

ATTACHMENT C – Standby Trust Agreement

The Pennsylvania State University submits for the NRC's review and approval the attached Standby Trust Agreement for decommissioning funding assurance for the Breazeale Nuclear Reactor license R-2 and the special nuclear materials license SNM-95. The Standby Trust Agreement substantially conforms to the model agreement provided by the NRC in NUREG-1757, Vol. 3 (Rev. 1), "Consolidated Decommissioning Guidance: Financial Assurance, Recordkeeping, and Timeliness" (NUREG-1757), with some additions and changes that otherwise comply with the NRC regulations and guidance provided in NUREG-1757.

The changes in the Standby Trust Agreement are designed to provide additional clarification or incorporate typical market provisions agreed to with the trustee that generally enhance the assurance for The Pennsylvania State University and the trustee. The modifications are intended to accomplish the following: (1) to provide for updating decommissioning cost estimates reflected in Schedule A (see Section 2); (2) to eliminate the trustee's investment discretion and in lieu thereof provide the trustee with a list of permitted investments (see Section 6); (3) to add a waiver of consequential and similar damages and a force majeure provision (see Section 17); and (4) to make stylistic and administrative changes for clarification.

Please note that the following is an advance copy of the standby trust agreement. The original version will be sent under separate cover.

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement is entered into as of December ~~28~~, 2013, by and between The Pennsylvania State University, a nonprofit university organized under the laws of the Commonwealth of Pennsylvania, herein referred to as the "Grantor," and Bank of New York Mellon, 101 Barclay Street, New York, NY 10286, 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*, Parts 50 and 70. These regulations, applicable to the Grantor, require that a holder of, or an applicant for, licenses issued pursuant to 10 CFR Parts 50 and 70 provide assurance that funds will be available when needed for required decommissioning activities; and

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

WHEREAS, when payment is made under a self guarantee, this standby trust shall be used for the receipt 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 Numbers R-2 and SNM-95 issued pursuant to 10 CFR Parts 50 and 70, as shown in Schedule A. Notwithstanding the provisions of Section 15 herein, Schedule A may be amended unilaterally by Grantor from time to time to increase the cost estimates thereon; provided that no such increase shall exceed more than ten (10) percent on an annual basis except upon amendment of this Agreement pursuant to Section 15 hereof.

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a trust fund (the Fund) for the benefit of NRC. The Grantor and the Trustee intend that no third party shall have access to the Fund except as provided herein.

shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government.

Section 7. Commingling and Investment. To the extent authorized in writing by the Grantor, the Trustee may:

(a) 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) 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 advice is rendered, or the shares of which are sold by the Trustee.

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 to allow duly authorized withdrawals pursuant to Section 5 above or to reinvest in securities at the direction of the Grantor;

(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; and

(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.

protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. If NRC issues orders, requests, or instructions to the Trustee these shall be in writing, signed by NRC or its 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 or NRC hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from the Grantor and/or 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 and the Trustee, and approved by NRC, or by the Trustee and NRC if the Grantor ceases to exist. All amendments shall meet the relevant regulatory requirements of NRC.

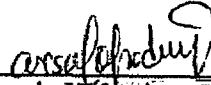
Section 16. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 15, this trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor and the Trustee, and approved by NRC, or by the Trustee and NRC 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; Limitation of Liability. The Trustee shall not incur personal liability of any nature in connection with any act or omission in the administration of this trust or in carrying out any directions by the Grantor or 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. In no event shall the Trustee be liable under or in connection with the Agreement for indirect, special, incidental, punitive or consequential losses or damages of any kind whatsoever, including but not limited to lost profits, whether or not foreseeable, even if the Trustee, has been advised of the possibility thereof and regardless of the form of action in which such damages are sought. The Trustee shall not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of Trustee, including, but not limited to, any act of God or war or terrorism, accidents, labor disputes, loss or malfunction of utilities or computer software or hardware, or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility.


Section 18. Governing Law. This Agreement shall be administered, construed, and enforced according to the laws of the Commonwealth of Pennsylvania.

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.

Bank of New York Mellon
101 Barclay Street
New York, NY 10286



Arsala Kidwai
Vice President

ATTEST: 
[Title] THOMAS HACKER
[Seal] VICE PRESIDENT

Schedule A

This Agreement demonstrates financial assurance for the following cost estimates or prescribed amounts for the following licensed activities:

<u>U.S. NUCLEAR REGULATORY COMMISSION LICENSE NUMBERS</u>	<u>NAME AND ADDRESS OF LICENSE</u>	<u>ADDRESS OF LICENSED ACTIVITY</u>	<u>2013 COST ESTIMATES FOR REGULATORY ASSURANCES DEMONSTRATED BY THIS AGREEMENT</u>
R-2	The Pennsylvania State University	Radiation Science and Engineering Center Breazeale Nuclear Reactor Pennsylvania State University University Park, PA 16802	\$12,825,044
SNM-95	The Pennsylvania State University	Radiation Science and Engineering Center Breazeale Nuclear Reactor Pennsylvania State University University Park, PA 16802	\$285,421
PA-0100	The Pennsylvania State University	The Pennsylvania State University University Park, PA 16802	\$2,844,564
PA-0127	The Pennsylvania State University	The Milton S. Hershey Medical Center Hershey, PA 17033	\$2,829,741
PA-0127A	The Pennsylvania State University	The Milton S. Hershey Medical Center Hershey, PA 17033	\$364,498
	25% contingency fund		\$4,797,316
			\$23,986,584

The cost estimates listed here were completely revised in December 2013 in compliance with new regulations and recommendations and utilizes the best available date of such costs. Estimated costs are reviewed annually and adjusted as needed to remain current. The complete decommissioning funding plan is revised every three years in compliance with regulations.

Schedule B

AS EVIDENCED BY SELF GUARANTEE
NONE

Schedule D

Grantor Investment Policies and Guidelines

Any moneys to the credit of the Fund may be invested by the Trustee, upon the written request of the Treasurer, the Corporate Controller, the Associate Treasurer or Assistant Treasurer of the Grantor, in any of the following, to the extent permitted by law ("Qualified Investments"); provided, however, that the Grantor may not instruct the Trustee to invest in securities or other obligations of The Pennsylvania State University or any owner or operator of any nuclear power reactor or their affiliates, subsidiaries, successors, or assigns, unless they are securities or other obligations of the Federal or a State government.

(i) direct obligations of the United States of America and obligations on which the timely payment of principal and interest is fully and unconditionally guaranteed by the United States of America ("Government Securities");

(ii) stripped securities where the principal-only and interest-only strips of non-callable obligations are issued by the U.S. Treasury and REFCORP Securities stripped by the Federal Reserve Bank of New York;

(iii) direct obligations of any agency or instrumentality of the United States of America including, without limitation, the Federal Home Loan Bank System, Federal National Mortgage Association, Export-Import Bank of the United States, Federal Land Bank and Government National Mortgage Association;

(iv) deposits, demand deposits, time deposits, trust deposits, trust funds, trust accounts, federal funds, certificates of deposits, including those placed by a third party pursuant to an agreement between the Trustee and the Grantor, interest-bearing deposits or bankers' acceptances of any bank, including the Trustee or any of its affiliates which (A) has an unsecured, uninsured and unguaranteed long- or short term obligation rated by either or both of Standard & Poor's Rating Services, a Division of The McGraw-Hill Companies or Moody's Investors Service (each a "Rating Agency at the time the investment is made with a minimum rating equivalent to S&P or Moody's BBB or better ("Investment Grade")), or (B) is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting the rating requirements in (A) above;

(v) deposits, demand deposits, time deposits, trust deposits, trust accounts, federal funds, certificates of deposits, including those placed by a third party pursuant to an agreement between the Trustee and the Grantor and interest-bearing deposits of any bank or savings and loan association, including the Trustee or any of its affiliates, which has combined capital, surplus and individual profits of at least \$100,000,000, provided such deposits are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation;

(vi) repurchase agreements, if the provider of any such repurchase agreement, which may include the Trustee or any of its affiliates, has, or if the parent corporation of such provider has, an uninsured, unsecured and unguaranteed obligation rated by the Rating Agency at the time the investment is made as Investment Grade;

Nothing herein contained shall preclude the deposit of moneys held by the Trustee, at the written request of the Treasurer, the Corporate Controller, the Associate Treasurer or Assistant Treasurer of the Grantor, in demand deposits, savings accounts, money market accounts, interest bearing time accounts, certificates of deposit or other bank accounts of the Trustee or its affiliates of any Authorized Depositary with a combined capital and surplus of at least \$100,000,000 approved by the Grantor; provided, however, the Grantor shall ensure that such deposits shall be maintained in the United States of America and not in foreign offices, branches or banks, and any bank or trust company in which moneys are so deposited must be subject to periodic examination or audit by Federal or state authorities. Such deposits shall be insured or secured as required by the applicable laws and regulations pertaining hereto.

Specimen Certificate of Resolution

I, _____, do hereby certify that I am Secretary of The Pennsylvania State University, a Pennsylvania corporation and that the resolution listed below was duly adopted at a meeting of this company's Board of Directors on _____, 20 .

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal of this Corporation this day of _____, 20 .

Secretary

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 The Pennsylvania State University 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.