

FORBEARANCE AGREEMENT

This FORBEARANCE AGREEMENT (the “Agreement”) dated as of August 17, 2015, (the “Effective Date”), by and between Fansteel, Inc., 1746 Commerce Road, Creston, IA 50801 (“Fansteel”) and FMRI, Inc., Number 10 Tantalum Place, Muskogee, OK 74403 (“FMRI” and together with Fansteel, the “Obligors”), on the one hand, and the United States, on behalf of the Nuclear Regulatory Commission (“NRC”) through the U.S. Department of Justice, Environmental Enforcement Section, Environment and Natural Resources Division, P.O. Box 7611, Washington, D.C. 20044 (“DOJ”) and the Oklahoma Department of Environmental Quality, 707 North Robinson, P.O. Box 1677, Oklahoma City, OK 73101 (“ODEQ”), on the other hand.

WITNESSETH:

WHEREAS:

A. FMRI is a wholly-owned subsidiary of Fansteel and a special-purpose vehicle that was created pursuant to the terms of Fansteel’s 2003 chapter 11 plan of reorganization (the “Plan”) to fulfill certain environmental remediation obligations mandated by NRC and ODEQ at a special metals plant that had been operated by Fansteel in Muskogee, Oklahoma (the “Muskogee Site”);

B. NRC approved a decommissioning plan dated January 15, 2003 (the “Decommissioning Plan”), which governs FMRI’s remediation of the Muskogee Site; and the Decommissioning Plan established a Decommissioning Trust that would be funded by Fansteel and was to be used by FMRI for remediation of the Muskogee Site;

C. FMRI is the obligee of (i) a primary, unsecured, non-interest bearing note in the principal amount of \$30,600,000 (the “Primary Note”), (ii) a secondary, unsecured, non-interest bearing note in the principal amount of \$4,200,000 (the “Secondary Note”), and (iii) a contingent, non-interest bearing, unsecured note (the “Contingent Note” and collectively with the Primary Note and the Secondary Note, the “Notes”), made by Fansteel;

D. NRC is listed as a third-party beneficiary of all of the Notes; ODEQ is a third-party beneficiary of the Secondary Note;

E. FMRI and NRC are parties to a Pledge Agreement dated January 23, 2004 (the “NRC Pledge Agreement”), pursuant to which FMRI pledged and assigned to NRC, and granted NRC a continuing security interest in, all of FMRI’s right, title, and interest in the Notes and all proceeds thereof;

F. FMRI and ODEQ are parties to a Pledge Agreement dated January 23, 2004 (the “ODEQ Pledge Agreement”), pursuant to which FMRI pledged and assigned to ODEQ, and granted ODEQ a continuing security interest in, all of FMRI’s right, title, and interest in the Secondary Note and all proceeds thereof;

G. NRC and ODEQ are parties to an Intergovernmental Agreement (the “Intergovernmental Agreement”) dated January 23, 2004, which governs their respective rights with regard to the Secondary Note and any proceeds thereof;

H. Fansteel and FMRI issued an Indemnification Letter dated January 23, 2004, to the NRC (the “NRC Indemnification Letter”), pursuant to which Fansteel, *inter alia*, (i) agreed to indemnify the NRC, as a third-party beneficiary under the Notes, for Fansteel’s obligations under the Notes, and (ii) granted the NRC standing to seek relief for any breach by Fansteel of its obligations under the Notes;

I. Fansteel and FMRI issued an Indemnification Letter dated January 23, 2004 to ODEQ (the “ODEQ Indemnification Letter”, and together with the Notes and the NRC Pledge Agreement, the ODEQ Pledge Agreement, and the NRC Indemnification Letter, collectively the “Funding Documents”), pursuant to which Fansteel, *inter alia*, (i) agreed to indemnify ODEQ, as a third-party beneficiary under the Secondary Note, for Fansteel’s obligations to FMRI under the Secondary Note, and (ii) granted ODEQ standing to seek relief for any breach by Fansteel of its obligations under the Secondary Note;

J. On December 31, 2013, Fansteel failed to make a balloon payment under the Primary Note to FMRI. Additionally, FMRI failed to meet the notification requirement in License Condition No. 48 to notify the NRC within the designated time frame of Fansteel’s missed payment and actions initiated by FMRI to collect the missed payment;

