CBS

71-0638
71-0708
71-6400
71-9239
72-1001

CBS CORPORATION
51 WEST 52 STREET
NEW YORK, NEW YORK 10019-6188

(212) 975-4915
FAX: (212) 597-4031

LOUIS J. BRISKMAN
EXECUTIVE VICE PRESIDENT
AND GENERAL COUNSEL

September 28, 1998

Mr. Carl J. Paperiello, Director
Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Noted Copy: Mr. Charles J. Haughney, Acting Directory
Spent Fuel Project Office
Office of Nuclear Material Safety and Safeguards

Re: Application for Transfers and Amendments of Quality Assurance Program Approvals and Certificates of Compliance

Dear Mr. Paperiello:

Enclosed for filing is an Application for Transfers and Amendments of certain quality assurance program approvals and certificates of compliance more specifically listed on Exhibit A to the enclosed Application. The filing is necessitated by the sale (with certain exceptions) of the assets of the nuclear and government operations business of CBS Corporation, formerly Westinghouse Electric Corporation ("CBS"), to a consortium consisting of Morrison Knudsen Corporation and BNFL USA Group, Inc. (the "Purchasers"). The Purchasers have considerable expertise in the nuclear and government operations business.

The Application requests that the Nuclear Regulatory Commission ("NRC") approve the transfers of the licenses, approvals and certificates listed on Exhibit A, and the related amendments associated with the transfers, to a new company, Westinghouse Electric Company, LLC, a MK/BNFL Company ("WELCO"), to be formed by the Purchasers prior to the closing of the sale transaction. Details on the sale transaction giving rise to the instant Application are provided therein.

NT02
1/14

The enclosed Application demonstrates that the proposed transfers will not involve any change in the operating organization, location, facilities, equipment or procedures associated with the licensed activities, and that there will be no changes in the use, possession, locations or storage of licensed material as a result of the sale transaction. Current CBS employees responsible for licensed materials and activities will become WELCO employees and will continue to be responsible for such activities after the transfers. WELCO will meet all requirements for a NRC licensee and holder of approvals and certificates, including financial and technical qualifications. WELCO will agree to

Rec'd w/ck# 207446 for $1,240.00.

abide by all commitments and representations made to the NRC prior to the transfers, as well as all of the terms and conditions of the licenses, approvals and certificates.

Certain information supporting the Application, such as the identification of all the directors and officers of WELCO, is not yet available. Such information will be provided as soon as it becomes available prior to the contemplated Closing Date of the sale transaction. Executed originals of draft documents contained in the Application will be similarly submitted.

In conjunction with the sale transaction, applications for transfers and amendments of other NRC and Agreement State licenses, approvals and certificates also will be filed. In addition, closing of the sale transaction involves review or approval of other regulatory agencies in addition to the NRC. Therefore, CBS requests the NRC to make the transfers and amendments effective as of the Closing Date of the sale transaction. As it is currently contemplated that the Closing Date will occur on or about December 1, 1998, issuance of the NRC's approval is requested by no later than that date. CBS will keep the NRC informed of progress in obtaining other approvals, the timetable established for closing the sale transaction and the Closing Date.

CBS further requests that, as of the effective date of the transfers requested by the Application, the NRC consider that any other pending applications for approvals or amendments with respect to the licenses, approvals and certificates which are the subject of such Application be considered as the pending applications of the transferee.

Enclosed is a check in the amount of $1,240.00 in payment of fees for processing the required amendments to the affected licenses, approvals and certificates that are not subject to full cost review (see Application Exhibit A), as set forth in 10 CFR Part 170. For amendments that are subject to full cost review, CBS will pay the fees upon billing by the NRC in accordance with 10 CFR 170.12.

CBS also would appreciate the NRC adding the individuals on the attached list to the service list for correspondence related to the enclosed Application.

Should there be any questions regarding this matter please contact Mr. A. Joseph Nardi, License Administrator, Regulatory Affairs at: (412) 374-4652, Fax: (412) 374-3357, email: nardiaj@Westinghouse.com.

Very truly yours,

Louis J. Briskman

Louis J. Briskman
Executive Vice President and General Counsel

Enclosure

Additions to Service List

Lisa A. Campagna, Esq.
Westinghouse Electric Company, a division
of CBS Corporation
P.O. Box 355
Pittsburgh, PA 15230-0355

Barton Z. Cowan, Esq.
Eckert Seamans Cherin & Mellott, LLC
600 Grant Street, 44th Floor
Pittsburgh, PA 15219

Mark D. Herlach, Esq.
Sutherland Asbill & Brennen L.L.P.
1275 Pennsylvania Avenue, NW
Washington, DC 20004-2415

APPLICATION FOR TRANSFERS AND AMENDMENTS OF QUALITY ASSURANCE PROGRAM APPROVALS AND CERTIFICATES OF COMPLIANCE

September 28, 1998

I. INTRODUCTION

This application for transfers and amendments of certain materials licenses, quality assurance program approvals and certificates of compliance arises from the sale of the assets and operations (with certain exceptions) of the nuclear and government services businesses of CBS Corporation ("CBS") to a consortium consisting of Morrison Knudsen Corporation ("MK") and BNFL USA Group, Inc. ("BNFL USA") (the "Purchasers"). CBS, formerly known as Westinghouse Electric Corporation,[1/], is the holder of licenses, quality assurance program approvals and certificates of compliance issued by the Nuclear Regulatory Commission ("NRC") pursuant to 10 C.F.R. Parts 30, 40, 70, 71 and 72 ("licenses, approvals and certificates").[2/] CBS requests that the NRC approve the transfers of the licenses, approvals and certificates listed on Exhibit "A" to Westinghouse Electric Company, LLC, a MK/BNFL Company ("WELCO"), a new limited liability company to be formed, and that the NRC approve the corresponding amendments to those licenses, approvals and certificates necessary to effectuate such transfers.

The proposed sale transaction requires the approval of other regulatory agencies in

1/ Westinghouse Electric Corporation changed its name to CBS Corporation on December 1, 1997.

2/ The change in the name of the licensee has already been reflected in the various licenses, approvals and certificates. On certain licenses, approvals and certificates, the name of the licensee reads "Westinghouse Electric Company, a division of CBS Corporation." On certain other licenses, approvals and certificates, the name of the licensee reads "CBS Corporation acting through its Westinghouse Electric Company division." On still other licenses, approvals and certificates the name of the licensee reads "Westinghouse Electric Corporation."

addition to the NRC. Closing of the sale transaction cannot take place until receipt of NRC and other regulatory approvals. Therefore, CBS requests the NRC to approve the transfers and amendments to be effective as of the Closing Date of the sale transaction. As it is currently anticipated that the Closing Date will be on or about December 1, 1998, CBS requests that the NRC issue its approval prior to that date. CBS will keep the NRC informed of progress in obtaining other regulatory approvals and the timetable established for the Closing Date.

From and after the Closing Date, as discussed herein, WELCO will be technically and financially qualified to be the holder of the licenses, approvals, and certificates that are the subject of this Application for transfers and amendments and will fulfill the responsibilities of such a holder. As of the Closing Date, current CBS employees responsible for these licensed materials and activities that are the subject of this application, as currently described in the dockets for such licenses, approvals and certificates, will become WELCO employees and will continue to be responsible for such activities after the transfers to WELCO. The transfers of these licensed activities will not affect the operational structure described in the licenses. There will be no changes in operating organizations, locations, facilities, equipment or procedures associated with the licensed activities, and there will be no changes in the use, possession, locations or storage of licensed materials as a result of the sale transaction. Licensed activities will continue in their current form without interruption resulting from the transfers.

II. THE TRANSACTION

The Purchasers will acquire (with certain exceptions described below) the nuclear and government services businesses of CBS. Included in the businesses and assets to be acquired are those operations currently located within the Energy Systems Business Unit ("ESBU") of CBS, the Government and Environmental Services Company ("Government Operations") of CBS and the on-going nuclear-related research, development, and other operations conducted at the CBS Science and Technology Center ("STC").

MK is an international engineering and construction company, incorporated under the laws of Ohio. MK has annual revenues of over $1.6 billion, an order backlog of $3.7 billion and net assets of $343 million as of November 30, 1997. MK is listed on the New York Stock Exchange with an equity market value of over $600 million and employs 8,500 people. MK provides a wide range of engineering, construction and construction management services to customers worldwide in the nuclear remediation, heavy civil, industrial, power, mining and environmental maintenance and services markets. MK also provides scientific, engineering, construction and maintenance services to the U.S. Government, including the Department of Energy ("DOE"), which is its largest customer, and the Department of Defense ("DOD").

British Nuclear Fuels plc ("BNFL") is a global leader in the nuclear industry, operating across the entire nuclear fuel cycle. It also is a substantial generator of nuclear power in the United Kingdom ("UK"). BNFL, which is wholly owned by the UK Government, has annual revenues of approximately $2.5 billion, with an order backlog of around $20 billion. In the United States, BNFL operates through BNFL USA, its wholly owned U.S. subsidiary. BNFL USA is incorporated under the laws of Delaware. BNFL USA, in turn, operates through two wholly owned subsidiaries, BNFL Inc., and BNFL Nuclear Services Inc. ("BNFL Nuclear Services"). Each of these subsidiaries is incorporated under the laws of Delaware. BNFL Inc. has approximately 800 employees (95 percent of whom are U.S. citizens) and an order backlog of $2.5 billion. BNFL Nuclear Services has been formed in connection with the sale transaction to own the BNFL interest in WELCO. BNFL Inc. has worked closely with Government Operations at a number of DOE facilities, including Savannah River (currently managed by

Westinghouse Savannah River Company). BNFL and BNFL Inc. have a substantial relationship with ESBU with respect to nuclear fuel manufacturing and other nuclear activities.

The Purchasers will form two new companies to operate the businesses and assets to be transferred as part of the sale transaction and to conduct related licensed activities. The first company, WELCO, will have transferred to it and will operate (with certain exceptions[3/]) the CBS commercial nuclear businesses now operated by ESBU. In addition, the ESBU-related operations at STC will be leased and operated by WELCO. It currently is contemplated that the second company, to be named Westinghouse Government and Environmental Services LLC, a Delaware limited liability company ("GESCO"), will have transferred to it and will operate the CBS government service business currently operated by Government Operations and engaged in managing facilities under contract with the DOE and DOD. GESCO also will operate the CBS Electro-Mechanical Division ("EMD"), located in Cheswick, PA, and engaged in the manufacture and repair of reactor coolant pumps and related equipment for the U.S. Navy and

3/ Excluded from the assets and operations to be transferred to WELCO as part of the sale transaction are those nuclear related assets and operations involving facilities currently owned by CBS that are inactive and are in the process of being decontaminated and decommissioned. CBS will continue to hold the licenses related to these operations and facilities and to be responsible for decontamination and decommissioning of such inactive operations. (The facilities and the associated licenses to be retained by CBS are: License No. TR-2 associated with the Westinghouse Test Reactor, License No. 37-00497-15 for the Forest Hills Site and License No. 040-08976 associated with the former Westinghouse Lamp Manufacturing Facility in Bloomfield, NJ.) CBS is filing requests for amendment of these licenses with the NRC, as appropriate, to reflect its retention of these licenses. In addition, in accordance with the Asset Purchase Agreement ("APA") reflecting the sale transaction, CBS will remain financially responsible for decontamination and decommissioning of certain aspects of other facilities whose licenses are the subject of a related application for transfers and amendments of licenses, approvals and certificates that is being filed concurrently with this Application.

commercial nuclear facilities.[4] Upon the approval of the NRC (or applicable Agreement State) of the requests set forth in this and related applications, each of WELCO and GESCO also will have transferred to it the licenses, approvals and certificates associated with the businesses and operations to be transferred to it.

It currently is contemplated that MK will have a 60% ownership interest and that BNFL Nuclear Services will have a 40% ownership interest in both WELCO and GESCO. In addition to the ownership interests of the Purchasers in the new companies to be formed, MK and BNFL also have agreed on an allocation of their respective economic interests in WELCO that differs from their equity ownership percentages.[5] The contemplated structure of the companies and the transaction is depicted in a chart attached hereto as Appendix 1.

III. DESCRIPTION OF BUSINESSES TO BE TRANSFERRED

The CBS businesses to be transferred supply services, fuel and equipment for the nuclear energy market, and management and related operating services at government-owned facilities.

ESBU. The Energy Systems Business Unit of CBS, with approximately 6,000 employees, provides products and services to the nuclear utility industry, including nuclear fuel,

---

[4] The organizational structure of this aspect of the sale transaction is subject to continuing discussions with and review by other United States government agencies, including the DOE and the DOD. If these discussions result in any change to the currently contemplated structure, CBS promptly will conform this Application accordingly.

[5] In terms of ownership, it is contemplated that MK will have a 60% equity interest and BNFL Nuclear Services will have a 40% equity interest in WELCO. It also is contemplated that the economic interest of MK in WELCO will be 6% and the economic interest of BNFL Nuclear Services in WELCO will be 94%. There is a possibility that in the future the equity ownership interest of BNFL Nuclear Services in WELCO may increase to 100%. The NRC will be informed of any such change and necessary approvals will be obtained from the NRC. With respect to GESCO, it currently is contemplated that MK will have both a 60% equity and 60% economic interest, and BNFL Nuclear Services will have a 40% equity and 40% economic interest.

operating and maintenance services, and repair and replacement parts and components. ESBU also designs, builds, upgrades, modernizes and decommissions nuclear power plants. In addition, ESBU also provides marketing, design, technical, regulatory and licensing services for the CBS spent fuel cask business.

Government Operations. CBS, through various divisions and subsidiaries of its Government Operations business, with approximately 17,000 employees, manages the operation of nuclear-related facilities for the DOE, including, among others, (i) the Savannah River Site in South Carolina (since 1989), (ii) the West Valley Demonstration Project in West Valley, New York (since 1971) and (iii) the Waste Isolation Pilot Project near Carlsbad, New Mexico (since 1985). The principal mission of these facilities is the remediation, waste management and safe management of the U.S. nuclear materials inventory. Government Operations also supports the U.S. Navy nuclear propulsion program, including through EMD. Government Operations also is currently managing the construction, operation and eventual decommissioning of the Anniston Chemical Agent Disposal Facility near Anniston, Alabama for the DOD and is involved in the manufacture of the new CBS multi-purpose, spent commercial nuclear fuel canister.

Science and Technology Center (STC). Certain research and development functions located at STC primarily related to operations of the commercial nuclear businesses of CBS also will be transferred to WELCO as part of the sales transaction. WELCO will lease from CBS and operate the assets associated with these functions.

IV. GOVERNANCE

The majority of the members of the Boards of Directors of WELCO and GESCO will be U.S. citizens. There will be five directors of WELCO, three selected by MK (two, including the current ESBU president, to be chosen from a list of U.S. citizens who are recognized industrial leaders recommended by BNFL USA and who are not employees of the BNFL group of companies) and two to be chosen by BNFL USA. The current Chief Executive Officer ("CEO") of BNFL plc will serve as the Chairman of the WELCO Board of Directors.

GESCO also will have five directors, four of whom will be U.S. citizens. Three directors will be selected by MK. BNFL will nominate one director from BNFL plc and one from BNFL USA. The current CEO of MK, a U.S. citizen, will serve as the Chairman of the GESCO Board of Directors. There will be no common directors or principal executive officers between WELCO and GESCO.

The current president of ESBU, who is a U.S. citizen, will become President and CEO of WELCO. The current president of Government Services, who also is a U.S. citizen, will become President of GESCO. BNFL Nuclear Services will provide overall management of WELCO pursuant to a long-term management contract, which will become effective as of the Closing Date. The activities under the management contract will be implemented in accordance with business and financial plans approved by the WELCO Board.

V. INFORMATION REQUIRED FOR TRANSFER OF LICENSES, APPROVALS AND CERTIFICATES

Set forth below is information in response to NRC regulations and Information Notice 89-25. Rev.1, dated December 7, 1994, to support the transfers of the licenses, approvals, and certificates requested by this Application.

A. Name of Transferee:

Westinghouse Electric Company, LLC, a MK/BNFL Company ("WELCO")

B. The Address Will Be:

Westinghouse Electric Company, LLC.
P.O. Box 355
Pittsburgh, PA 15230-0355

C. Organization and Management

The names, addresses and country of citizenship of the complete list of directors and officers of WELCO will be supplied later.

D. Information provided pursuant to NRC Information Notice 89-25, Rev. 1, Attachment 1[6/]

1. *The new name of the licensed organization*

Westinghouse Electric Company, LLC, a MK/BNFL Company ("WELCO")

2. *The new licensee contact and telephone number(s) to facilitate communications.*

The continuing contact for the licenses will be:

Mr. A. Joseph Nardi, License Administrator
Regulatory Affairs
Westinghouse Electric Company, LLC
Telephone: (412) 374-4652
Fax: (412) 374-3357
E-Mail: nardiaj@westinghouse.com

3. *Any changes in personnel having control of licensed activities (e.g. officers of a corporation) and any changes in personnel named in the license such as radiation safety officer, authorized users, or any other persons identified in previous license applications as responsible for radiation safety or use of licensed material. The licensee should include information concerning the qualifications, training, and responsibilities of new individuals.*

There will be no changes in personnel having control of licensed activities. The principal officers and the Board of Directors of WELCO will take the place of the current

---

6/ Information requested in the Information Notice is quoted in italics.

principal officers and Board of Directors of CBS. As the result of the transaction, there will be no changes in personnel named as responsible for radiation safety or use of licensed material in the licenses being transferred herein. There is no issue of ownership, control or domination by an alien, foreign corporation or foreign government under the Atomic Energy Act, inasmuch as no license for a production or utilization facility is involved. In addition, BNFL will not have access to either Restricted Data and/or other classified information or sensitive nuclear technology by virtue of its interest as a purchaser. Moreover, the United Kingdom is a signatory to the Nuclear Non-Proliferation Treaty and has an agreement for cooperation with the United States. Thus, this transaction will not have an adverse effect on the common defense and security of the United States.

4. An indication of whether the transferor will remain in non-licensed business without the license.

CBS will remain in businesses that are not related to NRC licensed activities after the Closing Date, in addition to continuing with certain nuclear activities discussed in footnote 3, above.

5. A complete, clear description of the transaction, including any transfer of stock or assets, mergers, etc., so that legal counsel is able, when necessary to differentiate between name changes and changes of ownership.

(See discussion above, See also the audited financial statements of ESBU attached as Exhibit B.)

6. A complete description of any planned changes in organization, location facility, equipment, or procedures (i.e. changes in operating or emergency procedures).

There will be no changes in the operational organization, location, facilities, equipment or procedures as a result of the transfer.

7. A detailed description of any changes in the use, possession, location or storage of the licensed material.

There will be no changes in the use, possession, location or storage of the licensed material as a result of the transfer.

8. Any changes in organization, location, facilities, equipment, procedures or personnel that would require a license amendment even without the change of ownership.

See response to numbers 3 and 6 above.

9. An indication of whether all surveillance items and records (e.g., calibrations, leak tests, surveys, inventories, and accountability requirements) will be current at the time of transfer. A description of the status of all surveillance requirements and records should also be provided.

All licensed activities will continue on an ongoing basis without interruption. All surveillance items and records will continue to be maintained in their existing state at the time of transfer in accordance with applicable requirements.

10. Confirmation that all records concerning the safe and effective decommissioning of the facility pursuant to 10 CFR 30.35(g), 40.36(f), 70.25(g) and 72.30(d); public dose; and waste disposal by release to sewers, incineration, radioactive material spills, and on-site burials, have been transferred to the new licensee, if license activities will continue at the same location, or to the NRC for license termination.

As part of the transfer of assets, all such records will be transferred on the Closing Date. Such transfer will not involve any physical relocation of any records.

11. A description of the status of the facility. Specifically, the presence or absence of contamination should be documented. If contamination is present, will decontamination occur before transfer? If not, does the successor company agree to assume full liability for [decommissioning and the costs of decommissioning]?

On the Closing Date, the status of the licensed facilities, including but not limited to the status of decontamination and decommissioning activities, will be identical to their status prior to the Closing Date. Decontamination will not occur before the transfer. From and after the Closing Date, WELCO will assume liability for decommissioning and the costs of decommissioning of all the facilities being transferred to WELCO that are the subject of this Application.

