is further buttressed by examples of past transactions involving similar production capabilities, such as the \$1.3 billion dollar sale announced in February 2007 of Millennium Inorganic Chemicals from Lyondell Chemical Co. to

National Titanium Dioxide Co. of Saudi Arabia (commonly referred to as “Cristal”).⁹ Moreover, as the Creditors’ Committee asserts in the Creditors’ Committee Litigation, Kerr McGee Corporation received an initial offer in 2005 to purchase what became Tronox’s operating assets exclusive of the Legacy Liabilities for a similar amount, \$1.2 billion. *See* Creditors’ Committee Complaint at ¶ 5.

35. As illustrated above, the chemicals business is showing signs of recovering. However, economic conditions are still generally significantly worse than pre-crisis levels and a more complete recovery will take time to mature. *See* Floyd Decl. at ¶ 10. In addition, it will take time for the M&A market to recover to a point where it will more substantially reflect the true value of Tronox’s assets. *See* Floyd Decl. ¶ 10. Consequently, time is on the Debtors’ side, particularly as Tronox’s business appears to have steadily improved since this spring. Continued improvement in Tronox’s businesses can be expected as world economies continue to recover which will further enhance Tronox’s value. *See* Floyd Decl. at ¶ 10. The Debtors should, therefore, wait out the tail end of the storm before rushing to sell these valuable assets at such a depressed price.

C. The Debtors Should Pursue a Reorganization Plan That Maximizes Value For All Stakeholders

36. There are valid alternatives to the Sale that the Debtors have only recently started to pursue in earnest. The best alternative is, of course, reorganization. The Debtors have

⁹ The assets sold to Cristal had a production capacity of 670,000 tons per year. *See* Press Release, Lyondell Chemical Company Announces Sale of Inorganic Chemicals Business to National Titanium Dioxide Company Ltd. (Cristal) (Feb. 26, 2007), a copy of which is attached hereto as Exhibit F. Meanwhile, in its 10-K dated March 14, 2008, Tronox reported production capacity of 587,000 tons per year (calculated as a total production capacity of 642,000 tons less 50% of such capacity attributable to its Australian joint venture), *available at* <http://www.sec.gov/Archives/edgar/data/1328910/000095013408004796/d54090e10vk.htm>. Tronox’s owned production capacity without its German facility was 480,000 tons per year. Based on the Cristal transaction, at a comparable price per ton of capacity, a manufacturer with the capacity to produce 480,000 tons of titanium dioxide per year would be valued at between \$900 million and \$1 billion even without addressing the numerous value enhancing aspects of Tronox’s capabilities, including its electrolytic assets. *See* Floyd Decl. ¶9.

commenced a “dual track” process by now pursuing exit financing while simultaneously pursuing the auction and Sale. Instead of expending energies on a sale path that destroys value, the Debtors should refocus *all* of their energies on the reorganization track and, accordingly, abandon the auction at this time.

37. Without immediately abandoning the Sale, the Debtors’ efforts in formulating a standalone plan may not come to fruition without some additional time and relief from the timetable imposed by the Secured Lenders. Specifically, with a sale hearing scheduled in just days, potential lenders are unlikely to devote the time and resources necessary to come to a final resolution with the Debtors (and the Secured Lenders) regarding appropriate exit financing for a viable reorganization plan. Further, the Equity Committee does not believe that the Debtors will be able to fully resolve the myriad of complex issues involved in developing such plan before December 22.

38. The Equity Committee has also been focused on the feasibility of a reorganization plan and as a result, formulated and proposed the EC Term Sheet. The EC Term Sheet provides the foundation for a viable Chapter 11 plan that maximizes value for all, including both the general unsecured creditors and the equity holders. The plan that the EC Term Sheet envisions effectively separates the operating assets of Tronox from the Legacy Liabilities and the Anadarko Litigation allowing Reorganized Tronox to emerge from bankruptcy before those complex issues are resolved in the bankruptcy proceedings. As explained above, this plan would provide for an emerging operating business with sufficient cash flow to service an appropriate level of debt, would preserve sufficient value for a full return to the Debtors’ bondholders, and would retain substantial equity value and upside for the public shareholders.

39. The Debtors' take the position that the proposed Sale is a "bird in hand" and that the alternative (a standalone plan of reorganization) is too risky. *See* September 16, 2009 Hearing Tr. at 46:10-13 (Debtors' counsel stating that "But the fact is, Judge, that what the equity committee is asking the debtors to do is gamble with the recoveries presently realizable for senior members of the capital structure."). Although there may be obstacles towards implementing any plan of reorganization, there are always obstacles in a complex Chapter 11 case. Additionally, a purchase price significantly below the inherent value of a company versus the value that can be achieved through a reorganization cannot even be considered a "bird in hand" at a time when the chemicals, M&A and financing markets are expected to recover and global economic conditions are expected to further improve. As noted above, and as the Debtors are aware, there are alternatives now to the Sale which should be pursued, including the EC Term Sheet. In the event that the Equity Committee's plan (or any other plan) is ultimately not achievable for whatever reason, a good and beneficial alternative would be to revisit the sale process at a later date.

40. The time has come for this Court to demand that the Debtors do not continue to sit idle. Rather, after eleven (11) months, parties-in-interest should now be given a real opportunity to pursue the EC Term Sheet (or any other viable plan) in an effort to maximize value for all stakeholders – not just a "liquidating plan" that only maximizes value for the Secured Lenders.

D. The Outcome of These Cases Should Not be Dictated by Secured Creditors in Their Attempt to Expedite Recovery on Their Pre-Petition Claims

41. The central reason the Debtors embarked on and are continuing efforts to sell their valuable assets is because the Secured Lenders are demanding it. Indeed, the constituency most in support of the Sale is the Secured Lenders.

42. Specifically, because of the significant power the Secured Lenders had over the Debtors in January 2009 when the DIP Order was presented, the Debtors had no choice but to accept the onerous sale timeline at that time. However, because the Secured Lenders are substantially over-secured (i.e., because they are not the residual risk-bearers), they simply do not have the same economic interest in maximizing estate value. Accordingly, it is in the Secured Lenders' economic interests for the Debtors to sell their businesses immediately - even at unjustifiably low levels so that the Secured Lenders can liquidate their claims in the most expedient manner possible.

43. Despite the Secured Lenders' heavy hand in pre-determining the outcome of these Chapter 11 proceedings, and although the Equity Committee appreciates that bankruptcy sales have become more commonplace, the need for an immediate sale is unnecessary here. *See, e.g., In re Chrysler LLC*, 405 B.R. 84 (Bankr. S.D.N.Y. 2009); *In re General Motors Corp.*, 407 B.R. 463 (Bankr. S.D.N.Y. 2009) (cases where the debtors' operations were hemorrhaging cash and, as a result, an expedited sale was found to be the best way to preserve value). Unlike those cases where fire-sales are necessary, significantly, Tronox's assets are cash-flow positive and are becoming more valuable with each passing month as markets and its financial prospects continue to improve. As this Court is aware, alternative financing is, as a matter of fact, available, which could pave the way for the Debtors to formulate a plan of reorganization and/or provide the Debtors with an appropriate amount of time to locate potential purchasers to fund an acquisition at a more appropriate juncture.

44. Under these circumstances, selling Tronox's assets for hundreds of millions of dollars less than their inherent value simply because the Secured Lenders continue to demand it is not only contrary to all business acumen, it is prohibited by well-settled law in this Circuit.

See Lionel, 722 F.2d 1063. *See also Chrysler*, 405 B.R. 84; *General Motors*, 407 B.R. 463.

Disapproving the Sale will, for the first time in these proceedings, force the Debtors to apply their own business judgment (rather than simply appeasing the Secured Lenders) in refocusing their efforts towards determining an appropriate exit strategy.

II. TRONOX IS IMPROPERLY USING SECTION 363 OF THE BANKRUPTCY CODE TO FACILITATE A PLAN AND IN DOING SO, HAS FAILED TO DEMONSTRATE A SUFFICIENT BUSINESS JUSTIFICATION FOR A SALE OF ITS OPERATING ASSETS AT THIS TIME

45. The Sale simply violates Section 363 of the Bankruptcy Code and therefore, cannot be approved. As set forth more fully below, the Debtors cannot illustrate that they are acting with reasonable business judgment in selling substantially all of their assets. Additionally, the Debtors should not be entitled to circumvent the plan process by pursuing this asset sale in lieu of proposing a liquidating plan. Accordingly, the Motion must be denied.

A. The Sale Violates Section 363(b) Which Bars Any Significant Asset Disposition When the Value of Such Assets is Increasing and the Proposed Sale is Not in the Best Interests of Estate Stakeholders

1. Asset Sales Under *In re Lionel*, 722 F.2d 1063 (2d Cir. 1983), and Its Progeny

46. In the Second Circuit's landmark *Lionel* ruling, this Circuit ruled that Section 363(b) requires debtors "to articulate sound business justifications" for any proposed asset disposition outside of the debtor's ordinary course of business before such asset disposition could be approved. *See Lionel*, 722 F.2d at 1066. In *Lionel*, the bankruptcy judge approved the debtor's sale of its 82% share of the common stock of Dale Electronic, Inc., a non-operating asset, for \$50 million. *Id.* at 1065. Although there was evidence that "the price paid for the stock was 'fair'" in that the assets were properly market-tested, the only impetus for the sale was insistence of unsecured creditors who sought to create a "pot of cash" for expedited repayment. *Id.* An official committee of equity holders challenged the sale on appeal, arguing that Section

363(b) should not be used to “divest[] the debtor of a dominant and profitable asset which could serve as a cornerstone for a sound plan.” *Id.* at 1066. The Second Circuit agreed and reversed, specifically rejecting the position that debtors could defer their business decisions to their major creditor constituencies. The Second Circuit held: “In fashioning its findings, a bankruptcy judge must not blindly follow the hue and cry of the most vocal special interest groups; rather, he should consider all salient factors pertaining to the proceeding and, accordingly, act to further the diverse interests of the debtor, creditors and equity holders, alike.” *Id.* at 1071.

47. In *Lionel*, the Second Circuit set forth a detailed, though non-exhaustive list of factors for courts to assess when determining whether there are sufficient “business justifications” for a questioned asset disposition. Those factors include: (1) the proportionate value of the asset to the estate as a whole; (2) the amount of elapsed time since the filing; (3) the likelihood that a plan of reorganization will be proposed and confirmed in the near future; (4) the effect of the proposed disposition on future plans of reorganization; (5) the proceeds to be obtained from the disposition vis-à-vis any appraisals of the property; (6) which of the alternatives of use, sale or lease the proposal envisions; and (7) most importantly perhaps, whether the asset is increasing or decreasing in value. *Lionel*, 722 F.2d at 1071. The bankruptcy court in *In re General Motors Corp.*, 407 B.R. 463 (Bankr. S.D.N.Y. 2009) recently added the following factors: (8) does the estate have the liquidity to survive until confirmation of a plan?; (9) will the sale opportunity still exist as of the time of plan confirmation?; (10) if not, how likely is it that there will be a satisfactory alternative sale opportunity, or a stand-alone plan alternative that is equally desirable (or better) for creditors?; and (11) is there a material risk that by deferring the sale, the patient will die on the operating table? *See GM Sale Order* at 33-34.

48. The *Lionel* court was obviously concerned that the debtor sought to sell stock in a company that was profitable, a company that had posted an aggregate operating profit of \$18.8 million during the same “two-year period . . . during which [the debtor] had incurred its substantial losses.” *Id.* at 1065. In the court’s view, that profitability belonged to the estates for the benefit of all stakeholders, including the equity. The *Lionel* court was also concerned that there was no justification for a sale *at that time* due to the lack of evidence that the price for the assets would be materially different in six months’ time.¹⁰

49. These issues were also squarely addressed in *In re Beker Indus. Corp.*, 64 B.R. 900 (Bankr. S.D.N.Y. 1986), *rev’d on other grounds*, 89 B.R. 336 (S.D.N.Y. 1988), which further elucidated the fact-intensive inquiry under Section 363(b). In that case, the debtor (“Beker”) sought to dispose of its phosphate fertilizer manufacturing plant in Conda, Idaho (the “Conda Assets”) through Section 363(b). Beker also proposed to “abandon” the property under Section 544 of the Bankruptcy Code. The asset sale was supported by lenders holding a first priority lien in the Conda Assets and by the official committees representing both the unsecured creditors and stockholders. The sale motion was objected to by the Official Committee of Debentureholders (the “Debentureholders”), which held an under-secured second priority lien in the Conda Assets.

50. Beker’s operations at the time of the sale motion consisted principally of the Conda Assets and another manufacturing facility in Taft, Louisiana (together with related assets, the “Gulf Coast Assets”). Beker argued that due to unusual weather patterns and their effect on fertilizer orders, continued operations of the Conda Assets would “cause the Debtor to exhaust completely its available operating capital.” 64 B.R. at 903. The sale motion was brought in July

¹⁰ See Brief of Respondent-Appellant, *In re Lionel Corp.*, No. 83-5060, 1983 WL 486602, at *15 (2d Cir. Oct. 14, 1983) (noting that the debtor’s investment bankers at Salomon Brothers, Inc. could not point to any reason that the price for the Dale stock would be materially different six months after the proposed sale).

1986, a hearing was held on August 11-12, 1986 and Beker's post-petition financing arrangement, which was entered into in March 1986, expired on January 31, 1987.

51. In its order, dated September 22, 1986, the bankruptcy court noted that the "market [had] fallen sharply" for Beker's products. *Id.* at 904. However, as the Debentureholders had demonstrated, the Conda Assets were historically Beker's "more profitable" assets and had been "a net cash generator through some pretty trying times for Beker [in the past]." *Id.* The court further noted that despite "extensive" marketing efforts, no "satisfactory offer" had been received for the Conda Assets. *Id.* at 905. The court also found that a review of the operations of Beker's competitors "suggest[ed] an expectation that the market will return." *Id.* After considering all these relevant factors, the court denied the debtor's § 363(b) motion.¹¹ Because there was evidence that holding the Conda Assets until a change in the market could result in a "substantial increase in the sale price or in their use as a vehicle to attract investments to fund a plan," *id.* at 905, the court reasoned that "[u]nder the *Lionel* test, to sell the Conda Assets now is premature." *Id.* at 907. *See also In re Wings Digital Corp.*, No. 05-12117, 2005 WL 3789334, at *2 (Bankr. S.D.N.Y. May 16, 2005) (ALG) (denying Section 363(b) motion strictly under a *Lionel-Beker* analysis and stating that "an asset that could form the basis of a reorganization plan could not be sold outside of a plan unless there was a compelling business justification therefor").

52. The Equity Committee appreciates that asset sales have become more common in recent years, especially during the early stages of Chapter 11 cases. Nonetheless, this recent increase in Section 363 sales does not defeat *Lionel's* central holding that Section 363(b) should only be used to preserve value for the benefit of stakeholders. *See In re Copy Crafters*

¹¹ The court went on to deny Beker's motion to abandon the assets but held that the secured parties would be responsible under § 506(c) for the significant maintenance costs associated with preserving the Conda Assets. This assignment of expenses under § 506(c) was reversed on appeal. *See* 89 B.R. at 344.

Quickprint, Inc., 92 B.R. 973, 982-83 (Bankr. N.D.N.Y. 1988) (noting § 363(b) should be employed “if in the best interests of the estate and the prospects of confirming a plan to serve as the vehicle to do so appear dim or far in the future”). *See also In re G.S. Distrib., Inc.*, 331 B.R. 552 (Bankr. S.D.N.Y. 2005) (denying asset sale objected to by creditors). In this respect, the plethora of cases approving the use of Section 363(b) when asset values are at risk or decreasing and reorganization is unfeasible is perfectly reconcilable with *Lionel* and eminently distinguishable from the present case.¹² Moreover, the recent rise of quick asset dispositions mostly derives from the recent trend among Chapter 11 debtors to seek primarily a Section 363(b) transfer and never attempt to reorganize.

53. The recent automotive sales further buttress the conclusion that in the Second Circuit, asset dispositions must not be approved when values are increasing and a sale would be contrary to the best interests of stakeholders. In *In re Chrysler LLC*, 405 B.R. 84 (Bankr. S.D.N.Y. 2009), the Court did not rubber stamp the company’s transaction with Fiat but only approved the sale after the debtor proved such a result was ultimately in the best interests of the entire estate. Specifically, the debtor demonstrated that despite “highly publicized and extensive efforts” over the last two years “to seek various alliances,” the sale option was all that remained other than piecemeal liquidation. *Id.* at 107. The Court subsequently concluded that “because of the overriding concern of the U.S. and Canadian governments to protect the public interest, the

¹² *See, e.g., In re Chateaugay Corp.*, 973 F.2d 141, 144 (2d Cir. 1992) (approving § 363(b) sale of substantial assets when reorganization was “not presently feasible” and a sale was “necessary to obtain maximum value for [the] assets”); *In re Iridium Operating LLC*, 478 F.3d 452, 467 (2d Cir. 2007) (approving use of funds under § 363(b) analysis for a settlement that “cleared the way for implementation of a reorganization plan”); *Our Lady of Mercy Hospital*, No. 07-10609 (REG) (Doc. No. 284) (approving § 363(b) sale necessary to preserve operations and 2,300 jobs); *In re Adelpia*, 368 B.R. 140 (Bankr. S.D.N.Y. 2007) (approving § 363(b) sale necessary to preserve \$17 billion in sale proceeds). Other cases acknowledging substantial § 363(b) sales have not directly addressed the propriety of such sales. *See, e.g., In re Fin. News Network Inc.*, 980 F.2d 165 (2d Cir. 1992) (addressing only secondary issues to the propriety of the sale, including whether certain bid supplements were proper); *In re Gucci*, 126 F.3d 380 (2d Cir. 1997) (addressing only secondary issues to the propriety of the sale, including purchaser’s good faith); *In re Maxwell Newspapers, Inc.*, 981 F.2d 85 (2d Cir. 1992) (addressing only secondary issues to the propriety of the sale, including purchaser’s good faith).

terms of the Fiat Transaction present an opportunity that the marketplace alone could not offer, and that certainly exceeds the liquidation value.” *Id.* at 96. The court then justified the immediate sale of Chrysler’s operations noting:

“Any material delay would result in substantial costs in several areas, including the amounts required to restart the operations, loss of skilled workers, loss of suppliers and dealers who could be forced to go out of business in the interim, and the erosion of consumer confidence. . . . Thus, approval of the Debtors’ proposed sale of assets is necessary to preserve some portion of the going concern value of the Chrysler business and to maximize the value of the Debtors’ estates.”

Id.

54. Judge Gerber followed this reasoning when approving the GM sale weeks later. *See In re General Motors*, 407 B.R. at 487-88 (noting the court had “the benefit of the decisions of Bankruptcy Judge Gonzalez in the *Chrysler* chapter 11 cases—affirmed by the Second Circuit, for substantially the reasons Judge Gonzalez set forth in his opinion—on facts extraordinarily similar to those here”). In short, the GM sale was approved only after accepting the debtor’s conclusion that the company, because it was siphoning cash at the astonishing rate of billions of dollars per quarter, could not survive the “normal plan confirmation process” and that therefore the sale was in the best interests of stakeholders. *See id.* at 491.

55. Tronox, on the other hand, is nothing like GM or Chrysler. The company’s financial prospects are not poor and are not wasting away day-by-day. Tronox’s going concern value is simply not at risk during these Chapter 11 proceedings. The GM and Chrysler bankruptcies arguably represent the high watermark for § 363(b) sales, but even the courts in those cases recognized that an asset sale in lieu of reorganization is not appropriate for every debtor. Under the well-settled law in this Circuit, this Court must reject the Sale which propose a process to sell Tronox’s assets for hundreds of millions of dollars less than its inherent value at a time when the company is profitably operating in Chapter 11. *See Lionel*, 722 F.2d at 1071.

See also In re Chrysler LLC, 576 F.3d 108, 116-17 (2d Cir. 2009) (affirming Chrysler’s bankruptcy sale but noting “*Lionel*’s multi-factor analysis remains the proper, most comprehensive framework for judging the validity of § 363(b) transactions”).

2. The Debtors Have Not – Because they Cannot – Articulate A Sound Business Justifications to Support the Sale of Tronox’s Asset

56. The Debtors have not and cannot articulate the requisite “sound business justifications” for disposition of these assets at this time when the market for such assets remains artificially depressed. *See Beker*, 64 B.R. at 904. As noted earlier, the Debtors are being forced by their Secured Lenders to pursue a sale on an accelerated timeframe to expedite the repayment of their pre-petition claims. The Debtors attempt to disguise this and justify the Sale by arguing that a reorganization is complex and uncertain since it is largely depends on a resolution with the EPA regarding the Legacy Liabilities which cannot be accomplished in a short time frame. Thus, the Debtors argue that a Section 363 sale presents a more viable alternative. However, in a case where the Debtors’ business operations and assets are increasing in value, a debtor’s acquiescence to a vocal and powerful creditor group is no substitute for “sound *business justifications*.” *See Lionel*, 722 F.2d at 1071 (requiring that a debtor act instead “to further the diverse interests of the debtor, creditors and equity holders, alike”) (emphasis added). Here, “sound business justification” can only mean one result – pursuit of a reorganization plan that maximizes value for all constituents.

57. The Equity Committee submits that the Debtors cannot reasonably argue that a purchase price anywhere near the Stalking Horse Bid represents a price sufficient to justify a sale in their business judgment. Indeed, Tronox’s operating assets are massively undervalued at this time when compared to the \$1.3 and \$1.2 billion benchmarks established by Cristal purchase in February 2007 and the purchase offer received by Kerr McGee in 2005. Moreover, the Debtors

cannot escape the fact that its assets are increasing in value over time. As the EC Term Sheet illustrates, those assets represent a fundamentally profitable core around which a plan of reorganization can be structured.

58. Indeed, what Tronox is requesting of this Court is far beyond what the Second Circuit rejected in *Lionel*. In *Lionel*, unsecured creditors requested an asset sale for a “fair” price when there was evidence that such price would not materially change in the coming months. See *Lionel*, 722 F.2d at 1065. Here, *over*-secured creditors insist upon an asset sale for an unfair price (due to the depressed market) when there is “no indication on the record that the business would not be worth as much, if not more, if the sale were to be held pursuant to a plan or, if grounds can be shown, in a § 363 transaction at a later date.” *Wings Digital*, 2005 WL 3789334, at *3.

59. It is simply illogical and contrary to any sound business judgment to sell Tronox’s assets now, with markets at their current levels. There is no precedent for unnecessary asset sales when asset value is increasing and reorganization remains a possibility. This is not, for example, a situation similar to *Chrysler* where “material delay” would threaten “the going concern value of the [debtor’s] business.” 405 B.R. at 96. Rather, in this case, pursuit of a reorganization over a rational time horizon would actually strengthen the going concern value of Tronox. Because there are no exigent circumstances, Tronox’s operating assets should be held until markets improve and a higher, more representative price can be obtained, or, as a superior alternative, until the company’s operating assets can be used as the cornerstone of a plan of reorganization.

60. Applying the *Lionel*-factors leads to one conclusion: the Sale must be denied:

- a. *The proportionate value of the asset to the estate as a whole.* The proposed Sale is for substantially all of the Debtors’ operating assets.

- b. *The amount of elapsed time since the filing.* The case has been proceeding only eleven (11) months.
- c. *The likelihood that a plan of reorganization will be proposed and confirmed in the near future.* As discussed above, a plan of reorganization is feasible and the natural and best result for these cases.
- d. *The effect of the proposed disposition on future plans of reorganization.* The proposed Sale would preclude reorganization and would require a liquidation.
- e. *The proceeds to be obtained from the disposition vis-à-vis any appraisals of the property.* As discussed above, any price in the neighborhood of the \$415 million Stalking Horse Bid will fall well below the benchmarks of \$1.2 and \$1.3 billion previously established for the assets.
- f. *Which of the alternatives of use, sale or lease the proposal envisions.* The proposal envisions a final sale to Huntsman or another third party purchaser.
- g. *Most importantly perhaps, whether the asset is increasing or decreasing in value.* As discussed herein at length, the assets are increasing in value and certainly not decreasing.
- h. *Does the estate have the liquidity to survive until confirmation of a plan?*
Yes.
- i. *Will the sale opportunity still exist as of the time of plan confirmation?* Yes.
- j. *If not, how likely is it that there will be a satisfactory alternative sale opportunity, or a stand-alone plan alternative that is equally desirable (or better) for creditors?* A sale at a later date is both available and preferable to a sale at this time, although reorganization is optimal.
- k. *Is there a material risk that by deferring the sale, the patient will die on the operating table?* No. The plug should not be pulled on Tronox's Chapter 11 case just as the patient is showing unmistakable signs of a recovery.

61. The Second Circuit has, in the end, remained remarkably faithful to *Lionel's* central holding concerning major asset dispositions under Section 363(b). All cases in this Circuit have affirmed that the most significant factor in assessing the propriety of a proposed sale of significant assets is whether such assets are increasing or decreasing in value. In the present case, because all of the evidence is that Tronox's operating assets are increasing in value every

month (due to the recovering market and the company's steadily improving financial performance), the Sale should not be approved at this time.

B. The Bankruptcy Code Requires Any Sale of Tronox's Operating Assets to Proceed through a Liquidating Plan, Not a Section 363(b) Asset Disposition

62. Tronox cannot attempt to evade the protections provided in the Bankruptcy Code by selling all substantially all of its assets. Indeed, courts have repeatedly cautioned against the use of Section 363 of the Bankruptcy Code to circumvent the plan process, and its attendant protections of creditors and equity holders, in this manner. *See In re Braniff Airways, Inc.*, 700 F.2d 935, 940 (5th Cir. 1983) (rejecting proposed sale that sought to "short circuit the requirements of Chapter 11 confirmation of a reorganization plan by establishing the terms of the plan *sub rosa* in connection with a sale of assets."); *see also In re Fremont Battery Co.*, 73 B.R. 277, 279 (Bankr. N.D. Ohio 1987) (same). "As the Supreme Court has noted, it is easy to sympathize with the desire of a bankruptcy court to expedite bankruptcy reorganization proceedings for they are frequently protracted. 'The need for expedition, however, is not a justification for abandoning proper standards.'" *In re Lionel Corp.*, 722 F.2s 1063, 1071 (2d Cir. 1983) (quoting *Protective Comm. for Ind. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 450 (1968)). Accordingly, a proposed sale of substantially all of a debtor's assets in the absence of a Chapter 11 plan must be closely scrutinized. *See In re Channel One Commc'ns, Inc.*, 117 B.R. 493 (Bankr. E.D. Mo. 1990) (stating that a sale of substantially all of the debtor's property outside the ordinary course of business, and without a Chapter 11 disclosure statement and plan, must be closely scrutinized); 3 Collier on Bankruptcy ¶ 363.02[3] (15th ed. rev. 2009) ("A sale of the major part of the estate may . . . have the practical effect of deciding issues that would ordinarily arise and be addressed in connection with the confirmation of a plan of reorganization. Because there is some danger that a Section 363 sale might deprive

parties of substantial rights inherent in the plan confirmation process, sales of substantial portions of a debtor's assets under Section 363 must be scrutinized closely by the court.”).

63. The Bankruptcy Code requires dispositions of substantially all of a debtor's operating assets take place through a liquidating plan where possible, as specifically set forth in Section 1129(b)(4). *See, e.g., In re Braniff Airways, Inc.*, 700 F.2d 935, 940 (5th Cir. 1983) (“The debtor and the Bankruptcy Court should not be able to short circuit the requirements of Chapter 11 for confirmation of a reorganization plan by establishing the terms of the plan *sub rosa* in connection with a sale of assets.”). *See also In re Continental Air Lines, Inc.*, 780 F.2d 1223, 1227 (5th Cir. 1986) (“[I]f a debtor were allowed to reorganize the estate in some fundamental fashion pursuant to § 363(b), creditor's rights [sic] under, for example, 11 U.S.C. §§ 1125, 1126, 1129(a)(7), and 1129(b)(2) might become meaningless.”). Courts in the Second Circuit have also adopted this requirement. *See In re WestPoint Stevens, Inc.*, 333 B.R. 30, 52 (S.D.N.Y. 2005) (“Indeed, it is well established that section 363(b) is not to be utilized as a means of avoiding Chapter 11's plan confirmation procedures.”).

64. This is not contrary to the recent rulings in *Chrysler* and *General Motors*. In both cases, the court analyzed whether the transactions should take place through plans of reorganization and in both cases the court concluded that proceeding via a plan would be impractical and would ultimately work against the interests of the estate. *See Chrysler*, 405 B.R. at 96; *General Motors*, 407 B.R. at 491.

65. In the present case, however, not only are there insufficient business justifications for the Sale at this time, but the proposed Sale violates the Bankruptcy Code by attempting to circumvent the well-established stakeholder protections during plan confirmation. *See WestPoint Stevens*, 333 B.R. at 52. These classic protections include the right to vote on the

proposed plan and the right to adequate disclosure concerning such a plan through a court-approved disclosure statement. *See* 11 U.S.C. §§ 1125 & 1126. Other protections are also at stake with respect to Tronox. For example, when confronted with competing plans, Sections 1129(c) instructs the bankruptcy judge to confirm the plan preferred by stakeholders.

66. The Debtors should finally abandon the auction and allow parties-in-interest to forge a plan of reorganization that captures Tronox's inherent value and future profitability for *all* estate stakeholders - not just the Secured Lenders.

CONCLUSION

WHEREFORE, for the foregoing reasons, the Equity Committee respectfully requests that this Court deny the Motion, disapprove the Sale, and that this Court grant such other and further relief as is just and proper.

Dated: December 17, 2009
New York, New York

Respectfully submitted,

/s/ Karen B. Dine

Craig A. Barbarosh (CB-9677)

David A. Crichlow (DC-2116)

Karen B. Dine (KD-0546)

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*Counsel for the Official Committee
of Equity Holders of Tronox Inc.*

Exhibit A

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	
)	Chapter 11
TRONOX INCORPORATED, et al.,)	
)	Case No. 09-10156 (ALG)
)	
Debtors.)	Jointly Administered
)	

**DECLARATION OF STEPHEN FLOYD IN SUPPORT OF THE
OBJECTION OF THE OFFICIAL COMMITTEE OF EQUITY SECURITY
HOLDERS TO TRONOX'S MOTION FOR ENTRY OF AN ORDER
AUTHORIZING AND APPROVING THE SALE OF
SUBSTANTIALLY ALL OF TRONOX'S ASSETS**

I, Stephen Floyd, pursuant to 28 U.S.C. § 1746, declare:

1. I am a Managing Director of Young & Partners LLC ("Young"), located at 230 Park Avenue, Suite 1145, New York, New York 10169. I submit this declaration on behalf of Young and Eureka Capital Partners, LLC in support of the objection (the "Objection")¹ of the Official Committee of Equity Security Holders of Tronox, dated December 17, 2009, to Tronox's Motion For Entry of an Order Authorizing and Approving the Sale of Substantially All of Tronox's Assets.

2. The Debtors' current plan to sell their assets to Huntsman is for a price well below the true value of these estates. For example, the current Stalking Horse Bid is approximately 2.6-3.2x 2010E EBITDAR and 3.0-3.9x 2009E EBITDAR, depending on adjustments to the sale price, excess cash levels, and other adjustments to EBITDAR as may be appropriate. These multiples of EBITDAR are below the vast majority of M&A transactions in the chemical industry during the past 10+ years.

¹ Unless otherwise provided, all capitalized terms shall bear the meanings ascribed to them in the Objection.

3. Further, comparable publicly-traded chemicals companies (including Huntsman, the Stalking Horse bidder) trade publicly at an average of 7.0x 2010E EBITDA and 8.3x 2009E EBITDA. These public trading multiples reflect the change in ownership of small, non-control blocks of shares in public companies; therefore, it is normal to apply a 30%-50% “control premium” to public company equity values in order to estimate the valuation for a change-of-control (M&A) transaction. This places the Stalking Horse Bid at (or below) the lowest possible end of the valuation range for publicly-traded comparable chemicals companies.

4. Since May 1, 2009, there have been at least 49 titanium dioxide price increase announcements by the five largest industry participants, including at least nine by Tronox.

5. In addition, since March, 1996, there have been approximately 212 chemical industry M&A transactions completed with public EBITDA valuation multiples. Of those 212 transactions, 199 were at a valuation *higher* than Huntsman’s Stalking Horse Bid. In other words, the Stalking Horse Bid valuation falls into the *bottom 6%* of chemical industry transactions during the past nearly fourteen (14) years. Furthermore, the median EBITDA multiple for these 212 transactions was approximately 8.4x. The Stalking Horse Bid, therefore, values Tronox at nearly a 60% discount to the median multiple for chemical industry M&A transactions, and any higher bid would likely come at a significant valuation discount as well.

6. Between January and September 30, 2009, annualized chemical industry M&A deal volume was merely one-fifth of the levels achieved in 2007 and one-fourth the average activity level since 1996.

7. The chemicals industry M&A market appears to have passed its trough and may have finally begun to improve. To illustrate, during the ten (10) year period ending just

before the financial crisis erupted in the fall of 2008, an average of twenty-one (21) chemical industry M&A transactions (in excess of \$25 million) were announced per quarter (and which were subsequently completed). This same industry activity declined precipitously with the onset of the financial crisis, with only eight (8) transactions announced during the fourth quarter of 2008 and only three (3) transactions announced in the first quarter of 2009, representing the lowest activity level in well over a decade. This market has begun to recover with eight (8) transactions announced during the third quarter of 2009. However, chemical industry M&A deal volume remains far below normalized levels and signs of improvement have only recently begun to appear.

8. The chemical industry high yield financing environment has also begun to show early signs of improvement. For example, during the ten (10) year period ending just before the financial crisis erupted in the fall of 2008, an average of sixteen (16) tranches of high yield debt were issued in the chemical sector annually, for an average of over \$5 billion of issuance per year. Chemical industry high yield issuance also declined precipitously in the fall of 2008, with no issuance from September 2008 through April 2009. Since May 2009, however, there have been at least ten (10) chemical industry high yield issuances for a total of approximately \$4.0 billion. Notably, this includes a \$600 million issuance for a Huntsman affiliate in September 2009 and a \$400 million issuance for Solutia, Inc. in October 2009.

9. Although demand for TiO₂—Tronox's primary product—is both seasonal and cyclical, several decades of data establish that TiO₂ demand very closely tracks changes over time in Gross Domestic Product ("GDP"). As compared to 2005 when Kerr McGee received bids in excess of \$1 billion for Tronox (excluding the Legacy Liabilities), the current United States GDP is higher by approximately 12%, and even the significant inventory

correction that was precipitated by last year's global financial crisis is currently in the process of being reversed. Even a deep cyclical (but almost certain temporary) decline in TiO₂ demand cannot justify the enormous decline in enterprise value seen in this Tronox auction process. This is further buttressed by examples of past transactions involving similar production capabilities, such as the \$1.3 billion dollar sale announced in February 2007 of Millennium Inorganic Chemicals from Lyondell Chemical Co. to National Titanium Dioxide Co. of Saudi Arabia (commonly referred to as "Cristal"). The assets sold to Cristal had a production capacity of 670,000 tons per year. Meanwhile, in its 10-K dated March 14, 2008, Tronox reported production capacity of 587,000 tons per year (calculated as a total production capacity of 642,000 tons less 50% of such capacity attributable to its Australian joint venture). Tronox's own production capacity without its German facility was 480,000 tons per year. Based on the Cristal transaction, at a comparable price per ton of capacity, a manufacturer with the capacity to produce 480,000 tons of titanium dioxide per year would be valued at between \$900 million and \$1 billion even without addressing the numerous value enhancing aspects of Tronox's capabilities, including its electrolytic assets.

10. Although the chemicals business is showing signs of recovering, economic conditions are still generally significantly worse than pre-crisis levels and a more complete recovery will take time to mature. In addition, it will take time for the M&A market to recover to a point where it will more substantially reflect the true value of Tronox's assets. Consequently, time is on the Debtors' side, particularly as Tronox's business appears to have steadily improved since this spring. Continued improvement in Tronox's businesses can be expected as world economies continue to recover which will further enhance Tronox's value.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

WHEREFORE, I declare under penalty of perjury that, based on my knowledge,
information and belief as set forth in this declaration, the foregoing is true and correct.

Dated: December 17, 2009
New York, New York

Young & Partners LLC


By: 
Name: Stephen Floyd
Title: Managing Director

Exhibit B



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Tronox Announces TiO2 Price Increases

Mon Jul 27, 2009 5:28pm EDT

OKLAHOMA CITY, July 27 /PRNewswire-FirstCall/ -- Tronox Incorporated (Pink Sheets: TRXAQ, TRXBQ), on behalf of its subsidiary companies, today announced the following price increase for all TRONOX((R)) titanium dioxide (TiO2) grades effective August 1, 2009 or as contracts allow:

- Latin America of \$150 per tonne
- Asia Pacific \$100 per tonne

These increases are in addition to the previously announced price increases in these regions, and other increases may be announced locally within each region.

Headquartered in Oklahoma City, Tronox is the world's fourth-largest producer and marketer of titanium dioxide pigment, with an annual production capacity of 535,000 tonnes. Titanium dioxide pigment is an inorganic white pigment used in paint, coatings, plastics, paper and many other everyday products. The company's five pigment plants, which are located in the United States, Australia, the Netherlands, supply high-performance products to approximately 1,100 customers in 100 countries. In addition, Tronox produces electrolytic products, including sodium chlorate, electrolytic manganese dioxide, boron trichloride, elemental boron and lithium manganese oxide. For information on Tronox, visit www.tronox.com.

Forward-Looking Statements: Some information in this news release regarding the company's or management's intentions, beliefs or expectations, or that otherwise speak to future events, are "forward-looking statements" within the meaning of Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include those statements preceded by, followed by or that otherwise include the words "believes," "will," "expects," "anticipates," "intends," "estimates," "projects," "target," "budget," "goal," "plans," "objective," "outlook," "should," or similar words. Future results and developments discussed in these statements may be affected by numerous factors and risks, such as the accuracy of the assumptions that underlie the statements, the market value of Tronox's products, demand for consumer products for which Tronox's businesses supply raw materials, the financial resources of competitors, the market for debt and/or equity financing, changes in laws and regulations, the ability to respond to challenges in international markets, changes in currency exchange rates, political or economic conditions in areas where Tronox operates, trade and regulatory matters, general economic conditions, and other factors and risks identified in the Risk Factors Section of Tronox's Annual Report on Form 10-K for the year ended December 31, 2007,

and subsequent Quarterly Reports on Form 10-Q, as filed with the U.S. Securities and Exchange Commission (SEC), and other SEC filings. Actual results and developments may differ materially from those expressed or implied in this news release. The company does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made. Investors are urged to consider closely the disclosures and risk factors in Tronox's Annual Report on Form 10-K for the year ended December 31, 2007, available on Tronox's website, www.tronox.com. This also can be obtained from the SEC by calling 1-800-SEC-0330.

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Exhibit C



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Tronox Announces TiO2 Price Increases

Fri Jul 17, 2009 6:01pm EDT

OKLAHOMA CITY, July 17 /PRNewswire-FirstCall/ -- Tronox Incorporated (Pink Sheets: TRXAQ, TRXBQ), on behalf of its subsidiary companies, today announced the following price increase for all TRONOX(R) titanium dioxide (TiO2) grades effective August 1, 2009 or as contracts allow:

- Europe/Middle East/Africa of 100 euro per tonne or \$150 per tonne in U.S. Dollar markets
- U.S. and Canada \$0.03 per pound

These increases are in addition to the previously announced price increases in these regions, and other increases may be announced locally within each region.

Headquartered in Oklahoma City, Tronox is the world's fourth-largest producer and marketer of titanium dioxide pigment, with an annual production capacity of 535,000 tonnes. Titanium dioxide pigment is an inorganic white pigment used in paint, coatings, plastics, paper and many other everyday products. The company's five pigment plants, which are located in the United States, Australia, the Netherlands, supply high-performance products to approximately 1,100 customers in 100 countries. In addition, Tronox produces electrolytic products, including sodium chlorate, electrolytic manganese dioxide, boron trichloride, elemental boron and lithium manganese oxide. For information on Tronox, visit www.tronox.com.

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of Tronox's Annual Report on Form 10-K for the year ended December 31, 2007, and subsequent Quarterly Reports on Form 10-Q, as filed with the U.S. Securities and Exchange Commission (SEC), and other SEC filings. Actual results and developments may differ materially from those expressed or implied in this news release. The company does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made. Investors are urged to consider closely the disclosures and risk factors in Tronox's Annual Report on Form 10-K for the year ended December 31, 2007, available on Tronox's website, www.tronox.com. This also can be obtained from the SEC by calling 1-800-SEC-0330.

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Exhibit D



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Tronox Announces TiO2 Price Increases in Asia and Latin America

Fri Jun 5, 2009 4:00pm EDT

OKLAHOMA CITY, June 5 /PRNewswire-FirstCall/ -- Tronox Incorporated (Pink Sheets: TRXAQ, TRXBQ), on behalf of its subsidiary companies, today announced the following price increase for all TRONOX(R) titanium dioxide (TiO2) grades:

Region	Increase Amount	Effective Date*
Asia Pacific	\$50 per tonne	July 1, 2009
Latin America	\$100 per tonne	July 1, 2009

* Prices will become effective as noted or as contracts allow.

Demand continues to improve and this and other previously announced increases around the globe are needed to initiate the margin growth that is required to profitably reinvest in the business to meet the future requirements of our customers.

Headquartered in Oklahoma City, Tronox is the world's fourth-largest producer and marketer of titanium dioxide pigment, with an annual production capacity of 535,000 tonnes. Titanium dioxide pigment is an inorganic white pigment used in paint, coatings, plastics, paper and many other everyday products. The company's five pigment plants, which are located in the United States, Australia, the Netherlands, supply high-performance products to approximately 1,100 customers in 100 countries. In addition, Tronox produces electrolytic products, including sodium chlorate, electrolytic manganese dioxide, boron trichloride, elemental boron and lithium manganese oxide. For information on Tronox, visit www.tronox.com.

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in laws and regulations, the ability to respond to challenges in international markets, changes in currency exchange rates, political or economic conditions in areas where Tronox operates, trade and regulatory matters, general economic conditions, and other factors and risks identified in the Risk Factors Section of Tronox's Annual Report on Form 10-K for the year ended December 31, 2007, and subsequent Quarterly Reports on Form 10-Q, as filed with the U.S. Securities and Exchange Commission (SEC), and other SEC filings. Actual results and developments may differ materially from those expressed or implied in this news release. The company does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made. Investors are urged to consider closely the disclosures and risk factors in Tronox's Annual Report on Form 10-K for the year ended December 31, 2007, available on Tronox's website, www.tronox.com. This also can be obtained from the SEC by calling 1-800-SEC-0330.

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Exhibit E



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Tronox Announces TiO2 Price Increases in North America, Europe and the Middle East

Mon May 18, 2009 4:32pm EDT

Tronox Announces TiO2 Price Increases in North America, Europe and the Middle East

OKLAHOMA CITY, May 18 /PRNewswire-FirstCall/ -- Tronox Incorporated (Pink Sheets: TRXAQ, TRXBQ), on behalf of its subsidiary companies, today announced the following price increase for all TRONOX(R) titanium dioxide (TiO2) grades:

Region	Increase Amount	Effective Date*
-----	-----	-----
North America	\$0.02 per pound	August 1, 2009
Europe	50 euro per tonne	July 1, 2009
Middle East	\$100 per tonne	July 1, 2009

* Prices will become effective as noted or as contracts allow.

We continue to operate our global production facilities at rates that correspond with the demand for our products. Demand has gradually started to improve and this increase is needed to initiate the margin growth that is required to profitably reinvest in the business to meet the future requirements of our customers.

Headquartered in Oklahoma City, Tronox is the world's fourth-largest producer and marketer of titanium dioxide pigment, with an annual production capacity of 535,000 tonnes. Titanium dioxide pigment is an inorganic white pigment used in paint, coatings, plastics, paper and many other everyday products. The company's five pigment plants, which are located in the United States, Australia, the Netherlands, supply high-performance products to approximately 1,100 customers in 100 countries. In addition, Tronox produces electrolytic products, including sodium chlorate, electrolytic manganese dioxide, boron trichloride, elemental boron and lithium manganese oxide. For information on Tronox, visit www.tronox.com.

Forward-Looking Statements: Some information in this news release regarding the company's or management's intentions, beliefs or expectations, or that otherwise speak to future events, are "forward-looking statements" within the meaning of Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include those statements preceded by or that otherwise include the words "believes," "will," "expects," "anticipates," "intends," "estimates," "projects," "target," "budget," "goal," "plans," "objective," "outlook," "should," or similar words. Future results

and developments discussed in these statements may be affected by numerous factors and risks, such as the accuracy of the assumptions that underlie the statements, the market value of Tronox's products, demand for consumer products for which Tronox's businesses supply raw materials, the financial resources of competitors, the market for debt and/or equity financing, changes in laws and regulations, the ability to respond to challenges in international markets, changes in currency exchange rates, political or economic conditions in areas where Tronox operates, trade and regulatory matters, general economic conditions, and other factors and risks identified in the Risk Factors Section of Tronox's Annual Report on Form 10-K for the year ended December 31, 2007, and subsequent Quarterly Reports on Form 10-Q, as filed with the U.S. Securities and Exchange Commission (SEC), and other SEC filings. Actual results and developments may differ materially from those expressed or implied in this news release. The company does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made. Investors are urged to consider closely the disclosures and risk factors in Tronox's Annual Report on Form 10-K for the year ended December 31, 2007, available on Tronox's website, www.tronox.com. This also can be obtained from the SEC by calling 1-800-SEC-0330.

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Exhibit F



Lyondell Chemical Company Announces Sale of Inorganic Chemicals Business to National Titanium Dioxide Company Ltd. (Cristal)

HOUSTON, Feb. 26 /PRNewswire-FirstCall/ -- Lyondell Chemical Company and the National Titanium Dioxide Company Ltd. (Cristal), today announced that they have signed an agreement for a proposed sale by Lyondell of its worldwide inorganic chemicals business to Cristal in a transaction valued at approximately \$1.2 billion, including the assumption of certain liabilities directly related to the business. Cristal is a global producer of titanium dioxide exporting to more than 70 countries. Lyondell stated that the transaction would include a cash payment of \$1.05 billion, and estimated its after-tax proceeds at \$975 million.

"This transaction would allow us to accelerate our debt repayment and focus our resources on capturing the synergies between our refinery and our chemicals business to achieve the greatest value for our shareholders," said Dan F. Smith, president and CEO of Lyondell.

Lyondell's Millennium Inorganic Chemicals subsidiary is the world's second-largest producer of titanium dioxide with an annual capacity of 670,000 metric tons. Titanium dioxide is a white pigment commonly used in such consumer products as paint, toothpaste and sunblock.

Lyondell acquired the inorganic chemicals business in its 2004 acquisition of Millennium Chemicals Inc. The other businesses acquired in the 2004 Millennium purchase (e.g., acetyls, flavors and fragrances, and silicas) are not part of the sale. The transaction will not impact Millennium subsidiaries such as Millennium Petrochemicals, Millennium Specialty Chemicals, Millennium Holdings, LLC and those which hold Millennium's 29.5 percent ownership of Equistar Chemicals.

In conjunction with this transaction, Lyondell has determined that the carrying value of goodwill associated with the Inorganics Chemicals business segment is impaired as of December 31, 2006. Accordingly, Lyondell's net income for the fourth quarter 2006 will be reduced by \$549 million to be a loss of \$321 million, or \$1.29 per share on a fully diluted basis. After this reduction, Lyondell's net income for the full year 2006 is \$186 million, or 72 cents per share.

Privately held National Titanium Dioxide Company Ltd. noted that it intends to continue operating the assets it will acquire from Lyondell. "The acquisition of Millennium Inorganic Chemicals is an exciting component of our continued growth story and increases our global presence as we'll gain facilities in Europe and Australia as well as North and South America. We have been impressed with the high quality of the employees, products and R&D," said Dr. Talal Al-Shair, Chairman and CEO of Cristal. Approximately 2,900 employees are affiliated with the inorganic chemicals business.

Closing of the transaction is subject to regulatory clearance, compliance with labor and employment regulations, and other conditions that are typical for transactions of this type. Closing is anticipated to occur in the first half of 2007.

Lyondell Chemical Company, headquartered in Houston, Texas, is North America's third-largest independent, publicly traded chemical company. Lyondell is a leading global manufacturer of

chemicals and plastics, a refiner of heavy, high-sulfur crude oil and a significant producer of fuel products. Key products include ethylene, polyethylene, styrene, propylene, propylene oxide, titanium dioxide, gasoline, ultra low-sulfur diesel, MTBE and ETBE. Lyondell operates on five continents and employs nearly 11,000 people worldwide.

The National Titanium Dioxide Company Ltd. ("Cristal") is the 9th largest titanium dioxide producer globally with a current production capacity of 100,000 metric tons, and an authorized design production capacity of 180,000 tons. With major offices in the United Kingdom, Saudi Arabia and Singapore it is the only producer of titanium dioxide in the Middle East and North Africa and exports its products to more than 70 countries. The company has been a leader in employee safety and environmentally friendly manufacturing processes. "TASNEE," a Saudi major diversified company with chemicals and petrochemicals operations, owns 66 percent of Cristal, while 33 percent of Cristal is owned by "GIC," an investment house established in Kuwait by the GCC countries.

Forward Looking Statements

The statements in this release relating to matters that are not historical facts are forward-looking statements. These forward-looking statements are based upon the current beliefs and expectations of management, and are subject to significant risks and uncertainties. Actual results could differ materially based on factors including, but not limited to, Lyondell's ability to successfully complete the proposed sale of the inorganic chemicals business in the time period anticipated, and for the purchase price and on the other terms set forth in the transaction agreement; and the receipt of regulatory approvals and clearances. Additional factors that could cause results to differ materially from those described in the forward-looking statements can be found in the Lyondell, Equistar and Millennium Annual Reports on Form 10-K for the year ended December 31, 2005, Quarterly Reports on Form 10-Q for the quarter ended September 30, 2006 and Annual Reports on Form 10-K for the year ended December 31, 2006 which will be filed with the SEC by March 1, 2007.

Lyondell Chemical Company

CONTACT: media, Kristin Sadlon of Porter Novelli, +1-212-601-8192, for National Titanium Dioxide Company Ltd.; or media, David Harpole, +1-713-309-4125, or investors, Doug Pike, +1-713-309-7141, both of Lyondell Chemical Company

Web site: <http://www.lyondell.com/>

Story from REDORBIT NEWS:
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*Counsel for the Official Committee
of Equity Holders of Tronox Inc.*

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	
)	Chapter 11
TRONOX INCORPORATED, et al.,)	
)	Case No. 09-10156 (ALG)
)	
Debtors.)	Jointly Administered
)	

CERTIFICATE OF SERVICE

The undersigned hereby certifies that true and correct copies of the OBJECTION OF THE OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS TO TRONOX'S MOTION FOR ENTRY OF AN ORDER AUTHORIZING AND APPROVING THE SALE OF SUBSTANTIALLY ALL OF TRONOX'S ASSETS was served via Hand-Delivery to the parties on Exhibit A, via Electronic Mail to the parties on Exhibit B, and via First-Class Mail to the parties on Exhibit C on Thursday, December 17, 2009.

Dated: December 17, 2009

/s/ Carrie Altenburg _
Carrie Altenburg

Exhibit A.
Service via Hand-Delivery

Honorable Allan L. Gropper
U.S. Bankruptcy Judge, SDNY
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Exhibit B.
Service via Electronic Mail

Altenburg, Carrie M.

