

March 24, 2005

Mr. E. Jonathan Jackson, President & CEO  
FMRI, Inc.  
#10 Tantalum Place  
Muskogee, Oklahoma 74403

Dear Mr. Jackson:

I am responding to your February 16, 2005, letter informing the Nuclear Regulatory Commission (NRC) of FMRI's suspension of payment of Invoice FL0014-05 in the amount of \$20,358 and all future invoices from the NRC until the decommissioning project has been completed. You also requested that the NRC suspend collection of Invoice FL0014-05 and all future invoices until the completion of this project. For the reasons stated below, I am denying your suspension request.

In your February 16, 2005, letter you stated that the only source of funds to support the FMRI operation (maintenance of health and safety, decommissioning, and payment of fees) is from contractual payments from Fansteel Inc., and from draws against the Standby Trust Agreement, and that, "...given the limited availability of funding...", the first priority should be given, "...to initiate the decommissioning of the site, rather than pay administrative fees." You also stated that FMRI has, "...repeatedly advised the NRC that at the present time there are insufficient funds...", from these two sources, "...to fully cover all required expenditures without modification to the Standby Trust Agreement." According to NRC records, FMRI has made one draw of approximately \$525,000 against the authorized \$2 million from the Standby Trust Agreement, to date.

As you know, during the course of the bankruptcy proceeding, Fansteel's and FMRI's ability to pay their debtors was the subject of extensive discussion at many combined meetings with the Department of Justice, NRC's Office of General Counsel, NRC's Office of Nuclear Material Safety and Safeguards, and FMRI. Based on these discussions and the in-depth analyses of Fansteel's and FMRI's financial conditions, Fansteel emerged from bankruptcy with an FMRI Trust Agreement filed with the Bankruptcy Court that included NRC fees as a line item within the planned expenditures, and therefore, within FMRI's documented ability to pay those expenses. The Bankruptcy Court approved the bankruptcy reorganization plan, which included this FMRI Trust Agreement, on November 17, 2003. The NRC intends to abide by the terms of the court-approved FMRI Trust Agreement. Therefore, the NRC has denied your request for suspension of collection of Invoice FL0014-05 and all future invoices.

If payment of the fee for Invoice FL0014-05 (\$20,401.46), which includes penalties and administrative charges, is not received within 30 days from the date of this letter, we will proceed with debt collection activities which may include revocation of any licenses you have with NRC and referral of the delinquent debt to the U. S. Department of Treasury for collection. You also will be subject to any additional collection of interest and penalty costs.

If you have any questions regarding this matter, please contact Ms. Shirley Crutchfield of my staff at 301-415-6097.

Sincerely,

/RA/

Mary S. Givvines, Director  
Division of Financial Management  
Office of the Chief Financial Officer

If you have any questions regarding this matter, please contact Ms. Shirley Crutchfield of my staff at 301-415-6097.

Sincerely,

/RA/  
Mary S. Givvines, Director  
Division of Financial Management  
Office of the Chief Financial Officer

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ADAMS Yes  No Initials: SAC  
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SISP Review Completed by SB on 3/25/05

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