

Fansteel Inc.  
Number One Tantalum Place  
North Chicago, Illinois 60064

FMRI, Inc.  
Number Ten Tantalum Place  
Muskogee, Oklahoma 74403

December 18, 2003

United States Nuclear Regulatory Commission  
Decommissioning Branch, Division of Waste Management  
Office of Nuclear Material Safety & Safeguards  
Washington, D.C. 20555-0001

Ladies and Gentlemen:

#### Indemnification Letter

Reference is made to (i) the Promissory Note dated December 18, 2003 (the "FMRI Primary Note") by Fansteel Inc. ("Fansteel") in favor of FMRI, Inc. ("FMRI") in the principal amount of \$30,600,000.00, (ii) the Promissory Note dated December 18, 2003 (the "FMRI Secondary Note") by Fansteel in favor of FMRI in the principal amount of \$4,200,000.00, (iii) the Promissory Note by Fansteel in favor of FMRI in a principal amount to be determined (the "FMRI Contingent Note"), and (iv) the Pledge And Security Agreement dated as of December 18, 2003 (the "Pledge Agreement") between FMRI, as Pledgor, and the United States Nuclear Regulatory Commission (the "NRC"), as Pledgee, pursuant to which FMRI pledged all of its right, title and interest in and to the FMRI Primary Note, in and to the FMRI Secondary Note and in and to the FMRI Contingent Note, if any, to the NRC.

Fansteel hereby agrees to indemnify the NRC with respect to Fansteel's obligations to FMRI, Inc. under the FMRI Primary Note, the FMRI Secondary Note, and the FMRI Contingent Note. As a third party beneficiary, the NRC shall have standing to seek relief for any breach by Fansteel of its obligations under the FMRI Primary Note, the FMRI Secondary Note, or the FMRI Contingent Note.

The undersigned hereby jointly and severally agree to indemnify and hold the NRC harmless from and against any and all claims, damages, losses, liabilities, obligations, penalties, costs and expenses (including, without limitation, legal fees and disbursements of the NRC's counsel) to the extent that they arise out of or otherwise result from the Pledge Agreement (including, without limitation, enforcement of the Pledge Agreement) and, pursuant thereto, the enforcement of the FMRI Primary Note, the FMRI Secondary Note, and the FMRI Contingent

Note, if any, except claims, losses or liabilities resulting from the NRC's gross negligence or willful misconduct as determined by a final judgment of a court of competent jurisdiction.

The undersigned hereby agree that upon demand Fansteel and FMRI will pay to a designee of the NRC, the name of such designee to be provided to Fansteel by the NRC in writing, the amount of any and all costs and expenses, including the reasonable fees and disbursements of the NRC's counsel and of any experts and agents, which the NRC may incur in connection with (i) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any Pledged Interest (as defined in the Pledge Agreement), (ii) the exercise or enforcement of any of the rights of the NRC thereunder, or (iii) the failure by FMRI to perform or observe any of the provisions thereof. For purposes of clarification, any payments payable to the NRC pursuant to this Indemnification Letter shall be paid to the NRC's designee.

No waiver, amendment or other modification of this letter agreement shall be effective unless in writing and signed by each party to be bound thereby.

*[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]*

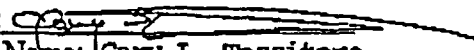
FROM FANSTEEL INC.

United States Nuclear Regulatory Commission  
Page 3

This letter agreement shall be governed by, and construed in accordance with, the laws of the State of Illinois applicable to contracts executed in and to be performed in that state.

Please confirm that the foregoing currently sets forth our agreement by signing and returning the duplicate copy of this letter agreement enclosed herewith.

FANSTEEL INC.,  
a Delaware corporation


By:   
Name: Gary L. Tessitore  
Title: President & CEO

FMRI INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name:  
Title:

Acknowledgment and Consent,  
Dated \_\_\_\_\_, 2003

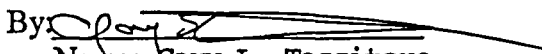
UNITED STATES NUCLEAR REGULATORY COMMISSION

By:   
Name: THOMAS FREDRICKS  
Title: PROJECT MANAGER

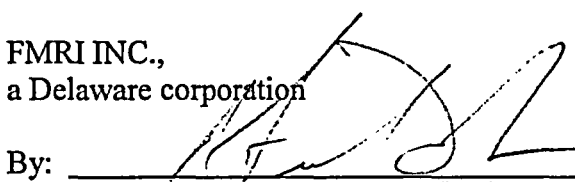
This letter agreement shall be governed by, and construed in accordance with, the laws of the State of Illinois applicable to contracts executed in and to be performed in that state.

Please confirm that the foregoing currently sets forth our agreement by signing and returning the duplicate copy of this letter agreement enclosed herewith.

FANSTEEL INC.,  
a Delaware corporation


By:   
Name: Gary L. Tessitore  
Title: President & CEO

FMRI INC.,  
a Delaware corporation

By:   
Name: A. Fred Dehmann  
Title: President & CEO

Acknowledgment and Consent,  
Dated NOV 25, 2003

UNITED STATES NUCLEAR REGULATORY COMMISSION

By:   
Name: THOMAS FREDRICHS  
Title: PROJECT MANAGER