



Union Carbide Corporation
A Subsidiary of The Dow Chemical Company
PO Box 8361
3200/3300 Kanawha Turnpike
South Charleston, WV 25303
U.S.A.

STANDBY TRUST AGREEMENT

Schedule A

U.S. NRC License number: 47-00260-02

Name and Address of Licensee:

Union Carbide Corporation
A Subsidiary of The Dow Chemical Company
3200 Kanawha Turnpike
South Charleston, WV 25303

Address of Licensed Activity:

West Virginia Operations
Technology Park
3200 Kanawha Turnpike
South Charleston, WV 25303

South Charleston Plant
437 MacCorkle Avenue
South Charleston, WV 25303

Institute Plant
State Route 25
Institute, WV 25112

Cost Estimates for Regulatory Assurances Demonstrated by This Agreement: \$150,000

The cost estimates listed above were approved by the U.S. NRC on January 1, 1994 in a \$300,000 Letter of Credit ^{(b)(6)} in conjunction with the Bushy Run facility in Export, Pennsylvania. The Bushy Run license (37-19533-01) was terminated on February 9, 1999. The Letter of Credit reduction from \$300,000 to \$150,000 occurred on January 27, 2000.

Schedule B

Dollar Amount \$150,000, as evidenced by the Letter of Credit.

Schedule C

Trustee Information:

JP Morgan-Chase
4 Chase Metrotech Center
8th Floor
Brooklyn, NY 11245
(718) 242-8000

Letter of Credit fees are \$975 or 0.65% per year.

D-11

CERTIFICATE OF FINANCIAL ASSURANCE

Principle:

Union Carbide Corporation
A Subsidiary of The Dow Chemical Company
3200 Kanawha Turnpike
South Charleston, WV 25303

U.S. NRC License number: 47-00260-02

| | | |
|---|---|--|
| Technology Park 3200 Kanawha Turnpike S. Charleston, WV 25303 | South Charleston Plant 437 MacCorkle Avenue S. Charleston, WV 25303 | Institute Plant State Route 25 Institute, WV 25112 |
|---|---|--|

Issued to: U.S. Nuclear Regulatory Commission

I certify that Union Carbide, A Subsidiary of The Dow Chemical Company is licensed to possess the following:

| Element and mass number | Chemical and/or physical form | Maximum amount possessed at any time |
|-------------------------|-----------------------------------|--------------------------------------|
| H-3 | Static meters, analytical samples | 250 mCi |
| Ra-226 | Calibrator | 1 mCi |
| Ni-63 | Electron Capture Detectors | 50 mCi |
| Cd-109 | Lead Detectors | 20 mCi |

I certify that financial assurance in the amount \$150,000 has been obtained for the purpose of decommissioning as prescribed by 10 CFR Part 30.



Jeff L. Blatt
Responsible Care Leader
West Virginia Operations

APPENDIX A

A.17.7 Model Specimen Certificate of Resolution

I, _____, do hereby certify that I am Secretary of [insert name of licensee], a [insert State of incorporation] corporation, and that the resolution listed below was duly adopted at a meeting of this Corporation's Board of Directors on _____, 20__.

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

Secretary

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

APPENDIX A

A.17.6 Model Specimen Certificate of Events

[Insert name and address of trustee]

Attention: Trust Division

Gentlemen:

In accordance with the terms of the Agreement with you dated _____, I, _____, Secretary of *[insert name of licensee]*, hereby certify that the following events have occurred:

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

Secretary of *[insert name of licensee]*

Date

CHEMICAL BANK

Trade Services Group
P.O. Box 44, Church Street Station
New York, N.Y. 10008

ISSUE DATE: APRIL 30, 1991
L/C NO. []

Cable Address: Chemsam New York

Advising Bank

***** DIRECT *****

APPLICANT:

