

The Pennsylvania State University

Financial Assurance for Cost of Decommissioning Activities

Self-Guarantee Agreement

Guarantee made by The Pennsylvania State University, a nonprofit university, organized under the laws of the Commonwealth of Pennsylvania, herein referred to as “guarantor,” to the U. S. Nuclear Regulatory Commission, on behalf of the university as licensee.

Recitals

1. The guarantor has full authority and capacity to enter into this self-guarantee by the bylaws of the Trustees of the Pennsylvania State University.
2. This self-guarantee is being issued to comply with regulations issued by 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. NRC has promulgated regulations in Title 10, Chapter I of the *Code of Federal Regulations*, Parts 50 and 70, which require that a holder of, or an applicant for, a materials license issued pursuant to 10 CFR Parts 50 and 70 provide assurance that funds will be available when needed for required decommissioning activities.
3. The self-guarantee is issued to provide financial assurance for decommissioning activities for the licenses and facilities shown.

License # and Docket #	License Description and method	Certified Amounts or Current Cost Estimates 2012
R-2 050-0005	Research Reactor 2001 estimate of \$7,141,464 plus 5% per year increase.	\$12,214,327
SNM-95 70-113	Special Nuclear Material for research and teaching. December 2009 estimate of decommissioning costs.	\$19,500
	Sub total	\$12,233,827
	25% contingency fund	\$3,058,457
	Total Estimated Costs:	\$15,292,284

4. The guarantor meets or exceeds the following financial test criteria for a nonprofit university that issues bonds. Specifically, the current rating for our most recent uninsured, uncollateralized, and unencumbered bond issuance was AA as issued by Standard & Poor’s, and agrees to comply with all notification requirements as specified in 10 CFR Part 50, 70, and Appendix A to 10 CFR Part 30

5. The guarantor does not have a parent company holding majority control of its voting stock.
6. Decommissioning activities as used below refer to the activities required by 10 CFR Part 50 and 70 for decommissioning of the facilities identified above.
7. Pursuant to the guarantor's authority to enter into this guarantee, the guarantor guarantees to the NRC that the guarantor shall:
 - (a) carry out the required decommissioning activities, as required by the licenses listed above.
8. The guarantor agrees to submit revised financial statements, financial test data annually within 180 days of the close of its fiscal year.
9. The guarantor agrees that if, at the end of any fiscal year before termination of this self-guarantee, it fails to meet the self-guarantee financial test criteria, it shall send within 90 days of the end of the fiscal year, by certified mail, notice to the NRC that it intends to provide alternative financial assurance as specified in 10 CFR Part 30. Within 120 days after the end of the fiscal year, the guarantor shall establish such financial assurance.
10. *{deleted}*
11. The guarantor agrees that if it determines, at any time other than as described in Recital 9, that it no longer meets the self-guarantee financial test criteria or it is disallowed from continuing as a self-guarantor, it shall establish alternative financial assurance as specified in 10 CFR Parts 50 and 70 within 30 days.
12. The guarantor, as well as its successors and assigns and agrees to remain bound jointly and severally under this guarantee notwithstanding any or all of the following: amendment or modification of the license or NRC-approved decommissioning funding plan for that facility, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of the licensee pursuant to 10 CFR Parts 50 and 70.
13. The guarantor agrees that it shall be liable for all litigation costs incurred by the NRC in any successful effort to enforce the agreement against the guarantor.
14. The guarantor agrees to remain bound under this self-guarantee for as long as it, as licensee, must comply with the applicable financial assurance requirements of 10 CFR Part 50 and 70, for the previously listed facilities, except that the guarantor may cancel this self-guarantee by sending notice by certified mail to the NRC, such cancellation to become effective not before an alternative financial assurance mechanism has been put in place by the guarantor
15. The guarantor agrees that if it, as licensee, fails to provide alternative financial assurance as specified in 10 CFR Parts 50 and 70 and obtain written approval of

such assurance from the NRC within 90 days after a notice of cancellation by the guarantor is received by the NRC from the guarantor, the guarantor shall make full payment under the self-guarantee.

16. The guarantor expressly waives notice of acceptance of this self-guarantee by the NRC. The guarantor also expressly waives notice of amendments or modifications of the decommissioning requirements.
17. If the guarantor files financial reports with the U.S. Securities and Exchange Commission, then it shall promptly submit them to its independent auditor and to NRC during each year in which this self guarantee is in effect.
18. The guarantor agrees that if, at any time before termination of this self-guarantee, its most recent bond issuance ceases to be rated in the category of "A" or above by either Standard & Poor's or Moody's, it shall provide notice in writing of such fact to NRC within 20 days after publication of the change by the rating service.

I hereby certify that this self-guarantee is true and correct to the best of my knowledge.

Effective date: November 16, 2012

Pennsylvania State University:



Joseph J. Doncsecz

Associate Vice President for Finance and Corporate Controller