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December 15, 2009

Via Electronic and Regular Mail

Brian A. Rakvica, P.E.
Supervisor, Special Projects Branch
Bureau of Corrective Actions
NDEP Las Vegas Office
2030 E. Flamingo Road, Suite 230
Las Vegas, NV 89119

Re: Nevada Division of Environmental Protection (NDEP) Request for
Meeting, Tronox LLC NDEP Facility ID #H-000539

Dear Mr. Rakvica:

In response to your letter of December 3, 2009, I have consulted internally with the project managers and consultants for the Henderson, NV Environmental Conditions Assessment (ECA) project. It is my understanding that Tronox and its consultants are continuing to sample and characterize Areas II, IV and part of Area III of the site. Drilling and further sampling in the Area I shallow soils is ongoing. Tronox is working with Northgate on some preliminary remediation options, and, per request from Chartis, is getting quotes from area landfills for potential disposal of the soils from the site. Tronox is also in discussions with Basic Remediation Company (BRC) regarding making use of excess capacity in the BRC Corrective Action Management Unit (CAMU). I understand that a call is scheduled with Tronox personnel, Chartis, and NDEP on December 17, 2009, to discuss additional data from the Areas II, IV and III sampling.

Until the sampling is completed and Tronox has obtained quotes on soil disposal as Chartis has requested, Tronox is unable and unwilling to agree to a specific remediation plan. Tronox is well aware of the terms of the Chartis insurance policy and has every intention to expedite the work in order to make the most use of this coverage. However, holding a meeting with company decision makers, Chartis decision makers, and NDEP is premature at this time. In addition, because of the demanding schedule for the Tronox auction and bidding process and other bankruptcy proceedings, I am unavailable for a meeting at this time. As you may know, Tronox is also working with a group of bondholders on a potential restructuring option for the company at the same time. I will be in New York until December 23 or after to work on these primary goals for the company. Other key officers and decision makers for the company are similarly occupied with the bankruptcy process.

3301 N.W. 150, Oklahoma City, OK 73134

P.O. Box 268859, Oklahoma City, OK 73126-8859

Brian A. Rakvica, P.E
December 16, 2009
Page 2

Tronox can be available the first week of February, 2010 for a meeting in Nevada. We have conferred with Chartis and confirmed that they are also available for a meeting at that time. Please provide us with potential dates in February at your convenience. In the interim, Tronox will continue to work with Chartis and Northgate to complete sampling and characterization of the site.

Sincerely,



Michael J. Foster

cc: Ken Baker, Chartis
Keith Bailey
Susan Crowley
Deni Chambers, Northgate
Mike Logan
Tom Reed
Toni Ellington

KRAMER LEVIN NAFTALIS & FRANKEL LLP
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Counsel for the Southern Nevada Water Authority

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

_____	x	
In re	:	Chapter 11
	:	
TRONOX INCORPORATED, et al., ¹	:	Case No. 09-10156 (ALG)
	:	
	:	(Jointly Administered)
Debtors.	:	
	:	
_____	x	

**OBJECTION OF THE STATE OF NEVADA AND OTHER COLORADO RIVER
AUTHORITIES TO DEBTORS' MOTION FOR ENTRY OF AN ORDER
AUTHORIZING AND APPROVING THE SALE OF SUBSTANTIALLY ALL OF
TRONOX'S ASSETS**

The State of Nevada Department of Conservation and Natural Resources, Division of Environmental Protection ("NDEP"), the Southern Nevada Water Authority ("SNWA"), the Metropolitan Water District of Southern California ("MWDSC"), and the Central Arizona Project/Central Arizona Water Conservation District ("CAWCD", and collectively with the NDEP, SNWA, CAWCD, and MWDSC, the "Colorado River Authorities") submit this objection (the "Objection") to the above captioned debtors' and debtors-in-

¹ The debtors in these chapter 11 cases include: Tronox Luxembourg S.ar.l.; Tronox Incorporated; Cimarron Corporation; Southwestern Refining Company, Inc.; Transworld Drilling Company; Triangle Refineries, Inc.; Triple S, Inc.; Triple S Environmental Management Corporation; Triple S Minerals Resources Corporation; Triple S Refining Corporation; Tronox LLC; Tronox Finance Corp.; Tronox Holdings, Inc.; Tronox Pigments (Savannah) Inc.; and Tronox Worldwide LLC.



possession's (collectively, the "Debtors" or "Tronox") motion (the "Motion")² for the Entry of an Order Authorizing and Approving the Sale of Substantially all of Tronox's Assets [Dkt. No. 660]. In support of this Objection, the Colorado River Water Authorities respectfully state as follows:

Preliminary Statement

The Motion and the underlying AEPA are silent as to the critical physical plant and groundwater treatment system associated with the Henderson Facility (as defined below). The purpose of this treatment system is to intercept toxic chemicals in the groundwater at the Henderson Facility that otherwise would pollute the Colorado River relied upon for drinking water by over 25 million people. The disposition of these important assets, and the future relationship between Tronox and Huntsman (or another successful bidder) with respect to these assets, must be articulated with specificity in any Sale Order. If these assets are not part of the Sale, then that needs to be stated clearly. If they are, the Sale should be made contingent on Huntsman accepting non-interference and cooperation obligations so that these critical facilities can continue to be operated to protect the health and safety of the millions of people at risk from the harmful chemicals emanating from the Henderson Facility.

In addition, deposits of toxic chemicals that remain in the soil at the Henderson Facility will need to be cleaned up (as opposed to just filtered out of the ground water) to ensure the integrity of the Colorado River water supply. Any sale must not make clean up of these contaminant deposits any more expensive, any more challenging, or any slower than would occur in the absence of the sale. Any impediment to the proper clean up of these toxic deposits

² Capitalized terms not defined herein shall have the same meanings as ascribed in the Motion.

in a timely fashion would only further endanger the public health and safety. These compelling public health and safety needs also must be addressed with specificity in any sale of the Henderson Facility proposed by the Debtors.

Redacted as Confidential

The Debtors' obligation to maintain the property in compliance with the applicable state and federal environmental laws dictates that the costs of this compliance are "actual, necessary costs and expenses of preserving the estate" that cannot be discharged or otherwise resolved in a plan of reorganization without the Colorado River Authorities' consent. *See* 11 U.S.C. § 503(b)(1)(A); *United States v. LTV Corp. (In re Chateaugay Corp.)*, 944 F.2d 997 (2d Cir. 1991). Before the Court approves any sale, it must assure that adequate financial and other arrangements exist for the estate or any successor to maintain the property in compliance with applicable environmental laws.

The Colorado River Authorities request that the Court give priority attention to the truly massive and immediate public health and safety issues raised by the potential Sale of the Henderson Facility. There are few, if any, waste deposits in the country that place so many people in so many states at risk of imminent harm.

Relevant Background

Public Water Supplies from the Colorado River and the Henderson Facility

1. The Colorado River flows approximately 1,450 miles from its headwaters in Wyoming, Colorado, Utah, New Mexico, and northern Arizona through regions of Nevada, Arizona, and California, before emptying into the Gulf of California in Mexico.

Among other things, it is the principal source of drinking water for tens of millions of residents of the southwestern United States.

2. The Colorado River Water Authorities are state agencies, authorities, or political subdivisions charged with the enforcement of state and federal environmental laws within their jurisdiction or the development, transportation and management of water supplies taken entirely or in large part from the Colorado River. The Colorado River provides a significant portion of the over 700 billion gallons of drinking water consumed annually and stored in underground aquifers to provide the residents of Southern California with an adequate supply of drinking water. In Arizona, CAWCD delivers approximately 500 billion gallons of water each year to municipal and private drinking water suppliers, Indian tribes, and other municipal, industrial and agricultural customers. Both CAWCD itself and CAWCD customers also use such Colorado River water to recharge underground aquifers. The Colorado River Authorities are collectively responsible for providing safe, potable drinking water to approximately 25 million residents of Nevada, Arizona, and California.

3. Since the early 1950's, Kerr-McGee Corporation or certain of its affiliates and predecessors-in-interest have owned and operated an industrial facility in Henderson, Nevada (the "Henderson Facility"). Until 1998, that facility produced, among other things, ammonium perchlorate, magnesium perchlorate, potassium perchlorate, and sodium perchlorate. As a result of historic manufacturing operations at the Henderson Facility, hexavalent chromium, perchlorate, asbestos, dioxins, total petroleum hydrocarbons, organochlorine pesticides, aluminum, antimony, arsenic, lead, mercury, radium, thorium, uranium, various semi-volatile and volatile organic compounds, and many other contaminants are present in concentrations

above regulatory or health-based limits in the groundwater in the vicinity of Henderson, Nevada. This groundwater flows into the Las Vegas Wash, and from there, into Lake Mead and the Colorado River. Unfortunately, there is no comprehensive list of contaminants and risks associated with the site because Kerr-McGee and Tronox, notwithstanding being subject to one or more administrative orders since at least 1986, have failed to complete a comprehensive investigation of all known contaminants at the site.

4. Beginning in the early 1980's, the NDEP investigated the presence of potential environmental contamination at and around the Henderson Facility. This investigation first identified the toxic compound hexavalent chromium in the ground water at the facility. Made famous in the movie Erin Brockovich, hexavalent chromium is a highly toxic carcinogen. Pursuant to its authority under the Nevada Water Pollution Control Law, Nev. Rev. Stat. Ann. § 445A.690, and Nevada Hazardous Waste Law, § 459.970, the Administrator of the NDEP issues orders prescribing the corrective actions to take to abate and cure violations of these laws. In 1986, the NDEP entered an administrative order requiring the remediation of the hexavalent chromium contamination. Under the 1986 administrative order, Kerr-McGee installed a complex system of monitoring and interceptor wells and groundwater treatment systems at and around the Henderson Facility to slow the migration of impacted groundwater.

5. Among the products manufactured at the Henderson Facility was solid rocket fuel. An important component of such fuel is ammonium perchlorate which oxidizes or facilitates burning of the rocket fuel. In 1997, perchlorate was detected in the Colorado River.³ The source of this contamination was subsequently traced upstream to Lake Mead, from there to

³ "Perchlorate" is used throughout the objection to refer to all forms of perchlorate which are present in the groundwater at the Henderson Facility.

the Las Vegas Wash and, ultimately, to the groundwater beneath the Henderson Facility. See Map of Perchlorate Contamination and Remediation Sites attached at Ex. A. In 1999, Kerr-McGee and the NDEP entered into another administrative order, requiring the establishment of groundwater collection and treatment facilities to remediate the perchlorate contamination. Following the installation of such remedial systems, Kerr-McGee consented to the entry of further administrative orders, in 2001 and 2005, modifying and refining the remedial technologies and systems employed at the Henderson Facility. Today, approximately ten years after the date of the issuance of the initial perchlorate administrative orders and 23 years since the 1986 hexavalent chromium administrative order, Tronox operates and the NDEP supervises a complex interim remedial system that collects and treats groundwater from the Henderson Facility and several locations between it and the Las Vegas Wash (the "Henderson Groundwater Treatment System"), reducing the poisoning of the water supply by these toxic chemicals.

Contamination at the Henderson Site Poses an Imminent Threat to Public Safety

6. The Henderson Groundwater Treatment System includes three barrier wellfields that capture perchlorate contaminated groundwater as shown in the Map attached at Ex A.⁴ The average daily perchlorate mass that is captured and removed at each of the three barrier wellfields and pumped in an on-site treatment system for perchlorate destruction is shown in the following table.

Average Daily Perchlorate Mass Captured by the Henderson Groundwater Treatment System

Period	On-Site Wellfield	Athens Rd. Wellfield	Seep Area Wellfield	Total
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⁴ The wellfields are identified in Ex. A as the "On-site Wellfield," "Athens Road Wellfield," and "Seep Area Wellfield."

	(lbs/day)	(lbs/day)	(lbs/day)	(lbs/day)
July 08/June 09	853	659	45	1,558

7. This system has proven effective. In May 1999, before the perchlorate-related remedial systems were installed at the Henderson Facility, an average of approximately 1,104 pounds of perchlorate mass entered Lake Mead from the Las Vegas Wash each day, most of which originated from the groundwater in and around the Henderson Facility.⁵ In the approximately 10 years since the installation of the Henderson Groundwater Treatment System, the perchlorate mass entering Las Vegas Wash has been reduced to about 61 pounds per day.⁶

8. The Henderson Groundwater Treatment System treats the captured groundwater using a biological reactor. The Henderson Groundwater Treatment System is vulnerable to even a temporary shut down, or interruption of required chemicals or nutrients, because the biological elements that are pivotal to its operation can die off if the system stops. For example, if the Henderson Groundwater Treatment System is interrupted for more than seven days, it is likely that the biomass will die, requiring three to six months to completely restart the system.

9. In addition to perchlorate, the groundwater migrating from the facility is also contaminated with hexavalent chromium, which is treated by an onsite chromium treatment system that alters its form and then filters it out of the groundwater.

Effects of Interruption of Henderson Groundwater Treatment System

10. If the Henderson Groundwater Treatment System is interrupted, much, if not all,

⁵ McGinley & Associates, 2003. *Las Vegas Wash Initial Perchlorate Modeling Report, Las Vegas Wash, Henderson, Nevada*. October 20.

⁶ Northgate Environmental Management, Inc., 2009. *Annual Remedial Performance Report for Chromium and Perchlorate, Tronox LLC, Henderson, Nevada July 2008 – June 2009*. August 21. (Calculations as of April 2009)

of the perchlorate will remain in the discharged water. Flow from the system could be temporarily directed to the onsite storage/equalization pond (identified at Ex. A as “GW 11 Pond”). However, once the pond has reached capacity, any additional processed water would be discharged (with little or no perchlorate mitigation) directly into the Las Vegas Wash.

11. At the current treatment rate of 900 gallons per minute, every 1 mg/L increase in the level of perchlorate in the discharged water would cause an additional 10 pounds of perchlorate to be added immediately to the Las Vegas Wash. Concentrations in the Las Vegas Wash would increase by an order of magnitude in less than one year, and increases in Colorado River perchlorate concentrations would be measurable within a few months. With continued interruption of the perchlorate mitigation system, perchlorate concentrations in the Colorado River would increase to 1999 (i.e., pre-mitigation) levels. In fact, perchlorate concentrations would likely materially exceed 1999 levels because, unlike 1999, when water volume in Lake Mead was comparatively high, water levels there today are at an historic low. The risk of perchlorate contamination is especially imminent because its chlorated form permits it to migrate easily in the groundwater to the surface water.

12. Any sustained interruption of the Henderson Groundwater Treatment System, would therefore potentially expose millions of downstream users of water from the Las Vegas Wash, Lake Mead, and the Colorado River to substantially increased concentrations of perchlorate in their drinking water.

Health Effects

13. Exposure to perchlorate has been shown to interfere with the normal function of the thyroid gland, which may potentially interfere with normal prenatal growth and development

of the fetus and harm brain development and function.⁷ The United States Environmental Protection Agency (“EPA”) issued an Interim Health Advisory Level for perchlorate in water of 15 ppb in December 2008. EPA is currently also considering setting a national drinking water standard for perchlorate. In addition, several states have established perchlorate standards. For example, Nevada identifies ammonium perchlorate as a “highly hazardous substance,”⁸ and as a matter of public health, California has found that “perchlorate has been shown to interfere with uptake of iodide by the thyroid gland,” and “reduce the production of thyroid hormones . . . needed for normal prenatal growth and development of the fetus, as well as for normal growth and development in the infant and child.” Thyroid hormones are also needed in adults “for normal metabolism and mental function.”⁹ California has set the maximum allowable level for perchlorate in a drinking water source or aquifer at 6 ppb. In addition, under California law, operators of public water systems must test for perchlorate and notify consumers if perchlorate is detected in a drinking water well at a level above 4 ppb.

14. Hexavalent chromium is a known carcinogen, and other health effects of hexavalent chromium include dermal irritation, skin ulceration, kidney damage, liver damage, and pulmonary congestion and edema.¹⁰

Costs of Operation of the Current Systems and Future Site Remediation Costs

⁷ CAL. CODE REGS. tit. 22 app. § 64465-A (2009).

⁸ NEV. ADMIN. CODE §§ 459.9525 & 459.9533 (2009). A substance is a “highly hazardous substance” if it is listed at NEV. ADMIN. CODE § 459.9533, and “the amount or quantity of the chemical present” is irrelevant to such a designation.

⁹ CAL. CODE REGS. tit. 22 app. § 64465-A (2009).

¹⁰ National Institute for Occupational Safety and Health, 2009. *NIOSH Safety and Health Topic: Hexavalent Chromium*. Available at <http://www.cdc.gov/niosh/topics/hexchrom>.

15. The annual costs to operate the Henderson Groundwater Treatment System are approximately \$6,000,000. The annual costs to operate the groundwater treatment systems alone are about \$5,500,000. However, this system does not address the continued presence of contaminants in the ground under and around the Henderson Facility. Unless this contamination is remediated, the Henderson Groundwater Treatment System or its replacement would need to operate indefinitely to prevent contaminants from the Henderson Facility from migrating to the Las Vegas Wash, Lake Mead, and the Colorado River. Remediating the source of these contaminants would require the removal or other remediation of the soil at the Henderson Facility. Next, the groundwater aquifer underlying the Henderson Facility would need to be flushed approximately 3 to 10 times to remove the contaminants from the groundwater and prevent their migration to the Colorado River. The costs for these source remediation activities are estimated to be more than \$700,000,000 and would likely take decades to complete.

The Proposed Sale of the Henderson Facility

16. On January 12, 2009, Tronox, a successor in interest to Kerr-McGee, filed these cases under chapter 11 of the Bankruptcy Code.

17. On September 2, 2009, Tronox filed the Motion seeking authority to sell or otherwise transfer substantially all of its operating assets (the "Huntsman Transaction") pursuant to an Asset and Equity Purchase Agreement, dated as of August 28, 2009 (the "AEPA") with Huntsman Corporation and certain affiliates ("Huntsman"). Among the assets sought to be transferred are certain portions of the Henderson Facility, excluding the land on which they stand. The Motion also sought the establishment of a schedule and procedures to govern bidding and an auction of the assets transferred pursuant to the AEPA, as well as the approval of a break

up fee, expense reimbursement and other bid protections for the proposed stalking horse (collectively, the “Bid Procedures”).

18. On September 11, 2009, the Colorado River Authorities filed a limited objection to the Bid Procedures outlined in the Motion based on, among other things, the lack of information which could be gleaned from the publicly filed Motion and AEPA, limiting the Colorado River Authorities’, or any bidder’s, ability to make an informed response and/or bid. The Court approved the Bid Procedures on September 23, 2009.

19. The AEPA contains detailed provisions governing the transfer of Tronox’s assets and liabilities related to the Henderson Facility. Among other things, the AEPA provides for Huntsman to acquire, subject to certain conditions, “all of the equipment and machinery of [Tronox] that are used or held for use in the operation of the facility located at the US Seller’s Henderson, Nevada site.” See AEPA § 2(a) & pp. 2-4 (definition of Acquired Henderson Assets). It does not specify, however, whether this equipment includes any portion of the Henderson Groundwater Treatment System or provide for its continued operation and maintenance. Nor does the AEPA expressly include or exclude the Henderson Groundwater Treatment System in its definition of “Furnishings and Equipment.” AEPA at p. 17.¹¹

20. Furthermore, the AEPA expressly provides that Huntsman will not acquire Tronox’s “right, title and interest in and to all real property, and buildings located on such real property, owned or leased by the US Sellers at the US Sellers’ Henderson, Nevada site.” AEPA § 2(a) & p. 15 (definition of Excluded Henderson Assets). Instead, the AEPA contemplates

¹¹ Further discussions with the Debtors have revealed that the Henderson Groundwater Treatment Systems are not included in the Sale to Huntsman, however, the Colorado River Authorities note these points for the lack of clarity in the Motion, AEPA, and Sale Order generally, concerning the continuing obligations to maintain the Henderson Groundwater Treatment System.

these Excluded Henderson Assets will be leased to Huntsman (the "Huntsman Lease").

21. The Colorado River Authorities contacted the Debtors and, subject to a confidentiality stipulation, were given more information and details concerning the proposed Sale and the potential lease to Huntsman of the Henderson Facility.

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23. Significantly, under the terms of the AEPA, the sale of the Huntsman Facility is contingent on the Debtors obtaining the consent of the Colorado River Commission to the

assignment of certain below market power contracts to Huntsman. *See* AEPA § 2(h)(ii). If the Debtors are unable to obtain such consents, then Huntsman may elect not to acquire the Henderson Facility or enter into the Huntsman Lease. *Id.*

24. The AEPA also expressly limits Huntsman's assumption of the Debtors' liabilities, including environmental liabilities, related to the Excluded Henderson Assets. The terms of the proposed form of sale order attached as Exhibit B to the Motion, moreover, not only purport to insulate Huntsman from succeeding to liabilities of the Debtors, but further purport to relieve the purchaser broadly from *any* environmental liability relating to assets it is acquiring. For example, paragraph 15 of the proposed order provides that:

- "The Huntsman Group shall not have any responsibility for . . . any liability or other obligation . . . related to the Acquired Assets other than as expressly set forth in the AEPA."
- "Except to the extent expressly included in the Assumed Liabilities with respect to Huntsman, the Huntsman Group shall have no liability or obligation under . . . the Comprehensive Environmental Response Compensation and Liability Act, or any foreign, federal, state, or local . . . environmental law by virtue of Huntsman's purchase of the Acquired Assets or assumption of the Assumed Liabilities."
- "Without limitation of the foregoing, the Huntsman Group shall have no liability or obligation with respect to . . . any Environmental Liabilities associated with the Purchased Assets except to the extent that they are Assumed Environmental Liabilities with respect to Huntsman."

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26. Paragraph 17 of the Order, moreover, purports to enjoin "all persons or entities"

from commencing or continuing any “action or other proceeding” with respect to any “Claim.”

“Claim” in turn is defined to include all

“claims (including without limitation any and all “claims” as defined in § 101(5) of the Bankruptcy Code), interests, deeds of trust, guarantees, security agreements, options, easements, servitudes, rights-of-way, encroachments, hypothecations, charges, obligations, rights and restrictions in or with respect to any of the Acquired Assets (including, without limitation, any statutory lien on real and personal property), regardless of whether known or unknown, secured or in the nature of setoff or recoupment, inchoate, contingent, liquidated, matured, whether arising prior to or subsequent to the commencement of Tronox’s Chapter 11 cases, and whether imposed by agreement, understanding, law equity or otherwise, including . . . environmental claims.

Motion, Ex. B, at 2-3 (emphasis added).

Objection

27. Tronox’s obligations with respect to the contamination at the Henderson Facility are nondischargeable cleanup obligations that Tronox is jointly and severally liable to satisfy to protect public health and safety. “Congress has repeatedly expressed its legislative determination that the [debtor in possession] is not to have *carte blanche* to ignore nonbankruptcy law.” *Midlantic Nat. Bank v. N.J. Dept. of Env’t. Prot.*, 474 U.S. 494, 502 (1986). Rather, in the absence of an express common law limitation, “Congress has expressly provided that the efforts of the [debtor in possession] to marshal and distribute the assets of the estate must yield to [the] governmental interest in public health and safety.” *Id.*; accord *United States v. LTV Corp. (In re Chateaugay Corp.)*, 944 F.2d 997, 1008 (2d Cir. 1991). For this reason, the debtor in possession “may not abandon property in contravention of a state statute or regulation that is reasonably designed to protect the public health or safety from identified hazards.” *Midlantic*, 474 U.S. at 507; *Chateaugay*, 944 F.2d at 1010. In fact, a “Bankruptcy Court does not have the power to authorize an abandonment without formulating conditions that will adequately protect the public’s health and safety.” *Midlantic*, 474 U.S. at 507.

28. In the absence of abandonment, 28 U.S.C. § 959(b) requires the debtor in possession to “manage and operate the property in his possession . . . according to the requirements of the valid laws of the State in which such property is situated.” “Without abandonment, § 959’s teachings are clear – property in the [debtor in possession]’s possession must be managed in accordance with state law.” *In re American Coastal Energy Inc.*, 399 B.R. 805, 811 (Bankr. S.D. Tex. 2009). So critical is this requirement that the costs of maintaining a property in accordance with the environmental laws are a cost of the estate entitled to payment as an administrative expense. *See e.g. Chateaugay*, 944 F.2d at 1010.

29. Administrative expense priority for clean-up costs is based on a two-part analysis. *In re McCrory* 188 B.R. 763, 766 (Bankr. S.D.N.Y. 1995). First, the Trustee must be barred from abandoning possession of the property because doing so would be “in contravention of a state statute or regulation that is reasonably designed to protect the public health or safety from identified hazards.” *Id.* (quoting *Midlantic*, 474 U.S. at 507). Second, the statute or regulation requiring the Trustee to remain in possession of the property must be one whose “violation poses an imminent risk of harm.” *Id.* at 768. When both prongs of the analysis are satisfied, the Trustee’s “continuing duty to comply with environmental laws and discharge any liability it may have under the environmental statute is an actual, necessary cost of preserving the estate,” qualifying such expenses for administrative priority. *Id.* at 766; *see also Chateaugay*, 944 F.2d at 1010 (“If property on which toxic substances pose a significant hazard to public health cannot be abandoned, it must then follow . . . that expenses to remove the threat posed by such substances are necessary to preserve the estate.”). Additionally, an “order, no matter how phrased, [which] requires [the debtor] to take any action that ends or ameliorates current

pollution, [] is not a ‘claim’”, and is, thus, nondischargeable. *In re Chateaugay*, 944 F.2d at 1008 (emphasis added). “A person or firm in possession of a site may not maintain a nuisance, pollute the waters of the State, or refuse to remove the source of such conditions.” *Id.* at 1009 (internal citation omitted); *see also United States v. Apex Oil Co.*, 579 F.3d 734, 735-7 (7th Cir. 2009) (where debtor’s predecessor created underground “hydrocarbon plume” composed of millions of gallons of oil, which was contaminating groundwater and emitting fumes creating hazards to health and the environment, and it was the debtor’s responsibility to “abate this nuisance,” the fact that complying with government injunction under RCRA would impose costs on estate did not make claim dischargeable as “virtually all enforcement actions impose some cost on the violator.” (internal citation omitted)). The administrative orders currently in place at the Henderson Facility, a continuing, viable manufacturing concern, address current, ongoing pollution caused by the steady leaching of hexavalent chromium and perchlorate into the groundwater which migrates to the drinking water supply. As such, compliance with environmental requirements and prevention of harm to human health and the environment are non-dischargeable obligations of the Debtors. These are not mere “legacy” liabilities of discontinued operations. Any failure to comply would result in an administrative expense claim on behalf of the Colorado River Authorities charged with ensuring the safety of the public drinking water supply.

30. For over twenty years, Tronox has operated a complex groundwater extraction, treatment and reinjection system designed to reduce the levels of hexavalent chromium and perchlorate in the groundwater flowing from the Henderson site. It has done so to comply with a series of consensual administrative orders issued by the NDEP pursuant to the Nevada Water

Pollution Control Law and the Nevada Hazardous Waste Law which adopts by reference certain RCRA regulations. The laws pursuant to which these administrative orders were entered are patently intended to protect public health and welfare against pollution, including the toxic contamination of drinking water. The stated purpose of the Nevada Hazardous Waste Law, for example, is to “[p]rotect human health, public safety, and the environment from the effects of . . . hazardous waste.” N.R.S. § 459.400. The hazardous wastes that are the focus of the statute are explicitly defined as those wastes posing “a substantial hazard or potential hazard to human health, public safety, or the environment when . . . given improper treatment, storage, transportation, disposal or other management.” *Id.* § 459.430(1)(b); *see also* Nevada Water Pollution Control Law, N.R.S. § 455A.305(1)(a) (declaring that that the water pollution regulated therein “[a]dversely affects public health and welfare”).

31. As importantly, it is clear that the continued operation of the Henderson Groundwater Treatment System is essential to protect against imminent harm to millions of residents of the states of Nevada, California and Arizona. Since its implementation, the Henderson Groundwater Treatment System has reduced the amount of perchlorate loading entering the Las Vegas Wash from over 1100 pounds per day to approximately 50 pounds per day, a drop of approximately 95%.

32. If the system ceases to operate, the consequences for the public water supply will be dramatic. Within days, the amount of perchlorate entering the Las Vegas Wash will increase by 45 lbs/day. This amount would increase to approximately 650 lb/day within eight months, and 900 lbs/day within 3.5 years. From the Las Vegas Wash, these amounts would migrate to

Lake Mead [and the Colorado River] within six to 12 months.¹² In addition, the operation of the Henderson Groundwater System has “dewatered” certain sediments in and around the Henderson Facility, trapping perchlorate solids. If the system is shut down, ground water will reenter these sediments, allowing additional perchlorate to migrate from the Henderson Facility.

33. Moreover, a shutdown of the Henderson Groundwater Treatment System is not easily reversible. That system relies on bacteria and other biological agents to break down the perchlorate removed from the groundwater. If the system ceases to operate for more than a week or two, these biological agents will die. If that occurred, restarting the system could take as many as six months.

34. As explained above, the presence of perchlorate in the public water supply has many potentially harmful health effects. Perchlorate in drinking water presents a variety of potential health risks associated with improper functioning of the thyroid, with the populations most at risk for developing severe health consequences due to thyroid malfunction being fetuses, infants, and developing children. The increase in perchlorate to pre-1999 levels in the Las Vegas Wash would create the risk of greatest harm to the most vulnerable segments of the population. As set forth in Paragraph 9 above, the groundwater migrating from the facility is also contaminated with hexavalent chromium. Currently, the Henderson Groundwater Treatment System captures this hexavalent chromium and treats it. As a result, if the Henderson Groundwater Treatment System were shut down, the hexavalent chromium contamination would migrate unabated from the facility and eventually impact the water supply.

The Proposed Sale Threatens the Health and Safety of Millions of Americans

¹² University of Las Vegas, Nevada, "The Fate and Transport of Perchlorate in a Contaminated Site in the Las Vegas Valley" (March 2003).

35. The Huntsman Transaction, of which the Debtors are presently seeking approval, contemplates that the Henderson Facility will be sold to Huntsman and that Tronox LLC, a debtor, will lease the ground beneath the Henderson Facility to Huntsman

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The economic value of this lease to the estates, however, is unclear.

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36. If the Debtor or a successor is to continue to own and lease the land under the Henderson Facility **Redacted as Confidential** it will have to maintain that property in accordance with applicable environmental laws and the terms of the administrative orders. *E.g.* N.R.S. § 445C.050 (regulated person is owner or operator of property). This will require not only the continued operation of the Henderson Ground Water Treatment System, but also the formulation and execution of a long term approach to permanent remediation of the site. At present, the annual cost of running the Henderson Groundwater Treatment System is approximately \$6 million. Moreover, under the terms of the Lease Term Sheet, the Debtors are obligated to indemnify Huntsman if, for any reason, it incurs environmental liabilities in respect

of the Henderson Site that are not created or exacerbated by Huntsman.

37. Yet despite the Debtors' obligations, the Sale Motion does not establish or even address the method by which they propose to maintain the Henderson Facility in compliance with applicable environmental law and orders during the term of the proposed Huntsman Lease or fund the costs of doing so. Similarly, it fails to describe how Tronox LLC, or the property owner, is expected to be operated and funded, who will be responsible for maintaining the remedial systems now in place and how the real property and buildings will be kept in compliance with existing remediation contracts, decrees, orders, or other applicable environmental legal requirements. Indeed, the ACPA does not even specify whether the Debtors are proposing to sell the machinery composing the Henderson Groundwater Treatment System and how a post-Sale operator of that system is going to obtain access to the system to operate it.

38. Under the governing precedents, the Court could not approve the abandonment of the Henderson Facility without "formulating conditions that will adequately protect the public's health and safety." *Midlantic*, 474 U.S. at 507. Nothing less is required here, where the Debtors propose to sell that facility. Before the Court approves the Sale, it should require the Debtors to demonstrate how Tronox LLC or its successor will maintain the Henderson Groundwater Treatment System and fund any permanent remedial effort determined by the appropriate regulators to be required by applicable law. At a minimum, this must include:

- Clarification as to whether Huntsman is acquiring the Henderson Groundwater Treatment System and if not:
 - How the Debtors propose to fund the operation of the Henderson Groundwater Treatment System;
 - Who will operate that system;
 - How the operator will maintain access to the system for its operation and upkeep; and

- How any subsequent remedial effort will be funded.

Further, any Sale of the Henderson Facility must provide adequate detail as to how a future buyer or owner-operator will address deposits located underneath existing buildings at the Henderson Facility, in soils at and around the Henderson Facility, and in nearby mines from which raw materials were extracted for processing and manufacture at the Henderson Facility. This necessarily includes contaminants not currently being treated by the Henderson Groundwater Treatment System already in place. Any Sale must not make clean up of these contaminant deposits any more expensive, any more challenging, or any slower than would occur in the absence of the Sale.

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40. In addition, because of the critical importance of maintaining the Henderson Facility in compliance with applicable environmental laws, no proceeds of the Sale should be distributed to any creditor as part of the Sale transaction. While the proposed form of Sale Order does not provide for such a distribution, the Colorado River Authorities note that the DIP Order currently contemplates that the DIP Obligations and Rolled Prepetition Obligations will be paid

as superpriority administrative expenses out of the sale of any of the Debtors' assets and that "100% of the Net Cash Proceeds . . . resulting from a Sale that are not required to be paid in respect of the DIP Obligations or the Rolled Prepetition Obligations" shall be paid to the Prepetition Agent for the benefit of the Prepetition Lenders. (See Corrected DIP Order at ¶¶ 8(a), 14(b), (f), 15(d).) To the extent that it is contemplated that any proceeds from a Sale will be distributed to the DIP Lenders and/or the Prepetition Agent on behalf of the Prepetition Lenders¹³ subject to the Debtors' debtor-in-possession financing agreement ("DIP Agreement"), the Colorado River Authorities object to such distribution and further request that the Sale Order either (1) expressly reserve the determination of the disposition of proceeds from a Sale for a later hearing or (2) provide for the creation of an escrow account for receipt of a portion of the proceeds from a Sale as a reserve to fund the contingent costs of the Henderson Groundwater Treatment System including any potential indemnification liability to Huntsman to the full extent permissible under the DIP Agreement. (See DIP Agreement at 25.) In addition, it would be inappropriate to make any distribution to the Prepetition Lenders from the proceeds of a Sale at this time because, among other things, the Official Committee of Unsecured Creditors has commenced an adversary proceeding to avoid or subordinate the Prepetition Lenders' claims.

The Potential Buyer's Broad Release from All Environmental Liability Should be Denied

41. Finally, in the guise of seeking to insulate the purchaser from claims of successor liability for obligations of the Debtors associated with the Acquired Assets, the Debtors attached a form of Order to the original Motion whose terms actually purport to grant far broader limitations on liability to the proposed purchaser. As outlined above, the form of Order does not

¹³ Capitalized terms not defined in this paragraph have the same meanings as ascribed to them in the DIP Order or DIP Agreement.

merely purport to limit Huntsman's exposure to liabilities of the Debtors in accordance with Section 363(f) of the Bankruptcy Code, but instead seeks to release Huntsman from *any* environmental liabilities arising in connection with the Acquired Assets, regardless of whether (i) such liabilities currently reside with the Debtors, (ii) the law imposes such liabilities directly on the purchaser and not merely as successor to the Debtors and (iii) the liabilities arise post-sale under applicable law. As written, such provisions purport to release the purchaser from its ongoing obligations under the environmental laws as an operator or owner of the Henderson Facility, a result that is flatly inconsistent with the governing case law. This result would threaten the public health and safety of millions of citizens reliant on clean and safe drinking water from the Colorado River. To the extent that the Debtors' Motion seeks to grant the purchaser greater relief than is authorized by Section 363(f) of the Bankruptcy Code, it should be denied by this Court.

42. While the Debtors have previously represented that they would limit any limitations of liability in connection with the Sale in accordance with the law of this Circuit and have submitted a proposed blackline of a form of order that limits the scope of these releases and preserves certain environmental liabilities. The Colorado River Authorities object to the entry of any sale order that fails to include these limitations or otherwise attempts to limit the purchaser's liability beyond that contemplated by section 363 of the Bankruptcy Code. *See In re Chrysler LLC*, Case No. 09-50002 (AIG) Order [Docket No. 3232] at ¶ 23 (Bankr. S.D.N.Y. Jun. 1, 2009) (no post-sale waiver of liability for any owner or operator of property subject to a governmental unit's police or regulatory powers).

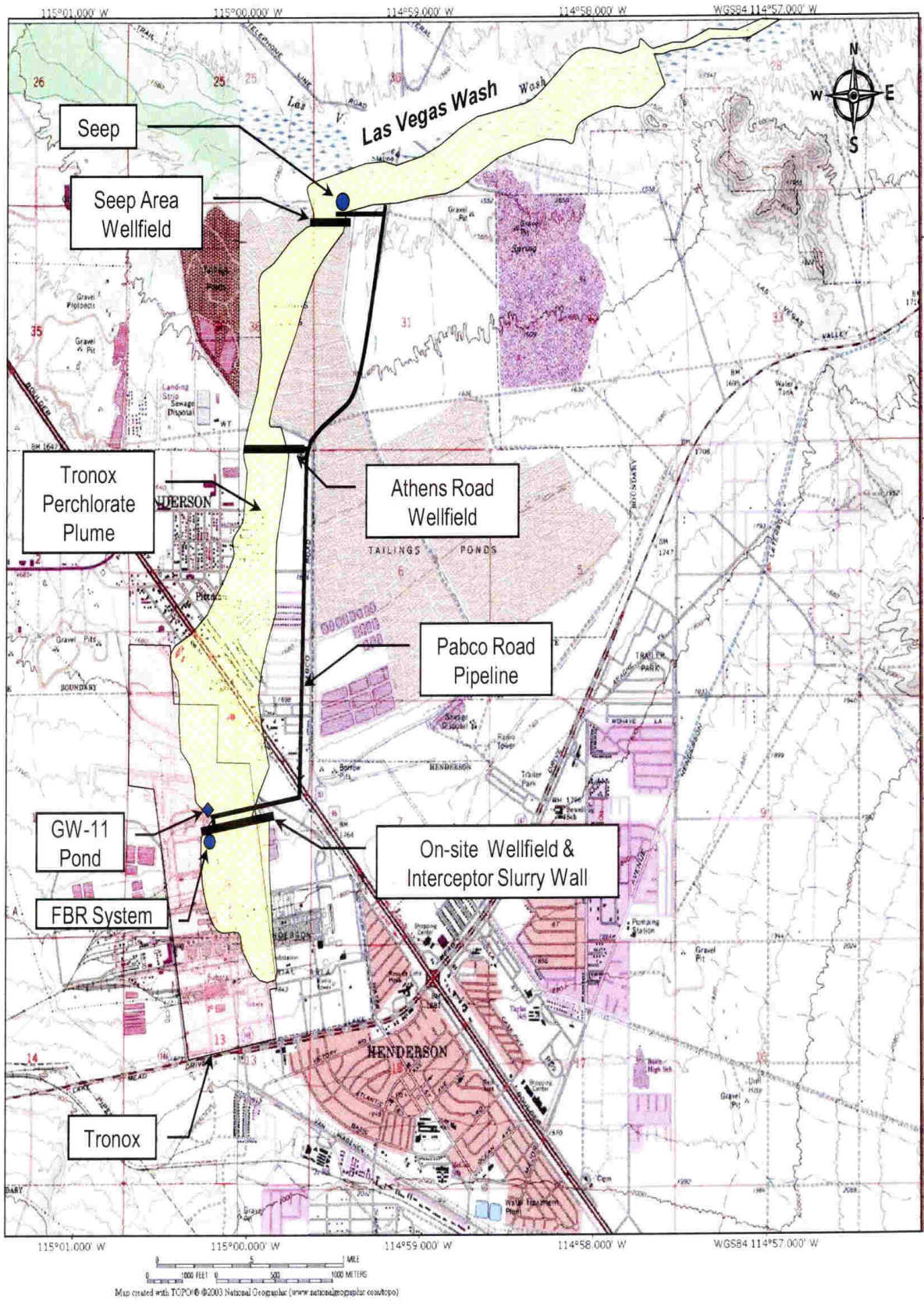
Reservation of Rights

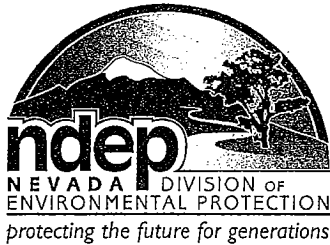
43. As explained above, the Colorado River Authorities still lack much of the relevant and critical information necessary to ensure that after any sale of the Henderson Facility, the Facility will remain in full compliance with current environmental obligations and laws. The Colorado River Authorities therefore reserve any and all rights to amend this objection or raise further objections to a proposed or final Sale of the Henderson Facility or any of the Debtors' assets which might affect the Debtors' obligations at the Henderson Facility and do not expressly or impliedly waive any other individual or collective rights. In addition, as outlined more fully above, the Colorado River Authorities reserve their rights to object to any disposition of any proceeds attributable to the Sale.

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EXHIBIT A

Map of Perchlorate Contamination and Remediation Sites





STATE OF NEVADA

Department of Conservation & Natural Resources

DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor

Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

December 14, 2009

Susan Crowley (Contractor)
C/O Tronox LLC
PO Box 55
Henderson, NV 89009

Re: **Tronox LLC (TRX)**

NDEP Facility ID #H-000539

Nevada Division of Environmental Protection (NDEP) Response to:

Data Validation Summary Report, July 2008 - June 2009, Annual Remedial Performance Sampling, Tronox LLC Facility, Henderson, Nevada

Dated: November 24, 2009

Dear Ms. Crowley,

The NDEP has received and reviewed TRX's above-identified Data Validation Summary Report and finds that the document is acceptable.

Please contact the undersigned with any questions at sharbour@ndep.nv.gov or (702) 486-2850 extension 240.

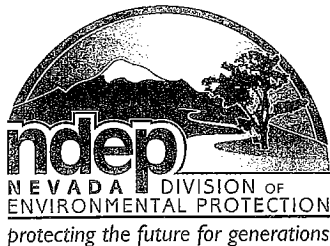
Sincerely,

Shannon Harbour, P.E.
Staff Engineer III
Bureau of Corrective Actions
Special Projects Branch
NDEP-Las Vegas Office
Fax: 702-486-5733

SH:bar:sh



CC: Jim Najima, NDEP, BCA, Carson City
Brian Rakvica, NDEP, BCA, Las Vegas
Keith Bailey, Environmental Answers LLC, 3229 Persimmon Creek Drive, Edmond, OK 73013
Susan Crowley, Crowley Environmental LLC, 366 Esquina Dr, Henderson NV 89014
Mike Skromyda, Tronox LLC, PO Box 55, Henderson, NV 89009
Deni Chambers, Northgate Environmental, 300 Frank H. Ogawa Plaza, Suite 510, Oakland, CA 94612
Barry Conaty, Holland & Hart LLP, 975 F Street, N.W. Suite 900, Washington, D.C. 20004
Brenda Pohlmann, City of Henderson, PO Box 95050, Henderson, NV 89009
Mitch Kaplan, U.S. Environmental Protection Agency, Region 9, mail code: WST-5, 75 Hawthorne Street,
San Francisco, CA 94105-3901
Ebrahim Juma, Planning Manager, Air Quality and Environmental Management, 500 S. Grand Central
Pkwy, 1st floor, P.O. Box 555210, Las Vegas, NV 89155-5210
Ranjit Sahu, BRC, 311 North Story Place, Alhambra, CA 91801
Rick Kellogg, BRC, 875 West Warm Springs, Henderson, NV 89011
Mark Paris, Landwell, 875 West Warm Springs, Henderson, NV 89011
Craig Wilkinson, TIMET, PO Box 2128, Henderson, Nevada, 89009-7003
Kirk Stowers, Broadbent & Associates, 8 West Pacific Avenue, Henderson, Nevada 89015
George Crouse, Syngenta Crop Protection, Inc., 410 Swing Road, Greensboro, NC 27409
Nick Pogoncheff, PES Environmental, 1682 Novato Blvd., Suite 100, Novato, CA 94947
Lee Erickson, Stauffer Management Company, P.O. Box 18890, Golden, CO 80402
Michael Bellotti, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Curt Richards, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Paul Sundberg, Montrose Chemical Corporation, 10733 Wave Crest Court, Stockton, CA 95209
Joe Kelly, Montrose Chemical Corporation of CA, 600 Ericksen Avenue NE, Suite 380, Bainbridge Island,
WA 98110
Jeff Gibson, AMPAC, 3883 Howard Hughes Pkwy, Ste 700, Henderson, NV 89169
Larry Cummings, AMPAC, 3883 Howard Hughes Pkwy, Ste 700, Henderson, NV 89169
Paul Black, Neptune and Company, Inc., 8550 West 14th Street, Suite 100, Lakewood, CO 80215
Dave Gratson, Neptune and Company, Inc., 1505 15th Street, Suite B, Los Alamos, NM 87544



STATE OF NEVADA

Department of Conservation & Natural Resources

DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor

Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

Certified Mail 7005-0390-0002-0503-6549

December 14, 2009

Michael J. Foster
Tronox, LLC.
3301 N. W. 150th
Oklahoma City, Oklahoma 73134

RE: Enforcement Action for Failure to Complete Approved Site Remediation Activities, and Show Cause Meeting, Tronox, LLC, (Tronox) Henderson, Nevada, NDEP Facility ID Number 8-000539

Dear Mr. Foster:

Enclosed please find a Finding of Alleged Violation, Order, and State Environmental Commission Form #3. This enforcement action is the result of the failure of Tronox, its predecessors in interest and affiliates to complete approved remediation activities for the known contamination in both soil and groundwater at the Tronox facility located within the Black Mountain Industrial ("BMI") Complex, 8000 West Lake Mead Parkway, Henderson, Nevada. Nevada Division of Environmental Protection (the "Division") facility ID Number H-000539. Among other things, the enforcement action seeks injunctive relief to ensure compliance with Tronox's remediation obligations going forward.

The enclosed Order requires a representative of Tronox to appear before the Division to show cause why the Division should not proceed with an action for injunctive or other relief in District Court. Any violation of the terms of this Order could subject you to an action for appropriate relief pursuant to NRS 445A.695, 445A.700, 445A.705, 459.580, or 459.585.

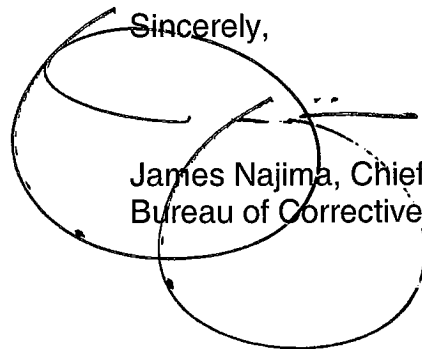
Pursuant to NRS 445A.690, this Order is final and not subject to review unless, within thirty (30) days after the date the Order is served, a request by written petition for a hearing is received by the State Environmental Commission, John Walker, Executive Secretary, via mail to 901 South Stewart Street, Suite 4001, Carson City, Nevada 89701, or via facsimile to (775) 687-5856. I have included the appropriate form for an appeal hearing (Form #3) for your convenience. Please provide me with a copy of any correspondence you have with the Commission.

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DIVISION OF ENVIRONMENTAL PROTECTION
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IN THE MATTER OF)
TRONOX, INC.)
December 14, 2009)
Page 2 of 19)

If you have any questions regarding this matter, please call me at (775) 687-9484.

Sincerely,

James Najima, Chief
Bureau of Corrective Actions

JN/slg

Enclosures (3)
Finding of Alleged Violation
Order
SEC Form #3

cc: w/Enclosures

Bill Frey, Senior Deputy Attorney General, Attorney General's Office, Carson City
Carolyn Tanner, Deputy Attorney General, Attorney General's Office, Carson City
Leo Drozdoff, P.E., Nevada Department of Environmental Protection, Carson City
Tom Porta, NDEP, Carson City
John Walker, Nevada State Environmental Commission, Carson City
Brian Rakvica, P.E., NDEP, Las Vegas
Shannon Harbour, P.E., NDEP, Las Vegas
Mr. Ken Baker, Chartis, Pollution Cap Claims Department, 175 Water Street, 12th
Floor, New York, New York 10038
Mitch Kaplan, U.S. Environmental Protection Agency, Region 9, mail code:
WST-5, 75 Hawthorne Street, San Francisco, CA 94105-3901
Ebrahim Juma, Clark County DAQEM, 500 South Grand Central Parkway, PO
Box 555210, Las Vegas, NV, 89155-5210
Robert Williams, Clark County Fire Department, 575 East Flamingo Road, Las
Vegas, Nevada 89119
Ranjit Sahu, BRC, 311 North Story Place, Alhambra, CA 91801
Rick Kellogg, BRC, 875 West Warm Springs, Henderson, NV 89011
Mark Paris, BEC, 875 West Warm Springs, Henderson, NV 89011
Rex Heppe, 2925 East Patrick Lane, Suite M, Las Vegas, NV 89120-2457
David Sadoff, AIG Consultants, Inc., 121 Spear Street, 3rd Floor, San Francisco,
CA 94105
Leslie Hill, U.S. Department of Justice, PO Box 23896, Washington, DC
20026-3986
Craig Wilkinson, TIMET, PO Box 2128, Henderson, Nevada, 89009-7003
Kirk Stowers, Broadbent & Associates, 8 West Pacific Avenue, Henderson,
Nevada 89015
George Crouse, Syngenta Crop Protection, Inc., 410 Swing Road, Greensboro,
NC 27409

IN THE MATTER OF)
TRONOX, INC.)
December 14, 2009)
Page 3 of 19)

Nicholas Pogoncheff, PES Environmental, Inc., 1682 Novato Blvd., Suite 100,
Novato, CA 94947-7021

Susan Crowley, Crowley Environmental LLC, 366 Esquina Dr., Henderson,
NV 89014

Susan Crowley, Tronox LLC, PO Box 55, Henderson, Nevada 89009

Mike Skromyda, Tronox LLC, PO Box 55, Henderson, Nevada 89009

Keith Bailey, Environmental Answers, 3229 Persimmon Creek Dr, Edmond,
Oklahoma 73013

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Michael Bellotti, Olin Corporation, 3855 North Ocoee Street, Suite 200,
Cleveland, TN 37312

Curt Richards, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland,
TN 37312

Paul Sundberg, Montrose Chemical Corporation, 10733 Wave Crest Court
Stockton, CA 95209

Joe Kelly, Montrose Chemical Corporation of CA, 600 Ericksen Avenue NE,
Suite 380, Bainbridge Island, WA 98110

Deni Chambers, Northgate Environmental Management, Inc., 300 Frank H.
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San Francisco, CA 94104-1513

Michael Ford, Bryan Cave, One Renaissance Square, Two North Central
Avenue, Suite 2200, Phoenix, AZ 85004

Jeff Gibson, AMPAC, 3883 Howard Hughes Pkwy, Ste 700, Las Vegas,
NV 89169

ORDER

This Order is issued under the authority vested in the Director of the Department of Conservation and Natural Resources ("Department") by Nevada Revised Statutes (NRS) 445A.445 (1), 445A.450 (8), and 459.470, delegated to the Division of Environmental Protection ("Division") pursuant to NRS 445A.450 (9) and 459.480, and in accordance with NRS 445A.675, 445A.690, 459.565 (1), and 459.570.

