

DECOMMISSIONING TRUST AGREEMENT

The TRUST AGREEMENT is entered into as of November __, 2003 by and between FMRI 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 materials license issued pursuant to 10 CFR Part 40 provide assurance that funds will be available when needed for required decommissioning activities.

WHEREAS, the Grantor has, pursuant to the FMRI License and Decommissioning Plan as approved by the NRC and the terms and conditions of the Joint Reorganization Plan of Fansteel Inc. and Subsidiaries, as approved by the United States Bankruptcy Court for the District of Delaware, elected to use the proceeds of this Decommissioning Trust Agreement to provide a portion of the amount of financial assurance for the facilities identified herein; 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.
- (c) The term "Decommissioning Plan" means the Decommissioning Plan as approved and amended by the NRC.
- (d) The term "FMRI License" means NRC License Number SMB-911 as approved and amended by the NRC.

Section 2. Costs of Decommissioning.

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

Section 3. Establishment of Fund.

The Grantor and the Trustee hereby establish a decommissioning trust fund (the Fund) for the benefit of NRC. The Grantor and the Trustee intend that no third party shall have access to the Fund except as provided herein.

Section 4. Payments Constituting the Fund and Replenishment.

The value of the Fund was initially \$4,456,460.00, based on the deposit of the proceeds of two letters of credit into Trust Account No. 2740 held by the Bank of Waukegan. Such property and any other property subsequently transferred to the Trustee are referred to as the "Fund," together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. 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 NRC.

Grantor shall replenish any withdrawal from the Fund within 30 days of receipt of

- (a) any payments or proceeds intended to provide for replenishment, as provided in the FMRI License and Decommissioning Plan or the terms and conditions of the Joint Reorganization Plan as approved by the United States Bankruptcy Court; or
- (b) any other payments or proceeds that result in a cash balance greater than needed to fund the following six months of activities as shown in the Decommissioning Plan

up to the amount available from such payments or proceeds.

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

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

- (a) Prior to the first withdrawal, a certificate duly executed by the Secretary of the Grantor attesting to the occurrence of the events, and in the form set forth in the attached Certificate of Events and Certificate of Resolution, and
- (b) For each requested withdrawal, a withdrawal certificate executed by Grantor stating the amount requested, the total outstanding amount of withdrawals including the one requested, the activities of the Decommissioning Plan for which the funds will be used, and attesting to the following conditions:
 - (1) that decommissioning is proceeding pursuant to an NRC-approved Decommissioning Plan;
 - (2) that the funds withdrawn will be expended for activities undertaken pursuant to the Decommissioning Plan;

- (3) that Grantor has received all payments and proceeds to which it is entitled under the FMRI License and Decommissioning Plan or the terms and conditions of the Joint Reorganization Plan of Fansteel Inc. and Subsidiaries, as approved by the United States Bankruptcy Court for the District of Delaware;
- (4) that such payments and proceeds received by Grantor are insufficient to fund the decommissioning activities as planned and budgeted in the Decommissioning Plan;
- (5) that all replenishments of the Trust which Grantor was capable of making were in fact made;
- (6) that the total of all outstanding withdrawals will not exceed Two Million Dollars (\$2,000,000.00); and
- (7) that 30 days prior to Grantor's request for withdrawal, NRC received
 - (i) notice of Grantor's intent to withdraw funds from the trust fund, and
 - (ii) a copy of the withdrawal certificate.

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 FMRI License and Decommissioning Plan, including Table 15-11, the Closure Cost Estimate, and the terms and conditions of the Joint Reorganization Plan of Fansteel Inc. and Subsidiaries, as approved by the United States Bankruptcy Court for the District of Delaware.

In addition, the Trustee shall make 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 reimburse the Grantor or other persons as specified by the NRC from the Fund for expenditures for required activities in such amounts as the NRC shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as 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 beneficiary 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, as amended (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 in obligations of the Federal government such as GNMA, FNMA, and FHLM bonds and certificates or State and Municipal bonds rated BBB or higher by Standard & Poor's or Baa or higher by Moody's Investment Services; 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.

Without in any way limiting the powers and discretion conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

- (a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale, as necessary to allow duly authorized withdrawals at the request of the Grantor or NRC or to reinvest in securities at the direction of the Grantor;
- (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.

The Trustee shall annually, at least 30 days before the anniversary date of the establishment of the trust fund, furnish to the Grantor and to 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 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.

The Trustee shall include in its annual valuation an itemization of all withdrawals and replenishments by the Grantor, the maximum amount of outstanding withdrawals that occurred during the reporting period, and the total of all outstanding withdrawals as of the date of 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 agreed upon in writing with the Grantor. (See Schedule B.)

Section 13. Successor Trustee.

Upon 90 days notice to NRC and the Grantor, the Trustee may resign; upon 90 days notice to 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, the successor accepts the appointment, the successor is ready to assume its duties as trustee, and NRC has agreed, in writing, that the successor is an appropriate Federal or State government agency or an entity that has the authority to act as a trustee and whose trust operations are regulated and examined by a Federal or State agency. The successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. When the resignation or replacement is effective, 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, 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, and instructions. If NRC issues orders, requests, or instructions to the Trustee these shall be in writing, signed by NRC or its 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 or NRC 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 NRC, except as provided for herein.

