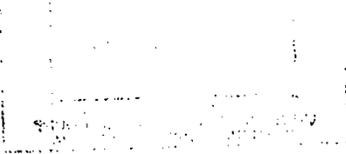


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RECORDS

UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION



Liens, Claims, Rights, Interests and Encumbrances (the “Stipulated Order”) to resolve certain issues related to the disposition of the Debtor’s M6 Propellant that is currently stored at APC’s facility in East Camden, Arkansas (the “Camden Facility”). The Debtor and APC (together, the “Parties”) hereby stipulate as follows:

WHEREAS, the Debtor commenced the above-captioned case (the “**Bankruptcy Case**”) with the filing of a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the “**Bankruptcy Code**”) on August 8, 2013 (the “**Petition Date**”);

WHEREAS, the Debtor was a demilitarization and energetic material recycling company operating out of Camp Minden, a former Louisiana Army Ammunition Plant located in Webster Parish, Louisiana (the “**Minden Facility**”);

WHEREAS, prior to the Petition Date, the Debtor, acting as a contractor for the United States Government, demilitarized certain former military ordinance containing energetic material commonly referred to as M6 Propellant;

WHEREAS, on or about October 12, 2012, some of the Debtor’s material at the Minden Facility exploded (the “**Explosion**”). As a result of the Explosion, a storage facility at the Minden Facility was damaged. A subsequent investigation by the Louisiana State Police determined that the Debtor was storing significant amounts of M6 Propellant. Consequently, the Debtor began looking for additional suitable and properly licensed warehouse space to temporarily store a portion of its remaining energetic material;

WHEREAS, the Debtor subsequently contacted APC, a licensed manufacturer and distributor of explosives, regarding the possibility of temporarily storing a portion of the Debtor’s M6 Propellant at the Camden facility. In an effort to assist the Debtor and to

aid in the public safety of the State of Louisiana and its citizens and residents, APC agreed to provide the Debtor with temporary storage space for approximately 1 million pounds of the Debtor's M6 Propellant at its Camden Facility. Over time, in furtherance of such assistance to the Debtor and the State of Louisiana and its citizens and residents, additional quantities of the Debtor's M6 Propellant were delivered to APC's Camden Facility. Currently, approximately 2.8 million pounds of the Debtor's M6 Propellant is being stored at APC's Camden Facility;

WHEREAS, APC does not have any ownership interest in the Debtor's M6 Propellant currently stored at APC's Camden Facility;

WHEREAS, the Debtor's federal licenses as both a manufacturer and importer of explosives (collectively, the "**Licenses**") were revoked effective August 5, 2013;

WHEREAS, on August 30, 2013, the Debtor filed a motion (the "**Sale Motion**"), pursuant to section 363 of the Bankruptcy Code, seeking authority to sell the Debtor's M6 Propellant currently located at APC's Camden Facility to Brakefield Equipment, Inc. ("**Brakefield**") for \$208,000, such sale to be free of all liens, claims, rights, interests and encumbrances (collectively, the "**Liens**");

WHEREAS, the United States of America on behalf of the United States Environmental Protection Agency (the "**EPA**") objected (the "**Objection**") to the Sale Motion, asserting that the proposed sale could not be approved due to (i) the revocation of the Debtor's Licenses, and (ii) concerns regarding the stability of the Debtor's M6 Propellant currently located at APC's Camden Facility;

WHEREAS, the EPA and APC have agreed to the terms of a stability testing, transportation and re-use/disposal plan ("**Plan**") that includes a testing procedure to be

followed to determine the stability level of each lot (“**Lot**”) of the Debtor’s M6 Propellant currently located at APC’s Camden Facility, a copy of the referenced Plan is annexed hereto as Exhibit “A”;

WHEREAS, the M6 Propellant currently located at APC’s Camden Facility remains the property of the Debtor’s estate that is of no value to the Debtor and its estate, and represents an ongoing liability to both the Debtor and its estate in that, among other things, (i) the estimated cost to effectively and safely dispose of its M6 Propellant currently located at APC’s Camden Facility in accordance with all applicable laws and ordinances is \$11.3 million, and (ii) storage fees due and owing to APC continue to accrue in the amount of \$9,350 per month;

