

STANDBY TRUST AGREEMENT

The Trust Agreement is entered into as of the 3rd ____ day of February _____, 19942003, by and between MRIFansteel Inc., a Delaware corporation, herein referred to as the "Grantor", and Bank of Waukegan as trustee under Trust No. 2740 and not individually, of Waukegan, Illinois, the "Trustee";

WHEREAS, the U.S. Nuclear Regulatory Commission (NRC), an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 40. These regulations, applicable to the Grantor, require that a holder of, or an applicant for a Part 30, 40, 70 or 72 license provide assurance that funds will be available when needed for required decommissioning activities.

WHEREAS, the Grantor has, pursuant to agreement with the NRC, elected to use the proceeds of this Trust Agreement a letter of credit to provide all a portion the amount of such financial assurance for the facilities identified herein; and

~~WHEREAS, when payment is made under a letter of credit, this standby trust shall be used for the deposit of such payment; and~~

WHEREAS, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this Agreement, and the Trustee is willing to act as trustee;

NOW, THEREFORE, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

- (a) The term "Grantor" means the NRC licensee who enters into this Agreement and any successors or assigns of the Grantor.
- (b) The term "Trustee" means the trustee who enters into this Agreement and any successor Trustee.

Section 2. Costs of Decommissioning.

This Agreement pertains to the costs of decommissioning the materials and activities identified in License Number SMB-911 issued pursuant to 10 CFR Part 40 as shown in Schedule A.

Section 3. Establishment of Fund.

The Grantor hereby establishes a ~~standby-trust~~ fund for the benefit of the NRC. Trustee hereby agrees to hold said Fund IN TRUST and to administer said Fund in accordance with the terms hereof. The Grantor and the Trustee intend that no third party have access to the Fund except as provided herein.

Section 4. Payments Constituting the Fund.

~~Payments made to the Trustee for the Fund shall~~ The value of the Fund was initially \$4,456,460.00, based on the deposit of the proceeds of two letters of credit~~consist of proceeds of the letter of credit in the initial face value of \$750,000.00.~~ Such property and any other property subsequently transferred to the Trustee are referred to as the "Fund", together with all earnings and profits hereon, less any payment or distributions made by the Trustee pursuant to this Agreement. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount of, or adequacy of the Fund, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by the NRC.

Section 5. Payment for Required Activities Specified in the Plan.

The Trustee shall make payments from the Fund to the Grantor upon presentation to the Trustee of the following:

- (a) A certificate duly executed by the Secretary of the Depositor in the form set forth in the attached Exhibit A: Specimen Certificate, and
- (b) A certificate that states:
 - (1) that decommissioning is proceeding pursuant to an NRC-approved Plan.
 - (2) that the funds withdrawn will be expended for activities undertaken pursuant to that Plan, and
 - (3) that the NRC has been given 30 days' prior notice of ~~Fansteel MRI Inc.~~'s intent to withdraw funds from the escrow fund.

The Grantor may request the Trustee to release, and the Trustee shall release, up to Two Million and no/100 Dollars (\$2,000,000.00) on a revolving basis (i.e., subject to replenishment) in accordance with the purposes of the Trust and pursuant to the terms and conditions of the Joint Reorganization Plan of Fansteel Inc. and Subsidiaries (herein referred to as the "Plan"), as approved by the United States Bankruptcy Court for the District of Delaware. At no time shall the aggregate amounts outstanding under such releases exceed Two Million and no/100 Dollars (\$2,000,000.00). Notwithstanding the foregoing, the Grantor is authorized to request the Trustee to release, and the Trustee shall release, all of the amounts in the Fund upon completion of all decommissioning activities mandated by the NRC license and the NRC-approved Plan. No withdrawal from the fund can exceed ten percent (10%) of the outstanding balance of the Fund or Seventy-Five Thousand and no/100 Dollars (\$75,000.00), whichever is greater, unless NRC's written approval is attached.

In the event of the Grantor's default or inability to direct decommissioning activities, which default or inability shall be conclusively evidenced to the Trustee by a sworn affidavit made by a person purporting to be an authorized representative of the NRC stating that Grantor

has been notified by NRC of such default or inability and has failed to remedy such default or inability, the Trustee shall make such payments from the Fund as the NRC shall direct, in writing, to provide for the payment of the costs of required activities covered by this Agreement. The Trustee shall have no liability for any action based on any such affidavit reasonably believed by Trustee to be made with authority. The Trustee shall reimburse the Grantor or other persons as specified by the NRC, from the Fund for expenditures in such amounts as the NRC shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the NRC specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 6. Trust Management.

The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge its duties with respect to the Fund solely in the interest of the Grantor and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

- (a) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940 (15 U.S.C. 80a-2{a}), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government;
- (b) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the Federal government; and
- (c) For a reasonable time, not to exceed 60 days, the Trustee is authorized to hold uninvested cash, awaiting investment or distribution, without liability for the payment of interest thereon.

Section 7. Commingling and Investment.

The Trustee is expressly authorized in its discretion:

- (a) To transfer from time to time any or all of the assets of the Fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and
- (b) To purchase shares in any investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.), including one that may be created, managed,

underwritten, or to which investment advice is rendered, or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustee.