12. A description of any decontamination plans, including financial assurance arrangements of the transferee, as specified in 10 CFR 30.35, 40.36 and 70.25. This should include information about how the transferee and transferor propose to divide the transferor's assets, and responsibility for any cleanup needed at the time of transfer.

From and after the Closing Date, WELCO will assume responsibility for the current status and future cleanup of all licensed facilities that are the subject of this Application and request for transfers and amendments. WELCO will establish a financial assurance mechanism necessary to comply with the regulations specified in 10 CFR 30.35, 40.36 and 70.25, for the decommissioning financial assurance requirements for which it bears responsibility. By no later than the Closing Date, WELCO (or the Purchasers on behalf of WELCO) will obtain Standby Letters of Credit and an associated Standby Trust Agreement, in the form attached as Exhibit D hereto, to establish a financial mechanism in the amount necessary to fulfill WELCO's decommissioning financial assurance responsibilities for the facilities associated with the licenses being transferred as part of this Application.

Overall, the decommissioning financial assurance to be provided by WELCO will fully comply with all NRC requirements in this area for the licenses being transferred. Copies of the actual signed instruments from WELCO (or the Purchasers on behalf of WELCO) will be transmitted to the NRC as soon as they have been executed and in time for the NRC to approve this Application and the request for transfer of the licenses effective as of the Closing Date.

13. Confirmation that the transferee agrees to abide by all commitments and representations previously made to NRC by the transferor. These include, but are not limited to: maintaining decommissioning records required by 10 CFR 30.35(g); implementing decontamination activities and decommissioning of the site; and completing corrective actions for open inspection items and enforcement actions

With regard to contamination of facilities and equipment, the transferee should confirm, in writing, that it accepts full liability for the site, and should provide evidence of adequate resources to fund decommissioning; or the transferor should provide a commitment to decontaminate the facility before change of control or ownership.

With regard to open inspection items, etc., the transferee should confirm, in writing, that it accepts full responsibility for open inspection items and/or any resulting enforcement actions; or the transferee proposes alternative measures for meeting the requirements; or the transferor provides a commitment to close out all such actions with NRC before license transfer.

Exhibit E is a draft letter to the NRC, to be executed by an officer of WELCO and submitted to the NRC prior to the Closing Date, confirming that WELCO agrees to abide by all commitments and representations previously made to the NRC by CBS for all facilities, licenses, certificates and approvals being transferred by this Application. The letter also confirms that, from and after the Closing Date, WELCO will agree to accept liability for decommissioning and decontamination of such facilities and sites. Exhibit E further confirms that, from and after the Closing Date, WELCO will accept responsibility for open inspection items and/or resulting enforcement actions.

14. Documentation that the transferor and transferee agree to the change in ownership or control of the licensed material and activity, and the conditions of transfer; and the transferee is made aware of all open inspection items and its responsibility for possible resulting enforcement actions.

CBS agrees to the change in ownership and control of the licensed material and activity reflected in Exhibit A and the conditions of the transfer. Exhibit E documents the agreement of WELCO to the change in ownership and control of the licensed material and activities and the conditions of transfer associated with the facilities being transferred. Exhibit E also documents that WELCO has been made aware of the responsibility of WELCO for possible resulting enforcement actions. CBS Corporation will make WELCO aware of all open inspection items as of the Closing Date and its responsibility for possible resulting enforcement actions.

15. A commitment by the transferee to abide by all constraints, conditions, requirements, representations and commitments identified in the existing license. If not the transferee must provide a description of its program, to ensure compliance with the license and regulations.

As set forth in Exhibit E, WELCO will abide by all constraints, conditions, requirements, representations and commitments identified in the existing licenses, approvals and certifications.

VI. CONCLUSION

For the reasons stated above, CBS Corporation requests that the NRC approve the transfer of the licenses, approvals and certificates listed in Exhibit A and that the NRC approve the corresponding amendments to those licenses, approvals and certificates to change the name of the holder of such licenses, approvals and certificates from CBS Corporation to Westinghouse Electric Company, LLC, a MK/BNFL Company, effective as of the Closing Date referenced above. As set forth in Exhibit E, WELCO concurs in this request.

CBS Corporation

By: Louis J. Briskman

Louis J. Briskman
Executive Vice President and General

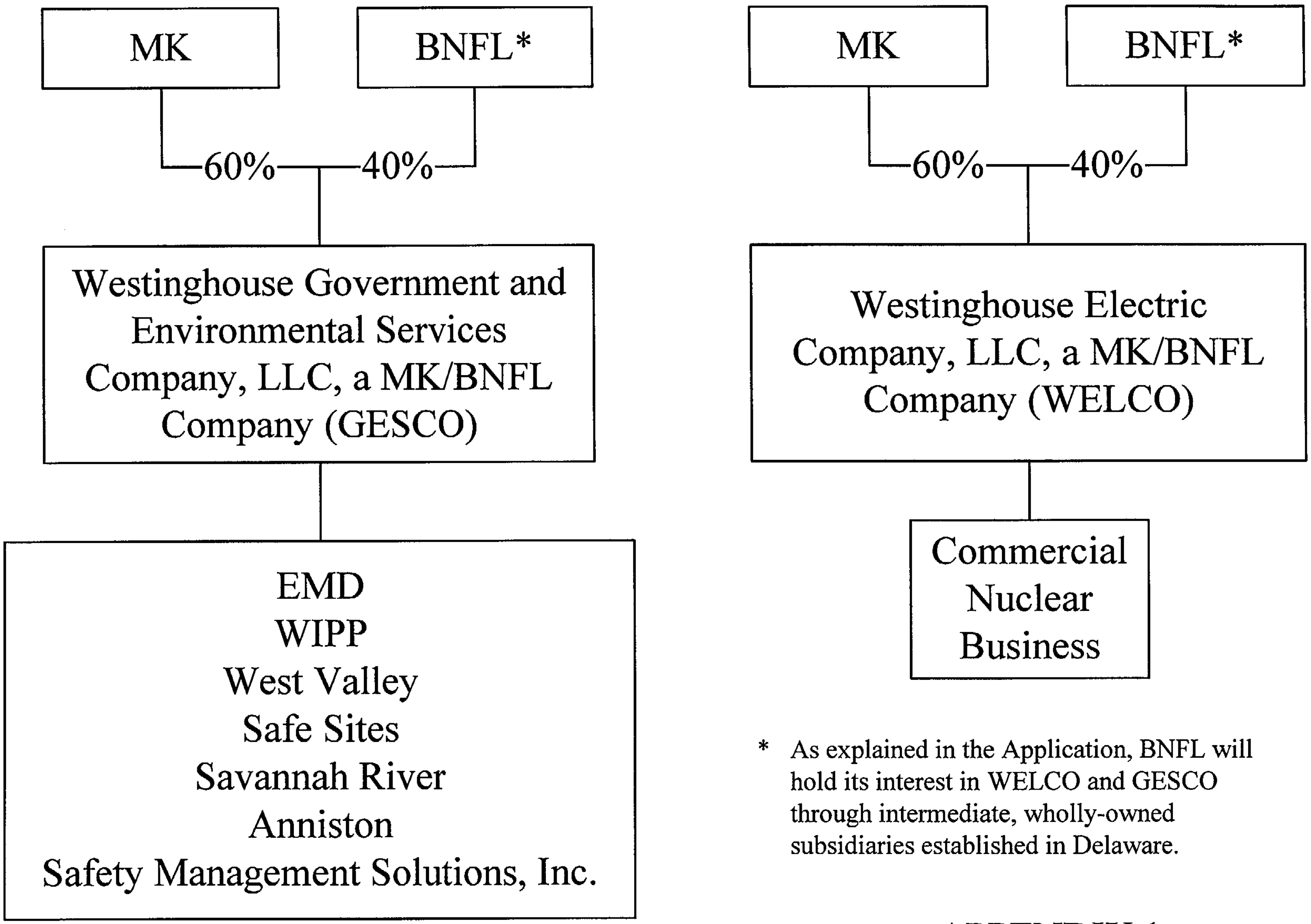
Counsel

REVISED ORGANIZATION CHART
September 25, 1998

APPENDIX 1

REVISED ORGANIZATION CHART

September 25, 1998



* As explained in the Application, BNFL will hold its interest in WELCO and GESCO through intermediate, wholly-owned subsidiaries established in Delaware.

APPENDIX 1

APPLICATION FOR TRANSFER AND AMENDMENT OF APPROVALS AND CERTIFICATES OF COMPLIANCE

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
A	Approvals and Certificates of Compliance to be Transferred to Westinghouse Electric Company, LLC
B	Independent Auditor's Report - Energy Systems (a division of CBS Corporation) as of December 31 1997 and 1996
C	[Not Used]
D	Form of Financial Assurance Documents for Decommissioning 1. Continuing Certification of Financial Assurance 2. Standby Trust Agreement 3. Standby Letter of Credit
E	Form of Letter from Transferee to the U.S. Nuclear Regulatory Commission Confirming Agreements to Assume Commitments, Responsibilities and Liabilities

LIST OF APPROVALS AND CERTIFICATES OF COMPLIANCE TO BE TRANSFERRED TO WESTINGHOUSE ELECTRIC COMPANY, LLC, A MK/BNFL COMPANY

Transportation Quality Assurance Approvals
Certificates of Compliance

EXHIBIT A

EXHIBIT A

APPROVALS AND CERTIFICATES OF COMPLIANCE TO BE TRANSFERRED TO WESTINGHOUSE ELECTRIC COMPANY, LLC, A MK/BNFL COMPANY

TABLE OF CONTENTS

FACILITY	DOCKET NUMBER	LICENSE NUMBER	TYPE OF LICENSE	FEE
Quality Assurance Program Approvals				
Transportation Quality Assurance Approval	71-0638	QAA-0638	Transportation Quality Assurance Program Approval - Use Only	620.00
Transportation Quality Assurance Approval	71-0708	QAA-0708	Transportation Quality Assurance Program Approval - Use and Fabrication	620.00
			Transportation Quality Assurance Approval Fixed Fees	**$1,240**
Certificates of Compliance				
Super Tiger, Model No. 6400	71-6400	COC-6400	Transportation Package	Full Cost
New Fuel Shipping Container, MCC Series	71-9239	COC-9239	Transportation Package	Full Cost
Irradiated Fuel Storage Cask - MC-10	72-01001	COC-1001	Irradiated Fuel Storage Cask	Full Cost

Summary of License Information

Licensee Name	**Westinghouse Electric Corporation**
License Number:	Quality Assurance Approval Number 0638
Docket Number:	71-0638
Type of License:	Transportation Quality Assurance Program, "use only" program.
Facility Address:	Not applicable

Current Operating Status:

Currently Active QA program.