K. On July 21, 2014, the DOJ, on behalf of the NRC, sent a letter (the “Demand Letter”) addressed to both Fansteel and FMRI (i) asserting that, as a result of the missed balloon payment, each of FMRI and Fansteel is in material breach of obligations related to the Primary Note, and (ii) stating that the United States may pursue remedies against FMRI and Fansteel pursuant to the terms of the Plan, the Primary Note, the Pledge Agreement, and the Indemnification Letter if the breach is not cured within 90 days of the date of the Demand Letter;

L. Fansteel indicated that it was unable to make the balloon payment under the Primary Note to FMRI within 90 days of the date of the Demand Letter, has indicated it is unable to satisfy the outstanding debt under the Primary Note and Secondary Note, and has requested that the DOJ, NRC, and ODEQ forbear from taking any action to enforce their rights and remedies under the terms of the Plan and the Funding Documents. The DOJ, NRC, and ODEQ are prepared so to forbear provided the Obligors comply with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for good and valuable consideration exchanged by and between the parties hereto, the receipt and sufficiency of which are hereby acknowledged, the DOJ, NRC, ODEQ, and the Obligors hereby agree as follows:

1. Recitals. The Recitals set forth hereinabove are incorporated herein and form an integral part of this Agreement.

2. Reservation of Rights. Each of the DOJ, NRC, ODEQ, and the Obligors reserves all of its respective rights and remedies with regard to each of the Funding Documents, the Decommissioning Plan, the Intergovernmental Agreement, the Demand Letter, and applicable law.

3. Forbearance. Provided: (i) the Obligors continue to provide Documents to the DOJ, NRC, and ODEQ in accordance with Paragraph 4 hereof; (ii) the Obligors meet the Conditions described in Paragraph 5 hereof; (iii) the Obligors continue to negotiate the terms of a restructuring with the DOJ, NRC, and ODEQ in good faith; (iv) the Obligors fully and timely satisfy all obligations and covenants set forth in this Forbearance Agreement; and (v) no representation or warranty under this Agreement is false or inaccurate in any material respect, the DOJ, NRC, and ODEQ shall forbear until one year (366 days) from the Effective Date (the “Forbearance Period”) from exercising and enforcing their rights and remedies under the Funding Documents for full payment of the amounts owing under the Primary Note and the Secondary Note, including loans to Fansteel by FMRI from payments made under those Notes, as matured. The DOJ’s, NRC’s, and ODEQ’s agreements to forbear hereunder shall cease immediately upon or at any time after the earlier of (1) the failure of the Obligors to perform any of the foregoing conditions (i)-(v) and the failure of the Obligors to cure such default within 5 days of receiving notice of such default, or (2) the failure of the Obligors to perform any of the foregoing conditions (i)-(v) and the passage of 60 days from the Effective Date, whereupon the DOJ, NRC, and ODEQ shall be under no further obligation so to forbear and immediately thereupon may exercise and enforce all of the DOJ’s, the NRC’s, and/or ODEQ’s rights and remedies under the Funding Documents and/or at law. This Forbearance Agreement does not prevent DOJ, NRC, or ODEQ from seeking to enjoin any proposed sale on the grounds that such sale is inconsistent with the terms and conditions of Fansteel’s Plan of Reorganization or the Funding Documents issued pursuant to that Plan. Fansteel agrees to provide DOJ, NRC and ODEQ with at least 60 days advance notice of the anticipated closing date of any proposed sale of any stock or assets of Fansteel. Nothing herein shall preclude the commencement of any action by the United States or ODEQ to protect the public health, welfare, or the environment with or without provision of advance notice.

4. Documents. The DOJ, NRC, and ODEQ acknowledge that the Obligors already have provided substantial documentation as required under the initial Forbearance Agreement. The Obligors shall continue to provide the following categories of Documents as

requested by the DOJ, NRC, and ODEQ:

A. Financial Information, so defined to include:

- (1) historical annual audited and unaudited financial statements for Fansteel (including any subsidiaries) and FMRI from and after Fansteel's emergence from bankruptcy to the present;
- (2) documents evidencing the status of each Obligor's financial obligations to all of its financial creditors, including but not limited to, the NRC, ODEQ, and to each other;
- (3) documents showing the performance and status of all obligations of Fansteel to FMRI from January 23, 2004, to the present;
- (4) Federal tax returns filed by Fansteel and FMRI from 2004 to the present; and
- (5) monthly bank statements and other financial statements for Fansteel and its subsidiaries.

