



U.S. Department of Justice
Environment and Natural Resources Division
Environmental Enforcement Section

90-10-07797

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May 12, 2015

Jeffrey S. Sabin
Venable LLP
1270 Avenue of the Americas, 24th floor
New York, New York 10020

Brian Cassady
Chief Executive Officer
Fansteel, Inc.
1746 Commerce Road
Creston, Iowa 50801

Re: In re Fansteel, Inc. et al, Case No. 02-10109 (Bankr. Del.)

Dear Jeffrey:

In response to the request of Fansteel and FMRI, the Nuclear Regulatory Commission (“NRC”) and the Oklahoma Department of Environmental Quality (“ODEQ”) are willing to negotiate a Forbearance Agreement with Fansteel and FMRI for the period of one-year, provided that we can agree on acceptable terms and conditions. Because of the additional time needed to agree on acceptable terms and conditions for a one-year Forbearance Agreement, we propose that the governmental agencies and Fansteel and FMRI enter into another one month extension of the Forbearance Agreement that is currently set to expire on May 21, 2015; from May 22 to June 21, 2015, *provided* that:

- If Fansteel sends the NRC and ODEQ another notice of proposed sale within the next month, Fansteel and FMRI agree that notwithstanding the Forbearance Agreement, the governments will be entitled to seek to enjoin the consummation of the proposed sale on the grounds that such sale is inconsistent with the terms and conditions of Fansteel’s Plan of Reorganization or the documents (e.g. the Primary, Secondary or Contingent Notes and Indemnification Letter) issued pursuant to that Plan.
- FMRI agrees to continue to ship a minimum economic order quantity (“EOQ”) of at least eight intermodals of previously excavated WIP material for an average of two intermodals every two weeks and comply with Section 5.B. of the Forbearance Agreement.
- Specifically, with respect to Section 5.B, on or before the last business day of the month for the duration of the Forbearance Period, Fansteel must continue to transfer \$80,000.00 (the "Transferred Funds") into a bank account held by FMRI and *contemporaneously*

therewith must provide DOJ, NRC, and ODEQ with a certificate from an officer of Fansteel confirming same. None of the \$80,000 that is transferred to the FMRI bank account should be used to pay expenses incurred prior to the month in which the transfer is made;

- FMRI must continue to use the Transferred Funds *solely* to cover the cost of the obligations set forth in Section 5.A and to cover other operational costs, including, without limitation, costs relating to excavation, shipment, and bagging of WIP material; health and safety; groundwater treatment; operation of the on-site wastewater treatment plant; payment of NRC oversight costs, utilities, and site security; and
- On or before the third business day of the month for the duration of the Forbearance Period, FMRI must continue to provide DOJ, NRC, and ODEQ with monthly reports that (i) provide an accounting of the Transferred Funds expended during the prior calendar month and (ii) describe the decommissioning work performed during the prior calendar month.

Further, to ensure that excavation is not delayed by negotiations for the one-year Forbearance Agreement, the following additional condition must be included as part of this one month extension of the Forbearance Agreement:

- Beginning no later than June 1, 2015, FMRI shall resume excavation in the areas of Ponds 2 and 3 for WIP material and shall begin excavation in the areas of Ponds 5-9 for CaF material.

All other terms and conditions of the Forbearance Agreement dated September 15, 2014 remain in effect.

Please confirm in writing that Fansteel and FMRI agree to all of the above conditions.

Sincerely,

/s/ Richard Gladstein
Richard M. Gladstein
Senior Counsel
Environmental Enforcement Section
Environment and Natural Resources
Division
United States Department of Justice
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cc: via electronic mail
Christina England, NRC Office of General Counsel
Pam Dizikes, ODEQ