

September 24, 1998

Mr. David R. Smith
Radiation Safety Officer
Shieldalloy Metallurgical Corporation
P.O. Box 768
Newfield, New Jersey 08344

SUBJECT: ADDITIONAL INFORMATION REGARDING THE SALE OF METALLURG
INCORPORATED

Dear Mr. Smith:

The U.S. Nuclear Regulatory Commission (NRC) staff has reviewed the information which you provided regarding the sale of Metallurg Inc., to a group of investors led by Safeguard International Fund, LP. Based on this review, it is the staff's understanding that Metallurg Inc., was sold to an investment fund, or group of investors. Because the details of the sale and the legal structure of the transferee are unclear, the staff requires additional information to fully understand the terms of the sale and its potential impact on Shieldalloy Metallurgical Corporation (SMC). The staff believes there has been a transfer of control which required prior consent by NRC. To better understand the transfer, NRC requests additional information regarding the existing legal relationships, i.e., who is the parent entity? In this regard, please provide a copy of the agreement of sale. There is also some question as to the impact this sale may have on the financial assurance for SMC, which was previously assured by Metallurg, Inc.

In addition to the above, the answers to the following questions are required in support of the upcoming enforcement conference:

- (3) Has the new arrangement had any effect on SMC's NRC-licensed activities, excluding the issue of financial assurance? Please explain.
- (4) Does the new parent entity continue to honor the current financial assurance agreements with NRC?

Please provide responses to the above questions in advance of the October 1, 1998, enforcement conference. Please contact Steve Lewis at (301) 415-1684, or John Kinneman at (610) 337-5252, if there are any questions regarding the information being requested.

Sincerely,

Original signed by: DMartin for

Heather Astwood, Project Manager
Licensing Section 2
Licensing Branch
Division of Fuel Cycle Safety
and Safeguards, NMSS

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UNITED STATES
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

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In addition to the above, the answers to the following questions are required in support of the upcoming enforcement conference:

- (1) Has the new arrangement had any effect on SMC's NRC-licensed activities, excluding the issue of financial assurance? Please explain.
- (2) Does the new parent entity continue to honor the current financial assurance agreements with NRC?

Please provide responses to the above questions in advance of the October 1, 1998, enforcement conference. Please contact Steve Lewis at (301) 415-1684, or John Kinneman at (610) 337-5252, if there are any questions regarding the information being requested.

Sincerely,

A handwritten signature in cursive script, appearing to read "Heather Astwood", is written over the typed name.

Heather Astwood, Project Manager
Licensing Section 2
Licensing Branch
Division of Fuel Cycle Safety
and Safeguards, NMSS

Docket: 40-7102
License: SMB-743