B. Documents that describe FMRI's remediation activities at the Muskogee Site, including:

- (1) A description of all remediation activities undertaken from January 23, 2004, to the present;
- (2) Written proposals that describe FMRI's current plans for remediation of the site; and
- (3) Monthly report of the remediation activities conducted during the past month and the activities planned for the duration of the Forbearance Agreement.

C. Documents that describe any pending legal action intended to be taken by FMRI, Fansteel, and/or its subsidiaries.

Provided, however, that except as required by law, court order, or other lawful process, the DOJ and the NRC shall treat all Financial Information received from the Obligors under this Paragraph as Confidential Business Information and shall take all reasonable measures to protect such Confidential Business Information from public disclosure; ODEQ shall treat all Financial Information received from the Obligors under this Paragraph as Litigation files or Federal records as defined in the Oklahoma Open Records Act at 51 O.S. §§ 24A.12 and 24A.13 and shall take all

reasonable measures to protect such records from public disclosure;

Provided further, that DOJ, the NRC, and ODEQ shall not be precluded from using any of the Financial Information furnished by Fansteel or FMRI, including Financial Information that either Obligor claims to be Confidential Business Information, in any future action, as long as any Confidential Business Information is filed under seal or subject to any ruling by a court that any of the Financial Information asserted to be Confidential Business Information is not Confidential Business Information.

Provided further, that ODEQ shall not be precluded from using any of the Financial Information furnished by Fansteel or FMRI that either Obligor claims to be Litigation files or Federal records as defined in the Oklahoma Open Records Act in a future action, as long as such Financial Information is subject to Protective Order as provided in O.S. § 24A.29. Financial Information that is not subject to Protective Order will become subject to public disclosure at the conclusion of the proceedings contemplated herein.

5. Conditions. The Obligors agree to the Conditions of the Forbearance Agreement, specified below:

A. FMRI shall submit to the NRC by December 31, 2015, revised Derived Concentration Guideline Level (“DCGL”) values for the Muskogee site. The revised values shall address deficiencies identified in the NRC’s Safety Evaluation Report (“SER”) on the July 24, 2003 Decommissioning Plan (Agencywide Documents Access and Management System (“ADAMS”) Accession No. ML033250083). If FMRI has not reached agreement with the NRC on the DCGLs by April 15, 2016, the NRC will determine the final DCGLs and amend FMRI’s license accordingly.

B. FMRI shall submit to the NRC by March 31, 2016 a Final Status Survey Plan that demonstrates compliance with the radiological criteria for license termination. The Decommissioning Plan’s Final Status Survey Plan design was identified as deficient in the NRC’s SER on the July 24, 2003 Decommissioning Plan (ADAMS Accession No. ML033250083).

C. By November 1, 2015, FMRI shall have submitted detailed plans for the period of this Forbearance Agreement that have been reviewed and approved by NRC and ODEQ (the “5.C. Work Plans”). These plans shall include a proposed schedule for remediating the site, including excavation and remediation of WIP material, budget for the remediation, and manner for funding the remediation. These plans shall also provide the name of the entities who will be performing the remediation tasks, their qualifications to perform the work, and the contracts in effect to have the work performed. The detailed plans submitted must be consistent with all other terms and conditions in this Forbearance Agreement.

D. By October 15, 2015, FMRI shall effectuate an extension of the August 1, 2013 Agreement between EFR White Mesa LLC, Energy Fuels Resources, Inc. and FMRI (“White Mesa contract”) to accommodate shipment and disposal of WIP material through December 31, 2018, consistent with the Conditions in this Forbearance Agreement. If an extension cannot be effectuated with White Mesa by October 15, 2015, then FMRI shall enter into a contractual agreement with another entity for the disposal of WIP material through 2018. Any extension of the White Mesa contract or any establishment of a new contract for disposal of WIP shall incorporate the amount of material remaining to be excavated from Ponds 2 and 3 with a 100% built-in margin. Copies of all extensions and contracts shall be provided to DOJ, NRC, and ODEQ within 30 days of signature.

E. Within 6 months from the signature of the Forbearance Agreement, FMRI shall submit evidence to DOJ, NRC, and ODEQ of its efforts to solicit bids for establishment of a contract for the shipment and disposal of CaF material.

F. FMRI shall excavate in the area of Pond 2 for WIP material at the rate specified in the 5.C. Work Plans, but not less than 220 tons per month for August, September, October 2015 and July 2016.

