



NUCLEAR METALS, INC.

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Robert E. Quinn  
PRESIDENT

November 12, 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: 1. Your letter of October 18, 1996  
2. Army's Memorandum of Decision dated 9/13/96  
3. My letter of October 23, 1996

Dear Mr. Hehl:

As a follow-up to the reference 3 letter, by following the directives of the Army's future D&D funding mechanism identified in their Memorandum of Decision, NMI does not see any immediate funding shortfall. The Army's decision allows NMI to pass D&D costs to the Government in the form of allowable overhead charges. If NMI were to immediately cease DU production operations at Concord all our D&D costs would flow to the Army on our DAAA09-90-E-0013 contract as an allowable overhead cost in addition to the cost to directly decontaminate the Army's equipment and facilities..

In addition, our Beralcast® business is growing rapidly and has been accepted as Bill of Material for the Army's Comanche Helicopter, Patriot Pac 3 Missile, and the Advanced Threat Infrared Countermeasures System (ATIRCM). These programs provided the basis for the Army to declare NMI "essential to the national defense" and thereby fund the removal of our Holding Basin. These Army programs will also immediately support allowable overhead costs for NMI related D&D activities.

Given multiyear production contracts now in place for DU penetrators and armor slabs we think this scenario of NMI immediately ceasing DU operations is very, very unlikely. Nevertheless, through the Army's Memorandum of Decision the financial assurance for D&D is now in place.

Very truly yours, OFFICIAL RECORD COPY

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