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# **ENVIROCARE** OF UTAH, INC.

THE SAFE ALTERNATIVE

January 22, 1997

Dear Envirocare of Utah Customers and Suppliers:

## **Introduction**

In light of recent news reports regarding the past relationship of Mr. Khosrow Semnani, the president of Envirocare of Utah, Inc., and Mr. Larry Anderson, I believe it would be appropriate for me to write and explain those circumstances to you from Envirocare's perspective, along with Envirocare's commitment to the highest levels of integrity and business ethics.

## **The Anderson affair and related issues are being thoroughly investigated.**

In October, 1996, Mr. Anderson filed a lawsuit against Mr. Semnani. Upon notification of Mr. Anderson's filing, Mr. Semnani filed a counterclaim, and immediately contacted the Utah State Attorney General's Office. The Attorney General's Office is currently investigating the matter.

Furthermore, in an effort to alleviate concerns about Envirocare's operations, Envirocare has initiated internal investigations using outside resources, and has invited all governmental entities that have a regulatory or other role in Envirocare's operations, to conduct any necessary audit. Envirocare is confident that, as in the past, the investigations and audits will demonstrate that Envirocare has been, and continues to be, in full compliance with all regulatory requirements. However, we look forward to the results of our internal investigation and any external audits that may be performed, so that the Company can implement appropriate safeguards and procedures that will enhance our integrity and ethics standards. We will continue to expand and upgrade our ethics program and our legal compliance efforts as appropriate, including expanding our existing Environmental Compliance Program to cover ethics, conflicts of interest, and other legal compliance matters.

## **All of Envirocare's licenses were properly obtained through a process that fully complied with applicable regulatory requirements, including staff reviews.**

It has been established that Envirocare never improperly benefited from Mr. Anderson's position of regulatory authority. Staff from the Division of Radiation Control conducted the detailed review of Envirocare's application, and a 1997 audit performed by the Legislative Auditor General's Office, confirmed the complete adequacy of Envirocare's

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licensing process. Moreover, it has been four years since Mr. Anderson was in a position with regulatory oversight over Envirocare. During the time Mr. Anderson was the Director of the Utah Division of Radiation Control, and since he was removed from this position in early 1993, Envirocare's facility and operations have undergone numerous inspections and audits by various regulatory entities, including the Nuclear Regulatory Commission, the Environmental Protection Agency, the Department of Energy, the Army Corps of Engineers, and various divisions of the Utah Department of Environmental Quality. All of these audits concluded that Envirocare was meeting all of the necessary regulatory requirements. There is no suggestion that payments to any other official have ever been made or contemplated. Envirocare has a strong record of regulatory compliance and procurement ethics.

**Mr. Semnani has not been involved in the day-to-day operation of Envirocare for approximately 18 months.**

Mr. Semnani has not been involved in the day-to-day operation of Envirocare's facility and operations for approximately 18 months. Mr. Semnani's responsibilities as Envirocare's President during this time period have been to set general goals and objectives for the Company and to monitor their implementation. During this time, I have been responsible for the day-to-day operations of Envirocare's facility and operations, including licensing changes. Envirocare is currently in a license renewal process with the State of Utah. Mr. Semnani has not been involved in this effort, and has had little or no contact with state regulatory officials over the last year and a half regarding matters relating to the oversight of Envirocare.

During this same period, as the Company has grown, Envirocare has established the position of Chief Financial Officer, and the Company has also substantially upgraded its accounting staff, skills, and systems to insure proper tracking of funds. However, Envirocare has, since its inception, always followed generally accepted accounting principles, and kept accurate records of all financial transactions.

**Envirocare considers its business ethics and integrity to be of the highest importance.**

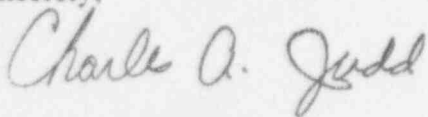
Although there have never been any allegations that any Envirocare employee has ever willfully engaged in any illegal or unethical activity, Envirocare has always been, and continues to be, concerned about maintaining the highest level of ethics and integrity. For this reason, Envirocare is reinforcing and/or implementing the following steps to insure that our employees will meet the highest ethical standards.

1. The Company is currently undergoing an internal review of all employees with regard to any potential conflict of interest and to insure that there have not been any attempt to improperly influence a public official or procurement officer.

- 2 It has always been Envirocare's strong policy that employees avoid any conflict of interest, and that employees avoid any attempt to improperly influence a public official or procurement officer. Henceforth, Envirocare will require a signed disclosure statement from all employees on an annual basis. This disclosure statement will require each employee to disclose any potential conflicts of interest, and to certify that the employee has not tried to improperly influence a public official or procurement officer.
3. As in the past, if Envirocare ever identifies any employee to have engaged in unethical conduct, Envirocare will take appropriate disciplinary action, including dismissal from the Company (Envirocare's disciplinary procedures are outlined on page 22 of the "Employee Policy and Procedure Manual").
4. Envirocare employees may not give nonpecuniary or pecuniary gifts to a public official, and may not exceed \$25 in value of a pecuniary or nonpecuniary gift to a person with whom the Company does business or reasonably may expect to do business.
5. Envirocare will now require the internal disclosure of any nonpecuniary gift or service from a person with whom the Company does business or reasonably may expect to do business.
6. Envirocare employees may not accept cash or pecuniary gifts or loans of any amount from a public official, and may only accept nonpecuniary gifts of less than \$25 from a person with whom the Company does business or reasonably may expect to do business.
7. Envirocare employees may not make cash or pecuniary gifts or loans of any amount to a public official or to a person with whom the Company does business or reasonably may expect to do business.
8. Envirocare will ensure that all current employees receive the necessary training and notification relevant to these procedures and policies. Furthermore, the policies will be permanently added to the "Employee Policy and Procedure Manual."

I would be happy to discuss any questions you may have regarding this matter or regarding Envirocare establishment and reinforcement of these policies.

Sincerely,



Charles A. Judd  
Executive Vice President