

Michael J. Mocniak
Vice President, General Counsel
and Secretary

Fansteel

number one taritakum place north chicago, illinois 60064 phone (708) 689-4900

December 11, 1990

Mr. Charles J. Haughney
Branch Chief, Fuel Cycle Safety Branch
Office of Nuclear Material, Safety and Safeguard
U.S. Nuclear Regulatory Commission
One Whiteflint North, 6-H-3
11555 Rockville Pike
Rockville, Maryland 20852

Dear Mr. Haughney:

Enclosed is a copy of the Standby Trust Agreement in
relation to Fansteel Inc.'s U.S. Nuclear Regulatory
Commission License No. SMB-911.

If you have any questions, please contact me.

Very truly yours,

FANSTEEL INC.

M. J. Mocniak

M. J. Mocniak
MJM:jjt
Enclosure

cc: R. M. McEntee - Fansteel/North Chicago, IL
J. J. Hunter - Fansteel/Muskogee, OK

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STANDBY TRUST AGREEMENT

The Trust Agreement is entered into as of August 8, 1990 by and between Fansteel, Inc. a Delaware corporation, herein referred to as the "Grantor," and Bank of Northern Illinois, N.A. as trustee under trust no. 3218 and not individually, of 1 South Genesee Street, Waukegan, Illinois, the "Trustee."

WHEREAS, the U.S. Nuclear Regulatory Commission (NRC), an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 40. These regulations, applicable to the Grantor, require that a holder of, or an applicant for, a Part 30, 40, 70 or 72 license provide assurance that funds will be available when needed for required decommissioning activities.

WHEREAS, the Grantor has elected to use a letter of credit to provide all of such financial assurance for the facilities identified herein; and

WHEREAS, when payment is made under a letter of credit, this standby trust shall be used for the deposit of such payment; and

WHEREAS, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this Agreement, and the Trustee is willing to act as trustee,

NOW, THEREFORE, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

- (a) The term "Grantor" means the NRC licensee who enters into this Agreement and any successors or assigns of the Grantor.
- (b) The term "Trustee" means the Trustee who enters into this Agreement and any successor Trustee.

Section 2. Costs of Decommissioning. This Agreement pertains to the costs of decommissioning the materials and activities identified in License Number SMB-911 issued pursuant to 10 CFR Part. 40

Section 3. Establishment of Fund. The Grantor hereby establishes a standby trust fund for the benefit of the NRC. Trustee hereby agrees to hold said Fund IN TRUST and to administer said Fund in accordance with the terms hereof. The

Grantor and the Trustee intend that no third party have access to the Fund except as provided herein.

Section 4. Payments Constituting the Fund. Payments made to the Trustee for the Fund shall consist of proceeds of the letter of credit in the initial face value of \$750,000.00. Such property and any other property subsequently transferred to the Trustee are referred to as the "Fund," together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount of, or adequacy of the Fund, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by the NRC.

Section 5. Payment for Required Activities Specified in the Plan. The Trustee shall make payments from the Fund to the Grantor upon presentation to the Trustee of the following:

- (a) A certificate duly executed by the Secretary of the Depositor in the form set forth in the attached Exhibit A: Specimen Certificate, and
- (b) A certificate that states:
 - (1) that decommissioning is proceeding pursuant to an NRC-approved plan,
 - (2) that the funds withdrawn will be expended for activities undertaken pursuant to that Plan, and
 - (3) that the NRC has been given 30 days' prior notice of Fansteel, Inc.'s intent to withdraw funds from the escrow fund.

No withdrawal from the fund can exceed 30% of the outstanding balance of the Fund or two hundred fifty thousand and no/100 dollars (\$250,000.00), whichever is greater, unless NRC approval is attached.

In the event of the Grantor's default or inability to direct decommissioning activities, which default or inability shall be conclusively evidenced to the Trustee by a sworn affidavit made by a person purporting to be an authorized representative of the NRC stating that Grantor has been notified by NRC of such default or inability and has failed to remedy such default or inability, the Trustee shall make such payments from the Fund as the NRC shall direct, in writing, to provide for the payment of the costs of required activities covered by this Agreement. The Trustee shall have no liability for any action based on any such affidavit reasonably believed by Trustee to be made with authority. The Trustee shall reimburse the Grantor or other

persons as specified by the NRC, from the Fund for expenditures in such amounts as the NRC shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the NRC specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 6. Trust Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this section. All investments made at Grantor's direction shall be deemed prudent per se. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge its duties with respect to the Fund solely in the interest of the Grantor and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

- (a) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended (15 U.S.C. 80a-2(a)), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government;
- (b) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the Federal government; and
- (c) For a reasonable time, not to exceed 60 days, the Trustee is authorized to hold uninvested cash, awaiting investment or distribution, without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

- (a) To transfer from time to time any or all of the assets of the fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and
- (b) To purchase shares in any investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.), including one that may be created, managed, underwritten, or to which investment advise is

rendered, or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustee. Without in any way limiting the powers and discretion conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

- (a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale, as necessary for prudent management of the Fund;
- (b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;
- (c) To register any securities held in the Fund in its own name, or in the name of a nominee, and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, to reinvest interest payments and funds from matured and redeemed instruments, to file proper forms concerning securities held in the Fund in a timely fashion with appropriate government agencies, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee or such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the U.S. Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;
- (d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal government; and
- (e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all

brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Annual Valuation. After payment has been made into this standby trust fund, the Trustee shall annually, at least 30 days before the anniversary date of receipt of payment into the standby trust fund, furnish to the Grantor and to the NRC a statement confirming the value of the Trust. Any securities in the Fund shall be valued at market value as of no more than 60 days before the anniversary date of the establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and the NRC shall constitute a conclusively binding assent by the Grantor, barring the Grantor from asserting any claim or liability against the Trustee with respect to the matters disclosed in the statement.

Section 11. Advice of Counsel. The Trustee may from time to time consult with counsel with respect to any question arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting on the advice of counsel.

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as set forth in Exhibit B.

Section 13. Successor Trustee. Upon 90 days notice to the NRC, the Trustee may resign; upon 90 days notice to the NRC and the Trustee, the Grantor may replace the Trustee. The successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor Trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor Trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions. The successor Trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this section shall be paid as provided in Section 9.

Section 14. Instructions to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in

writing, signed by such persons as are signatories to this agreement or such other designees as the Grantor may designate in writing. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. If the NRC issues orders, requests, or instructions to the Trustee these shall be in writing, signed by the NRC, or their designees, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor, the NRC, hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instruction from the Grantor and/or the NRC, except as provided for herein.

Section 15. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee and the NRC, or by the Trustee and the NRC if the Grantor ceases to exist.

Section 16. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 15, this trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee, and the NRC or by the Trustee and the NRC if the Grantor ceases to exist. Upon termination of the trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor or its successor.

Section 17. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this trust, or in carrying out any directions by the Grantor or the NRC, issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the trust fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 18. This Agreement shall be administered, and enforced according to the laws of the State of Illinois.

Section 19. Interpretation and Severability. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement. If any part of this Agreement is invalid, it shall not affect the remaining provisions which will remain valid and enforceable.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by the respective officers duly authorized and the corporate seals to be hereunto affixed and attested as of the date first written above.

ATTEST: R.M. McEntee
R. M. McEntee
Its: Assistant Secretary,
Treasurer and Manager
of Corporate Accounting

ATTEST: Mary Samanif
Its: ASSISTANT VICE PRES

Fansteel, Inc.
By: M. J. Mocniak
Its: Vice President, Secretary and
General Counsel

Bank of Northern Illinois, N.A.,
as trustee aforesaid and not
individually

By: [Signature]
Its: ASSISTANT TRUST OFFICER

[Title]
[Seal]

ACKNOWLEDGEMENT

STATE OF ILLINOIS)
)
CITY OF WAUKEGAN)
COUNTY OF LAKE)

On this 8th day of August, 1990, before me, a notary public in and for the city and State aforesaid, personally appeared CATHERINE DIANCALANA, and she/he did depose and say that she/he is the ASSISTANT TRUST OFFICER of Bank of Northern Illinois, N.A., national banking association, as Trustee under trust no. 3218, and not individually, which executed the above instrument, that she/he knows the seal of said association; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the association; and that she/he signed her/his name thereto by like order.

Erma M. Clinkscales

Notary Public

"OFFICIAL SEAL"
ERMA M. CLINKSCALES
Notary Public, State of Illinois
My Commission Expires 7/25/93

My commission expires: _____

EXHIBIT A: Specimen Certificate

Bank of Northern Illinois, N.A.
One South Genesee Street
Waukegan, Illinois 60085

Attention: Trust Division

Re: Trust No. 3218

Gentlemen:

In accordance with the terms of the Agreement with you dated August 8, 1990, I, _____, secretary of Fansteel, Inc. hereby certify that the following events have occurred:

1. Fansteel, Inc. is required to commence the decommissioning of its facility located at _____ (hereinafter called the decommissioning).
2. The plans and procedures for the commencement and conduct of the decommissioning have been approved by the United State Nuclear Regulatory Commission, or its successor, on _____ (copy of approval attached).
3. The Board of Directors of Fansteel, Inc. has adopted the attached resolution authorizing the commencement of the decommissioning.

Secretary of Fansteel, Inc.

Date: _____

Exhibit A, Page 2

Certificate of Resolution

I, _____, do hereby certify that I am Secretary of Fansteel, Inc., a _____ corporation, and that the resolution listed below was duly adopted at a meeting of this Corporation's Board of Directors on _____, 19____.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal of this Corporation this ____ day of _____, 19____.

Secretary of Fansteel, Inc.

RESOLVED, that this Board of Directors hereby authorizes the President, or such other employee of the Company as he may designate, to commence decommissioning activities at _____ in accordance with the terms and conditions described to this Board of Directors at this meeting and with such other terms and conditions as the President shall approve with and upon the advice of Counsel.

EXHIBIT B: Trustee's Fees

In addition to the fees and expenses of Trustee provided for in the Trust Agreement, the Trustee's annual maintenance fee for the first year ending August 8, 1991 shall be \$750.00 payable in advance upon acceptance hereof. Thereafter, said fee shall be charged in accordance with the then current schedule of Trustee's fees on the 8th day of August of each succeeding year until the Trust is terminated. All such fees are payable in advance of the year for which the fee is incurred. The full year's fee shall be deemed earned when paid. Copies of the schedule of current trust fees may be obtained from the trust department of Bank of Northern Illinois, N.A. at 1 South Genesee Street, Waukegan, Illinois 60085.

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