

Gary L. Tessitore
Chairman, President and
Chief Executive Officer

Fansteel

November 24, 2003

BY HAND

Daniel M. Gillen, Chief
Decommissioning Branch
Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Mail Stop T-7F27
Washington, DC 20555-0001

Re: **Docket No. 40-7580, License No. SMB-911**
Response to NRC Letter of November 7, 2003

Dear Mr. Gillen:

In your letter dated November 7, 2003, the NRC Staff set forth a list of four prerequisites which must be satisfied in order for the NRC to issue the four approvals requested by Fansteel on July 24, 2003. This letter serves to inform you that Fansteel has satisfied each of the prerequisites, as follows:

Prerequisite 1.0. Approval by the U.S. Bankruptcy Court of:

- 1.1 *Fansteel's proposed amended reorganization plan as provided on September 18, 2003; and*
- 1.2 *Fansteel's proposed financial documents as reviewed and approved by the NRC on November 5, 2003.*

Fulfillment of Prerequisite 1.0:

- 1.1. Fansteel's proposed Amended Joint Reorganization Plan of Fansteel Inc. and Subsidiaries ("Plan") was confirmed by order of the U.S. Bankruptcy Court for the District of Delaware on November 17, 2003 (the "Confirmation Order"). A copy of the Confirmation Order is appended hereto as Attachment 1.
- 1.2. By virtue of inclusion in the November 7, 2003 Plan Supplement and by express approval in the Confirmation Order, the proposed financial documents, as



reviewed and approved by the NRC on November 5, 2003, have been approved by the U.S. Bankruptcy Court.

Prerequisite 2.0. Creation of FMRI with the following resources established:

- 2.1 A board of directors;***
- 2.2 A cash payment from Reorganized Fansteel of \$250,000 as described in Fansteel's proposed amended reorganization plan;***
- 2.3 The executed Promissory Notes, Pledge Agreement, and Indemnity Letter identified in Fansteel's proposed amended reorganization plan;***
- 2.4 The executed Decommissioning Trust Agreement; and***
- 2.5 Other personnel, assets, and property as described in Fansteel's proposed amended reorganization plan.***

Fulfillment of Prerequisite 2.0:

FMRI was incorporated on November 12, 2003. A certified copy of certificate of incorporation and bylaws of FMRI are appended hereto as Attachment 2.

- 2.1 The following individuals have been appointed to serve on the Board of Directors of FMRI: A. Fred Dohmann, E. Jonathan Jackson, Robert R. Compennolle. The "Organizational Action of the Sole Incorporator in Lieu of Organizational Meeting of FMRI, Inc." establishing the directors is appended hereto as Attachment 3.**
- 2.2 A copy of a check in the amount of \$250,000, from Fansteel to FMRI is appended hereto as Attachment 4. On the Effective Date, Reorganized Fansteel shall remit to FMRI by check or wire transfer the initial principal installment of \$250,000 due under the FMRI primary note and the Fansteel check shall be cancelled by Reorganized Fansteel thereafter. FMRI will provide a written certification to the NRC that the requisite funds have been transferred within five (5) business days of the transfer.**
- 2.3 The FMRI Primary Note, FMRI Secondary Note, FMRI Contingent Note, Pledge Agreement, and Indemnity Letter have been executed.**
- 2.4 Three originals of the Decommissioning Trust Agreement are attached hereto as Attachment 5. In addition, three originals of Amendment Number Two to the Standby Trust Agreement, executed by Fansteel Inc. and the Trustee, Bank of Waukegan, are appended hereto also as part of Attachment 5. The NRC should indicate its consent to the transfer of the proceeds in the current trust to the**



Decommissioning Trust established by the Decommissioning Trust Agreement by signing Amendment Number Two, retaining one original, delivering one original of the Amendment to FMRI, together with one original of the Decommissioning Trust Agreement, to FMRI, and delivering the third original of the Amendment, together with the remaining original of the Decommissioning Trust Agreement, to the Bank of Waukegan.

- 2.5 In response to paragraph 2.5, a form of the Bill of Sale, Deed, Assignment and Transfer Agreement by and between Reorganized Fansteel and FMRI in substantial conformity with the Bill of Sale, Assignment and Transfer Agreement filed as Exhibit C-2 to Fansteel's Plan supplement filed in the bankruptcy court on November 7, 2003 is appended hereto as Attachment 6. An original and executed instrument shall be delivered to FMRI on the Effective Date and a copy sent to the NRC within five (5) business days of the Effective Date.

Prerequisite 3.0. Execution of the Primary, Secondary and Contingent Notes in the exact form reviewed and agreed to by the NRC on November 5, 2003, and receipt by the NRC of signed originals of the instruments.

Fulfillment of Prerequisite 3.0:

Signed originals of the FMRI Primary Note and the FMRI Secondary Note are appended hereto as Attachments 7 and 8. A signed original of the FMRI Contingent Note is appended to the Escrow Agreement dated November 24, 2003 ("Escrow Agreement"), which Escrow Agreement is being delivered to the NRC simultaneously with this letter.

Prerequisite 4.0. Execution of the Pledge Agreement, Indemnity Letter, Decommissioning Trust Agreement, and Certification of Financial Assurance in the exact form reviewed and agreed to by NRC on November 5, 2003, and receipt by the NRC of signed originals of the instruments.

