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December 29, 2003

## FEDERAL EXPRESS

Claudia M. Craig  
Decommissioning Branch  
Division of Waste Management  
Office of Nuclear Material Safety and Safeguards  
U.S. Nuclear Regulatory Commission  
Mail Stop T-7F27  
Washington, DC 20555-0001

Re: **Fansteel Inc., Docket No. 40-7580, License SMB-911**  
**Administrative Change to Pledge Agreement**

Dear Ms. Craig:

Pursuant to your discussion with Brooke Poole on December 24, 2003, please find enclosed a revised page 2 of the Pledge Agreement. The first clause on that page has been modified to read, "NOW, THEREFORE, in consideration of the *foregoing* and the agreements herein and in order to satisfy the terms of the Reorganization Plan, the Pledgor agrees with the NRC as follows..."

If you have any questions, please contact me at (202) 371-5703.

Sincerely,



Mark J. Wetterhahn  
Counsel for Fansteel Inc.

cc: Jeffrey S. Sabin, Schulte Roth & Zabel LLP  
Carol Ohlandt, Schulte Roth & Zabel LLP

if any, on and in the Contingent Note and it proceeds (it being the parties understanding that the proceeds of the aforementioned Notes include, without limitations, any proceeds derived from Asset Sale Proceeds (as defined in the applicable Note) and Net Insurance Proceeds (as defined in the applicable Note));

NOW, THEREFORE, in consideration of the foregoing and the agreements herein and in order to satisfy the terms of the Reorganization Plan, the Pledgor agrees with the NRC as follows:

SECTION 1. Definitions. All capitalized terms used in this Agreement which are defined in the Reorganization Plan, the FMRI Primary Note, the FMRI Secondary Note or the FMRI Contingent Note, as applicable, or in Article 8 or Article 9 of the Uniform Commercial Code (the "Code") currently in effect in the State of Illinois and which are not otherwise defined herein shall have the same meanings herein as set forth therein.

Definitions:

"Amended Decommissioning Plan" means Fansteel's decommissioning plan for the Muskogee Facility, dated January 14, 2003, as supplemented by letters dated May 8, 2003 and May 9, 2003, and resubmitted by Old Fansteel for review by the NRC on July 24, 2003, as the same may be further amended, modified, or supplemented.

"Decommissioning Trust" means all cash on deposit with the Bank of Waukegan, Waukegan, Illinois, pursuant to the Standby Trust Agreement dated February 3, 1994, as amended, by and between Fansteel and the Bank of Waukegan as trustee under Trust No. 2740.

SECTION 2. Pledge and Grant of Security Interest. The Pledgor hereby pledges and assigns to the NRC, and grants to the NRC a continuing security interest in, all of the Pledgor's right, title and interest in and to the following (the "Pledged Interests"):

- (a) the FMRI Primary Note evidencing Reorganized Fansteel's obligation to the Pledgor (the "Primary Pledged Debt");
- (b) the FMRI Secondary Note evidencing Reorganized Fansteel's obligation to the Pledgor (the "Secondary Pledged Debt");
- (c) the FMRI Contingent Note, if any, evidencing Reorganized Fansteel's obligation to the Pledgor (the "Contingent Pledged Debt", together with the Primary Pledged Debt and the Secondary Pledge Debt, the "Pledged Debt");
- (d) all cash, instruments, investment property and other property from time to time received, receivable or otherwise distributed in exchange for any or all of the Pledged Debt; and
- (e) all proceeds (including proceeds of proceeds) of any and all of the foregoing;