G. All WIP material stored in buildings on the Muskogee site as of June 1, 2015, shall be shipped to White Mesa with shipments to be completed by February 29, 2016. As of June 1, 2015, this is estimated to be in the amount of approximately 1,000 bags or 1,500 tons. The transportation and disposal costs associated with the disposition of this material will be allocated from the Decommissioning Trust to the approximate amount of \$628,000 (“the Trust Funds”). Payments will be made upon a showing to the NRC’s reasonable satisfaction that FMRI has fully complied with shipping requirements of past Forbearance Agreements. If FMRI is unable to do so, the amount available from the Decommissioning Trust Fund shall be reduced by the tonnage of the arrearage times the per ton transportation and disposal cost. If circumstances beyond FMRI’s control require adjustment of the February 29, 2016, completion date, FMRI shall notify DOJ, NRC, and ODEQ in writing of such circumstances prior to the completion date. On or before February 29, 2016, FMRI shall begin shipment of the WIP material that will have been excavated after June 1, 2015 (the “Newly Excavated WIP Material”). Between February and July 2016, FMRI shall ship the Newly Excavated WIP Material at the rate specified in the 5.C. Work Plans, making at least three shipments of 11 intermodals each. On or before February 29, 2016 and for each shipment thereafter, FMRI shall deposit \$91,300 in the Decommissioning Trust to provide for the expense of transporting and disposing one shipment of 11 intermodals. The NRC shall make these funds available for payment of shipping and disposal costs when shipment and disposal have been completed. If, for any of these shipments and disposals, the \$91,300 amount is insufficient to cover the actual

cost due to variations in shipment and disposal weight, it will be the responsibility of FMRI to pay the difference. If the \$91,300 proves to be in excess of the actual costs due to variations in shipment and disposal weights, then the excess may be refunded to FMRI or utilized to offset future deficiencies. If the 5.C. Work Plans require FMRI to lease additional intermodals, additional funding from the Trust Fund will be provided at the rate of \$550 per intermodal.

H. On or before the last business day of the month for the duration of the Forbearance Period, Fansteel must transfer a total of \$80,000 plus any asset sales related to FMRI-owned assets and other income received by Fansteel and/or FMRI that is related to the FMRI site (the "Transferred Funds") into a bank account held by FMRI to be used for remediation purposes. Contemporaneously therewith, Fansteel must provide DOJ, NRC, and ODEQ with a certificate from an officer of Fansteel confirming same. Gross rental income received by FMRI for use of real or personal property located at the Muskogee Site, estimated as of July 2015 to be approximately \$4,000 per month ("Rental Income"), shall be utilized for the performance of the Data Gap Analysis identified in Item Q below with any excess funds from rental income to be apportioned to other tasks in Item Q. Transferred Funds from Fansteel shall first be credited toward payment of interest bearing loans (with interest accruing at the rate specified in the note for the loan or, for loans from FMRI to Fansteel for which a note was not signed, at the agreed upon interest rate of monthly prime rate plus 1% or the Department of the Treasury monthly mid-term Applicable Federal Rate, whichever is the greater), specifically the loans made to Fansteel by FMRI, and then toward payment of the Primary Note.

I. Consistent with its obligations under the Primary Note and in accordance with the specifications of the Note, Fansteel shall provide to DOJ and NRC within 90 days of the signing of this Forbearance Agreement the annual determinations of (1) Additional Mandatory Prepayment, (2) Annual Mandatory Prepayment, (3) Asset Sale Proceeds, (4) End of Year Cash Balances, and (5) Excess Available Cash for all past years (2004 – 2013) and shall perform a similar determination for 2014 and 2015. For 2015, the determination shall be performed within 60 days of the last day of the calendar year. Fansteel shall include with these determinations the background information and inputs that generated these determinations.

J. Fansteel shall ensure within 30 days following the signature of this Forbearance Agreement that all Asset Sale Proceeds and all Insurance Proceeds have been duly accounted for and dispositioned in accordance with the Primary Note, provided, however, that if Fansteel cannot do so, it must provide a schedule for payment or indicate in writing its inability to make such payments.

K. All Excess Available Cash, as defined in the Primary Note, that is in arrears shall, within 30 days of the signature of this Forbearance Agreement, be dispositioned in a manner consistent with the terms of the Primary Note with all delinquent funds deposited as stipulated by the Primary Note. If Fansteel is delinquent with this provision, Fansteel must

indicate the extent of delinquency with the total balance owed and either provide a schedule for payment or indicate in writing its inability to make such payments.

