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REGION 1

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April 15, 2005

K-2

Jim Dwyer
United States Nuclear Regulatory Commission - Region I
475 Allendale Road
King of Prussia, PA 19406

STA-1455
04008868

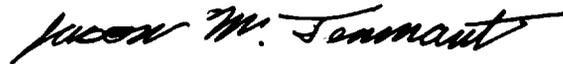
Re: Financial Assurance Self Guarantees

Dear Mr. Dwyer:

The purpose of this letter is to supply information requested in Checklist 14-A of Appendix A, page A-127 of NUREG-1757, Vol. 3, dealing with financial assurance self-guarantees. Included in this packet are the (1) the self guarantee agreement for II-VI, (2) a letter from Craig Creaturo, CFO of II-VI Incorporated, (3) the auditor's special report by Deloitte & Touche LLP, auditors for II-VI Incorporated, and (4) the audited yearly report from FY 2004 for II-VI Incorporated. Checklist 14-B was not included, as model wording was used.

I again apologize for the delay in sending this information to you. If you have any questions or if on this or any other matter, please do not hesitate to call me at (724) 352-4455.

Sincerely,



Jason M. Tennant,
Radiation Safety Officer

136833
NRC/RGNI MATERIALS-002

II-VI INCORPORATED SELF-GUARANTEE AGREEMENT

USNRC SELF-GUARANTEE

Guarantee made March 21, 2005 by II-VI Incorporated, a "corporation," organized under the laws of the State of Pennsylvania, herein referred to as "guarantor," to the U.S. Nuclear Regulatory Commission (NRC), beneficiary, on behalf of ourselves as licensee.

Recitals

1. The guarantor has full authority and capacity to enter into this self-guarantee under its bylaws, articles of incorporation, and the laws of the State of Pennsylvania, its State of incorporation. Guarantor has approval from its Board of Directors to enter into this self-guarantee.
2. This self-guarantee is being issued to comply with regulations issued by the NRC, an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974. NRC has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 30 and 40, which require that a holder of, or an applicant for, a materials license issued pursuant to 10 CFR Part 30 and 40 provide assurance that funds will be available when needed for required decommissioning activities.
3. The self-guarantee is issued to provide financial assurance for decommissioning activities for the facilities listed in the following table as required by 10 CFR Part 30 and 40. The decommissioning costs for these activities are as follows:

Name of Facility	License Number	Location of Facility	Certified Amounts
II-VI Incorporated	STA-1455	375 Saxonburg Boulevard Saxonburg, PA 16056	\$1,125,000
eV PRODUCTS, a division of II-VI Incorporated	STA-1455	373 Saxonburg Boulevard Saxonburg, PA 16056	\$1,125,000

4. The guarantor meets or exceeds the following financial test criteria for self-guarantee for commercial companies that do not issue bonds and agree to comply with all notification requirements as specified in 10 CFR Part 30 and 40 and Appendix D to 10 CFR Part 30.

The guarantor meets the following self-guarantee test:

- (a) Tangible net worth greater than \$10 million, or at least 10 times the current decommissioning cost estimates, whichever is greater, for all

NONNEGOTIABLE

decommissioning activities for which the company is responsible as a self-guaranteeing licensee and as a parent-guarantor; and

- (b) Assets located in the United States amounting to at least 90 percent of total assets or at least 10 times the current decommissioning cost estimates for all decommissioning activities for which the company is responsible as a self-guaranteeing licensee and as a parent-guarantor; and
 - (c) A ratio of cash flow divided by total liabilities greater than 0.15 and a ratio of total liabilities divided by net worth less than 1.5.
5. The guarantor does not have a parent company holding majority control of its voting stock.
 6. Decommissioning activities as used below refer to the activities required by 10 CFR Part 30 and 40 for decommissioning of the facilities identified above.
 7. Pursuant to the guarantor's authority to enter into this guarantee, the guarantor guarantees to the NRC that the guarantor shall
 - (a) carry out the required decommissioning activities, as required by License No. STA-1455 or
 - (b) set up a trust fund in favor of the above identified beneficiary in the amount of the current cost estimates for these activities.
 8. The guarantor agrees to submit revised financial statements, financial test data, and an auditor's special report and reconciling schedule annually within 90 days of the close of its fiscal year.
 9. The guarantor agrees that if, at the end of any fiscal year before termination of this self-guarantee, it fails to meet the self-guarantee financial test criteria, it shall send within 90 days of the end of the fiscal year, by certified mail, notice to the NRC that it intends to provide alternative financial assurance as specified in 10 CFR Part 30 and 40. Within 120 days after the end of the fiscal year, the guarantor shall establish such financial assurance.
 10. The guarantor also agrees to notify the beneficiary promptly if the ownership of the licensed activity is transferred, and to maintain this guarantee until the new licensee provides alternative financial assurance acceptable to the beneficiary.
 11. The guarantor agrees that if it determines, at any time other than as described in Recital 9, that it no longer meets the self-guarantee financial test criteria or it is disallowed from continuing as a self-guarantor, it shall establish alternative financial assurance as specified in 10 CFR Part 30, as applicable, within 30 days.
 12. The guarantor, as well as its successors and assigns, agrees to remain bound jointly and severally under this guarantee notwithstanding any or all of the

following: amendment or modification of the license or NRC-approved decommissioning funding plan for that facility, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of the licensee pursuant to 10 CFR Part 30 and 40.

13. The guarantor agrees that it shall be liable for all litigation costs incurred by the beneficiary, NRC, in any successful effort to enforce the agreement against the guarantor.
14. The guarantor agrees to remain bound under this self-guarantee for as long as it, as licensee, must comply with the applicable financial assurance requirements of 10 CFR Part 30 and 40, for the previously listed facilities, except that the guarantor may cancel this self-guarantee by sending notice by certified mail to the NRC, such cancellation to become effective not before an alternative financial assurance mechanism has been put in place by the guarantor.
15. The guarantor agrees that if it, as licensee, fails to provide alternative financial assurance as specified in 10 CFR Part 30 and 40, as applicable, and obtain written approval of such assurance from the NRC within 90 days after a notice of cancellation by the guarantor is received by the NRC from the guarantor, the guarantor shall make full payment under the self-guarantee.
16. The guarantor expressly waives notice of acceptance of this self-guarantee by the NRC. The guarantor also expressly waives notice of amendments or modifications of the decommissioning requirements.
17. If the guarantor files financial reports with the U.S. Securities and Exchange Commission, then it shall promptly submit them to its independent auditor and to the NRC during each year in which this self-guarantee is in effect.

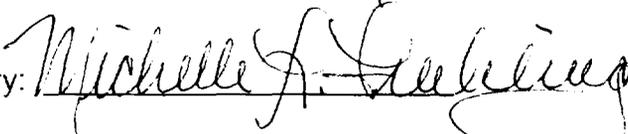
I hereby certify that this self-guarantee is true and correct to the best of my knowledge.

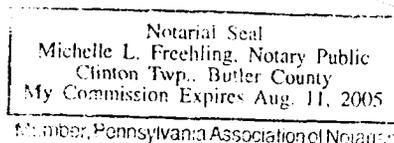
Effective date: March 21, 2005

II-VI Incorporated


Craig A. Creaturo
Chief Financial Officer and Treasurer

Sworn and subscribed to before me this 21st day of March 2005.

Signature of witness or notary: 



U.S. Nuclear Regulatory Commission
Washington, D.C. 20555-0001

I am the Chief Financial Officer of II-VI Incorporated, 375 Saxonburg Boulevard, Saxonburg, Pennsylvania 16056, a corporation. This letter is in support of this firm's use of the self-guarantee financial test to demonstrate financial assurance, as specified in 10 CFR Part 30. This firm has no parent company holding majority control of its voting stock.

This firm guarantees, through the self-guarantee submitted to demonstrate compliance under 10 CFR Part 30, the decommissioning of the following facilities owned or operated by this firm. The current cost estimates or certified amounts for decommissioning, so guaranteed, are shown for each facility:

<u>Name of Facility</u>	<u>License Number</u>	<u>Location of Facility</u>	<u>Certified Amounts</u>
II-VI Incorporated	STA-1455	375 Saxonburg Boulevard Saxonburg, PA 16056	\$1,125,000
eV PRODUCTS, a division of II-VI Incorporated	STA-1455	373 Saxonburg Boulevard Saxonburg, PA 16056	\$1,125,000

I hereby certify that II-VI Incorporated is currently a going concern, and that it possesses positive tangible net worth as of December 31, 2004 in the amount of \$146,296,000.

This fiscal year of this firm ends on June 30, 2005. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements and footnotes for the latest completed fiscal year, ended June 30, 2004. A copy of this firm's most recent financial statements is enclosed.

This firm is required to file a Form 10-K with the U.S. Securities and Exchange Commission for the latest fiscal year.

This firm satisfies the following self-guarantee test:

1. Tangible net worth greater than \$10 million or 10 times the required decommissioning amount (which is \$1,125,000 for II-VI Incorporated), whichever is greater. The threshold for II-VI Incorporated is \$11,125,000. II-VI Incorporated's tangible net worth (which represents shareholders' equity less intangibles) as of June 30, 2004 and 2003 is as follows (in 000's):

June 30, 2004: \$131,867 - \$28,987 - \$5,852 = \$97,028

June 30, 2003: \$111,521 - \$28,987 - \$4,643 = \$77,891

II-VI Incorporated meets this requirement.

2. Assets located in the United States of at least 90% of total assets or at least 10 times the required decommissioning amount (which is \$1,125,000 for II-VI Incorporated). The threshold for II-VI Incorporated is \$11,125,000. II-VI Incorporated assets located in the United States, (which represents total assets less identifiable assets of foreign operations) as of June 30, 2004 and 2003 is as follows (in 000's):

June 30, 2004: $\$183,934 - \$35,551 = \$148,383$

June 30, 2003: $\$162,793 - \$27,987 = \$134,806$

II-VI Incorporated meets this requirement.

3. Ratio of cash flow divided by total liabilities of greater than 0.15. The term cash flow is defined by the NRC as net earnings plus depreciation and amortization. II-VI Incorporated's ratio for the years ended June 30, 2004 and 2003 is as follows (in 000's):

Year Ended June 30, 2004: $(\$17,337 + \$8,987 + \$646) / \$52,067 = 0.52$

Year Ended June 30, 2003: $(\$11,620 + \$8,817 + \$510) / \$51,272 = 0.41$

II-VI Incorporated meets this requirement.

4. Ratio of total liabilities divided by tangible net worth of less than 1.50. II-VI Incorporated's ratio as of June 30, 2004 and 2003 is as follows (in 000's):

June 30, 2004: $\$52,067 / \$131,867 = 0.39$

June 30, 2003: $\$51,272 / \$111,521 = 0.46$

II-VI Incorporated meets this requirement.

I hereby certify that the content of this letter is true and correct to the best of my knowledge.

Sincerely,



Craig A. Creaturo
Chief Financial Officer and Treasurer
March 25, 2005

/mlf

Enclosures

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
II-VI Incorporated
Saxonburg, Pennsylvania

We have performed the procedures enumerated below, which were agreed to by II-VI Incorporated and subsidiaries (the "Company") and the Nuclear Regulatory Commission in connection with the Company's assertion of compliance with the financial test option as of June 30, 2004 and 2003, included in the Code of Federal Regulations (CFR) Title 10, Part 30, Section II.B.1 of Appendix D (10 CFR 30.II.B.I), included in the letter from Mr. Craig Creaturo of the Company to the Nuclear Regulatory Commission, dated March 25, 2005. The Company's management is responsible for the compliance with the financial test option as of June 30, 2004 and 2003, included in 10 CFR 30.II.B.I, included in the letter from Mr. Craig Creaturo of the Company to the Nuclear Regulatory Commission, dated March 25, 2005. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed, which were applied as indicated with respect to the numbers explained below, and our findings are as follows:

1. We compared certain amounts included in items 1, 2, 3, and 4 in the letter referred to above with the corresponding amounts in the audited financial statements of the Company as of and for the years ended June 30, 2004 and 2003, on which we have issued our report dated September 10, 2004, and noted that such amounts were in agreement.
2. We recomputed from, or reconciled to, the financial statements referred to in procedure 1, certain information included in items 1, 2, 3, and 4 in the letter referred to above and noted no differences.
3. We recomputed from, or reconciled to, a client prepared schedule, which was reconciled to the financial statements referred to above, certain information included in item 2 in the letter referred to above and noted no differences.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

April 8, 2005

U.S. Nuclear Regulatory Commission
 Washington, D.C. 20555-0001

I am the Chief Financial Officer of II-VI Incorporated, 375 Saxonburg Boulevard, Saxonburg, Pennsylvania 16056, a corporation. This letter is in support of this firm's use of the self-guarantee financial test to demonstrate financial assurance, as specified in 10 CFR Part 30. This firm has no parent company holding majority control of its voting stock.

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I hereby certify that II-VI Incorporated is currently a going concern, and that it possesses positive tangible net worth as of December 31, 2004 in the amount of \$146,296,000.

This fiscal year of this firm ends on June 30, 2005. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements and footnotes for the latest completed fiscal year, ended June 30, 2004. A copy of this firm's most recent financial statements is enclosed.

This firm is required to file a Form 10-K with the U.S. Securities and Exchange Commission for the latest fiscal year.

This firm satisfies the following self-guarantee test:

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June 30, 2004:	^① \$131,867	^① \$28,987	^① \$5,852	^② \$97,028
June 30, 2003:	^① \$111,521	^① \$28,987	^① \$4,643	^② \$77,891

II-VI Incorporated meets this requirement.

2. Assets located in the United States of at least 90% of total assets or at least 10 times the required decommissioning amount (which is \$1,125,000 for II-VI Incorporated). The threshold for II-VI Incorporated is \$11,125,000. II-VI Incorporated assets located in the United States, (which represents total assets less identifiable assets of foreign operations) as of June 30, 2004 and 2003 is as follows (in 000's):

$$\begin{array}{l} \text{June 30, 2004: } (\textcircled{1}) \$183,934 - (\textcircled{3}) \$35,551 = (\textcircled{2}) \$148,383 \\ \text{June 30, 2003: } (\textcircled{1}) \$162,793 - (\textcircled{3}) \$27,987 = (\textcircled{2}) \$134,806 \end{array}$$

II-VI Incorporated meets this requirement.

3. Ratio of cash flow divided by total liabilities of greater than 0.15. The term cash flow is defined by the NRC as net earnings plus depreciation and amortization. II-VI Incorporated's ratio for the years ended June 30, 2004 and 2003 is as follows (in 000's):

$$\begin{array}{l} \text{Year Ended June 30, 2004: } (\textcircled{1}) \$17,337 + (\textcircled{1}) \$8,987 + (\textcircled{1}) \$646 / (\textcircled{1}) \$52,067 = (\textcircled{2}) 0.52 \\ \text{Year Ended June 30, 2003: } (\textcircled{1}) \$11,620 + (\textcircled{1}) \$8,817 + (\textcircled{1}) \$510 / (\textcircled{1}) \$51,272 = (\textcircled{2}) 0.41 \end{array}$$

II-VI Incorporated meets this requirement.

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$$\begin{array}{l} \text{June 30, 2004: } (\textcircled{1}) \$52,067 / (\textcircled{1}) \$131,867 = (\textcircled{2}) 0.39 \\ \text{June 30, 2003: } (\textcircled{1}) \$51,272 / (\textcircled{1}) \$111,521 = (\textcircled{2}) 0.46 \end{array}$$

II-VI Incorporated meets this requirement.

I hereby certify that the content of this letter is true and correct to the best of my knowledge.

Sincerely,



Craig A. Creaturo
Chief Financial Officer and Treasurer
March 25, 2005

/mlf

Enclosures

This is to acknowledge the receipt of your letter/application dated

4/15/2006, and to inform you that the initial processing which includes an administrative review has been performed.

Financial Assurance STA-1455
There were no administrative omissions. Your application was assigned to a technical reviewer. Please note that the technical review may identify additional omissions or require additional information.

Please provide to this office within 30 days of your receipt of this card

A copy of your action has been forwarded to our License Fee & Accounts Receivable Branch, who will contact you separately if there is a fee issue involved.

Your action has been assigned **Mail Control Number** 136833.
When calling to inquire about this action, please refer to this control number.
You may call us on (610) 337-5398, or 337-5260.

(FOR LFMS USE)
INFORMATION FROM LTS

BETWEEN:

License Fee Management Branch, ARM
and
Regional Licensing Sections

: Program Code: 11300
: Status Code: 0
: Fee Category: 2C 3P
: Exp. Date: 20121031
: Fee Comments: 3P ADDED 3/22/93
: Decom Fin Assur Reqd: Y
:.....

LICENSE FEE TRANSMITTAL

A. REGION I

1. APPLICATION ATTACHED
Applicant/Licensee: II-VI INCORPORATED
Received Date: 20050418
Docket No: 4008868
Control No.: 136833
License No.: STA-1455
Action Type: Fin. Assurance

2. FEE ATTACHED
Amount: /
Check No.: /

3. COMMENTS

Signed *Rebecca J. Wood*
Date 4/13/05

B. LICENSE FEE MANAGEMENT BRANCH (Check when milestone 03 is entered /__/)

1. Fee Category and Amount: _____
2. Correct Fee Paid. Application may be processed for:
Amendment _____
Renewal _____
License _____
3. OTHER _____

Signed _____
Date _____

II-VI INCORPORATED

G R O W T H

ANNUAL REPORT 2004

II-VI INFRARED

II-VI VLOC
SUMMARY OF II-VI TECHNOLOGIES

Exotic Electro-Optics

II-VI PRODUCTS

II-VI WIDE BANDGAP MATERIALS GROUP

II-VI AMDC

www.ii-vi.com

II-VI