

PHILOTECHNICS, LTD.

201 Renovare Boulevard
Oak Ridge, TN 37830

865.285.3030
Fax 865.220.0686

bwmorris@philotechnics.com

J-8

January 31, 2007

TN 07-0104

Jim Schmidt
Security and Industrial Branch
Division of Nuclear Materials Safety
U.S. Nuclear Regulatory Commission
475 Allendale Road
King of Prussia, PA 19406-1415

RE: (1) NRC #37-28329-01, Financial mechanism DFP

Dear Mr. Schmidt

03030944

I've included original copies of the documents we spoke about on the phone today in this letter. The documentation closing out the 4/29/05 surety bond can be sent to me at the address above

If there are any questions, please contact me at (865) 285-3030. Thanks for your assistance with this matter.

Sincerely,

PHILOTECHNICS, LTD.

Brian Morris
General Counsel

Attachments: Standby Trust Agreement, dated November 17, 1998
Standby Trust Agreement, Amend 3
Letter of Acknowledgment, Amend 3
Certification of Financial Assurance

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NMSS/PGM MATERIALS-002

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of Nov 17, 1998 by and between Afftrex, Ltd., a Delaware Corporation, herein referred to as the "Grantor," SwTrust Bank East Tennessee, the "Trustee."

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

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

WHEREAS, when payment is made under a surety bond 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 a 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 successors Trustee.

Section 2. Costs of Decommissioning. This Agreement pertains to the costs of decommissioning the materials and activities identified in License Number 37-28329-01 issue pursuant to 10 CFR part 30 as shown in Schedule A.

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

Section 4. Payments constituting the Fund. Payments made to the Trustee for the Fund shall consist of cash, securities, or other liquid assets acceptable to the Trustee. The Fund is established initially as consisting of the property, which is acceptable to the Trustee, described in Schedule B attached hereto. Such property and any other property subsequently transferred to the Trustee are referred to as the "Fund," together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount of, or adequacy of the Fund, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by the NRC.

NONNEGOTIABLE

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

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

In event of the Grantor's default or inability to direct decommissioning activities, the Trustee shall make payments from the Fund as the NRC shall direct, in writing, to provide for the payment of the costs of required activities covered by this Agreement. The Trustee shall reimburse the Grantor or other persons as specified by the NRC, or State agency, from the Fund for expenditures for required activities in such amounts as the NRC, or State agency, shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the NRC specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 6. Trust Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund without distinction between principal and income. The Fund shall be invested in an interest bearing-account at a federally guaranteed banking institution, or as otherwise directed in writing by the beneficiary and Grantor. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge its duties with respect to the Fund solely in the interest of the beneficiary and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons acting in a like capacity would use.

Section 7. Reserved.

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 at the joint request of the Grantor and the NRC or to reinvest in securities as provided in Section 8.
- (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 deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal government; and

(d) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9 Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Annual Valuation. After payment has been made into this standby trust fund, the Trustee shall annually, at least 30 days before the anniversary date of receipt of payment into the standby trust fund, furnish to the Grantor and to the NRC a statement confirming the value of the Trust. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and the NRC, or State agency, shall constitute a conclusively binding assent by the Grantor, barring the Grantor from asserting any claim or liability against the Trustee with respect to the matters disclosed in the statement.

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

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing with the Grantor.

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

Section 14. Instruction to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are signatories to this agreement or such other designees as the Grantor may designate in writing. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. If the NRC or State agency issues orders, requests, or instructions to the Trustee these shall be in writing, signed by the NRC, or State agency, or their designees, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor, the NRC, or State agency, hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instruction from the Grantor and/or the NRC, or State agency except as provided for herein.

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

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

Section 17. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this trust, or in carrying out any directions by the Grantor, the NRC, or State agency, 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 reasonable incurred in its defense in the event the Grantor fails to provide such defense.

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

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

ATTEST:

Afftrex, Ltd.,

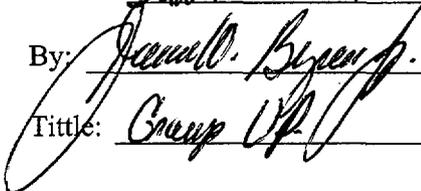
By: 

Title: PRESIDENT

[Seal]

ATTEST:

Trustee: Sum Trust Bank East Tennessee

By: 

Title: Group VP

[Seal]

SCHEDULE A

US Nuclear Regulatory Commission License Number	Name and Address of Licensee	Address of Licensed Activity	Cost Estimate for Regulatory Assurance Demonstrated by This Agreement
NRC# 37-28329-01	Afftrex, Ltd., 600 State Street, Clairton PA 15025	Same	\$34,055

The Cost Estimates were approved by the NRC in September 1997

SCHEDULE B

Amount \$35,000

As Evidenced By:

Surety Bond Number 

SCHEDULE C

Trustee's Fee's shall be: \$1,500.00

The fee is subject to modification from time to time upon approval of the Trustee and the Grantor.

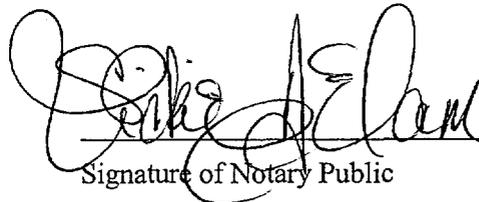
**ACKNOWLEDGEMENT
STANDBY TRUST AGREEMENT**

STATE OF TENNESSEE

TO WIT: _____

CITY OF Knoxville

On this day of November 17, 1998, before me, a notary public in and for the city and State aforesaid, personally appeared James W. Byron Jr., and she/he did depose and say that she/he is the (title) Corporate President, of Suntrust Bank East TN, national banking association, Trustee, which executed the above instrument, that she/he knows the seal of said association; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the association; and that she/he signed her/his name thereto by like order.



Signature of Notary Public

My Commission Expires: 1/26/00
Date

STANDBY TRUST AGREEMENT
AMENDMENT 3

This Amendment 3 to the parties Standby Trust Agreement is made May 16, 2006 by and between Philotechnics, Ltd., a Delaware Corporation, hereinafter referred to as the "Grantor" and Sun Trust Bank East Tennessee, the "Trustee."

WHEREAS Grantor and Trustee entered into a Standby Trust Agreement on November 17, 1998 and subsequently supplemented the Agreement with Amendment 1 Agreement dated April 28, 1999 and Amendment 2 dated November 22, 2002, now desire to again amend the Agreement.

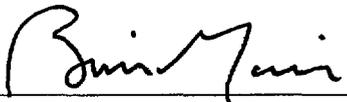
NOW, THEREFORE, the Grantor and Trustee Agree as follows:

1. In Schedule A, delete "\$34,055" and substitute "\$62,969.00 – This estimate was approved by the NRC in May 2006". Delete last sentence.
2. In Schedule B delete "Surety Bond Number [REDACTED] dated, November 22, 2002" and replace with "SunTrust Bank Letter of Credit Number [REDACTED]".
3. All other terms and conditions of the Agreement, as amended, remain unchanged.

IN WITNESS WHEREOF the parties have caused this Amendment 3 to be executed by the respective officers as of the date first written above.

PHILOTECHNICS, LTD.

SUNTRUST BANK EAST TENNESSEE

By: 

By: 

Title: General Counsel

Title: ASSISTANT VICE PRESIDENT

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LETTER OF ACKNOWLEDGMENT
STANDBY TRUST AGREEMENT AMENDMENT 3

STATE OF TENNESSEE

To Wit:

COUNTY OF: DAVIDSON

On this day of 7/14/06, before me, a notary public in and for the city and State aforesaid, personally appeared Wally Jones, and she/he did depose and say that she/he is the [title] ASSISTANT VICE PRESIDENT of SUN TRUST BANK, Trustee, which executed the above instrument; that she/he knows the seal of said association; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the association; and that she/he signed her/his name thereto by like order.


[Signature of notary public]

My Commission Expires: MY COMMISSION EXPIRES:
May 23, 2009
[Date]



CERTIFICATION OF FINANCIAL ASSURANCE

Principal: Philotechnics, Ltd.
600 State Street
Clairton PA, 15025

NRC license number 37-28329-01 for its facility located at 600 State Street, Clairton PA, 15025.

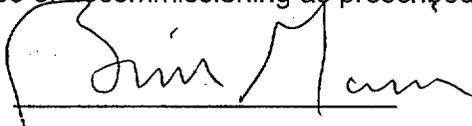
Issued to: U.S. Nuclear Regulatory Commission

I certify that Philotechnics is licensed to possess "unsealed byproduct material with a half-life greater than 120 days licensed under 10 CFR Part 30," "source material in a readily dispersible form licensed under 10 CFR Part 40," and "unsealed special nuclear material licensed under 10 CFR Part 70" in the following amounts:

<u>Type of Material</u>	<u>Amount of Material</u>
Any by product material with Atomic Nos. 1-96	100 millicuries per radionuclide and 500 millicuries total
Cesium 137	500 millicuries
Any source material	10 millicuries
Any special nuclear material	10 grams

I also certify that financial assurance in the amount of \$89,366 has been obtained for the purpose of decommissioning as prescribed by 10 CFR Part 30.

By:



Name: Brian Morris

Title: Secretary

Date: 01-15-07

[Corporate seal]