Fulfillment of Prerequisite 4.0:

Signed originals of the FMRI Pledge Agreement, the Indemnity Letter, and the Certification of Financial Assurance are appended hereto as Attachments 9 and 10. As stated above with respect to Prerequisite 2.4, the Decommissioning Trust Agreement is appended hereto as Attachment 5.

Editorial Comments on November 7, 2003 Form of License

Fansteel has identified the following editorial changes to be made to the draft SMB-911 license:

- License Conditions 10 and 26 should be amended to delete the reference to the May 8, 2003 letter.
- The specific reference to the Plan should be deleted from License Condition 31.

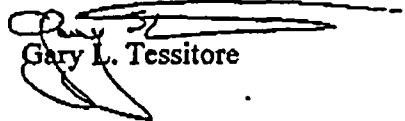


- To correct clerical errors, License Condition 49 should be amended to read as follows: "FMRI shall, up to the amount available, replenish any withdrawal from the Decommissioning Trust Fund within 30 days of receipt of any payments or proceeds intended to provide for replenishment, as provided in the Decommissioning Plan or the terms and conditions of the Joint Reorganization Plan as approved by the United States Bankruptcy Court."

We understand that the NRC Staff agrees to these changes. This letter confirms that agreement and that the license will be issued with such changes.

Fansteel has now fulfilled all prerequisites to the approval of the Decommissioning Plan and issuance of all related licensing actions requested on July 24, 2003. The NRC Staff has also agreed to make the editorial corrections to the proposed license attached to your November 7, 2003 letter. Accordingly, Fansteel requests that the NRC issue the approvals expeditiously. As you are aware, in accordance with the terms of the Plan, as confirmed by the Confirmation Order, the actions and/or obligations of Fansteel, Reorganized Fansteel, and FMRI, as contemplated by the Plan and the NRC approvals, will occur only on and as of the Effective Date of the Plan. If you have any questions regarding this submission, please contact me at (847) 689-4900, extension 220.

Sincerely,



Gary L. Tessitore

Attachments

cc: James C. Shepherd, NRC/NMSS
NRC Document Control Desk
Maria E. Schwartz, Esq., NRC/OGC
Richard Gladstein, Esq., DOJ
Alan Tenenbaum, Esq., DOJ
Jeffrey S. Sabin, Esq., Schulte Roth & Zabel LLP
James R. Curtiss, Esq., Winston & Strawn LLP

BILL OF SALE, ASSIGNMENT AND TRANSFER AGREEMENT

BILL OF SALE, ASSIGNMENT AND TRANSFER AGREEMENT, dated as of December [], 2003, by and between FANSTEEL INC., a Delaware corporation ("Fansteel") and FMRI, INC., a Delaware corporation ("FMRI").

Witnesseth

WHEREAS, pursuant to the amended joint plan of reorganization (the "Plan") and related amended disclosure statement filed by Fansteel and its U.S. subsidiaries for reorganization relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court in Wilmington, Delaware, Fansteel has agreed to transfer to FMRI the licenses, permits, equipment, real property, improvements, and all other assets of Fansteel comprising its facility in Muskogee, Oklahoma, but excluding any and all insurance policies or coverage and accounts receivable related thereto (collectively, the "Muskogee Facility"); and

WHEREAS, pursuant to the Plan, Fansteel is executing and delivering this instrument for the purpose of transferring and assigning to and vesting in FMRI all of Fansteel's right, title and interest in and to the Muskogee Facility and FMRI is executing and delivering this instrument in order to confirm FMRI's acceptance of the transfer of the Muskogee Facility;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Fansteel hereby grants, sells, conveys, assigns, transfers, and delivers to FMRI, its successors and assigns, all of Fansteel's right, title and interest, in and to the Muskogee Facility to have and to hold the same unto FMRI, its successors and assigns, forever.
2. FMRI hereby accepts the transfer of the Muskogee Facility from Fansteel and agrees to utilize the Muskogee Facility solely in accordance with the terms of the Plan.
3. Each of the undersigned hereto agrees to execute such other documents and instruments and take such other actions as may be reasonably necessary, proper or advisable to implement this agreement or to provide the rights and benefits intended to be provided pursuant to this agreement to each of the undersigned.
4. Nothing in this instrument, expressed or implied, is intended or shall be construed to confer upon or give to any person, firm or corporation other than Fansteel and FMRI and their respective successors and assigns any remedy or claim under or by reason of this instrument or any term, covenant or condition hereof, and all of the terms, covenants, conditions, promises and agreements contained in this instrument shall be for the sole and exclusive benefit of Fansteel and FMRI and their respective successors and assigns.
5. This instrument is being executed by Fansteel and FMRI and shall be binding upon Fansteel and FMRI, and their respective successors and assigns, for the uses and purposes above set forth and referred to, and shall be effective as of the date hereof.

6. This instrument shall be governed by and enforced in accordance with the laws of the State of Delaware without regard to its provisions concerning conflict of laws.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Fansteel and FMRI have caused this Bill of Sale, Assignment and Transfer Agreement to be duly executed on the date first above written.

FANSTEEL INC.

By: _____
Name:
Title:

FMRI, INC.

By: _____
Name:
Title: