



March 4, 2004

James C. Shepherd, Project Manager  
U.S. Nuclear Regulatory Commission  
Decommissioning Section  
11545 Rockville Pike  
Rockville, MD 20852

Dear Mr. Shepherd:

As required by the Decommissioning Trust Agreement, FMRI, Inc., by the attached, is providing notice of intent to withdraw funds on April 5, 2004 from the Decommissioning Trust. A copy of the withdrawal certificate is also enclosed.

Finally, please also find enclosed for your files a copy of the Certificate of Events that was sent to the Bank of Waukegan in accordance with the Decommissioning Trust Agreement.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'E. Jonathan Jackson', written in a cursive style.

E. Jonathan Jackson  
Secretary, FMRI, Inc.

attachments

cc: T. L. Fredrichs  
U.S. Nuclear Regulatory Commission

E. Jonathan Jackson, Secretary  
FMRI, Inc.  
#10 Tantalum Place, Muskogee, OK 74403  
Phone 918-687-6303 Fax 918-687-6112



March 4, 2004

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

Attention: Howard Tater  
Trust & Investment Services

Attached please find the first withdrawal certificate for FMRI, Inc from the Decommissioning Trust.

Please contact me if you have any questions.

R.R. 

R. R. Compennolle  
FMRI, INC.  
Vice President & Chief Financial Officer

cc: J. C. Shepherd, Project Manager  
T. Fredericks  
U.S. Nuclear Regulatory Commission  
Decommissioning Section  
11545 Rockville Pike  
Rockville, MD 20852

R. Robert Compennolle, Vice President and CFO  
FMRI, Inc.  
#10 Tantalum Place, Muskogee, OK 74403  
Phone 918-687-6303 Fax 918-687-6112

## WITHDRAWAL CERTIFICATE #1

FMRI, Inc. hereby requests a withdrawal of \$525,000.00 to be made on April 5, 2004, on the thirty-first day subsequent to this request being noticed to the NRC. The total amount outstanding, including this request will be \$525,000.00. The activities of the Decommissioning Plan for which the funds will be used include initiation of Phase I decommissioning facility oversight, NRC oversight, and security of the Muskogee site including groundwater monitoring and maintenance.

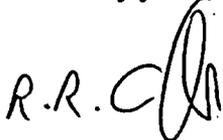
As required by Section 5(b) of the Decommissioning Trust Agreement dated November 17, 2003, FMRI, Inc. attests:

1. The 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. The 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
  - Notice of Grantor's intent to withdraw funds from the trust fund, and
  - A copy of the withdrawal certificate.

The funds of \$525,000.00 should be wire transferred to:

National City Bank  
ABA # 072-000-915  
Account Name: FMRI, Inc.  
Account Number: 978815686  
Reference: Withdrawal Certificate #1

Sincerely yours,



R. R. Compennolle  
FMRI, Inc.  
Vice President & CFO

CERTIFICATE OF EVENTS

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

Attention: Trust and Investment Services

Gentlemen:

In accordance with the terms of the Agreement with you dated November 17, 2003, I, Robert R. Compennolle, V.P. and CFO 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 December 4, 2003 (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.

  
\_\_\_\_\_  
V.P. and CFO of FMRI, Inc.

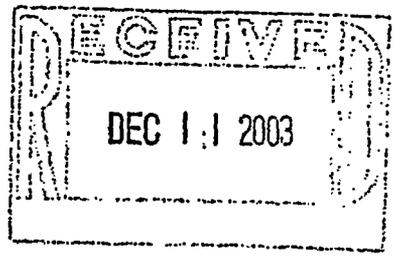
3/5/04  
\_\_\_\_\_  
Date



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D.C. 20555-0001

cc: GLT  
EJJ  
orig: AFD

December 04, 2003



Mr. Gary L. Tessitore  
Chief Executive Officer  
Fansteel Inc.  
Number One Tantalum Place  
North Chicago, Illinois 60064

SUBJECT: NRC APPROVAL FOR FANSTEEL TO TRANSFER ITS LICENSE AS LICENSE AMENDMENT 12

Dear Mr. Tessitore:

The U.S. Nuclear Regulatory Commission (NRC) has reviewed Fansteel's request for transfer of its NRC license SMB-911 to FMRI, a wholly-owned subsidiary of Reorganized Fansteel. The staff has determined that Fansteel's proposed structure of FMRI is acceptable to NRC and is prepared to transfer the license to FMRI. Because this is an administrative action, it is categorically excluded from further environmental review by 10 CFR 51.22(c)(21).

In accordance with your application dated July 24, 2003, concerning your request to transfer the license, and pursuant to Part 40 of Title 10 of the Code of Federal Regulations, Materials License SMB-911 is hereby amended to change the name and address of the licensee, and to revise Condition 10 to include the date of July 24, 2003 (re: license transfer). All other conditions of the license shall remain the same.

Mr. G. Tessitore

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Copies of the revised Materials License SMB-911 and the Safety Evaluation Report are enclosed.

Sincerely,

A handwritten signature in black ink, appearing to read "D. M. Gillen". The signature is written in a cursive style with a large initial "D" and "M".

Daniel M. Gillen, Chief  
Decommissioning Branch  
Division of Waste Management  
Office of Nuclear Material Safety  
and Safeguards

Docket No.: 40-7580

License: SMB-911

Enclosures: 1. Revised License No. SMB-911 to approve the License Transfer  
2. Safety Evaluation Report Supporting the License Transfer

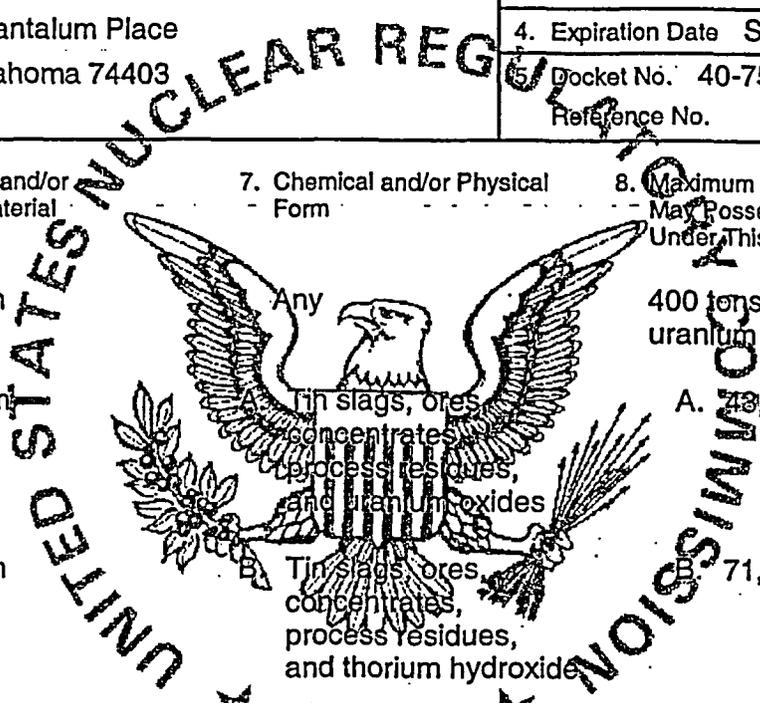
cc: A. F. Dohmann  
James Curtiss, Esq.  
Jeffrey S. Sabin, Esq., Schulte Roth & Zabel LLP  
Mike Broderick, ODEQ  
Sara Penn, Esq., Office of the Oklahoma Attorney General  
Richard Gladstein, Esq., U.S. Department of Justice

**MATERIALS LICENSE**

Pursuant to the Atomic Energy Act of 1954, as amended, the Energy Reorganization Act of 1974 (Public Law 93-438), and Title 10, Code of Federal Regulations, Chapter I, Parts 30, 31, 32, 33, 34, 35, 36, 39, 40, and 70, and in reliance on statements and representations heretofore made by the licensee, a license is hereby issued authorizing the licensee to receive, acquire, possess, and transfer byproduct, source, and special nuclear material designated below; to use such material for the purpose(s) and at the place(s) designated below; to deliver or transfer such material to persons authorized to receive it in accordance with the regulations of the applicable Part(s). This license shall be deemed to contain the conditions specified in Section 183 of the Atomic Energy Act of 1954, as amended, and is subject to all applicable rules, regulations, and orders of the Nuclear Regulatory Commission now or hereafter in effect and to any conditions specified below.

Licensee	
1. FMRI (a subsidiary of Reorganized Fansteel)	3. License Number SMB-911, Amendment 12
2. Number Ten Tantalum Place Muskogee, Oklahoma 74403	4. Expiration Date September 30, 2002
	5. Docket No. 40-7580 Reference No.

6. Byproduct Source, and/or Special Nuclear Material	7. Chemical and/or Physical Form	8. Maximum amount that Licensee May Possess at Any One Time Under This License
Natural uranium and thorium	Any	400 tons as elemental uranium and thorium
A. Natural Uranium	Tin slags, ores, concentrates, process residues, and uranium oxides	A. 43,000 kg uranium
B. Natural Thorium	Tin slags, ores, concentrates, process residues, and thorium hydroxide	B. 71,000 kg thorium
C. Natural Uranium	C. As a contaminant in soil and sediment	C. 4,000 kg uranium
D. Natural Thorium	D. As a contaminant in soil and sediment	D. 2,500 kg thorium



- Authorized place of use: The licensee's existing facilities at Muskogee, Oklahoma, as described in the submittal of January 14, 2003.
- Authorized use: For activities related to decommissioning and characterization of contaminated facilities, equipment, and land, and maintenance of control over licensed materials in accordance with statements, representations, and conditions contained in the application submitted by letter dated January 14, 2003, and supplemented by letters dated May 8, and July 24, 2003 (re: DP), and July 24, 2003 (re: license transfer).
- Deleted by Amendment 4, dated March 1999.

**MATERIALS LICENSE  
SUPPLEMENTARY SHEET**

License Number

SMB-911

Docket or Reference Number

40-7580

Amendment No. 12

12. The licensee shall have a qualified Plant Radiation Safety Officer (PRSO) on site for all licensed activities.
13. Deleted by Amendment 2, dated February 1999.
14. The minutes of the Radiation Safety Committee meeting shall be submitted, as a minimum, to the Committee members.
15. Deleted by Amendment 2, dated February 1999.
16. Deleted by Amendment 5, dated May 1999.
17. Deleted by Amendment 2, dated February 1999.
18. Deleted by Amendment 2, dated March 1999.
19. Deleted by Amendment 4, dated March 1999.
20. Deleted by Amendment 6, dated August 1999.
21. Deleted by Amendment 7, dated December 4, 2003.
22. Deleted by Amendment 6, dated August 1999.
23. Deleted by Amendment 2, dated February 1999.
24. Deleted by Amendment 11, dated December 4, 2003.
25. All source material stored outside of the process buildings at the Fansteel facility (other than material contained in the ponds and as contaminants in soils and sediments) shall be placed on raised pallets on a concrete pad. The area shall be sheltered by a roof and shall be surrounded by a concrete berm for containment.
26. Remediation and decommissioning activities at the Muskogee facility shall be performed in accordance with the decommissioning plan and supplemental correspondence submitted by letter dated January 24, 2003, and supplemented by letters dated May 8, and July 24, 2003 (re: DP).
27. Deleted by Amendment 11, dated December 4, 2003.
28. Deleted by Amendment 11, dated December 4, 2003.
29. In accordance with provisions of 10 CFR 40.42(g)(4)(i) Licensee shall, not later than May 31, 2004, provide a physical description - dimensions, types of liners, etc. - of Pond 1, Pond 1S and 1N, and Pond 4, the time during which each [of] the ponds were used, what process-related materials and how much was placed in each of the ponds, and how and where those materials were disposed when the ponds were closed.

**MATERIALS LICENSE  
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Amendment No. 12

30. At the time Ponds 2 and 3 are emptied, Licensee shall undertake to excavate and dispose of any identified WIP material that migrated from the ponds. For the purpose of this paragraph, WIP that migrated from ponds 2 and 3 shall be defined as material that exhibits the same physical characteristics as the sludge-like material contained in the ponds.
31. Licensee shall conduct an additional characterization of any additional contaminants at the site, including all soils, buildings and groundwater on the site, using guidance in NUREG-1757, Vol. 2. Upon agreement by NRC that any additional contamination is adequately characterized, Licensee shall identify the cost to remediate all contamination identified in this study. Work shall be performed according to the following schedule:
- Submit a site characterization plan not later than February 28, 2011.
  - Submit a site characterization report (SCR) not later than December 29, 2011.
  - Develop detailed work plans to be submitted with the SCR, including cost and schedule, for any additional work identified in the SCR.
32. The licensee shall not have a removable fraction of residual radioactivity on any specific building surface that exceeds 3%.
33. Before release of any equipment, Licensee shall characterize all surfaces, interior and exterior, and shall remediate all contaminated equipment to the limits of RG 1.86.
34. Licensee shall verify the conditions used in its dose analyses (secular equilibrium, ratio of decay chains, etc.) for each area of remediation not later than the date of submission of the FSSR for Phases 3 and 4.
35. Licensee shall remediate the site to residual radioactive levels to ensure that exposure to residual radiation in all media from applicable pathways will not result in a dose exceeding 25 mrem/y, as specified in 10 CFR 20.1402. Licensee will establish remediation levels (DCGLs) as part of the Phase 3 Workplan, approved by NRC, that demonstrate the 25 mrem/y dose limit will not be exceeded.
36. Licensee shall use the sum of fractions rule, as shown below, to fraction the concentration when multiple radionuclides are present so that the total dose will not exceed 25 mrem/y.
- $$\sum_{i=1}^N \frac{Conc_i}{DCGL_i} \leq 1$$
- where:
- Conc<sub>i</sub> ≡ concentration of radionuclide i
- DCGL<sub>i</sub> ≡ derived concentration guideline level for radionuclide i
- N ≡ total number of radionuclides
37. In accordance with 10 CFR 40.42(g)(4)(ii), Licensee shall provide to NRC the following detailed plans, including work to be performed by contractors and the qualifications of all contractors, for remediating contamination at the site identified in the July 24, 2003 DP:

**MATERIALS LICENSE  
SUPPLEMENTARY SHEET**

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Docket or Reference Number

40-7580

Amendment No. 12

- a. WIP (Phase 1) not later than August 2, 2004.
- b. CaF (Phase 2) not later than January 2, 2007
- c. all contaminated soil, buildings and equipment not later than August 1, 2011.
- d. groundwater remediation (Phase 4) not later than January 5, 2012.
38. Licensee shall obtain NRC approval of survey and sampling methods prior to reuse of any materials. NRC will be notified 30 days before the survey is performed. NRC or its contractor will be given the opportunity to observe the licensee's survey and perform an independent confirmatory survey. NRC will review the results to determine if the material meets release criteria.
39. Licensee shall, prior to application for license termination or any partial site release, describe the nature of the permanent surface water and E&S controls identified in §8.3.2.6 of the DP, and why they are consistent with the unrestricted release criteria of 10 CFR 20.1402.
40. Licensee shall update the DP not later than December 31, 2003, to describe current activities to remediate radioactive contamination in groundwater.
41. Licensee shall develop a method not later than January 15, 2012, to be approved by NRC, to demonstrate compliance with radioactive release criteria for groundwater.
42. Licensee shall update Figure 8-3 of the January 2003, DP submittal annually, and submit the revised figure to NRC not later than January 15 of each year until license termination.
43. FMRI shall submit, by March 31st of each year, an accounting of expenses that shall include:
- the same line items as provided in Table 15-11 of the Decommissioning Plan,
  - the amount spent on each line item during the reporting period,
  - the cumulative amount spent for each line item through the end of the reporting period,
  - identification of variances (both positive and negative) between the planned expense and the actual expense for each line item during the reporting period,
  - an explanation of the reasons for variances that exceed 5% of the planned expense for a line item during the reporting period,
  - a comparison of the cost of work remaining to the funding remaining under the assurances provided to the NRC, where
    - the cost of work remaining must be determined by estimating the amount and cost of labor, materials, services, etc., required to complete the work, and not by simply subtracting the cost of work performed from the amount budgeted for decommissioning, and
    - if the cost of remaining activities exceeds the remaining amounts assured to the NRC, then the accounting, to the extent possible, must include a detailed plan to adjust the work plan to the available funding.
  - all expenses not covered by the line items of Table 15-11, if any, and an explanation of the reason for such expenses
44. FMRI shall submit, by March 31st of each year, an accounting of income from Reorganized Fansteel that shall include amounts paid to FMRI:
- annual mandatory prepayments,
  - minimum semi-annual payment,
  - additional annual prepayment (1) insurance proceeds, and (2) reorganized debtor asset sale proceeds,

**MATERIALS LICENSE  
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- d. payments under the secondary promissory note,  
e. payments under the contingent promissory note, and  
f. any other payments received.
45. FMRI shall submit, by March 31st of each year, updated versions of Tables 15-11 and 15-12, showing actual figures for previous periods, and updated projections using current information.
46. FMRI shall maintain, for inspection at its facility, monthly updates of its accounting of expenses and income.
47. FMRI shall provide annual financial statements of FMRI and Reorganized Fansteel to NRC within 30 days of the issuance of such statements.
48. If any payment due to FMRI under the Notes from Reorganized Fansteel has not been paid on the date it is due, and if such payment default is not cured within three working days following the due date, FMRI shall, within three additional working days, notify Reorganized Fansteel in writing, initiate appropriate action to collect the payment and notify the NRC in writing of the late payment and the actions initiated to collect the payments below:
- a. Payment Due Date Under Primary Promissory Note
- i. April 10 - annual mandatory prepayments
  - ii. June 30 - first minimum semi-annual payment
  - iii. December 31 - second minimum semi-annual payment
- b. Payment Due Date under the Primary Promissory Note for additional annual prepayment (insurance proceeds and reorganized debtor asset sale proceeds), if any, within 30 days after receipt by Reorganized Fansteel
- c. Payment Due Date for Secondary Promissory Note by January 1 of each year, commencing in 2009
- d. Payment Due Date under the Contingent Promissory Note as determined at the time the principal amount of the note is established
49. 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.
50. Licensee shall provide to NRC not later than August 2, 2004, the experience and education requirements for the HPS [Health Physics Supervisor], the CS [Construction Supervisor], and the QCO [Quality Control Officer].
51. Not later than August 2, 2004, Licensee shall define changes to the FSSP [Final Status Survey Plan] that may be made without prior approval of NRC.
52. Not later than August 1, 2004, Licensee shall make available at the site for review by NRC a revised RWMP and QA Plan, for Phase 1 of decommissioning activities. Thereafter, Fansteel shall update and have available at the site the RHSP, EMP, RWMP and QA Plan prior to the beginning of each phase of decommissioning.

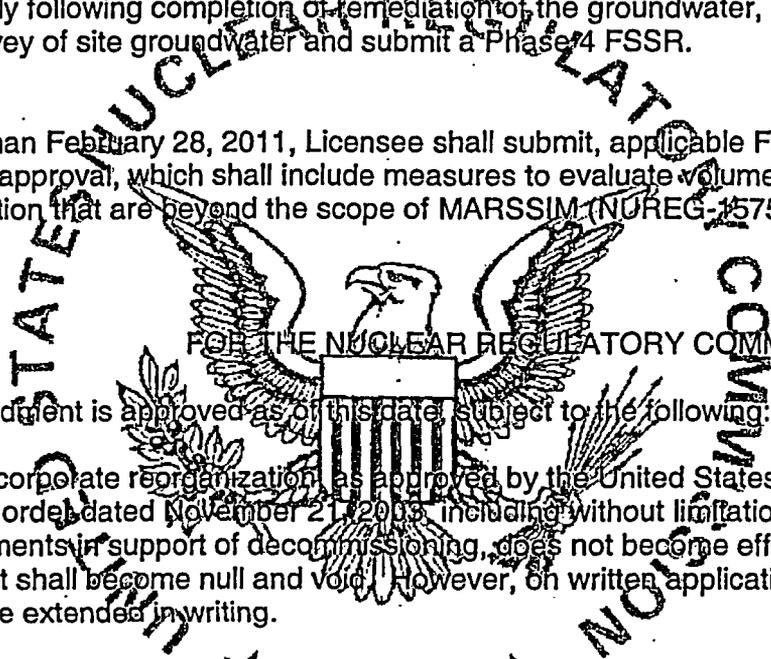
**MATERIALS LICENSE  
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- 53. Licensee shall conduct the following final status surveys and submit reports to NRC to demonstrate compliance with decommissioning criteria. NRC will be notified 30 days before a survey is performed, and NRC or its contractor will be given the opportunity to observe the licensee's survey and perform an independent confirmatory survey. If NRC does not approve a survey, additional remediation and resurvey shall be promptly conducted.
  - a. Immediately following completion of remediation of all soils, buildings and equipment, but not later than nine months after approval of the FSSP, Licensee shall conduct a final status survey of all areas remediated and submit a Phase 3 FSSR
  - b. Immediately following completion of remediation of the groundwater, Licensee shall conduct a final status survey of site groundwater and submit a Phase 4 FSSR.
  
- 54. Not later than February 28, 2011, Licensee shall submit, applicable FSSPs for Phases 3 and 4, for prior NRC approval, which shall include measures to evaluate volumetric, subsurface, and groundwater contamination that are beyond the scope of MARSSIM (NUREG-1575, Table 1.1)



This license amendment is approved as of this date, subject to the following:

If the Fansteel corporate reorganization, as approved by the United States Bankruptcy Court for the District of Delaware by order dated November 21, 2003, including without limitation the execution and delivery of all financial instruments in support of decommissioning, does not become effective by December 31, 2003, this amendment shall become null and void. However, on written application and for good cause shown, this date may be extended in writing.

*D. M. Gillen*

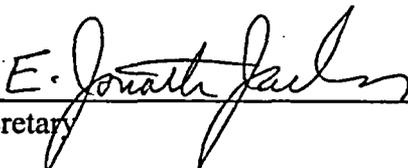
Date: 12/04/03

By: Daniel M. Gillen, Chief  
Decommissioning Branch  
Division of Waste Management  
Office of Nuclear Materials Safety  
and Safeguards

CERTIFICATE OF RESOLUTION

I, E. Jonathan Jackson, 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 March 4, 2004.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal of this Corporation this 5<sup>th</sup> day of March, 2004.

  
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.