

CABOT

June 17, 1996

Via Federal Express

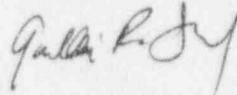
Ms. Judith M. Greenwald
Division of Low Level Waste
Management, NMSS
Mail Stop T 7-F-27
U.S. Nuclear Regulatory Commission
Two White Flint North
11545 Rockville Pike
Rockville, MD 20852-2738

Re: Standby Trust Agreement Under License No. SMB-920

Enclosed is a fully executed copy of the amended Standby Trust Agreement for Cabot Corporation's Boyertown Facility.

The amended copy of Letter of Credit No. 50054319 is being sent to you directly by the First National Bank of Boston.

Sincerely,



Geraldine R. Scoll
Senior Counsel - Safety, Health &
Environmental Affairs

enclosure

9607100036 960701
PDR ADOCK 04006940
C PDR

Cabot Corporation
Billerica Technical Center
157 Concord Road
P. O. Box 7001
Billerica, Massachusetts 01821-7001
(508) 663-3455

October 27, 1995

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of October 27th, 1995 and amended as of July 1, 1996, by and between Cabot Corporation a Delaware corporation, herein referred to as the "Grantor," and the State Street Bank and Trust Company of Boston, Massachusetts, 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 40. These regulations, applicable to the Grantor, require that a holder of, or an applicant for, a Part 40 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;

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. Definition. 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 SMB-920 issued pursuant to 10 CFR Part 40 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. The property initially transferred to the Trustee 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 Depositor attesting to the occurrence of the events, and in substantially 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 Cabot Corporation's intent to withdraw funds from the escrow fund.

No withdrawal from the Fund can exceed 10 percent of the outstanding balance of the Fund or \$400,000, 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 at the written direction of Grantor 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 in obligations of the Federal Government such as GNMA, FNMA, and FHLM bonds and certificates or State and Municipal bonds rated BBB or higher by Standard and Poors or Baa or higher by Moody's Investment Services; and
- (c) For a reasonable time, not to exceed 30 days, the Trustee is authorized to hold uninvested cash, awaiting investment or distribution, without liability for the payment of interest thereon.

For tax reporting purposes, any income earned on the Fund shall be allocable to Grantor and Grantor shall provide the Trustee with an original, signed Form W-9 or equivalent when an initial payment is made to the Trustee for the Fund under the terms of this Agreement.

Section 7. 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 at the direction of the Grantor;
- (b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

- (c) To register any securities held in the Fund in its own name, or in the name of a nominee, and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, to reinvest interest payments and funds from matured and redeemed instruments, to file proper forms concerning securities held in the Fund in a timely fashion with appropriate government agencies, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee or such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the U.S. Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;
- (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 otherwise adjust all claims in favor of or against the Fund.

Section 8. 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 9. 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 the 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 10. 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 protected, to the extent permitted by law, in acting on the advice of counsel.

Section 11. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing with the Grantor. The fees to be charged will be those customarily published by the Trustee and agreed to by the Grantor for this type of service.

Section 12. Successor Trustee. Upon 90 days notice to the NRC and the Grantor, 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 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 writing sent to the Grantor and 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 13. 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 instructions from the Grantor and/or the NRC, except as provided for herein.

Section 14. 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 15. 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 16. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any non negligent 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 claim of liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense. In no event shall the Trustee be liable for indirect, punitive, special or consequential damages.

Section 17. This Agreement shall be administered, construed, and enforced according to the laws of the Commonwealth of Massachusetts.

Section 18. 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.

Section 19. Notices. Notices may be sent to the below-listed parties as follows:

Cabot Corporation
157 Concord Road
Billerica, MA 01821-7001
Attention: Vice President - Safety,
Health and Environmental Affairs

State Street Bank and Trust Company
Two International Place
Boston, MA 02110
Attention: Debra J. Gauthier

U.S. Nuclear Regulatory Commission
Region I
475 Allendale Road
King of Prussia, PA 19406
Attention: Regional Administrator

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:

[title]
[seal]

Matthew H. Hume
Assistant Secretary

Cabot Corporation (Grantor)

By:

Anthony H. Hume
C901

Vice President - Safety, Health &
Environmental Affairs

ATTEST:

[title]
[seal]

Debra A. Hume
Senior Account Admin

State Street Bank and Trust Co.

By:

E. Decker Adams

[title]

E. DECKER ADAMS
VICE PRESIDENT

Specimen Certificate of Events

State Street Bank and Trust Company
Two International Place
Boston, MA 02110

Attention: Corporate Trust Department

Gentlemen:

In accordance with the terms of the Agreement with you dated _____, I, _____, Secretary of Cabot Corporation, hereby certify that the following events have occurred:

1. Cabot Corporation is required to commence the decommissioning of its facility located at Boyertown, PA (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 Cabot Corporation has adopted the attached resolution authorizing the commencement of the decommissioning.

Secretary of Cabot Corporation

Date

Certificate of Resolution

I, _____, do hereby certify that I am Secretary of Cabot Corporation, a Delaware corporation, and that the resolution listed below was duly adopted at a meeting of this Corporation's Board of Directors on _____, 19____.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal or this Corporation this ____ day of _____, 19____.

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 Boyertown, PA, 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.

TRUST AGREEMENT SCHEDULES

SCHEDULE A

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

U.S. NUCLEAR REGULATORY COMMISSION <u>LICENSE NUMBER</u>	NAME AND ADDRESS OF <u>LICENSEE</u>	OF LICENSED <u>ACTIVITY</u>	COST ESTIMATES FOR REGULATORY ASSURANCES DEMONSTRATED BY <u>THIS AGREEMENT</u>
SMB-920	Cabot Corporation, Boyertown, PA	County Line Road Boyertown, PA 19512	\$5,954,000

The cost estimates listed here are revised from those submitted to the NRC on October 31, 1995.

SCHEDULE B

First National Bank of Boston
Letter of Credit Number 50054319
effective July 16, 1990 as amended

ACKNOWLEDGEMENT

STATE OF Massachusetts

CITY OF Suffolk

On this 18 day of June, before me, a notary public in and for the city and State aforesaid, personally appeared _____, and she/he did depose and say that she/he is the [title] of State Street Bank and Trust Company, Trustee, which executed the above instrument, that she/he knows the seal of said Trustee; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the Trustee; and that she/he signed her/his name thereto by like order.

Laura J. Morse
[Signature of notary public]

LAURA MORSE
Notary Public

My Commission Expires: My Commission Expires July 26, 2002
[Date]