UNION CARBIDE CHEMICALS & PLASTICS
COMPANY INC.
39 OLD RIDGEBURY ROAD
DANBURY, CT 06817-0001

Beneficiary

U.S. NUCLEAR REGULATORY COMMISSION
WASHINGTON D.C 20555

AMOUNT: USD 300,000.00
(THREE HUNDRED THOUSAND
AND 00/100 UNITED STATES
DOLLARS)

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DEAR SIR OR MADAM:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [] IN YOUR FAVOR, AT THE REQUEST AND FOR THE ACCOUNT OF UNION CARBIDE CHEMICALS AND PLASTICS COMPANY INC. ("UCC&P"), 39 OLD RIDGEBURY ROAD, DANBURY, CT 06817-0001, UP TO THE AGREGATE AMOUNT OF (THREE HUNDRED THOUSAND), U.S. DOLLARS \$300,000.00, AVAILABLE UPON PRESENTATION OF:

(1) YOUR SIGHT DRAFT, BEARING REFERENCE TO THIS LETTER OF CREDIT NO. [] AND

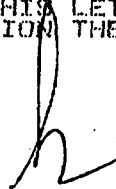
(2) YOUR SIGNED STATEMENT READING AS FOLLOWS: "I CERTIFY THAT THE AMOUNT OF THE DRAFT IS PAYABLE PURSUANT TO REGULATIONS ISSUED UNDER THE AUTHORITY OF THE U.S. NUCLEAR REGULATORY COMMISSION (NRC), AN AGENCY OF THE U.S. GOVERNMENT, PURSUANT TO THE ATOMIC ENERGY ACT OF 1954, AS AMENDED, AND THE ENERGY REORGANIZATION ACT OF 1974."

THIS LETTER OF CREDIT IS ISSUED IN ACCORDANCE WITH REGULATIONS ISSUED UNDER THE AUTHORITY OF 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. THE NRC HAS PROMULGATED REGULATIONS IN TITLE 10, CHAPTER 1 OF THE CODE OF FEDERAL REGULATIONS, PART 30 WHICH REQUIRE THAT A HOLDER OF, OR AN APPLICANT FOR, A LICENSE ISSUED UNDER 10 CFR PART 30 PROVIDE ASSURANCE THAT FUNDS WILL BE AVAILABLE WHEN NEEDED FOR DECOMMISSIONING.

THIS LETTER OF CREDIT IS EFFECTIVE AS OF APRIL 25, 1991 AND SHALL EXPIRE ON APRIL 25, 1992, BUT SUCH EXPIRATION DATE SHALL BE AUTOMATICALLY EXTENDED FOR A PERIOD OF ONE YEAR ON APRIL 25, 1992 AND ON EACH SUCCESSIVE EXPIRATION DATE, UNLESS, AT LEAST 90 DAYS BEFORE THE THEN CURRENT EXPIRATION DATE, WE NOTIFY BOTH YOU AND UNION CARBIDE CHEMICALS AND PLASTICS COMPANY INC., BY REGISTERED MAIL THAT WE ELECT NOT TO EXTEND THIS LETTER OF CREDIT FOR SUCH AN ADDITIONAL PERIOD AS SHOWN ON THE SIGNED RETURN RECEIPTS.

IF UNION CARBIDE CHEMICALS AND PLASTICS COMPANY INC. IS UNABLE TO SECURE ALTERNATIVE FINANCIAL ASSURANCE TO REPLACE THIS LETTER OF CREDIT WITHIN 30 DAYS OF NOTIFICATION OF CANCELLATION THE NRC

-CONTINUED-



Authorized Signature

[] -001--L1-01-02-01

Provisions applicable to this credit

This credit is subject to the Uniform Customs and Practice for Documentary Credits (1983 Revision.) International Chamber of Commerce Publication No. 400

(b)(4)

CHEMICAL BANK

Trade Services Group
P.O. Box 44, Church Street Station
New York, N.Y. 10008

ISSUE DATE: APRIL 30, 1991
L/C NO. []

Cable Address: Chemsam New York

Advising Bank

***** DIRECT *****

APPLICANT:

