

ESCROW AGREEMENT

December 19, 2003

By Hand

United States Nuclear Regulatory Commission
Decommissioning Branch, Division of Waste Management
Office of Nuclear Material Safety & Safeguards
Mail Stop T7F27
Washington, D.C. 20555-0001
Attention: Daniel M. Gillen, Chief

Fansteel Inc.
Number One Tantalum Place
North Chicago, Illinois 60064
Attention: R. Michael McEntee, Chief Financial Officer & Vice President

FMRI, Inc.
Number Ten Tantalum Place
Muskogee, Oklahoma 74403
Attention: A. Fred Dohmann, Chief Executive Officer & President

**Re: Fansteel Inc. – Contingent FMRI Note pursuant to
Reorganization Plan dated September 18, 2003 (the "Plan")**

Gentlemen:

This letter shall constitute an escrow agreement (this "Agreement") by and among Fansteel Inc., and its successors in interest ("Fansteel"), FMRI, Inc., ("FMRI") and the Nuclear Regulatory Commission ("NRC"), as Escrow Agent (the "Escrow Agent").

A. Delivery of Documents. Delivered to Escrow Agent by Fansteel and FMRI is the single original counterpart of the FMRI Contingent Note by and between Fansteel and FMRI, to which the NRC is a third-party beneficiary (the "Delivered Document"), in substantial conformity with the FMRI Contingent Note filed as Exhibit C-5 to the Joint Reorganization Plan Of Fansteel, Inc. And Subsidiaries, dated November 18, 2003, under Chapter 11 of the Bankruptcy Code (as amended, modified or supplemented from time to time, the "Plan"), in response to and in connection with that certain letter from the NRC to Fansteel dated November 7, 2003 (the "November 7th Letter") regarding the approval of Fansteel's

requested license amendment and other approvals for the decommissioning of the Muskogee site pursuant to the Plan, which Delivered Document has been executed but contains several incomplete sections including, without limitation, the amount of the note, the effective date of the note, the maturity date of the note, and the minimum annual payment, such incomplete items to be filled in upon the completion of various acts of Fansteel, FMRI and/or the NRC as required by the Plan.

A. Definitions. Capitalized terms used herein but not defined herein shall have the meaning assigned to them in the Plan.

B. Actions to Complete the Delivered Document. The Escrow Agent shall continue to hold the FMRI Contingent Note in escrow until such time that FMRI and Reorganized Fansteel have advised and directed the Escrow Agent in writing in accordance with Article IV.E.4(c)(ii) of the Plan to (a) (i) complete the amount to be set forth in the FMRI Contingent Note, (ii) to complete the effective date of the FMRI Contingent Note, (iii) to complete the maturity date of the FMRI Contingent Note, (iv) to complete the minimum annual payment of the FMRI Contingent Note, and (v) to deliver the original FMRI Contingent Note, as completed to FMRI with a copy to Fansteel for re-execution by Fansteel or (b) destroy and/or deliver the FMRI Contingent Note in blank to Fansteel. Notwithstanding any such direction by FMRI and Fansteel to the Escrow Agent, nothing contained herein shall limit or impair the right of the NRC to object to the amount or terms of the FMRI Contingent Note by issuance of an order under 10 C.F.R. § 2.202 (or any successor section) or pursue a hearing to be conducted pursuant to the procedures set forth in 10 C.F.R., Part 2 as set forth in Article IV.E.4(c)(ii) of the Plan, although the Escrow Agent shall in any event be directed to deliver the FMRI Contingent Note in accordance with the instructions of FMRI and Reorganized Fansteel and in conformance with the decision of the NRC or a court of competent jurisdiction as to the terms of the FMRI Contingent Note.

C. Liability of Escrow Agent; Indemnification The Escrow Agent shall not be liable for and, each of Fansteel and FMRI shall jointly and severally indemnify and hold harmless the Escrow Agent from and against, any and all losses, liabilities, claims, actions, damages and expenses, including attorneys' fees and disbursements, arising out of or in connection with this Agreement; provided that the Escrow Agent shall be liable for its own willful misconduct with respect to losses, liabilities, claims, actions damages and expenses, including attorneys' fees and disbursements, based upon such willful misconduct that are successfully asserted against the Escrow Agent.

D. Reliance The Escrow Agent shall be entitled to rely upon any order, judgment, certification, demand, notice, instrument or other writing delivered to it hereunder without being required to determine the authenticity or the correctness of any fact stated therein or the propriety or validity or the service thereof. The Escrow Agent may act in reliance upon any instrument or signature believed by it to be genuine and may assume that any person purporting to give notice or receipt or advice or purporting to make any statement or to execute any document in connection with the provisions hereof has been duly authorized to do so. The Escrow Agent and any agent thereof may act pursuant to the advice of counsel with respect to

any matter relating to this Agreement and shall not be liable for any action taken or omitted in accordance with such advice.

E. Amendments. The provisions of this Agreement may not be amended, modified, supplemented or terminated, and waivers or consents to departures from the provisions hereof may not be given, without the written consent of Fansteel, FMRI and the Escrow Agent.

F. Representations and Warranties.

(1) Fansteel and FMRI makes the following representations and warranties to the Escrow Agent:

(a) Fansteel and FMRI each have full power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

(b) This Agreement has been duly approved by all necessary corporate action of Fansteel and FMRI pursuant to Articles IV.K and N of the Plan as approved by the Confirmation Order and has been executed by duly authorized officers of Fansteel and FMRI, respectively, in accordance with the Plan and constitutes a valid and binding agreement of Fansteel and FMRI, enforceable in accordance with its terms, except as such enforceability may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and as such obligations are subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

FMRI:
(2) NRC makes the following representations and warranties to Fansteel and

(a) NRC has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

(b) This Agreement has been duly approved by all necessary action of the NRC and has been executed by duly authorized officer of NRC, enforceable in accordance with its terms, except as such enforceability may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and as such obligations are subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

G. Termination. This Agreement shall continue in effect until the earliest to occur of (i) the delivery of the FMRI Contingent Note by the Escrow Agent in accordance with paragraph C herein and (ii) mutual agreement, in writing, by the NRC, Fansteel and FMRI to terminate this Agreement prior to the date of delivery of the FMRI Contingent Note. Notwithstanding the aforementioned, if the conditions of the Effective Date of the Plan have not

occurred or been waived pursuant to Article IX.C of the Plan on or before January 23, 2004, then this Agreement shall terminate and be of no further force or effect and the Escrow Agent shall return the Delivered Document to Fansteel.

H. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, successors and assigns, including without limitation, "Reorganized Fansteel". For purposes of this Agreement, "successor" for any entity other than a natural person shall mean a successor to such entity as a result of such entity's merger, consolidation, sale of substantially all of its assets or similar transaction.

I. Counterparts. This Agreement may be executed in counterparts, each of which, when so executed and delivered, shall be deemed to be an original and enforceable, but all of which counterparts, taken together, shall constitute one and the same instrument.

J. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York (without giving effect to the conflict of laws principles thereof) or any other applicable law as the parties may agree upon.

K. Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertakings relating to such subject matter, other than those set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the Escrow Agent and the other parties to this Agreement, both written and oral, with respect to such subject matter. Notwithstanding the aforementioned, to the extent any provision within this Agreement is inconsistent with any provision of the Plan, the Confirmation Order (a copy of each of which is affixed hereto), the "NRC License" or the "Amended Decommissioning Plan" (as such terms are defined in the Plan), the provisions of the Plan, Confirmation Order, NRC License and/or Amended Decommissioning Plan, as the case may be, shall govern.