Current Decommissioning Funding Cost Estimate:	Not required.
Basis for Funding Estimate:	Not required.
Reference for Funding Approval Letter:	Not required.

Summary of License Information

Licensee Name **Westinghouse Electric Corporation**

License Number: Quality Assurance Approval Number 0708

Docket Number: 71-0708

Type of License: Transportation Quality Assurance Program, full scope program.

Facility Address: Not applicable

Current Operating Status:

Currently Active QA program.

Current Decommissioning Funding Cost Estimate: Not required.

Basis for Funding Estimate: Not required.

Reference for Funding Approval Letter: Not required.

Summary of License Information

Package Name	**Super Tiger, Model No. 6400 Package**
License Number:	Certificate of Compliance Number 6400
Docket Number:	71-6400
Type of License:	Transportation Package
Facility Address:	Not applicable

Current Operating Status:

Currently licensed package.

Current Decommissioning Funding Cost Estimate:	Not required.
Basis for Funding Estimate:	Not required.
Reference for Funding Approval Letter:	Not required.

Summary of License Information

Package Name **New Fuel Shipping Container, MCC series**

License Number: Certificate of Compliance Number 9239

Docket Number: 71-9239

Type of License: Transportation Package

Facility Address: Not applicable

Current Operating Status:

Currently licensed package.

Current Decommissioning Funding Cost Estimate: Not required.

Basis for Funding Estimate: Not required.

Reference for Funding Approval Letter: Not required.

Summary of Westinghouse License Information

Package Name **Irradiated Fuel Storage Cask - MC-10**

License Number: Certificate of Compliance Number 1001

Docket Number: 72-01001

Type of License: Irradiated Fuel Storage Cask

Facility Address: Not applicable

Current Operating Status:

Currently an active cask design.

Current Decommissioning Funding Cost Estimate: Not required.

Basis for Funding Estimate: Not required.

Reference for Funding Approval Letter: Not required.

INDEPENDENT AUDITOR'S REPORT
ENERGY SYSTEMS (A DIVISION OF CBS CORPORATION)
AS OF DECEMBER 31, 1997 AND 1996

EXHIBIT B

KPMG Peat Marwick LLP

One Mellon Bank Center
Pittsburgh, PA 15219

Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH

Telefax 412 391 8963

Independent Auditors' Report

The Board of Directors
CBS Corporation:

We have audited the accompanying balance sheet of Energy Systems (a division of CBS Corporation) as of December 31, 1997 and 1996, and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Energy Systems as of December 31, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

January 28, 1998

Price Waterhouse LLP
600 Grant Street
Pittsburgh PA 15219
Telephone 412 355 6000

Price Waterhouse

Report of Independent Accountants

To the Board of Directors
and Shareholders of
CBS Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and of cash flows present fairly, in all material respects, the financial position of Energy Systems (the Company), a division of CBS Corporation (CBS) (formerly Westinghouse Electric Corporation), at December 31, 1995, and the results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

The Company is a business unit of CBS and, as disclosed in Note 3 to the accompanying financial statements, has engaged in various transactions and relationships with other CBS entities.

We have not audited the consolidated financial statements of the Company for any period subsequent to December 31, 1995.

Price Waterhouse LLP

Price Waterhouse LLP
600 Grant Street
Pittsburgh, PA 15219-2794
February 6, 1998

ENERGY SYSTEMS

STATEMENT OF INCOME

(in thousands)

Year Ended December 31	1997	1996	1995
Revenues	$ 691,998	$ 832,146	$ 995,367
Cost of goods sold (note 3)	(620,980)	(688,095)	(768,705)
Restructuring, litigation and other matters (note 15)	(11,077)	(458,598)	(309,677)
Marketing, administration and general expenses (note 3)	(129,078)	(138,606)	(162,125)
Operating loss	(69,137)	(453,153)	(245,140)
Other income and expenses, net (note 14)	1,891	(343)	(3,355)
Interest expense	(14,163)	(4,796)	(5,446)
Loss before income taxes and minority interest in income of consolidated subsidiaries	(81,409)	(458,292)	(253,941)
Income tax benefit (note 5)	28,904	177,960	96,884
Minority interest in loss (income) of consolidated subsidiaries	76	(654)	(3,441)
Net loss	$ (52,429)	$ (280,986)	$ (160,498)

The Notes to the Financial Statements are an integral part of these financial statements.

ENERGY SYSTEMS
BALANCE SHEET

(in thousands)

At December 31	1997	1996
ASSETS:		
Cash and cash equivalents	$ 8,738	$ 18,875
Customer receivables, net of allowance for losses of $119 in 1997 and $753 in 1996 (note 6)	118,939	167,924
Inventories (note 7)	32,757	61,808
Costs and estimated earnings over billings on uncompleted contracts (note 7)	75,112	90,406
Deferred income taxes (note 5)	110,283	122,941
Prepaid and other current assets (note 3)	10,667	9,563
Total current assets	356,496	471,517
Plant and equipment, net (note 8)	211,985	213,001
Intangible and other noncurrent assets (note 9)	340,541	438,706
Total assets	$ 909,022	$ 1,123,224
LIABILITIES AND INVESTED EQUITY (DEFICIT):		
Accounts payable	$ 73,863	$ 80,303
Billings over costs and estimated earnings on uncompleted contracts (note 7)	66,202	81,456
Other current liabilities (notes 3 and 10)	230,322	291,690
Total current liabilities	370,387	453,449
Employee benefit obligations (note 4)	184,158	220,913
Other noncurrent liabilities (note 10)	663,015	768,239
Total liabilities	1,217,560	1,442,601
Commitments and contingencies (notes 12 and 13)		
Minority interest in equity of consolidated subsidiaries	843	72
Invested equity (deficit) (note 11):		
Minimum pension liability adjustment (note 4)	(44,135)	(50,739)
Cumulative foreign currency translation adjustments	(2,149)	(1,959)
Invested equity (deficit)	(263,097)	(266,751)
Total deficit	(309,381)	(319,449)
Total liabilities and deficit	$ 909,022	$ 1,123,224

The Notes to the Financial Statements are an integral part of these financial statements.

ENERGY SYSTEMS
STATEMENT OF CASH FLOWS

(in thousands)

Year Ended December 31	1997	1996	1995
Cash flows from operating activities:			
Net loss	$ (52,429)	$ (280,986)	$ (160,498)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation and amortization	38,169	38,980	40,616
(Gains) losses on asset dispositions	(2,800)	66,484	1,426
Changes in assets and liabilities, net of effects of business acquisition and divestitures:			
Customer receivables, net	35,657	35,374	(23,363)
Inventories	22,051	36,796	18,867
Progress payments net of costs on uncompleted contracts	3,039	(38,411)	(75,761)
Accounts payable	(13,040)	(11,190)	(10,865)
Product warranty	17,926	(708)	(2,858)
Pension liability	(10,004)	18,271	(5,330)
Deferred income taxes	77,433	(120,244)	(109,439)
Settlements	(116,331)	177,790	305,035
Environmental liabilities	(16,070)	43,649	(628)
Accrued restructuring costs	(29,902)	30,166	(10,490)
Liability for asset dispositions	(45,000)	(9,802)	—
Other assets and liabilities	40,502	39,903	23,064
Cash provided (used) by operating activities	(50,799)	26,072	(10,224)
Cash flows from investing activities:			
Business acquisition	—	—	(18,000)
Business divestitures	8,800	—	—
Capital expenditures	(17,885)	(27,509)	(30,793)
Cash used by investing activities	(9,085)	(27,509)	(48,793)
Cash flows from financing activities:			
Net increase (reduction) in short-term debt	(1,736)	3,879	(2,807)
(Disbursements to) receipts from parent company, net of direct charges and allocations	51,483	(153)	38,891
Cash provided by financing activities	49,747	3,726	36,084
Increase (decrease) in cash and cash equivalents	(10,137)	2,289	(22,933)
Cash and cash equivalents at beginning of period	18,875	16,586	39,519
Cash and cash equivalents at end of period	$ 8,738	$ 18,875	$ 16,586
Supplemental disclosure of cash flow information:			
Interest paid	$ 14,483	$ 4,634	$ 5,387

The Notes to the Financial Statements are an integral part of these financial statements and include descriptions of noncash transactions.

ENERGY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF BUSINESS

Energy Systems (the Company), a division of CBS Corporation (CBS; formerly Westinghouse Electric Corporation), serves the domestic and international electric power industry by supplying nuclear power plants, advanced nuclear plant designs and equipment, fuel, and a wide range of other products and services to the owners and operators of commercial nuclear power plants.

In November 1997, CBS announced its intention to divest the Company.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements of the Company include the assets and liabilities and results of operations of the Company's Commercial Nuclear Fuel Division, Nuclear Services Division, and Nuclear Projects Division. Additionally, the financial statements include allocations from CBS of certain assets, liabilities and expenses directly related to the Company.

Unless otherwise indicated, all dollar amounts in these financial statements are presented in thousands. All material intercompany accounts and transactions have been eliminated in combination. Investments in joint ventures and other companies which the Company does not control but has the ability to exercise significant management influence over operating and financial policies are accounted for by the equity method.

REVENUE RECOGNITION

Sales are recorded primarily as products are shipped and services are rendered. The percentage-of-completion method of accounting is used for major nuclear fuel and related equipment orders.

Costs to obtain contracts are expensed as incurred. Estimates of costs to complete projects are reviewed periodically throughout the lives of the contracts as events occur and as uncertainties are resolved. When current contract estimates indicate a loss, provision is made for the entire loss, which is charged against operations in the period in which such loss is determined.

AMORTIZATION OF INTANGIBLE ASSETS

Goodwill and other acquired intangible assets are amortized using the straight-line method over their estimated lives but not in excess of 40 years for assets acquired prior to January 1, 1994 and not in excess of 15 years for assets acquired after December 31, 1993.

ENVIRONMENTAL COSTS

Environmental expenditures that do not extend the service lives of assets or otherwise benefit future years are expensed. The Company records liabilities when environmental assessments or remedial efforts are probable, and the costs can be reasonably estimated. Such estimates are adjusted if necessary as new remediation requirements are defined or as more information becomes available.

INCOME TAXES

Historically, the results of the Company's domestic operations have been included in the consolidated United States income tax return of CBS. The results of the Company's foreign operations have been reported in their respective taxing jurisdiction along with the operations of other CBS affiliates. The income tax-related information in these financial statements is presented based on the effect of the Company's revenues, costs and expenses on the consolidated tax returns of CBS or other affiliates. The recognition and measurement of income tax expense and deferred income taxes requires certain assumptions. The Company's income tax expense is determined in accordance with the asset and liability method of accounting for income taxes.

For purposes of these financial statements, any current income tax liabilities are considered to have been paid by CBS and are recorded through the invested equity account with CBS.

CASH AND CASH EQUIVALENTS

The Company considers all investment securities with a maturity of three months or less when acquired to be cash equivalents. All cash and temporary investments are placed with high credit quality financial institutions, and the amount of credit exposure to any one financial institution is limited.

INVENTORIES

Inventories are stated at the lower of cost on a first-in, first-out (FIFO) basis, or market. The elements of cost included in inventories are direct labor, direct material, and certain overheads including factory depreciation. Long-term contracts in process include costs incurred plus estimated profits on contracts accounted for using the percentage-of-completion method.

PLANT AND EQUIPMENT

Plant and equipment assets are recorded at cost and depreciated over their estimated useful lives. Depreciation is generally computed on the straight-line method based on useful lives of 27.5 to 60 years for buildings, 20 years for land improvements, 3 to 10 years for office equipment, and 3 to 12 years for machinery and transportation equipment. Leasehold improvements are amortized over the terms of the respective leases. Expenditures for additions and improvements are capitalized, and costs for repairs and maintenance are charged to operations as incurred.

LEGAL COSTS

When estimating the amount of probable loss to be recognized in connection with litigation matters, the Company includes estimated external legal costs through the expected date of settlement. All other legal costs are accounted for as period costs.

FOREIGN EXCHANGE

The Company's foreign exchange policy includes matching purchases and sales in national currencies when possible and hedging unmatched transactions when appropriate. In accordance with this policy, the Company enters into various foreign exchange agreements to hedge receivables or payables.

Gains and losses on foreign currency contracts offset gains and losses resulting from currency fluctuations inherent in the underlying transactions. Gains and losses on contracts that hedge specific foreign currency commitments are deferred and recognized in operations in the period in which the transaction is consummated.

Assets and liabilities of foreign operations are translated at the rate of exchange in effect on the balance sheet date; revenue and expenses are translated at the average exchange rates in effect during the year. The resulting translation adjustments are reflected in the cumulative foreign currency translation adjustments in invested equity. Financial results of foreign operations in countries with highly inflationary economies are translated using a combination of current and historical exchange rates, and any translation adjustments are included in earnings along with transaction gains and losses for the period.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management reviews its estimates, including those related to settlements, environmental liabilities, contracts, product warranty, pensions, and income taxes, based on currently available information. Changes in facts and circumstances may result in revised estimates.

IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF

During the first quarter of 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The adoption of SFAS 121 did not have a material effect on the results of operations.

Subsequent to the acquisition of an intangible or other long-lived asset, the Company continually evaluates whether later events and circumstances indicate the remaining estimated useful life of that asset may warrant revision or that the remaining carrying value of such an asset may not be recoverable. If definitive cash flows are not available for a specific intangible or other long-lived asset, the Company evaluates recoverability of the specific business to which the asset relates. When factors indicate that an intangible or other long-lived asset should be evaluated for possible impairment, the Company uses an estimate of the related asset's undiscounted future cash flows over the remaining life of that asset in measuring recoverability. If such an analysis indicates that impairment has in fact occurred, the Company writes down the book value of the intangible or other long-lived asset to its fair value. During 1996, the Company recognized a charge to operating profit of $66,204 for impaired assets. See note 15.

DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Company's financial instruments, consisting of cash and cash equivalents, and short-term debt, approximates fair value due to their short maturity and variable interest rate features. The fair value of foreign exchange contracts is based on quoted market prices to terminate the contracts. At December 31, 1997 and 1996, the unrealized gain (loss) on these contracts was $627 and $(471), respectively.

NOTE 3: RELATED PARTY TRANSACTIONS

The Company utilizes CBS' centralized cash management services in North America. Under such service arrangements, accounts receivable are collected and cash is invested centrally. Additionally, disbursements are funded centrally on demand. This arrangement will continue while the Company is affiliated with CBS.

The Company is charged directly for the cost of certain services that CBS provides to its business units and subsidiaries. These services can include information systems support and certain other functions, such as transaction processing, legal services, environmental affairs and human resources. CBS centrally develops, negotiates, and administers the Company's insurance programs. The insurance includes broad all-risk coverage for real and personal property and third-party liability coverage, employer's liability coverage, automobile liability, general product liability, and other standard liability coverage. CBS also maintains a program of self-insurance for workers' compensation in the U.S. CBS charges its business units for all of the centrally administered insurance programs based in part on claims history. Specific liabilities for general and product liability, automobile and workers' compensation claims are included in the Company's financial statements.

All of the charges for the corporate services described above are based on costs which directly relate to the Company or on a pro rata portion of CBS's total costs for the services provided, on a basis that management believes is reasonable. However, management believes it is possible that the costs of these transactions may differ from those that would result from transactions among unrelated parties. For the years ended December 31, 1997, 1996 and 1995, charges for such services were approximately $41,399, $32,951 and $33,490, respectively.

Employees of the Company also participate in various CBS-sponsored employee benefit plans (see note 4).

In the normal course of business, the Company enters into transactions with other CBS entities. Management believes such transactions are at arms length. Such transactions primarily include related party sales and purchases. Total sales to and purchases from affiliates were approximately $6,165 and $38,618, respectively, for the year ended December 31, 1997, $7,941 and $40,228, respectively, for the year ended December 31, 1996, and $13,957 and $65,213, respectively, for the year ended December 31, 1995. Accounts receivable from affiliates of $7,974 and $6,013 at December 31, 1997 and 1996, respectively, are included in other current assets. Accounts payable to affiliates of $2,270 and $4,229 at December 31, 1997 and 1996, respectively, are included in other current liabilities.

CBS does not charge its divisions for the carrying costs related to its investment in such units (invested equity). Therefore, the Company's results of operations for each of the periods presented do not include any allocated interest charges from CBS, and no portion of CBS's debt is specifically related to the operations of the Company. In addition, CBS does not charge its divisions for most corporate overhead functions, including tax and treasury.

On November 14, 1997, CBS announced a definitive agreement to sell its Power Generation business. Effective December 31, 1997, a Power Generation plant that manufactures the Company's steam generators was transferred to the Company. The plant is scheduled to be shut down during 1999. At December 31, 1997, the net investment in the plant approximated $4,600, consisting primarily of inventory of $5,000, fixed assets of $26,700 and deferred tax assets of $12,300 less accounts payable of $10,600 and accrued restructuring for employee separation costs of $28,800.

NOTE 4: EMPLOYEE BENEFIT PLANS

PENSIONS

Substantially all the Company's employees are covered by defined benefit pension plans sponsored by CBS. Most plan benefits are based on either years of service and compensation levels at the time of retirement or a formula based on career earnings. Pension benefits are paid primarily from trusts funded by CBS and employee contributions. CBS funds its qualified U.S. pension plans at amounts equal to or greater than the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Substantially all plan assets are invested in equity and fixed income securities.

Included in the following tables are the net periodic pension costs and funded status of the plans covering current and former employees of the Company. For purposes of preparing these financial statements, estimates were made of the assets and pension obligations for Company employees who participated in plans sponsored by CBS. The plan assets have been allocated on a method that management believes would be in accordance with applicable ERISA requirements.

Net Periodic Pension Cost

Year ended December 31	1997	1996	1995
Service cost	$ 4,998	$ 7,640	$ 6,860
Interest cost on projected benefit obligation	24,271	25,280	30,450
Amortization of unrecognized net transition obligation	1,930	1,750	2,430
Amortization of unrecognized prior service benefit	(1,261)	(1,580)	(2,260)
Amortization of unrecognized net loss	6,175	8,420	5,250
	36,113	41,510	42,730
Return on plan assets:			
Actual return on plan assets	(31,142)	(21,600)	(33,700)
Deferred gain	13,891	4,300	14,470
Recognized return on plan assets	(17,251)	(17,300)	(19,230)
Net periodic pension cost	$ 18,862	$ 24,210	$ 23,500

Significant Pension Plan Assumptions

	1997	1996	1995
Discount rate:			
Periodic pension cost	7.75%	6.75%	8.5%
Pension benefit obligation	7.25%	7.75%	6.75%
Compensation increase rate	4%	4%	4%
Long-term rate of return on plan assets	9.5%	9.5%	9. 75%

Based on the requirements of SFAS No. 87, "Employers' Accounting for Pensions," the Company adjusts the discount rate to reflect current and expected-to-be available interest rates on high quality fixed income investments at the end of each year.

The following table sets forth the funded status of the defined benefit plans and amounts recognized in the Company's balance sheet at December 31, 1997 and 1996:

Funded Status—Pension Plans

At December 31	1997	1996
Actuarial present value of benefit obligation:		
Vested	$(275,574)	$(297,540)
Nonvested	(30,475)	(19,050)
Accumulated benefit obligation	(306,049)	(316,590)
Effect of projected future compensation levels	(33,700)	(28,230)
Projected benefit obligation for service rendered to date	(339,749)	(344,820)
Plan assets at fair value	205,223	195,600
Projected benefit obligation in excess of plan assets	(134,526)	(149,220)
Unrecognized net loss	108,794	113,360
Prior service benefit not yet recognized in net periodic pension cost	(14,548)	(16,640)
Unrecognized net transition obligation	7,354	9,570
Accrued pension cost	(32,926)	(42,930)
Minimum pension liability	(67,900)	(78,060)
Pension liability included in balance sheet	$(100,826)	$(120,990)

The Company participates in a CBS-sponsored non-qualified supplemental pension plan that provides additional benefits to certain executives. For financial reporting purposes, this plan is treated as a non-funded pension plan. The unfunded accumulated benefit obligation under this plan included in the table above at December 31, 1997 and 1996 was $15,265 and $12,620, respectively.

For financial reporting purposes, a pension plan is considered unfunded when the fair value of plan assets is less than the accumulated benefit obligation. Accordingly, the Company has recorded a minimum pension liability and a charge to invested equity, net of any tax effects.

At December 31, 1997, a minimum pension liability of $67,900 was recognized for the difference between the unfunded amount of $100,826 minus the accrued pension cost of $32,926. A charge to invested equity of $67,900 was reduced to $44,135 due to deferred tax effects of $23,765. As a result of the year-end 1997 remeasurement, invested equity was increased by $6,604 from December 31, 1996.

At December 31, 1996, a minimum pension liability of $78,060 was recognized for the difference between the unfunded amount of $120,990 minus the accrued pension cost of $42,930. A charge to invested equity of $78,060 was reduced to $50,739 due to deferred tax effects of $27,321. As a result of the year-end 1996 remeasurement, invested equity was increased by $64,201 from December 31, 1995.

OTHER POSTRETIREMENT BENEFITS

The Company also participates in a CBS-sponsored postretirement plan that provides defined medical, dental and life insurance benefits for eligible retirees and dependents.

Included in the following tables are the net periodic postretirement benefit costs and funded status of the plans covering current and former employees of the Company. For purposes of these financial statements, estimates were made of the plan obligations of Company employees who participated in the CBS-sponsored plan.

The components of net periodic postretirement benefit cost follow:

Net Periodic Postretirement Benefit Cost

Year ended December 31	1997	1996	1995
Service cost	$ 1,380	$ 1,600	$ 2,000
Interest cost on accumulated postretirement benefit obligation	6,361	7,100	8,300
Amortization of unrecognized items, net	(178)	—	(800)
Recognized return on plan assets	(186)	(100)	(100)
Net periodic postretirement benefit cost	$ 7,377	$ 8,600	$ 9,400

The assumptions used to develop the net periodic postretirement benefit cost and the present value of benefit obligations are shown below:

Significant Postretirement Benefit Plan Assumptions

At December 31	1997	1996	1995
Discount rate	7.25%	7.75%	6.75%
Health care cost trend rates	9.5%*	10%*	10.5%*
Compensation increase rate	4%	4%	4%
Long-term rate of return on plan assets	7%	7%	7%

*At December 31, 1997, the rate was assumed to decrease ratably to 5.5% in 2005, decrease to 5.25% in 2006 and remain at that level thereafter. At December 31, 1996, the rate was assumed to decrease ratably to 6% in 2004, decrease to 5.75% in 2005 and remain at that level thereafter. At December 31, 1995, the rate was assumed to decrease ratably to 5% in 2006, decrease to 4.75% in 2007 and remain at that level thereafter.

Net periodic postretirement benefit cost is determined using the assumptions as of the beginning of the year. The funded status is determined using the assumptions as of the end of the year.

The funded status and amounts recognized in the Company's balance sheet at December 31, 1997 and 1996 were as follows:

Funded Status—Postretirement Benefits

At December 31	1997	1996
Accumulated postretirement benefit obligation:		
Retirees	$ (53,756)	$ (61,000)
Fully eligible, active plan participants	(2,448)	(5,500)
Other active plan participants	(32,479)	(36,000)
Total accumulated postretirement benefit obligation	(88,683)	(102,500)
Unrecognized net loss	15,667	15,400
Unrecognized prior service benefit	(5,223)	(6,300)
Plan assets at fair value	3,270	1,200
Accrued postretirement benefit cost	$ (74,969)	$ (92,200)

The funded assets consist primarily of interest-bearing securities. The effect of a 1% annual increase in the assumed health care cost trend rates would increase the accumulated postretirement benefit obligation by approximately $1,950 and would increase net periodic postretirement benefit cost by approximately $210.

Certain of the Company's non-U.S. subsidiaries have private and government-sponsored plans for postretirement benefits. The cost for these plans is not significant to the Company.

POSTEMPLOYMENT BENEFITS

The Company provides certain postemployment benefits to former or inactive employees and their dependents during the time period following employment but before retirement. At December 31, 1997 and 1996, the Company's liability for postemployment benefits totaled approximately $8,400 and $7,700, respectively.

NOTE 5: INCOME TAXES

The components of income tax expense (benefit) at December 31, 1997, 1996, and 1995 are as follows:

Components of Income Tax Expense (Benefit)

Year ended December 31	1997	1996	1995
Current:			
Federal	$ (90,567)	$ (45,676)	$ 5,851
State	(17,275)	(14,051)	(1,360)
Foreign	1,505	2,011	8,063
Total current income tax (benefit) expense	(106,337)	(57,716)	12,554
Deferred:			
Federal	65,818	(102,207)	(93,022)
State	11,615	(18,037)	(16,416)
Total deferred income tax (benefit) expense	77,433	(120,244)	(109,438)
Total income tax benefit	$ (28,904)	$(177,960)	$ (96,884)

In addition to the amounts in the table above, the deferred tax asset decreased $3,556 in 1997 and $34,569 in 1996, and increased $12,432 in 1995 to reflect the change in the minimum pension liability adjustment which was recorded in invested equity. See note 4. Also in 1997, deferred tax assets of $12,266 were transferred from Power Generation. See note 3.

Deferred income taxes result from U. S. temporary differences in the financial bases and tax bases of assets and liabilities. The types of differences that give rise to significant portions of deferred income tax liabilities are shown in the following table:

Deferred Income Taxes by Source

At December 31	1997	1996
Deferred tax assets:		
Provisions for expenses and losses	$ 365,734	$ 420,837
Employee benefit obligations	72,834	87,371
Total deferred tax assets	438,568	508,208
Deferred tax liabilities:		
Plant and equipment	(28,219)	(29,095)
Other	(1,194)	(1,235)
Total deferred tax liabilities	(29,413)	(30,330)
Net deferred tax asset	$ 409,155	$ 477,878

The following table reconciles the "expected" income tax benefit, based upon a 35% statutory income tax rate, to the actual income tax benefit for each year:

Reconciliation of Income Tax Benefit

Year ended December 31	1997	1996	1995
Federal income tax benefit at statutory rate	$ (28,493)	$ (160,402)	$ (88,879)
(Increase) decrease in tax benefit resulting from:			
State income tax, net of federal effect	(3,704)	(20,852)	(11,554)
Foreign rate differential	3,500	3,635	3,700
Other differences, net	(207)	(341)	(151)
Income tax benefit	$ (28,904)	$ (177,960)	$ (96,884)

NOTE 6: CUSTOMER RECEIVABLES

Customer receivables at December 31, 1997 included $4,490 representing the sales value of material under long-term contracts not billed to customers. Billings will occur upon shipment of major components of the contracts. Collection of these receivables is expected to be substantially completed within one year.

NOTE 7: INVENTORIES AND COSTS AND BILLINGS ON UNCOMPLETED CONTRACTS

Inventories

At December 31	1997	1996
Raw materials	$ 9,185	$ 19,310
Work in process	39,426	52,866
Finished goods	1,261	1,000
	49,872	73,176
Long-term contracts in process	404,949	384,127
Progress payments to subcontractors	1,395	2,173
Recoverable engineering and development costs	13,360	12,657
Inventoried costs and estimated earnings related to contracts with progress billing terms	(436,819)	(410,325)
Inventories	$ 32,757	$ 61,808

Costs and billings on uncompleted contracts

At December 31	1997	1996
Costs and estimated earnings included in inventories	$ 378,053	$ 308,395
Progress billings on contracts	(302,941)	(217,989)
Costs and estimated earnings over billings on uncompleted contracts	$ 75,112	$ 90,406
Progress billings on contracts	$ 124,968	$ 183,386
Costs and estimated earnings included in inventories	(58,766)	(101,930)
Billings over estimated costs and earnings on uncompleted contracts	$ 66,202	$ 81,456

Substantially all costs in long-term contracts in process, progress payments to subcontractors, and recoverable engineering and development costs were contract related.

Inventories other than those related to long-term contracts are generally realized within one year.

In the first quarter of 1997, the Company recognized a $27,000 reduction to both sales and operating profit for a change in cost estimates following a comprehensive reevaluation of the work scope and costs to complete a complex international nuclear project begun in 1993.

NOTE 8: PLANT AND EQUIPMENT

Plant and Equipment

At December 31	1997	1996
Land and buildings	$ 88,206	$ 93,065
Machinery and equipment	508,212	521,264
Construction in progress	12,024	26,348
Plant and equipment, at cost	608,442	640,677
Accumulated depreciation	(396,457)	(427,676)
Plant and equipment, net	$ 211,985	$ 213,001

For the years ended December 31, 1997, 1996, and 1995, depreciation expense totaled $36,050, $36,509 and $38,406, respectively. Of these amounts, $31,364, $30,668 and $36,486, respectively, were included in cost of goods sold, and $4,686, $5,841 and $1,920, respectively, were included in marketing, administration and general expenses.

NOTE 9: INTANGIBLE AND OTHER NONCURRENT ASSETS

Intangible and Other Noncurrent Assets

At December 31	1997	1996
Goodwill	$ 18,711	$ 30,860
Deferred tax assets	298,872	354,937
Other intangible assets	2,242	6,930
Other	20,716	45,979
Intangible and other noncurrent assets	$ 340,541	$ 438,706

Goodwill and other intangible assets are shown net of accumulated amortization of $9,697 at December 31, 1997 and $9,997 at December 31, 1996.

NOTE 10: OTHER CURRENT AND NONCURRENT LIABILITIES

Other Current Liabilities

At December 31	1997	1996
Accrued employee compensation	$ 21,553	$ 21,595
Accrued product warranty	23,286	5,360
Liability for asset dispositions	—	5,000
Settlements (note 12)	115,908	151,307
Short-term debt	—	4,736
Environmental liabilities	21,523	15,603
Accrued restructuring costs (note 15)	8,974	37,376
Other	39,078	50,713
Other current liabilities	$ 230,322	$ 291,690

Other Noncurrent Liabilities

At December 31	1997	1996
Settlements (note 12)	$ 543,870	$ 624,802
Workers' compensation	10,944	9,655
Accrued insurance claims	2,974	2,451
Accrued restructuring costs (note 15)	32,387	1,500
Environmental liabilities	31,719	51,609
Liability for asset dispositions	—	40,000
Other	41,121	38,222
Other noncurrent liabilities	$ 663,015	$ 768,239

NOTE 11: INVESTED EQUITY (DEFICIT)

Changes in Invested Equity (Deficit)

	1997	1996	1995
Balance at beginning of year	$ (319,449)	$ (103,829)	$ 39,937
Net loss	(52,429)	(280,986)	(160,498)
Minimum pension liability adjustment	6,604	64,201	(23,088)
Cumulative translation adjustment	(190)	1,318	929
Transfer of investment in plant and related liabilities from Power Generation (note 3)	4,600	—	—
(Disbursements to) receipts from CBS, net	51,483	(153)	38,891
Balance at end of year	$ (309,381)	$ (319,449)	$ (103,829)

NOTE 12: COMMITMENTS AND CONTINGENCIES

LEGAL MATTERS

URANIUM SETTLEMENTS

In the late 1970's, the Company provided for the estimated future costs for the resolution of all uranium supply contract suits and related litigation. The reserve balance at December 31, 1997 is deemed adequate considering all facts and circumstances known to management. The future obligations require providing the remainder of the fuel deliveries through 2013. The supply of equipment and services is essentially complete. Variances from estimates that may occur are considered in determining if an adjustment of the liability is necessary.

STEAM GENERATORS

The Company has been defending various lawsuits brought by utilities claiming a substantial amount of damages in connection with alleged tube degradation in steam generators sold by the Company as components of nuclear steam supply systems. Since 1993, settlement agreements have been entered resolving ten litigation claims. These agreements generally require the Company to provide certain products and service at prices discounted at varying rates. Two cases were resolved in favor of the Company after trial or arbitration. At December 31, 1997, one steam generator lawsuit remained.

At December 31, 1997, the Company was also a party to five tolling agreements with utilities or utility plant owners' groups that have asserted steam generator claims. The tolling agreements delay initiation of any litigation for various specified periods of time and permit the parties time to engage in discussions.

GENERAL

Litigation is inherently uncertain and always difficult to predict. Substantial damages are sought in the steam generator claims and, although management believes a significant adverse judgment is unlikely, any such judgment could have a material adverse effect on the Company's results of operations. However, based on its understanding and evaluation of the relevant facts and circumstances, management believes that the Company has meritorious defenses to the litigation described above and that the Company has adequately provided for costs arising from previous and potential settlement of these matters when in the best interest of the Company. Management believes that the existing litigation should not have a material adverse effect on the financial condition of the Company.

Company actions taken during 1996 and 1995 to resolve various legal matters resulted in charges to operating profit of $298,191 and $294,359, respectively. See note 15. These charges primarily represent the Company's expected out-of-pocket costs in excess of discounted sales prices. At December 31, 1997, accrued liabilities for previously settled and potential settlements of legal matters totalled $659,778. These liabilities are expected to be satisfied over periods up to 30 years, with the majority of the cash expenditures occurring over the next 10 years. The Company's accrued liability for legal matters does not include amounts by which discounted sales prices exceed the Company's out-of-pocket costs.

The Company is involved in various other litigation matters in the ordinary course of business. In the opinion of management, the ultimate resolution of such matters will not result in judgments which, in the aggregate, would materially affect the Company's financial position.

ENVIRONMENTAL MATTERS

Compliance with federal, state, and local laws and regulations relating to the discharge of pollutants into the environment, the disposal of hazardous wastes, and other related activities affecting the environment have had and will continue to have an impact on the Company. It is difficult to estimate the timing and ultimate costs to be incurred in the future due to uncertainties about the status of laws, regulations, and technology; the adequacy of information available for individual sites; the extended time periods over which site remediation occurs; and the identification of new sites. The Company has, however, recognized an estimated liability, measured in current dollars, for those sites where it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company recognizes changes in estimates as new remediation requirements are defined or as more information becomes available.

In 1996, the Company and its external consultants completed a study to evaluate the Company's environmental remediation strategies. Based on the costs associated with the most probable alternative remediation strategy for the above-mentioned sites, the Company has an accrued liability of $53,242, of which $41,158 was recognized in 1996. Depending on the remediation alternatives ultimately selected, the costs related to these sites could differ from the amounts currently accrued. The accrued liability includes $51,151 for site investigation and remediation, and $2,091 for post-closure and monitoring activities. Management anticipates that the majority of expenditures for site investigation and remediation will occur during the next three to five years. Expenditures for post-closure and monitoring activities will be made during periods of up to 30 years.

OTHER

The Company has or will have responsibilities for environmental closure activities or decommissioning of nuclear licensed sites and equipment. The Company has estimated that the total potential costs to be incurred for these actions is approximately $89,900, of which $21,963 was accrued at December 31, 1997. The Company's policy is to accrue these costs over the estimated lives of the individual facilities and equipment, which lives are generally 5 years for equipment and not in excess of 20 years for facilities. The anticipated annual costs currently being accrued are $8,800.

Capital expenditures related to environmental compliance in 1997, 1996 and 1995 totaled $2,097, $4,701 and $3,668, respectively. Operating expenses that are recurring and associated with managing hazardous waste and pollutants in ongoing operations totaled $2,749, $4,223 and $3,802 in 1997, 1996 and 1995, respectively.

Management believes, based on its estimate, that the Company has adequately provided for its present environmental obligations and that complying with existing government regulations will not materially impact the Company's financial position, liquidity, or results of operations.

COMMITMENTS

In the ordinary course of business, standby letters of credit and surety bonds are issued on behalf of the Company. At December 31, 1997 the Company had $136,672 outstanding under such obligations. Additionally, the Company's commitments for the purchase of plant and equipment at December 31, 1997 totaled $2,135.

HEDGING

The following is a schedule of the Company's foreign currency contracts, their maturities in U.S. dollar equivalents, and the unrealized gain on these contracts as of December 31, 1997. These contracts are entered into with high credit quality financial institutions, at customary terms.

Currency	Notional Amounts	Matures in 1998	Unrealized Gain
Belgian Franc	7,827	7,827	$459
Japanese Yen	5,184	5,184	114
French Franc	2,446	2,446	32
Other	2,460	2,460	22
Total	17,917	17,917	$627

NOTE 13: LEASES

The Company has commitments under operating leases for certain machinery and equipment and facilities used in various operations. Rental expense in 1997, 1996 and 1995 was $13,827, $13,367 and $12,741, respectively. These amounts include immaterial amounts for contingent rentals and sublease income.

Minimum Rental Payments

At December 31, 1997	Lease Obligations
1998	$ 12,535
1999	11,256
2000	13,264
2001	6,924
2002	8,739
Subsequent years	65,202
Minimum rental payments	$117,920

NOTE 14: OTHER INCOME AND EXPENSES, NET

Year ended December 31	1997	1996	1995
Miscellaneous interest income	$ 507	$ 953	$ 699
Gain (loss) on disposition of other assets, net	2,800	(280)	(1,426)
Foreign currency transactions and high-inflation translation effect	(541)	(1,066)	(3,270)
Other	(875)	50	642
Other income and expenses, net	$ 1,891	$ (343)	$ (3,355)

NOTE 15: RESTRUCTURING, LITIGATION AND OTHER MATTERS

The Company has undertaken a number of actions to downsize its business and resolve various litigation and other matters. Certain of these actions resulted in the recognition of charges to operating profit.

Restructuring, Litigation and Other Matters

Year Ended December 31	1997	1996	1995
Restructuring	$ 11,077	$ 53,045	$ 15,318
Litigation matters	—	298,191	294,359
Environmental remediation activities	—	41,158	—
Impairment of assets	—	66,204	—
Total	$ 11,077	$ 458,598	$ 309,677

In recent years, the Company has restructured many of its businesses in an effort to reduce its cost structure and remain competitive in its markets. Restructuring activities primarily involve the separation of employees, the closing of facilities, the termination of leases, and the exiting of product lines. Costs for restructuring activities are limited to incremental costs that directly result from the restructuring activities and that provide no future benefit to the Company.

Generally, separated employees received benefits such as layoff income benefits, permanent job separation benefits, retraining and/or outplacement assistance. The amount included for these benefits in the restructuring charge represents the incremental cost of such benefits over those amounts previously accrued under SFAS No. 112, "Employers' Accounting for Postemployment Benefits."

Based on the Company's current estimates, summarized below are the restructuring charges to operations and the number of employee separations for 1997, 1996 and 1995, respectively:

Restructuring Costs and Employee Separations

Year Ended December 31	1997	1996	1995
Number of employee separations	111	566	171
Employee separation costs	$ 11,077	$ 53,045	$ 15,318

The employee separations in the 1997 plan are expected to commence and be completed in 1999. The employee separations in the 1996 and 1995 plans were essentially competed at December 31, 1997. Employee separation costs generally are paid over a period of up to two years following their separation.

The following is a reconciliation of the restructuring liability:

Reconciliation of Restructuring Liability

	1997	1996	1995
Balance at January 1	$ 38,876	$ 8,710	$ 19,200
Provision for restructuring	11,077	53,045	15,318
Transfer of accrued restructuring costs from Power Generation (note 3)	28,797	—	—
Cash expenditures	(37,389)	(22,879)	(25,808)
Balance at December 31	$ 41,361	$ 38,876	$ 8,710

[NOTUSED]

EXHIBIT C

FORM OF FINANCIAL ASSURANCE DOCUMENTS FOR DECOMMISSIONING

1. Continuing Certification of Financial Assurance
2. Standby Trust Agreement
3. Standby Letter of Credit

EXHIBIT D

ATTACHMENT 1

CONTINUING CERTIFICATION OF FINANCIAL ASSURANCE

Principal: [Insert Name of Entity Providing Certification]

Mailing address correspondence regarding this matter:

NRC license numbers, name and address of each facility:

See Attachment 1, p. 2
(List of licenses covered by this certification)

Issued to: US Nuclear Regulatory Commission
Washington DC 20555

This is to certify that [insert name of entity providing Certification] is licensed to possess a Production and Utilization Facility, and By-product, Special Nuclear and Source Materials licenses; and that financial assurance in the amounts prescribed by 10 CFR Parts 30, 40, 50, 51, 70 and 72 has been obtained for the purpose of decommissioning. The list of licenses in Attachment 1, page 2, identifies the specific licenses covered and the amounts of financial assurance provided for each. The total financial assurance amounts to $______,000, an increase of $_____,000 over previous financial assurance amounts.