On the basis of the attached Finding of Alleged Violation ("FOAV"), which is a part of this Order, the Administrator of the Division, pursuant to authority delegated to him by the Director of the Department of Conservation and Natural Resources, has determined that Tronox, LLC ("Tronox") is in violation of Nevada Water Pollution Control Law, the Nevada Hazardous Waste Law, the Resource Conservation and Recovery Act, the Phase 2 Consent Order, the 1986 Consent Order, and the 2001 Consent Order as outlined in the Finding of Alleged Violation and that, among other remedies, injunction relief is required to ensure Tronox's compliance with its remediation obligations going forward.

IT IS HEREBY ORDERED:

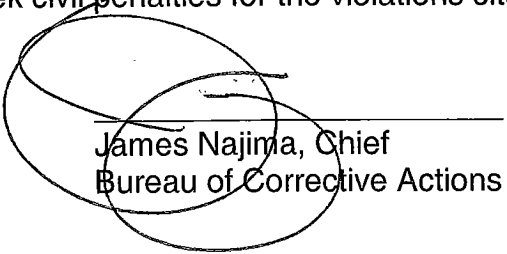
Tronox shall complete the following acts at/or with respect to the Tronox Facility located within the Black Mountain Industrial ("BMI") Complex, 8000 West Lake Mead Parkway in Henderson, Nevada (hereinafter "the Site") by the dates specified:

1. Immediately maintain the Site in compliance with all federal, state, and local environmental laws to protect human health and the environment.
2. Within ten (10) days of the date of this Order: Submit to the Division a written reply which states Tronox's intention to comply with the Order including its obligation to maintain the Site in compliance with all federal, state, and local environmental laws to protect human health and the environment.
3. Within sixty (60) days of the date of this Order: Submit to the Division a detailed plan, including a detailed schedule and timeline, that explains how Tronox will ensure that the existing groundwater treatment system ("GWTS") will remain fully operational, as defined herein, until the remedial actions are completed.
 - a. The term "fully operational" is defined as the pumping and treating of impacted groundwater in accordance with the Administrative Orders on Consent issued by the Division on the following dates: September 9, 1986; April 25, 1991; August 1, 1996; July 26, 1999; October 8, 2001; and April 12, 2005; the following NDEP Bureau of Water Pollution Control

permits: NV 0023060; NEV2001515; NEV2001516; UNEV94218; and any additional permits and requirements as provided by the Division to determine that adequate capture and treatment is occurring to protect human health and the environment.

4. Within sixty (60) days of the date of this Order: Submit to the Division a detailed plan, including a detailed schedule and time line which explains how Tronox will complete the Remedial Alternative Studies ("RAS") required under the August 1, 1996 Consent Agreement ("the Phase 2 Consent Order"). The RAS documents shall address the issue of source control and reduction, and optimization of groundwater treatment.
5. Within sixty (60) days of the date of this Order: Tronox must provide documentation of financial assurance evidencing the existence of the funds necessary to conduct the required corrective actions at the Site.
6. Within thirty (30) days of the date of this Order: Tronox must present a plan for providing an emergency generator system for the GWTS or an alternate plan that is acceptable to the Division, to ensure continuous operation of the GWTS system.
7. Within thirty (30) days of the date of this Order: Tronox must provide a schedule for the complete removal of contaminated soils from the Site by December 31, 2010.
8. By December 31, 2010: Tronox must complete source control of contaminated soils at the Site.
9. Within ten (10) days of the date of this Order: Submit to the Division a copy of all insurance policies that are currently being used to fund the environmental activities at the Site, together with documentation evidencing (a) claims and payouts made pursuant to such policies, (b) any expenses incurred as part of any self-insured retention pursuant to such policies, (c) the term of such policy, and (d) and any other information related to coverage concerning the Site.
10. Within ten (10) days of the date of this Order: Contact Jim Najima, Chief of the Bureau of Corrective Actions of the Division to arrange a meeting at the Division's Carson City office to show cause why the Division should not seek civil penalties for the violations cited in the FOAV.

Dec 14, 2009
Date


James Najima, Chief
Bureau of Corrective Actions

FINDING OF ALLEGED VIOLATION

I. This Finding of Alleged Violation is based upon the following:

A. RELEVANT STATUTORY AND REGULATORY AUTHORITY UNDER THE NEVADA WATER POLLUTION CONTROL LAW:

1. It is the policy of the State of Nevada and the purpose of the Nevada Water Pollution Control Law, codified at Nevada Revised Statutes (NRS) 445A.300 to 445A.730 inclusive (the "NWPCL"), "(a) to maintain the quality of the waters of the State consistent with the public health and enjoyment, the propagation and protection of terrestrial and aquatic life, the operation of existing industries, the pursuit of agriculture, and the economic development of the State, and (b) to encourage and promote the use of methods of waste collection and pollution control for all significant sources of water pollution (including point and diffuse sources)."
2. The State of Nevada, Department of Conservation and Natural Resources, Division of Environmental Protection (the "Division"), under the authority of NRS 445A.445 (1) and 459.475, has the power and the duty to administer and enforce the provisions of the NWPCL.
3. The Division is authorized by NRS 445A.675 and 445A.690 to make findings and issue orders to address violations of the NWPCL.
4. NRS 445A.465 states:

Injection of fluids through a well or discharge of pollutant without a permit prohibited; regulations:

1. Except as authorized by a permit issued by the department pursuant to the provisions of NRS 445A.300 to 445A.730, inclusive, and regulations adopted by the commission, it is unlawful for any person to:
 - (a) Discharge from any point source any pollutant into any waters of the state or any treatment works.
 - (c) Discharge from a point source a pollutant or inject fluids through a well that could be carried into the waters of the state by any means.
 - (d) Allow a pollutant discharged from a point source or fluids injected through a well to remain in place where the pollutant or fluids could be carried into waters of the state by any means.

5. The Division may issue an Order requiring the owner or operator of a property whereon hazardous waste, hazardous substances and/or regulated substances are released to take corrective action to address soil contamination pursuant NAC 445A.227, and to provide a plan and schedule for completing corrective action pursuant to NAC 445A.2271.
6. The Division may issue an Order requiring the owner or operator of a property whereon hazardous waste, hazardous substances and/or regulated substances are released to take corrective action to address groundwater contamination pursuant NAC 445A.22725, and to provide a plan and schedule for completing corrective action pursuant to NAC 445A.2273.

B. RELEVANT STATUTORY AND REGULATORY AUTHORITY UNDER THE NEVADA HAZARDOUS WASTE LAW:

1. It is the purpose of the Nevada Hazardous Waste Law codified at NRS 459.400 to 459.600 inclusive (the "NHWL"), to "(1) Protect human health, public safety and the environment from the effects of improper, inadequate or unsound management of hazardous waste; (2) Establish a program for regulation of the storage, generation, transportation, treatment and disposal of hazardous waste; and (3) Ensure safe and adequate management of hazardous waste."
2. The Division has the power to enforce all rules, regulations and standards promulgated by the Nevada State Environmental Commission (the "SEC") under the NHWL pursuant to NRS 459.475 (1), to act as the state agency for the purposes of federal laws and regulations on hazardous waste pursuant to NRS 459.470, as delegated pursuant to NRS 459.480.
3. Pursuant to NRS 459.565, if the Division receives information that the handling, storage, transportation, treatment or disposal of any waste or hazardous substance at a facility may present an "*imminent and substantial hazard to human health, public safety or the environment*," it may issue an order to the owner or operator of the facility or the custodian of the hazardous waste to take all necessary steps to prevent the act or eliminate the practice which constitutes the hazard. The Division may also order a site assessment to be conducted and a remediation plan to be developed, assess costs and expenses incurred by the Division in removing, correcting or terminating any hazard to human health, public safety or the environment, seek injunctive relief; and take any other action designed to reduce or eliminate the hazard.

4. NAC 459.9533 defines "Ammonium Perchlorate" as a highly hazardous substance, per all applicable thresholds.
5. Per the United States Environmental Protection Agency, National Center for Environmental Assessment, "Hexavalent Chromium" is classified as a human carcinogen. See <http://www.epa.gov/ncea/iris/toxreviews/0144-tr.pdf> chromium.
6. Pursuant to NRS 459.570, the Division has the power to issue orders to address violations of the NHWL, including any regulation, or term or condition of a permit issued by the Division.
7. Nevada adopts and enforces the regulations applicable to the Resource Conservation and Recovery Act ("RCRA"). NAC 444.8632 states in part: Compliance with federal regulations adopted by reference. In addition to the requirements of NAC 444.850 to 444.876, inclusive, a person who generates, transports, treats, stores, disposes or otherwise manages hazardous waste or used oil shall comply with all applicable requirements of, and may rely upon applicable exclusions or exemptions under, 40 C.F.R. Part 2, Subpart A, Part 124, Subparts A and B, Parts 260 to 270, inclusive, Part 273 and Part 279, as those provisions existed on July 1, 2007, which, except as otherwise modified by NAC 444.86325, 444.8633 and 444.8634, are hereby adopted by reference. The Commission may use federal statutes and regulations that are cited in 40 C.F.R. Part 2, Subpart A, Part 124, Subparts A and B, Parts 260 to 270, inclusive, Part 273 and Part 279 to interpret these sections and parts.
8. RCRA defines a "solid waste management unit" as "any discernable unit at which solid wastes have been placed at any time, irrespective of whether the unit was intended for the management of solid or hazardous waste. Such units include any area at a facility at which solid wastes have been routinely and systematically released." 55 Fed. Reg. 30808 (1990).
9. In relevant part, RCRA 3004 addresses solid waste management units as follows:

(u) Continuing releases at permitted facilities

Standards promulgated under this section shall require, and a permit issued after November 8, 1984, by the Administrator or a State shall require, corrective action for all releases of hazardous waste or constituents from any solid waste management unit at a treatment, storage, or disposal facility seeking a permit under this subchapter, regardless of the time at which waste was placed in such unit. Permits issued under section 6925 of this title shall contain schedules of compliance for such corrective action (where such corrective action

cannot be completed prior to issuance of the permit) and assurances of financial responsibility for completing such corrective action.

(v) Corrective action beyond facility boundary

As promptly as practicable after November 8, 1984, the Administrator shall amend the standards under this section regarding corrective action required at facilities for the treatment, storage, or disposal, of hazardous waste listed or identified under section 6921 of this title to require that corrective action be taken beyond the facility boundary where necessary to protect human health and the environment unless the owner or operator of the facility concerned demonstrates to the satisfaction of the Administrator that, despite the owner or operator's best efforts, the owner or operator was unable to obtain the necessary permission to undertake such action. Such regulations shall take effect immediately upon promulgation, notwithstanding section 6930(b) of this title, and shall apply to--

(1) all facilities operating under permits issued under subsection (c) of this section, and

(2) all landfills, surface impoundments, and waste pile units (including any new units, replacements of existing units, or lateral expansions of existing units) which receive hazardous waste after July 26, 1982.

Pending promulgation of such regulations, the Administrator shall issue corrective action orders for facilities referred to in paragraphs (1) and (2), on a case-by-case basis, consistent with the purposes of this subsection.

10. 40 C.F.R. 260.10 defines a "Facility" subject to RCRA regulation as:

(1) All contiguous land, and structures, other appurtenances, and improvements on the land, used for treating, storing, or disposing of hazardous waste, or for managing hazardous secondary materials prior to reclamation. A facility may consist of several treatment, storage, or disposal operational units (e.g., one or more landfills, surface impoundments, or combinations of them).

(2) *For the purpose of implementing corrective action under 40 CFR 264.101 or 267.101, all contiguous property under the control of the owner or operator seeking a permit under Subtitle C of RCRA. This definition also applies to facilities implementing corrective action under RCRA Section 3008(h).*

(3) Notwithstanding paragraph (2) of this definition, a remediation waste management site is not a facility that is subject to 40 CFR 264.101, but is subject to corrective action requirements if the site is located within such a facility.

[Emphasis added.]

11. RCRA 3005(e) defines a facility subject to interim status as:

(1) Any person who--

(A) owns or operates a facility required to have a permit under this section which facility--

(i) was in existence on November 19, 1980, or

(ii) is in existence on the effective date of statutory or regulatory changes under this chapter that render the facility subject to the requirement to have a permit under this section,

(B) has complied with the requirements of section 6930(a) of this title, and

(C) *has made an application for a permit under this section,*

shall be treated as having been issued such permit until such time as final administrative disposition of such application is made, unless the Administrator or other plaintiff proves that final administrative disposition of such application has not been made because of the failure of the applicant to furnish information reasonably required or requested in order to process the application. This paragraph shall not apply to any facility which has been previously denied a permit under this section or if authority to operate the facility under this section has been previously terminated.

[Emphasis added.]

12. Pursuant to RCRA 3008(h), facilities with interim status are subject to corrective action orders. Specifically, RCRA 3008(h) states in part:

(1) Whenever on the basis of any information the Administrator determines that there is or has been a release of hazardous waste into the environment from a facility authorized to operate under section 6925(e) of this title, *the Administrator may issue an order requiring corrective action or such other response measure as he deems necessary to protect human health or the environment* or the Administrator may commence a civil action in the United States district court in the district in which the

facility is located for appropriate relief, including a temporary or permanent injunction.

[Emphasis added].

13. Pursuant to 40 C.F.R. Part 265, Subpart H, the Division may require financial assurance from interim status facilities to ensure the funding of the costs of remediation, including adjustments for current cost estimates of clean-up, inflation, and insufficiency of posted financial assurance .

C. RELEVANT BACKGROUND

1. Kerr-McGee Corporation, Kerr-McGee Chemical, LLC, its affiliates, and successors-in-interest have owned and operated an industrial facility at the BMI Complex in Henderson, Nevada (the “Site”) for approximately fifty years. Tronox, LLC took ownership of the Site in or about 2005. These entities are collectively referred to herein as the “Parties.”
2. Ending in approximately 1998, the Parties produced ammonium perchlorate, magnesium perchlorate, potassium perchlorate, and sodium perchlorate (collectively, “perchlorate”) at the Site. As a result of manufacturing operations at the Site, additional contaminants are found in the groundwater at or near the Site in concentrations above the limits set by the NHLWL. These contaminants include: hexavalent chromium, perchlorate, asbestos, dioxins, total petroleum hydrocarbons, organochlorine pesticides, aluminum, antimony, arsenic, lead, mercury, radium, thorium, uranium, various semi-volatile and volatile organic compounds. The contaminated groundwater flows into the Las Vegas Wash, into Lake Mead and on to the Colorado River.
3. Pursuant to its authority under the NWPCCL, and the NHLWL, the Division issued an Administrative Order on Consent on September 9, 1986 to Kerr McGee Chemical Corporation (the “1986 Consent Order”) requiring the remediation of the hexavalent chromium contamination in groundwater. Pursuant to the 1986 Consent Order, the Parties installed a system of monitoring and interceptor wells and groundwater treatment systems at and around the Site and the larger BMI Complex to slow the migration of impacted groundwater.
4. On April 25, 1991, the Division entered an Administrative Order on Consent (the “Phase 1 Consent Order”) with land and facility owners within the BMI Complex which set the first phase of a three phase process to investigate, characterize, and if necessary, remediate the hazardous waste releases in the common areas, as well as individually owned sites, within the BMI Complex and surrounding lands and waters.

5. Based upon the reports received pursuant to the Phase 1 Consent Order, the Division issued an Administrative Order on Consent on August 1, 1996 to Kerr-McGee Chemical Corporation (the "Phase 2 Order") to require additional investigation, characterization, and if necessary, remediation of waste releases at or associated with the Site which may pose a threat to human health, welfare, or the environment.
6. In 1997, perchlorate was detected in the Colorado River. The source of this contamination was subsequently traced to the groundwater beneath the Site. On July 26 1999, the Division issued an Administrative Order on Consent to Kerr McGee Chemical, LLC (the "1999 Consent Order"), requiring the establishment of groundwater collection and treatment facilities to remediate this perchlorate contamination.
7. Following the installation of such remedial systems, the Division issued an Administrative Order on Consent to Kerr-McGee Chemical, LLC on October 8, 2001 (the "2001 Consent Order"), and again on April 12, 2005 (the "2005 Consent Order"), modifying and refining the remedial technologies and systems employed at the Site.
8. Since 2007, Basic Remediation Company ("BRC") has managed a Corrective Action Management Unit ("CAMU") pursuant to a RCRA permit to address source contaminants within the BMI Complex. The CAMU has been permitted to accept contaminated soils from individual corporate landowners within the BMI Complex, at significant cost savings due to its proximate location. Upon information and belief, BRC intends to cap off the CAMU in late 2010, thereby precluding any further deposits of contaminated soils.
9. Upon information and belief, Tronox is the beneficiary of an insurance policy with Chartis to address remediation at and around the Site, including the removal of contaminated soils to a CAMU. Upon information and belief, the Chartis insurance policy expires on December 31, 2010.

II. FINDINGS OF ALLEGED VIOLATIONS: The Division finds and alleges as follows:

- A. **FINDING:** Without waiving any claim against Kerr-McGee Chemical Corporation, Kerr-McGee Chemical, LLC, Anadarko Petroleum Corporation, its affiliates, predecessors-in-interest, and successors-in-interest or any other party, the Division finds that Tronox is a successor-in-interest, and an owner and operator of the Site subject to all laws, rules, regulations and standards promulgated by the State Environmental

Commission ("SEC"), and all orders and permits promulgated by the Department, as delegated to the Division.

B. **FINDING:** The Parties are in violation of NAC 445A.227, 445A.2271, 445A.22725, and 445A.2273 of the NWPCL, and NRS 459.565 of the NHWL for failing to complete required assessments and reports of the effectiveness of the pump and treat groundwater system ("the GWTS"). These actions also give rise to the violation of the 1986 Consent Order, the Phase 2 Consent Order and the 2001 Consent Order which were executed in accordance with this authority.

1. Pursuant to its authority under NRS 445A.445 (1), NAC 445A.227, 445A.2271, 445A.22725, and 445A.2273 of the NWPCL, and NRS 459.475(1) and 459.565 of the NHWL, the Division issued multiple administrative orders on consent to the Parties requiring the investigation, characterization, and remediation of releases at or associated with the Site which may pose a threat to human health, welfare, or the environment.
2. Pursuant to the 1986 Consent Order, paragraph 6, the Parties are required to demonstrate on a monthly basis that overlapping cones of depression are achieved. This has not been done, nor has any acceptable alternative been performed or proposed.
3. Pursuant to the 1986 Consent Order, paragraph 7, "If the monitoring results required in Paragraph 6, occurring six (6) months after initial operation of the intercept system, demonstrate that the system is not effectively collecting the intended groundwater plume, the Department may require KMCC to implement the Contingency Plan set forth in Paragraph 8." Paragraph 8 states "KMCC shall prepare and submit to the Department for review and approval an Intercept System Contingency Plan, pursuant to the schedule set forth in Appendix B. This Plan will set forth additional measures to be implemented to improve and update the installed Intercept System to correct, to the extent possible, the deficiencies identified."

According to Appendix B of the 1986 Consent Order "the schedule of implementation for the proposed groundwater mitigation program at the Henderson Facility with time for completion after approval by the Nevada DEP" for the Intercept System Contingency Plan was 7 months. On December 18, 1986, the Division approved the "electrochemical reduction process for chromium-removal". Upon information and belief, this is the approval date referenced in Appendix B, and thus the Intercept System Contingency Plan

should have been submitted in July 1987. Upon information and belief, the Parties failed to submit a contingency plan.

4. Pursuant to the 2001 Consent Order, Section II.B., the Parties are required to install an extraction well system at the Athens Road area of the Site (as further described by the 2001 Consent Order), designed to remove up to 400 gallons per minute of groundwater with the objective of capturing perchlorate flux at this location. As noted herein, the Parties have failed to demonstrate this capture.
5. The Division advised Tronox that the GWTS does not appear to be providing adequate capture at either the Plant Site well field or at the Athens Road well field (each as further described in the Orders).
6. The Division has advised Tronox that the Seep Area well field (as described in the Orders) fails to provide capture of contaminants, and Tronox is currently flow-rate limited to address the Seep Area. The Parties have failed to provide an assessment and report indicating that additional capture is unnecessary in this area, nor have they attempted to capture additional contaminants.
7. The Division advised Tronox to install additional wells and to explore alternate treatment processes such as in-situ bioremediation in the Seep Area.
8. On March 28, 2007, the Division notified Tronox that it must evaluate and report on the effectiveness the GWTS. The Division requires this information so that it may accurately determine the necessity of further corrective action.
9. The Division has attempted to obtain this required information from Tronox informally without success. Between August 29, 2006 and August 28, 2007, the Division reiterated this requirement to Tronox on at least four occasions.
10. Tronox refuses to comply with these directives. Tronox contends that its existing insurance policy under Chartis will not cover multiple treatment systems such as an in-situ bioremediation. And to date, Tronox has refused to install additional wells.
11. Tronox submitted a work plan to evaluate the effectiveness of the GWTS (also known as the Capture Zone Analysis) on May 30, 2007, a revised work plan on August 30, 2007, and a second revised work plan on November 29, 2007.

12. On December 11, 2007, the Division approved the revised work plan dated November 29, 2007.
13. Tronox has failed to fully implement the approved work plan. Specifically, Tronox has failed to install the required wells in the Seep Area. Without the installation of these wells, any evaluation of the GWTS will be incomplete.
14. As of the date of this FOAV, Tronox has failed to provide to the Division a complete evaluation of the effectiveness of the GWTS.

C. **FINDING:** The Parties are in violation of the Phase 2 Consent Order, Section III. Parties Bound. The Phase 2 Consent Order was executed by Kerr-McGee Chemical Corporation. The notification requirements of Section III. regarding change of corporate status have not been complied with.

D. **FINDING:** The Parties are in violation of the Phase 2 Consent Order, Section IV. Work To Be Performed.

1. On October 3, 2005, the Division agreed to allow Tronox to complete a phased approach to the investigation of the sources of contamination at the Site. The data obtained from the required investigation is to be used to generate a Remedial Alternative Study ("RAS") to fulfill the Parties' obligations under the Phase 2 Consent Order.
2. Tronox has shown a history of inappropriate delay in the completion of this investigation. Between October 3, 2005 and November 2, 2007, the Division met with Tronox sixteen times to discuss the first phase of this investigation ("Phase A").
3. After approximately six months of delays and discussions, Tronox implemented and reported to the Division on November 2, 2007.
4. Between April 5, 2007 and December 4, 2008, the Division met with Tronox twenty-four times to discuss the second phase of this investigation ("Phase B"). The Phase B work plan was broken into six segments - Areas I through IV for soils, one segment for soil gas, and one for site-wide groundwater. Each of these segments required numerous revisions, delays, and Division mark-ups before they were acceptable and approved.
5. The Phase B Work plan has only recently been completed on November 12, 2009.

6. On October 7, 2009, Tronox discussed the draft results of the Area I Phase B investigation with the Division. To date, Tronox has failed to submit either draft or final results to the Division.
 7. Tronox advised the Division that it will further investigate Area I based upon their initial, and to date undisclosed, results. Additional sampling was proposed on November 19, 2009. Tronox's sampling proposal was wholly deficient, and the Division requested the submission of additional information to complete the sampling proposal.
 8. The Division has repeatedly expressed concern to Tronox and Chartis that remediation appears necessary, and that Tronox and Chartis have failed to provide an appropriate schedule to ensure that this work is completed in a timely fashion.
 9. Tronox's responses to the Division's requests are unacceptable and in bad faith. The Phase 2 Consent Order has been in place for over thirteen years, and Tronox has not produced a RAS for any media (soil, groundwater, etc.) or for any area of the Site, as required by the Phase 2 Consent Order.
 10. Without completion of the Deliverables required by the Phase 2 Consent Order, remediation contemplated by a Phase 3 Consent Order is stalled.
- E. FINDING:** The Parties are in violation of the Phase 2 Consent Order, Section XVII. Reimbursement of Division Oversight Costs. Tronox has failed to reimburse the Division for \$37,024.52 as invoiced on April 6, 2009.
- F. FINDING:** The Parties are in violation of RCRA §§ 3004(u) and 3008(h) and 40 C.F.R. Part 265, Subpart H, and the 1986 Consent Order, paragraph 28. The Parties have failed to provide adequate financial assurance to address the unacceptable risks to human health and the environment posed by the contaminants at the Site.
1. The Site is subject to corrective action under RCRA 3004(u) and 3008(h).
 2. The financial assurance provided by Kerr-McGee Chemical Corporation in the Post Closure Permit Application dated July 24, 1987 is no longer viable as Kerr McGee Chemical Corporation is in default of its financial assurance obligations.

3. Pursuant to the 1986 Consent Order, Paragraph 28, the Parties agreed to unconditionally guarantee performance of its obligations thereunder, and to affirm their financial capability on an annual basis, upon request by the Division.
4. The Division finds that financial assurance provided by Tronox through the Chartis insurance policy is now insufficient.
 - i. Upon information and belief, the Chartis Policy is due to expire on December 31, 2010.
 - ii. Remediation at the Henderson Facility is estimated to take more than ten years, well in excess of the twelve months of coverage remaining under the Chartis Policy.
 - iii. Upon information and belief, the Chartis Policy disallows coverage of in-situ bioremediation in the Seep Area, contrary to the directive of the Division.

G. FINDING: The Parties are in violation of NRS 445A.465 for allowing pollutants discharged from a point source or fluids injected through a well to remain in place where the pollutants or fluids could be carried into the waters of the State by any means.

1. The delays caused by the Parties in violation of the Administrative Orders on Consent as outlined herein have caused undue delay of source control at or around the Site.
2. Over 800,000 cubic yards of contaminated soil are believed to remain on Site, resulting in exponentially higher costs of maintaining the GWTS, and frustrating the process of remediation.
3. The Parties currently have the ability to access the CAMU within the BMI Complex with capacity to hold the contaminated soils from the Site.
4. Immediate source control will significantly reduce the overall costs of the GWTS and remediation.

H. FINDING: The Parties' failure to operate the GWTS will result in imminent degradation of the Las Vegas Wash, Lake Mead and the Colorado River, and an imminent and substantial threat to human health, in violation of NRS 445A.305, NRS 459.400, NAC 445A.144.

1. Based upon the modeling conducted by the Division, with the assumption of a Las Vegas Wash base load of sixty pounds per day of perchlorate, the following is estimated:

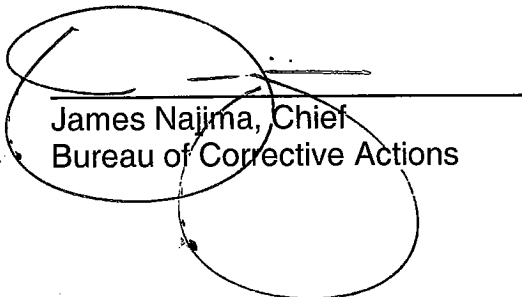
- a. The loading of perchlorate will increase by 23% immediately upon the GWTS being shut down.
 - b. The loading of perchlorate will increase by over 100% within 18 months of the GWTS being shut down.
 - c. The loading of perchlorate will increase by over 860% within 24 months of the GWTS being shut down.
2. Based upon information provided by Veolia Water North America, the operator of the GWTS, the following is estimated:
 - a. The microbial culture used in the GWTS will die within two to three days of the GWTS being shutdown.
 - b. It may take between six and twelve months to reestablish the microbial culture within the GWTS, should it die.
3. Based upon information provided by the Southern Nevada Water Authority (SNWA) and modeling conducted by their environmental contractor Flowscience, the following is estimated:
 - a. Concentrations of perchlorate in Lake Mead are expected to increase by 1200% within 24 months in the event that the GWTS is shut off.
 - b. Concentrations of perchlorate in the Colorado River system and the Metropolitan Water District intake pipeline are expected to increase by 300% within 24 months in the event that the GWTS is shut off.
4. Upon information and belief, over 25 million people rely upon these water bodies as a source of drinking water.
5. The Division finds the degradation of these water bodies is an unacceptable and imminent threat to human health under NRS 445A.305, NRS 459.400, NAC 445A.144.
6. Upon information and belief, Tronox may seek to abandon the Henderson Site after a sale of its assets in bankruptcy. The abandonment of the Site, and/or any loss of power or disabling of the GWTS will cause an imminent and substantial threat to human health. Tronox must present a plan to the Division demonstrating the continuation of the GWTS system, including an emergency

generator back-up system for the GWTS, or an alternate plan that is acceptable to the Division.

III. CONCLUSION: Based upon the information set forth herein, the Nevada Division of Environmental Protection has determined that Tronox, LLC is in violation of the following provisions of the Nevada Administrative Code (NAC), the Nevada Revised Statutes (NRS), the Resource Conservation and Recovery Act (RCRA), and Division Administrative Orders on Consent.

1. NAC 445A.227, 445A.2271, 445A.22725, 445A.2273, and NRS 459.565. Failure to complete required assessments and reports of the effectiveness of the pump and treat groundwater system ("the GWTS").
2. Phase 2 Consent Order, Section III. Parties Bound.
3. Phase 2 Consent Order, Section IV. Work To Be Performed.
4. Phase 2 Consent Order, Section XVII. Reimbursement of Division Oversight Costs.
5. RCRA §§ 3004(u) and 3008(h) and 40 C.F.R. Part 265, Subpart H. Financial Assurance.
6. 1986 Consent Order, paragraph 28. Financial Assurance.
7. NRS 445A.465. Allowing pollutants discharged from a point source or fluids injected through a well to remain in place where the pollutants or fluids could be carried into the waters of the State by any means.
8. NRS 445A.305, NRS 459.400, NAC 445A.144. The Division has a duty to address the imminent and substantial threat to human health and the environment caused by the Site.

Dec 14, 2009
Date


James Najima, Chief
Bureau of Corrective Actions

Shannon Harbour

From: Brian Rakvica
Sent: Monday, December 14, 2009 8:53 AM
To: 'Keith Bailey'; 'Susan Crowley'; deni.chambers@ngem.com; Shannon Harbour; 'tom'; 'Derrick Willis'; 'Diebenow, Julie'; 'Baker, Ken'; 'K. Saravanan'
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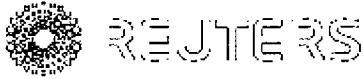
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Huntsman asks US court to force Tronox assets auction

11:13am EST

Dec 14 (Reuters) - Huntsman Corp <HUN.N> has asked a U.S. court to force bankrupt chemicals maker Tronox Inc <TRXAQ.PK> to hold an auction for its titanium dioxide plants, citing a deal signed in August, court papers show.

Huntsman claims that Tronox said it may abandon the auction process, citing a Dec. 10 hearing in which Tronox revealed that it was in talks with an ad hoc committee of bondholders and other stakeholders regarding a potential alternative plan.

In August, Huntsman said it would bid \$415 million for Tronox's titanium dioxide plants in the Netherlands and the United States, a 50 percent joint venture interest in a titanium dioxide plant in Australia and electrolytic production facilities.

In a court filing on Sunday, Huntsman, a Salt Lake City, Utah-based chemicals company, said it planned to pay competitive prices for the assets and that the alternative deal proposed by Tronox should be part of the auction process.

The U.S. operations of Tronox, which makes titanium dioxide pigment used in paint, plastics and paper, filed for Chapter 11 bankruptcy protection in January, less than three years after being spun off from Kerr-McGee.

The bankruptcy case is In re: Tronox Inc, U.S. Bankruptcy Court, Southern District of New York, No. 09-10156. (Reporting by Santosh Nadgir in Bangalore; Editing by Gopakumar Warrior)

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Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.

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Subject: Tronox Area II Supplemental Sampling

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Attached is a proposal from Northgate/NGE LLC to perform supplemental sampling in Area II at the Tronox Henderson site. The proposed sampling at 31 borings will be similar to the additional sampling work conducted this week on Area I, with the exception that more analytes will be analyzed since more were found in the 0.5 foot Phase B samples.

We plan to perform the work beginning next Monday, December 14th.

If you have any questions or comments, please let us know.

12/14/2009

Thanks for your help.

Keith

Brian Rakvica

From: Brian Rakvica
Sent: Sunday, December 13, 2009 8:52 AM
To: Keith Bailey; Susan Crowley; deni.chambers@ngem.com; Shannon Harbour
Cc: Brian Rakvica
Subject: RE: Tronox Area II Supplemental Sampling

Keith,

to insure there is no mis-communication...

NDEP has three conditions as follows:

- Based on a recent revision to the Nevada Administrative Code (NAC) 445A (Action Levels for Contaminated Sites), TRX may elect to discard sampling for TPH and instead sample using broad suites for VOCs, SVOCs, and metals.

>>>Based on your response, it is not clear what TRX intends for this item.

- NDEP would prefer that broad suite analysis be used for VOCs, SVOCs, metals, OCPs, etc. that are proposed in this additional sampling plan. If TRX elects not to analyze using broad suites, then TRX should note that additional analytes may drive further remediation when broad suites are used during confirmation sampling.

>>>Based on your response, NDEP understands that TRX will complete the broad suite analyses.

- Based on a review of the submitted data, please add the following analytes, due to exceedances of the NDEP Basic Comparison Levels:
 - SA86: aldrin and alpha-BHC
 - SA106: Perchlorate
 - SA129: Aroclor 1260, magnesium, aldrin, perchlorate
 - SA165: aldrin

>>>Based on your response, NDEP understands that these analyses will be added to the sampling effort.

Please clarify re: the first bullet and any corrections to NDEP's understanding.

Thanks,

Brian

From: Keith Bailey [okbailey@flash.net]
Sent: Saturday, December 12, 2009 4:08 PM
To: Brian Rakvica; Shannon Harbour; 'Susan Crowley [Contractor]'; 'tom'; 'Ellington, Toni'; 'Baker, Ken'; 'Diebenow, Julie'; 'K. Saravanan'

12/14/2009

Cc: deni.chambers@ngem.com; Jim Najima; 'Carolyn Tanner'; 'Derrick'
Subject: RE: Tronox Area II Supplemental Sampling

Brian,

As NDEP requests, we will proceed with the broad suites for the contaminants exceeding the BCLs. We hope the data will show the extent of contamination and will eliminate the need for post remediation confirmation sampling. We will need a few more sample bottles, but Northgate will prioritize the sampling to allow drilling to proceed Monday.

Keith

From: Brian Rakvica [mailto:brakvica@ndep.nv.gov]
Sent: Friday, December 11, 2009 7:35 PM
To: Keith Bailey; Shannon Harbour; 'Susan Crowley [Contractor]'; 'tom'; 'Ellington, Toni'; 'Baker, Ken'; 'Diebenow, Julie'
Cc: deni.chambers@ngem.com; Brian Rakvica; Jim Najima; Carolyn Tanner (ctanner@ag.nv.gov)
Subject: RE: Tronox Area II Supplemental Sampling
Importance: High

Keith,

See attached, hard copy to follow by mail.

Please advise how TRX plans to proceed, it is not NDEP's intention to delay the Monday sampling, we just need to know how these issues will be addressed.

I will be available all weekend if TRX has questions.

E-mail is best but my mobile is 702-271-0480.

Thanks,

Brian

From: Keith Bailey [okbailey@flash.net]
Sent: Friday, December 11, 2009 2:58 PM
To: Shannon Harbour; Brian Rakvica; 'Susan Crowley [Contractor]'; 'tom'; 'Ellington, Toni'; 'Baker, Ken'; 'Diebenow, Julie'
Subject: Tronox Area II Supplemental Sampling

Shannon,

Attached is a proposal from Northgate/NGE LLC to perform supplemental sampling in Area II at the Tronox Henderson site. The proposed sampling at 31 borings will be similar to the additional sampling work conducted this week on Area I, with the exception that more analytes will be analyzed since more were found in the 0.5 foot Phase B samples.

We plan to perform the work beginning next Monday, December 14th.

If you have any questions or comments, please let us know.

12/14/2009

Thanks for your help.

Keith

Shannon Harbour

From: Crowley, Susan [Contractor] [Susan.Crowley@tronox.com]
Sent: Wednesday, November 18, 2009 2:00 PM
To: Shannon Harbour
Cc: Keith Bailey
Subject: Tronox Response to NDEP Comments on the Annual Remedial Performance Report DVSR

Shannon,

I have made contact with LDC to determine status on the Tronox RTC for the NDEP comments on the Annual Remedial Performance Report DVSR. They are working diligently on it, but don't believe they will have the work completed until very late on November 20th, our promise date to you. Is it acceptable that I forward this to you on Monday, November 22nd, after Tronox reviews what LDC has provided. Please let me know.

Susan Crowley (Contractor)

Tronox LLC

cell: 702-592-7727

email: susan.crowley@tronox.com

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Thank you.

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1. Article Addressed to:

MR. MICHAEL J. FOSTER
TRONOX, LLC. (TRONOX)
3301 N.W. 150th
OKLAHOMA CITY OK 73134

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X *Sandy Harris* Agent Addressee

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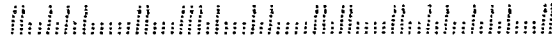


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BRIAN RAKVICA
#3173 STATE OF NEVADA
DIV. OF ENVIRONMENTAL PROTECTION
2030 E. FLAMINGO ROAD
SUITE #230
LAWS VEGAS NV 89119-0837

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<i>City, State, ZIP+4</i>	TRONOX, LLC. (TRONOX)
	3301 N.W. 150th
	OKLAHOMA CITY OK 73134

PS Form 3800, June 2003 See reverse for instructions

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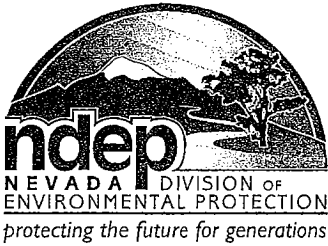
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Sent To

Street, Apt. or PO Box / City, State

MR. KEN BAKER
CHARTIS, POLLUTION CAP CLAIMS DEPT.
175 WATER STREET 12th FLOOR
NEW YORK, NY 10038

PS Form 3800, June 2002 See reverse for instructions



STATE OF NEVADA

Department of Conservation & Natural Resources

DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor

Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

December 3, 2009

Michael J. Foster
Tronox, LLC. (Tronox)
3301 N. W. 150th
Oklahoma City, Oklahoma 73134

Mr. Ken Baker
Chartis, Pollution Cap Claims Department
175 Water Street, 12th Floor
New York, New York 10038

Re: **Tronox LLC (TRX)**
NDEP Facility ID #H-000539
Nevada Division of Environmental Protection (NDEP) Request for Meeting

Dear Messrs. Foster and Baker,

It is the understanding of the NDEP that insurance policies held by Chartis are funding the investigation and remediation activities at the Tronox Henderson, Nevada facility. It is the understanding of the NDEP that Chartis is intimately involved in the decision-making process regarding these activities.

On October 7, 2009 NDEP representatives met with representatives of Tronox and Chartis to discuss the draft results of the "Phase B" investigation results for "Area I" of the Tronox facility in Henderson, Nevada. NDEP representatives were surprised and disheartened that Tronox and Chartis were not prepared to discuss what the next steps might be for Area I of the facility. NDEP expressed the belief that it was quite obvious that remediation for this area of the facility was necessary and the additional investigation would likely help refine this understanding.

NDEP discussed this concern with Tronox on a weekly basis.

43 days later (on November 19, 2009) NDEP received a work plan for additional sampling within Area I of the facility. This work plan was one page long and was wholly deficient. NDEP worked with Tronox to modify this work plan to become an approvable document. The final documentation was received from Tronox on November 24, 2009 and NDEP approved the work plan the same day.

As an output of this process, on November 23, 2009, the NDEP again expressed concern to Tronox that the process and schedule for the project would not allow remediation to occur in a reasonable timeframe (if at all). NDEP requested that persons with decision-making authority



from both Tronox and Chartis meet with the NDEP to discuss how we could collectively work to insure that the facility is addressed in a timely fashion. Tronox representatives indicated that such personnel were currently unavailable. This is not acceptable.

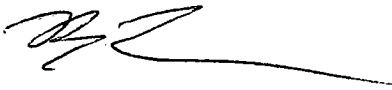
The timeliness for resolving these issues is imperative for several reasons as follows:

- Basic Remediation Company (BRC) has constructed a Corrective Action Management Unit (CAMU) adjacent the Tronox facility. This CAMU is forecasted to have excess capacity. BRC has told Tronox that they may dispose of wastes within the CAMU. NDEP has worked with BRC to modify the CAMU permit to accept these wastes. This should result in significant savings for Tronox and Chartis should Tronox choose to dispose of wastes in the CAMU. The issue is that the CAMU will only be open for approximately another ten months, hence decisions need to be made immediately.
- It is the understanding of the NDEP that the Chartis insurance policies expire at the end of calendar year 2010. It is the understanding of the NDEP that these are currently the only viable financial means of addressing the environmental issues at the facility.

NDEP believes that this meeting is an important step towards establishing mutually acceptable objectives and procedures for addressing the substantial environmental contamination at the Tronox facility in Henderson, Nevada. NDEP herein reiterates its request for a meeting to discuss these issues with appropriate personnel from Tronox and Chartis as soon as possible. Please contact me **no later than December 15, 2009** to advise regarding your availability and willingness for such a meeting.

Please contact the undersigned with any questions at brakvica@ndep.nv.gov or (702) 486-2850 extension 247.

Sincerely,



Brian A. Rakvica, P.E.
Supervisor, Special Projects Branch
Bureau of Corrective Actions
NDEP-Las Vegas Office
Fax: 702-486-5733

BAR:s

CC: Jim Najima, NDEP, BCA, Carson City
Carolyn Tanner, AG's Office, Carson City
William Frey, AG's Office, Carson City
Shannon Harbour, NDEP, BCA, Las Vegas
Keith Bailey, Environmental Answers LLC, 3229 Persimmon Creek Drive, Edmond, OK 73013
Susan Crowley, Crowley Environmental LLC, 366 Esquina Dr., Henderson, NV 89014
Susan Crowley, Tronox LLC, PO Box 55, Henderson, Nevada 89009
Mike Skromyda, Tronox LLC, PO Box 55, Henderson, NV 89009
Deni Chambers, Northgate Environmental, 300 Frank H. Ogawa Plaza, Suite 510, Oakland, CA 94612
Barry Conaty, Holland & Hart LLP, 975 F Street, N.W. Suite 900, Washington, D.C. 20004
Brenda Pohlmann, City of Henderson, PO Box 95050, Henderson, NV 89009
Mitch Kaplan, U.S. Environmental Protection Agency, Region 9, mail code: WST-5, 75 Hawthorne Street,
San Francisco, CA 94105-3901
Ebrahim Juma, Planning Manager, Air Quality and Environmental Management, 500 S. Grand Central
Pkwy, 1st floor, P.O. Box 555210, Las Vegas, NV 89155-5210
Ranjit Sahu, BRC, 311 North Story Place, Alhambra, CA 91801
Rick Kellogg, BRC, 875 West Warm Springs, Henderson, NV 89011
Mark Paris, Landwell, 875 West Warm Springs, Henderson, NV 89011
Craig Wilkinson, TIMET, PO Box 2128, Henderson, Nevada, 89009-7003
Kirk Stowers, Broadbent & Associates, 8 West Pacific Avenue, Henderson, Nevada 89015
George Crouse, Syngenta Crop Protection, Inc., 410 Swing Road, Greensboro, NC 27409
Nick Pogoncheff, PES Environmental, 1682 Novato Blvd., Suite 100, Novato, CA 94947
Lee Erickson, Stauffer Management Company, P.O. Box 18890, Golden, CO 80402
Michael Bellotti, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Curt Richards, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Paul Sundberg, Montrose Chemical Corporation of CA, 10733 Wave Crest Court, Stockton, CA 95209
Joe Kelly, Montrose Chemical Corporation of CA, 600 Ericksen Avenue NE, Suite 380, Bainbridge Island,
WA 98110
Jeff Gibson, AMPAC, 3883 Howard Hughes Pkwy, Ste 700, Henderson, NV 89169
Larry Cummings, AMPAC, 3883 Howard Hughes Pkwy, Ste 700, Henderson, NV 89169

Brian Rakvica

From: Brian Rakvica
Sent: Wednesday, December 02, 2009 4:18 PM
To: Brian Rakvica; Susan Crowley; Keith Bailey (okbailey@flash.net); Tom Reed (tom.reed@tronox.com)
Cc: Shannon Harbour
Subject: RE: Tronox and Chartis

Susan and Keith,

Per your voice mail it is NDEP's understanding that Tronox can not or will not accommodate this request in the near future.

NDEP will follow up on this with formal correspondence.

Thanks,

Brian

From: Brian Rakvica
Sent: Monday, November 23, 2009 7:51 PM
To: Susan Crowley; Keith Bailey (okbailey@flash.net); Tom Reed (tom.reed@tronox.com)
Cc: Shannon Harbour; Brian Rakvica
Subject: Tronox and Chartis
Importance: High

Susan and Keith,

NDEP requests a meeting with Tronox and Chartis representatives to discuss the following:

1. Phase B investigation as it relates to confirmation sampling and remedial decision making (remediation versus the RAS process).
2. Site-wide groundwater issues - capture zone goals and remedial technologies (e.g.: ISB and Seep shutdown; system optimization).

Tronox and Chartis should have appropriate personnel present that are empowered to make decisions.

NDEP would like to hear from TRX and Chartis regarding what the issues are that are an impediment to the decision making process and what we all (collectively) can do differently to insure that we accomplish the goals at the Site. Before we discuss that we should insure that we have the same goals.

NDEP would like this meeting to occur as soon as possible.

Please advise re: willingness and availability no later than the close of business Wednesday (5:00 PM pacific).

Thanks,

Brian

Shannon Harbour

From: Crowley, Susan [Contractor] [Susan.Crowley@tronox.com]
Sent: Tuesday, November 24, 2009 8:08 AM
To: Brian Rakvica; Shannon Harbour
Cc: Keith Bailey; Logan, Mike; Reed, Tom; Paque, Matt; Ellington, Toni; Foster, Michael
Subject: Contact Information for Tronox and Anadarko

Brian,

Re your request for officer level contacts for Tronox and Anadarko, please see the information below:

Tronox LLC

Michael J Foster, VP, General Counsel and Secretary

Tronox LLC

3301 N. W. 150th

Oklahoma City, OK 73134

- Or -

P O Box 268859

Oklahoma City, OK 73126-8859

Direct Phone: 405-775-5171

Fax: 405-302-4706

Michael.Foster@tronox.com

Anadarko

David J. Owens, Associate General Counsel

Anadarko Petroleum Corporation

1201 Lake Robbins Drive

The Woodlands, TX 77380

-Or-

P O Box 1330

Houston, TX 77251-1330

Direct Phone: 832-636-7539

Fax: 832-636-5802

David.owens@anadarko.com

Legal Assistant:

Roxanne Drackett, Legal Assistant

Anadarko Petroleum Corporation

1201 Lake Robbins Drive

The Woodlands, TX 77380

-Or-

P O Box 1330

Houston, TX 77251-1330

Direct Phone: 832-636-7518

Fax: 832-636-5802

Roxanne.drackett@anadarko.com

Please feel free to contact me if you need additional information. Thanks.

Susan Crowley (Contractor)

Tronox LLC

cell: 702-592-7727

email: susan.crowley@tronox.com

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Thank you.

Shannon Harbour

From: Shannon Harbour
Sent: Tuesday, November 24, 2009 9:48 AM
To: 'Crowley, Susan [Contractor]'
Cc: Brian Rakvica; Keith Bailey; Reed, Tom; Deni Chambers; Derrick Willis; Dara Donnelly; Logan, Mike
Subject: RE: Capture Efficiency Evaluation Report Delivery Schedule

Susan,

The December 23, 2009 deadline for the submittal of the Groundwater Evaluation Report for the On-Site and Athens (Galleria) Road Well Fields is acceptable to the NDEP.

Sincerely,
Shannon

*Shannon Harbour, P.E.
Special Projects Branch
Bureau of Corrective Actions
NDEP-Las Vegas Office
2030 E Flamingo Rd Suite 230
Las Vegas, NV 89119
702-486-2850 x 240 (work)
702-486-5733 (fax)*

From: Crowley, Susan [Contractor] [mailto:Susan.Crowley@tronox.com]
Sent: Tuesday, November 24, 2009 8:07 AM
To: Shannon Harbour
Cc: Brian Rakvica; Keith Bailey; Reed, Tom; Deni Chambers; Derrick Willis; Dara Donnelly; Logan, Mike
Subject: Capture Efficiency Evaluation Report Delivery Schedule

Shannon,

Tronox (with assistance from Northgate) is completing the subject report. And will deliver this to NDEP by December 23, 2009. This report will describe the systems evaluated to date; the on-site collection well system and the Athens Road (Galleria Road) collection well system. Please feel free to contact me if you need additional information. Thanks.

Susan Crowley (Contractor)

Tronox LLC

cell: 702-592-7727

email: susan.crowley@tronox.com

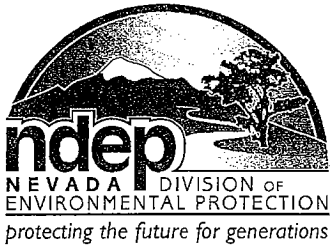
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Thank you.

11/24/2009



STATE OF NEVADA
Department of Conservation & Natural Resources
DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor
Allen Biaggi, Director
Leo M. Drozdoff, P.E., Administrator

November 24, 2009

Susan Crowley (Contractor)
C/O Tronox LLC
PO Box 55
Henderson, NV 89009

Re: **Tronox LLC (TRX)**
NDEP Facility ID #H-000539
Nevada Division of Environmental Protection (NDEP) Response to:
Memorandum: Scope for Additional Sampling – Phase B Investigation, Area 1 (including
subsequently submitted supporting data and figures)
Dated November 19, 2009

Dear Ms. Crowley,

The NDEP has received and reviewed TRX's above-identified Memorandum and finds that the document is acceptable with the following exceptions noted for the administrative record:

- NDEP notes that borings RSAI2 and RSAI3 exhibited hexachlorobenzene concentrations greater than the Basic Comparison Level (BCL) at 10 feet below ground surface (fbgs). TRX should consider including sampling of these locations below 10 fbgs (similar to the sampling proposed as part of this pre-confirmation sampling effort). Otherwise, TRX will need to conduct post-excavation confirmation sampling in this area. TRX should note that the second alternative may result in the need for additional rounds of excavation.

Please contact the undersigned with any questions at sharbour@ndep.nv.gov or (702) 486-2850 extension 240.