UNION CARBIDE CHEMICALS & PLASTICS
COMPANY INC.
39 OLD RIDGEBURY ROAD
DANBURY, CT 06817-0001

Beneficiary

U.S. NUCLEAR REGULATORY COMMISSION
WASHINGTON D.C 20555

AMOUNT: USD 300,000.00
(THREE HUNDRED THOUSAND
AND 00/100 UNITED STATES
DOLLARS)

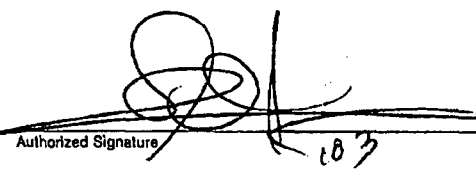
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MAY DRAW UPON THE FULL VALUE OF THIS LETTER OF CREDIT PRIOR TO CANCELLATION. WE SHALL GIVE IMMEDIATE NOTICE TO THE APPLICANT AND THE NRC OF ANY NOTICE RECEIVED OR ACTION FILED ALLEGING (1) THE INSOLVENCY OR BANKRUPTCY OF THE FINANCIAL INSTITUTION OR (2) ANY VIOLATIONS OR REGULATORY REQUIREMENTS THAT COULD RESULT IN SUSPENSION OR REVOCATION OF THE BANK'S CHARTER OR LICENSE TO DO BUSINESS. CHEMICAL BANK ALSO SHALL GIVE IMMEDIATE NOTICE IF THE BANK, FOR ANY REASON, BECOMES UNABLE TO FULFILL ITS OBLIGATION UNDER THE LETTER OF CREDIT.

WHENEVER THIS LETTER OF CREDIT IS DRAWN ON UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT, WE SHALL DULY HONOR SUCH DRAFT UPON ITS PRESENTATION TO US WITHIN 30 DAYS, AND WE SHALL DEPOSIT THE AMOUNT OF THE DRAFT DIRECTLY INTO THE STANDBY TRUST FUND OF UNION CARBIDE CHEMICALS AND PLASTICS COMPANY INC. IN ACCORDANCE WITH YOUR INSTRUCTIONS.

EACH DRAFT MUST BEAR ON ITS FACE THE CLAUSE: "DRAWN UNDER LETTER OF CREDIT [] DATED APRIL 25, 1991, AND THE TOTAL OF THIS DRAFT AND ALL OTHER DRAFTS PREVIOUSLY DRAWN UNDER THIS LETTER OF CREDIT DOES NOT EXCEED \$300,000.00."

ANY COMMUNICATIONS IN CONNECTION WITH THIS LETTER OF CREDIT SHALL BE SENT TO CHEMICAL BANK, 55 WATER STREET LETTER OF CREDIT DEPT., ROOM 1702.


Authorized Signature

[] -001-L1-01-02-01

Provisions applicable to this credit

This credit is subject to the Uniform Customs and Practice for Documentary Credits (1983 Revision.) International Chamber of Commerce Publication No. 400

(b)(4)

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of April 23, 1991 by and between Union Carbide Chemicals and Plastics Company Inc., a New York corporation, herein referred to as the "Grantor", and Chemical Bank, 55 Water Street, Suite 1820, New York, NY 10041, 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, 40, 70 or 72 license provide assurance that funds will be available when needed for required decommissioning activities.

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

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

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

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

Section 1. Definitions. As used in this Agreement:

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

Section 2. Costs of Decommissioning. This Agreement pertains to the costs of decommissioning the materials and activities identified in License Number 47-002600-02 and 37-19533-01 issued 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.

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 Grantor 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 the Grantor's intent to withdraw funds from the escrow fund.

No withdrawal from the fund can exceed 50 percent of the outstanding balance of the Fund or one hundred and twenty thousand dollars, whichever is greater, unless NRC approval is attached.

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

Section 6. Trust Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this section. 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 of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

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

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

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

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

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

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

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

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as 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 the 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 Trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions. The successor Trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the NRC, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this section shall be paid as provided in Section 9.