- (a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale, as necessary for prudent management of the Fund;
- (b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;
- (c) To register any securities held in the Fund in its own name, or in the name of a nominee, and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, to reinvest interest payments and funds from matured and redeemed instruments, to file proper forms concerning securities held in the Fund in a timely fashion with appropriate government agencies, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee or such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the U.S. Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;
- (d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal government; and
- (e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses.

All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Annual Valuation.

After payment has been made into this standby-trust fund, the Trustee shall annually, at least 30 days before the anniversary date of receipt of payment into the standby-trust fund, furnish to the Grantor and to the NRC a statement confirming the value of the Trust. Any securities in the

Fund shall be valued at market value as of no more than 60 days before the anniversary date of the establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and the NRC shall constitute a conclusively binding assent by the Grantor, barring the Grantor from asserting any claim or liability against the Trustee with respect to the matters disclosed in the statement.

Section 11. Advice of Counsel.

The Trustee may from time to time consult with counsel with respect to any question arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting on the advice of counsel.

Section 12. Trustee Compensation.

The Trustee shall be entitled to reasonable compensation for its services as set forth in Exhibit B.

Section 13. Successor Trustee.

Upon 90 days notice to the NRC, the Trustee may resign; upon 90 days notice to the NRC and the Trustee, the Grantor may replace the Trustee; but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor Trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor Trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee or for instructions. The successor Trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the NRC, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this section shall be paid as provided in Section 9.

Section 14. Instructions to the Trustee.

All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are signatories to this Agreement or such other designees as the Grantor may designate in writing. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, or instructions. If the NRC issues orders, requests, or instructions to the Trustee, these shall be in writing, signed by the NRC, or their designees, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor, the NRC [sic], hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from the Grantor and/or the NRC, except as provided for herein.

Its: **President and Chief
Executive Officer**

ATTEST: _____

**BANK OF WAUKEGAN, as trustee
aforesaid and not individually**

Its: **[Insert Position]**

By: _____

Its: **[Insert Position]**

(Seal)

STATE OF ILLINOIS)
)
COUNTY OF LAKE)

Affidavit of Acknowledgment

ON THIS [insert date], 2003, before me, a NOTARY PUBLIC in and for the State and County aforesaid, personally appeared [name], and he did depose and say that he is the [position] of the BANK OF WAUKEGAN, a banking association, as TRUSTEE under its TRUST NUMBER 2740, and not individually, which executed the foregoing instrument, that he knows the SEAL of said banking association; that the SEAL affixed to the foregoing instrument is such corporate seal; that it was so affixed by order of the association; and that he signed his name thereto by like Order.

NOTARY PUBLIC

TRUST AGREEMENT SCHEDULE A

This Agreement demonstrates partial financial assurance for the following cost estimates for the following licensed activities:

U.S. NUCLEAR
REGULATORY
COMMISSION
LICENSE NUMBER

SMB-911

NAME AND ADDRESS OF LICENSEE

FANSTEEL MRI INC.
NUMBER ONE TEN TANTALUM PLACE
NORTH CHICAGO, IL 60064 MUSKOGEE, OK 74403

ADDRESS OF LICENSED ACTIVITY

NUMBER TEN TANTALUM PLACE
MUSKOGEE, OK 74403

COST ESTIMATES FOR REGULATORY
ASSURANCES DEMONSTRATED BY
THIS AGREEMENT

~~\$4,456,460 AS SUBMITTED BY LICENSEE~~
THE VALUE OF THE TRUST SHALL BE USED
IN PARTIAL FULFILLMENT OF MRI'S
OBLIGATIONS TO REMEDIATE THE MUSKOGEE SITE
UNDER NRC LICENSE SMB-911

EXHIBIT A, Page 2

Certificate of Resolution

I, ~~Michael J. Mocniak~~ [Name], do hereby certify that I am Secretary [Position] of Fansteel MRI Inc., a Delaware corporation, and that the resolution listed below was duly adopted at a meeting of this Corporation's Board of Directors on _____, 199200.

IN WITNESS WHEREOF, I have hereunto signed by name and affixed the seal of this Corporation this ___ day of _____, 199200.

Secretary [Position] of Fansteel MRI Inc.

RESOLVED, that this Board of Directors hereby authorizes the President, or such other employee of the Company as he may designate, to commence decommissioning activities at _____ in accordance with the terms and conditions described to this Board of Directors at this meeting and with such other terms and conditions as the President shall approve with and upon the advice of counsel.

EXHIBIT B: Trustee's Fees

In addition to the fees and expenses of Trustee provided for in the Trust Agreement, the Trustee's annual maintenance fee for the first year ending on the first anniversary of the date the Trust Agreement is entered into shall be payable in advance upon acceptance hereof. Thereafter, said fee shall be charged in accordance with the then current schedule of Trustee's fees on the anniversary date of each succeeding year until the Trust is terminated. All such fees are payable in advance of the year for which the fee is incurred. The full year's fee shall be deemed earned when paid. Current trust fees may be obtained from the trust department of the Bank of Waukegan.