Sincerely,

Shannon Harbour, P.E.
Staff Engineer III
Bureau of Corrective Actions
Special Projects Branch
NDEP-Las Vegas Office
Fax: 702-486-5733

SH:bar:sh



CC: Jim Najima, NDEP, BCA, Carson City
Brian Rakvica, NDEP, BCA, Las Vegas
Keith Bailey, Environmental Answers LLC, 3229 Persimmon Creek Drive, Edmond, OK 73013
Susan Crowley, Crowley Environmental LLC, 366 Esquina Dr, Henderson NV 89014
Mike Skromyda, Tronox LLC, PO Box 55, Henderson, NV 89009
Deni Chambers, Northgate Environmental, 300 Frank H. Ogawa Plaza, Suite 510, Oakland, CA 94612
Barry Conaty, Holland & Hart LLP, 975 F Street, N.W. Suite 900, Washington, D.C. 20004
Brenda Pohlmann, City of Henderson, PO Box 95050, Henderson, NV 89009
Mitch Kaplan, U.S. Environmental Protection Agency, Region 9, mail code: WST-5, 75 Hawthorne Street,
San Francisco, CA 94105-3901
Ebrahim Juma, Planning Manager, Air Quality and Environmental Management, 500 S. Grand Central
Pkwy, 1st floor, P.O. Box 555210, Las Vegas, NV 89155-5210
Ranjit Sahu, BRC, 311 North Story Place, Alhambra, CA 91801
Rick Kellogg, BRC, 875 West Warm Springs, Henderson, NV 89011
Mark Paris, Landwell, 875 West Warm Springs, Henderson, NV 89011
Craig Wilkinson, TIMET, PO Box 2128, Henderson, Nevada, 89009-7003
Kirk Stowers, Broadbent & Associates, 8 West Pacific Avenue, Henderson, Nevada 89015
George Crouse, Syngenta Crop Protection, Inc., 410 Swing Road, Greensboro, NC 27409
Nick Pogoncheff, PES Environmental, 1682 Novato Blvd., Suite 100, Novato, CA 94947
Lee Erickson, Stauffer Management Company, P.O. Box 18890, Golden, CO 80402
Michael Bellotti, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Curt Richards, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Paul Sundberg, Montrose Chemical Corporation, 10733 Wave Crest Court, Stockton, CA 95209
Joe Kelly, Montrose Chemical Corporation of CA, 600 Ericksen Avenue NE, Suite 380, Bainbridge Island,
WA 98110
Jeff Gibson, AMPAC, 3883 Howard Hughes Pkwy, Ste 700, Henderson, NV 89169
Larry Cummings, AMPAC, 3883 Howard Hughes Pkwy, Ste 700, Henderson, NV 89169
Teri Copeland, Neptune and Company, Inc., 5737 Kanan Road #182, Agoura Hills CA 91301
Joanne Otani, 919 Monroe St, Santa Rosa CA 95404
Paul Hackenberry, Hackenberry Associates, LLC, 550 W. Plumb Lane B425, Reno, NV 89509
Paul Black, Neptune and Company, Inc., 8550 West 14th Street, Suite 100, Lakewood, CO 80215
Mike Balshi, Neptune and Company, Inc., 8550 West 14th Street, Suite 100, Lakewood, CO 80215
Dave Gratson, Neptune and Company, Inc., 1505 15th Street, Suite B, Los Alamos, NM 87544
Kurt Fehling, The Fehling Group, LLC, 936-B Seventh Street, #181, Novato, CA 94945

Shannon Harbour

From: Crowley, Susan [Contractor] [Susan.Crowley@tronox.com]
Sent: Monday, November 23, 2009 7:45 AM
To: Brian Rakvica; Shannon Harbour
Cc: Keith Bailey
Subject: RE: Additional Soil Sampling for Area I

Brian,
Got it. We should be able to provide this today ... if not I'll be very surprised and call you to explain why.

Susan Crowley (Contractor)
Tronox LLC
cell: 702-592-7727
email: susan.crowley@tronox.com

From: Brian Rakvica [mailto:brakvica@ndep.nv.gov]
Sent: Sunday, November 22, 2009 7:59 PM
To: Crowley, Susan [Contractor]; Shannon Harbour
Subject: Re: Additional Soil Sampling for Area I

To clarify. I may no reference to validation status. Please transmit it in whatever form it is currently. Ie validated or not. Thanks.

From: Crowley, Susan [Contractor]
To: Shannon Harbour
Cc: Brian Rakvica
Sent: Sun Nov 22 19:26:49 2009
Subject: RE: Additional Soil Sampling for Area I

Shannon,
Please see your request below. Keith provided this information on Friday ... in my absence. However, Brian has made a good point that you need the validated data upon which to build your review and approval of our proposed addition sampling. I did not see this transmitted Friday – and will follow-up Monday morning to get this to you. Thanks.

Susan Crowley (Contractor)
Tronox LLC
cell: 702-592-7727
email: susan.crowley@tronox.com

From: Shannon Harbour [mailto:sharbour@ndep.nv.gov]
Sent: Thursday, November 19, 2009 3:28 PM
To: Shannon Harbour; Crowley, Susan [Contractor]
Cc: Brian Rakvica; 'Keith Bailey'; Reed, Tom; 'Deni Chambers'; 'Derrick Willis'; 'Alan Leavitt'; 'Kachirayan Saravanan'; 'Julie Diebenow'; 'Baker, Ken'
Subject: RE: Additional Soil Sampling for Area I

Susan,

Please provide the requested information and figure by close of business tomorrow (Nov 20th).

11/24/2009

Shannon

*Shannon Harbour, P.E.
Special Projects Branch
NDEP BCA-Las Vegas Office*

From: Shannon Harbour
Sent: Thursday, November 19, 2009 2:40 PM
To: 'Crowley, Susan [Contractor]'
Cc: Brian Rakvica; Keith Bailey; Reed, Tom; Deni Chambers; Derrick Willis; Alan Leavitt; Kachirayan Saravanan; Julie Diebenow; Baker, Ken
Subject: RE: Additional Soil Sampling for Area I

Susan,

Could you please provide a listing of the sample locations and a corresponding figure?

Thanks,
Shannon

*Shannon Harbour, P.E.
Special Projects Branch
NDEP BCA-Las Vegas Office*

From: Crowley, Susan [Contractor] [mailto:Susan.Crowley@tronox.com]
Sent: Thursday, November 19, 2009 12:53 PM
To: Shannon Harbour
Cc: Brian Rakvica; Keith Bailey; Reed, Tom; Deni Chambers; Derrick Willis; Alan Leavitt; Kachirayan Saravanan; Julie Diebenow; Baker, Ken
Subject: Additional Soil Sampling for Area I

Shannon,
Attached please find Tronox's sampling plan for the additional sampling intended for Area I. Please call or e-mail if you have any questions or need additional information. Thanks.

Susan Crowley (Contractor)
Tronox LLC
cell: 702-592-7727
email: susan.crowley@tronox.com

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11/24/2009

Thank you.

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Thank you.

Shannon Harbour

From: Brian Rakvica
Sent: Monday, November 23, 2009 6:46 PM
To: Crowley, Susan [Contractor]; Shannon Harbour
Cc: Keith Bailey; Reed, Tom; Derrick Willis; Deni Chambers; Dara Donnelly; Brian Rakvica
Subject: RE: Schedule for Delivery of a Map and Table Holding the Dioxin and HCB Area I Information
Importance: High

Susan,

Thanks. Just so we are all on the same page...it should take less than a hour to generate the table and map.

The data is all electronic and simply needs to be queried and exported to a table.

Using GIS, the map generation is not much more difficult.

NDEP can not stress enough the level of concern regarding the direction of this project.

Please advise.

Thanks,

Brian

From: Crowley, Susan [Contractor] [Susan.Crowley@tronox.com]
Sent: Monday, November 23, 2009 6:24 PM
To: Shannon Harbour
Cc: Brian Rakvica; Keith Bailey; Reed, Tom; Derrick Willis; Deni Chambers; Dara Donnelly
Subject: Schedule for Delivery of a Map and Table Holding the Dioxin and HCB Area I Information

Shannon,

Tronox will be delivering both a map and table of the Area I dioxin and HCB information discussed at the October 7th meeting to you by close of business tomorrow, Tuesday. I will better this delivery if at all possible. Thanks.

Susan Crowley (Contractor)

Tronox LLC

cell: 702-592-7727

email: susan.crowley@tronox.com

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Thank you.

11/24/2009

Shannon Harbour

From: Crowley, Susan [Contractor] [Susan.Crowley@tronox.com]
Sent: Monday, November 23, 2009 6:24 PM
To: Shannon Harbour
Cc: Brian Rakvica; Keith Bailey; Reed, Tom; Derrick Willis; Deni Chambers; Dara Donnelly
Subject: Schedule for Delivery of a Map and Table Holding the Dioxin and HCB Area I Information

Shannon,

Tronox will be delivering both a map and table of the Area I dioxin and HCB information discussed at the October 7th meeting to you by close of business tomorrow, Tuesday. I will better this delivery if at all possible. Thanks.

Susan Crowley (Contractor)

Tronox LLC

cell: 702-592-7727

email: susan.crowley@tronox.com

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Thank you.

Shannon Harbour

From: Crowley, Susan [Contractor] [Susan.Crowley@tronox.com]
Sent: Monday, November 23, 2009 9:21 AM
To: Brian Rakvica; Keith Bailey
Cc: Shannon Harbour
Subject: RE: Chartis

Brian,
Ken Baker is the senior Chartis contact ... his information is as follows:

Ken Baker | Chartis | Pollution Cap Claims Department | 175 Water Street, 12th Floor, NY, NY 10038 | **Tel:** 212.458.6073 | **Fax:** 866.914.8672 | **Email:** Ken.Baker@chartisinsurance.com | www.chartisinsurance.com

Susan Crowley (Contractor)
Tronox LLC
cell: 702-592-7727
email: susan.crowley@tronox.com

From: Brian Rakvica [mailto:brakvica@ndep.nv.gov]
Sent: Monday, November 23, 2009 8:57 AM
To: Crowley, Susan [Contractor]; 'Keith Bailey'
Cc: Shannon Harbour
Subject: Chartis

Susan or Keith

Please provide full contact info for your senior contact at Chartis.

Thanks,

Brian

Brian A. Rakvica, P.E.
Supervisor, Special Projects Branch
Bureau of Corrective Actions
Nevada Division of Environmental Protection
2030 East Flamingo Road, Suite 230
Las Vegas, Nevada 89119
tel: 702-486-2850 x 247
e: brakvica@ndep.nv.gov
fax: 702-486-5733
<http://ndep.nv.gov/bmi/index.htm>

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Thank you.

11/24/2009

Shannon Harbour

From: Brian Rakvica
Sent: Friday, November 20, 2009 3:21 PM
To: 'Keith Bailey'; Shannon Harbour; 'Crowley, Susan [Contractor]'; 'Reed, Tom'; 'Deni Chambers'; 'Derrick Willis'
Subject: RE: Tronox Additional Soil Sampling for Area I

Keith

Shannon is out today...we can certainly approve this sampling, however, it is a bit awkward in that we have never officially received any data.

Providing a figure and table with the data would certainly make this process more transparent. The only data we have is covered in "DRAFT" stamps.

Please advise.

Thanks,

Brian

From: Keith Bailey [mailto:okbailey@flash.net]
Sent: Friday, November 20, 2009 3:08 PM
To: Shannon Harbour; Brian Rakvica; 'Crowley, Susan [Contractor]'; 'Reed, Tom'; 'Deni Chambers'; 'Derrick Willis'
Subject: Tronox Additional Soil Sampling for Area I

Shannon,

Attached is a figure showing the locations of Tronox' proposed additional sampling (orange dots). The new borings will be located adjacent to the locations sampled previously. A list of the borings is also attached in pdf and Excel formats.

Please let us know if you need any further information.

Keith

Shannon Harbour

From: Shannon Harbour
Sent: Wednesday, November 04, 2009 8:43 AM
To: 'Crowley, Susan [Contractor]'
Cc: Brian Rakvica; Keith Bailey; deni; Derrick Willis; Darragh Donnelly; David Gratson
Subject: RE: Schedule for Tronox Response to NDEP DVSR Letter 10-20-2009

Susan,

November 20, 2009 is an acceptable deadline for the submittal of a Revised DVSR and associated response to comments letter.

Sincerely,
Shannon

*Shannon Harbour, P.E.
Special Projects Branch
Bureau of Corrective Actions
NDEP-Las Vegas Office
2030 E Flamingo Rd Suite 230
Las Vegas, NV 89119
702-486-2850 x 240 (work)
702-486-5733 (fax)*

From: Crowley, Susan [Contractor] [mailto:Susan.Crowley@tronox.com]
Sent: Monday, November 02, 2009 3:54 PM
To: Shannon Harbour
Cc: Brian Rakvica; Keith Bailey; deni; Derrick Willis; Darragh Donnelly
Subject: Schedule for Tronox Response to NDEP DVSR Letter 10-20-2009

Shannon,

After discussion with those handling the data validation and DVSR development for the perchlorate remedial project ... we know that Tronox can provide a response to the attached comments by close of business November 20, 2009 (Friday). We will try to better this promise date, but recognize that those assisting in the response development are heavily involved in managing the Phase B analytical data, and there is a tremendous load on their plate right now. Please let us know if this is acceptable. Thanks for your patience.

Susan Crowley (Contractor)

Tronox LLC

cell: 702-592-7727

email: susan.crowley@tronox.com

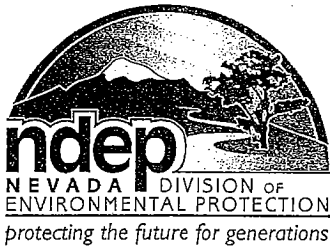
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Thank you.

11/4/2009



STATE OF NEVADA

Department of Conservation & Natural Resources

DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor

Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

November 10, 2009

Susan Crowley (Contractor)
C/O Tronox LLC
PO Box 55
Henderson, NV 89009

Re: **Tronox LLC (TRX)**
NDEP Facility ID #H-000539
Nevada Division of Environmental Protection (NDEP) Response to:
Annual Remedial Performance Report for Chromium and Perchlorate, Tronox LLC,
Henderson, Nevada, July 2008 – June 2009
Dated August 21, 2009

Dear Ms. Crowley,

The NDEP has received and reviewed TRX's above-identified Report and provides comments in Attachment A. TRX should provide an annotated response-to-comments (RTC) letter as part of the next Semi-Annual Report submittal.

Please contact the undersigned with any questions at sharbour@ndep.nv.gov or (702) 486-2850 extension 240.

Sincerely,

Shannon Harbour, P.E.
Staff Engineer III
Bureau of Corrective Actions
Special Projects Branch
NDEP-Las Vegas Office
Fax: 702-486-5733



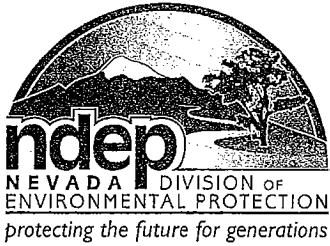
SH:bar:sh

CC: Jim Najima, NDEP, BCA, Carson City
Brian Rakvica, NDEP, BCA, Las Vegas
Keith Bailey, Environmental Answers LLC, 3229 Persimmon Creek Drive, Edmond, OK 73013
Susan Crowley, Crowley Environmental LLC, 366 Esquina Dr, Henderson NV 89014
Mike Skromyda, Tronox LLC, PO Box 55, Henderson, NV 89009
Deni Chambers, Northgate Environmental, 300 Frank H. Ogawa Plaza, Suite 510, Oakland, CA 94612
Barry Conaty, Holland & Hart LLP, 975 F Street, N.W. Suite 900, Washington, D.C. 20004
Brenda Pohlmann, City of Henderson, PO Box 95050, Henderson, NV 89009
Mitch Kaplan, U.S. Environmental Protection Agency, Region 9, mail code: WST-5, 75 Hawthorne Street,
San Francisco, CA 94105-3901
Ebrahim Juma, Planning Manager, Air Quality and Environmental Management, 500 S. Grand Central
Pkwy, 1st floor, P.O. Box 555210, Las Vegas, NV 89155-5210
Ranjit Sahu, BRC, 311 North Story Place, Alhambra, CA 91801
Rick Kellogg, BRC, 875 West Warm Springs, Henderson, NV 89011
Mark Paris, Landwell, 875 West Warm Springs, Henderson, NV 89011
Craig Wilkinson, TIMET, PO Box 2128, Henderson, Nevada, 89009-7003
Kirk Stowers, Broadbent & Associates, 8 West Pacific Avenue, Henderson, Nevada 89015
George Crouse, Syngenta Crop Protection, Inc., 410 Swing Road, Greensboro, NC 27409
Nick Pogoncheff, PES Environmental, 1682 Novato Blvd., Suite 100, Novato, CA 94947
Lee Erickson, Stauffer Management Company, P.O. Box 18890, Golden, CO 80402
Michael Bellotti, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Curt Richards, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Paul Sundberg, Montrose Chemical Corporation, 10733 Wave Crest Court, Stockton, CA 95209
Joe Kelly, Montrose Chemical Corporation of CA, 600 Ericksen Avenue NE, Suite 380, Bainbridge Island,
WA 98110
Jeff Gibson, AMPAC, 3883 Howard Hughes Pkwy, Ste 700, Henderson, NV 89169

Attachment A

1. Section 2.1, page 3, 2nd paragraph, last sentence, the value given in this sentence for the Lake Mead water flow rate “currently” injected into the trenches does not correspond with the “current” value on Figure 2. Please clarify.
2. Section 4.1.1, page 12, 3rd paragraph, TRX states that a “groundwater pulse containing a high concentration of perchlorate, with few other salts present, is responsible for this anomaly [elevated perchlorate concentration without a corresponding elevated TDS concentration].” Please discuss where the “groundwater pulse” would have originated that is responsible for this “anomaly” that has been occurring since at least 2005.
3. Section 4.1.2, pages 13-14, the perchlorate concentrations discussed in this Section do not coincide with the perchlorate concentrations listed on Plate 7. Please provide better quality control of future documents.
4. Section 4.1.3, page 16, 2nd paragraph, TRX states that “The relative higher perchlorate-impacted groundwater in PC-91 appears to be limited in lateral and vertical extent, based on the lower concentrations in other nearby wells.” PC-91 is screened approximately 1520 – 1530 ft MSL (starting about 15 ft below the water table). “Nearby well” PC-133 is screened across the water table with approximately 30 ft of wetted screen (approximately 1510 – 1540 ft MSL). The proposed groundwater well is also shown as having approximately 30 ft of wetted screen (approximately 1510 – 1540 ft MSL) and screened across the water table. Please discuss whether it is appropriate to compare the results of PC-91 to other dissimilarly screened wells. TRX should consider revising the Site-wide Sampling and Analysis Plan to better monitor the vertical components of the plumes.
5. Section 4.2, page 18, please clarify whether Pond AP-5 is still being remediated by slow feed into the FBR or if the insoluble solids drying and awaiting disposal.
6. Figures, NDEP has the following comments:
 - a. The colors and markers should be consistent for the corresponding data sets for each of the following sets of Figures.
 - i. Figures 9 and 11
 - ii. Figures 14 and 14A
 - iii. Figures 15 and 17
 - b. Figure 2, please indicate when the north trench came back on-line.
7. Plate 6, Groundwater Total Chromium Map, the iso-contours in Inset B on the northwest side of the slurry wall seem to be incorrect. The 1 ppm iso-contour just east of M-69 and the 0.1 ppm iso-contour just east of M-70 seem to be switched. Please review and revise as necessary for future submittals.
8. Appendix A, NDEP has the following comments:
 - a. Please note that the electronic version of the database was not included on the CD submitted with this document.
 - b. NDEP noted several instances of anomalous data (e.g. M-97 is listed as being sampled on both 5/4/09 and 5/6/09 with identical results, M-100 is noted as “dry” but a perchlorate concentration is listed, etc.). NDEP did not provide an exhaustive review of this Table. Please provide better quality control of the data in future documents.

9. Appendix C, NDEP has the following comments:
 - a. Response-to-Comment (RTC) 2.a and 2.b, TRX should provide the response to each of NDEP's comments in the RTC or provide a reference to the location of the response within the document.
 - b. RTC 4, if NDEP comments on a Figure, Table, or Section of a document and TRX changes the Figure, Table or Section number in the Revised or new report, the new number should be referenced in the corresponding RTC. (e.g. Figure 3 in the Semi-Annual Report in NDEP Comment 4 became Figure 2 in the Annual Report, in which NDEP Comment 4 was addressed. The RTC should have noted the change in number.)
10. Appendix D, NDEP responded under separate cover. Please see NDEP correspondence Re: Data Validation Summary Report dated October 20, 2009.



STATE OF NEVADA

Department of Conservation & Natural Resources

DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor

Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

October 20, 2009

Susan Crowley (Contractor)
C/O Tronox LLC
PO Box 55
Henderson, NV 89009

Re: **Tronox LLC (TRX)**
NDEP Facility ID #H-000539
Nevada Division of Environmental Protection (NDEP) Response to:
Data Validation Summary Report (Appendix D of Annual Remedial Performance Report for Chromium and Perchlorate, Tronox LLC, Henderson, Nevada, July 2008 – June 2009)
Dated August 5, 2009

Dear Ms. Crowley,

The NDEP has received and reviewed TRX's above-identified Data Validation Summary Report (DVSR) in the and provides comments in Attachment A. A revised DVSR should be submitted based on the comments found in Attachment A. Please advise the NDEP by **November 2, 2009** regarding the schedule for this resubmittal. TRX should additionally provide an annotated response-to-comments letter as an appendix to the revised submittal.

Please contact the undersigned with any questions at sharbour@ndep.nv.gov or (702) 486-2850 extension 240.

Sincerely,

Shannon Harbour, P.E.
Staff Engineer III
Bureau of Corrective Actions
Special Projects Branch
NDEP-Las Vegas Office
Fax: 702-486-5733



SH:bar:sh

CC: Jim Najima, NDEP, BCA, Carson City
Brian Rakvica, NDEP, BCA, Las Vegas
Keith Bailey, Environmental Answers LLC, 3229 Persimmon Creek Drive, Edmond, OK 73013
Susan Crowley, Crowley Environmental LLC, 366 Esquina Dr, Henderson NV 89014
Mike Skromyda, Tronox LLC, PO Box 55, Henderson, NV 89009
Deni Chambers, Northgate Environmental, 300 Frank H. Ogawa Plaza, Suite 510, Oakland, CA 94612
Barry Conaty, Holland & Hart LLP, 975 F Street, N.W. Suite 900, Washington, D.C. 20004
Brenda Pohlmann, City of Henderson, PO Box 95050, Henderson, NV 89009
Mitch Kaplan, U.S. Environmental Protection Agency, Region 9, mail code: WST-5, 75 Hawthorne Street,
San Francisco, CA 94105-3901
Ebrahim Juma, Planning Manager, Air Quality and Environmental Management, 500 S. Grand Central
Pkwy, 1st floor, P.O. Box 555210, Las Vegas, NV 89155-5210
Ranjit Sahu, BRC, 311 North Story Place, Alhambra, CA 91801
Rick Kellogg, BRC, 875 West Warm Springs, Henderson, NV 89011
Mark Paris, Landwell, 875 West Warm Springs, Henderson, NV 89011
Craig Wilkinson, TIMET, PO Box 2128, Henderson, Nevada, 89009-7003
Kirk Stowers, Broadbent & Associates, 8 West Pacific Avenue, Henderson, Nevada 89015
George Crouse, Syngenta Crop Protection, Inc., 410 Swing Road, Greensboro, NC 27409
Nick Pogoncheff, PES Environmental, 1682 Novato Blvd., Suite 100, Novato, CA 94947
Lee Erickson, Stauffer Management Company, P.O. Box 18890, Golden, CO 80402
Michael Bellotti, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Curt Richards, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Paul Sundberg, Montrose Chemical Corporation, 10733 Wave Crest Court, Stockton, CA 95209
Joe Kelly, Montrose Chemical Corporation of CA, 600 Ericksen Avenue NE, Suite 380, Bainbridge Island,
WA 98110
Dave Gratson, Neptune and Company, Inc., 1505 15th Street, Suite B, Los Alamos, NM 87544

Attachment A

1. General comment, electronic versions of Tables I and III would greatly facilitate assessment of the report. Please include excel files of the tables in future reports.
2. General comment, there are a number of discrepancies between the numbers provided in the Analytical Review text and the database. Investigate the differences and revise the appropriate section of the report or the database. These discrepancies are outlined below:
 - a. Section 2.0, 632 water samples analyzed for chromium and 631 in the database
 - b. Section 3.0, 978 water samples analyzed for TDS and 976 in the database
 - c. Section 3.0, 978 water samples analyzed for perchlorate and 974 in the database
 - d. Section 3.0, 6 water samples analyzed for nitrate/nitrite as nitrogen and 9 in the database
 - e. Section 3.0, 53 water samples analyzed for hexavalent chromium and 52 in the database
 - f. Section 3.0, 26 water samples analyzed for chlorate and 28 in the database
 - g. Section 3.0, 20 water samples analyzed for nitrate as nitrogen and 22 in the database by method SW-846 9056. There were also 15 more results analyzed by method EPA 300.
 - h. Section 3.0, Wet chemistry total records is 2079 compared to the database with 2076 records.
 - i. Section 3.2.1, 119 results qualified for holding time but only 117 in database
 - j. Section 5.4, the total number of records of 2711 is 2707 in the database.
3. General comment, Database, the database that was provided does not include the QC results. These are required for the data validation review but are not required for the EDD (Please see below). Provide the QC results either in a separate validation report database or as a separate table in the Access database as a part of the EDD.
4. General comment, EDD, the database provided does not meet the Electronic Data Deliverables requirements specified in the *Unified EDD Format* available at <http://ndep.nv.gov/bmi/technical.htm>. The following discrepancies are noted:
 - a. The following fields are missing from the Access database: hydro, litho, filtered_flag.
 - b. The result_type is TRG, which is not an acceptable entry. "Target" is TG if this is what was intended.
 - c. Reanalysis_flag contains "QUAD" followed by a space and a number or just a number. Review the Detailed Description in the EDD guidance for appropriate values.
 - d. Detect_flag should be a "T" or "F", not a "Y" or "N"
 - e. Validation_flag should be a "T" or "F", not a "Y" or "N"
 - f. Final_validation_qualifiers should be "final_validation_qualifier" (without the "s")
 - g. Validation_reason should be "final_validation_reason"
 - h. The sgd_id field was blank; provide the sample delivery group identification for all samples.
5. Section 3.2.1, paragraph 2, the results estimated based on holding time are qualified J- and UJ (not J and UJ).
6. Sample PC-55_08/11/08 for TDS, the reason codes should be "1, 1d" and not "1l, 1d"

Shannon Harbour

From: Brian Rakvica
Sent: Wednesday, October 07, 2009 2:08 PM
To: 'Crowley, Susan [Contractor]'; 'Keith Bailey'; deni@ngem.com; Shannon Harbour; 'Renee Kalmes (rkalmes@exponent.com)'; 'Greg Brorby'
Subject: NDEP guidance

All,

Guidance is located at:

<http://ndep.nv.gov/bmi/technical.htm>

splits, duplicates and replicates at

► **Data Quality**

Use of Field Duplicates and Field Splits

- **November 14, 2008** – [NDEP letter to the Companies providing Guidance on the Use of Field QC Data](#)

Thanks,

Brian

Brian A. Rakvica, P.E.
Supervisor, Special Projects Branch
Bureau of Corrective Actions
Nevada Division of Environmental Protection
2030 East Flamingo Road, Suite 230
Las Vegas, Nevada 89119
tel: 702-486-2850 x 247
e: brakvica@ndep.nv.gov
fax: 702-486-5733
<http://ndep.nv.gov/bmi/index.htm>

call w/ Deni Chambers

10/14/09

TRX

surface sampling → 0-24"

5:45 PM

generally conforms w/ BRC SOP except
0-6" ignored

remediate 0-12" then confirm

new dioxin # = 160,000 ppt

pre-confirmation sample ⇒ OK

take shallower samples as well

Shannon Harbour

From: Crowley, Susan [Contractor] [Susan.Crowley@tronox.com]
Sent: Tuesday, October 06, 2009 10:45 AM
To: Shannon Harbour
Cc: Brian Rakvica; Keith Bailey; Reed, Tom; Ed Krish
Subject: CIO4 Removed from the Environment Form.xls
Attachments: CIO4 Removed from the Environment Form.xls

Shannon,

Attached please find the perchlorate removed from the environment calculations for the months of July, August and September 2009. July and August information is confirmed ... all analytical has been received. September's information is estimated based upon the known flows and the analytical received to date. Please call if you have any questions at all?

TRONOX LLC

Susan Crowley (Contractor)
PO Box 55
Henderson, NV 89009
office 702.651.2234
cell 702.592.7727
efax 405.302.4607
email susan.crowley@tronox.com

It's the set of our sails, not the force of the gales, that determines the way we go.

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Thank you.

Collection Area - ClO4 Removed from the Environment

Month: July-09 / 31 (days/month)

Date: October 6, 2009

Seep Area

For July-09 (from "Fields" spreadsheet) lbs from wells average flow (gpm) from wells
 lbs from stream average flow (gpm) from stream
 lbs from seep total average flow (gpm) from seep area

Firm total for all of seep area - thru June-09 → 781,414 lbs = 390.71 tons +13.22 tns = tons
 + 1,235 lbs this month
 782,649 lbs = 391.32 tons +13.22 tns = tons

Athens Road Area

For July-09 (from "Fields" spreadsheet) lbs → lb/day average flow (gpm) from wells

Firm total for Athens Road area - thru June-09 → 1,832,697 lbs = tons
 + 17,707 lbs this month
 1,850,404 lbs = tons

On-Site Collection Wells

For July-09 (from "GWTP Process Data" sheet) Average ClO4 concentration = ppm
 Average Flow = gpm

ClO4 Removed this month = lbs

Firm total for on-site - thru June-09 → 3,104,675 lbs = tons
 + 26,218 lbs this month
 3,130,893 lbs = tons

Total estimate for all areas = tons

Collection Area - ClO4 Removed from the Environment

Month: August-09 / 31 (days/month) Date: October 6, 2009

Seep Area

For August-09 (from "Fields" spreadsheet) lbs from wells average flow (gpm) from wells
 lbs from stream average flow (gpm) from stream
 lbs from seep total average flow (gpm) from seep area

Firm total for all of seep area - thru July-09 → 782,649 lbs = 391.32 tons +13.22 tns = tons
 + 1,340 lbs this month
 783,989 lbs = 391.99 tons +13.22 tns = tons

Athens Road Area

For August-09 (from "Fields" spreadsheet) lbs → lb/day average flow (gpm) from wells

Firm total for Athens Road area - thru July-09 → 1,850,403 lbs = tons
 + 20,201 lbs this month
 1,870,604 lbs = tons

On-Site Collection Wells

For August-09 (from "GWTP Process Data" sheet) Average ClO4 concentration = ppm
 Average Flow = gpm

ClO4 Removed this month = lbs

Firm total for on-site - thru July-09 → 3,130,892 lbs = tons
 + 27,057 lbs this month
 3,157,949 lbs = tons

Total estimate for all areas = tons

Collection Area - ClO4 Removed from the Environment

Month: September-09 / 30 (days/month)

Date: October 6, 2009

Seep Area

For September-09 (from "Fields" spreadsheet) lbs from wells average flow (gpm) from wells
 lbs from stream average flow (gpm) from stream
 lbs from seep total average flow (gpm) from seep area

Firm total for all of seep area - thru August-09 → 783,989 lbs = 391.99 tons +13.22 tns = tons
 + 1,286 lbs this month
 785,275 lbs = 392.64 tons +13.22 tns = tons

Athens Road Area

For September-09 (from "Fields" spreadsheet) lbs → lb/day average flow (gpm) from wells

Firm total for Athens Road area - thru August-09 → 1,870,604 lbs = tons
 + 21,351 lbs this month
 1,891,955 lbs = tons

On-Site Collection Wells

For September-09 (from "GWTP Process Data" sheet) Average ClO4 concentration = ppm
 Average Flow = gpm

ClO4 Removed this month = lbs

Firm total for on-site - thru August-09 → 3,157,949 lbs = tons
 + 26,916 lbs this month
 3,184,865 lbs = tons

Total estimate for all areas = tons

Shannon Harbour

From: Shannon Harbour
Sent: Friday, October 02, 2009 9:34 AM
To: 'Crowley, Susan [Contractor]'
Cc: Brian Rakvica; Keith Bailey; Derrick Willis; Deni Chambers; Darragh Donnelly; Reed, Tom
Subject: RE: SA156 Boring Location - Area IV

Susan,

NDEP finds this acceptable.

Shannon

*Shannon Harbour, P.E.
Special Projects Branch
Bureau of Corrective Actions
NDEP-Las Vegas Office
2030 E Flamingo Rd Suite 230
Las Vegas, NV 89119
702-486-2850 x 240 (work)
-702-486-5733 (fax)*

From: Crowley, Susan [Contractor] [mailto:Susan.Crowley@tronox.com]
Sent: Thursday, October 01, 2009 1:51 PM
To: Shannon Harbour
Cc: Brian Rakvica; Keith Bailey; Derrick Willis; Deni Chambers; Darragh Donnelly; Reed, Tom
Subject: SA156 Boring Location - Area IV

Shannon,

Re the Tronox Henderson Area IV soil sampling ... as the GB permit was prepared for SA156 (north of Unit 2 inside a tank containment area) we found our plans to hand auger to a depth of ~10 foot were not practicable. This hole was intended to look at soil beneath the historic concrete hazardous waste drum staging pad, originally located north of the Unit 2 building. We knew that the drum pad was removed from service ~ 15 years ago and the area was excavated to install the foundation for several large existing tanks. We had intended to cut the existing tanks' containment liner to hand auger to a 10 foot depth take our samples ... and then repair the liner. However, we learned that as the tanks were installed, ~ 8 foot of excavation did not reach soil that could support the tanks' foundation, and so a large concrete mass was installed beneath the tanks' foundation / containment area to provide structural stability for the tanks. A thin layer of soil (~ 1 foot) was laid on top of the concrete mass to form a soft bed for the containment liner. The auguring effort is not possible with the concrete mass in the way. We already have two boreholes in the immediate area; one borehole to the north of the tank containment and one to the east of the tank containment. We would propose to move SA156 to the west of the tanks' containment thereby bounding the footprint of the historic hazardous waste pad on three sides, including downgradient when considering groundwater flow. The depth would be similar to the northern and eastern locations.

Is this acceptable?

TRONOX LLC
Susan Crowley (Contractor)

10/2/2009

PO Box 55
Henderson, NV 89009
office 702.651.2234
cell 702.592.7727
efax 405.302.4607
email susan.crowley@tronox.com

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Thank you.

Shannon Harbour

From: Shannon Harbour
Sent: Thursday, September 17, 2009 11:04 AM
To: 'Crowley, Susan [Contractor]'
Cc: Brian Rakvica; okbailey@flash.net; Derrick Willis; deni.chambers@ngem.com; Darragh Donnelly; Reed, Tom
Subject: RE: Work Plan Modification for Boring SA208 9-9-09

Susan,

NDEP has reviewed TRX's request for modification of the Phase B SAP for boring SA208. NDEP approves the change in sampling due to the risks involved in transporting a drill rig to the sampling location. Please note that additional data may need to be collected in this area in the future. TRX may need to consider angle borings or other methods to obtain deeper samples from under the Unit 4 Building. Please contact me if you have any questions.

Sincerely,
 Shannon

*Shannon Harbour, P.E.
 Special Projects Branch
 Bureau of Corrective Actions
 NDEP-Las Vegas Office
 2030 E Flamingo Rd Suite 230
 Las Vegas, NV 89119
 702-486-2850 x 240 (work)
 702-486-5733 (fax)*

From: Crowley, Susan [Contractor] [mailto:Susan.Crowley@tronox.com]
Sent: Thursday, September 10, 2009 9:42 AM
To: Shannon Harbour
Cc: Brian Rakvica; okbailey@flash.net; Derrick Willis; deni.chambers@ngem.com; Darragh Donnelly; Reed, Tom
Subject: Work Plan Modification for Boring SA208 9-9-09

Shannon,

In our last update call we talked about our need to revise the approach for sampling the SA208 location, which is in the center of the Unit 4 cell floor. There are borings which will be completed on the east and west sides of the cell floor, but access to the cell floor center (SA208) has become very problematic. Please read the attached. We are hopeful that we can discuss this in our update call today and if you're agreeable, go forward with this approach. Please let me know if you have any questions. Thanks.

TRONOX LLC

Susan Crowley (Contractor)
 PO Box 55
 Henderson, NV 89009
 office 702.651.2234
 cell 702.592.7727
 efax 405.302.4607
 email susan.crowley@tronox.com

9/17/2009

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Thank you.

Shannon Harbour

From: Crowley, Susan [Contractor] [Susan.Crowley@tronox.com]
Sent: Friday, September 11, 2009 3:26 PM
To: Shannon Harbour
Cc: Keith Bailey
Subject: SA-208 Location
Attachments: Single Page - Sample Locations in Revised Phase B Work Plan - Dec 2008.pdf

Shannon,

I had promised to carve out the portion of the Phase B sampling map which held the SA208 sampling location. I've had a little difficulty with the carving process and so ... have attached the map here – hopefully you'll receive the attachment. Please see grid R-6 for the Unit 4 area in which SA208 is located. Thanks.

TRONOX LLC

Susan Crowley (Contractor)
PO Box 55
Henderson, NV 89009
office 702.651.2234
cell 702.592.7727
efax 405.302.4607
email susan.crowley@tronox.com

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Thank you.

SA 208 location



Tronox Request to Modify the Phase B Source Investigation Area II Work Plan

Tronox requests approval of a minor modification to the Phase B Source Area Investigation Area II Work Plan approved by the Nevada Division of Environmental Protection (NDEP, January 2009). The Work Plan calls for soil borings in the east, west and center areas of the Unit 4 basement (borings SA32, SA161 and SA208 respectively). While borings SA32 and SA161 are accessible and can be drilled as intended, the center location **SA208** is difficult to access for drilling. In this center location, due to deteriorating structural steel and concrete, Tronox engineers have determined that the building walkways will not safely support the weight of either of the two sonic drill rigs performing borings on the site (the smallest rig weighs about 18 tons). Tronox has evaluated options to collect the needed soil samples and proposes to break out a section of the concrete basement floor at the **SA208** boring location and use a hand auger to collect soil samples at depths just below the concrete floor and about 10 feet deeper (the expected limit of hand auger sampling). Effectively only one soil sample (at the capillary fringe, depth 37 feet) will not be collected under this proposal.

Tronox originally contemplated using heavy steel trench plates to span the gap between building walkways and allow the drill rig to be positioned over the **SA208** location. When the walkway structural deterioration issue was raised by the plant engineering staff, options of using a very large crane to lower the drill rig into the basement and backfilling the basement with soil to build a "road" for the rig were considered. Neither of these options are practical since crane access is limited and the massive quantity of soil needed to build a road might then need to be removed for possible future site remediation or building use. Tronox considers its proposal to sample the **SA208** location with a hand auger to be the only practical alternative.

Data from boring **SA208** will be combined with results from two other borings at the east and west sides of the Unit 4 basement (SA32 and SA161), which can be reached leaving the rig on pavement surrounding the basement. The approved Work Plan called for samples at location **SA208** including depths of 0.5, 10, 25 and 37 feet below the site surface (water table about 39 feet). Since the Unit 4 basement precludes collection of the 0.5 foot sample, and samples will be collected at 10 feet (just under the basement floor) and about 20 feet, possibly deeper depending on hand auger refusal, effectively only the capillary fringe soil sample would be missed from the original work plan. Tronox anticipates that the combination of borings SA32, SA161, and **SA208** will be adequate to characterize the Unit 4 source area.

Shannon Harbour

From: Crowley, Susan [Contractor] [Susan.Crowley@tronox.com]
Sent: Thursday, September 03, 2009 8:15 AM
To: Shannon Harbour
Subject: FW: Asbestos Sampling Changes 8-26-09 to Harbour.pdf
Attachments: CDOCUME~1zsmc1LOCALS~1TempAsbestos Sampling Changes 8-26-09 to Harbour.pdf

Shannon,

For your convenience ... I've re-forwarded the asbestos approach we'd like to get your approval on. We'd like to cover this in the teleconference this morning. Talk to you at 9:00 am. Thanks.

TRONOX LLC

Susan Crowley (Contractor)
PO Box 55
Henderson, NV 89009
office 702.651.2234
cell 702.592.7727
efax 405.302.4607
email susan.crowley@tronox.com

It's the set of our sails, not the force of the gales, that determines the way we go.

From: Crowley, Susan [Contractor]
Sent: Wednesday, August 26, 2009 2:36 PM
To: 'Shannon Harbour'; 'Brian Rakvica'
Cc: 'Keith Bailey'; Reed, Tom
Subject: Asbestos Sampling Changes 8-26-09 to Harbour.pdf

Shannon and Brian,

We've discussed the asbestos surface soil sampling in areas where the borings are in paved locations. Please see the attached for Tronox's approach on handling these locations. Hopefully we can discuss this tomorrow in our update call? Thanks.

TRONOX LLC

Susan Crowley (Contractor)
PO Box 55
Henderson, NV 89009
office 702.651.2234
cell 702.592.7727
efax 405.302.4607
email susan.crowley@tronox.com

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Thank you.

9/17/2009

Table 1. Proposed Adjustments to Phase B Asbestos Sampling Plans

Area	Sample Locations	Normal Sample Location	Exposed soil at a non-random single location within 50x50 grid	Exposed soil within 50' radius of boring	Exposed soil within 75' radius of boring	Exposed soil within 100' radius of boring	No exposed soil within 100' radius of boring
II	85	62	6	8	5	2	2
IV	57	36	7	4	1	0	9
III	22	12	4	4	0	0	2

Note that three locations in Area II were not accessible for evaluation due to demolition activities. These locations have been assumed to be normal sample locations, but may change later.

Shannon and Brian,

8/26/09

As we have discussed on our weekly telephone updates for the Tronox Phase B ECA project, we are finding that several locations proposed for asbestos sampling in Areas II, III and IV are not compatible with the 50'x50' random sampling grid specified in the BMI SOP. All Area I samples were collected, but in Areas II, III, and IV, several boring areas are paved, making sampling meaningless. In our call two weeks ago, Tronox verbally proposed a modified staged sampling approach as follows:

1. Where the normal 50' x 50' random sample grid is not usable due to paved surfaces, we propose that any exposed soil locations within the grid could be used for sampling. This would eliminate the random component of sampling, but would collect samples from within the grid. Of the total 164 proposed asbestos sample locations in Areas II, III and IV, 54 are not compatible with the random grid. By sampling non-random exposed soil locations within the grid, 17 locations can be sampled using this approach (see Table 1 below for a breakdown by Area). This leaves 37 boring locations where no exposed soil is available within the grid.
2. Where no exposed soil is present within the 50' x 50' sample grid, we propose to collect the asbestos sample from any exposed soil location within 75' of the boring location. This would allow sampling of an additional 22 samples outside the regular sample grid. For comparison, the Table below shows three columns with various distances from the borings. The 75 foot distance was selected for this proposed sample plan.
3. Where no exposed soil can be located within 75 feet of the boring, no asbestos sample would be collected for that boring. A total of 15 sample locations would be impacted by this approach (see the last two columns in the Table below for breakdown by area).

All asbestos samples collected using these three exceptions to the regular BMI SOP sampling approach will be documented in the final Phase B Area sample reports. We would like to discuss these options with you in our weekly call tomorrow. If NDEP is satisfied by the discussion, an e-mail approval would then be appreciated.

Thanks.

Keith Bailey and Susan Crowley

Shannon Harbour

From: Keith Bailey [okbailey@flash.net]
Sent: Thursday, August 27, 2009 10:00 AM
To: Brian Rakvica; Shannon Harbour; 'Crowley, Susan [Contractor]'; 'Reed, Tom'
Subject: RE: TRX transfer of well ownership

Brian,

Thanks very much.

Keith

From: Brian Rakvica [mailto:brakvica@ndep.nv.gov]
Sent: Thursday, August 27, 2009 11:36 AM
To: Shannon Harbour; Keith Bailey; 'Crowley, Susan [Contractor]'; Reed, Tom
Subject: TRX transfer of well ownership

All,

The answer is YES; you can transfer ownership of a well.

The form is known as a "Report of Conveyance" and can be obtained from Nevada DWR

<http://water.nv.gov/Forms/formroom.cfm>

The local contact I use is Tracy Geter 702-486-2770

Thanks,

Brian

Brian A. Rakvica, P.E.
Supervisor, Special Projects Branch
Bureau of Corrective Actions
Nevada Division of Environmental Protection
2030 East Flamingo Road, Suite 230
Las Vegas, Nevada 89119
tel: 702-486-2850 x 247
e: brakvica@ndep.nv.gov
fax: 702-486-5733
<http://ndep.nv.gov/bmi/index.htm>

8/27/2009

Shannon Harbour

From: Shannon Harbour
Sent: Monday, August 10, 2009 9:46 AM
To: 'Crowley, Susan [Contractor]'
Cc: Brian Rakvica; Keith Bailey; Derrick Willis; Chambers, Deni; darragh.donnelly@ngem.com
Subject: RE: Shift in Boring Location - SA-167

Susan,

NDEP approves the relocation of SA-167 as detailed in the email below. Please include these changes in the Phase B Report.

Sincerely,
Shannon

*Shannon Harbour, P.E.
Special Projects Branch
Bureau of Corrective Actions
NDEP-Carson City Office
901 S Stewart St
Carson City, NV 89701
775-687-9332 (work)
775-687-9547 (fax)*

From: Crowley, Susan [Contractor] [mailto:Susan.Crowley@tronox.com]
Sent: Wednesday, August 05, 2009 3:05 PM
To: Shannon Harbour
Cc: Brian Rakvica; Keith Bailey; Derrick Willis; Chambers, Deni; darragh.donnelly@ngem.com
Subject: Shift in Boring Location - SA-167

Shannon,

In our environmental investigation project update call last week we discussed the need to move several borings for filed logistical reasons. This e-mail documents the shift in SA-167, a boring located within the bounds of LOU 31. The staked location for the boring was effected by power lines and we proposed to move it outside the danger zone, but still within the bounds of LOU 31. You provided verbal approval on the call ... your response to this e-mail will confirm your approval. Thanks.

TRONOX LLC

Susan Crowley (Contractor)
PO Box 55
Henderson, NV 89009
office 702.651.2234
cell 702.592.7727
efax 405.302.4607
email susan.crowley@tronox.com

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8/10/2009

From: Derrick Willis [mailto:derrick.willis@ngem.com]
Sent: Monday, July 27, 2009 4:08 PM
To: 'Victoria Hansen'
Cc: 'Vivian Willis'; frank.hagar@ngem.com; cindy.arnold@ngem.com; Holmstrom, John; Crowley, Susan [Contractor]
Subject: RE: Moving location SA167

Hi Victoria,
Attached is a map with notes for relocating SA167 (you indicated there was an aboveground power line access issue) as well as RSAL7 (access issue due to power line), and SRAJ3 (approved NDEP location), and drilling portion of SA127. Please restake/remark locations in the field.

John,
If Victoria is able to remark these tomorrow, when do you think you could approve these locations?

We would like to get these on the schedule for drilling/sampling this week.

Thanks
Derrick



Derrick S. Willis
Principal

Northgate Environmental Management, Inc.
1100 Quail Street, Suite 102, Newport Beach, CA 92660
main (949) 260-9293x116; cell (949) 375-7004;
fax (949) 315-3365
<http://www.ngem.com/>

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From: Victoria Hansen [mailto:Victoria.Hansen@gesnevada.com]
Sent: Monday, July 27, 2009 9:00 AM
To: Derrick Willis
Cc: Vivian Willis; frank.hagar@ngem.com; cindy.arnold@ngem.com
Subject: Moving location SA167

Hi Derrick,

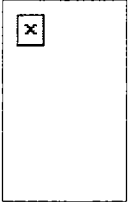
I didn't know if Vivian had sent you an email regarding SA167. It was on the drilling schedule for today, but unfortunately is directly under power lines and the location is too hazardous to drill. We will have to move the location. Please let me know where we can move SA167. Thanks, Derrick!

-Victoria Hansen-

GES - Geotechnical & Environmental Services, Inc.
Environmental Staff Scientist
Office: 702.365.1001
Cell: 702.275.8386
Fax: 702.341.7120
Email: victoria.hansen@gesnevada.com

8/10/2009

www.gesnevada.com



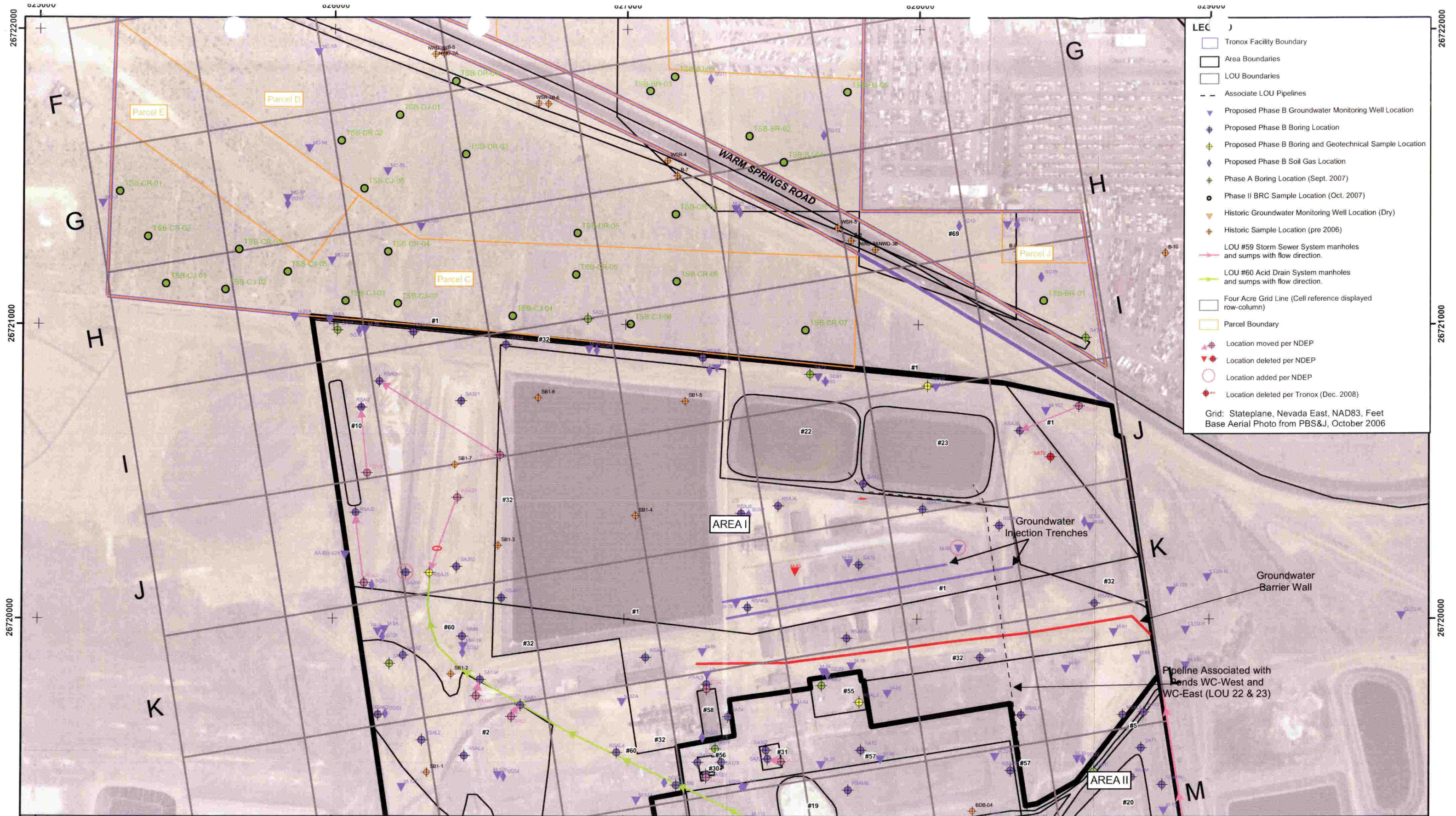
We make the ground work for you...SM

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Thank you.



- LEC J**
- Tronox Facility Boundary
 - Area Boundaries
 - LOU Boundaries
 - Associate LOU Pipelines
 - Proposed Phase B Groundwater Monitoring Well Location
 - Proposed Phase B Boring Location
 - Proposed Phase B Boring and Geotechnical Sample Location
 - Proposed Phase B Soil Gas Location
 - Phase A Boring Location (Sept. 2007)
 - Phase II BRC Sample Location (Oct. 2007)
 - Historic Groundwater Monitoring Well Location (Dry)
 - Historic Sample Location (pre 2006)
 - LOU #59 Storm Sewer System manholes and sumps with flow direction.
 - LOU #60 Acid Drain System manholes and sumps with flow direction.
 - Four Acre Grid Line (Cell reference displayed row-column)
 - Parcel Boundary
 - Location moved per NDEP
 - Location deleted per NDEP
 - Location added per NDEP
 - Location deleted per Tronox (Dec. 2008)
- Grid: Stateplane, Nevada East, NAD83, Feet
Base Aerial Photo from PBS&J, October 2006

PHASE B SAMPLE LOCATIONS, LOUs AND NDEP REQUESTS

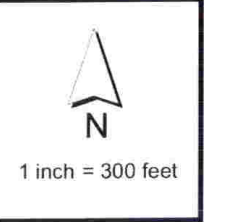
PHASE B SOURCE AREA INVESTIGATION
TRONOX FACILITY
HENDERSON, NEVADA

SCALE:	DATE: 6/2/2009	PROJECT NUMBER:
AS SHOWN	12/18/2008	04029-023-430

northgate

1100 Quail Street, Suite 102
Newport Beach, CA 92660
Phone: (949) 260-9293
<http://www.ngem.com>

REVISIONS			
NO.	DESCRIPTION	DATE: 6/2/2009	BY:



A

SHEET NUMBER:
1 of 1

FIGURE NUMBER:

Shannon Harbour

From: Shannon Harbour
Sent: Monday, August 10, 2009 9:43 AM
To: 'Crowley, Susan [Contractor]'
Cc: Brian Rakvica; Keith Bailey; Derrick Willis; Chambers, Deni; darragh.donnelly@ngem.com
Subject: RE: Shift in Boring Location - SA-127

Susan,

NDEP approves the relocation of SA-127 as detailed in the email below. Please include these changes in the Phase B Report.

Sincerely,
Shannon

*Shannon Harbour, P.E.
Special Projects Branch
Bureau of Corrective Actions
NDEP-Carson City Office
901 S Stewart St
Carson City, NV 89701
775-687-9332 (work)
775-687-9547 (fax)*

From: Crowley, Susan [Contractor] [mailto:Susan.Crowley@tronox.com]
Sent: Wednesday, August 05, 2009 2:04 PM
To: Shannon Harbour
Cc: Brian Rakvica; Keith Bailey; Derrick Willis; Chambers, Deni; darragh.donnelly@ngem.com
Subject: Shift in Boring Location - SA-127

Shannon,

In our environmental investigation project update call last week we discussed the need to move several borings for filed logistical reasons. This e-mail documents the shift in SA-127, an intended boring located between the WC-East and WC-West process ponds. The pond berm top – the access way to the intended boring location - is not wide enough to safely accommodate a drill rig. We proposed to hand augur from surface to 10' (or as close to 10' as possible) and then step out to the toe of the berm and drill a full depth hole to provide data for the area. You provided verbal approval on the call ... your response to this e-mail will confirm your approval. Thanks.

TRONOX LLC

Susan Crowley (Contractor)
PO Box 55
Henderson, NV 89009
office 702.651.2234
cell 702.592.7727
efax 405.302.4607
email susan.crowley@tronox.com

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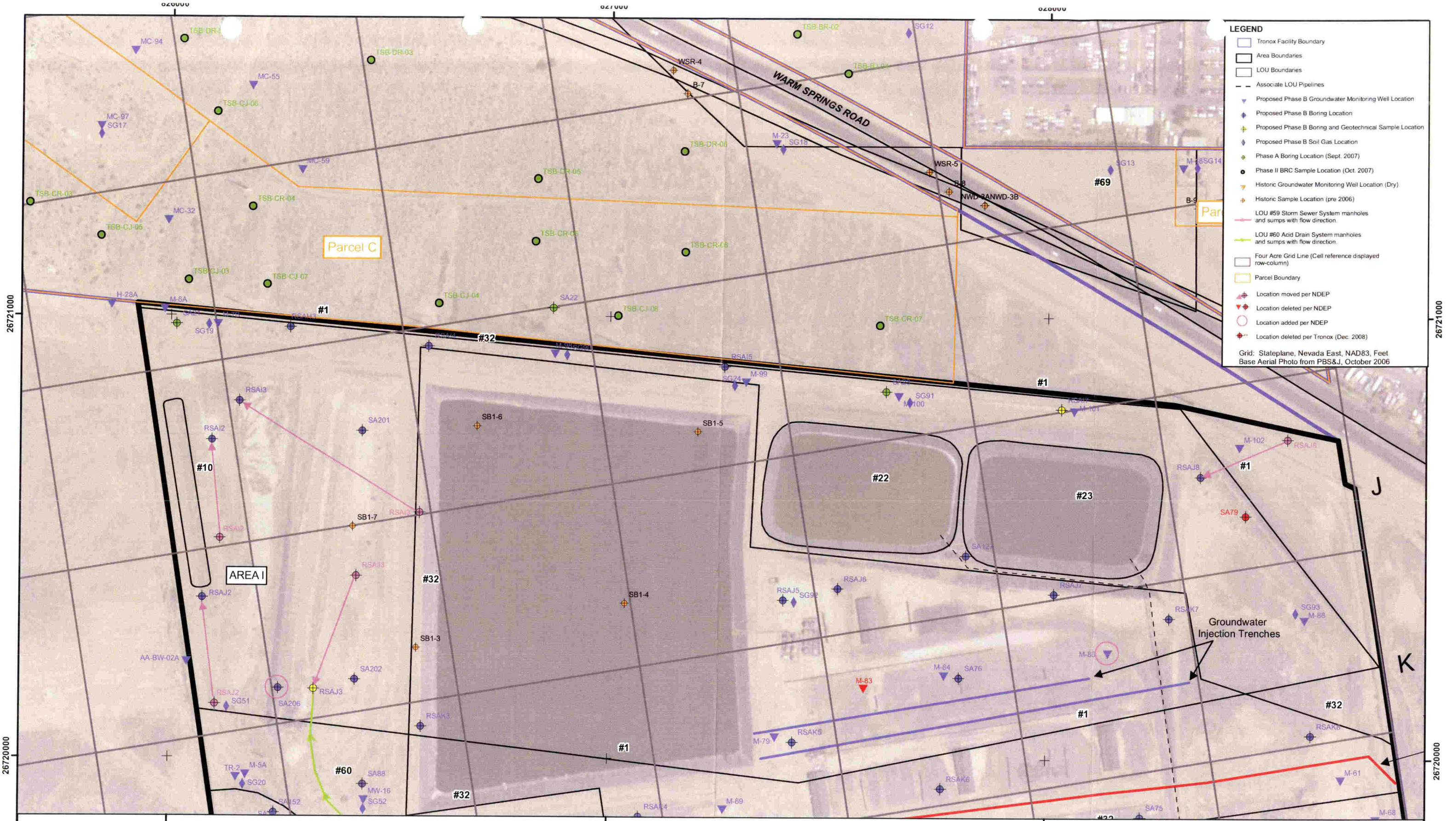
8/10/2009

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LEGEND

- Tronox Facility Boundary
- Area Boundaries
- LOU Boundaries
- Associate LOU Pipelines
- ▼ Proposed Phase B Groundwater Monitoring Well Location
- ◆ Proposed Phase B Boring Location
- ⊕ Proposed Phase B Boring and Geotechnical Sample Location
- ◇ Proposed Phase B Soil Gas Location
- ◆ Phase A Boring Location (Sept. 2007)
- Phase II BRC Sample Location (Oct. 2007)
- ◆ Historic Groundwater Monitoring Well Location (Dry)
- ⊕ Historic Sample Location (pre 2006)
- LOU #59 Storm Sewer System manholes and sumps with flow direction.
- LOU #60 Acid Drain System manholes and sumps with flow direction.
- Four Acre Grid Line (Cell reference displayed row-column)
- Parcel Boundary
- ◆ Location moved per NDEP
- ▼ Location deleted per NDEP
- Location added per NDEP
- ◆ Location deleted per Tronox (Dec. 2008)

Grid: Stateplane, Nevada East, NAD83, Feet
Base Aerial Photo from PBS&J, October 2006

PHASE B SAMPLE LOCATIONS, LOUs AND NDEP REQUESTS

PHASE B SOURCE AREA INVESTIGATION
TRONOX FACILITY
HENDERSON, NEVADA

SCALE: AS SHOWN	DATE: 6/2/2009 12/16/2008	PROJECT NUMBER: 04020-023-430
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northgate

1100 Quail Street, Suite 102
Newport Beach, CA 92660
Phone: (949) 260-9293
<http://www.ngem.com>

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N

1 inch = 200 feet

SHEET NUMBER:
1 OF 1

A

FIGURE NUMBER:

TRONOX

Susan Crowley
CEM - 1428

(702) 651-2234
Fax (405) 302-4607
susan.crowley@tronox.com

July 29, 2009

Ms. Shannon Harbour
Nevada Division of Environmental Protection
2030 East Flamingo Road, Suite 230
Las Vegas, Nevada 89119

Dear Ms. Harbour:

Subject: Tronox LLC ECA Quarterly Activity Report – Second Quarter 2009

Pursuant to Section XIII of the Consent Agreement, signed September 5, 1996, between Nevada Division of Environmental Protection (NDEP) and Tronox LLC (Tronox), we submit the following quarterly status report for the Henderson facility's Environmental Conditions Assessment (ECA).

Activities Conducted: 4-01-09 to 6-30-09

Source Area Investigation

- April 2, 2009 – NDEP re-forwarded the March 19, 2009 revised NDEP data validation guidance
- April 24, 2009 – All-hands contractor teleconference to prepare for initiation of Phase B groundwater and soil sampling
- May 26, 2009 – Tronox submitted a revised Phase B Quality Assurance Project Plan (QAPP)
- May 27, 2009 – Notice provided to NDEP of the transition from AECOM contractor to Northgate Environmental Management
- May 29, 2009 – Notice provided to NDEP that Tronox Phase B Work Plan sampling had been resumed, beginning with groundwater sampling
- June 4, 2009 – NDEP provided comments to Tronox re the Tronox May 27th contractor transition notice
- June 17, 2009 – Tronox submitted a Response to Comments re NDEP's June 1st comments for the May 26th Revised QAPP. Included was a revised version of the QAPP reflecting the RTC modifications.

Other:

- April 2, 2009 – Perchlorate removed from the environment calculations (for February and March 2009) transmitted to NDEP
- April 6, 2009 – Surface water sample drawn from USGS Northshore Road gauging station location and shipped to Metropolitan Water District
- April 23, 2009 – Northshore Road analytical and flow (from April 6th sampling event) information forwarded to NDEP
- May 2009 to June 2009 – Tronox annual groundwater sampling event completed.

Tronox. Adding value beyond the product.

Tronox LLC • 8000 West Lake Mead Parkway, Henderson, Nevada 89015 • P.O. Box 55, Henderson, Nevada 89009

Shannon Harbour
July 29, 2009
Page 2

Please feel free to call me at (702) 651-2234 office or (702) 592-7727 cell, if you have any questions regarding this information. Thank you.

Sincerely



Susan M. Crowley, CEM 1428 exp 3-8-11

Overnight Mail

Cc: See attached document distribution list



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Updated: 29-Jul-09

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Palm Jon	NDEP		
Harbour Shannon	NDEP	X	
Black Paul	Neptune		X
Hackenberry Paul	Hackenberry		X
Copeland Teri	Neptune		X
Gratson Dave	Neptune		X
Otani-Fehling Joanna	Neptune		X
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Conaty Barry	COH Counsel		X
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Skromyda Mike	Tronox		X
Bailey Keith	Environ Answers		X
Krish Ed	Hydrogeologist		X
Chambers Deni	Northgate		X
Leavitt Alan	Northgate		X
Donnelly Dara	Northgate		X
Willis Derrick	Northgate		X
Arnold Cindy	Northgate		X
Lambeth Jeff	Veolia		
Baker Ken	AIU		X
Diebenow Julie	AIU		X
Giroux Barry	GEI		X
Stowers Kirk	Broadbent		X
Sahu Rahnijit	BMI		X
Crouse George	Syngenta		X
Erickson Lee	Stauffer		X
Kelly Joe	Montrose		
Sundberg Paul	Montrose		X
Gibson Jeff	AmPac		
Richards Curt	Olin		X
Bellotti Michael	Olin		X
Wilkinson Craig	Timet		X
Mack Joel	Montrose Counsel		

Shannon Harbour

From: David Gratson [dgratson@neptuneinc.org]
Sent: Monday, July 27, 2009 8:23 AM
To: Brian Rakvica
Cc: Shannon Harbour
Subject: Re: FW: July 2009 Tronox Henderson Revised QAPP Submittal

They have addressed my concerns in this updated version.

Dave

On Fri, Jul 24, 2009 at 1:26 PM, Brian Rakvica <brakvica@ndep.nv.gov> wrote:

Dave,

Obviously we need you to look at this as well...if you need or want a hard copy just let us know

Thanks,

Brian

From: Darragh Donnelly [mailto:darragh.donnelly@ngem.com]
Sent: Friday, July 24, 2009 10:48 AM
To: Jim Najima; Brian Rakvica; Shannon Harbour; pblack@neptuneinc.org; hackenberry@sbcglobal.net; terilcopeland@aol.com; dgratson@neptuneinc.org; jotanifehling@yahoo.com
Cc: Cindy Arnold
Subject: July 2009 Tronox Henderson Revised QAPP Submittal

Everyone,

An electronic portable document format version of the final **Quality Assurance Project Plan** for the **Tronox LLC Facility in Henderson Nevada** is available for download directly from the Client Log-In page of Northgate's website. The document (all one pdf file) contains a "Response To Comments" document, an errata document, and the revised QAPP. There are two versions of the document on the website: a "text only version", and a "text with appendices" version. Please note that the files cannot be opened directly from the website. It must first be saved to your computer before it can be opened.

7/27/2009

To download, please visit <http://www.ngem.com/client.php> and enter the username and password:

username: Tronox-QAPP

password: 052609

From the Actions column, select "Download" beside the file you wish to download. When prompted to "Open With" or "Save As," please choose "**Save As**" and select a destination to save your file on your computer. The "Open With" function will result in a download error.

If you have any questions or have any issues with downloading the document please don't hesitate to contact Oleg Slivnyak at oleg.slivnyak@ngem or you can reach him at 510.839.0688x219.



Darragh Donnelly

Project Assistant

Northgate Environmental Management, Inc.
300 Frank H. Ogawa Plaza, Suite 510, Oakland, CA 94612
phone (510) 839-0688 ext. 285; fax (510) 839-4350
<http://www.ngem.com/>



Certified Bay Area Green Business

CONFIDENTIALITY NOTICE:

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--

David Gratson, CEAC

Environmental Chemist
Neptune and Company, Inc.
1505 15th St..Suite B

7/27/2009

Los Alamos, NM 87544

Best way to reach me -->Cell: 505-660-8968

Voice: 505-662-0707 X29

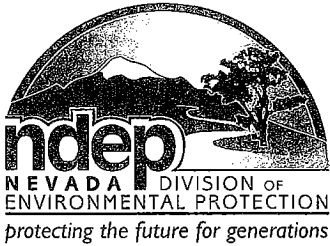
Fax: 505-662-0500

<http://www.neptuneandco.com>

"Nature holds the key to our aesthetic, intellectual, cognitive and even spiritual satisfaction." E. O. Wilson.

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7/27/2009



STATE OF NEVADA
Department of Conservation & Natural Resources
DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor

Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

July 27, 2009

Susan Crowley (Contractor)
C/O Tronox LLC
PO Box 55
Henderson, NV 89009

Re: **Tronox LLC (TRX)**
NDEP Facility ID #H-000539
Nevada Division of Environmental Protection (NDEP) Response to:
Quality Assurance Project Plan [QAPP], Tronox LLC Facility, Henderson, Nevada
Dated: July 20, 2009 (Revised)

Dear Ms. Crowley,

The NDEP has received and reviewed TRX's above-identified QAPP and finds that the document is acceptable with the following exceptions noted for the administrative record:

- No footnote clarifying Project Managers Susan Crowley and Keith Bailey relationship to TRX as stated in TRX's response to comments June 18, 2009. However, this relationship is sufficiently described in Section A.4.1 on page 2 of 14.

Please contact the undersigned with any questions at sharbour@ndep.nv.gov or (702) 486-2850 extension 240.

Sincerely,

Shannon Harbour, P.E.
Staff Engineer III
Bureau of Corrective Actions
Special Projects Branch
NDEP-Las Vegas Office
Fax: 702-486-5733



SH:bar:sh

CC: Jim Najima, NDEP, BCA, Carson City
Brian Rakvica, NDEP, BCA, Las Vegas
Keith Bailey, Environmental Answers LLC, 3229 Persimmon Creek Drive, Edmond, OK 73013
Susan Crowley, Crowley Environmental LLC, 366 Esquina Dr, Henderson NV 89014
Mike Skromyda, Tronox LLC, PO Box 55, Henderson, NV 89009
Deni Chambers, Northgate Environmental, 300 Frank H. Ogawa Plaza, Suite 510, Oakland, CA 94612
Barry Conaty, Holland & Hart LLP, 975 F Street, N.W. Suite 900, Washington, D.C. 20004
Brenda Pohlmann, City of Henderson, PO Box 95050, Henderson, NV 89009
Mitch Kaplan, U.S. Environmental Protection Agency, Region 9, mail code: WST-5, 75 Hawthorne Street,
San Francisco, CA 94105-3901
Ebrahim Juma, DAQEM, PO Box 551741, Las Vegas, NV, 89155-1741
Ranajit Sahu, BRC, 311 North Story Place, Alhambra, CA 91801
Rick Kellogg, BRC, 875 West Warm Springs, Henderson, NV 89011
Mark Paris, Landwell, 875 West Warm Springs, Henderson, NV 89011
Craig Wilkinson, TIMET, PO Box 2128, Henderson, Nevada, 89009-7003
Kirk Stowers, Broadbent & Associates, 8 West Pacific Avenue, Henderson, Nevada 89015
George Crouse, Syngenta Crop Protection, Inc., 410 Swing Road, Greensboro, NC 27409
Nick Pogoncheff, PES Environmental, 1682 Novato Blvd., Suite 100, Novato, CA 94947
Lee Erickson, Stauffer Management Company, P.O. Box 18890, Golden, CO 80402
Michael Bellotti, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Curt Richards, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Paul Sundberg, Montrose Chemical Corporation, 10733 Wave Crest Court, Stockton, CA 95209
Joe Kelly, Montrose Chemical Corporation of CA, 600 Ericksen Avenue NE, Suite 380, Bainbridge Island,
WA 98110
Dave Gratson, Neptune and Company, Inc., 1505 15th Street, Suite B, Los Alamos, NM 87544

Shannon Harbour

From: Keith Bailey [okbailey@flash.net]
Sent: Monday, July 20, 2009 11:59 AM
To: Shannon Harbour
Cc: 'Crowley, Susan [Contractor]'; 'Susan Crowley'; Brian Rakvica; 'Reed, Tom'; 'Derrick Willis'
Subject: RE: Request to relocate Tronox Phase B Borings SA206 and RSAJ3

Shannon,

Thanks very much for the rapid response. We will include a discussion of the change in the Phase B report.

Keith

From: Shannon Harbour [mailto:sharbour@ndep.nv.gov]
Sent: Monday, July 20, 2009 1:31 PM
To: Keith Bailey
Cc: 'Crowley, Susan [Contractor]'; Susan Crowley; Brian Rakvica; Reed, Tom; Derrick Willis
Subject: FW: Request to relocate Tronox Phase B Borings SA206 and RSAJ3

Keith,

NDEP accepts the rationale for the relocation of borings SA206 and RSAJ3. Please note that SA206 was also placed as shown in the attached map to evaluate the Hazardous Waste Landfill. RSAJ3 was placed to evaluate the discharge point of LOU 60. TRX should keep consider these items as well for placement of the borings and evaluation of the data. Please include these changes to the Phase B work plan in the Phase B Report.

Sincerely,
Shannon

*Shannon Harbour, P.E.
Special Projects Branch
Bureau of Corrective Actions
NDEP-Carson City Office
901 S Stewart St
Carson City, NV 89701
775-687-9332 (work)
775-687-9547 (fax)*

From: Keith Bailey [mailto:okbailey@flash.net]
Sent: Thursday, July 16, 2009 9:49 AM
To: Shannon Harbour; 'Susan Crowley'; 'Derrick Willis'; 'Reed, Tom'
Subject: Request to relocate Tronox Phase B Borings SA206 and RSAJ3

Shannon,

As we discussed in our conference call today, Tronox would like to relocate two Area I soil borings. I have

8/3/2009

attached a map showing the originally approved locations to assist in your review. The proposal maintains the approved number of Phase B samples to be collected and the relocations stay within the J3 grid. The proposal, as outlined by Northgate, is as follows:

Boring SA206, located in grid J-3 needs to be relocated. The purpose for boring SA206 is as follows:

- Boring located to evaluate LOU 1 (former Trade Effluent Settling Ponds) and LOU 60 (former Acid Drain System), and for general Site coverage.

It needs to be relocated for the following reasons:

- Location is inaccessible due to placement on far side of aboveground piping run overpass ingress/egress and proximity to aboveground power lines
- Its current mapped location is 75 feet from the inferred location of LOU 60 (former Acid Drain System) Line.

Proposed relocation of SA206:

- Relocate 75 feet east-southeast to be adjacent to inferred location of Acid Drain System Line

This relocation places SA206 within 30 feet of Boring RSAJ3. The purpose for boring RSAJ3 is as follows:

- Boring located to evaluate LOU 1 (former Trade Effluent Settling Ponds) and for general site coverage.

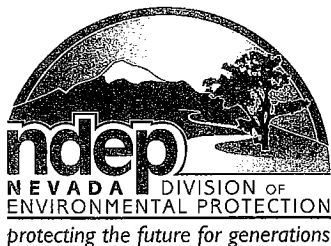
Proposed relocation of RSAJ3:

- Relocated 100 feet north within LOU 1

If you concur with the Tronox relocation proposal, please respond by e-mail.

Thanks very much.

Keith



STATE OF NEVADA
Department of Conservation & Natural Resources
DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor
Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

RECEIVED
ENVIRONMENTAL PROTECTION
DIVISION
LAS VEGAS OFFICE
2009 JUL 29 A 10:01

July 27, 2009

Susan Crowley (Contractor)
C/O Tronox LLC
PO Box 55
Henderson, NV 89009

Re: **Tronox LLC (TRX)**
NDEP Facility ID #H-000539
Nevada Division of Environmental Protection (NDEP) Response to:
Quality Assurance Project Plan [QAPP], Tronox LLC Facility, Henderson, Nevada
Dated: July 20, 2009 (Revised)

Dear Ms. Crowley,

The NDEP has received and reviewed TRX's above-identified QAPP and finds that the document is acceptable with the following exceptions noted for the administrative record:

- No footnote clarifying Project Managers Susan Crowley and Keith Bailey relationship to TRX as stated in TRX's response to comments June 18, 2009. However, this relationship is sufficiently described in Section A.4.1 on page 2 of 14.

Please contact the undersigned with any questions at sharbour@ndep.nv.gov or (702) 486-2850 extension 240.

Sincerely,

Shannon Harbour, P.E.
Staff Engineer III
Bureau of Corrective Actions
Special Projects Branch
NDEP-Las Vegas Office
Fax: 702-486-5733



SH:bar:sh

CC: Jim Najima, NDEP, BCA, Carson City
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Keith Bailey, Environmental Answers LLC, 3229 Persimmon Creek Drive, Edmond, OK 73013
Susan Crowley, Crowley Environmental LLC, 366 Esquina Dr, Henderson NV 89014
Mike Skromyda, Tronox LLC, PO Box 55, Henderson, NV 89009
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Craig Wilkinson, TIMET, PO Box 2128, Henderson, Nevada, 89009-7003
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WA 98110
Dave Gratson, Neptune and Company, Inc., 1505 15th Street, Suite B, Los Alamos, NM 87544



CLARK COUNTY
DEPARTMENT OF AIR QUALITY MANAGEMENT
 500 S. Grand Central Pkwy.
 LAS VEGAS, NEVADA 89106
 PHONE: (702) 455-5942 FAX: (702) 383-9994

FAX COVER SHEET

COMPANY NAME:	NDEP
CONTACT NAME:	BRIAN RAKVICA
FAX NUMBER:	486-5733

SENDER:	SYED HYDER
DESCRIPTION:	COMPLAINT REPORT AND TWO LETTERS OF NON COMPLIANCE

Number of pages, including cover:	7
Date sent:	7-2-09

If there are any problems with this transmission, please call: (702) 455-5942 during the hours of 8:00 AM TO 5:00 PM Monday through Friday.

COMPLAINT REPORT

CLARK COUNTY

Department of Air Quality Management
500 S. GRAND CENTRAL PKWY. - LAS VEGAS, NV 89106 - (702) 455-1699

No. 44348

DATE RECEIVED	3/23/2009	TIME RECEIVED	6:04
DATE OBSERVED	3/23/2009	TIME OBSERVED	6:04
NAME OF COMPLAINT	BB		
ASSIGNED TO	Syed Hyder		

ADDRESS OR LOCATION OF PROBLEM

Lake Mead in Henderson

COMPLAINT CATEGORY

Miscellaneous

DESCRIPTION OF COMPLAINT

Misc-I currently run a business near the factories located on Lake Mead in Henderson and am concerned with what appears to be an air borne material that is coming from the factories. A neighbor recently came to our office and pointed out a "brown" film covering everything from side walks, to boats, to cars, to windows. I am concerned with what this film is and the effect it is having on our property. Can you please advise what steps need to be done to file a formal investigation into this matter?

MAY WE RELEASE YOUR NAME IN THE COURSE OF ENFORCEMENT ACTION?

DO YOU WANT A COPY OF THE INVESTIGATION REPORT MAILED TO YOU?

Response Date: 03/20/09

INVESTIGATION NOTES - ACTION TAKEN

03/24/09, 0758 hours - I was assigned complaint number 44348.

03/24/09, 0920 hours - I left a voice message for the complainant @ 868-0900 and requested a callback.

03/24/09, 1235 hours - The complainant called back and informed me that he would be available that afternoon.

03/24/09, 1348 hours - I met with the complainant who stated that he was complaining about brown colored fallout on their parking lot, boats and trailer. I inspected the parking lot, a boat and a trailer and observed brown colored material on them. The complainant stated that businesses in the area were starting to collect petitions. He also stated that someone from Tronox LLC. (Tronox) visited a nearby business and stated that the brown colored material could be removed with a vinegar and water solution.

I inspected the sidewalk north of the complainant's location along Lake Mead Parkway, between Tronox and the complainant's business, and observed similar brown colored deposits.

03/24/09, 1615 hours - I left a voice message for Mr. Michael Skromyda, Tronox @ 651-2228, and informed him of the complaint.

03/26/09, 1340 hours - At Tronox I met with Mr. Michael Skromyda, Mr. Jack Luna and Mr. Fredrick Stater, Sr. Environmental Manager, Production Manager and Plant Manager, respectively. The Tronox representatives gave me an overview of plant operations. I did not observed any visible emissions during that visit.

03/26/09, 1515 hours - At the complainant's location I took photographs of a recreational vehicle, a boat and parking

**COMPLAINT
REPORT****CLARK COUNTY**

Department of Air Quality Management
500 S. GRAND CENTRAL PKWY. - LAS VEGAS, NV 89106 - (702) 455-1699

No. 44348

lot that had brown colored material on them. I also took photographs of a vehicle parked in front of a neighboring business which was being utilized to advertise.

04/14/09, 1000 hour - I arrived at Tronox and met with Mr. Skromyda and inspected the Manganese Dioxide process. During my inspection I did not observe any visible emissions from the four Open Hearth Furnaces, Baghouse, CO control device, two Polishing Bins or the Manganese Dioxide ore stockpile. I observed that a sweeper was in operation. I observed disturbed soil throughout the facility.

During the inspection, I further observed that a Gasoline Dispensing Facility, consisting of one 1,000 gallon gasoline storage tank and one nozzle, was being operated without a DAQEM permit. A Letter of Noncompliance was issued for that violation on May 16, 2009.

05/08/09, 0845 hours - I continued inspection of Tronox with Compliance Supervisor Shibi Paul. We inspected the four Open Hearth Furnaces, Baghouse, CO control device, two Polishing Bins, the Manganese Dioxide ore stockpile, Sulfiding Tanks, Cell House in Building 6, Crusher, Screen, Transfer Equipment and associated Baghouses. We did not observe any visible emissions from the emission units or their control devices.

We did observe disturbed and unstable soil in the facility. I informed Mr. Skromyda of that observation and that their permit did not contain any disturbed surface area. Mr. Skromyda stated that he was in the process of implementing a dust control program and gave me a draft copy of that program. I requested Mr. Skromyda to survey the facility, calculate the disturbed soil area within the next two weeks and get the acreage permitted.

05/27/09 - I received an email from Mr. Skromyda which stated that they had approximately 9.5 acres of disturbed surface area. Subsequently, a Letter of Noncompliance was issued for not having that acreage permitted. Compliance with future conditions in the permit to control fugitive dust and implementing a dust control program should minimize fugitive dust emissions from the plant.

6/22/09 - Tronox submitted an application to permit a 1,000 gallon above ground gasoline storage tank, 9.5 acres of disturbed soil area and a 20,000 gallon above ground diesel storage tank.



DEPARTMENT OF AIR QUALITY & ENVIRONMENTAL MANAGEMENT

500 S Grand Central Parkway 1st Floor · Box 555210 · Las Vegas, NV 89155-5210
(702) 455-5942 · Fax (702) 383-9994

Lewis Wallenmeyer Director · Alan Pinkerton Assistant Director · Tina Gingras Assistant Director

LETTER OF NONCOMPLIANCE

April 16, 2009

CERTIFIED MAIL # 7007 3020 0000 9940 2034

Mr. Fredrick R. Stater
Plant Manager
Tronox, LLC
P. O. Box 55
Henderson, NV 89009-7000

Subject: Tronox LLC – DAQEM Source ID 95

Dear Mr. Stater,

This letter of noncompliance is being sent to you pursuant to NRS 445B.450 (5), which states, "Nothing in this section prevents the Commission or the Director from making efforts to obtain voluntary compliance through warning, conference or other appropriate means."

On April 14, 2009, personnel from the Department of Air Quality and Environmental Management (DAQEM) performed an inspection at Tronox LLC located at 8000 West Lake Mead Parkway, Henderson, NV 89015, during which the following deficiency was observed:

1. Operation of a Gasoline Dispensing Facility, consisting of one 1,000 gallon gasoline storage tank and one nozzle, without a DAQEM permit.

Air Quality Regulation (AQR) Section 12.1.1.1 states in part ... "Any PERSON who proposes to install or construct any new STATIONARY SOURCE (as defined in Section 0), or make MODIFICATION (as defined in Section 0) to any existing STATIONARY SOURCE shall apply for an "AUTHORITY TO CONSTRUCT" CERTIFICATE prior to COMMENCING CONSTRUCTION..."

AQR Section 16.1 states "No PERSON shall cause, suffer, or allow the operation of any EMISSION UNIT in a STATIONARY SOURCE or in a GASOLINE STATION unless an OPERATING PERMIT has been issued by the CONTROL OFFICER and such permit is current and valid."



BOARD OF COUNTY COMMISSIONERS

Rory Reid Chairman · Susan Brager Vice-Chairman
Larry Brown, Tom Collins, Chris Giunchigliani, Steve Sisolak, Lawrence Weekly
Virginia Valentine, PE, County Manager

Therefore, on or before May 18, 2009, please submit a written response, to my attention, explaining how and when compliance was achieved for the deficiency, and how future noncompliance issues will be avoided. For each deficiency requiring a written response, include any documentation which will demonstrate future compliance. All documentation shall be deemed "submitted" when received by DAQEM at the above address.

The DAQEM may issue a Notice of Violation for the violation even if the violation has ceased.

Failure to submit the required information on or before the required due date may subject the owner/operator of the above facility to additional enforcement action as provided for in the Clark County Air Quality Regulations, Section 9. The Hearing Board and/or the Hearing Officer may levy civil penalties of \$10,000 per day per violation. Each day of violation constitutes a separate offense.

Should you have any questions regarding this matter, please contact me at (702) 455-1687. If you need assistance in achieving compliance with the deficiency identified in this letter, you may also contact our Small Business Assistance Specialist, John Richardson, at 455-3455. Small Business assistance is a free and confidential service to qualified companies of 100 employees or less.

Sincerely,



Syed S. Hyder
Air Quality Specialist II

SH



DAQEM

DEPARTMENT OF AIR QUALITY & ENVIRONMENTAL MANAGEMENT

500 S Grand Central Parkway 1st Floor · Box 555210 · Las Vegas, NV 89155-5210
(702) 455-5942 · Fax (702) 383-9994

Lewis Wallenmeyer Director · Alan Pinkerton Assistant Director · Tina Gingras Assistant Director

LETTER OF NONCOMPLIANCE

May 27, 2009

CERTIFIED MAIL # 7007 3020 0000 9940 2089

Mr. Fredrick R. Stater
Plant Manager
Tronox, LLC
P. O. Box 55
Henderson, NV 89009-7000

Subject: Tronox LLC – DAQEM Source ID 95

Dear Mr. Stater:

This letter of noncompliance is being sent to you pursuant to NRS 445B.450 (5), which states, "Nothing in this section prevents the Commission or the Director from making efforts to obtain voluntary compliance through warning, conference or other appropriate means."

On May 8, 2009, personnel from the Department of Air Quality and Environmental Management (DAQEM) performed an inspection at Tronox LLC located at 8000 West Lake Mead Parkway, Henderson, NV 89015, during which the following deficiency was observed:

1. Disturbed surface areas in the facility were not included in Authority to Construct/Operating Permit 95, Modification 11, issued on November 3, 2008. Subsequent calculation performed by Tronox LLC staff, at the request of DAQEM, indicated approximately 9.5 acres of unpermitted disturbed surface area.

Air Quality Regulation (AQR) Section 12.1.1.1 states in part ..." Any PERSON who proposes to install or construct any new STATIONARY SOURCE (as defined in Section 0), or make MODIFICATION (as defined in Section 0) to any existing STATIONARY SOURCE shall apply for an "AUTHORITY TO CONSTRUCT" CERTIFICATE prior to COMMENCING CONSTRUCTION..."

AQR Section 16.1 states "No PERSON shall cause, suffer, or allow the operation of any EMISSION UNIT in a STATIONARY SOURCE or in a GASOLINE STATION unless an OPERATING PERMIT has been issued by the CONTROL OFFICER and such permit is current and valid."



BOARD OF COUNTY COMMISSIONERS

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Larry Brown, Tom Collins, Chris Giunchigliani, Steve Sisolak, Lawrence Weekly
Virginia Valentine, PE, County Manager

Mr. Fredrick R. Stater
May 27, 2009
Page Two

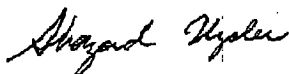
Therefore, on or before **June 29, 2009**, please submit a written response, to my attention, explaining how and when compliance was achieved for the deficiency, and how future noncompliance issues will be avoided. For each deficiency requiring a written response, include any documentation which will demonstrate future compliance. All documentation shall be deemed "submitted" when received by DAQEM at the above address.

The DAQEM may issue a Notice of Violation for the violation even if the violation has ceased.

Failure to submit the required information on or before the required due date may subject the owner/operator of the above facility to additional enforcement action as provided for in the Clark County Air Quality Regulations, Section 9. The Hearing Board and/or the Hearing Officer may levy civil penalties of \$10,000 per day per violation. Each day of violation constitutes a separate offense.

Should you have any questions regarding this matter, please contact me at (702) 455-1687. If you need assistance in achieving compliance with the deficiency identified in this letter, you may also contact our Small Business Assistance Specialist, John Richardson, at 455-3455. Small Business assistance is a free and confidential service to qualified companies of 100 employees or less.

Sincerely,



Syed S. Hyder
Air Quality Specialist II

Shannon Harbour

From: Brian Rakvica
Sent: Wednesday, July 01, 2009 9:47 AM
To: 'Mike Balshi'
Cc: Paul Black; Shannon Harbour
Subject: RE: TRX QAPP

Mike,

Thanks. None of these material affect the sampling that is on-going... so that is good.

There is also an errata that is coming in to revert back to the previously approved perchlorate analytical method... so that should be an easy one.

Thanks,

Brian

From: Mike Balshi [mailto:mbalshi@neptuneinc.org]
Sent: Wednesday, July 01, 2009 9:44 AM
To: Brian Rakvica
Cc: Paul Black
Subject: Re: TRX QAPP

Hi Brian,

I reviewed the Tronox QAPP and the response to comments and only identified some minor issues:

Comment #5

Section E, reference NDEP 2009(e), TRX should note that this guidance has been updated with Unification of Electronic Data Deliverables (EDD), NDEP-Required EDD Format (NDEP guidance letter, May 20, 2009).

Neptune Response:

The date in the references section is noted as 11 May 2009, not 20 May 2009 as indicated in the previous round of comments to Tronox. Please clarify.

Comment #6:

Figure A-1, TRX should provide an update to this organization chart Figure as follows:

- a. Northgate Environmental Management, Inc. is providing project oversight for the environmental investigative activities and AECOM is no longer providing any services at the Site.
- b. Susan Crowley is no longer directly employed by TRX.

Neptune Response:

Susan Crowley is still listed as an employee of Tronox in Figure A-1.

Please let me know if you have any questions.

Thanks much,

Mike

On Wed, Jul 1, 2009 at 10:06 AM, Brian Rakvica <brakvica@ndep.nv.gov> wrote:

Paul

Any update?

Thanks,

Brian

Brian A. Rakvica, P.E.

Supervisor, Special Projects Branch

Bureau of Corrective Actions

Nevada Division of Environmental Protection

2030 East Flamingo Road, Suite 230

Las Vegas, Nevada 89119

tel: 702-486-2850 x 247

e: brakvica@ndep.nv.gov

fax: 702-486-5733

<http://ndep.nv.gov/bmi/index.htm>

--

Michael S. Balshi, Ph.D.
Biologist/Ecologist
Neptune and Company, Inc.

8550 W 14th Ave.

Lakewood, CO 80215

voice: (720) 746-1803 ext. 8#

fax: (720) 746-1605

<http://www.neptuneandco.com/>

*New website to be launched soon! Check back often! *

Shannon Harbour

From: Keith Bailey [okbailey@flash.net]
Sent: Friday, June 19, 2009 7:11 AM
To: Shannon Harbour; 'Crowley, Susan [Contractor]'; 'Deni Chambers'; Brian Rakvica; 'Derrick Willis'
Subject: Tronox Response re NDEP Transition Letter Dated June 4, 2009
Attachments: ContactsNDEP request.pdf; Pascual_Benito_Profile.pdf

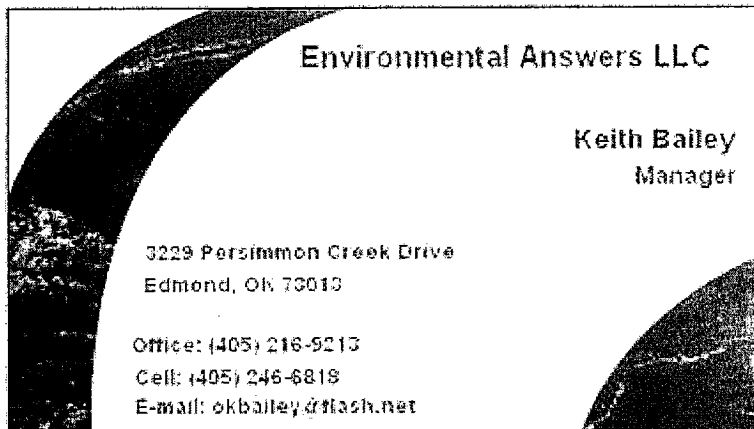
Shannon,

In your letter to Tronox dated June 4, 2009, you requested contact information for several Northgate employees and sub-contractors who will be working on the Tronox projects. You also inquired about Northgate's statistician qualifications. Since Susan Crowley is on vacation and you requested errata sheets by today, I am forwarding two documents from Northgate Environmental Management which address your comments.

The first attached document contains the contact information you requested. The second attachment contains additional resume information for Dr. Pascual Benito, the Northgate statistician.

If you have questions, please give me a call at (405) 216-9213. Susan Crowley will be back at work next week.

Keith



Contacts

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300 Frank H. Ogawa Plaza, Suite 510
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rkalmes@exponent.com

Pascual Benito, PhD

Project Statistician & GIS/Web-Based Data Management

Dr. Benito has 14 years of experience performing environmental data analysis in support of site investigations. He will perform statistical evaluations and data visualization of soil and groundwater monitoring data in accordance with the methodologies in place from EPA and NDEP regulatory guidance. He has extensive experience in statistical analysis and visualization of environmental data, including geostatistical analysis, univariate and multivariate analysis methods, uncertainty analysis, probabilistic modeling, and both parametric and non-parametric hypothesis testing using industry standard software tools such as MATLAB, R, MINITAB, MS Excel, and ArcGIS Geostatistical Analyst .

Dr. Benito will perform plume delineation and capture zone analysis in support of remediation efforts. He has expertise in subsurface fluid flow and contaminant transport modeling using MODFLOW, MODPATH, MT3D, and RT3D with Visual Modflow, PMWIN PRO and GMS. He has carried out large-scale modeling investigations to assess the risks posed from multiple plumes from industrial facilities and groundwater pumping test analysis using Aquifer and AQTESOLV, as well as developing in-house software tools for pump test and capture zone analysis using MATLAB and MS Excel.

Dr. Benito has experience in data management with ArcGIS, Microsoft Access and SQL database systems. He has managed the development and deployment of web-accessible, GIS enabled environmental information systems for use in multi-stakeholder projects so that environmental information is easily and securely reported, transferred, and disseminated between project stakeholders.

Critics question Obama commitment to depoliticizing scientific review of toxic industrial chemicals

Critics say regulations defy apolitical pledge

By Tom Hamburger and Peter Wallsten | Tribune Newspapers
June 12, 2009

WASHINGTON — The Obama administration has promised to end political meddling in scientific decisions, but some critics say the White House botched an early test of that pledge on a key public health question: how to assess the danger of industrial chemicals.

At issue is a government catalog of toxic substances that guides regulators, industries and the public on the dangers posed by certain chemicals. Environmentalists believe the hazards should be assessed solely by scientists. But new guidelines issued last month by the Environmental Protection Agency carve out a role for "White House officials."

The question of political interference is sensitive, coming as critics in Congress and elsewhere say the administration of former President George W. Bush undermined the toxic chemical database by creating delays and adding policy preferences.

Critics say they were hoping Obama would do more to remove politics from the process. "Instead of leaving scientists free to do their work, the Obama administration has invited interference from people interested in politics and economics," said Rena Steinzor, a law professor who chairs the Center for Progressive Reform, which advocates strong regulation.

House and Senate Democrats are now requesting clarification of the role Obama aides might play in evaluating chemical hazards.

"The ultimate question is whether EPA scientists are controlling this or whether it's the political guys," said Rep. Brad Miller, D-N.C., chairman of a science subcommittee.

Miller said that overall he was pleased with Obama's new rules for the catalog of chemicals.

The new guidelines, issued May 20, were designed to speed the updating of the database and to require more transparency.

How the government assesses the dangers of chemicals such as dioxin, perchlorate or formaldehyde that are used by industry has been a controversy for years.

A report released Thursday by Miller's committee charged that, due largely to political influence that took place under the Bush administration, the EPA chemical database has been damaged.

White House spokesman Kenneth Baer said the new rules simply allow scientists, even those in the White House, to contribute to the discussion.

"The rule refers to White House staff who have scientific credentials," he said. Besides, he said, "their comments will be made public. So, there is a level of transparency that will guard against the type of outcomes the critics are worried about."

Printed from **Desalination & Water Reuse** - <http://www.desalination.biz>

Desalination plant's nitrate removal has hidden benefits

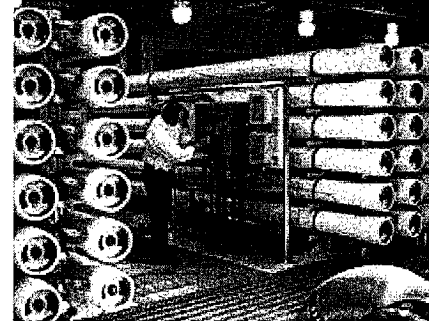
12 June 2009

Source URL: http://www.desalination.biz/news/news_story.asp?id=4902

[0 A water district in California has found a novel way to remove multiple contaminants from groundwater currently feeding a desalination plant without creating waste that requires costly treatment and disposal.

The treatment could replace processes such as ion-exchange, reverse-osmosis and electro dialysis-reversal.

Western Municipal Water District (WMWD) is moving ahead with plans to expand the Arlington Desalter to 7,500 acre-feet (9.2 million m³) of drinking water per year and has awarded an \$815,000 contract to Carollo Engineers to design what is anticipated to be the USA's only operating full-scale biologically active denitrification facility for drinking water.



Arlington Desalter

Project design of the US\$ 7.98 million plant will begin immediately. This will consist of a series of large biofilters, polishing filters and backwash equalization tanks as well as supply pumps and a new groundwater well. Once complete, the expansion will provide 2,300 acre-feet (2.8 million m³) per year of biodenitrification treatment capacity.

2MGD

"With reduced imported water supplies from the Colorado River and the State Water Project, this action moves us one step closer to reaching our goal of increased water independence," said WMWD board president Thomas P Evans.

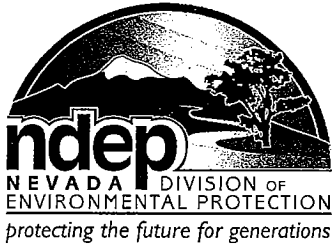
WMWD completed extensive facility testing of the fixed-bed biological treatment (FXB) process in late 2008. The district and Carollo have received provisional approval from the California Department of Public Health to use FXB to remove nitrate from drinking water.

A key benefit discovered during testing is the ability to remove multiple contaminants from the water supply. In addition to removing nitrate, the FXB process destroys perchlorate and volatile organic compounds (VOC).

While existing nitrate treatment processes such as ion-exchange, reverse-osmosis and electro dialysis-reversal remove nitrate effectively, each creates a nitrate-laden concentrate waste requiring treatment and disposal. The FXB process converts nitrate to harmless byproducts such as nitrogen gas, thereby also eliminating the need for nitrate-waste handling, making this technology sustainable.

Other benefits include competitive operating cost and highly efficient water recovery.

Source: Desalination & Water Reuse



STATE OF NEVADA

Department of Conservation & Natural Resources

DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor

Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

June 4, 2009

Susan Crowley (Contractor)
C/O Tronox LLC
PO Box 55
Henderson, NV 89009

Re: **Tronox LLC (TRX)**
NDEP Facility ID #H-000539
Nevada Division of Environmental Protection (NDEP) Response to:
Transition of Environmental Oversight Role
Dated May 29, 2009

Dear Ms. Crowley,

The NDEP has received and reviewed TRX's above-identified Transition document. NDEP acknowledges that Northgate Environmental Management, Inc. has been contracted to oversee the environmental investigation activities at the Site. Please provide errata **by June 19, 2009** with the contact information for the following people: Elizabeth Nixon, Mark Gage, Pascual Benito, Kaleo Paderes, and Renee Kalmes. Additionally, based on the information provided, NDEP has noted that TRX does not appear to have a statistician listed in support of this project. This may need to be addressed in the future.

Please contact the undersigned with any questions at sharbour@ndep.nv.gov or (702) 486-2850 extension 240.

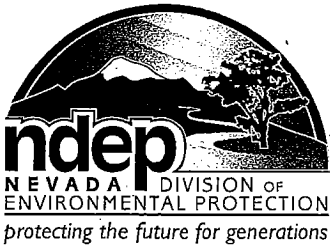
Sincerely,

Shannon Harbour, P.E.
Staff Engineer III
Bureau of Corrective Actions
Special Projects Branch
NDEP-Las Vegas Office
Fax: 702-486-5733

SH:bar:sh



CC: Jim Najima, NDEP, BCA, Carson City
Brian Rakvica, NDEP, BCA, Las Vegas
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Lee Erickson, Stauffer Management Company, P.O. Box 18890, Golden, CO 80402
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Curt Richards, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Paul Sundberg, Montrose Chemical Corporation, 10733 Wave Crest Court, Stockton, CA 95209
Joe Kelly, Montrose Chemical Corporation of CA, 600 Ericksen Avenue NE, Suite 380, Bainbridge Island,
WA 98110



STATE OF NEVADA
Department of Conservation & Natural Resources
DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor
Allen Biaggi, Director
Leo M. Drozdoff, P.E., Administrator

June 4, 2009

Jeff Gibson
Director, Support Operations
American Pacific Corporation
3883 Howard Hughes Parkway, Suite 700
Las Vegas, NV 89109

Re: **American Pacific Corporation (AMPAC)**
(Former PEPCON Facility)
Nevada Division of Environmental Protection (NDEP) Response to:
Memorandum: Work Plan for Pneumatic Slug Testing and Analysis, South of Warm Springs Study Area, Henderson, Nevada
Dated: June 3, 2009

Dear Mr. Gibson,

The NDEP has received and reviewed AMPAC's above-identified Work Plan and finds that the document is acceptable.

Please contact the undersigned with any questions at sharbour@ndep.nv.gov or (702) 486-2850 extension 240.

Sincerely,

Shannon Harbour, P.E.
Staff Engineer III
Bureau of Corrective Actions
Special Projects Branch
NDEP-Las Vegas Office
Fax: 702-486-5733

SH:sh



CC: Jim Najima, NDEP, BCA, Carson City, NV
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Joe Kelly, Montrose Chemical Corporation of CA, 600 Ericksen Avenue NE, Suite 380, Bainbridge Island,
WA 98110
Brian Giroux, McGinley and Associates, 425 Maestro Drive, Suite 202, Reno, NV 89511

Grijalva hears of threats to quality of the water

By Dick Kamp

A House hearing on Lower Colorado River water quality, held on May 27 in Tucson, explored what committee member Rep. Raul Grijalva (D-Ariz.) described in his opening remarks as an attempt to help spur the attention that we need to focus on this issue before a crisis does it for us.

The hearing was held by the House Natural Resources Subcommittee on Water and Power to explore what federal measures can help preserve and prevent the degradation of river water quality. Much of the testimony agreed on the seriousness of a variety of pollution threats to the river, source of drinking water for 30 million residents of the Southwest, and a scattershot series of Congressional and Executive interventions were proposed.

Lake Havasu City Mayor Mark Nexsen spoke on behalf of Havasu and Bullhead City, as well as chairman of the regional Colorado River Regional Sewer Coalition (CRRSCO) whose members include a wide range of tribes, cities and towns including Tucson.

Nexsen said that, economically, the costs of reducing nitrate and other sewage-based pollution from the Havasu and Bullhead areas into the river are close to \$700 million with 92 percent of the cost debt weighing heavily on a population he described as retired or on a fixed income or earning an average of \$12 per hour. Nexsen repeated the recommendation of the Clean Colorado River Alliance that the Arizona Congressional delegation should support the effort of CRRSCO to obtain federal funding for wastewater infrastructure in communities along the river. It is evident that the river cannot be protected by local governments alone.

He added that CRRSCO believes that there, are at least four sources of pollution that are at the heart of the contamination crisis confronting both the upper and lower Colorado River basins: nitrates and other nutrients, uranium, pharmaceuticals and heavy metals such as chromium along with proliferation of the Quagga mussel which has invaded Lake Havasu with a vengeance. The impact of a drought, which is all but a foregone conclusion will exacerbate the aforementioned threats to the river.

It is not yet known how to economically technologically remove pharmaceuticals that have passed through the human body as part of wastewater treatment from the growing population along the river. Uncontrolled septic tanks aggravate the problem. Pharmaceuticals are endocrine-disrupting compounds that have caused probable mutations and birth defects in fish and animals. The Southern Nevada Water Authority has detected the compounds in Lake Havasu.

In addition to funding for sewage infrastructure, Nexsen called for legislation with adequate appropriations to research how to best eliminate pharmaceuticals from effluent, eliminate the Quagga mussel, and to expedite the clean up of Moab, Utah, uranium tailings and hexavalent chromium from the old PG&E Topock natural gas compressor north of Havasu.

Metropolitan Water District of Southern California Assistant General Manager Roger Patterson called for an end to the Department of the Interior (DOI) approving exploration of uranium near the Grand Canyon. He also asked EPA to intervene to ensure that the cleanup of perchlorate, a human hormonal disrupter, from old rocket fuel at the Tronox plant near Henderson, Nev., is ensured since Tronox is probably entering bankruptcy. Perchlorate levels in the river have been reduced but continue to show up in potable water in Southern California, however below drinking water standards.

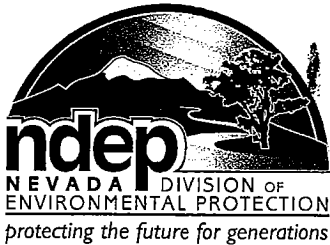
Congressionally, Patterson suggested approval of appropriations to expedite cleanup of hexavalent chromium and of proposed DOI funding to reduce salinity in the river, as well as funding to create a protective berm around, and speed up the cleaning of, Moab uranium tailings.

University of Arizona climate expert Jonathan Overpeck suggested that a mix of over allocation of water, drought that will reduce flow, and climate change and more heat would aggravate existing pollution problems. More sediment from floods, more concentration of pollutants as cities grow, and a need to recycle what rainfall and sewage they would have would also negatively impact river water quality. He proposed a science and services program to avoid future water conflicts among states, Native Nations and Mexico that would address local stakeholder concerns and integrate greenhouse gas control as part of their mandate.

Overpeck said that a model exists created by the National Oceans and Aeronautics Administration and that it should include the entire Colorado River Basin, funded by Congress for 10 years at \$20 million per year.

EPA Region 9 Water Division Director Alexis Strauss testified on how the appropriations process works to create funding for wastewater and water systems under the Clean Water Act, stating that Lake Havasu had received \$207.5 million in loans between 2003 and 2008 and another \$46.05 million low-interest loan in 2009 for wastewater with an increase expected under Obama's proposed budget for 2010 for its Wastewater System Expansion project.

(Editor's note: Kamp is an environmental liaison for Wick Communications, which owns the Nogales International/Weekly Bulletin.)



STATE OF NEVADA

Department of Conservation & Natural Resources
DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor
Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

June 1, 2009

Susan Crowley (Contractor)
C/O Tronox LLC
PO Box 55
Henderson, NV 89009

Re: **Tronox LLC (TRX)**
NDEP Facility ID #H-000539
Nevada Division of Environmental Protection (NDEP) Response to:
Quality Assurance Project Plan, Tronox LLC Facility, Henderson, Nevada
Dated: May 26, 2009

Dear Ms. Crowley,

The NDEP has received and reviewed TRX's above-identified Quality Assurance Project Plan (QAPP) and provides comments in Attachment A. A revised QAPP or errata should be submitted based on the comments found in Attachment A. Please advise the NDEP by **June 8, 2009** regarding the schedule for this resubmittal. TRX should additionally provide an annotated response-to-comments letter as part of the revised submittal.

Please contact the undersigned with any questions at sharbour@ndep.nv.gov or (702) 486-2850 extension 240.

Sincerely,

Shannon Harbour, P.E.
Staff Engineer III
Bureau of Corrective Actions
Special Projects Branch
NDEP-Las Vegas Office
Fax: 702-486-5733

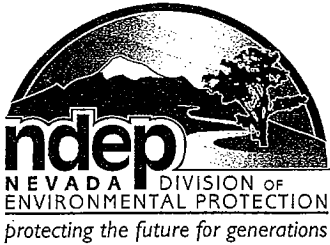


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CC: Jim Najima, NDEP, BCA, Carson City
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Joe Kelly, Montrose Chemical Corporation of CA, 600-Ericksen Avenue NE, Suite 380, Bainbridge Island,
WA 98110
Dave Gratson, Neptune and Company, Inc., 1505 15th Street, Suite B, Los Alamos, NM 87544

Attachment A

1. Section A.1, page 1 of 14, 2nd paragraph, the reference to the Field Sampling and Analysis Plan (FSAP) should be updated. The Basic Remediation Company (BRC) Standard Operating Procedures (SOPs) have been periodically updated since then. TRX should also include a reference to the most current SOPs in Section E.
2. Section A.7.a, page 11 of 14, 5th paragraph, TRX should consider using collision cell ICP/MS (or another suitable method) for the metal analyses that are subject to interferences.
3. Section B.2.2, page 1 of 9, TRX states that field filtration may be required if the turbidity exceeds 10 NTU. TRX should review the BRC SOP-5: Water Sampling and Field Measurements and revise this section for consistency with this SOP.
4. Section B.4, table, page 5 or 9, PTS Laboratories are listed in this table; however, no Quality Assurance (QA) manual from this laboratory was provided in Appendix B. Please forward their QA Manual for review and inclusion in this QAPP or revise this Section accordingly.
5. Section E, reference NDEP 2009(e), TRX should note that this guidance has been updated with *Unification of Electronic Data Deliverables (EDD), NDEP-Required EDD Format* (NDEP guidance letter, May 20, 2009).
6. Figure A-1, TRX should provide an update to this organization chart Figure as follows:
 - a. Northgate Environmental Management, Inc. is providing project oversight for the environmental investigative activities and AECOM is no longer providing any services at the Site.
 - b. Susan Crowley is no longer directly employed by TRX.
7. Table A-1, Distribution List, NDEP has the following comments:
 - a. Todd Croft, NDEP, should be removed from the distribution list.
 - b. Joanna Otani-Fehling is incorrectly listed as associated with Neptune and Company.
8. Table B-1, pages 19-22 of 37, NDEP has the following comments:
 - a. General comment, this table appears to have two sections: soil sampling requirements and groundwater sampling requirements. Please revise this table to clarify this.
 - b. Page 19 of 37, the number "1" is used in two separate instances to reference a footnote. The first is for the "Container" heading (this footnote reference is on all four pages on the Table) and the second is for the preservative for hexavalent chromium. There are two number 1 footnotes listed on this Table: on page 20 and on page 22. Please revise this Table for clarity.
9. Table B-3, page 28 of 37, the Control Limits for Organic Acids - Method Blanks uses the term MRL. It is likely this should be replaced with the term PQL. If not, please justify why MRL is being used.



STATE OF NEVADA

Department of Conservation & Natural Resources

DIVISION OF ENVIRONMENTAL PROTECTION

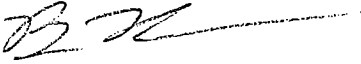
Jim Gibbons, Governor

Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

TRANSMITTAL

TO: Deni Chambers and Derrick Willis

FROM: Brian Rakvica 

RE: Electronic Transmittal of NDEP files

On the hard disk you provided we have provided copies of all of the NDEP's files on the BMI Complex and Common Areas. These are organized on the hard disk by company name. For each company name there is a set of "scanned files" and "live files". Scanned files are older files and include a copy of all correspondence through 2008. Live versions of the NDEP's 2009 correspondence are included. 2009 correspondence from the companies is not included. Please note that correspondence consists only of "letters" not "reports".

Please contact me with any questions.

Thanks,

Brian

CC (transmittal only):

Shannon Harbour, NDEP, BCA, Las Vegas

Keith Bailey, Environmental Answers LLC, 3229 Persimmon Creek Drive, Edmond, OK 73013

Susan Crowley, Crowley Environmental LLC, 366 Esquina Dr, Henderson NV 89014

Susan Crowley, Tronox LLC, PO Box 55, Henderson, Nevada 89009



May 12, 2009

KIRKLAND & ELLIS LLP
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Jonathan S. Henes
Colin M. Adams
153 East 53rd Street
New York, New York 10022-4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Additional Counsel Listed On Signature Block

*Attorneys for Tronox Incorporated, Tronox
Worldwide LLC, and Tronox LLC*

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

TRONOX INCORPORATED, *et al.*,

Debtors.

TRONOX INCORPORATED, TRONOX
WORLDWIDE LLC f/k/a Kerr-McGee
Chemical Worldwide LLC, and TRONOX
LLC f/k/a Kerr-McGee Chemical LLC,

Plaintiffs,

v.

ANADARKO PETROLEUM
CORPORATION and KERR-MCGEE
CORPORATION,

Defendants.

)
) Chapter 11

)
) Case No. 09-10156 (ALG)

)
) Jointly Administered

)
) Adversary Proceeding No. 09-_____

ADVERSARY COMPLAINT

Plaintiffs Tronox Incorporated, Tronox Worldwide LLC f/k/a Kerr-McGee Chemical
Worldwide LLC, and Tronox LLC f/k/a Kerr-McGee Chemical LLC (collectively, "Tronox"),

for their Adversary Complaint against Defendants Anadarko Petroleum Corporation (“Anadarko”) and Kerr-McGee Corporation (“New Kerr-McGee”), allege as follows:

INTRODUCTION

1. This case is about a successful oil and gas exploration and production company, Kerr-McGee Corporation, that created massive actual and contingent environmental, tort, retiree, and other liabilities during its more than 70-year history (the “Legacy Liabilities”) and then dumped them on Tronox so that Kerr-McGee’s senior executives could obtain windfall profits during a wave of lucrative consolidation in the oil and gas industry. In the process, however, Kerr-McGee left Tronox grossly undercapitalized and without sufficient assets to pay its debts; misled potential investors regarding the true magnitude of the Legacy Liabilities; loaded down Tronox with debt; forced Tronox to provide sweeping indemnities to New Kerr-McGee and substantially above-market benefits to retirees; defrauded creditors; and set Tronox on a path to an inevitable bankruptcy.

2. By the late 1990s, the entity then known as Kerr-McGee Corporation (“Old Kerr-McGee”) had accumulated massive Legacy Liabilities through its various far-flung businesses—including treatment of wood products, production of rocket fuel, refining and marketing of petroleum products, and the mining, milling and processing of nuclear materials—since it was founded in 1929.

3. Having enjoyed years of profits from the various businesses that created the Legacy Liabilities, Old Kerr-McGee decided to jettison the toxic legacy resulting from those businesses because it was preventing Old Kerr-McGee from participating in potential transactions that would result in even greater profits for Old Kerr-McGee and its senior executives. Potential merger and acquisition partners were scared away by the “poison pill” of

Legacy Liabilities. The need to evade the Legacy Liabilities was underscored when the U.S. Environmental Protection Agency (“EPA”) notified Old Kerr-McGee in 1999 that it was allegedly responsible for hundreds of millions of dollars in cleanup costs at a former wood treatment plant in Manville, New Jersey. Old Kerr-McGee knew that Manville was just the tip of the iceberg and that it would face similar potential liability at numerous other sites like Manville.

4. Old Kerr-McGee devised a two-step fraudulent scheme to escape its toxic past and attempt to place its valuable oil and gas assets safely beyond the reach of the EPA, tort claimants, and other creditors. *First*, Old Kerr-McGee would isolate the Legacy Liabilities by transferring all of its valuable oil and gas assets out of the historical business and into a new “clean” entity. *Second*, Old Kerr-McGee then would sever the historical business containing the Legacy Liabilities—achieving a “clean break” between its valuable oil and gas assets and the Legacy Liabilities.

5. Step One of the scheme was code-named “Project Focus.” To isolate the Legacy Liabilities from the valuable oil and gas assets, Old Kerr-McGee created an entirely new corporate structure that featured a new “clean” parent company—also called “Kerr-McGee Corporation” (“New Kerr-McGee”)—and a new “clean” subsidiary—Kerr-McGee Oil and Gas Corporation (the “Oil and Gas Business”)—into which all of the valuable oil and gas assets were transferred. Numerous liabilities created by those oil and gas assets, however, stayed behind along with the liabilities of all of Old Kerr-McGee’s other historical business. Through these corporate machinations, Old Kerr-McGee became a subsidiary of New Kerr-McGee and was stripped of its most valuable assets. All that remained in Old Kerr-McGee (which remained under the control of New Kerr-McGee until April 1, 2006) was a small, cyclical chemical

business, a handful of discontinued businesses, and more than 70 years of Legacy Liabilities (the “Chemical Business”). The majority of the Legacy Liabilities retained by the Chemical Business stemmed from business operations completely unrelated to the Chemical Business, including oil and gas operations.

6. New Kerr-McGee initiated Step Two in spring 2005 when it commenced efforts to sell or spin-off the liability-laden Chemical Business. But potential purchasers balked. Numerous potential buyers refused even to bid on the Chemical Business burdened with the “poison pill” of Legacy Liabilities. One stated that the amount of Legacy Liabilities that New Kerr-McGee was attempting to put on the Chemical Business was “criminal.” Another potential purchaser reduced its proposed \$1.2 billion purchase price for the Chemical Business by \$900 million if the Legacy Liabilities were included. These were legitimate concerns. During the sale process, EPA sent New Kerr-McGee a demand for \$178.8 million for response costs incurred through December 2004 at Manville, one of numerous wood treatment sites where New Kerr-McGee knew it could have potential liability. There were also thousands of personal injury tort claims pending against New Kerr-McGee related to the wood treatment sites and other issues.

7. New Kerr-McGee realized that it could never achieve its goal of a clean break from its Legacy Liabilities with an arm’s-length buyer. So it elected to spin-off (the “Spin-Off”) the Chemical Business as Tronox. A Spin-Off enabled New Kerr-McGee to unilaterally dictate the terms of the deal, avoid third-party due diligence, and eliminate standard representations and warranties regarding its massive Legacy Liabilities.

8. The two-step scheme concluded with the completion of the Spin-Off on March 31, 2006. New Kerr-McGee not only offloaded the massive Legacy Liabilities, but also stripped \$785 million out of the Chemical Business tax free on the way out the door.

9. The scheme, however, paid additional dividends for New Kerr-McGee. Less than 90 days after New Kerr-McGee jettisoned the Legacy Liabilities, Anadarko offered to acquire New Kerr-McGee for \$18 billion on June 22, 2006. The transaction was approved and New Kerr-McGee became a wholly owned subsidiary of Anadarko on August 10, 2006. A primary architect of the two-step scheme, New Kerr-McGee Chairman and Chief Executive Officer Luke R. Corbett, personally profited by more than \$200 million from the Anadarko deal. New Kerr-McGee Senior Vice President and Chief Financial Officer Robert M. Wohleber, who also served as Chairman of the Board of Tronox until the completion of the Spin-Off, pocketed more than \$20 million. New Kerr-McGee Senior Vice President and General Counsel Gregory F. Pilcher, another architect of the Spin-Off, walked away with more than \$9 million. Other New Kerr-McGee senior executives also enjoyed windfalls.

10. While the “clean break” from the Legacy Liabilities allowed New Kerr-McGee to complete an \$18 billion sale with massive profits for its senior executives, Tronox was simply broke. Overburdened with the Legacy Liabilities and debt, stripped of essential cash, and grossly undercapitalized, Tronox was doomed to fail. Despite valiant efforts to survive, including significant personnel reductions, efforts to streamline its operations, and reductions in retiree benefits programs, Tronox was left with no choice but to file for bankruptcy protection on January 12, 2009.

11. New Kerr-McGee knew that Tronox was doomed to fail from the moment of the Spin-Off:

- New Kerr-McGee rushed to complete the Spin-Off near the top of the chemical sector business cycle. It knew that Tronox would never achieve the inflated projections that New Kerr-McGee had presented to the market under typical conditions.

- New Kerr-McGee concealed from potential investors the true extent of the Legacy Liabilities that it forced upon Tronox.
- New Kerr-McGee's investment banker for the Spin-Off—as well as for the Anadarko deal—was Lehman Brothers. While Lehman Brothers was touting Tronox's virtues to the market, it was telling a different story internally. On several occasions, Lehman Brothers' lead banker drew a picture of a potted flower on a white board. The flower represented Tronox. He also drew a weed growing out of the flower pot. The weed represented the Legacy Liabilities. The Lehman Brothers banker explained that the weed would choke the flower.
- New Kerr-McGee stripped all of Tronox's cash except for \$40 million (which was less than the amount Tronox would have to spend in its first year to service its Legacy Liabilities and debt). New Kerr-McGee told Tronox to cover cash shortfalls by selling its assets.
- Following extensive due diligence, a potential third-party buyer warned New Kerr-McGee that Tronox could never survive on its own.
- New Kerr-McGee switched a number of retired high level executives from the Tronox pension fund to the New Kerr-McGee pension fund, fearing that a Tronox bankruptcy would negatively impact their retirement payments.
- Anadarko agreed to an unusual provision in connection with the acquisition of New Kerr-McGee that indemnified New Kerr-McGee's officers and directors for acts and omissions prior to the acquisition, thereby purporting to shield the officers and directors from liability for their roles in the Spin-Off.

12. Simply put, Tronox was destined to fail. New Kerr-McGee knew it. But

Tronox's public investors and creditors did not.

JURISDICTION AND VENUE

13. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding under 28 U.S.C. § 157(b).

14. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

PARTIES

15. Plaintiff Tronox Incorporated is a Delaware corporation with its principal place of business in Oklahoma City, Oklahoma. Tronox has operations and facilities in the United States,

the Asia Pacific region, and Europe. On January 12, 2009, Tronox and 14 of its affiliated companies (the “Debtors”) filed for chapter 11 protection in this Court. The Debtors operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

16. Plaintiff Tronox Worldwide LLC, one of the Debtors, is a successor in interest to Old Kerr-McGee and, as a result of the Spin-Off, is a wholly owned subsidiary of Tronox Incorporated.

17. Plaintiff Tronox LLC, one of the Debtors, is a successor in interest to Old Kerr-McGee and, as a result of the Spin-Off, is an indirect wholly owned subsidiary of Tronox Incorporated.

18. Defendant Anadarko is a Delaware corporation headquartered in The Woodlands, Texas. On June 22, 2006, Anadarko offered to acquire New Kerr-McGee for \$18 billion, including \$16.4 billion in cash. On August 10, 2006, the shareholders of New Kerr-McGee approved the offer, and New Kerr-McGee became a wholly owned subsidiary of Anadarko. Accordingly, Anadarko is a successor in interest to New Kerr-McGee.

19. Defendant Kerr-McGee Corporation (*i.e.*, New Kerr-McGee) is a wholly owned subsidiary of Defendant Anadarko, and is also a successor to Old Kerr-McGee.

BACKGROUND

I. Old Kerr-McGee Creates Massive Legacy Liabilities Through Far-Flung Businesses During Its More Than 70-Year History.

20. Old Kerr-McGee was founded in 1929 as Anderson & Kerr Drilling Company near Oklahoma City, Oklahoma. As the company grew its oil and gas exploration activities and drilling operations, it moved into downstream operations with the purchase of its first refinery in 1945.

21. Old Kerr-McGee continued to expand in the 1950s into various other energy-related businesses. In 1952, Old Kerr-McGee entered the uranium industry when it acquired mining properties in Arizona. Shortly thereafter, it constructed the country's largest uranium-processing mill. Also in the 1950s, Old Kerr-McGee expanded its retail operations into owning and operating service stations, and further expanded its refining operations.

22. In the early 1960s, Old Kerr-McGee entered the forestry business through a series of asset purchases, and acquired several fertilizer-marketing companies.

23. In 1967, Old Kerr-McGee completed a merger with American Potash and Chemical Corporation, and began to manufacture and market a variety of ammonium perchlorate chemicals (such as fertilizers, potash, and sodium chlorate), boron, titanium dioxide, and manganese. That same year, Old Kerr-McGee started construction of its first coal mine shaft in Stigler, Oklahoma.

24. In the 1970s, Old Kerr-McGee became involved in various aspects of the nuclear industry, including exploration, mining, milling, and conversion of uranium oxide into uranium hexafluoride, pelletizing of these materials, and fabrication of fuel elements.

25. By 2000, Old Kerr-McGee had exited most of these historic business operations (collectively, the "Legacy Businesses") and was left with two core operating businesses: (a) oil and gas exploration and production and (b) chemicals. Although it had discontinued the Legacy Businesses, Old Kerr-McGee remained responsible for the Legacy Liabilities. The overwhelming majority of the Legacy Liabilities—including some that are the direct result of oil and gas operations—are not related to the titanium dioxide and other operations that became Tronox.

II. Old Kerr-McGee Decides To Jettison Its Legacy Liabilities In The Late 1990s.

26. In the late 1990s, consolidation in the oil and gas industry increased valuations of exploration and production companies like Old Kerr-McGee. Old Kerr-McGee, however, was left on the sidelines because potential merger and acquisition partners were scared away by the Legacy Liabilities.

27. Old Kerr-McGee's executives, however, were not going to let this opportunity for windfall profits pass them by.

28. No later than 1998, Old Kerr-McGee began considering various transactions through which it could evade its Legacy Liabilities. One transaction involved assigning all of the Legacy Liabilities to a dormant subsidiary, Edgebrook Development Corporation, in exchange for a promissory note issued by Old Kerr-McGee equal to the total costs of the Legacy Liabilities.

29. Old Kerr-McGee decided it needed a cleaner break from the Legacy Liabilities than the Edgebrook transaction would provide. This conclusion was underscored by the EPA's notices to Old Kerr-McGee in 1999 that it was a potentially responsible party for the clean-up of a former wood treatment site at Manville, New Jersey. Given the scope of the potential liabilities at Manville and other similar wood treatment sites (as well as its numerous other legacy environmental sites), Old Kerr-McGee concluded that any transaction that required it to provide sufficient value to another entity to cover the costs of the Legacy Liabilities was now off the table. The Legacy Liabilities were simply too big.

30. Specifically, on April 30, 1999, EPA published a proposed plan describing remedial alternatives for the Federal Creosote Superfund Site at Manville, New Jersey.

31. Two months later, on July 6, 1999, EPA sent a letter to Old Kerr-McGee stating that "EPA has documented the release and threatened release of hazardous substances into the environment" at Manville, that the site "is currently the location of a residential community of single-family homes, and is bordered by various commercial and residential areas," and that "hazardous substances have been detected at the Site in homes, soils and groundwater." The letter also stated that EPA has "reason to believe that, for purposes of Section 107(a) of CERCLA, 42 U.S.C. § 9607(a), Kerr-McGee is a potentially responsible party ("PRP") with respect to the Site."

32. On October 18, 1999, EPA sent another letter to Old Kerr-McGee stating that it had selected a remedy for Manville that included permanent relocation of residents, excavation of source material, and off-site thermal treatment and disposal. EPA estimated the cost of the remedy at \$59,100,000. EPA also warned that because the site "consists of residential housing and is directly affecting this community, it is particularly important that this remedial action be conducted on an expedited basis." EPA requested that Old Kerr-McGee determine whether it would voluntarily finance or perform the proposed remediation.

33. The April 1999 public notice and the July and October 1999 EPA letters caused significant concern within Old Kerr-McGee, including among its Board of Directors. Old Kerr-McGee launched an investigation into the Manville site, including title searches to analyze any connection between an alleged predecessor company and the site, the identity of other potentially responsible parties, and the nature and extent of Old Kerr-McGee's potential exposure. Old Kerr-McGee also met with EPA to try to obtain information on any other potentially responsible parties, the scope of the remediation project, and whether a final remedy had been selected for

the site. Old Kerr-McGee management frequently updated the company's Board of Directors regarding this investigation.

34. Old Kerr-McGee had reason to be concerned. The potential liability at Manville was significant in its own right. According to a cost recovery lawsuit that EPA and the State of New Jersey filed in 2008 against Tronox as Old Kerr-McGee's alleged successor in interest, these governmental entities have spent approximately \$280 million in clean-up costs at Manville. The bigger problem for Old Kerr-McGee was that Manville was simply the tip of the iceberg. Old Kerr-McGee knew that it was associated with numerous other previously undisclosed wood treatment and agricultural chemical sites that, like Manville, posed the specter of substantial environmental and tort liabilities.

III. Old Kerr-McGee Devises A Two-Step Scheme To Avoid Responsibility For Legacy Liabilities.

35. For Old Kerr-McGee's Board and management, Manville was a pointed reminder that they would not be able to tap into the lucrative oil and gas merger market while saddled with the Legacy Liabilities. Accordingly, Old Kerr-McGee developed a scheme to jettison the Legacy Liabilities and shield its valuable oil and gas assets from EPA, tort claimants, and other creditors.

36. The scheme involved two steps. *First*, Old Kerr-McGee would isolate its Legacy Liabilities in a subsidiary that included the Chemical Business while the valuable oil and gas assets were segregated in a separate "clean" subsidiary. *Second*, Old Kerr-McGee would achieve a "clean break" from the Legacy Liabilities by severing the Chemical Business either through an arm's-length transaction or a spin-off.

37. On information and belief, Old Kerr-McGee, however, concluded that the Chemical Business was too small to take on all of the Legacy Liabilities. Undeterred, Old Kerr-McGee set out to increase the apparent size of the Chemical Business—at almost any cost.

38. On January 11, 2000, the Old Kerr-McGee Board of Directors approved the acquisition of certain titanium dioxide operations of Kemira Pigments Oy (“Kemira”). These included plants in Savannah, Georgia and Botlek, Netherlands. The Savannah acquisition closed effective April 1, 2000, and the Botlek acquisition closed effective May 1, 2000. The total acquisition price was approximately \$400 million.

39. On information and belief, in its haste to expand the Chemical Business so it could sever the Legacy Liabilities, Old Kerr-McGee significantly overpaid for the Kemira facilities in Savannah and Botlek. Old Kerr-McGee failed to do any meaningful due diligence that would have revealed the significant operational and environmental issues that have plagued the Savannah plant since its purchase. It simply did not care. In fact, when Old Kerr-McGee’s legal and environmental advisors raised concerns regarding environmental issues at the Savannah Plant, they were told by Old Kerr-McGee to stop attempting to “sabotage” the deal.

40. In truth, Kemira was willing to give away the Savannah plant if a buyer would pay \$250 million for Botlek. The \$400 million purchase price was literally off the chart that Kemira had prepared for payment of incentive bonuses to key employees involved in the sale.

41. On information and belief, the true value of Kemira did not matter to Old Kerr-McGee. By carrying the asset at the artificially inflated purchase price, Old Kerr-McGee could foist that many more Legacy Liabilities on Tronox. Even after it became clear that Old Kerr-McGee had substantially overpaid, it failed to write down the book value of the Kemira assets.

Tronox wrote down the Kemira assets by approximately \$317 million based primarily on the inflated price that New Kerr-McGee paid for these assets.

42. The troubled Kemira assets not only failed to provide much value to Tronox, but limited its ability to engage in potentially beneficial strategic or financial transactions following the Spin-Off.

IV. Step One: Isolate The Legacy Liabilities Through Project Focus.

43. In 2001, Old Kerr-McGee launched “Project Focus” as Step One of its scheme to eliminate the Legacy Liabilities. Old Kerr-McGee’s oil and gas assets and its Legacy Liabilities traditionally had been commingled throughout the company. Old Kerr-McGee claimed that “Project Focus” was designed to create a clear delineation between its oil and gas and chemical operations. The real focus, however, was on segregating the Legacy Liabilities from the oil and gas assets as the first step to avoiding responsibility altogether for these potentially massive historic liabilities.

44. At the same time Old Kerr-McGee was launching Project Focus, it had already started to plan Step Two of the scheme. At a March 13, 2001 Board meeting, Old Kerr-McGee Chairman and CEO Luke Corbett announced that Old Kerr-McGee was reviewing alternatives for various non-core businesses in the company’s portfolio. On May 8, 2001, Old Kerr-McGee management presented the Board with several options for separating Old Kerr-McGee’s chemical subsidiary from its oil and gas operations, including (a) a leveraged buy-out of the chemical business (with Old Kerr-McGee retaining a minority equity stake), (b) a spin-off of either the chemical business or the exploration and production business, or (c) a Morris trust transaction through which a spin-off would be coupled with a merger of the chemical business

and a third party. Discussions among Old Kerr-McGee and its advisors regarding the best way to achieve Step Two of the scheme continued throughout Project Focus.

45. Before they could be severed, the Legacy Liabilities first needed to be isolated in the Chemical Business through Project Focus. On May 13, 2001, the Old Kerr-McGee Board of Directors approved the first move in a massive corporate shell game, creating a new “clean” holding company—New Kerr-McGee—and a new “clean” subsidiary—the Oil and Gas Business. Old Kerr-McGee became a wholly owned subsidiary of New Kerr-McGee.

46. Project Focus continued in December 2002 with numerous internal transactions that effectively isolated the Legacy Liabilities in the Chemical Business. On December 31, 2002, Old Kerr-McGee’s Board (which included New Kerr-McGee Chairman and CEO Luke Corbett) approved by unanimous written consent numerous transactions that lacked any independent economic substance or legitimate business purpose, but instead were simply a means to strip the oil and gas assets from Old Kerr-McGee and isolate in the Chemical Business the Legacy Liabilities that Old Kerr-McGee created during its more than 70-year history.

47. As confirmed in Supplemental Bond Indentures dated December 31, 2002, New Kerr-McGee caused “substantially all” of the valuable oil and gas assets to be distributed to the Oil and Gas Business. The Legacy Liabilities, including many that were directly related to the oil and gas assets that had been transferred, were left behind in the stripped-down Chemical Business. For example, the Chemical Business was saddled with Legacy Liabilities related to petroleum terminals, offshore drilling and hundreds of service station sites with environmental clean-up issues even though they were clearly related to oil and gas activities.

48. The assets transferred out of the Chemical Business and into the Oil and Gas Business or other New Kerr-McGee entities were worth billions of dollars at the time they were

transferred. The shares of Devon Energy Corporation stock that were transferred out of the Chemical Business alone were worth more than \$200 million. No consideration was provided to the Chemical Business for the Devon Energy stock or other assets transferred.

49. Additional asset transfers out of the Chemical Business and into the Oil and Gas Business, all of which were dated December 31, 2002, included 5000 shares of KM Yemen Ltd., 1000 shares of KM West Africa Investment Ltd., 5000 shares of KM du Maroc Ltd., 5000 shares of KM Hazar Ltd., 5000 shares of KM Eire Exploration Ltd., 5000 shares of KM Benin Ltd., 1000 shares of KM Astrid Ltd., 1000 shares of KM Anton Ltd., 5000 shares of KM Americas Ltd., 1000 shares of KM Olonga Ltd., 1000 shares of KM Mediterranean Exploration Ltd., 5000 shares of Sunningdale Abu Dhabi Ltd., 5000 shares of KM Atlantic Exploration and Production Ltd., 5000 shares of KM Bahamas Ltd., 120,000 shares of KM International Insurance Ltd., 1000 shares of KM Offshore Canada Ltd., 4,099,994 shares of KM (Thailand) Ltd., 1000 membership interests in KM Credit LLC, 1000 preference shares of ADA Funding Ltd., 1000 shares of KM Stored Power Company LLC, 1000 membership interests in KM Stored Power Corporation, 100% of the membership interests in KM Foundation Corporation, 1000 shares of KM Insurance Co., 1000 shares of KM Investment Corporation, 1000 shares of Benedum-Trees Oil Company, 1000 shares of KM Oil & Gas Corp., 1000 shares of KM Natural Gas, Inc., 2,000,000 membership interests in US Avestor LLC, 1% general partnership interest in Sun Pennsylvania Limited Partnership, 1,000 shares of Sun Offshore Gathering, 1000 Shares of Oryx Gas Marketing Co., 1000 shares of Oryx Pipe Line Co., 1000 shares of Oryx Energy Payroll Co., 1000 shares of Oryx Services Co., 1000 shares of Oryx Crude Trading & Transportation Inc., and 100 shares of Kerr-McGee LP.

50. New Kerr-McGee continued to strip assets from the Chemical Business throughout 2003 and 2004 as Project Focus continued. In late November 2004, New Kerr-McGee began drafting an Assignment and Assumption Agreement that would state definitively which assets had been stripped from and which potential liabilities had been left in the Chemical Business. The agreement was designed to “finish off” Project Focus. The Assignment and Assumption Agreement was not executed—and Project Focus did not conclude—until mid-2005 at the earliest.

51. Despite all of the intercompany maneuvers, Project Focus did not alter the actual business operations of New Kerr-McGee or its employees. In particular, although the Chemical Business was saddled with significant Legacy Liabilities, those liabilities continued to be managed and funded at the parent company level, and New Kerr-McGee remained the ultimate guarantor of those obligations. New Kerr-McGee knew that its small chemical unit did not have sufficient assets to manage the Legacy Liabilities, which had cost New Kerr-McGee between \$44 million and \$157 million annually from 2000 through 2004 (net of reimbursement).

V. Step Two: Sever The Legacy Liabilities.

A. New Kerr-McGee Delays Step Two Until Market Conditions Are Optimal And Chemical Executives With Knowledge Of Legacy Liabilities Are Replaced.

52. Old Kerr-McGee began planning Step Two of the scheme no later than March 2001.

53. On information and belief, implementation of Step Two was delayed to allow time for the Chemical Business’ performance to improve before attempting a sale or spin-off. The Chemical Business had struggled from 1999 to 2004 as decreased demand contributed to sharply lower profitability and cash flow. The price of pigment also declined significantly as a

result of events such as September 11th, the 2001 recession, the outbreak of the SARS respiratory pandemic, and the war in Iraq.

54. On information and belief, New Kerr-McGee also wanted those individuals representing the Chemical Business in discussions with analysts and potential investors to have little knowledge regarding the true magnitude and scope of the Legacy Liabilities. Beginning in mid-2004, New Kerr-McGee replaced certain key senior executives of the Chemical Business with people who knew little or nothing about the Legacy Liabilities. For example, Tom Adams was named President of the Chemical Business in September 2004. As a former oil and gas executive, he had no experience with the Chemical Business, had no knowledge of the Legacy Liabilities, and had never heard of Project Focus. Similarly, one week before presentations to potential purchasers began in spring 2005, New Kerr-McGee designated an individual whose knowledge of the legacy environmental issues was limited to one particular project to make the environmental presentation to potential purchasers.

B. Prospective Purchasers Express Concern Regarding The Legacy Liabilities, Especially After EPA Demands \$179 Million For Manville.

55. Although it had been long planned, Step Two began in earnest in early 2005 when New Kerr-McGee concluded that the Chemical Business was reaching the top of the business cycle.

56. On February 23, 2005, New Kerr-McGee announced that it had hired Lehman Brothers to consider alternatives for separating the Chemical Business and that the Board of Directors would formally consider the issue at its meeting on March 8.

57. On March 8, 2005, the New Kerr-McGee Board of Directors authorized New Kerr-McGee to separate the Chemical Business through either a sale or spin-off. In a March 8 press release, New Kerr-McGee Chairman and CEO Luke Corbett stated: "For some time, the

Board has been considering the separation of chemical, and current market conditions for this industry now make it an ideal time to unlock this value for our stockholders.” Corbett similarly explained in a letter to employees that “[i]t’s clear to us that, with the inorganic chemical and energy markets being as strong as they are today, the timing now is ideal to consider this separation.”

58. In transaction materials for the sale or spin-off, Lehman and New Kerr-McGee consistently painted an overly optimistic view of the Chemical Business and deliberately understated the magnitude of the Legacy Liabilities. Employees of the Chemical Business expressly warned Lehman not to oversell the potential of the Chemical Business because the industry was at the top of the business cycle and “[h]istory shows there will be a downside ... we just don’t know when.” The management presentations prepared by Lehman for prospective purchasers include only a few slides regarding the Legacy Liabilities buried in an approximately 80-slide presentation. Only one line in the entire presentation even referred to the Manville site.

59. New Kerr-McGee could not bury Manville forever. On April 15, 2005, at the very moment Chemical Business executives were touting the business to potential purchasers, New Kerr-McGee received a demand from the EPA for \$178,800,000 in clean-up costs that EPA had incurred at Manville through 2004 plus interest.

60. Even before the EPA demand, potential purchasers were expressing concerns about the Legacy Liabilities and questioning why the Chemical Business had been saddled with all of them—even those created by oil and gas operations or otherwise not remotely related to the operations of the Chemical Business. One potential purchaser said the magnitude of the Legacy Liabilities being placed on Tronox was “criminal.” The EPA demand fueled these concerns among potential purchasers.

61. In late April-early May 2005, numerous potential purchasers informed New Kerr-McGee or Lehman that they were not interested in acquiring the Chemical Business with the Legacy Liabilities. Several explicitly refused to assume the Legacy Liabilities. Another prospective purchaser conveyed a \$1.2 billion bid if the Legacy Liabilities were not included, but only a \$300 million bid if they were included. This prospective purchaser viewed the inclusion of the Legacy Liabilities as a \$900 million swing, and refused to go further in any discussions.

62. New Kerr-McGee knew the Legacy Liabilities all but eliminated any possibility of an arm's-length sale of the Chemical Business to a third party on terms that would allow New Kerr-McGee's senior executives to obtain massive windfall profits in a subsequent transaction.

C. New Kerr-McGee Backdates An "Assignment, Assumption And Indemnity Agreement" In Response To The EPA Manville Demand.

63. In early April 2005, in-house counsel for New Kerr-McGee circulated a draft of the Assignment and Assumption Agreement that was designed to "finish off" Project Focus. The April 10 draft of the Assignment and Assumption Agreement did not include an indemnity provision.

64. When it received the \$179 million EPA demand for Manville on April 15, 2005, New Kerr-McGee realized that it had not completely isolated its Legacy Liabilities in the Chemical Business. Even following a sale or spin-off, the Chemical Business potentially could seek contribution from New Kerr-McGee for the Legacy Liabilities. To eliminate that risk, New Kerr-McGee needed an indemnity retroactive to December 31, 2002 (when certain of the Project Focus transactions were purportedly consummated) to ensure that the \$179 million Manville demand would be included within its scope.

65. On information and belief, New Kerr-McGee decided only after it received the \$179 million EPA demand to include an indemnity in the Assignment and Assumption Agreement.

66. A draft of the Assignment and Assumption Agreement dated three days after New Kerr-McGee received the EPA demand included—for the first time—an indemnification provision that required the Chemical Business to indemnify New Kerr-McGee for any losses relating to or arising out of the Legacy Liabilities. The Chemical Business did not receive any consideration for providing the indemnity. The name of the agreement was subsequently changed to the “Assignment, Assumption and Indemnity Agreement.”

67. On information and belief, New Kerr-McGee caused the Assignment, Assumption and Indemnity Agreement to be executed between the Chemical Business and Oil and Gas Business in May 2005. Although executed in May 2005, the agreement was backdated so that it was purportedly effective as of December 31, 2002.

68. When executed, the Assignment, Assumption and Indemnity Agreement had little economic significance because the Chemical Business, Oil and Gas Business, and other Kerr-McGee entities that received indemnification were all wholly owned subsidiaries of New Kerr-McGee. The indemnity would have a profound impact, however, if Step Two were completed and the Chemical Business was no longer a subsidiary of New Kerr-McGee.

69. Even after the execution of the backdated Assignment, Assumption and Indemnity Agreement, on information and belief, New Kerr-McGee wanted to confirm that it had stripped the Chemical Business of all potentially valuable assets.

70. Accordingly, New Kerr-McGee caused an Assignment Agreement to be executed between the Chemical Business and the Oil and Gas Business. Under the Assignment

Agreement, the Chemical Business irrevocably transferred, conveyed, assigned and delivered to the Oil and Gas Business “all properties, real, personal, corporeal or incorporeal, absolute or contingent, and any and all rights, benefits and privileges, whether known or unknown, express or implied, absolute or contingent and whether due or to become due, arising out of” New Kerr-McGee’s oil and gas exploration, production and development business. The Chemical Business did not receive any consideration under the Assignment Agreement.

71. On information and belief, although the Assignment Agreement was executed in summer 2005, it also was backdated so that it purported to be effective as of December 31, 2002.

72. New Kerr-McGee continued to cause certain assets to be conveyed to the Oil and Gas Business pursuant to the backdated Assignment Agreement throughout the remainder of 2005, including after the IPO in November 2005. The assets transferred from the Chemical Business to the Oil and Gas Business were worth billions of dollars.

D. New Kerr-McGee Offers A \$400 Million Indemnity To Apollo To Take The Environmental Liabilities.

73. While the Legacy Liabilities scared away numerous potential purchasers, New Kerr-McGee had detailed negotiations with Apollo Investment Corporation (“Apollo”) regarding the purchase of the Chemical Business throughout summer 2005. As those discussions matured, however, they further confirmed that New Kerr-McGee would be required to provide unacceptable concessions and indemnities for an informed third party to assume the Legacy Liabilities.

74. Apollo’s initial bid of \$1.6 billion for the Chemical Business excluded all liabilities related to wood treatment facilities, including Manville. New Kerr-McGee, however, needed a “cleaner” separation from the Legacy Liabilities than Apollo’s initial bid would

provide. By mid-August 2005, New Kerr-McGee had offered Apollo an approximately \$400 million indemnity to take all of the Legacy Liabilities, including the wood treatment facilities.

75. Ultimately, New Kerr-McGee decided against the sale to Apollo with its costly indemnity obligation. Instead, New Kerr-McGee pursued a new tact that would allow it to have its cake and eat it too: a spin-off. A spin-off would enable New Kerr-McGee to avoid its Legacy Liability obligations without the overhang of an expensive indemnity obligation.

E. New Kerr-McGee Chooses A Spin-Off And Unilaterally Dictates The Terms Of Its Clean Separation From Legacy Liabilities.

76. While negotiating with Apollo, New Kerr-McGee was analyzing a potential spin-off of the Chemical Business as a means to complete Step Two of its scheme.

77. On July 8, 2005, Lehman made a presentation to New Kerr-McGee comparing the Apollo bid to a potential spin-off. Based on Lehman's analysis, the Apollo bid would provide more than \$500 million in additional after-tax cash proceeds to New Kerr-McGee than a spin-off. But the Apollo deal did not allow New Kerr-McGee to offload the Legacy Liabilities, including what Lehman termed "Unidentified Liabilities" that no knowledgeable, arm's-length purchaser would accept without, at a minimum, hundreds of millions of dollars in indemnities.

78. By late summer 2005, another obstacle to an arm's-length sale emerged: the Chemical Business' performance had peaked and was beginning to decline. On August 1, 2005, Apollo notified New Kerr-McGee that there had been a "significant shortfall" in the performance of the Chemical Business. Apollo concluded that EBITDA in the second half of 2005 would decrease by \$19 million versus budget and approximately \$60 million in 2006. Apollo warned that "[c]learly a 'miss' of this magnitude puts pressure on the overall transaction, including our approach to the financing markets (which was already complex given the nature of the environmental liabilities we anticipated having to get the markets comfortable with)."

79. The decline in performance not only meant that New Kerr-McGee had limited time to complete the separation at or near the top of the business cycle, but any third party purchaser of the Chemical Business would require additional concessions to close the transaction.

80. Shortly thereafter, New Kerr-McGee determined that a spin-off of the Chemical Business was the cheapest—and perhaps only—way for it to achieve a clean separation from the Legacy Liabilities. A spin-off would allow New Kerr-McGee to:

- Dump the Chemical Business and the Legacy Liabilities before the Chemical Business' performance further declined;
- Avoid disclosure of the magnitude of Legacy Liabilities that would result from third-party due diligence;
- Avoid making significant representations and warranties regarding the Chemical Business' assets, liabilities, business, and operations—in particular, the Legacy Liabilities;
- Avoid expensive indemnities for the environmental and tort liabilities that Apollo or any other arm's-length buyer would demand; and
- Remove all remaining impediments to a subsequent transaction that would allow New Kerr-McGee senior executives to obtain massive windfall profits.

81. On September 12, 2005, New Kerr-McGee incorporated the entity it planned to use for the Spin-Off—Tronox—by filing an Amended and Restated Certificate of Incorporation with the Delaware Secretary of State.

82. Also, in September 2005, New Kerr-McGee began preparing the Master Separation Agreement and ancillary agreements for the Spin-Off. Attempting to create an appearance of propriety, New Kerr-McGee retained an attorney in mid-September 2005 ostensibly to represent the interests of the Chemical Business in the separation from New Kerr-McGee. In truth, New Kerr-McGee did not accept any substantive comments from the attorney

it hired purportedly to represent the Chemical Business. After he raised issues regarding the Spin-Off following a meeting with New Kerr-McGee executives, New Kerr-McGee refused to allow him to attend any additional meetings.

83. On October 6, 2005, the New Kerr-McGee Board of Directors approved the separation of the Chemical Business through a two-part Spin-Off. First, New Kerr-McGee would sell a minority stake in the Chemical Business through an initial public offering of the Class A common stock of Tronox (the "IPO"). Following the IPO, New Kerr-McGee would maintain a controlling interest in Tronox through ownership of Tronox's Class B common stock, which New Kerr-McGee then would distribute to its stockholders in spring 2006 (the "Distribution") to complete the Spin-Off.

84. From its negotiations with potential purchasers, New Kerr-McGee knew that the Legacy Liabilities were at least a \$400 million to \$900 million problem. New Kerr-McGee also knew that the Chemical Business did not have sufficient assets as a stand-alone entity to support the ongoing maintenance of those Legacy Liabilities. Indeed, New Kerr-McGee and its financial advisor, Lehman Brothers, warned that one of the risks of a spin-off was that the "[s]eparation from legacy liabilities" would be "[c]omplicated under [a] bankruptcy scenario."

85. Nevertheless, in a unilateral decision, New Kerr-McGee determined that it would provide Tronox with an indemnity for only up to \$100 million for environmental Legacy Liabilities. Even then, the indemnification was purely illusory. New Kerr-McGee would indemnify Tronox only for 50 percent of certain environmental costs actually paid above the amount reserved for specified sites for a seven-year period following the Spin-Off. New Kerr-McGee knew that the Chemical Business would not have sufficient cash flow to spend the reserved amounts and thus qualify for indemnification. The indemnity was simply a mirage that

was never intended to assist Tronox in covering the more than \$100 million in Legacy Liability payments Tronox has made since the Spin-Off, or the hundreds of millions of dollars in Legacy Liabilities that it continues to face.

86. In another unilateral decision, New Kerr-McGee further determined that it would require Tronox to assume \$550 million in debt with the Spin-Off—the proceeds of which would go exclusively to New Kerr-McGee—that would saddle Tronox with more than \$30 million per year in interest expense.

87. In another unilateral decision, New Kerr-McGee determined that it would strip out all cash from the Chemical Business in excess of \$40 million, leaving Tronox with less cash than the amount Tronox would be required to spend in the first year following the Spin-Off just to service the Legacy Liabilities and debt it was forced to assume through the Spin-Off.

88. In another unilateral decision, New Kerr-McGee further determined that it would require Tronox to provide a broad indemnification for the Legacy Liabilities to New Kerr-McGee.

89. In another unilateral decision, the terms imposed on Tronox provided New Kerr-McGee with so much control that it was tantamount to New Kerr-McGee running Tronox's environmental program. Indeed, even projects, plans, activities and negotiations that had been approved by New Kerr-McGee and commenced as of the date of the Spin-Off needed to be re-approved following the Spin-Off. Based on the terms of the Spin-Off, one Tronox senior manager believed that he could not change the method by which Tronox would take environmental reserves or the company risked losing the indemnity. These constraints were designed to prevent Tronox from ever being able to collect on the \$100 million paper indemnity.

F. New Kerr-McGee Provided Misleading Information Regarding Tronox To Potential Investors In Connection With The Spin-Off.

90. In November 2005, the future Tronox management team made a series of road show presentations to potential investors in connection with the IPO. These presentations were prepared by New Kerr-McGee and its investment banker, Lehman Brothers.

91. On several occasions while internally preparing for these presentations, a Lehman Brothers banker (who was responsible for marketing the IPO to the public) drew a picture of a potted flower on a white board. He said that the flower represented Tronox. He then drew a weed growing from the flower pot, which he said represented the Legacy Liabilities. The Lehman Brothers banker concluded that the weed would choke the flower.

92. Apollo had reached the same conclusion. Following extensive due diligence, Apollo had warned New Kerr-McGee that Tronox should not go public because it could not survive as a stand-alone company. Apollo's due diligence teams had concluded that New Kerr-McGee was attempting to offload hundreds of millions of dollars of legacy environmental and tort claims through the sale process.

93. New Kerr-McGee needed to make sure that other potential investors did not reach the same conclusion. Thus, even though New Kerr-McGee knew that the Chemical Business was cyclical and beginning to slip from the top of the business cycle, its projections ignored downside scenarios and failed to consider whether Tronox could survive the inevitable downturn in the business cycle while saddled with the massive Legacy Liabilities.

94. Even under their unrealistic projections, New Kerr-McGee and its advisors knew that Tronox would be unable to service the Legacy Liabilities and debt. They proposed that Tronox could cover anticipated cash shortfalls by selling certain Tronox assets. In particular, New Kerr-McGee suggested that Tronox could raise more than \$150 million in cash by selling

land in Nevada during the first three years following the Spin-Off. This suggestion, however, was unrealistic when made and these sales never materialized.

95. New Kerr-McGee also materially understated the Legacy Liabilities that it dumped on Tronox through the Spin-Off. In particular, New Kerr-McGee's methodology for setting its environmental and tort reserves was deeply flawed, and inconsistent with generally accepted accounting principles and industry practice. New Kerr-McGee ignored known information in setting reserves and applied a threshold for taking a reserve that was materially higher than what was appropriate under GAAP. As a result, the environmental and tort reserves set forth in the Form S-1 Registration Statement ("Registration Statement") and elsewhere were materially understated.

96. For example, New Kerr-McGee failed to disclose numerous additional wood treatment sites where a Kerr-McGee entity potentially may be responsible for substantial clean-up costs just like at Manville even though New Kerr-McGee was aware of these sites at the time of the Spin-Off. Old Kerr-McGee and New Kerr-McGee referred to these sites internally as the "secret sites." In 2002, Old Kerr-McGee undertook a "confidential" investigation of these sites by examining corporate records, published historical information about the wood treatment industry, and public property ownership records. Old Kerr-McGee employees also made secret visits to the sites and were told they should not disclose the purpose of their visit. Through this investigation, Old Kerr-McGee identified approximately ten additional wood treatment sites where it potentially could have liability akin to that asserted by EPA at Manville. Based on these visits, New Kerr-McGee knew at the time of the Spin-Off that at least several of these sites were under investigation for potential remediation.

97. New Kerr-McGee considered doing a similar investigation shortly before the Spin-Off regarding approximately 260 undisclosed agricultural chemical sites, five undisclosed former chemical manufacturing sites, two undisclosed former fertilizer manufacturing sites, and several other undisclosed sites. That investigation never occurred and these sites were never disclosed in connection with the Spin-Off. In fact, Tronox only recently discovered these sites in preparation for this litigation when it found an August 2005 New Kerr-McGee memorandum listing these sites.

98. New Kerr-McGee went to great lengths to ensure that the true magnitude of the Legacy Liabilities was never properly disclosed. At one point, two senior members of the New Kerr-McGee environmental group raised concerns regarding the accuracy of its environmental reserves. Instead of being rewarded for their diligence, they were both disciplined.

99. New Kerr-McGee and its advisors controlled the content of the Registration Statement. Counsel for New Kerr-McGee's underwriters for the IPO, Akin Gump Strauss Hauer & Feld LLP, raised concerns regarding the sufficiency of disclosures of risk factors in the Registration Statement. Akin Gump proposed certain changes to the disclosures and could not understand New Kerr-McGee's "reluctance to make them."

100. New Kerr-McGee's disclosures in the Registration Statement regarding tort liabilities also were materially misleading. For example, New Kerr-McGee provided the following disclosure in the Registration Statement regarding lawsuits related to former wood treatment sites:

Between 1999 and 2001, KM Chemical was named in 22 lawsuits in three states (Mississippi, Louisiana and Pennsylvania) in connection with 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. KM Chemical has executed settlement agreements that are expected to resolve substantially all of the Louisiana, Pennsylvania and Mississippi lawsuits described above. Resolution of the remaining cases is not expected to have a material adverse effect on the company.

101. New Kerr-McGee failed to disclose that it had settled these wood treatment claims for approximately \$70 million in the years immediately preceding the Spin-Off. This omission was particularly significant in light of the nearly 11,000 additional claims related to wood treatment sites that had been filed at the time of the Spin-Off. Instead of disclosing that these claims were similar to the ones resolved for \$70 million several years before the Spin-Off, New Kerr-McGee disclosed: “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.”

102. Based on this same information, Apollo’s due diligence team from the law firm of Morgan Lewis & Bockius concluded that New Kerr-McGee “may be significantly under-reserved for these cases and the “total potential exposure could be well over \$500 million.”

103. New Kerr-McGee’s auditors, Ernst & Young (“E&Y”), also questioned the sufficiency of the tort disclosures in the Registration Statement. Shortly after the IPO, Tronox (still controlled by New Kerr-McGee) settled certain wood treatment tort claims in mid-December 2005. During a meeting in the first week of January 2006, E&Y challenged a New Kerr-McGee executive regarding the accuracy of the Registration Statement in light of these tort settlements.

104. On information and belief, New Kerr-McGee could not have subscribed the IPO if it had disclosed the true nature and extent of the Legacy Liabilities. So New Kerr-McGee simply did not disclose them.

G. New Kerr-McGee Completes Step Two Of Its Scheme By Spinning Off Tronox In March 2006.

105. To effectuate the Spin-Off, New Kerr-McGee required Tronox to enter into a number of agreements with New Kerr-McGee including: (a) a Master Separation Agreement; (b) a Registration Rights Agreement; (c) a Transitional License Agreement; (d) a Tax Sharing Agreement; (e) an Employee Benefits Agreement; and (f) a Transition Services Agreement (collectively, the "Separation Agreements"). The Separation Agreements bound Tronox and various of its subsidiaries to commercially unreasonable separation obligations (the "Separation Obligations") that were made without arm's-length negotiation and without payment to Tronox of reasonably equivalent value.

106. Pursuant to the Master Separation Agreement (the "MSA"), on November 28, 2005, New Kerr-McGee caused 100 percent of its ownership interests in Kerr-McGee Chemical Worldwide LLC (which became known as Tronox Worldwide LLC) to be transferred, assigned and conveyed to Tronox Incorporated, eliminated certain intercompany debt, and provided an indemnity of up to \$100 million for certain environmental Legacy Liabilities. In return, New Kerr-McGee received 22,889,431 shares of class B common stock in Tronox Incorporated and approximately \$787.8 million consisting of (a) \$224.7 million in net proceeds from the IPO of Tronox's class A common stock; (b) \$537.1 million in net proceeds from the \$550 million in debt that Tronox was required to incur in connection with the Spin-Off; and (c) approximately \$26 million in cash (which represented all of Tronox's cash in excess of \$40 million). In

addition, Tronox was required to indemnify New Kerr-McGee and other Kerr-McGee entities for the Legacy Liabilities.

107. Under the Employee Benefits Agreement (the "EBA"), Tronox assumed liability for employee benefits for employees of discontinued chemical, refining, coal, nuclear, and offshore contract drilling businesses who never worked for Tronox or a titanium dioxide business. Tronox was also required to sponsor various employee benefit plans for these employees, including a defined benefit plan and retiree medical and life insurance plans, that were grossly above market.

108. On November 28, 2005, Tronox completed the IPO of its Class A Common Stock. New Kerr-McGee, however, continued to exert control over Tronox through its majority ownership of Tronox and the New Kerr-McGee officers who served on Tronox's Board of Directors, including as Chairman of the Board. The Spin-Off was completed on March 31, 2006 when New Kerr-McGee distributed its shares of Class B Common Stock to New Kerr-McGee shareholders.

109. On April 1, 2006, Tronox became an independent company. New Kerr-McGee's two-step scheme to isolate and sever the Legacy Liabilities was complete.

H. In The Spin-Off, Tronox Assumed Liabilities And Distributed Cash To New Kerr-McGee Far In Excess Of The Value Of The Assets It Received.

110. Tronox received less than reasonably equivalent value in the Spin-Off. The Legacy Liabilities that Tronox assumed and for which it indemnified the Kerr-McGee entities, the proceeds from the IPO and debt that Tronox distributed to New Kerr-McGee, and the cash that New Kerr-McGee stripped from Tronox far exceeded the value of the assets and the paper indemnity that Tronox received from New Kerr-McGee.

111. In particular, New Kerr-McGee received approximately \$785 million in proceeds from the IPO, the debt that New Kerr-McGee forced Tronox to incur, and the cash that it stripped from Tronox. In addition, Tronox assumed and indemnified the Kerr-McGee entities for Legacy Liabilities that New Kerr-McGee itself had valued at a minimum of \$400 million during its negotiations with Apollo, and that another arm's-length potential purchaser concluded were at least \$900 million.

112. In return, Tronox received New Kerr-McGee's interests in its Chemical Business. New Kerr-McGee also agreed to convert any intercompany debt that Tronox owed to New Kerr-McGee (net of any debt that Kerr-McGee Corporation owed to Tronox) into equity in Tronox. Finally, New Kerr-McGee gave Tronox an illusory indemnity structured so Tronox would never be able to recover more than a fraction of its \$100 million face amount. Indeed, while Tronox has spent more than \$118 million to satisfy the residual Legacy Liability obligations since the Spin-Off, New Kerr-McGee has only contributed approximately \$4 million under the indemnity that will expire in November 2012.

113. In short, Tronox was spun-off as an insolvent and severely undercapitalized company near the top of its business cycle. Burdened with massive debt and huge undisclosed Legacy Liabilities, Tronox was destined to fail.

114. Certain individuals inside New Kerr-McGee had reached the same conclusion. Shortly before the Spin-Off occurred, New Kerr-McGee switched a number of high level, highly compensated executives from the Tronox Pension Fund to the Kerr-McGee Pension Fund, fearing that a future Tronox bankruptcy would limit retiree benefits to these individuals. Other New Kerr-McGee employees who were assigned to Tronox in connection with the Spin-Off simply refused to go because of Tronox's bleak prospects.

VI. Without The Overhang Of Legacy Liabilities, New Kerr-McGee Sold For \$18 Billion Three Months After The Spin-Off Was Completed.

115. Less than three months after New Kerr-McGee completed the Spin-Off, it succeeded in its goal of profiting from the lucrative market for oil and gas companies. On June 22, 2006, Anadarko offered to acquire New Kerr-McGee for \$16.4 billion in cash and agreed to assume \$1.6 billion of New Kerr-McGee's debt. The purchase price represented a 40 percent premium to New Kerr-McGee's stock price.

116. The shareholders of New Kerr-McGee voted to approve the offer on August 10, 2006, and New Kerr-McGee Corporation became a wholly owned subsidiary of Anadarko.

117. New Kerr-McGee senior executives, including its Chairman and Chief Executive Officer Luke Corbett (a primary architect of the Spin-Off), Chief Financial Officer Robert M. Wohleber (who also served as Chairman of the Board of Tronox until the completion of the Spin-Off), and General Counsel Gregory F. Pilcher (another architect of the Spin-Off) personally pocketed over \$225 million between them from the Spin-Off. Other New Kerr-McGee executives enjoyed similar windfalls.

118. In an unusual provision, Anadarko purported to immunize New Kerr-McGee's officers and directors from liability for their roles in the Spin-Off. Specifically, as part of its acquisition of New Kerr-McGee, Anadarko agreed to indemnify New Kerr-McGee's officers and directors for acts and omissions occurring before the acquisition date.

119. Since acquiring New Kerr-McGee, Anadarko has admitted its potential responsibility for the Legacy Liabilities in the event Tronox should fail. In both its 2006 and 2007 Annual Reports, Anadarko stated: "Kerr-McGee could be subject to joint and several liability for certain costs of cleaning up hazardous substance contamination attributable to the facilities and operations conveyed to Tronox if Tronox becomes insolvent or otherwise unable to

pay for certain remediation costs. As a result of the merger, we will be responsible to provide reimbursements to Tronox pursuant to the MSA, and we may be subject to potential joint and several liability, as the successor to Kerr-McGee, if Tronox is unable to perform certain remediation obligations.”

120. In its 2008 Annual Report, Anadarko similarly stated:

We may incur substantial environmental and other costs arising from Kerr-McGee’s former chemical business.

Prior to its acquisition by the Company, Kerr-McGee through an initial public offering, spun off its chemical manufacturing business to a newly created and separate company, Tronox Incorporated (Tronox). Under the terms of a Master Separation Agreement (MSA), Kerr-McGee agreed to reimburse Tronox for certain qualifying environmental remediation costs, subject to certain limitations and conditions and up to a maximum aggregate reimbursement of \$100 million. However, Kerr-McGee could be subject to liability for certain costs of cleaning up hazardous substance contamination attributable to the facilities and operations conveyed to Tronox if Tronox becomes insolvent or otherwise unable to pay for certain remediation costs. As a result of the acquisition of Kerr-McGee, we will be responsible to provide reimbursements to Tronox pursuant to the MSA, and we may be subject to potential liability, as the successor-in-interest to Kerr-McGee, if Tronox is unable to perform certain remediation obligations.

On January 12, 2009, Tronox and certain of its subsidiaries filed voluntary petitions to restructure under Chapter 11 of the United States Bankruptcy Code. As a result of this filing, third parties may seek to impose liability upon Kerr-McGee that is otherwise attributable to Tronox due to Kerr-McGee’s status as the former parent of Kerr-McGee Chemical Worldwide LLC, a predecessor-in-interest to Tronox. In addition, based on the information contained in the Tronox bankruptcy filings, it is also possible that third parties may pursue other claims against Kerr-McGee associated with the separation of Kerr-McGee’s former chemical business and the initial public offering of Tronox. Currently, we are unable to estimate the amount of these potential liabilities.

VII. Tronox Was Forced to File For Chapter 11 When It Was Unable To Shoulder The Legacy Liabilities And Other Burdens Imposed At The Spin-Off.

121. Tronox was quickly overwhelmed by the Legacy Liabilities and the \$550 million in debt that it was forced to assume through the Spin-Off, leaving Tronox twice as levered as its peers. The Legacy Liabilities and debt have negatively impacted the cost and terms on which Tronox has been able to raise capital. They also have prevented Tronox from taking advantage of favorable market conditions by participating in mergers or acquisitions in the chemical sector. By transferring the poison pill of Legacy Liabilities to Tronox, New Kerr-McGee freed itself to be sold for \$18 billion while rendering Tronox effectively unsaleable. The overhang of these Legacy Liabilities made it impossible for Tronox to survive the inevitable downturn in the chemical sector and left it no choice but to file for chapter 11.

122. In fact, since it became an independent company on April 1, 2006, Tronox has only had one profitable quarter—and that quarter was profitable only as a result of proceeds received from a litigation settlement.

123. As Tronox became dangerously close to running out of liquidity before debtor-in-possession (“DIP”) financing could be secured in late 2008, Tronox contacted Anadarko. While Anadarko is not in the business of lending money, Anadarko and its wholly owned subsidiary, New Kerr-McGee, were responsible for Tronox’s predicament. Tronox asked Anadarko—and any other potential source of funding that it could identify—if it would provide DIP financing.

124. Anadarko was willing to provide DIP financing to Tronox but only on extremely onerous financial terms. Aware of the massive liability it faced related to the Spin-Off, Anadarko also insisted on one more condition: waiver of claims asserted in this adversary proceeding. In short, having bled Tronox dry, Anadarko would provide life support only if Tronox released the very misconduct that had put Tronox on death’s doorstep in the first place.

125. As Lehman warned New Kerr-McGee nearly four years ago, “Separation from legacy liabilities” would be “[c]omplicated under [a] bankruptcy scenario.” The inevitable day of reckoning is here.

CLAIMS FOR RELIEF

COUNT I

Actual Fraudulent Transfer

126. Plaintiffs incorporate by reference the allegations set forth in paragraphs 1 through 125 as though set forth fully herein.

127. Through its two-step fraudulent scheme, and as detailed above, New Kerr-McGee transferred valuable assets from Tronox, Tronox Worldwide LLC, Tronox LLC and their affiliates and predecessors (the “Tronox Entities”), including valuable oil and gas assets and proceeds from Tronox’s secured and unsecured loans and IPO (the “Transfers”), while simultaneously transferring to and causing the Tronox Entities to assume liabilities and debt, including the Legacy Liabilities and \$550 million in secured and unsecured loans (the “Obligations”).

128. The Transfers and Obligations were made to or for the benefit of New Kerr-McGee.

129. At the time the Transfers and Obligations were undertaken, New Kerr-McGee was the parent of the Tronox Entities. As a result, New Kerr-McGee was in a position to, and in fact did, control and dominate the Tronox Entities.

130. The Tronox Entities made the Transfers and incurred the Obligations with the actual intent to hinder, delay, or defraud the creditors or future creditors of the Tronox Entities.

131. As a result of the Transfers and Obligations, the Tronox Entities and their creditors have been harmed.

132. Tronox has multiple unsecured creditors as to whom the Transfers and Obligations are voidable under applicable law and who hold an unsecured claim allowable under 11 U.S.C. § 502, including federal government entities, tort claimants, tax creditors, bond holders, and trade creditors.

133. Under 11 U.S.C. § 544(b) and § 550(a), Oklahoma's Uniform Fraudulent Transfer Act, including but not limited to 24 Okla. St. Ann. tit. 24, § 116, and/or other applicable law, Tronox is entitled to avoid the Transfers and Obligations and to recover the property or value of the property transferred to Anadarko, New Kerr-McGee, their affiliates, or third parties for the benefit of Anadarko or New Kerr-McGee, with interest.

134. New Kerr-McGee's conduct set forth herein was fraudulent, wanton, malicious or willful in complete disregard of Tronox's rights. Accordingly, Tronox seeks relief in the form of exemplary or punitive damages in an amount to be determined at trial.

COUNT II
Constructive Fraudulent Transfer

135. Plaintiffs incorporate by reference the allegations set forth in paragraphs 1 through 134 as though set forth fully herein.

136. The Tronox Entities did not receive reasonably equivalent value from New Kerr-McGee in exchange for the Transfers and Obligations.

137. Each of the Transfers and Obligations was made to or for the benefit of New Kerr-McGee.

138. At the time the Transfers and Obligations were undertaken, New Kerr-McGee was the parent of the Tronox Entities. As a result, New Kerr-McGee was in a position to, and in fact did, control and dominate the Tronox Entities.

139. The Tronox Entities made the Transfers and incurred the Obligations when they were engaged or about to engage in a business or transaction for which their remaining assets were unreasonably small in relation to the business or transaction.

140. The Tronox Entities were insolvent at the time or became insolvent as a result of the Transfers and Obligations.

141. At the time of the Transfers and Obligations, the Tronox Entities intended to incur, or believed or reasonably should have believed they would incur, debts beyond their ability to pay as they became due.

142. As a result of the Transfers and Obligations, the Tronox Entities and their creditors have been harmed.

143. Tronox has multiple unsecured creditors as to whom the Transfers and Obligations are voidable under applicable law and who hold an unsecured claim allowable under 11 U.S.C. § 502, including federal government entities, tort claimants, tax creditors, bond holders, and trade creditors.

144. Under 11 U.S.C. § 544(b) and § 550(a), Oklahoma's Uniform Fraudulent Transfer Act, including but not limited to 24 Okla. St. Ann. tit. 24, §§ 116 and 117, and/or other applicable law, Tronox is entitled to avoid the Transfers and Obligations and to recover the property or value of the property transferred to Anadarko, New Kerr-McGee, their affiliates, or third parties for the benefit of Anadarko or New Kerr-McGee together with interest.

145. New Kerr-McGee's conduct set forth herein was fraudulent, wanton, malicious or willful in complete disregard of Tronox's rights. Accordingly, Tronox seeks relief in the form of exemplary or punitive damages in an amount to be determined at trial.

COUNT III
Constructive Fraudulent Transfer Regarding
Payments Made For Anadarko's Or New Kerr-McGee's
Benefit During The Two Years Preceding The Bankruptcy Filing

146. Plaintiffs incorporate by reference the allegations set forth in paragraphs 1 through 145 as though set forth fully herein.

147. Tronox did not receive reasonably equivalent value from Anadarko and New Kerr-McGee in exchange for payments it made or became obligated to make for Anadarko's and New Kerr-McGee's benefit within two years of Tronox's bankruptcy filing, including:

- (a) All payments related to the Legacy Liabilities, in an amount to be determined at trial;
- (b) All pension benefit payments made and payment obligations incurred in excess of the payments and obligations that would have accrued absent the agreements imposed on it by New Kerr-McGee, in an amount to be determined at trial;
- (c) All other post-employment benefits ("OPEB") payments made and payment obligations incurred in excess of the payments and obligations that would have accrued absent the agreements imposed on it by New Kerr-McGee, in an amount to be determined at trial; and
- (d) All pension benefits or OPEB paid or payable to retirees for the years in which they worked at New Kerr-McGee, in an amount to be determined at trial.

148. At the time the above-mentioned transfers were made, Tronox was engaged or about to engage in a business or transaction for which its remaining assets were unreasonably small in relation to the business or transaction.

149. Tronox was insolvent at the time or became insolvent as a result of the above-mentioned transfers.

150. At the time the above-mentioned transfers were made, Tronox intended to incur, or believed or reasonably should have believed it would incur, debts beyond its ability to pay as they became due.

151. As a result of the Transfers and Obligations, the Tronox Entities and their creditors have been harmed.

152. Under 11 U.S.C. § 548 and 11 U.S.C. § 550(a), Tronox is entitled to avoid these transfers and to recover the property or value of the property transferred to Anadarko, New Kerr-McGee, their affiliates, or third parties for the benefit of Anadarko or New Kerr-McGee together with interest.

COUNT IV
Civil Conspiracy

153. Plaintiffs incorporate by reference the allegations set forth in paragraphs 1 through 152 as though set forth fully herein.

154. As acknowledged in New Kerr-McGee's proxy statement regarding Anadarko's acquisition of New Kerr-McGee, Anadarko's CEO, James Hackett, contacted New Kerr-McGee's CEO, Luke Corbett, approximately one month before the Spin-Off. On information and belief, the purpose of Mr. Hackett's call to Mr. Corbett was to discuss Anadarko's acquisition of New Kerr-McGee.

155. Anadarko offered to acquire New Kerr-McGee for \$18 billion less than three months after the Spin-Off. Given the size and complexity of the deal, it is exceedingly unlikely if not impossible that Anadarko and New Kerr-McGee did not begin planning the acquisition prior to the Spin-Off.

156. On information and belief, Anadarko and New Kerr-McGee agreed prior to the completion of the Spin-Off that Anadarko would purchase New Kerr-McGee only after it shed its Legacy Liabilities through the Spin-Off.

157. On information and belief, Anadarko conspired with New Kerr-McGee to effectuate the fraudulent conveyance of the Transfers and Obligations through the Spin-Off. By

agreeing to purchase New Kerr-McGee once it shed the Legacy Liabilities, Anadarko intentionally furthered the conspiracy by providing New Kerr-McGee with monetary incentive to complete the Spin-Off, thereby harming Tronox and its creditors. Anadarko and New Kerr-McGee benefited from the fraudulent conveyance of the Transfers and Obligations and/or exercised dominion and control over the fraudulently conveyed assets.

158. On information and belief, Lehman Brothers facilitated Anadarko's and New Kerr-McGee's arrangement. Lehman Brothers simultaneously served as New Kerr-McGee's financial advisor in connection with both the Spin-Off and Anadarko's acquisition of New Kerr-McGee.

159. Tronox seeks compensatory damages against New Kerr-McGee and Anadarko for all damages sustained as a result of their wrongdoing, in an amount to be proven at trial, including interest thereon.

160. New Kerr-McGee's and Anadarko's conduct set forth herein was fraudulent, wanton, malicious or willful in complete disregard of Tronox's rights. Accordingly, Tronox seeks relief in the form of exemplary or punitive damages in an amount to be determined at trial.

COUNT V
Aiding And Abetting Fraudulent Conveyance

161. Plaintiffs incorporate by reference the allegations set forth in paragraphs 1 through 160 as though set forth fully herein.

162. On information and belief, Anadarko and New Kerr-McGee agreed prior to the completion of the Spin-Off that Anadarko would purchase New Kerr-McGee only after it shed its Legacy Liabilities through the Spin-Off.

163. On information and belief, Anadarko knowingly provided substantial assistance to New Kerr-McGee in the fraudulent conveyance of the Transfers and Obligations by, among

other things, agreeing to purchase New Kerr-McGee once it shed the Legacy Liabilities and by providing New Kerr-McGee with monetary incentive to complete the Spin-Off, thereby harming Tronox and its creditors.

164. Anadarko benefited from the fraudulent conveyance of the Transfers and Obligations and/or exercised dominion and control over the fraudulently conveyed assets.

165. Tronox seeks compensatory damages against Anadarko for all damages sustained as a result of its wrongdoing, in an amount to be proven at trial, including interest thereon.

166. Anadarko's conduct set forth herein was fraudulent, wanton, malicious or willful in complete disregard of Tronox's rights. Accordingly, Tronox seeks relief in the form of exemplary or punitive damages in an amount to be determined at trial.

COUNT VI
Breach Of Fiduciary Duty As A Promoter

167. Plaintiffs incorporate by reference the allegations set forth in paragraphs 1 through 166 as though set forth fully herein.

168. New Kerr-McGee was a corporate promoter of Tronox. It caused "New-Co Chemical Inc." to be incorporated on May 17, 2005 by filing a certificate of incorporation with the Secretary of State of the State of Delaware. New Kerr-McGee then filed an Amended and Restated Certificate of Incorporation for Tronox Incorporated on September 12, 2005 with the Secretary of State of the State of Delaware.

169. New Kerr-McGee's activities as a corporate promoter of Tronox also included, among other things, obtaining or causing Tronox to obtain capital to run its business and soliciting investors to purchase its securities.

170. New Kerr-McGee's activities as a corporate promoter began no later than May 2005 and continued up through and including March 31, 2006 when it distributed its majority ownership in Tronox to existing New Kerr-McGee shareholders.

171. New Kerr-McGee breached its fiduciary duties to Tronox by failing to act in good faith. New Kerr-McGee failed to disclose to Tronox, its future bondholders, and its future shareholders all material facts regarding Tronox, including but not limited to the true nature and scope of the Legacy Liabilities that were being foisted upon Tronox. New Kerr-McGee failed to act in good faith by creating and promoting Tronox when it knew or should have known Tronox could never survive as an independent company.

172. New Kerr-McGee's breaches of its fiduciary duties as a promoter proximately caused substantial harm to Tronox in an amount to be determined at trial.

173. Because New Kerr-McGee executives served as Directors of Tronox and New Kerr-McGee owned the majority of Tronox through March 31, 2006, New Kerr-McGee adversely dominated Tronox until April 1, 2006. Tronox could not have initiated this action until, at the earliest, April 1, 2006, after New Kerr-McGee distributed its majority ownership stake and after the New Kerr-McGee executives resigned from the Tronox Board.

174. Tronox seeks compensatory damages against New Kerr-McGee and Anadarko for all damages sustained as a result of their wrongdoing, in an amount to be proven at trial, including interest thereon.

175. New Kerr-McGee's and Anadarko's conduct set forth herein was fraudulent, wanton, malicious or willful in complete disregard of Tronox's rights. Accordingly, Tronox seeks relief in the form of exemplary or punitive damages in an amount to be determined at trial.

COUNT VII
Unjust Enrichment

176. Plaintiffs incorporate by reference the allegations set forth in paragraphs 1 through 175 as though set forth fully herein.

177. Anadarko and New Kerr-McGee were unjustly enriched at Tronox's expense.

178. Through its two-step fraudulent scheme, and as detailed above, New Kerr-McGee caused the Transfers and Obligations described above. Anadarko and New Kerr-McGee benefited directly from the Transfers and Obligations.

179. Anadarko's and New Kerr-McGee's retention of the above-mentioned benefits would violate fundamental principles of justice, equity, and good conscience.

180. Because New Kerr-McGee executives served as Directors of Tronox and New Kerr-McGee owned a majority stake of Tronox through March 31, 2006, New Kerr-McGee adversely dominated Tronox until April 1, 2006. Tronox could not have initiated this action until, at the earliest, April 1, 2006, after New Kerr-McGee distributed its majority ownership stake and New Kerr-McGee's executives resigned from the Tronox Board.

181. As a result of New Kerr-McGee's and Anadarko's unjust enrichment, equity, and good conscience requires appropriate restitution to Tronox.

COUNT VIII
Equitable Subordination

182. Plaintiffs incorporate by reference the allegations set forth in paragraphs 1 through 181 as though set forth fully herein.

183. Anadarko and New Kerr-McGee likely will file proofs of claims in these chapter 11 cases.

184. The initial capitalization of Tronox at the time of the Spin-Off was wholly inadequate, and New Kerr-McGee was responsible for the gross undercapitalization.

185. New Kerr-McGee was an insider at the time of the Spin-Off and controlled the allocation of assets and liabilities to Tronox through the Spin-Off.

186. It was inequitable for New Kerr-McGee to force Tronox to enter into the Transfers and Obligations described above. As a result of New Kerr-McGee's inequitable conduct, Tronox's creditors have been injured.

187. New Kerr-McGee also misled Tronox's shareholders and the market generally regarding the true nature and magnitude of the Legacy Liabilities foisted upon Tronox at the Spin-Off.

188. Any and all claims asserted by Anadarko or New Kerr-McGee should be equitably subordinated for purposes of distribution pursuant to 11 U.S.C. § 510(c), and Anadarko and New Kerr-McGee should not be permitted to receive any distributions on any claims asserted or to be asserted by Anadarko, New Kerr-McGee or their affiliates in these chapter 11 cases until payment in full with interest is made to all non-defendant creditors of Tronox.

COUNT IX
Equitable Disallowance

189. Plaintiffs incorporate by reference the allegations set forth in paragraphs 1 through 188 as though set forth fully herein.

190. In accordance with its fraudulent and inequitable conduct, New Kerr-McGee forced Tronox to assume the Transfers and Obligations as described above.

191. To the extent Anadarko and New Kerr-McGee assert claims based on the Legacy Liabilities, those claims should be disallowed and expunged.

COUNT X
Disallowance of Claims
Pursuant To Section 502(d) Of The Bankruptcy Code

192. Plaintiffs incorporate by reference the allegations set forth in paragraphs 1 through 191 as though set forth fully herein.

193. Anadarko and New Kerr-McGee are transferees of transfers avoidable under section 544 of the Bankruptcy Code as described above.

194. To the extent Anadarko or New Kerr-McGee assert any claim, those claims should be disallowed pursuant to section 502(d) of the Bankruptcy Code.

COUNT XI
Disallowance of Contingent Indemnity Claims
Pursuant To Section 502(e)(1)(B) Of The Bankruptcy Code

195. Plaintiffs incorporate by reference the allegations set forth in paragraphs 1 through 194 as though set forth fully herein.

196. Section 502(e)(1)(B) of the Bankruptcy Code requires the Bankruptcy Court to disallow any claim for reimbursement or contribution by an entity that is liable with the debtor and such claim for reimbursement or contribution is contingent at the time of the allowance or disallowance of such claim.

197. To the extent New Kerr-McGee or Anadarko (i) assert claims for reimbursement, contribution or indemnification from Tronox and New Kerr-McGee and/or Anadarko are liable with Tronox with respect to the underlying claims for which Kerr-McGee or Anadarko seek reimbursement, and (ii) New Kerr-McGee or Anadarko have not expended funds related to such underlying claims, such claims must be disallowed pursuant to 502(e)(1)(B) of the Bankruptcy Code.

PRAYER FOR RELIEF

WHEREFORE, Tronox prays for relief and judgment as follows:

Awarding compensatory damages in favor of Tronox against New Kerr-McGee and Anadarko for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proved at trial, including interest thereon;

Awarding appropriate restitution to Tronox from New Kerr-McGee and Anadarko for Defendants' unjust enrichment;

Awarding Tronox punitive and/or exemplary damages where such damages are available;

Awarding Tronox reasonable costs and expenses incurred in this action, including attorneys' fees and expert fees;

Equitably subordinating and/or equitably disallowing any and all claims asserted by New Kerr-McGee and Anadarko;

Disallowing any and all claims asserted by New Kerr-McGee and Anadarko; and

Such other and further relief as the Court may deem just and proper.

May 12, 2009

Respectfully submitted,

/s/ David J. Zott, P.C.

Richard M. Cieri

Jonathan S. Henes

Colin M. Adams

KIRKLAND & ELLIS LLP

Citigroup Center

153 East 53rd Street

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Chicago, Illinois 60654

Telephone: (312) 862-2000

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*Attorneys for Tronox Incorporated, Tronox
Worldwide LLC, and Tronox LLC*



environmental management, inc.

April 24, 2009

RECEIVED
ENVIRONMENTAL SERVICE
2009 APR 27 A 9:31

Brian A. Rakvica, P.E.
Supervisor, Special Projects Branch
Bureau of Corrective Actions
Nevada Department of Environmental Protection
2030 E. Flamingo Road, Suite 230
Las Vegas, NV 89119

Subject: Request for Data
Tronox LLC Henderson Facility
Henderson, Nevada

Dear Mr. Rakvica:

Northgate Environmental Management Inc. (Northgate) has been selected as the contractor to replace AECOM on the Tronox LLC Henderson Facility (TRX) remediation project. We are looking forward to working with Nevada Department of Environmental Protection (NDEP).

We understand that NDEP has offered to assist in the transition of the project to Northgate by transferring all TRX project files in NDEP's administrative record to a Northgate supplied portable hard-drive. We appreciate your assistance and have supplied the requested portable hard-drive with this letter. A FedEx shipping label has also been included in the package for your convenience in returning the hard-drive.

Please don't hesitate to call me if you have any questions.

Sincerely,
Northgate Environmental Management, Inc.

A handwritten signature in black ink that reads 'Deni Chambers'.

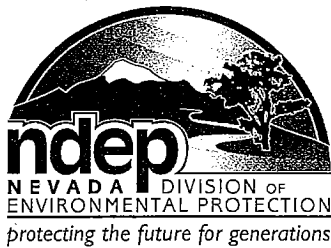
Deni Chambers, C.E.G., C.Hg.
President

(510) 381-2322

Attachment

cc: Susan Crowley, Tronox
Keith Bailey, Tronox



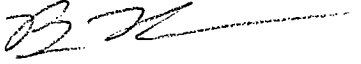


STATE OF NEVADA
Department of Conservation & Natural Resources
DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor
Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

TRANSMITTAL

TO: Deni Chambers and Derrick Willis
FROM: Brian Rakvica 
RE: Electronic Transmittal of NDEP files

On the hard disk you provided we have provided copies of all of the NDEP's files on the BMI Complex and Common Areas. These are organized on the hard disk by company name. For each company name there is a set of "scanned files" and "live files". Scanned files are older files and include a copy of all correspondence through 2008. Live versions of the NDEP's 2009 correspondence are included. 2009 correspondence from the companies is not included. Please note that correspondence consists only of "letters" not "reports".

Please contact me with any questions.

Thanks,

Brian

CC (transmittal only):

Shannon Harbour, NDEP, BCA, Las Vegas

Keith Bailey, Environmental Answers LLC, 3229 Persimmon Creek Drive, Edmond, OK 73013

Susan Crowley, Crowley Environmental LLC, 366 Esquina Dr, Henderson NV 89014

Susan Crowley, Tronox LLC, PO Box 55, Henderson, Nevada 89009



Shannon Harbour

From: Crowley, Susan [Contractor] [Susan.Crowley@tronox.com]
Sent: Monday, March 30, 2009 1:32 PM
To: Shannon Harbour
Cc: Brian Rakvica; Keith Bailey
Subject: ECA Phase B Work

Shannon,

I did not want you to be out of the information loop. Please see the correspondence between Pat Corbett and Leo Drozdoff below. Pat Corbett has been updating Leo Drozdoff on the Tronox commitment to move forward with the ECA Phase B work.

In some cases we've been required to fund an escrow account, but this has been done. Thanks.

TRONOX LLC
Susan Crowley (Contractor)
PO Box 55
Henderson, NV 89009
office 702.651.2234
cell 702.592.7727
efax 405.302.4607
email susan.crowley@tronox.com

It's the set of our sails, not the force of the gales, that determines the way we go.

-----Original Message-----

From: Leo Drozdoff [mailto:ldrozdof@ndep.nv.gov]
Sent: Monday, March 30, 2009 1:11 PM
To: Corbett, Pat
Cc: Crowley, Susan [Contractor]
Subject: RE:

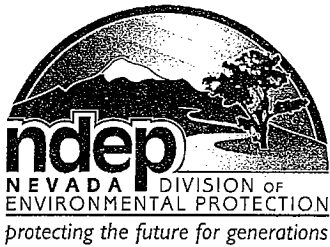
Great. Thanks Pat

-----Original Message-----

From: Corbett, Pat [mailto:Pat.Corbett@tronox.com]
Sent: Monday, March 30, 2009 12:51 PM
To: Leo Drozdoff
Cc: Crowley, Susan [Contractor]
Subject: FW:

Leo, we have a signed escrow agreement with Columbia Analytical for the ECA work. They will set up the account and we will forward the money to fund it. This should be the last hurdle.

Pat



STATE OF NEVADA

Department of Conservation & Natural Resources
DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor

Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

March 20, 2009

Susan Crowley (Contractor)
C/O Tronox LLC
PO Box 55
Henderson, NV 89009

Re: **Tronox LLC (TRX)**
NDEP Facility ID #H-000539
Nevada Division of Environmental Protection (NDEP) Response to:
*Semi-Annual Remedial Performance Report for Chromium and Perchlorate Tronox LLC,
Henderson, Nevada, July 2008 – December 2008*
Dated February 27, 2009

Dear Ms. Crowley,

The NDEP has received and reviewed TRX's above-identified Performance Report and provides comments in Attachment A. TRX should provide an annotated response-to-comments (RTC) letter as part of the next Performance Report submittal. Please note that TRX should provide a submittal date for the Data Review Memorandum for this Performance Report **by April 3, 2009**.

Please contact the undersigned with any questions at sharbour@ndep.nv.gov or (702) 486-2850 extension 240.

Sincerely,

Shannon Harbour, P.E.
Staff Engineer III
Bureau of Corrective Actions
Special Projects Branch
NDEP-Las Vegas Office
Fax: 702-486-5733

SH:bar:sh



CC: Jim Najima, NDEP, BCA, Carson City
Brian Rakvica, NDEP, BCA, Las Vegas
Keith Bailey, Environmental Answers LLC, 3229 Persimmon Creek Drive, Edmond, OK 73013
Susan Crowley, Crowley Environmental LLC, 366 Esquina Dr, Henderson NV 89014
Mike Skromyda, Tronox LLC, PO Box 55, Henderson, NV 89009
Barry Conaty, Holland & Hart LLP, 975 F Street, N.W. Suite 900, Washington, D.C. 20004
Brenda Pohlmann, City of Henderson, PO Box 95050, Henderson, NV 89009
Mitch Kaplan, U.S. Environmental Protection Agency, Region 9, mail code: WST-5, 75 Hawthorne Street,
San Francisco, CA 94105-3901
Ebrahim Juma, DAQEM, PO Box 551741, Las Vegas, NV, 89155-1741
Ranajit Sahu, BRC, 311 North Story Place, Alhambra, CA 91801
Rick Kellogg, BRC, 875 West Warm Springs, Henderson, NV 89011
Mark Paris, Landwell, 875 West Warm Springs, Henderson, NV 89011
Craig Wilkinson, TIMET, PO Box 2128, Henderson, Nevada, 89009-7003
Kirk Stowers, Broadbent & Associates, 8 West Pacific Avenue, Henderson, Nevada 89015
George Crouse, Syngenta Crop Protection, Inc., 410 Swing Road, Greensboro, NC 27409
Nick Pogoncheff, PES Environmental, 1682 Novato Blvd., Suite100, Novato, CA 94947
Lee Erickson, Stauffer Management Company, P.O. Box 18890, Golden, CO 80402
Michael Bellotti, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Curt Richards, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Paul Sundberg, Montrose Chemical Corporation, 10733 Wave Crest Court, Stockton, CA 95209
Joe Kelly, Montrose Chemical Corporation of CA, 600 Ericksen Avenue NE, Suite 380, Bainbridge Island,
WA 98110

Attachment A

1. CD, please note that the CD provided with the Report was blank.
2. Section 2.1, page 2-1, 1st paragraph, TRX states that “Historic water elevations across the barrier wall directly downgradient of the well field show that north of the barrier wall water levels in wells M-69 through M-74 range between two to seven feet lower than water elevations south of the barrier wall. This indicates negligible hydraulic communication across the barrier wall (see Figure 3).” NDEP has the following comments that TRX should include in this discussion/section and provide an explanation as to how the following comments impact the conclusion that the hydraulic communication across the barrier wall is negligible:
 - a. Figure 3 shows that historically the groundwater elevation in downgradient well M-69 has been greater than three to five feet below the groundwater elevation for upgradient well I-Y. However, the groundwater elevation difference between these two wells has been less than one to two feet since April 2008. Please note that similar conditions are observed between M-71 and M-56.
 - b. Figure 3 shows that the groundwater has increased in the downgradient well M-70 so that the groundwater elevation downgradient of the barrier wall has been greater than the groundwater elevation upgradient of the barrier wall since March 2008
3. Section 3.1.1, NDEP has the following comments:
 - a. TRX states that “[the total chromium concentration in] I-Q has dropped in half since February 2008.” However, the total chromium concentration in I-Q in May 2008 was similar to the November 2008 low and August 2008 was similar to the February 2008 high. This is a reason why NDEP finds little value in discussing contaminant concentration differences between quarters. In future submittals, TRX should focus this type of discussion on trends in the data.
 - b. 3rd paragraph, TRX states that “chromium concentrations downgradient of the barrier wall and recharge trenches continue to decline”. Please provide data to substantiate this statement in future submittals. (Please note that NDEP will not comment on each occurrence in this Performance Report; however, this comment should be incorporated throughout future submittals.)
4. Figure 3, please revise this figure as follows:
 - a. For ease of comparison, please revise the date and elevation axes so that they are identical for each graph.
 - b. The dates for the installation of the barrier wall, the cessation of Lake Mead water injection, and the commencement of injection of Lake Mead water after trench refurbishment should be noted either on the graphs or as a footnote to this figure.
5. Figure 6, please clarify what the purpose of this graph is and what is meant by the “downgradient” notation on PC-91 (i.e. downgradient of what?).
6. Appendix C, RTC 6.c.i and RTC 7, if TRX feels that data collected and validated by companies other than TRX is inappropriate for inclusion in the Appendix A table, then please provide this data as requested in NDEP’s original comments in a separate table specified for this purpose in future Performance Report submittals.
7. Appendix D, please provide a schedule for the submittal of the Data Review Memorandum for this Report **by April 3, 2009.**

Shannon Harbour

From: Brian Rakvica
Sent: Tuesday, March 17, 2009 11:15 AM
To: 'Crowley, Susan [Contractor]'; Shannon Harbour
Cc: 'Keith Bailey (okbailey@flash.net)'; 'David Gratson'; Brian Rakvica
Subject: TRX EDD and DL questions

Susan,

We have the following questions in response:

1. The recent DVSR reports that we have received from Tronox use the terms "Method Detection Limit" and "Reporting Limit", for example see:
 - a. Append A, Table A-1 of the Feb 2009 Semi-Annual Remedial Performance Report for Chromium and Perchlorate.
 - b. Section 4.6 of the April 2008 DVSR associated with data collected to support the offsite residential and VOC Investigation.
 - c. Please provide definitions, including the algorithms used to derive these sensitivity indicators. If MDL is based on 40 CFR Part 136, Appendix B that can be cited to answer this question.
 - d. Also the term "Reporting Detection Limit" is used in the database associated with the April 2008 DVSR. Is this equivalent to the RL described in the DVSR text? If not, please provide a definition and the algorithm used to derive this sensitivity indicator. This will help us understand their questions. Note on their first question 4 - we have not see the terms QL or MDL in recent databases submitted with DVSRs, only RDL.
2. For this issue:

"AECOM has noticed other significant changes for some organic methods in the most recent NFG guidance and has modified data validation worksheets to conform for other projects. Are the specified changes in this NDEP document the only ones that NDEP wants adopted from the most recent NFG guidance for data validation?"

Would Tronox please identify the "...other significant changes ... in the most recent NFG guidance." We would like to review and include them in any discussions on this topic.

Thanks,

Brian

From: Crowley, Susan [Contractor] [mailto:Susan.Crowley@tronox.com]
Sent: Thursday, March 12, 2009 2:47 PM
To: Brian Rakvica; Shannon Harbour
Subject: FW: Data formatting questions for NDEP

Brain and Shannon,

Below are some questions AECOM had re data handling and validation. Once you've had a chance to digest their questions – if need be ... I can set up a teleconference to talk through the issues. Just let me know if this is easier than trying to write down a response. Thanks.

TRONOX LLC
 Susan Crowley (Contractor)
 PO Box 55

3/18/2009

Henderson, NV 89009
office 702.651.2234
cell 702.592.7727
efax 405.302.4607
email susan.crowley@tronox.com

It's the set of our sails, not the force of the gales, that determines the way we go.

From: Kennedy, Robert [mailto:Robert.Kennedy@aecom.com]
Sent: Wednesday, March 11, 2009 3:40 PM
To: Ho, Brian
Cc: Crowley, Susan [Contractor]; Flack, Mike; okbailey@flash.net
Subject: RE: Data formatting questions for NDEP

Brian,

The questions and observations for NDEP relate to their documents "Detection Limits and Data Reporting" (12/3/08) and "Supplemental Guidance on Data Validation" (2/26/09).

Regarding "Detection Limits and Data Reporting":

- 1) The NDEP SQL definition, although based on EPA *Risk Assessment Guidance for Superfund*, is not consistent with current OSW guidance and common usage for RCRA program reporting. In general the reporting limits are based on adjusted QLs determined by the low point of calibration, not adjusted MDLs, for all organics traditionally and even the inorganics in recent method versions.
- 2) If the adjusted QLs are used as the numeric value associated with non-detects this does not constitute data censoring if detections between the QL and MDL are also reported with the J flag.
- 3) If we change the basis of reporting for all the Tronox future data it could cause a comparability problem with the historical data in terms of presentation and potentially data use.
- 4) The EQUIS database field names like QL, RDL, and MDL are not amenable to change. We can however alter the field names in the Access based output provided to NDEP.
- 5) NDEP is correct in that for Tronox data the RDL is populated, in general, by the adjusted QL for organic analytes and the adjusted MDL for inorganics. For the very same reason it is not correct that the RDL is functionally equivalent to the NDEP definition of SQL as stated by NDEP.
- 6) Does NDEP want total propagated error or just the counting error for the rad data?
- 7) Does NDEP want the MDA in both the MDL and RDL fields?
- 8) Does NDEP want the calculated asbestos concentrations in addition to the fiber counts and types? This seems more useful than a pile of elutriator raw data.
- 9) Please specify the asbestos protocol structure definition modifications to the draft modified elutriator method and specify which structures must be reported.

Regarding "Supplemental Guidance on Data Validation":

- 1) The NDEP SQL definition is not consistent with the June 2008 USEPA Contract Laboratory Program National Functional Guidelines for Superfund Organic Methods Data Review blank action guidance table. Values below the SQL cannot be reported if the SQL is based on the adjusted MDL. The CRQL in the original guidance is similar to the adjusted QL or RL, not the adjusted MDL.
- 2) Please note this specific guidance is not consistent with the NFG 1999 guidance that Tronox has consistently used

3/18/2009

for all previous data validation to assure uniformity in the rules governing blank actions. Changing the guidance may cause comparability problems in the low level datasets.

3) Please clarify how "potential censored results" are to be compared to the MCLs/BCLs. Note results censored by blank actions during validation are not available during data usability assessment without special database rules to recover them.

4) Should the same guidance be used for all other organic analytes in addition to VOCs/SVOCs?

5) AECOM has noticed other significant changes for some organic methods in the most recent NFG guidance and has modified data validation worksheets to conform for other projects. Are the specified changes in this NDEP document the only ones that NDEP wants adopted from the most recent NFG guidance for data validation?

I would be interested in discussing the above comments and questions with any representative of NDEP prior to further data collection or data evaluation for Tronox.

Robert Kennedy
Senior Project Chemist
AECOM Environment
D 978-589-3324
robert.kennedy@aecom.com

AECOM
2 Technology Park Drive
Westford, MA 01886-3140
T 978-589-3000 F 978-589-3282
www.aecom.com

Please note: my e-mail has changed to robert.kennedy@aecom.com. Please update your address books accordingly.

ENSR's parent company, AECOM Technology Corporation, is evolving to better serve its global clients. AECOM is forming a global business line – AECOM Environment – by utilizing the skills and capabilities from across its global environmental operations, including resources from ENSR, Earth Tech, STS and Metcalf & Eddy. AECOM Environment is devoted to providing quality environmental services to its global clients. With access to approximately 4,200 staff in 20 countries, AECOM Environment will be one of five new AECOM business lines, which also include AECOM Water, AECOM Transportation, AECOM Design, and AECOM Energy.

AECOM Environment provides a blend of global reach, local knowledge, innovation, and technical excellence in delivering solutions that enhance and sustain the world's built, natural, and social environments. Though our appearance is changing, our commitment to the success of your projects and your organization remains strong. We will keep you apprised of future details.

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then delete the e-mail message.
Thank you.

Shannon Harbour

From: Crowley, Susan [Contractor] [Susan.Crowley@tronox.com]
Sent: Thursday, February 19, 2009 10:32 AM
To: Shannon Harbour; Brian Rakvica
Cc: Keith Bailey
Subject: Tronox Bankruptcy February 26th Bankruptcy Hearing

Shannon,

Just a heads-up ... the February 26th hearing re the Tronox bankruptcy has been postponed to April 7th. Notice of this is on the kccllc.com web-site re the Tronox bankruptcy. Thanks.

TRONOX LLC

Susan Crowley (Contractor)
PO Box 55
Henderson, NV 89009
office 702.651.2234
cell 702.592.7727
efax 405.302.4607
email susan.crowley@tronox.com

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Thank you.

Crowley, Susan [Contractor]

From: Crowley, Susan [Contractor]
Sent: Friday, January 16, 2009 6:56 AM
To: 'Shannon Harbour'
Cc: Keith Bailey; 'Flack, Mike'; Ho, Brian; 'Budin-Caloroso, Jessica'; 'Caceres-Schnell, Carmen'; Brian Rakvica (brakvica@ndep.nv.gov)
Subject: Phase B Site Investigation Response to NDEP Comments Including Tables and Figure 4
Attachments: Tbl 2 Soil SAP - Area I Field Copy 010909.xls; Tbl 2 Soil SAP - Area II field copy 010909.xls; Tbl 2 Soil SAP - Area III field copy 010909.xls; Tbl 2 Soil SAP - Area IV Field Copy 011209.xls; soil_Samples_for_PCBs.pdf; Revised Phase B Comment_Response.doc

Shannon,

Attached please find a text response to comments (RTC) which includes information covered in our phone conversation yesterday. To support the RTC, the revised "Field" versions of the Phase B tables (Table 2 for Areas I to IV) as well as the revised PCB Figure 4 are also attached. Please feel free to contact Keith or me if you have any questions at all.

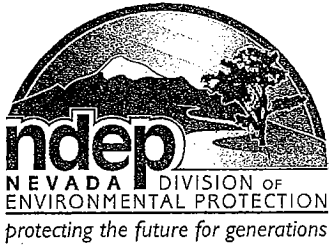
Because of its printed size, I will forward a hard copy of the Figure 4 to you via overnight mail, under a hard copy of this e-mail. Thanks.

TRONOX LLC

Susan Crowley (Contractor)
PO Box 55
Henderson, NV 89009
office 702.651.2234
cell 702.592.7727
efax 405.302.4607
email susan.crowley@tronox.com

It's the set of our sails, not the force of the gales, that determines the way we go.

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STATE OF NEVADA

Department of Conservation & Natural Resources
DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor

Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

January 16, 2009

Susan Crowley (Contractor)
C/O Tronox LLC
PO Box 55
Henderson, NV 89009

Re: **Tronox LLC (TRX)**

NDEP Facility ID #H-000539

Nevada Division of Environmental Protection (NDEP) Response to:

Response-to-Comments (RTC) to NDEP Response to Revised Phase B Site Investigation Work Plan, Text, Tables, and Figures, Tronox LLC Facility Henderson, Nevada (includes revised Field Tables for Areas I – IV and a revised Figure 4)

Dated January 16, 2009

Dear Ms. Crowley,

The NDEP has received and reviewed TRX's above-identified RTC and finds that the document is acceptable. Please contact the undersigned with any questions at sharbour@ndep.nv.gov or (702) 486-2850 extension 240.

Sincerely,

Shannon Harbour, P.E.
Staff Engineer III
Bureau of Corrective Actions
Special Projects Branch
NDEP-Las Vegas Office

SH:sh



CC: Jim Najima, NDEP, BCA, Carson City
Brian Rakvica, NDEP, BCA, Las Vegas
Keith Bailey, Environmental Answers LLC, 3229 Persimmon Creek Drive, Edmond, OK 73013
Mike Skromyda, Tronox LLC, PO Box 55, Henderson, NV 89009
Barry Conaty, Holland & Hart LLP, 975 F Street, N.W. Suite 900, Washington, D.C. 20004
Brenda Pohlmann, City of Henderson, PO Box 95050, Henderson, NV 89009
Mitch Kaplan, U.S. Environmental Protection Agency, Region 9, mail code: WST-5, 75 Hawthorne Street,
San Francisco, CA 94105-3901
Ebrahim Juma, DAQEM, PO Box 551741, Las Vegas, NV, 89155-1741
Ranajit Sahu, BRC, 311 North Story Place, Alhambra, CA 91801
Rick Kellogg, BRC, 875 West Warm Springs, Henderson, NV 89011
Mark Paris, Landwell, 875 West Warm Springs, Henderson, NV 89011
Craig Wilkinson, TIMET, PO Box 2128, Henderson, Nevada, 89009-7003
Kirk Stowers, Broadbent & Associates, 8 West Pacific Avenue, Henderson, Nevada 89015
George Crouse, Syngenta Crop Protection, Inc., 410 Swing Road, Greensboro, NC 27409
Nick Pogoncheff, PES Environmental, 1682 Novato Blvd., Suite 100, Novato, CA 94947
Lee Erickson, Stauffer Management Company, P.O. Box 18890, Golden, CO 80402
Michael Bellotti, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Curt Richards, Olin Corporation, 3855 North Ocoee Street, Suite 200, Cleveland, TN 37312
Paul Sundberg, Montrose Chemical Corporation, 3846 Estate Drive, Stockton, California 95209
Joe Kelly, Montrose Chemical Corporation of CA, 600 Ericksen Avenue NE, Suite 380, Bainbridge Island,
WA 98110

Shannon Harbour

From: Keith Bailey [okbailey@flash.net]
Sent: Thursday, January 15, 2009 7:49 AM
To: Shannon Harbour; 'Crowley, Susan [Contractor]'
Subject: Revised Phase B Comment_Response
Attachments: Revised Phase B Comment_Response.doc

Shannon,

As you know, Tronox is to supply a Response to Comments (RTC) for the revised Phase B Site Investigation to NDEP by Monday, January 19, 2009.

A draft of our proposed RTC is attached.

If you are available this morning for a brief conference call, Susan Crowley and I would like to discuss three key points on the draft RTC. We hope to come to a common understanding and avoid another round of comments. Would 8:30 or 9:00 a.m. this morning work for you? If not, could you suggest another time today?

Thanks in advance.

Keith

1/15/2009

Tronox LLC (TRX)**NDEP Facility ID #H-000539**

Nevada Division of Environmental Protection (NDEP) Response to:
*Revised Phase B Site Investigation Work Plan Text, Tables, and Figures, Tronox LLC
 Facility Henderson, Nevada
 Dated December 19, 2008*

DRAFT**Response to Comments****Comment**

1. Table 2, Area I (highlighted version), NDEP has the following comments stated for the administrative record only. TRX does not need to take any action on the following comments:
 - a. This table indicates that Hexavalent Chromium and TPH DRO/ORO analyses will be conducted at CAS – Kelso, WA where all of the other sampling tables indicated that these two analyses will be conducted at CAS – Rochester, NY. NDEP will assume that the Field Team Version of this table is correct and these analyses will be conducted at CAS – Rochester, NY. Please advise NDEP if this is not correct and submit corrected Field Team Versions as necessary.
 - b. RSAJ6, Location and Rationale column, TRX states that groundwater is anticipated at ~39 feet below ground surface (fbgs). TRX previously stated that the groundwater was anticipated at ~21 fbgs. Since the Field Team Version of Table 2, Area I agrees with the previously reported depth of 21 fbgs, NDEP will assume that this depth to groundwater is correct. Please advise NDEP if this is not correct and submit a corrected Field Team Version of this table.
 - c. RSAK8, TRX lists the capillary fringe sample depth as 27 fbgs. The sample depth should be 27 fbgs.
 - d. SA189, sampling depth 29 fbgs row, "P" should be removed and "Q" added to the Rationale for Removal column.
 - e. RSAL4, sampling depths 0.5, 10, and 28 fbgs, "P" should be removed and "Q" added to the Rationale for Removal column.
 - f. SA74, sampling depths 0.5, 10, and 29 fbgs, "E" should be removed and "D" added to the Rationale for Removal column.
 - g. RSAM2, sampling depths 0.5, 10, 20, and 35 fbgs, each depth should "F" and "L" only in the Rational for Removal column.
 - h. RSAN4, sampling depths 0.5 and 31 fbgs, "Q" should be added to the Rationale for Removal column.
 - i. Rational Code "Q" should state that OPP and OA analyses were removed from the boring sampling plan per TRX Errata submittal (December 19, 2008).

Response

- 1a. *Comment noted. The field version of this table is correct.*
- 1b. *The 39 fbgs figure on the table was for boring RSAJ5, not RSAJ6. The estimated depth to groundwater for RSAJ5 should be 21 feet as noted on the field table.*
- 1c. *The table shows the groundwater depth at 28 fbgs and the sample at 27 fbgs. The sample depth will be revised to 26 fbgs.*
- 1d – i. *Tronox agrees with the NDEP revisions. Comment "Q" reads: "OPP and OA analyses were removed from the sampling plan for this boring per Tronox Errata submitted December 19, 2008.."*

Comment

2. Table 2, Area I (Field Team Version), NDEP has the following comments. TRX should submit a revised Field Team Version of this table.
 - a. General comment, for the SPLP and geotechnical samples, TRX has repeated the coincident chemical analyses for each boring depth that notates SPLP and geotechnical sample collection. This is confusing and may result in the collection of unnecessary chemical analyses samples. TRX should remove the repetitive row that does not contain the SPLP and geotechnical sample notations as follows:
 - i. RSAI7, sampling depths 10 and 30 fbgs
 - ii. RSAJ3, sampling depths 10 and 29 fbgs
 - iii. RSAM3, sampling depths 10 and 30 fbgs
 - iv. SA56, sampling depths 10 and 37 fbgs
 - v. SA166, sampling depths 10 and 31 fbgs
 - vi. SA182, sampling depths 10 and 38 fbgs
 - b. RSAI7, remaining sampling depth 10 fbgs, OCPs analyses should note "Hold".
 - c. RSAK8, sampling depth 27 fbgs should be changed to 26 fbgs for consistency of the capillary fringe sampling.

Response

- 2a.i-vi *Tronox acknowledges that there are redundancies built into Table 2 with respect to the SPLP samples, however the information is listed for the benefit of sampling personnel. The redundancies serve a specific purpose: 1) By listing SPLP/Geotech samples on separate rows, we ensure that sufficient sample volume is collected and provided to the lab so that the lab can properly perform all of the requested analyses; and 2) to allow for ease of communication with the laboratory so that the lab can differentiate between those samples that require SPLP analyses from those samples that do not require SPLP analyses. Accordingly, Tronox proposes to leave the repetitive rows in the Table.*
- 2b. *Table 2 will be revised as indicated by NDEP.*
- 2c. *Table 2 will be revised as indicated by NDEP.*

Comment

3. Table 2, Area II (highlighted version): NDEP has the following comments stated for the administrative record only. TRX does not need to take any action on the following comments:
 - a. SA66, sampling depth 28 fbgs, OCPs and PCBs (EPA 8082) columns should indicate sample collection at this depth.
 - b. SA126, sampling depth 18 fbgs, TPH-ORO/DRO column should indicate sample collection at this depth.
 - c. SA31, sampling depths 0.5 and 32 fbgs, PCBs (EPA 8082) column should indicate sample collection at these depths.

Response

- 3a. *Agreed. The Field Table 2 will be revised to show the changes indicated by NDEP.*

- 3b. *Agreed. The Field Table 2 will be revised to show the changes indicated by NDEP.*
- 3c. *Agreed. The Field Table 2 will be revised to show the changes indicated by NDEP.*

Comment

4. Table 2, Area II (Field Team Version), NDEP has the following comments. TRX should submit a revised Field Team Version of this table.
- a. General comment, for the SPLP and geotechnical samples, TRX has repeated the coincident chemical analyses for each boring depth that notates SPLP and geotechnical sample collection. This is confusing and may result in the collection of unnecessary chemical analyses samples. TRX should remove the repetitive row that does not contain the SPLP and geotechnical sample notations as follows:
 - i. RSAL6, sampling depths 0.5 and 28 fbgs
 - ii. SA128, sampling depths 10 and 29 fbgs
 - iii. SA64, sampling depths 10 and 21 fbgs
 - iv. SA102, sampling depths 10 and 30 fbgs
 - v. SA30, sampling depth 9 fbgs
 - vi. SA30, sampling depth 35 fbgs should remove all sampling collection indicators ("X") in all of the chemical analyses columns.
 - b. SA66, sampling depth 28 fbgs, OCPs and PCBs (EPA 8082) columns should indicate sample collection at this depth.
 - c. SA126, all sampling depths, Metals column should indicate with footnote 15 on sampling notation ("X") that platinum analysis should be added to these samples.
 - d. SA126, sampling depth 18 fbgs, TPH-ORO/DRO column should indicate sample collection at this depth.
 - e. SA31, sampling depths 0.5 and 32 fbgs, PCBs (EPA 8082) column should indicate sample collection at these depths.
 - f. Notes section should include "15. Platinum analysis added to this sample."

Response

- 4a.i-vi. *Tronox acknowledges that there are redundancies built into Table 2 with respect to the SPLP samples, however the information is listed for the benefit of sampling personnel. The redundancies serve a specific purpose: 1) By listing SPLP/Geotech samples on separate rows, we ensure that sufficient sample volume is collected and provided to the lab so that the lab can properly perform all of the requested analyses; and 2) to allow for ease of communication with the laboratory so that the lab can differentiate between those samples that require SPLP analyses from those samples that do not require SPLP analyses. Accordingly, Tronox proposes to leave the repetitive rows in the Table.*
- 4b. *Table 2 will be revised as indicated by NDEP.*
- 4c. *Platinum is a standard constituent under the "Metals" category as noted in footnote #2 on this Table. (This is consistent with Table 1 [List of SRCs] in The Phase B Work Plan for Area II that was submitted to NDEP on June 2, 2008.) All soil samples that are designated for metals analysis will be analyzed for platinum. Adding the requested footnote could mislead readers and accordingly, Tronox proposes not adding the footnote.*
- 4d. *Table 2 will be revised as indicated by NDEP.*

- 4e. Table 2 will be revised as indicated by NDEP.
 4f. Please see response to comment 4c.

Comment

5. Table 2, Area III (highlighted version): NDEP has the following comments stated for the administrative record only. TRX does not need to take any action on the following comments:
- a. SA108, sampling depth 0.0 fbgs, Asbestos column should not indicate sample collection. Also "Y" should be added to the Rational for Removal column for this depth.
 - b. SA142, sampling depth 0.0 fbgs, Asbestos column should not indicate sample collection. Also "Y" should be added to the Rational for Removal column for this depth.
 - c. SA132, NDEP has the following comments:
 - i. Sampling depths 0.0, 0.5, and 34 fbgs, PCBs (EPA 8082) and PCBs (EPA 1668A) columns should indicate sample collection at this depth.
 - ii. Sampling depths 0.5, 10, 20, and 34 fbgs, SVOCs column should indicate sample collection at these depths.

Response

- 5a. Agreed. The Field Table 2 will be revised to not collect a sample as indicated by NDEP.
 5b. Agreed. The Field Table 2 will be revised to not collect a sample as indicated by NDEP.
 5c.i Agreed. The Field Table 2 will be revised to collect samples as indicated by NDEP.
 5c.ii Agreed. The Field Table 2 will be revised to collect samples as indicated by NDEP.

Comment

6. Table 2, Area III (Field Team Version), NDEP has the following comments. TRX should submit a revised Field Team Version of this table.
- a. General comment, for the SPLP and geotechnical samples, TRX has repeated the coincident chemical analyses for each boring depth that notates SPLP and geotechnical sample collection. This is confusing and may result in the collection of unnecessary chemical analyses samples. TRX should remove the repetitive row that does not contain the SPLP and geotechnical sample notations as follows:
 - i. RSAN8, sampling depth 10 fbgs
 - ii. RSAN8, sampling depth 33 fbgs should remove all sampling collection indicators ("X") in all of the chemical analyses columns.
 - iii. SA52, sampling depths 19# and 33# fbgs
 - iv. RSAQ8, sampling depth 10 fbgs
 - v. RSAQ8, sampling depth 31 fbgs should remove all sampling collection indicators ("X") in all of the chemical analyses columns.
 - vi. SA34, sampling depths 10 and 34 fbgs.
 - b. RSAN8, PCBs (EPA 8082) column should not indicate sample collection for this boring.
 - c. SA52, OCPs and PCBs (EPA 8082) columns should not indicate sample collection for this boring.
 - d. SA108, NDEP has the following comments:
 - i. Sampling depth 0.0 fbgs, Asbestos column should not indicate sample collection.
 - ii. All sampling depths, Metals column should indicate with footnote 15 on sampling notation ("X") that platinum analysis should be added to these samples.

- e. SA142, Sample Depth column, NDEP has the following comments:
 - i. Sampling depths 20 and 20 (dup) should contain the “#” footnote.
 - ii. Sampling depth 34 should contain the “##” footnote.
 - iii. All sampling depths, Metals column should indicate with footnote 15 on sampling notation (“X”) that platinum analysis should be added to these samples.
- f. SA143, sampling depth 0.0 fbgs, Asbestos column should not indicate sample collection.
- g. SA140, sampling depth 30 fbgs should be changed to 25 fbgs for consistency.
- h. RSAQ8, PCBs (EPA 8082) column should not indicate sample collection for this boring.
- i. SA132, NDEP has the following comments:
 - i. Sampling depths 0.0, 0.5, and 34 fbgs, PCBs (EPA 8082) and PCBs (EPA 1668A) columns should indicate sample collection at this depth.
 - ii. Sampling depths 0.5, 10, 20, and 34 fbgs, SVOCs column should indicate sample collection at these depths.
- j. RSAR8, sampling depth 34 fbgs, PCBs (EPA 8082) column should indicate sample collection at this depth for both the capillary fringe sample and the Matrix Spike/MS Duplicate sample.
- k. SA34, PCBs (EPA 8082) column should not indicate sample collection for this boring.
- l. Notes section should include “15. Platinum analysis added to this sample.”

Response

- 6a.i-vi. *Tronox acknowledges that there are redundancies built into Table 2 with respect to the SPLP samples, however the information is listed for the benefit of sampling personnel. The redundancies serve a specific purpose: 1) By listing SPLP/Geotech samples on separate rows, we ensure that sufficient sample volume is collected and provided to the lab so that the lab can properly perform all of the requested analyses; and 2) to allow for ease of communication with the laboratory so that the lab can differentiate between those samples that require SPLP analyses from those samples that do not require SPLP analyses. Accordingly, Tronox proposes to leave the repetitive rows in the Table.*
- 6b. *The purpose of the analysis for PCBs in boring RSAN8 is to gather SPLP data from soils that are representative of Area III. Moreover, inclusion of PCBs as shown in Table 2 is consistent with the SPLP sampling plan as shown on page 4 of 5 of Table 2 – Area III (highlighted version). Tronox proposes to leave the PCB analyses in the Table..*
- 6c. *The purpose of the analyses for OCPs and PCBs in boring SA52 is to gather SPLP data from soils that are representative of Area III. Inclusion of OCPs and PCBs as shown in Table 2 is consistent with the SPLP sampling plan as shown on page 4 of 5 of Table 2 – Area III (highlighted version). Tronox proposes to leave the OCP and PCB analyses in the Table..*
- 6d.i *Agreed. Table 2 will be revised as indicated by NDEP.*
- 6d.ii *Adding footnote 15 could be confusing, since platinum is being analyzed in all soil samples tested for “Metals” as noted in footnote #2 on this Table. This is consistent with Table 1 (List of SRCs) in The Phase B Work Plan for Area III that was submitted to NDEP on June 2, 2008. Tronox proposes not to include footnote 15.*
- 6e.i *Agreed. Table 2 will be revised as indicated by NDEP.*
- 6e.ii *Agreed. Table 2 will be revised as indicated by NDEP.*
- 6e.iii *Please see response to comment 6d.ii.*
- 6f. *Agreed. Table 2 will be revised as indicated by NDEP.*
- 6g. *While changing the intermediate depth sample from 30 fbgs to 25 fbgs would be closer to the midpoint of the depth interval, it would not match the depth in the highlighted version*

- of the Table and could cause confusion. Tronox proposes to leave the 30 fbgs sample depth since it meets the criteria of not exceeding 20 feet between vertical samples. .
- 6h. The purpose of the analyses for PCBs in boring RSAQ8 is to gather SPLP data from soils that are representative of Area III. Inclusion of PCBs as shown in Table 2 is consistent with the SPLP sampling plan as shown on page 4 of 5 of Table 2 – Area III (highlighted version). Tronox proposes to leave the PCB analyses in the Table.
- 6i.i Agreed. Table 2 will be revised as indicated by NDEP.
- 6i.ii Agreed. Table 2 will be revised as indicated by NDEP.
- 6j. Agreed. Table 2 will be revised as indicated by NDEP.
- 6k. The purpose of the analyses for PCBs in boring SA34 is to gather SPLP data from soils that are representative of Area III. Inclusion of PCBs as shown in Table 2 is consistent with the SPLP sampling plan as shown on page 4 of 5 of Table 2 – Area III (highlighted version). Tronox proposes to leave the PCB analyses in the Table.
- 6l. Please see response to comment 6d.ii.

Comment

7. Table 2, Area IV (highlighted version): NDEP has the following comments stated for the administrative record only. TRX does not need to take any action on the following comments:
- SA214, grid location for this boring is Q-5 not Q-4 as indicated in this table.
 - SA28, sampling depth 40 fbgs, OCPs column, replace "X" with "R" to indicate that OCPs analysis has been removed from this boring.

Response

- 7a. Agreed. The Field Table 2 will be revised as indicated by NDEP.
- 7b. Agreed. The Field Table 2 will be revised to show no OCP sample as indicated by NDEP.

Comment

8. Table 2, Area IV (Field Team Version), NDEP has the following comments. TRX should submit a revised Field Team Version of this table.
- General comment, for the SPLP and geotechnical samples, TRX has repeated the coincident chemical analyses for each boring depth that notates SPLP and geotechnical sample collection. This is confusing and may result in the collection of unnecessary chemical analyses samples. TRX should remove the repetitive row that does not contain the SPLP and geotechnical sample notations as follows:
 - RSAQ4, sampling depth 10 and 32 fbgs
 - SA148, sampling depth 10 fbgs
 - SA148, sampling depth 35 fbgs should remove all sampling collection indicators ("X") in all of the chemical analyses columns.
 - RSAR2, sampling depth 0.5 fbgs
 - RSAR3, sampling depth 35 fbgs should remove all sampling collection indicators ("X") in all of the chemical analyses columns.
 - RSAU4, sampling depth 20 fbgs should remove all sampling collection indicators ("X") in all of the chemical analyses columns
 - RSAU4, sampling depth 50 fbgs should remove all sampling collection indicators ("X") in all of the chemical analyses columns.

- viii. RSAU5, sampling depth 0.5 fbgs
- ix. RSAU5, sampling depth 50 fbgs should remove all sampling collection indicators ("X") in all of the chemical analyses columns.
- b. SA214, grid location is Q-5 not Q-4 as indicated in this table. Please revise.
- c. RSAQ4, PCBs (EPA 8082), OPPs, and OAs columns should not indicate sample collection for this boring.
- d. SA148, PCBs (EPA 8082), OPPs, and OAs columns should not indicate sample collection for this boring.
- e. RSAR3, PCBs (EPA 8082), OPPs, and OAs columns should not indicate sample collection for this boring.
- f. RSAU4, PCBs (EPA 8082), OPPs, and OAs columns should not indicate sample collection for this boring.
- g. RSAU5, PCBs (EPA 8082), OPPs, and OAs columns should not indicate sample collection for this boring.

Response

- 8a.i-ix *Tronox acknowledges that there are redundancies built into Table 2 with respect to the SPLP samples, however the information is listed for the benefit of sampling personnel. The redundancies serve a specific purpose: 1) By listing SPLP/Geotech samples on separate rows, we ensure that sufficient sample volume is collected and provided to the lab so that the lab can properly perform all of the requested analyses; and 2) to allow for ease of communication with the laboratory so that the lab can differentiate between those samples that require SPLP analyses from those samples that do not require SPLP analyses. Accordingly, Tronox proposes to leave the repetitive rows in the Table.*
- 8b. *Agreed. Table 2 – Area IV (Field Version) will be revised to list boring SA214 in grid Q-5.*
- 8c. *The purposes of the analyses for PCBs, OPPs, and OAs in boring RSAQ4 are to gather SPLP data from soils that are representative of this region of Area IV. Moreover, inclusion of PCBs, OPPs, and OAs as shown is consistent with the SPLP sampling plan as shown on page 6 of 6 of Table 2 – Area IV (highlighted version). Accordingly, Tronox proposes that the PCB, OPP, and OA analyses will remain in the Table.*
- 8d. *OPPs and OAs will be removed from SA148 for samples collected at depths of 0.5 and 45 feet as requested by NDEP. As with comment 8c, analyses of soil for PCBs, OPPs, and OAs for samples taken at 10 and 35 feet are to gather SPLP data from soils in Area IV and this is consistent with the SPLP sampling plan as shown on page 6 of 6 of Table 2 – Area IV (highlighted version). Tronox proposes to leave the analyses in the Table.*
- 8e. *The purpose of the analyses for PCBs, OPPs, and OAs in boring RSAR3 are to gather SPLP data from soils that are representative of this region of Area IV. Inclusion of PCBs, OPPs, and OAs as shown is consistent with the SPLP sampling plan as shown on page 6-6 of Table 2 – Area IV (highlighted version). Accordingly, Tronox proposes that the PCB, OPP, and OA analyses will remain in the Table.*
- 8f. *The purpose of the analyses for PCBs, OPPs, and OAs in boring RSAU4 are to gather SPLP data from soils that are representative of Area IV. Inclusion of PCBs, OPPs, and OAs as shown is consistent with the SPLP sampling plan as shown on page 6-6 of Table 2 – Area IV (highlighted version). Accordingly, Tronox proposes that the PCB, OPP, and OA analyses will remain in the Table.*
- 8g. *The purpose of the analyses for PCBs, OPPs, and OAs in boring RSAU5 are to gather SPLP data from soils that are representative of Area IV. Inclusion of PCBs, OPPs, and OAs as shown is consistent with the SPLP sampling plan as shown on page 6-6 of Table*

2 – Area IV (highlighted version). Accordingly, Tronox proposes that the PCB, OPP, and OA analyses will remain in the Table.

Comment

9. Figure 4, the NDEP has the following comments. TRX should submit a revised Figure 4.
- a. SA77 should indicate that soil samples will be analyzed for PCB Aroclors (red circle).
 - b. SA192 should indicate that soil samples will be analyzed for PCB Aroclors and congeners (blue circle).
 - c. RSAR3 should indicate that soil samples will not be analyzed for PCBs (black circle).

Response

- 9a. *Agreed. Figure 4 will be revised as indicated by NDEP.*
- 9b. *Agreed. Figure 4 will be revised as indicated by NDEP.*
- 9c. *As noted in the response to comment 8e, Tronox proposes to analyze samples from boring RSAR3 for PCBs using both methods 8082 and 1668A, Accordingly, the designation on Figure 4 is correct (blue circle).*

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Jan. 14, 2009
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Chemical company parent promises cleanup; state skeptical

By JOHN G. EDWARDS
LAS VEGAS REVIEW-JOURNAL

Tronox Worldwide, the company that owns a chemical manufacturing plant in Henderson and filed for bankruptcy Monday, has assured state officials that it will continue cleaning up perchlorate contamination in the Las Vegas Wash.

But one state official is skeptical.

"We're not taking the company's word there at face value," said Dante Pistone, spokesman for the Nevada Division of Environmental Protection. "We will be following the Chapter 11 (bankruptcy case) very closely."

Tronox Inc. and 14 other affiliated companies, including Tronox Worldwide, filed in New York for Chapter 11 bankruptcy protection. The companies will continue operations while trying to reorganize their debts and liabilities.

Kerr-McGee Corp. of Oklahoma City spun off Tronox in 2006, and Tronox assumed some "legacy liabilities" as part of the spinoff.

Tronox intends to continue the cleanup, however, Tronox spokesman Robert Gibney said.

"Long-term responsibility for that responsibility could change," he added. "It could go back to the former parent company."

Most of the legacy liabilities stem from environmental problems, but they also include pension and medical benefits for retirees. One of the environmental liabilities stems from perchlorate contamination in the Las Vegas Wash.

Since 1998, Kerr-McGee and the successor companies have been gradually cleaning perchlorate from underground water. Underground water is treated with microscopic "bugs" that consume perchlorate, said Gibney.

Dennis Wanlass, chairman and chief executive of Tronox Inc., on Monday said the companies filed for Chapter 11 bankruptcy "to address the company's debt, in particular its legacy liabilities."

State officials take comfort from the fact that insurance policies are helping to pay for the environmental work in Henderson, Pistone said.

While Pistone couldn't quote what percentage of the environmental work has been completed, he said, "suffice it to say that they are well along in the process."

In another development Tuesday, Reuters reported that the bankruptcy judge authorized the debtor to borrow \$100 million in financing. The company originally asked for \$125 million but the judge said it could return later and seek approval for another \$25 million.

Contact reporter John G. Edwards at jedwards@reviewjournal.com or 702-383-0420.

Find this article at:

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Jan. 13, 2009

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Bankruptcy filing won't affect work at Henderson Tronox plant

Plant's perchlorate remediation efforts to continue

By JOHN G. EDWARDS
LAS VEGAS REVIEW-JOURNAL

Tronox Inc., the Oklahoma City-based company spun off by Kerr-McGee Corp., will continue to make chemicals and employ 100 workers at an affiliated company's Henderson plant, despite filing for bankruptcy protection in New York on Monday.

The company reported \$1.6 billion in assets and \$1.2 billion in liabilities as of Nov. 30. But the debtor also has \$125 million in post-bankruptcy financing to allow it to continue operating.

Filing bankruptcy at the same time were 14 affiliated companies, including Tronox Worldwide LLC, which now owns the plant at the Black Mountain Industrial Center in Henderson. Tronox's operations in Australia, Germany and the Netherlands did not file for bankruptcy.

Kerr-McGee Corp. spun off Tronox in March 2006 and some liabilities related to remediating chemical contamination went with Tronox, said spokeswoman Debbie Schramm. Anadarko Petroleum Corp. later acquired Kerr-McGee.

The Henderson Tronox plant now makes electrolytic manganese boron, which is used to make alkaline batteries, and elemental boron, a component of automotive safety igniters. It also manufactures boron trichloride, which is used in the pharmaceutical and semiconductor industries. The Henderson plant previously made ammonium perchlorate, a rocket fuel booster.

Kerr-McGee stopped making ammonium perchlorate at the plant in 1998. Since then, it has been reducing perchlorate contamination of ground water that went back decades, Schramm said.

Tronox has cut perchlorate contamination in the Las Vegas Wash by 90 percent, she said. The company has spent \$100 million on the remediation.

"We continue to work with (the Nevada Division of Environmental Protection) on that clean up effort," she said.

Environmental division spokesman Dante Pistone said Tronox advised the state in advance of its plans to restructure company debt.

"They are not going out of business," he said. "As far as we're concerned, the remediation will go on as it has in the past. The state will not be on the hook for any additional costs (because of the bankruptcy)."

3rd Q 2003

12/31/2003

2/9/2004

Sampling Date: 09/25/03

dgw ~

gw flow: E

Analytical Data:

B = <2 - **310** ug/L

T = <2 - **5,700** ug/L

E = <2 - **1,600** ug/L

X = <10 - **14,000** ug/L

M = 200 - **8,800** ug/L

AVMW-7: B **9.5** T 2.3 E <5 X <10 M **1,700**

AVMW-9: FP ~ 0.10 ft

AVMW-10: B 2 T <5 E 31 X 39 M **200**

AVMW-11: B <5 T <5 E <5 X <10 M **800**

UST #3 W-1: B **310** T **5,700** E **1,600** X **14,000** M **7,800**

UST #3 W-2: B **91** T 610 E **1,500** X 1,800 M **8,800**

To date (Oct 2003):

469 gal FP

18,155 gal gw

FP this Q: AVVE-9 (0.01), AVMW-9 (0.28): (will h2o2 when FP gone)

W-1 (only in July, h2o2 injected)

h2o2: AVMW-7,-10,W-1,-2:

Wells Sampled: AVMW-7,-10,-11, W-1,-2

If FP stays, VE will be restarted in UST3 vicinity

The Henderson plant's perchlorate remediation is one of numerous "legacy liabilities" across the United States, Schramm said. The bankruptcy petition may enable the Tronox companies to reduce their liabilities for chemical contamination.

"A Chapter 11 filing is the best way to address the company's debt, in particular its legacy liabilities," Chief Executive Officer Dennis Wanlass said in a statement.

Tronox has spent more than \$118 million on such liabilities since being spun off by Kerr-McGee in 2006, Gary Barton, Tronox's restructuring consultant since July, said in court documents.

Kerr-McGee, now owned by Anadarko Petroleum Corp., has provided \$4 million in reimbursements for environmental costs, Tronox said.

Bloomberg contributed to this report. Contact reporter John G. Edwards at jedwards@reviewjournal.com or 702-383-0420.

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2nd Q 2003

8/15/2003
10/21/2003

Sample Date: 06/25/03

Analytical Results:

B = <2 - **230** ug/L

T = <2 - 744 ug/L

E = <2 - 440 ug/L

X = <5- 3,140 ug/L

M = 170 - **14,800**

AVMW-7: B **5.1** T <5 E <5 X <10 M **3,840**

AVMW-9: FP ~ 0.23 ft

AVMW-10: B <5 T <5 E 23 X 10 M **700**

AVMW-11: B <5 T <5 E <5 X <10 M **170**

UST #3 W-1: FP ~ 0.07 ft

UST #3 W-2: B **230** T 744 E 440 X 3,140 M **14,800**

To date (June 2003):

463 gal FP

17,555 gal gw

FP in AVVE-9, AVMW-9

H2O2 in UST#3 W-1 & -2

Site Background

Nov 8, 2001: UST #3 failed tank tightness test

Nov 13, 2001: FP in AVMW-9

Nov 14, 2001: Report to NDEP

UST #3 drained and removed from service

FP recovery immediate

commingled plume w/Payless, dicovered in 1995

Jan29, 2002: WP to address FP

Install of 2 MW to charac FP extent: UST #3 W-1 & -2

Nov 2001 - Mar 2002: FP bailed daily then weekly

Feb 2002: vac truck used biweekly

Apr 2002: UST#3 W-1 &-2 added to bailing prog and added to VE

Fourth Q 2002: AVVE-9, AVMW-9, UST#3 W-1 & -2: bailed & Vac truck monthly

1st Q 2003: vac truck biweekly

3rd Q 2003: vac truck biquarterly

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Jan. 13, 2009
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Bankruptcy filing won't affect work at Henderson Tronox plant

Plant's perchlorate remediation efforts to continue

By JOHN G. EDWARDS
LAS VEGAS REVIEW-JOURNAL

Tronox Inc., the Oklahoma City-based company spun off by Kerr-McGee Corp., will continue to make chemicals and employ 100 workers at an affiliated company's Henderson plant, despite filing for bankruptcy protection in New York on Monday.

The company reported \$1.6 billion in assets and \$1.2 billion in liabilities as of Nov. 30. But the debtor also has \$125 million in post-bankruptcy financing to allow it to continue operating.

Filing bankruptcy at the same time were 14 affiliated companies, including Tronox Worldwide LLC, which now owns the plant at the Black Mountain Industrial Center in Henderson. Tronox's operations in Australia, Germany and the Netherlands did not file for bankruptcy.

Kerr-McGee Corp. spun off Tronox in March 2006 and some liabilities related to remediating chemical contamination went with Tronox, said spokeswoman Debbie Schramm. Anadarko Petroleum Corp. later acquired Kerr-McGee.

The Henderson Tronox plant now makes electrolytic manganese boron, which is used to make alkaline batteries, and elemental boron, a component of automotive safety igniters. It also manufactures boron trichloride, which is used in the pharmaceutical and semiconductor industries. The Henderson plant previously made ammonium perchlorate, a rocket fuel booster.

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Tronox has cut perchlorate contamination in the Las Vegas Wash by 90 percent, she said. The company has spent \$100 million on the remediation.

"We continue to work with (the Nevada Division of Environmental Protection) on that clean up effort," she said.

Environmental division spokesman Dante Pistone said Tronox advised the state in advance of its plans to restructure company debt.

"They are not going out of business," he said. "As far as we're concerned, the remediation will go on as it has in the past. The state will not be on the hook for any additional costs (because of the bankruptcy)."

The Henderson plant's perchlorate remediation is one of numerous "legacy liabilities" across the

United States, Schramm said. The bankruptcy petition may enable the Tronox companies to reduce their liabilities for chemical contamination.

"A Chapter 11 filing is the best way to address the company's debt, in particular its legacy liabilities," Chief Executive Officer Dennis Wanlass said in a statement.

Tronox has spent more than \$118 million on such liabilities since being spun off by Kerr-McGee in 2006, Gary Barton, Tronox's restructuring consultant since July, said in court documents.

Kerr-McGee, now owned by Anadarko Petroleum Corp., has provided \$4 million in reimbursements for environmental costs, Tronox said.

Bloomberg contributed to this report. Contact reporter John G. Edwards at jedwards@reviewjournal.com or 702-383-0420.

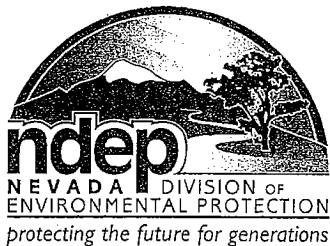
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STATE OF NEVADA

Department of Conservation & Natural Resources

DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor

Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

January 12, 2009

Susan Crowley (Contractor)
C/O Tronox LLC
PO Box 55
Henderson, NV 89009

Re: **Tronox LLC (TRX)**

NDEP Facility ID #H-000539

Nevada Division of Environmental Protection (NDEP) Response to:

Data Validation Summary Report (DVSR), Tronox Parcels C, D, F, G and H

Supplemental Investigations, - June-July 2008, BMI Industrial Complex, Clark County, Nevada

Dated January 7, 2009

Dear Ms. Crowley,

The NDEP has received and reviewed TRX's above-identified DVSR and finds that the document is acceptable.

Please contact the undersigned with any questions at sharbour@ndep.nv.gov or (702) 486-2850 extension 240.

Sincerely,

Shannon Harbour, P.E.

Staff Engineer III

Bureau of Corrective Actions

Special Projects Branch

NDEP-Las Vegas Office

SH:bar:sh



CC: Jim Najima, NDEP, BCA, Carson City
Brian Rakvica, NDEP, BCA, Las Vegas
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Mike Skromyda, Tronox LLC, PO Box 55, Henderson, NV 89009
Barry Conaty, Holland & Hart LLP, 975 F Street, N.W. Suite 900, Washington, D.C. 20004
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San Francisco, CA 94105-3901
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Paul Sundberg, Montrose Chemical Corporation, 3846 Estate Drive, Stockton, California 95209
Joe Kelly, Montrose Chemical Corporation of CA, 600 Ericksen Avenue NE, Suite 380, Bainbridge Island,
WA 98110
Paul Black, Neptune and Company, Inc., 8550 West 14th Street, Suite 100, Lakewood, CO 80215
Dave Gratson, Neptune and Company, 1505 15th Street, Suite B, Los Alamos, NM 87544

TRONOX INCORPORATED

January 12, 2009

Dear Shannon Harbour:

I want to let you know about an important action Tronox has taken in order to address legacy liabilities, restructure the balance sheet and position the company for long-term success.

Today, Tronox and certain of its subsidiaries filed for relief under Chapter 11 of the U.S. Bankruptcy Code. This action will allow us to address our debt issues while continuing normal operations. The filing does not include the company's operations outside of the U.S.

First and foremost, **Tronox is not going out of business**. We will continue to provide high quality products and unparalleled service to our customers.

The company has taken steps to ensure continued supply of goods and services to its customers. In that regard, Tronox has received a commitment for up to \$125 million in new debtor-in-possession (DIP) financing from our existing lending group led by Credit Suisse. Access to this financing, which requires court approval, means Tronox has the ability to pay employees and suppliers in the ordinary course of business going forward.

In addition, you can be assured that Tronox will continue to comply with applicable state and federal regulations and court orders.

If you have questions or concerns, please contact your regular Tronox contact. We have also set up a restructuring area on the company's website, www.tronox.com, which contains access to court documents and other information regarding the Chapter 11 proceedings. Additionally, we have established a restructuring information hotline at 1-866-775-5009 or you can e-mail restructuring@tronox.com.

Attached is the news release that we issued. We will do our best to keep you informed of developments relating to our progress.

Sincerely,



Pat Corbett
Vice President of Safety and Environmental Affairs

TRONOX INCORPORATED

January 12, 2009

Dear Brian Rakvica:

I want to let you know about an important action Tronox has taken in order to address legacy liabilities, restructure the balance sheet and position the company for long-term success.

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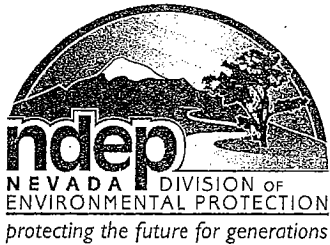
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Pat Corbett

Vice President of Safety and Environmental Affairs



STATE OF NEVADA

Department of Conservation & Natural Resources

DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor

Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

January 6, 2008

Susan Crowley (Contractor)
C/O Tronox LLC
PO Box 55
Henderson, NV 89009

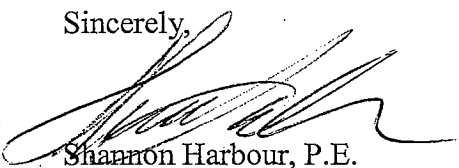
Re: **Tronox LLC (TRX)**
NDEP Facility ID #H-000539
Nevada Division of Environmental Protection (NDEP) Response to:
Outline Proposal to Assess Background Water Quality, Tronox LLC, Henderson, Nevada
Dated December 18, 2008

Dear Ms. Crowley,

The NDEP has received and reviewed TRX's above-identified Outline and provides comments in Attachment A. No response is necessary, however, a detailed Work Plan should be submitted which addresses the comments provided in Attachment A. Please advise the NDEP **by January 23, 2009** regarding the schedule for the submittal of the Work Plan.

Please contact the undersigned with any questions at sharbour@ndep.nv.gov or (702) 486-2850 extension 240.

Sincerely,


Shannon Harbour, P.E.
Staff Engineer III
Bureau of Corrective Actions
Special Projects Branch
NDEP-Las Vegas Office

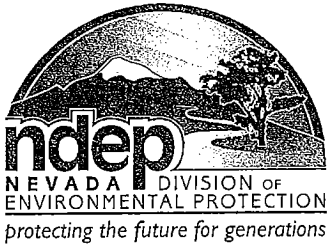
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CC: Jim Najima, NDEP, BCA, Carson City
Brian Rakvica, NDEP, BCA, Las Vegas
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Paul Sundberg, Montrose Chemical Corporation, 3846 Estate Drive, Stockton, California 95209
Joe Kelly, Montrose Chemical Corporation of CA, 600 Ericksen Avenue NE, Suite 380, Bainbridge Island,
WA 98110

Attachment A

1. General comment, please note that it is the Nevada *Division* of Environmental Protection, not the "Department".
2. General comment, the work plan must describe a reasonable schedule to complete the work described in the subject document.
3. Section 1.1, page 1, NDEP generally concurs with the approach, however, it should be acknowledged that true "background" may not be possible and that these wells may be representative of "upgradient" conditions.
4. Section 2.1, page 3, TRX needs to insure that sufficient and appropriate data is collected to complete defensible cation-anion balances,
5. Section 2.1, page 3, it is suggested that TRX discuss the limitations of ProUCL with the NDEP prior to performing any statistical analyses.
6. Section 2.2, page 3, please note that well completion data is also available from other companies other than "BMI". As TRX is aware, there is a database of information about numerous wells in the region.
7. Section 3.0, page 4, it is expected that the work plan will provided definition for what is a "sufficient" number of wells.
8. Section 3.0, page 4, as noted above TRX needs to insure that sufficient and appropriate data is collected to complete defensible cation-anion balances. In addition, TRX should consider analyzing for other compounds such as: volatile organic compounds (VOCs); organochlorine pesticides (OCPs); and perchlorate to demonstrate that the selected locations are representative of background and/or upgradient conditions.



STATE OF NEVADA

Department of Conservation & Natural Resources
DIVISION OF ENVIRONMENTAL PROTECTION

Jim Gibbons, Governor

Allen Biaggi, Director

Leo M. Drozdoff, P.E., Administrator

January 5, 2009

Susan Crowley (Contractor)
C/O Tronox LLC
PO Box 55
Henderson, NV 89009

Re: **Tronox LLC (TRX)**
NDEP Facility ID #H-000539
Nevada Division of Environmental Protection (NDEP) Response to:
Revised Phase B Site Investigation Work Plan Text, Tables, and Figures, Tronox LLC
Facility Henderson, Nevada
Dated December 19, 2008

Dear Ms. Crowley,

The NDEP has received and reviewed TRX's Revised Phase B Site Investigation Work Plan (Rev Phase B WP) identified above and provides comments in Attachment A. A revised set of tables and figures should be submitted **by January 19, 2009** based on the comments provided in Attachment A. TRX should additionally provide an annotated response-to-comments letter as part of the revised submittal.

Please contact the undersigned with any questions at sharbour@ndep.nv.gov or (702) 486-2850 extension 240.

Sincerely,

Shannon Harbour, P.E.
Staff Engineer III
Bureau of Corrective Actions
Special Projects Branch
NDEP-Las Vegas Office

SH:bar:sh



CC: Jim Najima, NDEP, BCA, Carson City
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Joe Kelly, Montrose Chemical Corporation of CA, 600 Ericksen Avenue NE, Suite 380, Bainbridge Island,
WA 98110

Attachment A

1. Table 2, Area I (highlighted version), NDEP has the following comments stated for the administrative record only. TRX does not need to take any action on the following comments:
 - a. This table indicates that Hexavalent Chromium and TPH DRO/ORO analyses will be conducted at CAS – Kelso, WA where all of the other sampling tables indicated that these two analyses will be conducted at CAS – Rochester, NY. NDEP will assume that the Field Team Version of this table is correct and these analyses will be conducted at CAS – Rochester, NY. Please advise NDEP if this is not correct and submit corrected Field Team Versions as necessary.
 - b. RSAJ6, Location and Rationale column, TRX states that groundwater is anticipated at ~39 feet below ground surface (fbgs). TRX previously stated that the groundwater was anticipated at ~21 fbgs. Since the Field Team Version of Table 2, Area I agrees with the previously reported depth of 21 fbgs, NDEP will assume that this depth to groundwater is correct. Please advise NDEP if this is not correct and submit a corrected Field Team Version of this table.
 - c. RSAK8, TRX lists the capillary fringe sample depth as 27 fbgs. The sample depth should be 27 fbgs.
 - d. SA189, sampling depth 29 fbgs row, “P” should be removed and “Q” added to the Rationale for Removal column.
 - e. RSAL4, sampling depths 0.5, 10, and 28 fbgs, “P” should be removed and “Q” added to the Rationale for Removal column.
 - f. SA74, sampling depths 0.5, 10, and 29 fbgs, “E” should be removed and “D” added to the Rationale for Removal column.
 - g. RSAM2, sampling depths 0.5, 10, 20, and 35 fbgs, each depth should “F” and “L” only in the Rational for Removal column.
 - h. RSAN4, sampling depths 0.5 and 31 fbgs, “Q” should be added to the Rationale for Removal column.
 - i. Rational Code “Q” should state that OPP and OA analyses were removed from the boring sampling plan per TRX Errata submittal (December 19, 2008).
2. Table 2, Area I (Field Team Version), NDEP has the following comments. TRX should submit a revised Field Team Version of this table.
 - a. General comment, for the SPLP and geotechnical samples, TRX has repeated the coincident chemical analyses for each boring depth that notates SPLP and geotechnical sample collection. This is confusing and may result in the collection of unnecessary chemical analyses samples. TRX should remove the repetitive row that does not contain the SPLP and geotechnical sample notations as follows:
 - i. RSAI7, sampling depths 10 and 30 fbgs
 - ii. RSAJ3, sampling depths 10 and 29 fbgs
 - iii. RSAM3, sampling depths 10 and 30 fbgs
 - iv. SA56, sampling depths 10 and 37 fbgs
 - v. SA166, sampling depths 10 and 31 fbgs
 - vi. SA182, sampling depths 10 and 38 fbgs
 - b. RSAI7, remaining sampling depth 10 fbgs, OCPs analyses should note “Hold”.

- c. RSAK8, sampling depth 27 fbgs should be changed to 26 fbgs for consistency of the capillary fringe sampling.
3. Table 2, Area II (highlighted version): NDEP has the following comments stated for the administrative record only. TRX does not need to take any action on the following comments:
 - a. SA66, sampling depth 28 fbgs, OCPs and PCBs (EPA 8082) columns should indicate sample collection at this depth.
 - b. SA126, sampling depth 18 fbgs, TPH-ORO/DRO column should indicate sample collection at this depth.
 - c. SA31, sampling depths 0.5 and 32 fbgs, PCBs (EPA 8082) column should indicate sample collection at these depths.
4. Table 2, Area II (Field Team Version), NDEP has the following comments. TRX should submit a revised Field Team Version of this table.
 - a. General comment, for the SPLP and geotechnical samples, TRX has repeated the coincident chemical analyses for each boring depth that notates SPLP and geotechnical sample collection. This is confusing and may result in the collection of unnecessary chemical analyses samples. TRX should remove the repetitive row that does not contain the SPLP and geotechnical sample notations as follows:
 - i. RSAL6, sampling depths 0.5 and 28 fbgs
 - ii. SA128, sampling depths 10 and 29 fbgs
 - iii. SA64, sampling depths 10 and 21 fbgs
 - iv. SA102, sampling depths 10 and 30 fbgs
 - v. SA30, sampling depth 9 fbgs
 - vi. SA30, sampling depth 35 fbgs should remove all sampling collection indicators ("X") in all of the chemical analyses columns.
 - b. SA66, sampling depth 28 fbgs, OCPs and PCBs (EPA 8082) columns should indicate sample collection at this depth.
 - c. SA126, all sampling depths, Metals column should indicate with footnote 15 on sampling notation ("X") that platinum analysis should be added to these samples.
 - d. SA126, sampling depth 18 fbgs, TPH-ORO/DRO column should indicate sample collection at this depth.
 - e. SA31, sampling depths 0.5 and 32 fbgs, PCBs (EPA 8082) column should indicate sample collection at these depths.
 - f. Notes section should include "15. Platinum analysis added to this sample."
5. Table 2, Area III (highlighted version): NDEP has the following comments stated for the administrative record only. TRX does not need to take any action on the following comments:
 - a. SA108, sampling depth 0.0 fbgs, Asbestos column should not indicate sample collection. Also "Y" should be added to the Rational for Removal column for this depth.
 - b. SA142, sampling depth 0.0 fbgs, Asbestos column should not indicate sample collection. Also "Y" should be added to the Rational for Removal column for this depth.
 - c. SA132, NDEP has the following comments:
 - i. Sampling depths 0.0, 0.5, and 34 fbgs, PCBs (EPA 8082) and PCBs (EPA 1668A) columns should indicate sample collection at this depth.
 - ii. Sampling depths 0.5, 10, 20, and 34 fbgs, SVOCs column should indicate sample collection at these depths.

6. Table 2, Area III (Field Team Version), NDEP has the following comments. TRX should submit a revised Field Team Version of this table.
 - a. General comment, for the SPLP and geotechnical samples, TRX has repeated the coincident chemical analyses for each boring depth that notates SPLP and geotechnical sample collection. This is confusing and may result in the collection of unnecessary chemical analyses samples. TRX should remove the repetitive row that does not contain the SPLP and geotechnical sample notations as follows:
 - i. RSAN8, sampling depth 10 fbgs
 - ii. RSAN8, sampling depth 33 fbgs should remove all sampling collection indicators (“X”) in all of the chemical analyses columns.
 - iii. SA52, sampling depths 19# and 33# fbgs
 - iv. RSAQ8, sampling depth 10 fbgs
 - v. RSAQ8, sampling depth 31 fbgs should remove all sampling collection indicators (“X”) in all of the chemical analyses columns.
 - vi. SA34, sampling depths 10 and 34 fbgs.
 - b. RSAN8, PCBs (EPA 8082) column should not indicate sample collection for this boring.
 - c. SA52, OCPs and PCBs (EPA 8082) columns should not indicate sample collection for this boring.
 - d. SA108, NDEP has the following comments:
 - i. Sampling depth 0.0 fbgs, Asbestos column should not indicate sample collection.
 - ii. All sampling depths, Metals column should indicate with footnote 15 on sampling notation (“X”) that platinum analysis should be added to these samples.
 - e. SA142, Sample Depth column, NDEP has the following comments:
 - i. Sampling depths 20 and 20 (dup) should contain the “#” footnote.
 - ii. Sampling depth 34 should contain the “##” footnote.
 - iii. All sampling depths, Metals column should indicate with footnote 15 on sampling notation (“X”) that platinum analysis should be added to these samples.
 - f. SA143, sampling depth 0.0 fbgs, Asbestos column should not indicate sample collection.
 - g. SA140, sampling depth 30 fbgs should be changed to 25 fbgs for consistency.
 - h. RSAQ8, PCBs (EPA 8082) column should not indicate sample collection for this boring.
 - i. SA132, NDEP has the following comments:
 - i. Sampling depths 0.0, 0.5, and 34 fbgs, PCBs (EPA 8082) and PCBs (EPA 1668A) columns should indicate sample collection at this depth.
 - ii. Sampling depths 0.5, 10, 20, and 34 fbgs, SVOCs column should indicate sample collection at these depths.
 - j. RSAR8, sampling depth 34 fbgs, PCBs (EPA 8082) column should indicate sample collection at this depth for both the capillary fringe sample and the Matrix Spike/MS Duplicate sample.
 - k. SA34, PCBs (EPA 8082) column should not indicate sample collection for this boring.
 - l. Notes section should include “15. Platinum analysis added to this sample.”
7. Table 2, Area IV (highlighted version): NDEP has the following comments stated for the administrative record only. TRX does not need to take any action on the following comments:
 - a. SA214, grid location for this boring is Q-5 not Q-4 as indicated in this table.
 - b. SA28, sampling depth 40 fbgs, OCPs column, replace “X” with “R” to indicate that OCPs analysis has been removed from this boring.

8. Table 2, Area IV (Field Team Version), NDEP has the following comments. TRX should submit a revised Field Team Version of this table.
 - a. General comment, for the SPLP and geotechnical samples, TRX has repeated the coincident chemical analyses for each boring depth that notates SPLP and geotechnical sample collection. This is confusing and may result in the collection of unnecessary chemical analyses samples. TRX should remove the repetitive row that does not contain the SPLP and geotechnical sample notations as follows:
 - i. RSAQ4, sampling depth 10 and 32 fbgs
 - ii. SA148, sampling depth 10 fbgs
 - iii. SA148, sampling depth 35 fbgs should remove all sampling collection indicators ("X") in all of the chemical analyses columns.
 - iv. RSAR2, sampling depth 0.5 fbgs
 - v. RSAR3, sampling depth 35 fbgs should remove all sampling collection indicators ("X") in all of the chemical analyses columns.
 - vi. RSAU4, sampling depth 20 fbgs should remove all sampling collection indicators ("X") in all of the chemical analyses columns
 - vii. RSAU4, sampling depth 50 fbgs should remove all sampling collection indicators ("X") in all of the chemical analyses columns.
 - viii. RSAU5, sampling depth 0.5 fbgs
 - ix. RSAU5, sampling depth 50 fbgs should remove all sampling collection indicators ("X") in all of the chemical analyses columns.
 - b. SA214, grid location is Q-5 not Q-4 as indicated in this table. Please revise.
 - c. RSAQ4, PCBs (EPA 8082), OPPs, and OAs columns should not indicate sample collection for this boring.
 - d. SA148, PCBs (EPA 8082), OPPs, and OAs columns should not indicate sample collection for this boring.
 - e. RSAR3, PCBs (EPA 8082), OPPs, and OAs columns should not indicate sample collection for this boring.
 - f. RSAU4, PCBs (EPA 8082), OPPs, and OAs columns should not indicate sample collection for this boring.
 - g. RSAU5, PCBs (EPA 8082), OPPs, and OAs columns should not indicate sample collection for this boring.
9. Figure 4, the NDEP has the following comments. TRX should submit a revised Figure 4.
 - a. SA77 should indicate that soil samples will be analyzed for PCB Aroclors (red circle).
 - b. SA192 should indicate that soil samples will be analyzed for PCB Aroclors and congeners (blue circle).
 - c. RSAR3 should indicate that soil samples will not be analyzed for PCBs (black circle).