December 29, 1948

War Assets Administration
Washington 25, D. C.

Attention: Mr. M. L. Godman, Deputy Administrator
Office of Real Property Disposal

Gentl men:

Reference is made to your letter of December 14, 1948 bearing reference symbol FIN-C addressed to our Mr. Cort relative to recent discussions looking toward incorporating the presently unleased portion of Plancor 264, Lake Charl s, Louisiana into our present Lease dated March 22, 1946.

In response to the invitation contained in your letter, we submit the following proposal for presentation to your General Board for appropriate action.

1. Subject to the terms and conditions hereinafter outlined, Southern Alkali Corporation offers to amend the Agreement of Lease dated March 22, 1946 to include in the "leased premises", as defined therein, at a valuation of $52,C39, that portion of the unleased area of Plancor 264 identified in detail as "Unit No. 1" in Schedule A attached in the Invitation for Bids covering WAA Disposal No. FNO-FIN-58 for disposal as of March 19, 1948.

2. As rental for Unit 1, Southern would pay 8% of said valuation or $4,163.12 annually, said payment to be in addition to the rental payments presently provided in the Lease. Such additional rentals would be paid in quarter-annual installments coincident with the production rental payments under the original Lease.

Although in prior discussions the suggestion was made that rental payments be made monthly in advance, it would seem preferable to have these additional rental payments made quarterly at the same time production rental payments are made. It would likewise seem preferable to have such additional rental payments cover the rental for the preceding quarter to coincide with the periods covered by production rental payments for the sake of uniformity and to avoid confusion. However, if for administrative reasons you would prefer the additional rental payments to be monthly in advance we would have no serious objection to such a provision in the Lease amendment.

3. Southern would accept possession, custody and responsibility for the lands, buildings and facilities embraced in said Unit No. 1 in an "as is" condition with the understanding that the buildings and facilities offered for disposal as of March 19, 1948 in said Invitation to Bid, as more particularly

BB 0003339

identified as Units Nos. 2 to 12 inclusive, would be removed in accordance with the terms and conditions of said offering within the time limits specified therein. Southern would assume such possession, custody and responsibility for Unit No. 1 immediately, under a Letter of Intent which would be executed forthwith upon acceptance of this proposal by your Administration, pending th preparation and execution of a formal amendment to the March 22, 1946 Agreement of Lease.

4. The War Assets Administration, its successors or assigns, would be afforded the free right of ingress and egress to and from the area for a period not to exceed one year from the date upon which Southern assumed poss ssion, custody and responsibility for Unit No. 1 under said Letter of Int nt, for the purpose of dismantling and removing Units Nos. 2 to 12, inclusive, it being understood and agreed that Southern would not assume any r sponsibility or accountability for the property embraced in said Units Nos. 2 to 12, inclusive, during such period.

5. Southern's interests in adding Unit No. 1 to the leased premises under its existing Lease is based primarily on its desire for additional contiguous land for possible future expansion of its operations on the leased premises. The design, construction, and in some instances even the location of structures and facilities included in said Unit No. 1 are unsuitable for Southern's prospective use. Accordingly, one of the essential conditions of this proposal is that Southern have the free and unequivocal right at any time during the Lease term to alter and reconvert to its own use, or to dismantle and remove, any building, structure or facility embraced in said Unit No. 1 without the prior written consent of War Assets Administration, its successors or assigns. Upon the expiration or termination of the Lease, other than by purchase of the leased premises by Southern pursuant to its option or otherwise, the valuation of any such building, structure or facility so reconverted or dismantled would be determined by arbitration or by a residual value determined from the breakdown of the current appraisal on the basis of which the agreed value of $52,039 for Unit No. 1 was fixed and Southern would account to War Ass ts Administration, its successors or assigns, on the basis of such valuation so determined.

6. Southern would have the option to purchase the property embraced in Unit No. 1 in conjunction with, but only in conjunction with, its purchas of the portion of Plancor 264 presently under lease. The option price would be the agreed value of $52,039 plus interest at 4% per annum less rentals paid plus interest on such rentals at 4% per annum computed from the date of payment; provided, however, that the minimum residual value on such property would be 20% of such agreed value.

In your letter of December 14, 1948 you suggest an option price of th higher of the price as above determined or $52,039 less depreciation at the rate or rates allowed by the Bureau of Internal Revenue on similar facilities in the computation of Federal Income Taxes. While such an alternative formula for determining option price is provided in our original Lease, its application

BB 0003340

to the property embraced in Unit No. 1 would provide no alternative whatever as the depreciation figure would control at all times. This would result from two factors; (1) the relatively high figure fixed for annual rental payments (8% or approximately 1/12 of the value per year) and (2) the fact that most of the structures and facilities installed on the unleased area, comprising the bulk of the $52,039 agreed value, are of permanent type construction and, though of little value to Southern, they would carry a relatively low depreciation rate. Southern's primary interest in Unit No. 1 is in the land as such rather than the structures and facilities installed thereon, and, of course, the land would not be subject to depreciation. Hence, we propose an option price determinable with reference to rental payments alone.

7. The general terms of the original Lease with respect to insurance, maintenance, etc., insofar as they are not inconsistent with the terms and provisions outlined herein, would apply to the property covered by the amendment. In addition, the amendment would include such other terms and conditions as may be necessary to coincide and agree with the terms and conditions of the original Lease.

If the foregoing proposal is agreeable to your Administration, we would appreciate being put in immediate possession of the subject property under a Letter of Intent pending the execution of a formal Lease Amendment.

Very truly yours,

/s/ E. T. Asplundh

Vice President

ETA:ad