Section 15. Amendment of Agreement.

This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee, and NRC, or by the Trustee and NRC if the Grantor ceases to exist. All amendments shall meet the relevant regulatory requirements of NRC.

Section 16. Irrevocability and Termination.

Subject to the right of the parties to amend this Agreement as provided in Section 15, this trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee, and NRC, or by the Trustee and NRC if the Grantor ceases to exist. Termination of the Trust will not occur until after the FMRI License is terminated by the NRC. 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 termination of the NRC license and completion of all decommissioning activities mandated by the NRC license and the NRC-approved Plan. Upon termination of the trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor or its successor.

Section 17. Immunity and Indemnification.

The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this trust, or in carrying out any directions by the Grantor or NRC issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the trust fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 18. Choice of Law.

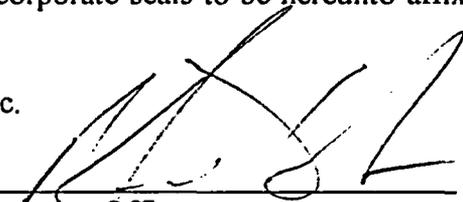
This Agreement shall be administered, construed, and enforced according to the laws of the State of Illinois.

Section 19. Interpretation and Severability.

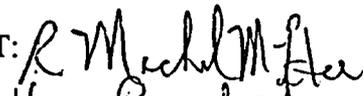
As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement. If any part of this Agreement is invalid, it shall not affect the remaining provisions which will remain valid and enforceable.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by the respective officers duly authorized and the incorporate seals to be hereunto affixed and attested as of the date first written above.

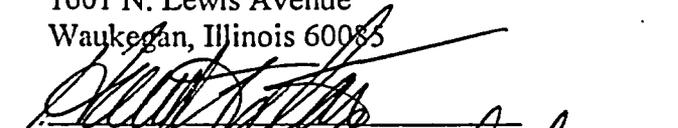
FMRI Inc.



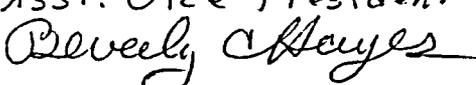
Chief Executive Officer
10 Tantalum Place
Muskogee, OK 74403

ATTEST: 
[Title] Vice President
[Seal]

Bank of Waukegan
Trust and Investment Services
1601 N. Lewis Avenue
Waukegan, Illinois 60085



[Title] Vice President

ATTEST: Beverly C Hayes
[Title] Asst. Vice President
[Seal] 

Trust Agreement Schedule A

Schedule A: Licensee & Cost Estimate

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

U.S. NUCLEAR REGULATORY COMMISSION
LICENSE NUMBER(S)

SMB-911

NAME AND ADDRESS OF LICENSEE

FMRI Inc.
Number Ten Tantalum Place
Muskogee, OK 74403

ADDRESS OF LICENSED ACTIVITIES

Number Ten Tantalum Place
Muskogee, OK 74403

COST ESTIMATE FOR REGULATORY
ASSURANCES DEMONSTRATED IN PART
BY THIS AGREEMENT

\$41.6 million

The cost estimate listed here was submitted to NRC on July 24, 2003.

Trust Agreement Schedule B

Schedule B: Trustee's Fee

Bank of Waukegan
Trust and Investment Services
1601 N. Lewis Avenue
Waukegan, Illinois 60085
(847) 244-6000

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 thereof. 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.

Trustee's annual maintenance fee shall be \$ 28,662 for the first year.

Trust Exhibit 1

Certificate of Events

Bank of Waukegan
1601 N. Lewis Avenue
Waukegan, Illinois 60085

Attention: Trust and Investment Services

Gentlemen:

In accordance with the terms of the Agreement with you dated _____, I, _____, [*Position*] of FMRI Inc., hereby certify that the following events have occurred:

1. FMRI Inc. is required to commence the decommissioning of its facility located at Number Ten Tantalum Place, Muskogee, Oklahoma (hereinafter called the decommissioning).
2. The plans and procedures for the commencement and conduct of the decommissioning have been approved by the United States Nuclear Regulatory Commission, or its successor, on _____ (copy of approval attached).
3. The Board of Directors of FMRI Inc. has adopted the attached Certificate of Resolution authorizing the commencement of the decommissioning.

[*Position*] of FMRI Inc.

Date

Trust Exhibit 2

Certificate of Resolution

I, _____, do hereby certify that I am Secretary of FMRI Inc., a Delaware corporation, and that the resolution listed below was duly adopted at a meeting of this Corporation's Board of Directors on _____, 20__.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal of this Corporation this day of _____, 20__.

Secretary

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

Letter of Acknowledgment

STATE OF Illinois

To Wit: _____

CITY OF Waukegan

On this B day of November, before me, a notary public in and for the city and State aforesaid, personally appeared Howard J. Tatar, and he did depose and say that he is the Vice President and Senior Trust Officer of the Bank of Waukegan, Trustee, which executed the above instrument; that he knows the seal of said association; that the seal affixed to such 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.

Cynthia M Jones

My Commission Expires: 8/22/05
[Date]