WHEREAS, the Debtor lacks both the necessary licenses to handle, sell, or otherwise possess M6 propellant and sufficient funds to effectively and safely dispose of its M6 Propellant currently located at APC’s Camden Facility in accordance with all applicable laws and ordinances;

WHEREAS, the Parties did not intend that APC’s voluntary and beneficial act in storing the Debtor’s M6 Propellant at its Camden Facility would result in APC being made permanently and fully liable for the complete custody, monitoring and ultimate lawful disposition of the Debtor’s M6 Propellant;

WHEREAS, it is inequitable and unfair to compel APC to continue to store the Debtor’s M6 Propellant at its Camden Facility for an undetermined time period, thereby occupying valuable storage space that is preventing APC from conducting its own business;

WHEREAS, the effective and safe transfer and/or use of the Debtor's M6 Propellant stored at APC's Camden Facility, in compliance with applicable laws and ordinances, is in the best interests of the Debtor, its estate and creditors;

WHEREAS, the Parties have agreed to the Plan regarding the disposition of some or all the Debtor's M6 Propellant that is currently stored at APC's Camden Facility pursuant and subject to the terms set forth in this Stipulated Order;

WHEREAS, the Court, for the reasons stated in open court on March 17, 2014, finds that the benefit to the estate from the transfers authorized by this Order substantially exceeds the consideration of \$208,000 originally proposed in the Sale Motion (Doc. #52); and

WHEREAS, the Court specifically finds that the State of Louisiana has not opposed the transfers described in this Order and is not a party in interest to any future transactions involving Debtor's M6 stored at APC's Camden Facility because the M6 dealt with is not in the State of Louisiana and any transfer of same and transportation of same will be by parties duly licensed (not the Debtor);

IT IS HEREBY STIPULATED, ORDERED AND AGREED THAT:

1. As set forth more fully below, the Sale Motion (Doc. # 52) is hereby GRANTED in part and DENIED in part.
2. The Objection (Doc. #101) filed by the United States on behalf of the EPA is hereby WITHDRAWN.
3. Except as specifically set forth herein, APC shall not be deemed to have taken ownership, custody or control of the Debtor's M6 Propellant currently stored at APC's Camden Facility.

4. Subject to the terms of the Plan, the Debtor is hereby authorized to transfer up to 2,600,000 pounds of the Debtor's M6 Propellant currently stored at Austin's Camden Facility, free and clear of all Liens, to APC if APC has arranged for the subsequent transfer (a "Transfer") of the M6 Propellant to Brakefield pursuant to terms agreed upon by and between APC and Brakefield; provided, however, that (x) ownership of such amount(s) of the Debtor's M6 Propellant shall be transferred from the Debtor to APC, free and clear of Liens, immediately prior to the Transfer of the M6 Propellant formerly owned by the Debtor to Brakefield, and (y) the Debtor shall not be entitled to or receive any payment or other form of compensation in connection with the transfer to APC or any subsequent Transfer.

5. The aforementioned portion of this Order shall be effective immediately upon the execution of this Order.

6. Subject to the terms of the Plan, the Debtor is hereby authorized to transfer (in substitution for or in addition to the amounts described in Section 4 above) any of the Debtor's M6 Propellant currently stored at APC's Camden Facility, free and clear of all Liens, to APC if APC has arranged for the subsequent transfer (a "Transfer") of the M6 Propellant to Brakefield or any other properly licensed third-party wishing to obtain all or a portion of the Debtor's M6 Propellant currently stored at Austin's Camden Facility (inclusive of Brakefield, collectively, a "Transferee") pursuant to terms agreed upon by and between APC and such Transferee; provided, however, that (x) ownership of such amount(s) of the Debtor's M6 Propellant shall be transferred from the Debtor to APC, free and clear of Liens, immediately prior to the Transfer of the M6 Propellant formerly owned by the Debtor to a Transferee, (y) the Debtor shall not be entitled to or receive any payment

or other form of compensation in connection with the transfer to APC or any subsequent Transfer, and (z) APC shall not Transfer any of the Debtor's M6 Propellant currently stored at APC's Camden Facility to the Debtor or any "insider" of the Debtor, as such term is defined in section 101 of the Bankruptcy Code.

7. Subject to the terms of the Plan, the Debtor is hereby authorized to transfer to APC for APC's use amounts of the M6 Propellant currently stored at APC's Camden Facility as APC deems appropriate in the preparation of such products (the "Products") that would be sold by APC in its business. Ownership of such amount(s) of the Debtor's M6 Propellant used by APC would be transferred to APC, free and clear of Liens, at the time such M6 Propellant is mixed with other materials to create the aforementioned Products. Prior to such time, the Debtor would retain sole ownership of the M6 Propellant. The Debtor shall not be entitled to, or receive any compensation for (i) any of its M6 Propellant that is incorporated into the Products, and (ii) any Products sold by APC.

8. The Debtor's authority to transfer amounts of the Debtor's M6 Propellant stored at APC's Camden Facility to APC is hereby limited to the amounts necessary for any Transfer and/or use by APC of those Lots (or portions thereof) of the M6 Propellant that (i) have been subjected to the above-referenced Plan, and (ii) registered a satisfactory stability level for Transfer and/or use under the Plan.

9. APC shall provide quarterly reports to the Bureau of Alcohol, Tobacco, Firearms and Explosives, the EPA and the Trustee for the Debtor ("Trustee") providing the updated amount (in lbs.) of the Debtor's M6 Propellant remaining at APC's Camden Facility and of the amount of M6 Propellant transferred to APC for further Transfer or

use. The quarterly reports shall demonstrate compliance with the terms of the stability testing, transportation, and re-use/disposal Plan.

10. This Stipulated Order shall bind the successors and assigns of the Parties, including the Trustee and any trustee appointed under Chapter 7 or 11 of the Bankruptcy Code.

11. The terms of this Stipulated Order shall survive the dismissal or conversion of the Debtor's Chapter 11 case.

12. The Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Stipulated Order.

13. The United States and APC reserve their rights to seek further relief from this Court.

14. The provisions of Sections 6 and 7 of this Order shall be effective and the transfers described therein allowed if no opposition is filed to the entry of this Order after specific notice is given to the mailing matrix in this case, and no opposition to same is filed within 21 days of such notice. In the event of a timely filed opposition, and only in such event, the hearing on such opposition shall be held at 9:00 a.m. on May 19, 2014.

SEEN AND AGREED:

BLANCHARD, WALKER, O'QUIN & ROBERTS
(A PROFESSIONAL LAW CORPORATION)

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AUSTIN POWDER COMPANY



To: Paige Delgado
On-Scene Coordinator
U. S. EPA Region 6

From: Dennis Schulz

cc: Keith Mills
Tom
Ethridge
Bob Hivick
Dave True

**Subject: Sampling, and Analysis, and Shipping/Transportation Plan
for M6 propellant**

The M6 Propellant (M6) stored at the Austin Powder Company facility in East Camden, AR will be sampled, analyzed and used according to the following plan.

Section 1 describes the method for collecting a random grab sample. A sample for testing and a retain sample will be collected from each lot.

Section 2 describes the analytical methods used to analyze the M6. Section 3 describes stabilizer criteria for timely use of the M6. Section 4 describes the planned use of the acceptable material.

Throughout the process, Austin Powder Company will maintain the highest standards for analytical accuracy and regulatory compliance.

Austin Powder Company policy is that every individual involved has the responsibility to stop any process if that individual feels there is a safety risk.

Section 1 – Sampling

1. Austin Powder Company has completed an inventory audit. The
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results of this audit have provided an accurate tabulation of the M6, including lot number, magazine number and total pounds. This record will provide the basis for sampling.

2. A random grab sample will be collected from each lot of M6 using the following procedure:
 - a. PPE required:
 - i. Conductive gloves
 - ii. Safety shoes and safety glasses
 - iii. Cotton coveralls
 - b. Materials Needed:
 - i. Hand tools to open the drums
 - ii. Qorpak PLC-10054 Natural Polypropylene Hinged Vial with breakoff arrow and lock seal tab, 3 oz. (picture attached)
 - iii. Small wire ties to seal the sample containers
 - iv. Litho Removable Adhesive HMIG Label (picture attached)
 - v. Permanent marking pen
 - vi. Nugget inner boxes and approved shipping drum
3. Sampling Procedure:
 - a. Select a drum at random from a lot
 - b. Record the lot number, date and time, sampler's initials and current storage magazine number on the labels
 - c. Open the drum and visually check the M6 for signs of contamination or degradation. Additionally check the fill level to confirm the fullness of the drum approximately matches the poundage
 - d. Open one of the sample vials (see picture at end of document) and using it as a scoop, fill the vial to approximately $\frac{3}{4}$ full.
 - e. Close the lid, sealing the vial
 - f. Place a wire tie in the hasp
 - g. Place the label on the vial (see picture and explanation at end of document)
 - h. Place the vial in a nugget inner package, recording the lot number both on the nugget package and on a log
 - i. Repeat the process with the retain sample, placing it in a similar nugget inner package, but with the package also marked retain
 - j. Close the drum, seal with wire tie and label to indicate weight of propellant removed
4. Sample Storage and Transportation:
 - a. The nugget inner package will hold 12 sample vials
 - b. 10 nugget inner packages will fit in the shipping drum

- c. Each drum will be labeled to indicate:
 - i. Test sample or retain sample
 - ii. Drum number
- d. A detailed log will be kept indicating the lot number contained in each drum.
- e. Each drum will contain approximately 30 lb. NEQ
- f. The drums containing the analysis sample will be shipped to the Red Diamond Facility for storage and analysis.
- g. The drums containing the retain samples will be stored at Austin's East Camden facility.
- h. The drums containing the retain samples will remain sealed.
- i. Once the material is used, the analysis sample for that lot will be destroyed

Section 2 – Analysis, to be completed at the Red Diamond Analytical Laboratory

1. The method used by Explo Systems to determine the stabilizer content will not be used.
2. MIL – STD – 286C w/CHANGE 2, METHOD 217.5 will be used with some slight modifications, as approved the by EPA and outlined in the M6 Propellant Stabilizer Analysis Method provided to the EPA and dated February 20, 2014. METHOD 217.5 is a generic method and incorporates the used of an auto sampler. As such, some modification will be needed to use this method. Austin's method closely mirrors the MIL STD.

Section 3 – Acceptable Stabilizer Levels

Austin Powder Company will follow the following protocol for acceptable stabilizer levels (Completely used means all the materials has been used and none remains in a magazine either at Austin Powder Company or at the user's facility):

Above 0.3% - approved for shipment, the M6 must be completely used within 2 years. After 2 years the lot in question must be resampled and analyzed.

Between 0.2% and 0.3% - test resample, if the level is still between 0.2% and 0.3% the M6 is still approved for shipment, but must be completely used within 1 year. After 1 year the lot in question must be resampled and analyzed.

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Below 0.2% - test a different pellet from the analysis sample. If the level is still below 0.2% - the M6 must be disposed of (accepted use or destroyed, open burning) within 60 days after obtaining EPA approval of a disposal plan. Upon destruction of any of the M6 propellant by Austin Powder Company, Austin Powder Company shall provide certification to EPA of the amount destroyed, the date thereof and the method of destruction. This is based on an US Army standard. To date, no arrangements or approvals have been established for open burning. The resampling procedure will be:

1. Check the stabilizer level using a different pellet from the original sample.
2. The lot in question will be resampled, 4 samples, 1 each from 4 random drums in the lot. Each sample will be analyzed separately with an average of the 4 results being recorded as the final stabilizer level for that lot.

Upon retesting as required and conducted above, if the stabilizer level of any propellant remaining in Austin Powder Company's possession after the initial 1 or 2 year period has changed, the respective provision above shall apply to the propellant remaining in Austin Powder Company's possession until all of the propellant is transferred or destroyed in accordance with this Plan.

Section 4 – Planned use of acceptable M6 propellant

1. M6 Propellant lots that are approved will be shipped to Brakefield Equipment, Inc. and/or any other properly licensed third-party wishing to obtain all or a portion of the Debtor's M6 Propellant, for use as an additive to the explosives used at a licensed mining operation.
 - a. All shipments and transactions to Brakefield Equipment, Inc. or other properly licensed third-party shall comply with federal, state and local law and pertinent regulations.
 - b. Shipments will consist of 42 pallets of 6 drums per pallet. The typical net weight of M6 is 140 pounds per drum. Total shipment will be a nominal 32,240 pounds NEQ (Net Explosive Quantity) and about 39,000 pounds total including the pallets, drums and other shipping materials.
 - c. It is expected Brakefield or other transferee will consume between 2 and 4 of the 32,240 pound shipments a month. That would mean any specific load would be stored on mine site for 2 to 3 weeks.

- d. Shipments will comply with all applicable US DOT regulations regarding explosive transportation.
- e. Shipments will be made using EX 2010040603, obtained by Explo Systems, Inc. on 06/02/2010. Below is the link to that document:
http://www.phmsa.dot.gov/staticfiles/PHMSA/ApprovalLetters/EX2010040603_2010041111.pdf
- f. ATF has determined that Type 4 van trailer magazines are safe and acceptable for storage of 1.3C materials, which includes the M6 Propellant. The M6 will be stored at the job site in an ATF inspected and approved Type 4 Trailer Magazine, in compliance with ATF regulations regarding: separation from other explosives, acceptable distance from occupied structures (not company owned as part of the job site) or public roadways.

Detailed storage information regarding comprehensive regulation for explosives, magazine construction and the American Table of Distance can be found at:
<http://www.atf.gov/files/publications/download/p/atf-p-5400-7.pdf>

- g. Upon shipping all or any portion of the M6 to Brakefield Equipment, Inc. or any other properly licensed third-party in compliance with the above provisions, Austin Powder Company shall provide certification to EPA of the date of the shipment or transfer, the amount of propellant transferred, and the name and address of the transferee. Upon shipping to Brakefield Equipment, Inc. or other authorized transferee, Austin Powder Company shall notify the transferee that the M6 Propellant should be consumed/disposed of within 2 years or retested for stability. This notification requirement shall not place any liability on Austin Powder Company for the third party transferee's act or failure to act.
2. Austin Powder Company is also evaluating the possibility of manufacturing a product containing an emulsion and the M6 propellant.
- a. The product would be between 25% and 40% M6 propellant with the balance being an emulsion.
 - b. Testing has shown the product to be a UN0332, 1.5D, Blasting Agent. The test reports are included in the email.

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The reports have been submitted to the US DOT for authorization to ship.

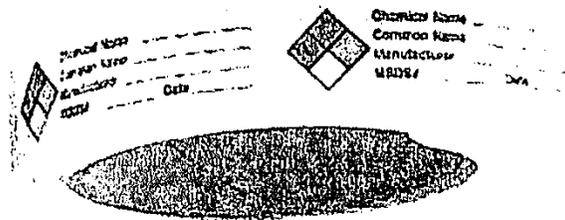
- c. Packaging would be in a woven poly bag with a PE liner, as identified in 49 CFR 173.62 Packaging Instructions 116.
- d. Any manufacturing would be started only after a comprehensive Process Safety Analysis is completed.

Section 5 – Notification Requirements

Any notification or certification requirement provided in this Plan shall be made in writing and addressed as follow:

On-Scene Coordinator
United States Environmental Protection Agency
Response and Prevention Branch (6SF-RR)
1445 Ross Avenue
Dallas, Texas 75202-2733

Qorpak PLC-10054 Natural Polypropylene Hinged Vial



Fill in data as follows:
Chemical Name = M6
Common Name = Magazine Number (Location)
Manufacturer = Lot Number
MSDS = Sample takers initials
Date = Date