



NUCLEAR METALS, INC.

ROBERT E. QUINN
PRESIDENT

October 23, 1996

Mr. Charles W. Hehl, Director
Division of Nuclear Materials Safety
Nuclear Regulatory Commission
Region 1
475 Allendale Road
King of Prussia, PA 19408-1415

Subject: FINANCIAL ASSURANCE

Reference: Our letter of September 16, 1996
Your letter of October 18, 1996

Dear Mr. Hehl:

NMI believes that the Army's 85-804 decision combined with our two US Government contracts and NMI's irrevocable Standby Letter of Credit provides a total of \$13.85 million of financial assurance which is approximately 20% greater than the \$11.6 million D&D cost estimate.

In our opinion, the Army's Memorandum of Agreement dated September 13, 1996 clearly articulates their Statement of Intent on how the Army will pay for the future D&D at NMI. This "Statement of Intent" signed by the Assistant Secretary of the Army provides the authorization and direction to Army Procurement officers to directly fund and "allow costs" in the following manner:

1. NMI's removal of the holding basin (valued at approximately \$4.5 million) under a Supplemental Agreement on NMI Contract DAAK10-81-C-0323.
2. Transportation and burial (valued at approximately \$2.1 million) of the holding basin by the Army.
3. Future decontamination and disposal of Government-furnished equipment (valued at approximately \$5.5 million) that NMI maintains under its Army facilities Contract DAAA09-90-E-0013.

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2229 Main Street, Concord, Massachusetts 01742 (508) 369-5410

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Mr. Charles W. Hehl, Director
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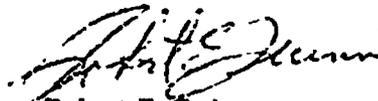
4. Future cleanup efforts at NMI as the Company transitions from depleted uranium (DU) penetrator work to Beralcast® for the Army's Comanche helicopter, Patriot Missile, and other defense systems will be billed under current and future contracts. The enclosed Program Manager Comanche recommendation for Army funding to expand Beralcast® facilities at NMI includes (approximately \$1.0 million) for relocation and decontamination of DU penetrator equipment.
5. Future cleanups not supporting production, in addition to the holding basin, will be billed by NMI to the Army against appropriate overhead and/or general and administrative pools as normal operating expenses. NMI's ten-year Strategic Business Plan anticipates significant contracts that will fully absorb these costs as a nominal overhead item.

The Army Contract Adjustment Board's Memorandum of Decision is longer and more comprehensive than the one-page Statement of Intent sample you provided which covered the Army owned facility at the Jefferson Proving Grounds. In our view the difference in language is due to NMI being a private company and the Army's long concern about setting a precedence.

Therefore, we believe the Nuclear Regulatory Commission should consider this document as an acceptable SOI which together with our Letter of Credit provide satisfactory financial assurance.

We would be pleased to discuss this in greater detail with the NRC and/or the Army should that be necessary.

Very truly yours,


Robert E. Quinn
President