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

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

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

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

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

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 description headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement. If any part of this Agreement is invalid, it shall not affect the remaining provisions which will remain valid and enforceable.

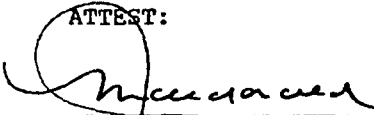
IN WITNESS WHEREOF the parties have caused this Agreement to be executed by the respective officers duly authorized and the corporate seals to be hereunto affixed and attested as of the date first written above.

Union Carbide Chemicals and Plastics
Company Inc.


J.A. Clerico

Vice President, Treasurer and
Chief Financial Officer

ATTEST:



J. Macdonald
Secretary

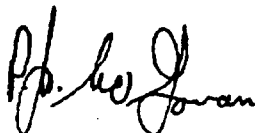
Chemical Bank

[Title]



Senior Trust Officer

ATTEST:



[Title]
[Seal]

Assistant Trust Officer

Specimen Certificate

Chemical Bank
55 Water Street
Suite 1820
New York, NY 10041

Attention: Trust Division

Gentlemen:

In accordance with the terms of the Agreement with you dated April 23, 1991, I, _____, Secretary of Union Carbide Chemicals and Plastics Company Inc., hereby certify that the following events have occurred:

1. Union Carbide Chemicals and Plastics Company Inc. ("UCC&P") is required to commence the decommissioning of its facility located at South Charleston, West Virginia (hereinafter called the decommissioning).
2. The plans and procedures for the commencement and conduct of the decommissioning have been approved by the United States Nuclear Regulatory Commission, or its successor, on _____ (copy of approval attached).
3. Commencement of the decommissioning has been authorized by UCC&P.

Secretary of Union Carbide Chemicals
and Plastics Company Inc.

Date

STANDBY TRUST AGREEMENT

SCHEDULE A

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

| <u>U.S. NUCLEAR REGULATORY COMMISSION LICENSE NUMBER</u> | <u>NAME AND ADDRESS OF LICENSEE</u> | <u>ADDRESS OF LICENSED ACTIVITY</u> | <u>COST ESTIMATES FOR REGULATORY ASSURANCES DEMONSTRATED BY THIS AGREEMENT</u> |
|--|--|--|--|
| 47-00260-02 | Union Carbide Chemicals and Plastics Company Inc. | P.O. Box 8361 South Charleston, WV | \$150,000 |
| 37-19533-01 | Union Carbide Chemicals and Plastics Company Inc. | Bushy Run Research Center 6702 Mellon Road Export, PA 15632 | \$150,000 |

STANDBY TRUST AGREEMENT
SCHEDULE B

AMOUNT 0

AS EVIDENCED BY N/A



UNION CARBIDE CORPORATION OLD RIDGEBURY ROAD, DANBURY, CT 06817

May 13, 1991

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

U.S. Nuclear Regulatory Commission
Region I
475 Allendale Road
King of Prussia, PA 19406
ATTN: Mr. Reber

RE: Financial Assurance for Decommissioning
Nuclear Facilities

Dear Mr. Reber:

Ms. Glenda Jackson, U.S. Nuclear Regulatory Commission, Washington, D.C., suggested that your home office receive the enclosed original copy of an irrevocable standby letter of credit and standby trust fund established by Union Carbide Chemicals and Plastics Company Inc. ("UCC&P"), on behalf of its research facilities at South Charleston, West Virginia (NRC License No. 47-00260-02) and Bushy Run, Pennsylvania, (NRC License No. 37-19533-01) pursuant to NRC regulations 10 C.F.R Part 30.35 (Financial Assurance and Recordkeeping of Decommissioning). A copy of both documents will be sent to the U.S. Nuclear Regulatory Commission, Region II, Atlanta, Georgia.

Note that the enclosed letter of credit and standby trust fund mechanism replaces the parent company guarantee previously provided for these facilities by Union Carbide Corporation. If you have any questions regarding UCC&P's provision of financial assurance for decommissioning for either of these facilities, please contact the undersigned.

Sincerely yours,

A handwritten signature in cursive script that reads "A.T. Sheridan".

A.T. Sheridan

CC: Mr. Earl G. Wright
U.S. Nuclear Regulatory Commission
Region II
101 Marietta Street, N.W.
Atlanta, GA 30323

ATS/kal
attachments
0118L:27

CHEMICALBANK

Trade Services Group
P.O. Box 44, Church Street Station
New York, N.Y. 10008

ISSUE DATE: APRIL 30, 1991
L/C NO. []

Cable Address: Chemsam New York

Advising Bank

***** DIRECT *****

APPLICANT:

UNION CARBIDE CHEMICALS & PLASTICS
COMPANY INC.
39 OLD RIDGEBURY ROAD
DANBURY, CT 06817-0001

Beneficiary

U.S. NUCLEAR REGULATORY COMMISSION
WASHINGTON D.C 20555

AMOUNT: USD 300,000.00
(THREE HUNDRED THOUSAND
AND 00/100 UNITED STATES
DOLLARS)

DEAR SIR OR MADAM:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [] IN YOUR FAVOR, AT THE REQUEST AND FOR THE ACCOUNT OF UNION CARBIDE CHEMICALS AND PLASTICS COMPANY INC. ("UCC&P"), 39 OLD RIDGEBURY ROAD, DANBURY, CT 06817-0001, UP TO THE AGREGATE AMOUNT OF (THREE HUNDRED THOUSAND), U.S. DOLLARS \$300,000.00, AVAILABLE UPON PRESENTATION OF:

(1) YOUR SIGHT DRAFT, BEARING REFERENCE TO THIS LETTER OF CREDIT NO. [] AND

(2) YOUR SIGNED STATEMENT READING AS FOLLOWS: "I CERTIFY THAT THE AMOUNT OF THE DRAFT IS PAYABLE PURSUANT TO REGULATIONS ISSUED UNDER THE AUTHORITY OF 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."

THIS LETTER OF CREDIT IS ISSUED IN ACCORDANCE WITH REGULATIONS ISSUED UNDER THE AUTHORITY OF 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. THE NRC HAS PROMULGATED REGULATIONS IN TITLE 10, CHAPTER 1 OF THE CODE OF FEDERAL REGULATIONS, PART 30 WHICH REQUIRE THAT A HOLDER OF, OR AN APPLICANT FOR, A LICENSE ISSUED UNDER 10 CFR PART 30 PROVIDE ASSURANCE THAT FUNDS WILL BE AVAILABLE WHEN NEEDED FOR DECOMMISSIONING.

THIS LETTER OF CREDIT IS EFFECTIVE AS OF APRIL 25, 1991 AND SHALL EXPIRE ON APRIL 25, 1992, BUT SUCH EXPIRATION DATE SHALL BE AUTOMATICALLY EXTENDED FOR A PERIOD OF ONE YEAR ON APRIL 25, 1992 AND ON EACH SUCCESSIVE EXPIRATION DATE, UNLESS, AT LEAST 90 DAYS BEFORE THE THEN CURRENT EXPIRATION DATE, WE NOTIFY BOTH YOU AND UNION CARBIDE CHEMICALS AND PLASTICS COMPANY INC., BY REGISTERED MAIL THAT WE ELECT NOT TO EXTEND THIS LETTER OF CREDIT FOR SUCH AN ADDITIONAL PERIOD AS SHOWN ON THE SIGNED RETURN RECEIPTS.

IF UNION CARBIDE CHEMICALS AND PLASTICS COMPANY INC. IS UNABLE TO SECURE ALTERNATIVE FINANCIAL ASSURANCE TO REPLACE THIS LETTER OF CREDIT WITHIN 30 DAYS OF NOTIFICATION OF CANCELLATION THE NRC

-CONTINUED-

Authorized Signature



[] -001-L1-01-02-01

Provisions applicable to this credit

- 1 -

CHEMICALBANK

Trade Services Group
P.O. Box 44, Church Street Station
New York, N.Y. 10008

ISSUE DATE: APRIL 30, 1991
L/C NO. []

Cable Address: Chemsam New York

Advising Bank

***** DIRECT *****

APPLICANT:

UNION CARBIDE CHEMICALS & PLASTICS
COMPANY INC.
39 OLD RIDGEBURY ROAD
DANBURY, CT 06817-0001

Beneficiary

U.S. NUCLEAR REGULATORY COMMISSION
WASHINGTON D.C 20555


AMOUNT: USD 300,000.00
(THREE HUNDRED THOUSAND
AND 00/100 UNITED STATES
DOLLARS)

MAY DRAW UPON THE FULL VALUE OF THIS LETTER OF CREDIT PRIOR TO CANCELLATION. WE SHALL GIVE IMMEDIATE NOTICE TO THE APPLICANT AND THE NRC OF ANY NOTICE RECEIVED OR ACTION FILED ALLEGING (1) THE INSOLVENCY OR BANKRUPTCY OF THE FINNANCIAL INSTITUTION OR (2) ANY VIOLATIONS OR REGULATORY REQUIREMENTS THAT COULD RESULT IN SUSPENSION OR REVOCATION OF THE BANK'S CHARTER OR LICENSE TO DO BUSINESS. CHEMICAL BANK ALSO SHALL GIVE IMMEDIATE NOTICE IF THE BANK, FOR ANY REASON, BECOMES UNABLE TO FULFILL ITS OBLIGATION UNDER THE LETTER OF CREDIT.

WHENEVER THIS LETTER OF CREDIT IS DRAWN ON UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT, WE SHALL DULY HONOR SUCH DRAFT UPON ITS PRESENTATION TO US WITHIN 30 DAYS, AND WE SHALL DEPOSIT THE AMOUNT OF THE DRAFT DIRECTLY INTO THE STANDBY TRUST FUND OF UNION CARBIDE CHEMICALS AND PLASTICS COMPANY INC. IN ACCORDANCE WITH YOUR INSTRUCTIONS.

EACH DRAFT MUST BEAR ON ITS FACE THE CLAUSE: "DRAWN UNDER LETTER OF CREDIT DATED APRIL 25, 1991, AND THE TOTAL OF THIS DRAFT AND ALL OTHER DRAFTS PREVIOUSLY DRAWN UNDER THIS LETTER OF CREDIT DOES NOT EXCEED \$300,000.00."

ANY COMMUNICATIONS IN CONNECTION WITH THIS LETTER OF CREDIT SHALL BE SENT TO CHEMICAL BANK, 55 WATER STREET LETTER OF CREDIT DEPT., ROOM 1702.


Authorized Signature

[] -001-L1-01-02-01

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of April 23, 1991 by and between Union Carbide Chemicals and Plastics Company Inc., a New York corporation, herein referred to as the "Grantor", and Chemical Bank, 55 Water Street, Suite 1820, New York, NY 10041, 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, 40, 70 or 72 license provide assurance that funds will be available when needed for required decommissioning activities.

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

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

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

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

Section 1. Definitions. As used in this Agreement:

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

Section 2. Costs of Decommissioning. This Agreement pertains to the costs of decommissioning the materials and activities identified in License Number 47-002600-02 and 37-19533-01 issued 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.

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 Grantor 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 the Grantor's intent to withdraw funds from the escrow fund.

No withdrawal from the fund can exceed 50 percent of the outstanding balance of the Fund or one hundred and twenty thousand dollars, whichever is greater, unless NRC approval is attached.

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

Section 6. Trust Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this section. 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 of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

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

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

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

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

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

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

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

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as 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 the 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 Trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions. The successor Trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the NRC, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this section shall be paid as provided in Section 9.

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

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

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

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

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

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 description headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement. If any part of this Agreement is invalid, it shall not affect the remaining provisions which will remain valid and enforceable.

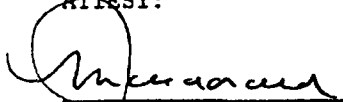
IN WITNESS WHEREOF the parties have caused this Agreement to be executed by the respective officers duly authorized and the corporate seals to be hereunto affixed and attested as of the date first written above.

Union Carbide Chemicals and Plastics
Company Inc.



J.A. Clerico
Vice President, Treasurer and
Chief Financial Officer

ATTEST:



J. Macdonald
Secretary

Chemical Bank

[Title]



Senior Trust Officer

ATTEST:



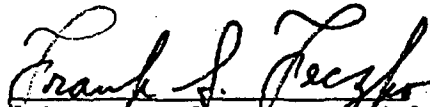
[Title] Assistant Trust Officer
[Seal]

ACKNOWLEDGEMENT

STATE OF NEW YORK

CITY OF NEW YORK

On this 29th day of April, before me, a notary public in and for the city and State aforesaid, personally appeared G. McFARLANE, and she/he did depose and say that she/he is the Senior Trust Officer of Chemical Bank, Trustee, which executed the above instrument, that she/he knows the seal of said bank; that the seal affixed to such instrument is such corporate seal that it was so affixed by order of the bank; and that she/he signed her/his name thereto by like order.


[Signature of notary public]

FRANK S. FECZKO
Notary Public, State of New York
No. 41-8861375
Qualified in Queens County
Certificate Filed in New York County
Commission Expires June 2, 1982

My commission Expires:

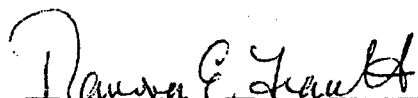
_____ [Date]

ACKNOWLEDGEMENT

STATE OF CONNECTICUT

CITY OF DANBURY

On this 23rd day of April, before me, a notary public in and for the city and State aforesaid, personally appeared J.A. Clerico, and he did depose and say that he is the Vice President, Treasurer and Chief Financial Officer of Union Carbide Chemicals and Plastics Company Inc., Grantor, which executed the above instrument, that he knows the seal of said corporation; that the seal affixed to such instrument is such corporate seal that it was so affixed by order of the corporation; and that he signed his name thereto by like order.



[Signature of notary public]

RAMONA E. TRAUTLEIN
NOTARY PUBLIC

My commission Expires:

MY COMMISSION EXPIRES FEB. 28, 1996

[Date]

Specimen Certificate

Chemical Bank
55 Water Street
Suite 1820
New York, NY 10041

Attention: Trust Division

Gentlemen:

In accordance with the terms of the Agreement with you dated April 23, 1991, I, _____, Secretary of Union Carbide Chemicals and Plastics Company Inc., hereby certify that the following events have occurred:

1. Union Carbide Chemicals and Plastics Company Inc. ("UCC&P") is required to commence the decommissioning of its facility located at South Charleston, West Virginia (hereinafter called the decommissioning).
2. The plans and procedures for the commencement and conduct of the decommissioning have been approved by the United States Nuclear Regulatory Commission, or its successor, on _____ (copy of approval attached).
3. Commencement of the decommissioning has been authorized by UCC&P.

Secretary of Union Carbide Chemicals
and Plastics Company Inc.

Date

STANDBY TRUST AGREEMENT

SCHEDULE A

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

| <u>U.S. NUCLEAR REGULATORY COMMISSION LICENSE NUMBER</u> | <u>NAME AND ADDRESS OF LICENSEE</u> | <u>ADDRESS OF LICENSED ACTIVITY</u> | <u>COST ESTIMATES FOR REGULATORY ASSURANCES DEMONSTRATED BY THIS AGREEMENT</u> |
|--|--|--|--|
| 47-00260-02 | Union Carbide Chemicals and Plastics Company Inc. | P.O. Box 8361 South Charleston, WV | \$150,000 |
| 37-19533-01 | Union Carbide Chemicals and Plastics Company Inc. | Bushy Run Research Center 6702 Mellon Road Export, PA 15632 | \$150,000 |

STANDBY TRUST AGREEMENT
SCHEDULE B

AMOUNT 0

AS EVIDENCED BY N/A