L. Waiver of Jury Trial. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING, WHETHER AT LAW OR EQUITY, BROUGHT BY ANY OF THEM IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

M. Notice Parties. The following parties shall be designated to receive any notices to be issued pursuant to this Agreement (respectively, the "Notice Parties"):

For the NRC:

United States Nuclear Regulatory Commission
Decommissioning Branch, Division of Waste Management
Office of Nuclear Material Safety & Safeguards
Mail Stop T7F27

Fansteel Inc.
FMRI, Inc.
December 19, 2003
Page 5

Washington, D.C. 20555-0001
Attention: Daniel M. Gillen, Chief
Telephone: 301-415-7295
Facsimile: 301-415-5398
Email: dm2@nrc.gov

with a copy to:

Maria E. Schwartz
Office of General Counsel
Nuclear Regulatory Commission
Mail stop O15D21
Washington, D.C. 20555-0001
Telephone: 301-415-1888
Facsimile: 301-415-3725
Email: mes@nrc.gov

and to

Richard Gladstein, Senior Counsel
Environmental Enforcement Section
Environmental and Natural Resources Division
United States Department of Justice
P.O. Box 7611
Washington, D.C. 20044-7611
Telephone: 202-514-1711
Facsimile: 202-514-8395
Email: richard.gladstein@usdoj.gov

For Fansteel & FMRI:

Fansteel Inc.
Number One Tantalum Place
North Chicago, Illinois 60064
Attention: R. Michael McEntee, Chief Financial Officer & Vice President
Telephone: 847-689-4900
Facsimile: 847-689-0307
Email: mmcentee@fansteel.com

and

FMRI, Inc.

Fansteel Inc.
FMRI, Inc.
December 19, 2003
Page 6

Number Ten Tantalum Place
Muskogee, Oklahoma 74403
Attention: A. Fred Dohmann, Chief Executive Officer & President
Telephone: 918-687-6303
Facsimile: 918-687-6112
Email: dohmannf@aol.com

with a copy to:

Schulte Roth & Zabel LLP
919 Third Avenue
New York, New York, 10022
Attn: Jeffrey S. Sabin
Telephone: 212-756-2000
Facsimile: 212-593-5955
Email: jeffrey.sabin@srz.com

and to:

Winston & Strawn LLP
1400 L Street, N.W.
Washington, DC 20005-3502
Attn: Mark J. Wetterhahn
Telephone: 202-371-5700
Facsimile: 202-371-5950
Email: mwetterhahn@winston.com

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

Please confirm your agreement to comply with the foregoing instructions, by signing the attached copy of this letter in the space provided on this last page and returning it to us.

Very truly yours,

Fansteel Inc.

ESCROW ACCEPTED
AND AGREED TO:

Fansteel Inc.

By: R. Michael McEntee
R. Michael McEntee
Chief Financial Officer & Vice President

FMRI, Inc.

By: _____
A. Fred Dohmann
Chief Executive Officer & President

Nuclear Regulatory Commission

By: Claudia M. Craig
Name: Claudia M. Craig
Title: Section Chief, DEB/DWM/NMSS/NRC

Please confirm your agreement to comply with the foregoing instructions, by signing the attached copy of this letter in the space provided on this last page and returning it to us.

Very truly yours,

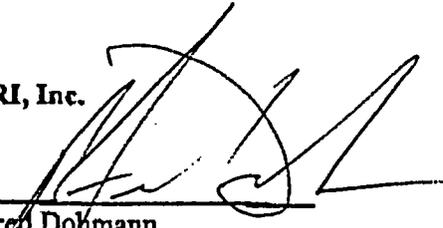
Fansteel Inc.

ESCROW ACCEPTED
AND AGREED TO:

Fansteel Inc.

By: _____
R. Michael McEntee
Chief Financial Officer & Vice President

FMRI, Inc.

By: 
A. Fred Dohmann
Chief Executive Officer & President

Nuclear Regulatory Commission

By: _____
Name:
Title: