

Gary L. Tessitore
Chairman, President and
Chief Executive Officer

Fansteel

May 8, 2003

Daniel M. Gillen, Chief
Decommissioning Branch
Division of Waste Management
Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555-0001

Re: Docket No. 40-7580
License SMB-911
Fansteel Inc.
Muskogee, Oklahoma Site

Dear Mr. Gillen:

This letter is submitted as a follow-up to your letter of April 28, 2003, our further discussions, and a meeting held in the context of settlement regarding the ongoing bankruptcy case involving the licensee, Fansteel Inc. ("Fansteel"). We thank you for your responsiveness to the issues and concerns we raised regarding various Nuclear Regulatory Commission ("NRC") positions. This letter documents our understanding of the resolution of the issues resulting from our interactions.

Upon emergence from Chapter 11, and in accordance with the terms and conditions of a confirmed plan of reorganization (the "Plan", Reorganized Fansteel ("RF") will cause one of its wholly-owned subsidiaries ("MRI") to undertake a four-phased approach to decommissioning the Muskogee site by MRI. The first phase will involve the remediation and offsite disposal of the residue of WIP in Ponds 2 and 3, which contains the highest concentration of radioactive material. At NRC's request, Fansteel is prepared to take steps to accelerate the schedule for this phase, with actual remediation to begin by September 1, 2004 and to be completed by March 31, 2006, taking into account considerations of preparation, scheduling, cost and weather. It is Fansteel's intent to advance this schedule to the extent practicable.

The second phase will involve remediation and offsite disposal of the CAF material. Fansteel also intends to advance the schedule for Phase 2 CAF remediation with the goal of MRI beginning the work by January 1, 2007 and completing the work by April 30, 2011.

The third phase will involve completion of the remediation by MRI, including buildings, equipment, and soils. It is during this phase that any additional needed

characterization will be accomplished. The planned activities during the third phase will also be advanced with the objective of completing all presently contemplated radiological remediation in 2011.

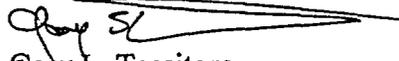
The fourth and final phase will involve groundwater monitoring and remediation. Unrestricted release of the site will occur before or after the fourth phase. It is the intent of MRI not to seek termination of the license (or alternate arrangements acceptable to the NRC) until groundwater is satisfactorily remediated. On this basis, we understand that the NRC will only be required to prepare an Environmental Assessment in connection with approval of Fansteel's Decommissioning Plan.

If necessary to timely meet the scheduled expenditure of costs, MRI will be permitted to "borrow" up to \$2 million from the Standby Trust.

Based upon our discussions to date and the above-described approach to remediation of the Muskogee Site, it is Fansteel's understanding that the Decommissioning Plan submitted on January 14, 2003 is acceptable for review by the NRC. NRC will agree to complete its review and issue a decision on the acceptability of all phases of the Decommissioning Plan by October 31, 2003. Any required licensing actions, including the transfer of the license to MRI and any required exemptions, will be effected by an NRC Order also to be issued by October 31, 2003.

We would appreciate your prompt acknowledgment of this letter, and your agreement that it contains the essential understandings of an agreed-upon approach to the remediation of the Muskogee Site, addressing the issues identified in your letter of April 28, 2003.

Sincerely,


Gary L. Tessitore