L. For the duration of the Forbearance Period, Fansteel shall forgo reimbursement for those services provided to FMRI that are attributable to Fansteel's business model of providing such support and/or service to FMRI and other Fansteel subsidiaries (e.g., administrative and accounting expenses).

M. FMRI must continue to use the Transferred Funds solely to cover monthly operating costs associated with remediation activities and obligations described in this Forbearance Agreement. These costs would include, without limitation, operational costs relating to health and safety, groundwater treatment, operation of the on-site wastewater treatment plant, payment of NRC and ODEQ oversight costs, groundwater monitoring, utilities, excavation of WIP and CaF material, transportation and disposal costs associated with WIP and CaF material, and site security. Unless approved by DOJ, NRC, and ODEQ prior to being obligated or spent, such costs shall not include third party litigation expenses. Except for the shipment and disposal costs associated with WIP material bagged prior to June 1, 2015 as modified by the provisions in Item 5.G and except for Condition 5.Q, all Conditions described herein shall be funded by the Transferred Funds.

N. Commencing with the fiscal year ending December 31, 2015, and for each fiscal year thereafter, 30 days after the receipt of Fansteel's audited financial statements for such fiscal year, Fansteel shall make a mandatory prepayment of the Primary Note in an amount equal to twenty-five percent (25%) of Fansteel's Excess Cash Flow (as defined and described below) into the Decommissioning Trust for the fiscal year then-ended. By September 1, 2016, Fansteel shall reassess its Excess Cash Flow and make a second mandatory prepayment of the Primary Note in an amount equal to twenty-five percent (25%) of Fansteel's Excess Cash Flow for the seven months of January through July 2016.

1. For the purposes hereof, "Excess Cash Flow" shall mean, for any period, (a) Fansteel's cumulative EBITDA, minus (b) changes in working capital, minus (c) actual unfunded Capital Expenditures, minus (d) income taxes and dividends paid in cash, minus (e) interest expense paid in cash, minus (f) the sum of all regularly scheduled payments of principal on Indebtedness for borrowed money of Fansteel, minus (g) the "Transferred Funds," all as determined for Fansteel on a consolidated basis in accordance with GAAP.

2. For the purposes hereof, "Capital Expenditures" shall mean, for any period and with respect to any Person, the aggregate of all expenditures by such Person for the acquisition or leasing of fixed or capital assets or additions to equipment (including replacements,

capitalized repairs and improvements during such period) which should be capitalized under GAAP on a balance sheet of such Person.

3. For the purposes hereof, “Person” shall mean any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, entity, party, or government (whether national, federal, state, county, city, municipal or otherwise, including, without limitation, any instrumentality, division, agency, body or department thereof).

4. For the purposes hereof, “Indebtedness” shall mean all of Fansteel's liabilities, obligations, and indebtedness to any Person of any and every kind and nature, whether primary, secondary, direct, indirect, absolute, contingent, fixed, or otherwise, heretofore, now or hereafter owing, due, or payable, however evidenced, created, incurred, acquired, or owing and however arising, whether under written or oral agreement, by operation of law, or otherwise. Without in any way limiting the generality of the foregoing, Indebtedness specifically includes (i) all obligations or liabilities of any Person that are secured by any lien, claim, encumbrance, or security interest upon property owned by Fansteel, even though Fansteel has not assumed or become liable for the payment thereof, (ii) all obligations or liabilities created or arising under any lease of real or personal property, or conditional sale or other title retention agreement with respect to property used and/or acquired by Fansteel, even though the rights and remedies of the lessor, seller and/or lender thereunder are limited to repossession of such property, (iii) all unfunded pension fund obligations and liabilities, and (iv) deferred taxes.

O. Actions prohibited by this Agreement include the following:

1. FMRI loaning any amount of money to any entity;
2. FMRI refunding to Fansteel any money paid to FMRI by Fansteel;
3. Principal payments in excess of regularly scheduled payments per the note agreement of any Fansteel, FMRI, or Fansteel subsidiaries’ notes without DOJ, NRC, and ODEQ consent;
4. Payments of any dividends to any of the shareholders during the Forbearance Period; and
5. Payments toward the principal or interest on the note associated with the Pension Benefit Guaranty Corporation during the

Forbearance Period.

P. Reporting Requirements

1. Within 7 days following the last day of the month, FMRI shall provide a monthly report to DOJ, NRC, and ODEQ indicating the amount of WIP material and, if any, CaF material excavated, the amount of WIP and, if any, CaF material shipped, the amount of WIP material bagged, the remediation activities performed during the prior calendar month, and remediation activities scheduled for the duration of the Forbearance Period. When recording shipments of WIP material, FMRI shall record whether the WIP material was that material stored on-site as of June 1, 2015; the material excavated during June and July 2015; or the Newly Excavated WIP Material.
2. Within 7 days following the last day of the month, invoices received during the month associated with the shipment and disposal of WIP and CaF material shall be provided to DOJ, NRC, and ODEQ.
3. Within 7 days following the last day of the month, a statement of the sources and amounts of Rental Income from the past month shall be provided to ODEQ, DOJ, and NRC.
4. Except for monthly utility payments and payments made to State, County, or Federal agencies or entities, FMRI shall notify DOJ, NRC, and ODEQ of any check that it issues for greater than \$5,000 and the entity to whom the check is issued. In such cases, if requested by DOJ, NRC, or ODEQ, FMRI shall provide a copy of the invoice and/or expense statement associated with the check. Except for monthly utility payments and payments made to State, County, or Federal agencies or entities, FMRI shall notify DOJ, NRC, and ODEQ if cumulative payments to one entity total \$25,000 or more during the Forbearance Period. In such cases, if requested by DOJ, NRC, or ODEQ, FMRI shall provide copies of the invoices and/or expense statements associated with such payments.
5. Within 7 days following the last day of the month for the duration of the Forbearance Period, FMRI shall provide DOJ, NRC, and ODEQ with a monthly report that provides an accounting of the Transferred Funds expended during the prior calendar month.
6. FMRI shall notify DOJ, NRC, and ODEQ prior to obligating or spending funds for attorney's fees or other expenses arising from litigation by or on behalf of FMRI against third parties, i.e., non-signatories to this Forbearance Agreement.

Q. During the term of this Forbearance Agreement, FMRI shall undertake and complete the Data Gap Analysis (priorities numbered 1 through 4 below), as part of a Remedial Investigation and Feasibility Study ("RI/FS") of the Muskogee site (the current facility plus all land within the historical footprint of the Fansteel facility) in accordance with the priorities enumerated below. Thereafter, during the term of this Forbearance Agreement, priorities numbered 5 through 9 shall be commenced in order of priority following completion of the Data Gap Analysis, as and only if Rental Income is available to support the work.

1. By August 31, 2015: retain a qualified firm ("Consultant") to oversee the performance of, and prepare documentation required for, the RI/FS.

2. By September 9, 2015: submit to ODEQ a statement of qualifications (of the Consultant firm and its principals), including their past areas of business, relevant projects and experience, and overall familiarity with the types of activities to be performed as part of the RI/FS.

3. All work conducted under ODEQ's authority shall conform to requirements of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA, 42 USC §9601 et seq.) and the National Oil and Hazardous Substances Pollution Contingency Plan (the NCP, 40 CFR SubChapter J Part 300), and follow the format prescribed in the most current Environmental Protection Agency ("EPA") guidance documents

4. By March 31, 2016: submit to ODEQ a Data Gap Analysis prepared by the Consultant, compiling information and data of known site conditions and contamination, and identifying data gaps required to complete the RI/FS.

a. The report should consider earlier reports to the NRC including the Remediation Assessment (Earth Science Consultants, 1993), and subsequent assessments prepared for Fansteel or FMRI, or identified in assessment work by third parties on historically FMRI-owned property, specifically including but not limited to the trichloroethylene-contaminated groundwater recently reported in the Northwest Property Area.

b. The Data Gap Analysis shall include site maps and diagrams showing the locations and the horizontal and lateral boundaries of contaminated media (soil, subsurface soil, groundwater, surface water, sediment, and air, as well as the potential for vapor intrusion

from any volatile chemical in the subsurface soil or groundwater).

c. The Data Gap Analysis shall identify wastes and contamination related to all operations and former operations, including but not limited to:

- i. storage, use and treatment of chemicals and wastes;
- ii. all process areas including an explanation of all industrial processes performed in those areas;
- iii. maintenance and waste management areas for products, ore and wastes, and associated releases; and
- iv. a description of sumps, floor drains, and subsurface reservoirs.

5. After completion of the Data Gap Analysis, submit to ODEQ for approval a work plan for the RI/FS ("Work Plan"). The RI/FS Work Plan shall include as attachments a Quality Assurance Project Plan ("QAPP"), Sampling and Analysis Plan ("SAP"), Risk Assessment Plan ("RAP"), Community Involvement Plan ("CIP") and Health and Safety Plan ("HSP").

