



**North
Atlantic**

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The Northeast Utilities System

August 29, 2002

Docket No. 50-443
[NYN-02085](#)

United States Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, D.C. 20555-0001

Seabrook Station
Supplemental Information to Support the Application
for Order and Conforming Amendments for License Transfer

By letter dated May 17, 2002, North Atlantic Energy Service Corporation (“NAESCO”), on its own behalf and on behalf of certain selling owners – North Atlantic Energy Corporation, The United Illuminating Company, Great Bay Power Corporation, New England Power Company, The Connecticut Light and Power Company, Canal Electric Company, Little Bay Power Corporation, and New Hampshire Electric Cooperative, Inc. (collectively, the “Selling Owners”) – and FPL Energy Seabrook, LLC (“FPLE Seabrook”) submitted an application to the Nuclear Regulatory Commission (“NRC”) for an order consenting to the transfer of Operating License No. NPF-86 for Seabrook Station, Unit 1. The application states that the decommissioning funds transferred to FPLE Seabrook at closing will be held in external trust funds segregated from FPLE Seabrook and outside its administrative control, and that investment of these funds will be managed in accordance with applicable requirements.

Enclosed for your information is a copy of the Master Trust Agreement that will govern FPLE Seabrook’s decommissioning funds at and after the closing, as well as the funds of the non-selling owners. At closing, FPLE Seabrook will assume the responsibility of Managing Agent under this agreement. As the current licensee of Seabrook Station, this information is being forwarded by NAESCO on behalf of FPLE Seabrook.

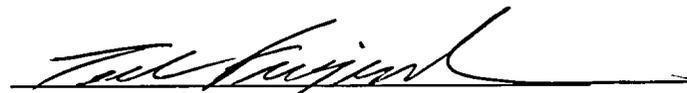
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The Master Trust Agreement includes the terms that are expected to be required by the NRC in its order consenting to the transfer of the operating license. Section 2.03 provides that the Master Trust Agreement shall not be amended in any material respect without 30 days prior written notification by the Managing Agent to the NRC Director, Office of Nuclear Reactor Regulation. Section 4.03 provides that no disbursements or payments from the trusts (except for ordinary administrative expenses) shall be made by the Trustee until the Trustee has first given the NRC Director, Office of Nuclear Reactor Regulation 30 days' prior written notice of payment, and no disbursement from the trusts (except for ordinary administrative expenses) shall be made if the Trustee receives prior written notice of objection from the NRC. Section 12.10 provides that the Trustee, the Investment Consultant, or anyone else directing the investments made in the trusts shall adhere to the "Prudent Investor" standard, as specified in 18 CFR 35.32(a)(3) of the FERC regulations. Exhibit B to the Trust (Investment Guidelines) prohibits investment in the securities of a company that has direct or indirect ownership in a nuclear facility; with the qualification that this restriction does not apply to investments tied to market indexes or other non-nuclear sector mutual funds. Exhibit B to the Trust also prohibits investment in securities or other obligations of FPL Group, Inc., or its affiliates, successors or assigns.

Should you have any further questions pertaining to this matter, please contact Mr. James M. Peschel, Manager - Regulatory Programs at (603) 773-7194.

Very truly yours,

NORTH ATLANTIC ENERGY SERVICE CORP.



Ted C. Feigenbaum
Executive Vice President
and Chief Nuclear Officer

cc:

H. J. Miller, NRC Region 1 Administrator
R. D. Starkey, NRC Project Manager, Project Directorate I -2
G. F. Dentel, NRC Senior Resident Inspector

Enclosure to NYN-02085

AMENDED AND RESTATED
SEABROOK NUCLEAR DECOMMISSIONING FINANCING FUND
MASTER TRUST AGREEMENT

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SCHEDULE OF EXHIBITS

- Exhibit A: Ownership Shares of the Seabrook Participants
- Exhibit B: Investment Guidelines

SEABROOK NUCLEAR DECOMMISSIONING FINANCING FUND

AMENDED AND RESTATED

MASTER TRUST AGREEMENT

This AMENDED AND RESTATED MASTER TRUST AGREEMENT, originally dated as of October 11, 1988, amended on May 1, 1991, and amended and restated on [insert date], is made between NORTH ATLANTIC ENERGY SERVICE CORPORATION (together with its duly appointed replacements, hereinafter called the "Managing Agent"), as agent, Citizens Bank of New Hampshire, a New Hampshire corporation (together with its successor or successors, hereinafter called the "Trustee"), and the TREASURER OF THE STATE OF NEW HAMPSHIRE (together with her duly elected successors, hereinafter called the "State Treasurer"), and solely in its capacity as guarantor as hereinafter set forth, [insert], the sole stockholder of Trustee. This Master Trust Agreement and all obligations of the parties hereunder shall become effective on the date of execution or the date of approval by the Governor and Council of the State of New Hampshire, whichever is later.

WHEREAS, the Managing Agent desires to amend and restate this Master Trust Agreement to reflect certain changes in applicable law and certain conditions that might apply upon transfers of interests in the Unit, as defined in Section 1.01;

WHEREAS, the Managing Agent is acting as agent for the "Seabrook Participants", as defined in Section 1.01 and listed in Exhibit A, who are the joint owners and licensees of the Unit, as defined in Section 1.01;

WHEREAS, rules and regulations of the United States Nuclear Regulatory Commission (hereinafter referred to, together with its successor governmental agency or agencies, as the "NRC") impose upon each licensee responsibility for payment of costs of permanent shutdown of the Unit and maintenance of such facility in a safe condition after said shutdown;

WHEREAS, New Hampshire Revised Statutes Annotated ("NHRSA") § 162-F:19 mandates the creation of a "nuclear decommissioning financing fund" for each nuclear electric generating facility in the State;

WHEREAS, NHRSA § 162-F:20 provides that the State Treasurer shall administer each fund established pursuant to NHRSA § 162-F:19;

WHEREAS, the Seabrook Participants are parties to an agreement entitled "Agreement for Joint Ownership, Construction and Operation of New Hampshire Nuclear Units", made as of May 1, 1973, as heretofore amended by twenty-four amendments (said agreement, as it may be further amended, being called the "Joint Ownership Agreement");

WHEREAS, NHRSA § 162-F:19(II) obligates each of the Seabrook Participants to pay to the Managing Agent such Participant's share of the "Decommissioning Financing Fund payments" related to the Unit, and provides that such money shall be held in a "nuclear decommissioning financing fund" pursuant to NHRSA § 162-F;

WHEREAS, the Managing Agent desires to establish or continue independent trusts to comply with NHRSA § 162-F:19 and to assure the financial ability of the Seabrook Participants to meet their obligations to the NRC, other governmental bodies, and the general public in connection with decommissioning the Unit, such trusts to hold all payments made to them and any earnings thereon (net of administration expenses and income taxes as provided herein) solely for the purpose of meeting such decommissioning expenses and only thereafter for the benefit of the Seabrook Participants (subject to the obligation to make customer refunds as provided in NHRSA § 162-F:21-b(ii)(c) or other applicable state or federal law);

WHEREAS, certain of such trusts are being established or continued to comply with the requirements for nuclear decommissioning reserve funds set forth in Section 468A of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, all conditions and requirements necessary to make this Master Trust Agreement a valid and legal instrument, in accordance with its terms and for the purposes herein expressed, have been performed and fulfilled and the execution and delivery hereof have been duly authorized.

NOW, THEREFORE, the Managing Agent on behalf of the Participants hereby transfers the sum of One Dollar to the Trustee and the Trustee acknowledges receipt thereof and does by these presents agree, on behalf of itself and its successor or successors in trust, subject to the administrative responsibilities of the State Treasurer described herein, to hold all property and rights conveyed to it upon the trusts and subject to the conditions herein set forth, viz.:

ARTICLE I

Definitions

Section 1.01. Defined Terms. For all purposes of this Master Trust Agreement, unless the context otherwise specifies or requires:

A. "Decommissioning Costs" shall mean all costs and expenses related to decommissioning and removing the Unit from service and maintaining and restoring the Unit's site, including all such costs described in NHRSA § 162-F:14(II).

B. "Decommissioning Financing Fund Payment Schedule" shall mean the monthly payment schedule established by the Financing Committee pursuant to NHRSA § 162-F:19.

C. "Financing Committee" shall mean the "nuclear decommissioning financing committee" created with respect to the Unit pursuant to NHRSA § 162-F:15.

D. "Fund Manager(s)" shall mean the entity or entities described in Section 8.01 hereof.

E. "Investment Consultant" shall mean the entity appointed by the Managing Agent pursuant to Section 7.01.

F. "Managing Agent" shall mean North Atlantic Energy Service Corporation or any other entity from time to time appointed to act in that capacity by the Seabrook Participants pursuant to Section 3.02 hereof.

G. "Officer's Certificate" shall mean a certificate of either the Managing Agent or a Seabrook Participant (as the context requires) delivered to the Trustee and signed by the President (or a Vice President), or the Treasurer (or an Assistant Treasurer), or officers with equivalent responsibilities, of such corporation.

H. "Ownership Share" shall mean each Participant's ownership share of the Unit as determined by the Joint Ownership Agreement) (taking into account the prior supplement to this Master Trust Agreement dated as of May 1, 1991), those shares in effect on the date hereof being set forth in Exhibit A hereto.

I. "Seabrook Nuclear Decommissioning Financing Fund" or "Fund" shall mean the "nuclear decommissioning financing fund" created by this Master Trust Agreement pursuant to NHRSA § 162-F:19, and consisting of the trusts identified in Section 2.01 hereof.

J. "Seabrook Participants" or "Participants" shall mean the owners of the Unit (taking into account the prior supplement to this Master Trust Agreement dated as of May 1, 1991), together with their successors, as listed on Exhibit A hereto. "Seabrook Participant" or "Participant" shall mean a single owner of the Unit as the context requires.

K. "State Treasurer" shall mean the duly elected Treasurer of the State of New Hampshire, from time to time in office.

L. "Trust A" and "Trust B" shall mean those trusts described in Section 2.01 hereof.

M. "Unit" shall mean the nuclear electric generating unit and the land presently owned by the Seabrook Participants and located at Seabrook, New Hampshire, known as the Seabrook Nuclear Unit I, as it shall from time to time exist, together with such structures, components and equipment now or hereafter associated therewith which become subject to decommissioning rules, regulations or orders of the NRC or become subject to NHRSA § 162-F.

ARTICLE II

Identification, Nature and Duration of the Trusts

Section 2.01. Identification of Trusts. Two trusts shall be established for each of the Seabrook Participants, a "Trust A" and a "Trust B." Such trusts shall be named collectively the "Seabrook Nuclear Decommissioning Financing Fund." Each of the trusts identified as "Trust A" shall be established on behalf of the Seabrook Participant as a "nuclear decommissioning reserve fund" under Section 468A of the Code and shall be subject to the requirements of Section 468A and the regulations promulgated thereunder. Each of the trusts identified as "Trust B" shall not be subject to the requirements of Section 468A.

Additional trusts may be established hereunder in the event additional entities become obligated by the Joint Ownership Agreement to make payment of a portion of the Decommissioning Costs of the Unit; there shall be an additional "Trust A" and "Trust B" for each such additional entity. The Managing Agent shall also have the right to add additional trusts in the names of one or more of the Seabrook Participants if such additional trusts are required or desirable (in the sole discretion of the Managing Agent) to comply with any law, order, rule or regulation of any governmental body or agency.

Section 2.02. Nature and Purpose. The Seabrook Nuclear Decommissioning Financing Fund is intended to assure provision for payment of all, or as great a portion as possible, of the Decommissioning Costs of the Unit following its final removal from service. Nothing in this Master Trust Agreement shall be interpreted to relieve the individual Seabrook Participants of any obligation, for any liability, claim, demand, debt, right or cause of action, loss, damages, costs or charges which may arise from the insufficiency of the moneys held in one or more of the trusts hereunder to defray fully the Decommissioning Costs of the Unit or any other costs or expenses payable pursuant to this Master Trust Agreement. Subject to the Trustee's obligations, as set forth in this Master Trust Agreement, to hold, invest, reinvest, and disburse the principal and income of the trusts, the Trustee shall be exonerated from any and all liability which may arise from the insufficiency of the moneys held in one or more of the trusts hereunder to defray fully the Decommissioning Costs of the Unit or any other costs or expenses payable pursuant to this Master Trust Agreement.

The trusts hereunder will be independent of the Seabrook Participants, and will constitute vehicles that will hold and disburse, in accordance with the provisions hereof, moneys collected from the Seabrook Participants and dedicated to the purpose of defraying the Decommissioning Costs of the Unit. If, after completion of the decommissioning process for the Unit, it is determined that excess moneys may have been collected or accumulated in one or more trusts pursuant to this Master Trust Agreement, any such excess shall be distributed pursuant to Section 11.02 hereof.

Section 2.03. Duration; Amendment. The term of the within trusts shall extend until the earliest of: (1) the exhaustion of all moneys in the trusts at a time when the Seabrook Participants are under no further obligation to make deposits under the Joint Ownership Agreement, (2) the completion of the decommissioning process for the Unit as evidenced by an appropriate order, license expiration or other act of the NRC and the Financing Committee, (3) notification of the Trustee by the Managing Agent and approval by the State Treasurer of the decision of the Seabrook Participants to have any or all of these trusts merged into other trusts and the transfer of all the moneys in the trusts to such successor trusts, or (4) if these trusts are not exempted from the Rule Against Perpetuities, twenty-one years after the death of the last survivor of a group of individuals living at the creation of such trust, the measuring lives shall be all graduates of the classes of 1987 and 1988 of Harvard College in Cambridge, Massachusetts. It is recognized that, depending upon the amounts accumulated in the trusts and the method or methods of decommissioning the Unit authorized by the NRC and other governmental agencies having jurisdiction, the trusts may extend for an indefinite period.

The trusts are irrevocable; provided, however, the Managing Agent may merge any or all of these trusts into other trusts pursuant to the preceding paragraph, and the Managing Agent

may amend this Master Trust Agreement as may be required, or desirable (in the sole discretion of the Managing Agent), to comply with any law, order, rule or regulation of any governmental body or agency having jurisdiction over (i) the decommissioning of the Unit, (ii) rates received by the Seabrook Participants, (iii) taxes paid by the Seabrook Participants, or (iv) the trusts created by this Master Trust Agreement; subject, however, to the right of the Trustee to decline to enter into any such amendment if, in its opinion, such amendment may not afford adequate protection to the Trustee when the same shall become operative. Specifically, the Managing Agent may amend this Master Trust Agreement to ensure that each Trust A shall satisfy the requirements of Section 468A of the Code. Notwithstanding anything to the contrary in this Master Trust Agreement, the Trustee shall have no obligation to propose any amendment to this Master Trust Agreement to ensure that this Agreement complies with any changes to Section 468A of the Code, and the Trustee shall be exonerated from any and all liability arising from claims that any amendment to this Master Trust Agreement results in a violation of Section 468A of the Code by any Trust A.

Notwithstanding any provision herein to the contrary, as required by the NRC and as applicable to each Seabrook Participant, this Master Trust Agreement shall not be amended in any material respect without 30 days prior written notification by the Managing Agent to the NRC Director, Office of Nuclear Reactor Regulation.

ARTICLE III

The Managing Agent

Section 3.01. Description of Agency. In establishing and continuing the trusts hereunder, the Managing Agent is acting in its capacity as agent for the Seabrook Participants pursuant to the Joint Ownership Agreement. The Managing Agent and its officers, employees and agents shall incur no individual liability in carrying out their duties hereunder. The Trustee and the State Treasurer may rely upon the authority of the Managing Agent to act on behalf of the Seabrook Participants and need not make inquiry to such Seabrook Participants regarding such authority. An Officer's Certificate shall be accepted by the Trustee and the State Treasurer as conclusive evidence of the facts therein stated, and the Trustee and the State Treasurer shall be exonerated for any action taken or omitted to be taken by either of them in good faith reliance thereon. Notwithstanding the foregoing, the Trustee and the State Treasurer may, in their discretion, make inquiry as to such authority or facts.

Section 3.02. Replacement of Managing Agent. North Atlantic Energy Service Corporation shall act as Managing Agent hereunder until such time as it is replaced by the Seabrook Participants. A replacement shall be effected, at any time and from time to time, by delivery to the Trustee and the State Treasurer of a written notification, executed by Seabrook Participants having Ownership Shares in the Unit aggregating at least fifty-one percent (51%), which designates a replacement and the effective date of the replacement, whereupon the replacement shall execute an instrument accepting such appointment and deliver one counterpart to each of the Trustee and the State Treasurer. Thereupon, without further act, such replacement shall become vested with all the rights, powers and duties of the Managing Agent hereunder as

of the date specified. The parties hereto recognize that the Seabrook Participants intend to appoint a Managing Agent hereunder as soon as practicable after all regulatory approvals have been obtained.

ARTICLE IV

Decommissioning Trust Funds

Section 4.01. Deposits to Decommissioning Trusts. All moneys deposited with the Trustee by or at the direction of the Managing Agent pursuant to the provisions hereof, together with income earned thereon, shall be held by the Trustee upon the trusts hereunder. Each of the trusts is held for the same purposes, whether such trust is identified as "Trust A" or "Trust B". The Trustee shall allocate the contributions made on behalf of each Participant between Trust A and Trust B in such amounts and proportions as shall be specified in an Officer's Certificate of the Managing Agent. Such Officer's Certificate shall be delivered by the Managing Agent prior to the first payment to the trusts and shall remain in effect until revoked or amended by a later Officer's Certificate delivered to the Trustee. The Trustee shall be entitled to rely on the allocation of funds between Trust A and Trust B as set forth in the Officer's Certificate and shall be exonerated from all liability for any action or inaction taken in accordance with such certificate. The Managing Agent, at the written direction of one or more individual Participants, may instruct the Trustee to transfer moneys between the Trust A and the Trust B established in such Participant's name, subject to the provisions hereof and such reasonable procedures as the Trustee may prescribe.

Each of the Seabrook Participants is obligated by NHRSA § 162-F:19(II) to make payment of moneys to or as directed by the Managing Agent to be deposited into the trusts created by this Master Trust Agreement in an amount equal to each Participant's share of each payment under the Decommissioning Financing Payment Fund Schedule. The Managing Agent shall provide a copy of the current Decommissioning Financing Payment Fund Schedule to the Trustee [at least annually]. Any change in such schedule by the Financing Committee shall be effective on the date specified by the Financing Committee.

The determination of each Participant's share of each payment due under the Decommissioning Financing Fund Payment Schedule shall be determined by the Financing Committee. Upon any revision of such schedule, the Managing Agent shall submit a revised schedule of payments to the Trustee. In the event a Participant fails to make any required payment to the trusts, the Trustee shall be under no obligation to pursue collection of such amount.

In addition to the minimum payments required to be made pursuant to the Decommissioning Financing Fund Payment Schedule, the Managing Agent may, on behalf of one or more individual Participants, deposit with the Trustee additional moneys to be held in one or more of the trusts established in such Participant's name hereunder in such amounts and proportions as the Managing Agent shall designate.

Notwithstanding the foregoing, no deposit shall be made in any Trust A which a Seabrook Participant has elected to be treated as a nuclear decommissioning reserve fund under

Section 468A of the Code in excess of the amount which is allowable to such Participant as a deduction under said Section 468A. The Trustee may accept the Managing Agent's representation and need not make inquiry to a Seabrook Participant, as to whether any deposit or transfer of funds to a trust made on behalf of such Participant hereunder qualifies for a deduction under Section 468A of the Code and, if so, the amount of such deposit or transfer that is so deductible. The Trustee shall be exonerated from all liability for any action or inaction it may take as a result of the Managing Agent's representation (and a Seabrook Participant's representation, if any) regarding the deductibility under Section 468A of the Code of a deposit or transfer to any Trust A.

Moneys held pursuant to this Master Trust Agreement as part of any trust hereunder shall be applied or paid by the Trustee only in accordance with the provisions of this Article IV.

Section 4.02. Management of Trust Moneys. Subject to Section 8.01, principal and income held in trust under this Master Trust Agreement shall be invested and reinvested by the Trustee, and may be invested without distinction between principal and income. Such investment and reinvestment shall be in accordance with the investment guidelines, attached hereto as Exhibit B, as revised from time to time by the Investment Consultant pursuant to Section 7.02 (any such revision to be delivered to the Trustee, the State Treasurer and the Managing Agent and appropriately identified as a revision to Exhibit B). The Trustee shall hold, invest and disburse funds in each of the trusts identified as Trust A in such a manner that the trust qualifies as a nuclear decommissioning reserve fund under Section 468A of the Code. Notwithstanding the foregoing, the Managing Agent retains the authority to direct the Trustee in writing to invest part or all of the funds in one or more trusts hereunder in (i) securities exempt from federal and/or state taxation, or (ii) any particular security or type of security if such investment is permitted by the investment guidelines. In such case, the Trustee shall be exonerated from any liability incurred as a result of the Managing Agent's written direction.

Each of the trusts hereunder shall constitute a separate and distinct trust, but for convenience of administration the Trustee may, in its discretion and to the extent permitted by Section 468A of the Code, mingle or combine any of the investments or property of said trusts in a common fund or funds in which the contributing trusts shall have undivided proportionate interests, provided that the investment guidelines set forth in Exhibit B as then in effect with respect to each contributing trust are satisfied.

Except as provided in Section 8.01, in investing, reinvesting, exchanging, selling and otherwise managing the trusts, the Trustee shall discharge its duties 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.

Section 4.03. Withdrawal of Trust Moneys.

A. Decommissioning Costs. Upon compliance with the requirements of this paragraph A, moneys held by the Trustee in the trusts hereunder may be withdrawn to pay or make reimbursement of expenditures which constitute Decommissioning Costs of the Unit. Each Participant's share of such withdrawal shall be based on such Participant's Ownership

Share. A Participant's share of the withdrawal shall then be divided between the Trust A and the Trust B established on behalf of the Participant in the ratio that the balance of the Participant's assets in each of Trust A and Trust B on the last day of the previous calendar quarter bears to that Participant's combined balance of the assets in those Trusts A and B on such last day. In appropriate circumstances (as determined in the sole discretion of the Managing Agent), the Managing Agent may provide for a different allocation of the withdrawal between a Participant's Trust A and Trust B. All of the allocation methods shall be set forth on the Officer's Certificate authorizing such withdrawal.

In computing the amounts that may be withdrawn for Decommissioning Costs of the Unit, the gross amount of an expenditure shall be reduced by any refunds, rebates, or other moneys similarly received by the Seabrook Participants or their agents with respect thereto. Any such refund, rebate or similar payment received after the certification of the expenditure or obligation to which it relates, and which has not previously been taken into account shall, at the election of the Managing Agent, be applied within three months after its receipt to reduce the amount of a subsequent withdrawal for Decommissioning Costs from the trusts made under this paragraph or shall be redeposited in the trusts from which the amount was withdrawn.

A withdrawal from the trusts for the purposes described in this paragraph A shall be paid to the Managing Agent upon receipt by the Trustee of an Officer's Certificate of the Managing Agent dated on the date of the withdrawal application:

- (1) stating the total amount to be withdrawn;
- (2) stating that the amount withdrawn will be to pay or make reimbursement of expenditures which constitute Decommissioning Costs of the Unit;
- (3) stating the amount to be withdrawn from each Participant's combined trusts and the method of allocating that amount between a Participant's individual Trust A and Trust B;
- (4) stating that none of such expenditures and obligations have been made the basis of a prior withdrawal under this paragraph;
- (5) stating that any moneys which have previously been withdrawn from the trusts pursuant to this Paragraph A to pay obligations have been expended for the purposes for which they were withdrawn; and
- (6) stating that the State Treasurer has been notified of the withdrawal and that no governmental approval for such withdrawal is necessary or, if at any time the making of withdrawals herefrom becomes subject to the jurisdiction of any governmental agency, stating that such regulatory approval has been obtained and furnishing a copy thereof.

The Trustee shall be exonerated from all liability for any action or inaction taken pursuant to such Officer's Certificate.

Notwithstanding any provision herein to the contrary, as required by the NRC and as applicable to each Seabrook Participant, (1) no disbursements or payments from the trusts (except for ordinary administrative expenses) shall be made by the Trustee until the Trustee has first given the NRC Director, Office of Nuclear Reactor Regulation 30 days' prior written notice of payment, and (2) no disbursement from the trusts (except for ordinary administrative expenses) shall be made if the Trustee receives prior written notice of objection from the NRC Director, Office of Nuclear Reactor Regulation. For purposes of this provision, ordinary administrative expenses include but are not limited to federal, state or local tax on the income or assets of the trust, withdrawal of excess contributions as defined in U.S. Treasury Regulations section 1.468A-5(c)(2)(ii), legal expenses of the trust, accounting expenses, investment and fund management fees and trustee compensation and expenses.

B. Income Taxes. The Trustee may also withdraw moneys from one or more of the trusts hereunder to pay income tax, whether imposed by federal, state or local governments, attributable to the particular trust.

(1) Taxes Imposed at the Trust Level. If an income tax is imposed on one of the Participant's trusts hereunder at the trust (rather than the Participant) level, such tax shall be paid by the Trustee directly to the taxing authorities. The Trustee shall notify the Managing Agent that the tax has been paid through standard reports.

(2) Taxes Imposed at the Participant Level. In the case of one or more of the trusts designated Trust B hereunder, to the extent one or more of the Participants incurs an income tax liability attributable to the income of such Trust B, a withdrawal from Trust B to pay such tax shall be paid to the Participant. Such payment shall be made not more than 14 days prior to the date such Participant is required to file the tax return showing such liability and upon receipt by the Trustee of an Officer's Certificate of such Participant dated on the date of the withdrawal application:

(a) stating the name of the trust in question and the amount to be withdrawn from the trust;

(b) stating the income tax liability of the Participant on whose behalf the withdrawal is being made and the amount of such liability attributable to the income of the Trust B;

(c) stating that any moneys previously withdrawn on behalf of such Participant pursuant to this Paragraph B have been used for the purpose described in this Paragraph B;

(d) stating that no governmental approval for such withdrawal is necessary or, if at any time the making of withdrawals herefrom becomes subject to the jurisdiction of any governmental agency, stating that such regulatory approval has been obtained and furnishing a copy thereof; and

(e) signed by the Managing Agent which signature shall certify only that a copy of the Officer's Certificate has been forwarded to the State Treasurer and shall make no representation as to the other facts set forth in the Certificate.

The Trustee will be exonerated from all liability for any action or inaction taken pursuant to such Officer's Certificate and from any liability with respect to the disposition of any moneys withdrawn for payment of taxes pursuant to this paragraph (2).

C. Administrative Expenses. The Trustee may withdraw money from the trusts hereunder for the reasonable administrative expenses of the trusts including, but not limited to, the Trustee's fees (subject to the provisions of Paragraph E of Section 6.01), the Investment Consultant's fees, the Fund Managers' fees, expenses of the Financing Committee under NHRSA § 162-F:18, and legal expenses.

(1) Expenses Allocated According to Ownership Share. Each Participant's share of a withdrawal of (a) legal expenses incurred in administering the trusts hereunder, (b) expenses of the Financing Committee under NHRSA § 162-F:18, and (c) such other reasonable expenses as the Managing Agent shall designate, shall be based on such Participant's Ownership Share. A Participant's share of the withdrawal shall then be divided between the Trust A and the Trust B established on behalf of the Participant in the ratio that the balance of the Participant's assets in each of the Trust A and Trust B on the last day of the previous calendar quarter bears to that Participant's combined balance of the assets in those Trusts A and B on such last day. In appropriate circumstances (as determined in the sole discretion of the Managing Agent), the Managing Agent may provide for a different allocation of the withdrawal between a Participant's Trust A and Trust B. All of the allocation methods shall be set forth on the Officer's Certificate authorizing such withdrawal. A withdrawal from the trusts for the purposes described in this subsection shall be paid to the Managing Agent upon receipt by the Trustee of an Officer's Certificate of the Managing Agent. This Officer's Certificate shall contain the same information as the Officer's Certificate furnished under Paragraph A of this Section 4.03.

(2) Expenses Allocated According to Trust Balance. Each Participant's share of (a) Trustee's fees, (b) Fund Managers' fees, (c) Investment Consultant's fees, and (d) such other reasonable expenses as the Managing Agent shall designate, shall be allocated among each of the trusts hereunder in the ratio that the balance of the Participant's assets in each of the trusts on the last day of the previous calendar quarter bears to the balance of the assets in all the trusts on such last day. A withdrawal from the trusts for the purposes described in this subsection shall be paid to the Managing Agent upon receipt by the Trustee of an Officer's Certificate of the Managing Agent:

(a) stating the total amount to be withdrawn and the purposes for which the amount is to be used; and

(b) stating the allocation method of the amount to be withdrawn among each of the trusts hereunder.

Notwithstanding (1) and (2) above, a trust shall be allocated those expenses that specifically relate to that particular trust and are properly chargeable directly to such trust.

ARTICLE V

Consolidation, Merger, Conveyance

Section 5.01. The Seabrook Participants May Consolidate or Merge on Certain Terms. Nothing in this Master Trust Agreement shall be interpreted to prevent any consolidation or merger of any of the Seabrook Participants with, or into, any other entity or entities, or the conveyance or transfer of any of their respective rights, title and interest in the Unit and/or the trusts hereunder to any other entity or entities. Upon the sale or other transfer of all or part of a Participant's interest in the Unit, moneys in the trusts hereunder established on behalf of the transferor Participant which relate to the transferred interest shall be transferred to successor trusts established on behalf of the transferee Participant. The State Treasurer shall approve such transfer provided the successor trusts are subject to the terms of this Master Trust Agreement.

Section 5.02. Other Successors. Nothing in this Master Trust Agreement shall be interpreted to prevent any of the Seabrook Participants from transferring their respective rights, title and interest in, and their obligations with respect to, the Unit and/or the trusts hereunder to any agent, representative, authority, agency, commission or other entity or entities, authorized by applicable state and federal statutes or regulations to assume responsibility for the decommissioning of nuclear facilities.

ARTICLE VI

The Trustee

Section 6.01. Acceptance of Trusts; Certain Terms of the Trusts. The Trustee, for itself and its successors, hereby accepts the trusts created by this Master Trust Agreement and agrees to perform the same, but only upon the terms expressly herein set forth, including the following:

A. The Trustee makes no representations as to the value or condition of the trusts (or any part thereof) to achieve the purposes of this Master Trust Agreement and the trusts created herein.

B. The Trustee shall be exonerated from any and all liability arising with respect to the disposition of any moneys duly paid to the Managing Agent or others under any provision hereof.

C. The Trustee may perform any duty hereunder either directly or through its agents or attorneys.

D. The Trustee may, as an expense of administering the trusts, consult with legal counsel to be selected by it (who may be counsel for the Managing Agent or any of the Seabrook Participants), and the Trustee shall not be liable for any action taken or permitted by it in good faith in accordance with the advice of such counsel.

E. The Trustee shall have the right, from time to time, to be reasonably compensated for all services rendered hereunder and to be reimbursed for all reasonable expenses incurred by

it in the administration of the trusts created hereby. The compensation and reimbursements due to the Trustee shall be shown in bills submitted to the Managing Agent.

F. The Trustee shall segregate into separately identified accounts such portions of the trust funds held in the name of a Seabrook Participant as the Managing Agent may direct. In accordance with Paragraph E above, the Trustee shall charge such trusts for any additional expenses resulting from such segregation and accounting.

G. The Managing Agent, as agent for the Participants, shall indemnify the Trustee against any liability it may sustain, in good faith and without negligence, in the performance of its duties hereunder.

H. The Trustee shall maintain appropriate records of all deposits, investments and earnings thereon received by the trusts and all disbursements made from the trusts, and each month the Trustee shall provide to the State Treasurer and the Managing Agent a written statement of such transactions. In addition, the Trustee shall provide to the State Treasurer and the Managing Agent at least annually a report certifying as to the activity in each of the trusts over the period since the most recent report and the balances at the beginning and end of such period.

I. Each Seabrook Participant and its agents shall have the right to review, inspect and audit the books and records of the Trustee relating to the trusts established on behalf of the Participant, provided that the expenses of such review, inspection or audit shall be paid by the Seabrook Participant causing such review, inspection or audit to be performed. The Managing Agent, the State Treasurer, and their agents shall also have the authority to make such a review, inspection and audit of any one or more of the trusts hereunder, in which case the expense shall be treated as an administration expense allocable to all the trusts hereunder or to the trusts reviewed, inspected or audited as the Managing Agent (in its sole discretion) shall deem reasonable. All reviews, inspections and audits shall take place during normal business hours. Reasonable notice shall be given to the Trustee of any review, inspection or audit.

J. With respect to federal, state or local income taxes imposed on the trusts at the trust (rather than the Participant) level, the Trustee shall cause appropriate tax returns to be prepared and filed and, pursuant to Section 4.03, shall pay any taxes shown to be due out of the appropriate trust moneys held by it. The Managing Agent shall, on a timely basis, provide the Trustee with any information needed and requested with respect to the filing of such tax returns. The Trustee shall be exonerated from any and all liability resulting from the preparation and filing of tax returns to the extent such liability arises from written information supplied to the Trustee by the Managing Agent or a Participant. With the concurrence of the Managing Agent, the Trustee shall have the right to challenge the obligation to make payment of any such taxes and shall have the authority to settle any proceedings related to such taxes, and to receive refunds and take any other action necessary or appropriate in regard to taxes on the trusts.

K. The Trustee shall prepare and submit such applications, reports and other documents as may be required by any governmental authority having jurisdiction over the trusts and performance of the trust obligations and activities specified by this Master Trust Agreement.

L. The Trustee shall have no obligation for any damage, cost, cause of action, charge or other liability arising from the operation or financing of the Unit.

M. Without in any way limiting the powers and authority conferred upon the Trustee by other provisions of this Master Trust Agreement or by law, and to the extent not inconsistent with the investment guidelines of Exhibit B as then in effect, the Trustee is expressly authorized and empowered as follows:

(1) To retain indefinitely, and to invest and reinvest in, stocks, shares, obligations and other securities or any other kind of personal or real property even though any or all of the investments made or retained are of a character or size which but for this express authority would not be considered proper for the Trustee;

(2) To sell, to exchange, to lease and to make contracts concerning real or personal property for such consideration and upon such terms as to credit or otherwise as the Trustee considers advisable, which leases and contracts may extend beyond the term of the trusts; to give options on real or personal property of the trusts; to establish depreciation, depletion, tax or any other reserves; to execute deeds, transfers, leases and other instruments of any kind;

(3) To hold securities or other property in the name of the Trustee or of any other person, firm or corporation, without indication of any fiduciary capacity;

(4) To give general or special proxies or powers of attorney (which may or may not be discretionary and with power of substitution) for voting or acting with respect to securities; to deposit securities with, or transfer them to, protective committees, voting trustees, or similar bodies; to join in any reorganization, and to pay assessments or subscriptions called for in connection with securities held by the Trustee;

(5) To receive additions to the trusts and to hold and administer the same under the provisions hereof;

(6) To compromise or submit to arbitration any tax, claim or matter in dispute;

(7) To employ investment counsel and consult with them concerning the investments and management of the trusts; to employ a custodian, attorneys and any other special service; and in addition to the compensation and expenses of the Trustee, to pay the reasonable compensation and expenses of such investment counsel, custodian, attorneys and other special services;

(8) To participate as seller or purchaser in private placements, secondary offerings or other regulated or special transactions, and to execute and deliver such instruments and take such action as is customary or, in the opinion of the Trustee, appropriate in connection therewith, including investment representations, indemnity agreements, pledges and guarantees binding the trust property;

(9) To improve or develop real estate; to construct, alter, repair or demolish buildings or structures; to settle boundary lines and easements and other rights; to partition, and to join with co-owners or others in dealing with real estate in any way;

(10) If in the opinion of the Trustee it is necessary or advisable to do so, to borrow money for such time at such rate of interest or discount as the Trustee deems proper; to give notes or obligations therefor binding the trust property; and as security therefor to mortgage or to pledge real or personal property with or without power of sale;

(11) To make any division or distribution of, or payment from, the trusts, in kind by the fair and reasonable allotment and transfer of specific securities or other personal or real property or undivided interests therein, at then current values, in lieu of cash, as a part or the whole of any one or more shares or payments; and

(12) To credit particular receipts or gains, and to charge particular disbursements or losses or charges, to income or to principal of the trusts or to apportion them between income and principal, whether such credits or charges relate to bonds acquired at a premium, to reserves or to any other matter, all as the Trustee considers fair and reasonable in each case.

N. The Trustee shall not be liable for any acts, omissions or defaults of any agent (other than its officers and employees) or depositary appointed or selected by it with reasonable care or, except as otherwise provided in Section 6.04 hereof, for any acts taken or not taken at the written direction of the Managing Agent or a Fund Manager. The Trustee shall be liable only for such Trustee's own acts or omissions (and those of its officers and employees) occasioned by the willful misconduct or negligence of such Trustee (or that of its officers and employees). The officers and employees of the Trustee shall incur no individual liability in carrying out their duties hereunder.

Section 6.02. Persons Eligible for Appointment as the Trustee. The Trustee shall at all times be a corporation, bank or trust company having its principal office and place of business in the United States of America, with a combined capital and surplus of at least one billion dollars (\$1,000,000,000) and authorized under applicable laws to exercise corporate trust powers and subject to supervision or examination by appropriate federal or state authorities. If the Trustee publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority referred to in this Section, then, for the purposes of this Section, the combined capital and surplus of the Trustee shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

For purposes of this Section 6.02, the combined capital and surplus of any sole stockholder, direct or indirect, of the Trustee will be deemed to be the combined capital and surplus of the Trustee, provided that the stockholder guarantees to the Managing Agent and the State Treasurer that the Trustee will perform its duties under this Master Trust Agreement. If the guarantee is made by a sole indirect stockholder of the Trustee, each intermediate sole stockholder must also guarantee the performance of the Trustee's duties.

In the event the Trustee ceases to be eligible under this Section, as determined in the sole discretion of the Managing Agent, it shall resign in the manner and with the effect specified in Section 9.01; if the Trustee does not so resign, it shall be removed pursuant to Section 9.01 by the Managing Agent.

Whenever necessary to avoid or fill a vacancy in the office of the Trustee, the Managing Agent will, in the manner provided in Section 9.02, appoint a Trustee so that there shall at all times be a Trustee eligible under this Section.

Section 6.03. Merger or Consolidation of the Trustee. Subject to the requirements of Section 6.02 hereof, any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee shall be a party or any corporation to which substantially all the business and assets of the Trustee may be transferred, shall be the Trustee under this Master Trust Agreement, without further act.

Section 6.04. Prohibited Transactions. Notwithstanding anything contained in this Master Trust Agreement to the contrary, the Trustee shall not authorize or carry out any sale, exchange, or other transaction with respect to Trust A which would constitute an act of “self-dealing” within the meaning of Section 4951 of the Code, as such section is made applicable to Trust A by Section 468A(e)(5) of the Code, regulations thereunder, and any applicable successor provision. However, except as stated in the following paragraph, the Trustee shall (1) have no obligation to determine whether a sale, exchange, or other transaction undertaken at the written direction of the Managing Agent or a Fund Manager constitutes an act of self-dealing; and (2) be indemnified by the Managing Agent for any liability under Section 4951 of the Code resulting from actions specified in (1) above.

Notwithstanding anything contained in the preceding paragraph to the contrary, the Trustee shall be liable for any tax imposed pursuant to Section 4951 of the Code as such section is applicable to Trust A or the Trustee if the “disqualified person” (within the meaning of Sections 4951(d) and 4951(e)(4)) involved in the act of self-dealing is:

- (a) the Trustee,
- (b) a corporation of which the Trustee owns more than 35% of the total combined voting power,
- (c) a partnership in which the Trustee owns more than 35% of the profits interest, or
- (d) a trust or estate in which the Trustee holds more than 35% of the beneficial interest. Constructive ownership rules as set forth in Section 4951(e)(4) of the Code shall apply in making the determinations under (b), (c) and (d).

ARTICLE VII

The Investment Consultant

Section 7.01. Selection. The Investment Consultant shall be such entity or entities as is or are appointed by the Managing Agent, with the approval of the State Treasurer pursuant to Section 10.01. The Investment Consultant may not be the Trustee or a Fund Manager. The Managing Agent shall notify the Trustee of the appointment or replacement of an Investment Consultant by means of an Officer's Certificate, accompanied by the written approval of the State Treasurer, stating the name and address of the Investment Consultant and the effective date of the appointment.

Section 7.02. Promulgation of Investment Guidelines. The Investment Consultant shall, at least annually, review the investment guidelines set forth in Exhibit B and shall make any appropriate revisions to such guidelines. Such revisions to Exhibit B shall become fully effective upon their approval by the Managing Agent and the State Treasurer on the date designated by the Managing Agent. The investment guidelines shall take, into account considerations appropriate to achievement of the purposes described in this Master Trust Agreement, such as the estimated commencement date for decommissioning the Unit, the amount of moneys held in trust and anticipated earnings, the preservation of principal, appropriate liquidity throughout the estimated remaining life of the Unit (so that amounts of decommissioning funds are readily available on relatively short notice in the event of a premature decommissioning of the Unit), and the goal of maximizing trust earnings after payment of applicable taxes and other expenses.

The investment guidelines with respect to each trust identified as Trust A shall, in any event, be limited in such a manner that such trust continues to qualify as a nuclear decommissioning reserve fund under Section 468A of the Code. The Trustee, however, shall have no obligation to determine whether the investment guidelines for each Trust A comply with Section 468A.

Section 7.03. Evaluation of Trustee or Fund Manager Investment Performance. The Investment Consultant shall perform an annual evaluation, or more frequently if requested by the Managing Agent, of the Trustee's investment performance with respect to the Fund and shall submit a report to the State Treasurer and Managing Agent; provided, however, that if one or more Fund Managers has or have been appointed by the Managing Agent pursuant to Section 8.01 hereof the Investment Consultant shall instead perform and submit such report with respect to such Fund Manager(s). Such report, which shall be completed within 3 months after the end of each fiscal year of the Fund, shall be in a format mutually agreed upon by the State Treasurer, the Managing Agent and the Investment Consultant.

Section 7.04. Inflation and Earnings Projections. At least annually, and more frequently if requested by the Managing Agent, the Investment Consultant shall:

- (a) develop an inflation estimate, and

(b) develop after tax earnings projections for each individual trust hereunder and for the entire Seabrook Nuclear Decommissioning Financing Fund, for the period ending upon the projected completion of decommissioning of the Unit, such report to be submitted to the Managing Agent and to the State Treasurer.

ARTICLE VIII

Fund Managers

Section 8.01. Appointment. The Managing Agent shall have the power to appoint from time to time, with the approval of the State Treasurer pursuant to Section 10.01, one or more Fund Managers to manage, or direct, the acquisition, holding or disposition of a designated portion of trust assets in accordance with the terms of a written appointment made by the Managing Agent. Any such Fund Manager shall, unless its appointment provides otherwise, have the power to direct the Trustee in the exercise of those powers expressly given the Trustee under Section 4.02 with respect to such designated portion of the trust moneys and the Trustee shall, upon receipt of a copy of such Fund Manager's appointment, as well as written acceptance of such appointment and the written approval by the State Treasurer of such appointment, both in a form satisfactory to the Trustee, exercise such powers as directed in writing by such Fund Manager. The Trustee shall be exonerated from any liability for action or inaction taken at the direction of a Fund Manager. Notwithstanding the foregoing, the Trustee shall at all times be responsible for determining whether an investment direction by a Fund Manager is in compliance with the investment guidelines of Exhibit B, and if any investment direction does not so comply, the Trustee shall not follow such direction and shall so notify the Managing Agent. With respect to any part or all of the trusts for which a Fund Manager has not been so appointed by the Managing Agent, the Trustee shall have full authority to invest and reinvest such portion or all of the trusts in compliance with the investment guidelines of Exhibit B as then in effect and in accordance with the provisions of this Master Trust Agreement and shall not be required to follow the investment directions of any other person, except insofar as directed in writing by the Managing Agent pursuant to Section 4.02 to invest funds in (i) securities exempt from taxation or (ii) any particular security or type of security if such investments are permitted by the investment guidelines. In such case, the Trustee shall be exonerated from any liability incurred as a result of the Managing Agent's written directions.

Section 8.02. Prohibited Transactions. Notwithstanding anything contained in this Master Trust Agreement to the contrary, a Fund Manager shall not authorize any sale, exchange, or other transaction with respect to Trust A which would constitute an act of "self-dealing" within the meaning of Section 4951 of the Code, as such section is made applicable to Trust A by Section 468A(e)(5) of the Code, any regulations thereunder, and any applicable successor provision. However, except as stated in the following paragraph, a Fund Manager shall (1) have no obligation to determine whether a sale, exchange, or other transaction undertaken at the written direction of the Managing Agent constitutes an act of self-dealing; and (2) be indemnified by the Managing Agent for any liability under Section 4951 of the Code resulting from actions specified in (1) above.

Notwithstanding anything contained in the preceding paragraph to the contrary, the Fund Manager shall be liable for any tax imposed pursuant to Section 4951 of the Code as such section is applicable to Trust A or the Fund Manager if the tax resulted from any sale, exchange, or other transaction authorized by the Fund Manager and the “disqualified person” (within the meaning of Sections 4951(d) and 4951(e)(4)) involved in the act of self-dealing is:

- (a) the Fund Manager,
- (b) a corporation of which the Fund Manager owns more than 35% of the total combined voting power,
- (c) a partnership in which the Fund Manager owns more than 35% of the profits interest, or
- (d) a trust or estate in which the Fund Manager holds more than 35% of the beneficial interest. Constructive ownership rules as set forth in Section 4951(e)(4) of the Code shall apply in making the determinations under (b), (c) and (d).

ARTICLE IX

Successor Trustee, Investment Consultant, or Fund Manager

Section 9.01. Resignation and Removal. The Trustee, the Investment Consultant, or a Fund Manager may resign by giving at least six weeks’ prior written notice to the State Treasurer and the Managing Agent. In the case of a Trustee, such resignation shall become effective on the day specified in such notice, or upon the appointment of a successor and such successor’s acceptance, whichever is later. In the case of an Investment Consultant or Fund Manager, such resignation shall become effective on the day specified in such notice.

The Managing Agent, with the approval of the State Treasurer, which approval shall not be unreasonably withheld, may at any time remove the Trustee, the Investment Consultant or a Fund Manager, with or without cause, upon at least six weeks prior written notice, such notice to be in the form of an Officer’s Certificate declaring such removal. In the case of a Trustee, the Officer’s Certificate shall specify the successor trustee appointed pursuant to Section 9.02.

Section 9.02. Appointment of Successor. In the event the Trustee, the Investment Consultant, or a Fund Manager resigns, is removed, or becomes incapable of acting or is adjudged a bankrupt or insolvent, or if a receiver of such entity or its property is appointed or a public officer takes charge or control of such entity or its property or affairs for the purpose of rehabilitation, conservation or liquidation, a vacancy shall be deemed to exist in the office of such Trustee, Investment Consultant, or Fund Manager and a successor shall be appointed by the Managing Agent, with the approval of the State Treasurer pursuant to Section 10.01. In the case of the Trustee, such appointment shall take effect upon acceptance as provided in Section 9.03.

If, in a proper case, no successor Trustee shall have been appointed pursuant to the foregoing provisions of this Section, or if appointed, shall not have accepted the appointment,

within 60 days after (a) the effective date of the resignation of the Trustee, or (b) the occurrence of a vacancy in the office of the Trustee, the State Treasurer shall apply to a court of competent jurisdiction to appoint a successor Trustee.

Section 9.03. Acceptance of Appointment by Successor Trustee. A successor Trustee appointed hereunder shall execute an instrument accepting such appointment and deliver one counterpart thereof to each of the Managing Agent, the State Treasurer, and, if applicable, the court making such appointment. Thereupon, without any further act, such successor Trustee shall become vested with all the properties, rights, powers, trusts and duties of the retiring Trustee as originally named under this Master Trust Agreement.

Section 9.04. Duties of Retiring Trustee. Any Trustee who retires, resigns or is otherwise removed from office shall prepare and submit to the Managing Agent and the State Treasurer a final accounting with respect to the trusts established hereunder and, when requested by the successor Trustee in writing or by the Managing Agent, and upon payment of any lawful charges and disbursements, shall execute and deliver an instrument or instruments conveying and transferring to such successor Trustee all its properties, rights, powers, and trusts hereunder and shall duly assign, transfer and deliver to such successor Trustee all property and moneys held by it hereunder. The Trustee shall have the right to a judicial settlement of any final accounting before any appropriate court in the State of New Hampshire.

ARTICLE X

The State Treasurer

Section 10.01. Administrative Responsibilities. Pursuant to NHRSA § 162-F:20, the State Treasurer is responsible for the administration of each “nuclear decommissioning financing fund”. In addition to any other responsibilities imposed on the State Treasurer by NHRSA § 162-F, she shall have the following administrative responsibilities with respect to the trusts created hereunder.

A. Pursuant to Sections 7.01, 7.02, 8.01, 9.01 and 9.02 hereof, the approval of the State Treasurer is required for the appointment of the Trustee, the Investment Consultant, and one or more Fund Managers, the removal of the Trustee, the Investment Consultant, and a Fund Manager, and revisions to the Investment Guidelines as set forth in Exhibit B. Such approval shall not be unreasonably withheld and shall be in writing in a form reasonably acceptable to the Managing Agent and, in the case of an appointment, the Trustee, Investment Consultant or Fund Manager being appointed. In the event the State Treasurer does not approve an appointee proposed by the Managing Agent, however, the Managing Agent shall promptly submit to the State Treasurer a list of three qualified entities (or individuals), which may include the original proposed appointee, and the State Treasurer shall select from such list one entity – such entity to be deemed to have been appointed by the Managing Agent with the approval of the State Treasurer.

B. The approval of the State Treasurer is required in respect of the initial and any changes to the initial (or a subsequent) fee schedule for compensating a Trustee, an Investment Consultant, and a Fund Manager.

C. The State Treasurer, after consultation with the Managing Agent, shall determine each Participant's monthly portion (the "Monthly Portion") of the aggregate payment set forth on the then current Decommissioning Financing Fund Payment Schedule with the goal that the balance of each Participant's trusts at the funding date determined by the Financing Committee pursuant to NHRSA § 162-F:19(I) shall equal the cost of decommissioning the Unit (as determined by the Financing Committee) multiplied by that Participant's Ownership Share. The determination of a Participant's Monthly Portion shall be based on the Participant's Ownership Share; the anticipated net future earnings of the Participant's trusts (distinguishing between tax-exempt and taxable Participants); and, to the extent appropriate, the balances of the Trust A and Trust B established on behalf of the Participant. The amount of each Participant's Monthly Portion shall be redetermined each time a change is made to the Decommissioning Financing Fund Payment Schedule. In addition, the amount of each Participant's Monthly Portion shall be reviewed annually after consideration of the report provided by the Investment Consultant pursuant to Section 7.04 hereof. No Participant's Monthly Portion shall be increased because of the failure of any other Participant to make a required payment to the trusts.

Participants shall not be permitted at any time to offset any required payment by application in any way of expenditures or obligations which might otherwise qualify for withdrawal under Section 4.03.

D. At least annually, or more frequently if required by the Financing Committee, the State Treasurer shall submit a report to the Financing Committee setting forth: (i) the a balance of the Seabrook Nuclear Decommissioning Financing Fund, (ii) the income of the Fund during the preceding year (or shorter period if accounts are required to be submitted more frequently than annually), (iii) the taxes and administrative expenses paid by the Fund, (iv) a schedule showing the current investments of the Fund, and (v) the same information contained in (i), (ii), (iii) and (iv), above, with respect to each individual trust created hereunder.

E. After consideration of the report provided by the Investment Consultant pursuant to Section 7.03, the State Treasurer and the Managing Agent shall together submit an annual report to the Financing Committee setting forth: (i) a current estimate of inflation, (ii) a current estimate of future earnings of the Fund, and (iii) a statement whether in their opinion the payment schedule determined by the Financing Committee is in need of revision in order for the Fund to achieve the estimated amount needed for decommissioning the Unit, as such amount is established from time to time by the Financing Committee.

F. The State Treasurer shall review the monthly reports submitted by the Trustee pursuant to Section 6.01 hereof and shall maintain a record of such reports for a period of ten years.

G. The State Treasurer shall, pursuant to the provisions of Section 7.03 hereof, receive a report from the Investment Consultant evaluating the performance of the Trustee. The State Treasurer shall review such evaluation and submit it to the Financing Committee together with any additional recommendations or comments she may have.

Section 10.02. Lack of Liability. The State Treasurer, both as an individual and in her capacity as Treasurer of the State of New Hampshire, shall not be liable to the Managing Agent,

any Participant, the Trustee, Fund Manager, or Investment Consultant in tort, contract or otherwise in connection with the affairs of the trusts, except only that liability arising from her own bad faith, willful misfeasance, gross negligence, or reckless disregard of duty.

ARTICLE XI

Distribution of Assets upon Termination

Section 11.01. Transfer to Successor Trust. In the event that one or more of the decommissioning trusts established pursuant to this Master Trust Agreement is required or permitted by an action of any governmental authority having jurisdiction to be transferred to another trust or trusts in order to satisfy the purposes specified in Section 2.02, the Managing Agent shall have the right, by written notice to the Trustee and to the State Treasurer, to elect to have such trust or trusts merged into such other trust or trusts. Upon the completion of such transfer, the specified trust shall terminate.

Section 11.02. Final Distribution. Any moneys remaining in a trust following completion of the decommissioning process for the Unit as required by the Financing Committee in excess of the amounts necessary to provide for monitoring of the facility after shutdown as required by the NRC or the Financing Committee, as evidenced by an appropriate order, license expiration or other action of the NRC and the Financing Committee, shall be distributed by the Trustee to the Managing Agent for the benefit of the applicable Seabrook Participant, except as may be otherwise ordered by (1) any governmental authority having jurisdiction over such distribution, or (2) NHRSA § 162-F:23(III).

If any of the trusts created by this Master Trust Agreement is finally determined to be void for any reason by a court or other governmental authority having jurisdiction, any portion of the trust property which cannot then be applied to achievement of the purposes specified herein shall be distributed in the manner specified in this Section 11.02.

ARTICLE XII

General Provisions

Section 12.01. Supplemental Trust Agreements. Subject to Section 2.03 hereof, this Master Trust Agreement may be amended or supplemented from time to time by the execution and delivery of one or more supplemental trust agreements by and between the Managing Agent, the State Treasurer and the Trustee, provided that the amendment or supplement has received any required approval or acceptance by any governmental body having jurisdiction.

Section 12.02. No Implied Obligations. This Master Trust Agreement shall not be interpreted to impose any duty, responsibility, obligation or liability upon the Trustee, the State Treasurer or the Managing Agent in addition to those duties, responsibilities, obligations and liabilities which are imposed by law or expressly specified in this instrument.

Section 12.03. Section 468A. Notwithstanding anything to the contrary in this Agreement, the Master Trust Agreement shall be interpreted so as to assure that each Trust A

established hereunder shall comply with the requirements of a “nuclear decommissioning reserve fund” under Section 468A of the Code and the regulations promulgated thereunder. The parties to this agreement shall not take any action or make any amendment to this Master Trust Agreement which would disqualify any Trust A as a nuclear decommissioning reserve fund under Section 468A of the Code.

Any reference in this Master Trust Agreement to Section 468A of the Code shall be deemed to refer not only to such section, as it may from time to time be amended, but also to any successor statutory provision. In the event that Section 468A of the Code, or its successor statutory provision, is repealed, in whole or in part, and certain provisions of this Master Trust Agreement cease to be required, such provisions shall thereupon be ineffective without the necessity of further amendment of this Master Trust Agreement.

Section 12.04. Amendment or Repeal of NHRSA § 162-F. Any reference in this Master Trust Agreement to NHRSA § 162-F shall be deemed to refer not only to such section, as it may from time to time be amended, but also to any successor statutory provision. In the event that NHRSA § 162-F, or its successor statutory provision, is repealed, in whole or in part, and certain provisions of this Master Trust Agreement cease to be required, such provisions shall thereupon be ineffective without the necessity of further amendment of this Master Trust Agreement.

Section 12.05. Applicable Law; Forum. This Master Trust Agreement and the trusts hereunder shall be governed by and construed in accordance with the laws of the State of New Hampshire. Any dispute concerning the interpretation or application of this Master Trust Agreement, or the distribution of any of its assets shall be initiated only in a state or federal court of competent subject matter jurisdiction located within the State of New Hampshire.

Section 12.06. Unenforceable Provisions. Any provision of this Master Trust Agreement which is prohibited or is determined to be unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 12.07. Written Changes and Notices. No term or provision of this Master Trust Agreement may be changed, waived, discharged or terminated, except by an instrument in writing signed by the party or other person against whom enforcement of the change, waiver, discharge or termination is sought; and any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given.

Section 12.08. Counterparts. This Master Trust Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 12.09. Headings, Pronouns. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

A pronoun in the feminine gender shall include the masculine and vice versa.

Section 12.10. Adherence to Prudent Investor Standard. As required by the NRC and as applicable to each Seabrook Participant, the Trustee, the Investment Consultant, or anyone else directing the investments made in the trusts created herein shall adhere to the "Prudent Investor" standard, as specified in 18 CFR 35.32(a)(3) of the FERC regulations.

IN WITNESS WHEREOF, the parties hereto have caused this Master Trust Agreement to be duly executed by their respective authorized officers as of the date first above written.

North Atlantic Energy Service Corporation

By: _____
Its Vice President

Citizens Bank of New Hampshire

By: _____
Its President

Treasurer, State of New Hampshire

As the direct sole stockholder of Citizens Bank of New Hampshire ("Citizens Bank"), [insert name] hereby guarantees that Citizens Bank shall perform its duties as Trustee under this Master Trust Agreement. This guarantee shall run to North Atlantic Energy Service Corporation, as agent for the Seabrook Participants, its successor or successors, and to the Treasurer of the State of New Hampshire.

[Insert Name]

By: _____
Title:

Approved as to form, substance and execution:

Assistant Attorney General,
State of New Hampshire

Date

EXHIBIT A

Ownership Shares of the Seabrook Participants

<u>Participant</u>	<u>Ownership Share</u>
Canal Electric Company	3.52317%
Connecticut Light & Power Co.	4.05985%
EUA Power Corporation	12.1324%
Hudson Light & Power Department	0.07737%
Mass. Municipal Wholesale Electric Co.	11.5934%
Montaup Electric Company	2.89989%
New England Power Company	9.95766%
New Hampshire Electric Cooperative	2.17391%
Public Service Company of New Hampshire	35.56942%
Taunton Municipal Lighting Plant	0.10034%
United Illuminating Company	17.5%
Vermont Electric Generation & Transmission Cooperative, Inc.	0.41259%
	<hr/>
	100%
	<hr/>

INVESTMENT GUIDELINES
FOR THE
SEABROOK STATION
NUCLEAR DECOMMISSIONING
FINANCING FUND

INVESTMENT GUIDELINES
FOR THE
SEABROOK NUCLEAR DECOMMISSIONING FINANCING FUND
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I. FUND OBJECTIVES

The objective of the Seabrook Nuclear Decommissioning Financing Fund is to provide sufficient funds to dismantle the Seabrook Station Unit #1 nuclear power plant at the end of its energy-producing life. To this end, the Fund seeks to maximize investment earnings without undertaking an undue level of risk.

To control investment risk while maximizing return potential, the Fund has established the following general objectives:

1. Preserve the purchasing power of principal by achieving investment earnings in excess of inflation.
2. Earn a rate of return equal to or greater than the rate assumed for funding purposes.
3. Employ multiple asset classes to allow for prudent diversification and the resultant lowering of return volatility.
4. Invest all assets so as to adhere to the prudent investor standard and to maintain the Fund's tax-qualified status, where appropriate.
5. Conform with all federal and state regulations governing the investments of such funds, including the requirement that, as required by the NRC and as applicable to each Seabrook Participant, the Fund investments shall adhere to the "Prudent Investor" standard, as specified in 18 CFR 35.32(a)(3) of the FERC Regulations..

II. INVESTMENT STRATEGY

The final cost of decommissioning is at present only an estimate and the methodology used to calculate the cost is subject to modification from time to time. Because of this degree of uncertainty, the investment strategy defined here should not be construed as permanent. It is essential that the Investment Consultant, Managing Agent, Seabrook Joint Owners and New Hampshire State Treasurer review the investment strategy on a periodic basis.

Within the context of the established fund objectives, the specific investment strategy will vary to reflect changes in risk tolerance during the unit's license life.

A conservative investment approach was taken during the initial period in order to 1) accommodate the then-pending Internal Revenue Service (IRS) decision regarding the pooling of assets and 2) allow investor-owned utilities to secure their initial ruling amount from the IRS as may have been appropriate.

The second, or intermediate, phase adopts a more aggressive investment strategy and is designed to extend to approximately five years prior to the end of the unit's energy-producing life.

The third phase, or phase-out period, will extend through the initial decommissioning expenditures. It will again take a conservative investment approach, being designed to reduce the possibility of investment losses while still offering a modest return on invested capital.

The final phase, or liquidation period will emphasize fund liquidity during the actual decommissioning period. Investment returns will be modest, reflecting the performance of short-term money market vehicles.

A. IMPLEMENTATION STRATEGY

A conservative investment approach was in place through 1992, reflected in the high liquidity and marketability of the holdings. Beginning in 1993 the investment portfolio was positioned to enter into a more mature or intermediate posture.

B. INTERMEDIATE STRATEGY

At the conclusion of the implementation period, a more mature investment posture was established. This strategy consisted of two stages:

- (1) Build-up of the equity portfolio and extend fixed income maturities to fully reflect guidelines;
- (2) Invest fully within guidelines.

The equity funds were made available to new Joint Owner contributions in 1996, with a gradual increase in total portfolio exposure. The following schedule represents equity ceiling limits, at the time equity holdings are purchased, placed on the market value of the total portfolio for each Joint Owner:

<u>Year End</u>	<u>Maximum</u>
1996	25%
1997	40%
1999	60%
2001 and future	70%

The maximum limitation is applied at the time equity holdings are purchased; as a result, the limitation will be exceeded only if it results solely from changes in market valuation. The Managing Agent will notify the State Treasurer when such a valuation causes the equity limitation to be exceeded by more than 5%. Furthermore, the Managing Agent will monitor the equity portfolios for compliance with the limitations.

Each year the Joint Owners elect to place their current year contributions into any of the six pooled investment funds detailed at Section V. Prior to 2002, funds already invested could not be transferred among funds unless required for tax purposes or ownership changes. The reason for this restriction was that any sale of assets in a pooled investment vehicle would have tax implications for all Joint Owners participating in the fund.

In 2002, this restriction was modified to allow modest transfers among funds. The change was made to allow the Joint Owners more control over asset allocation as fund assets grow and to facilitate the funding of new investment options. Joint Owners will be allowed to reallocate no more than 20% of their total fund assets each year. Reallocations in excess of this level may be made only with prior written approval of the State Treasurer.

The investment managers have responsibility for effecting any reallocations in the most tax efficient manner. To the extent possible, the managers will accommodate any withdrawals through incoming cash flows and may take up to several months to meet a withdrawal request so as to minimize taxes. Any Joint Owner generating a tax liability for any other Joint Owner(s) due to a fund reallocation will be responsible for the tax consequences for all Joint Owners and is precluded from proceeding with the fund reallocation without written permission from those Joint Owners.

C. PHASE-OUT STRATEGY

To minimize the potential of significant market risk late in the unit's energy-producing life, a "phase-out" strategy has been devised. Portfolio investments will need to be liquidated gradually to satisfy payment of decommissioning costs as provided within the proposed liquidation strategy.

The following phase-out will apply:

- (1) Begin to reduce equity positions five years prior to shutdown so that all equity holdings have been sold by shutdown.
- (2) Over a five-year period, reduce fixed-income duration to less than one year by shutdown.
- (3) Liquidated assets will be held in money market obligations with a minimum rating of A-1/P-1.

This approach assumes that dismantling will occur immediately after shutdown. If, for any reason, entombment or delayed dismantling is determined to be the method of decommissioning, the investment guidelines will be reviewed and revised as appropriate for the investment of Fund assets until such time as cash flow needs dictate a phase-out strategy.

D. LIQUIDATION STRATEGY

As the unit enters into its actual decommissioning period, in order to ensure liquidity, available assets will be placed in various short term money market vehicles, primarily that of United States Government securities.

III. INVESTMENT ADMINISTRATION

The investment guidelines have been established in order to describe the overall investment approach and acceptable risk levels for the investment funds in the Master Trust.

The guidelines will be reviewed and revised periodically by the Investment Consultant and the Managing Agent and approved by the New Hampshire State Treasurer. The Seabrook Joint Owners will be provided the opportunity to review and comment on any proposed changes or modifications to the guidelines prior to implementation.

The Fund Manager(s) will have the responsibility to determine investment strategy within the established Investment Guidelines. The Fund Manager(s) may at any time request written permission from the Managing Agent and State Treasurer in order to temporarily modify a specific item in the investment guidelines.

IV. CURRENT ASSET ALLOCATION LIMITATION

<u>Security</u>	<u>Maximum</u>
Fixed Income	100%
Equities	70%
Cash Equivalents	100%

Modifications of the asset allocation will be made jointly by the Managing Agent and the New Hampshire State Treasurer in order to accommodate the different investment strategies, as described in the preceding section, "Investment Strategies." The Seabrook Joint Owners will be provided the opportunity to review and comment on such modifications prior to implementation.

V. FUND DESCRIPTIONS AND PERFORMANCE BENCHMARKS

It is expected that the fund manager(s) will achieve the stated performance goals over a long period (three to five years).

All performance calculations are net of fund manager fees. Benchmark indices for qualified funds will be adjusted for taxes and non-qualified funds will be pre-tax.

TRUST A (QUALIFIED)

FUND 1-A: Blend of corporate, government, municipal and foreign debt obligations managed on an after-tax basis.

Performance Benchmark: the Lehman Brothers Government/Corporate Bond Index (plus 25 basis points).

FUND 1-B: A broadly diversified core equity portfolio managed on an after-tax basis.

Performance Benchmark: The S&P 500 (for active management: plus 50 basis points). On a short-term basis, an index representative of the Fund Manager's style of management.

TRUST B (NON-QUALIFIED)

FUND 2: Blend of corporate, government, municipal and foreign debt obligations managed on a pre-tax basis.

Performance Benchmark: the Lehman Brothers Government/Corporate Bond Index (plus 25 basis points).

FUND 3: Composed largely of municipal debt obligations managed on a pre-tax basis.

Performance Benchmark: the Lehman Brothers 7-Year Municipal Bond Index (plus 25 basis points).

FUND 4: A portfolio of short-term and money-market investments managed on a pre-tax basis.

Performance Benchmark: the Donoghue Money Market Index.

FUND 5: A broadly diversified core equity portfolio managed on a pre-tax basis.

Performance Benchmark: the S&P 500 (for active management: plus 50 basis points). On a short-term basis, an index representative of the Fund Manager's style of management.

VI. INVESTMENT GUIDELINES

FIXED INCOME

ASSET ALLOCATION: The allocation of assets between government, municipal, corporate and foreign securities and cash will be at the discretion of the Fund Manager, taking into consideration the tax implications of the individual fund.

QUALITY: Corporate and municipal bonds must be rated at least BBB by Standard & Poor's and/or Baa2 by Moody's. No more than 10% of the market value of securities in a single portfolio may be rated BBB by Standard & Poor's and/or Baa2 by Moody's at the time of purchase.

The weighted average quality of the overall portfolio must be at least AA.

The Fund Manager will contact the Managing Agent for approval to continue holding an issue if it has been downgraded below the rating guidelines. The Fund Manager may liquidate such an asset if he deems it appropriate.

DIVERSIFICATION: No more than 5% of a portfolio's value will be invested in securities issued by any one entity, with the exception of United States Treasury securities, or agency issues backed 100% directly by the United States Government.

Foreign securities may not exceed 20% of the portfolio.

No more than 35% of the portfolio's market value will be invested in mortgage-backed securities. An individual corporate sector may not exceed twice the weight of that sector in the performance benchmark.

DURATION: Will not exceed two years longer than the fund performance benchmark. No holding may bear an effective maturity date greater than the year 2032.

RISK: Standard deviation of the quarterly returns for the fixed-income portfolio over a rolling five year period will not exceed 120% of the standard deviation of the fund performance benchmark.

PERMISSIBLE DIRECT INVESTMENTS

1. Debt securities issued by the United States, its agencies or instrumentalities.
2. Corporate bonds, debentures, floating rate notes and other forms of corporate debt obligations.
3. Obligations of a state or local government.
4. Mortgage-backed and asset-backed securities, where the price volatility of the investment is no more interest rate sensitive than the underlying collateral at the time of purchase.
5. Securities of a foreign government or corporation denominated in U.S. dollars.
6. U.S. Treasury and municipal futures and options.
7. Commingled funds investing in the above securities.

EXCLUDED DIRECT INVESTMENTS

1. Convertible securities.
2. Securities denominated in foreign currencies.
3. Private or direct placements with the exception of 144A securities.
4. Interest or principal only strips, inverse floaters.
5. Securities of a company that has direct or indirect ownership in a nuclear facility; this restriction does not apply to investments tied to market indexes or other non-nuclear sector mutual funds.
6. Securities of the Fund Manager or the Trustee, their parent companies or subsidiaries (excluding money market funds) or any other security that could be considered a self-dealing transaction.
7. As required by the NRC and as applicable to each Seabrook Participant, securities or other obligations of FPL Group, Inc., or its affiliates, successors or assigns.

EQUITIES

ASSET ALLOCATION: The allocation of assets between equities and cash will be at the discretion of the Fund Manager, taking into consideration the tax implications of the individual fund. However, it is anticipated that except in extenuating circumstances, the portfolios will be fully invested.

DIVERSIFICATION: No more than 5% of a portfolio's value will be invested in securities issued by any one entity.

No more than 15% of the total equity investments in a portfolio will be invested in any one industry as classified by Standard & Poor's.

No more than 5% of an equity portfolio may be invested in ADR's.

The above restrictions on diversification do not apply to an S&P Index account.

RISK: The standard deviation of the quarterly returns for the equity portfolio over a rolling five year period will not exceed 120% of the standard deviation of the fund performance benchmark.

PERMISSIBLE DIRECT INVESTMENTS

1. Common stock listed on a major U.S. exchange or traded on the NASDAQ exchange, including foreign securities traded on U.S. exchanges.
2. Preferred stock and convertibles.
3. Standard & Poor's Depository Receipts.
4. Indexed futures, protected puts and covered calls.
5. Commingled funds investing in the above securities.

EXCLUDED DIRECT INVESTMENTS

1. Short sales.
2. Securities denominated in foreign currencies.
3. Margin purchases; lending or borrowing of funds.
4. Letter stock, private or direct placements.
5. Commodities contracts.

6. Warrants.
7. Securities of a company that has direct or indirect ownership in a nuclear facility; this restriction does not apply to investments tied to market indexes or other non-nuclear sector mutual funds.
8. Securities of the Fund Manager or the Trustee, their parent companies or subsidiaries (excluding money market funds) or any other security that could be considered a self-dealing transaction.
9. As required by the NRC and as applicable to each Seabrook Participant, securities or other obligations of FPL Group, Inc., or its affiliates, successors or assigns

DERIVATIVES

Financial derivatives may be used only with express written permission from the Managing Agent and State Treasurer. Derivatives will be approved only within prudent limits to manage risk, lower transaction costs, or gain market exposure. Under no circumstances will derivatives be used to leverage the portfolio or to materially increase portfolio risk. Specifically, use of derivatives should meet each of the following three criteria:

1. Derivatives may be used to implement a strategy only when they provide a more cost-effective approach than can be achieved using approved securities.
2. Derivatives will not be used to increase authorized risk above the level that could be achieved using only approved securities.
3. Derivatives will not be used to acquire exposure to assets or indices that would not be purchased directly.

CASH EQUIVALENTS

PERMISSIBLE DIRECT INVESTMENTS

1. Money market obligations with a minimum rating A-1/P-1 or MIG-1/VMIG-1 for municipal notes. No short-term debt instrument may be purchased if the long-term debt rating of the issuer or guarantor of said issue is below BBB by Standard & Poor's or Baa2 by Moody's at the time of purchase.
2. Repurchase Agreements backed by money market obligations with the above ratings.
3. Time deposits in a bank as defined in Section 581 or an insured credit union within the meaning of Section 101(6) of the Federal Credit Union Act, 12 U.S.C. 1752(6) located in the United States.

4. Commingled funds investing in the above securities.

ALL FUNDS

TURNOVER RATE

The rate of turnover will be at the discretion of the Fund Manager(s), but will be closely monitored to ensure that trades are performed solely to enhance or preserve the value and/or after tax return of the portfolio.

COMMISSIONS

The Fund Manager will try to minimize transaction costs, subject to obtaining best execution.