Sincerely,

____

Name:
Title:

ATTACHMENT 1, PAGE 2
LISTING OF NRC LICENSES FOR
CERTIFICATION OF FINANCIAL ASSURANCE

STANDBY TRUST AGREEMENT

THIS STANDBY TRUST AGREEMENT (the "Agreement") is made and entered into as of the __ day of ______[the closing date], 1998, by and between [Insert Name of Grantor], herein referred to as the "Grantor", and [Insert Name of Trustee] incorporated in the State of _________ 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 (AEA), has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 30, 40, 50, or 70. These regulations require that a holder of, or an applicant for, a Part 30, 40, 50, or 70 license provide assurance that funds will be available when needed for required decommissioning activities; and

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

WHEREAS, when payment is made under the letters 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 grantor, as or on behalf of the NRC licensee, who enters into this Agreement for the benefit of the NRC 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 the attached Schedule A issued pursuant to 10 CFR Part 30, 40, 50, or 70.

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 has 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 and Eligible Securities. The Fund is initially unfunded. Payments made to the Trustee for the Fund shall consist of payments made by the issuer of the Irrevocable Letters of Credit pursuant to its terms, which are 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 Specimen Certificate attached hereto as Schedule C, and

b. A certificate executed by the Grantor attesting to the following conditions:

(1)(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 Fund.

No withdrawal from the Fund can exceed 10% of the outstanding balance of the Funds applicable to a particular license, without written approval from the NRC.

In the event of a 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, 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; <u>except that</u>:

(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 Eligible Securities as hereinafter defined. Eligible Securities shall be securities or other obligations of the Federal Government, i.e., GNMA, FNMA, and FHLM bonds and certificates or State and Municipal bonds rated BBB or higher by Standard & Poor's or Baa or higher by Moody's Investment Services.

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 or to reinvest in Eligible 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 the name of the Grantor, and to hold any security in bearer form or in book entry, to reinvest interest payments and funds from matured and redeemed instruments in Eligible Securities, 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, 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 in book entry form, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund.

(d) 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 standby 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 the Fund, the Trustee shall annually, at least 30 days before the anniversary date of receipt of payment into the Fund, furnish to the Grantor and to the NRC a statement confirming the value of the

Fund. 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, 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 10. Advice of Counsel. The Trustee may from time to time consult with counsel, who may be counsel to the Grantor, 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 11. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor.

Section 12. Successor Trustee. Upon 90 days notice to the NRC, or State agency, the Trustee may resign; upon 90 days notice to NRC, or State agency, 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 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 8.

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 in accordance with such 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 instructions from the Grantor and/or the NRC, or State agency, 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 State agency,

or by the Trustee and the NRC or State agency, 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 14, 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 16. 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 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 17. This Agreement shall be administered, construed, and enforced according to the laws of the State of ___________.

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.

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

ATTEST: **[INSERT NAME OF GRANTOR]**

__________________ By:______________________________

Title:___________________________

ATTEST: **[INSERT NAME OF TRUSTEE]**

__________________ By:______________________________

Title:___________________________

SCHEDULE A TO STANDBY TRUST AGREEMENT
LISTING OF NRC LICENSES FOR [INSERT NAMEOF GRANTOR]

SCHEDULE B TO STANDBY TRUST AGREEMENT

LISTING OF LETTERS OF CREDIT

Date Entered (1)	Issuing Institution of Irrevocable Letter of Credit*	Amount

TOTAL $______________.00

*Beneficiary of Letter of Credit is NRC

(1) Automatically renew after 12 months unless prior notice is given.

SCHEDULE C TO STANDBY TRUST AGREEMENT

SPECIMEN CERTIFICATE OF EVENTS

[Insert Name and Address of Trustee]

Attention: Corporate Trust Department

Gentlemen:

In accordance with the terms of the Agreement with you dated ________, 1998, I, ______________________________ General Manager of [insert name of Grantor], hereby certify that the following events have occurred:

1. [Grantor] 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 [Grantor] has adopted the attached resolution authorizing the commencement of the decommissioning.

By: ____________________________________
Name
Title

____
Date

____
Secretary

[SEAL]

SCHEDULE C (CONT.) TO STANDBY TRUST AGREEMENT

CERTIFICATE OF RESOLUTION

I, ________________________________, do hereby certify that I am Secretary of [Grantor], a _____________ Corporation, and that the resolution listed below was duly adopted at a meeting of Grantor's Board of Directors on _____________________, 19___.

In WITNESS WHEREOF, I have hereunto signed by name and affixed the seal of this Corporation this _______ day of ______________, 19___.

____

Secretary

RESOLVED, that this Board of Directors hereby authorizes the Chairman, or such other employee of the Company as he may designate, 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 Chairman shall approve with and upon the advice of Counsel.

[FORM OF STANDBY LETTER OF CREDIT]

IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____

$______________________

Expiry: _______________

U.S. Nuclear Regulatory Commission ("NRC")
Decommissioning and Regulatory Branch
Washington, D.C. 20555
Attention: Group Chief

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 ___________________________, up to the aggregate amount of U.S. Dollars ____________________ ________________________ and 00/100 available upon presentation of:

1) your sight draft, bearing reference to the 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.

This Letter of Credit is issued in accordance with regulations issued under the authority of the 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, Parts 30, 40, 50 or 70, (the "Applicable Regulations") which require that a holder of, or an applicant for, a license issued under the Applicable Regulations, provide assurance that funds will be available when needed for decommissioning.

This Letter of Credit is effective as of ___________, 1998 and shall expire on ________________, but such expiration date shall be automatically extended for a period of at least 1 year on ________________ and on each successive expiration date, unless, at least 90 days before the current expiration date, we notify both you and _____________________, by certified mail, as shown on the signed return receipts.

If ______________________ is unable to secure alternative financial assurance to replace this letter of Credit within 30 days of notification of cancellation, the NRC may draw upon the full value of this Letter of Credit prior to cancellation.

The [Letter of Credit Bank] shall give immediate notice to __________________ and the "NRC" of any notice received or action filed alleging (1) the insolvency or bankruptcy of the [Letter of Credit Bank], or (2) any violations of regulatory requirements that could result in suspension or revocation of the [Letter of Credit Bank's] charter.

The [Letter of Credit Bank] also shall give immediate notice if, for any reason, it becomes unable to fulfill it's obligations under the Letter of Credit No. _______.

Whenever this Letter of Credit is drawn on under and in compliance with the terms of this Letter of Credit, the [Letter of Credit Bank] shall duly honor such draft upon it's presentation to us within 30 days, and we shall deposit the amount of the draft directly into the Standby Trust Fund of ___________________ in accordance with the NRC's instructions.

Each draft must bear on it's face the clause: "Drawn under Letter of Credit No. _______ dated _______________, 1998 and the total of this draft and all other drafts previously drawn under this Letter of Credit does not exceed $_______________.

This Letter of Credit is subject to the Uniform Customs and practice for Documentary Credits (1993 Revision, International Chamber of Commerce, Paris, France, Publication No. 500).

[LETTER OF CREDIT BANK]

BY:________________________

FORM OF LETTER FROM TRANSFEREE TO U.S. NUCLEAR REGULATORY COMMISSION CONFIRMING AGREEMENTS TO ASSUME COMMITMENTS, RESPONSIBILITIES AND LIABILITIES

EXHIBIT E

EXHIBIT E

FORM OF LETTER FROM TRANSFEREE TO THE NRC

Document Control Desk
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Gentlemen:

This letter is in furtherance of and a part of the Applications for Transfers and Amendments of Materials Licenses, Quality Assurance Program Approvals and Certificates of Compliance of CBS Corporation ("CBS") (the "Applications") filed with the NRC on September __, 1998 related to the transfers and amendments of the licenses, approvals and certificates referenced in the Applications. The need for the requested transfers and amendments arises from the sale (with certain exceptions) of the assets and operations of the nuclear and government services businesses of CBS as more fully described in the Applications. As provided by the NRC regulations and NRC Information Notice 89-25, Revision 1, dated December 7, 1994, to support the transfers of the licenses, approvals and certificates requested by the Applications, the following statements and representations are made:

1. I am [officer] of Westinghouse Electric Company, LLC, a MK/BNFL Company ("WELCO") and am authorized to file this letter with the NRC on behalf of WELCO.

2. After the closing of the sale transaction discussed above, WELCO will become the licensee and holder of the licenses, approvals and certificates set forth on Exhibit A of the Applications.

3. WELCO agrees to the transfer and amendment of the licenses, approvals and certificates issued by the NRC and currently held by CBS and to the change in ownership and control of the licensed activities and the conditions of the transfers and those contained in the licenses in accordance with the Applications.

4. CBS has made WELCO aware of all open NRC inspection items and the responsibility of WELCO for possible resulting enforcement actions. WELCO understands that CBS will make it aware of all open inspection items as of the Closing Date of the sale transaction, and WELCO accepts the responsibility for possible resulting enforcement actions.

5. WELCO agrees to abide by commitments and representations previously made to the NRC by CBS for all facilities, licenses, certificates and approvals being transferred by the Applications, including: maintaining decommissioning records required by 10 C.F.R. §§ 30.35(g), 40.36(f) and 70.25(g); implementing decontamination activities and decommissioning of the sites, as discussed in the Applications; and completing corrective actions for open inspection items and enforcement actions.

6. WELCO agrees to accept responsibility for decommissioning and decontamination of the facilities and sites being transferred and will provide evidence of resources to fund decommissioning as required by the NRC as set forth in the Applications, except that CBS will undertake certain responsibilities as set forth in Exhibit C to the Applications. As of the Closing Date, WELCO will provide adequate resources to fund decommissioning for which it is responsible through appropriate mechanisms, as described in the Applications.

7. WELCO agrees to abide by all other constraints, conditions, requirements, representations and commitments identified in the existing licenses, approvals and certificates issued by the NRC.

We would be pleased to respond to any further questions that the NRC may have with regard to this letter.

Sincerely,

[WELCO Officer]