6. FMRI shall not begin field work until ODEQ has either approved the Work Plan or approved the SAP and the QAPP.

7. FMRI shall commence field work within 7 days following ODEQ approval of the Work Plan or the SAP and QAPP, and shall complete all field work within 60 days of the Work Plan approval. All laboratory data shall be submitted to ODEQ within 14 calendar days of receipt.

8. Within 60 days after completing the field work in 5.Q.6 and 5.Q.7, FMRI shall submit to ODEQ a Draft Remedial Investigation Report prepared by the Consultant.

9. Within 30 days of ODEQ approval of the Remedial Investigation Report, FMRI will submit to ODEQ for approval a draft Feasibility Study.

R. The Obligors shall continue to make available Brian Cassady, President and CEO of Fansteel, Robert Compernelle, President of FMRI, James Burgess of FMRI, any Certified Public Accountant employed by either of the Obligors, and any other personnel identified by the United States or ODEQ who are involved with the preparation of financial statements, disbursement of funds, and allocation of money. During the period of this

Forbearance Agreement, the Obligors shall make available to the NRC, DOJ, and ODEQ the appropriate personnel to permit monthly audits of financial records for FMRI, Fansteel, and Fansteel subsidiaries. The monthly audits will typically be scheduled mid-month. Except for the monthly audit and site visits to FMRI's Muskogee site, before making on-site visits to any of the Obligors' locations, the United States and ODEQ will provide at least 14 days' notice to the Obligors regarding the particular persons and the information that the Obligors shall make available during the on-site visit. Such a visit may commence on 14 days' notice at any time following execution of the Forbearance Agreement. The information that the Obligors shall make available for the monthly audits shall include, but not be limited to, all of the financial records of the companies as well as supporting information such as bank statements, invoices, ledgers, and creditor notes. The Obligors shall also make available the financial records of Fansteel and its subsidiaries. These records include all transactions since January 23, 2004, initiated by Fansteel affiliates or FMRI involving the movement of money in each case in an amount greater than or equal to \$25,000 to domestic affiliates, investors, customers, vendors, or entities outside the United States. The limitation involving transactions over \$25,000 applies only to detailed information regarding single transactions, not to periodic statements, such as monthly or quarterly bank statements or ledgers, that may include information related to transactions of less than \$25,000. Nothing in this paragraph precludes the NRC and ODEQ from performing their statutory health and safety functions.

S. If any party to this Forbearance Agreement receives information indicating the existence at the Muskogee Site of a present, imminent, and substantial endangerment to human health or safety or to the environment, the discovering entity shall immediately contact the other parties to this Forbearance Agreement. Within 5 days after notice is made, FMRI will submit to ODEQ a work plan to mitigate or remove the threatening condition. After ODEQ approves the submitted work plan, FMRI will immediately implement the work plan.

6. Representations and Warranties of the Parties. The Obligors, DOJ, NRC, and ODEQ hereby make the following representations and warranties to each other, each of which shall be true and correct in all material respects as of the date of the execution of this Agreement. The Obligors, the DOJ, NRC, and ODEQ each acknowledge that their execution of this Agreement and the consummation of the transactions contemplated herein have been and will be made in material reliance by the other party on such representations and warranties.

A. Authority. The Obligors are duly formed, validly existing, qualified to do business, and in good standing under the laws of the States of Iowa (with respect to Fansteel) and Oklahoma (with respect to FMRI). This Agreement and all documents executed by the Obligors, the DOJ, NRC, and ODEQ in connection herewith are, or upon the execution thereof will be, valid and binding upon them, subject to bankruptcy, insolvency, reorganization, moratorium or similar laws, or by equitable principles relating to or limiting the rights of creditors generally.

B. Decision to Enter into Agreement. This Agreement referred to herein or related hereto are and will be entered into without force or duress, of the free will of the Obligors, the DOJ, NRC, and ODEQ. The decision of the Obligors, the DOJ, NRC, and ODEQ to enter into this Agreement and the documents referred to herein or related hereto is a fully informed decision, and the Obligors, the DOJ, NRC, and ODEQ are aware of all legal and other ramifications of such decision.

C. Advice of Legal Counsel and Accountants. The Obligors have consulted with and have been represented by legal counsel and accountants of their own choice in connection with the meaning, interpretation, negotiation, drafting, and effect of this Agreement and all of the related documents. The Obligors have taken all of the independent advice they have received in connection therewith into consideration in their decision to enter into and perform their obligations under this Agreement and the related documents.

D. No Reliance. Neither the Obligors, the DOJ, NRC, nor ODEQ has made to the other party any express or implied representations or warranties of any type, whether oral or written, regarding any of the transactions contemplated by this Agreement. There are no other express or implied representations or warranties by the Obligors, the DOJ, NRC, or ODEQ under or in connection with this Agreement, and none of the parties hereto has relied on any oral or written statements of the other except for written covenants expressly contained herein and in the Funding Documents.

7. No Waivers or Modifications. Nothing contained herein or in any previous, present, or subsequent correspondence, communications, discussions, or negotiations between the Obligors, the DOJ, NRC, and/or ODEQ shall in any way limit or prejudice or constitute a waiver, modification, discharge, or surrender of any of the rights and remedies of the Obligors, the DOJ, NRC, or ODEQ hereunder or under the Funding Documents or at law or equity, or an extension, amendment, or modification of the Funding Documents or any of the terms, provisions, covenants, and conditions thereof, except to the extent specifically stated herein or in a written agreement duly executed by the parties hereto.

8. Notices. Any notices required to be given hereunder must be in writing and may be served in person or by overnight mail upon the respective parties as follows (or to such other addresses as may hereafter be designated):

if to Fansteel:

Brian Cassady, President and CEO
Fansteel, Inc.
1746 Commerce Road
Creston, Iowa 50801

if to FMRI:

Robert Compernelle, President
FMRI, Inc.
Number 10 Tantalum Place
Muskogee, Oklahoma 74403

with a copy to:

Jeffrey S. Sabin, Attorney
Venable LLP
1270 Avenue of the Americas # 25
New York, New York 10020

if to the DOJ:

Richard M. Gladstein, Senior Counsel
Environmental Enforcement Section
Environment and Natural Resources Division
United States Department of Justice
P.O. Box 7611
Washington, D.C. 20044

if to the NRC:

John (Jack) Hayes, Project Manager
U.S. Nuclear Regulatory Commission
Mail Stop T-8-F5
Washington, DC 20555-0001

if to ODEQ:

Pamela Brown Dizikes, Attorney
Office of the General Counsel
Oklahoma Department of Environmental Quality
707 North Robinson
Oklahoma City, Oklahoma 73101-1677

9. Termination. Subject to Section 3 hereof, DOJ, NRC, and/or ODEQ may terminate this Forbearance Agreement if the DOJ, NRC, or ODEQ determine, at their discretion, that Fansteel or FMRI have failed to comply with the terms of this Agreement. Further, DOJ, NRC, and/or ODEQ may terminate this Forbearance Agreement if the Obligor fails to provide the Documents discussed in Paragraph 4, or fail to satisfy any of the Conditions outlined in Paragraph 5.

10. Miscellaneous. This Agreement may not be amended, modified, or otherwise changed except in a writing signed by all of the parties hereto. Amendment requests must be made in good faith and at least 30 days or as soon as practicable in advance of an anticipated breach to avoid breaching a Condition in this Agreement. In the event any one or more of the provisions of this Agreement shall for any reason be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective legal representatives, heirs, successors, and assigns. Nothing in this Agreement, express or implied, is intended to confer on any person other than the parties hereto, or their respective legal representatives, heirs, successors, and assigns, any rights, remedies, obligations, or liabilities. This Agreement may be executed in separate counterparts which, together, shall constitute one and the same fully executed Agreement. This Agreement sets forth the entire understanding of the parties with respect to the subject matter of this Agreement. No party has made to any other party, with respect to the subject matter of this Agreement, any representation or warranty, oral or written, express or implied, in fact or by law, except as set forth in this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the day and year first above written.

FANSTEEL, INC.

By:  _____

Name: Brian Cassady, President and Chief Executive Officer

FMRI, INC.

By:  _____

Name: Robert Compeinolle, President

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the day and year first above written.

**U.S. DEPARTMENT OF JUSTICE, ENVIRONMENT AND
NATURAL RESOURCES DIVISION, ENVIRONMENTAL
ENFORCEMENT SECTION**

By: Richard Gladstein

Name: Richard M. Gladstein, Senior Counsel

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the day and year first above written.

NUCLEAR REGULATORY COMMISSION

By: Andrew Persinko

Name: Andrew Persinko, Deputy Director

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the day and year first above written.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL
QUALITY**

By: 

Name: Scott A. Thompson, Executive Director