



IRREVOCABLE STANDBY LETTER OF CREDIT NO. 400936010

Date: January 9, 2004

Beneficiary
U.S. Nuclear Regulatory Commission
Washington, DC 20545

Dear Sir and Madam:

We hereby establish our Irrevocable Standby Letter of Credit No.400936010 in your favor, at the request and for the account of BWX Technologies, Inc. (BWXT), 1450 Poydras Street, New Orleans, LA 70112, up to the aggregate amount of \$1,000,000.00 (U.S. Dollars One Million and 00/100 ONLY). and is available upon presentation of the following:

1. Your sight draft, bearing reference to this Letter of Credit No. 400936010, and
2. Your signed written statement reading as follows: "I certify that the amount of the draft is payable pursuant to regulations issued under authority of the U.S. Nuclear Regulatory Commission relating to BWXT's License No. SNM-414".

This Letter of Credit is issued in accordance with regulations issued under the authority of the U.S. Nuclear Regulatory Commission (NRC), an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974. The NRC has promulgated regulation in Title 10, Chapter 1 of the Code of Federal Regulations, Part (30, 40, 70, or 72) which require that a holder of, or an applicant for, a license issued under 10 CFR Parts (30, 40, 70 or 72) provide assurance that funds will be available when needed for decommissioning.

This Letter of Credit is effective as of the date of issue and shall expire on December 1, 2004 at our counters in New York, but such expiration date shall be automatically extended for a period of one (1) year on December 1, 2004 and on each successive expiration date, unless, at least 90 days before the current expiration date, we notify both you and BWXT by certified mail, as shown on the signed return receipts, that we elect not to consider this letter of credit extended for any additional period. If BWXT 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 bank shall give immediate notice to the applicant and the NRC of any notice received or action filed alleging (1) the insolvency or bankruptcy of the Financial Institution or (2) any violations of regulatory requirements that could result in suspension or revocation of the bank's charter or license to do business. The financial institution also shall give immediate notice, if the bank, for any reason, becomes unable to fulfill its obligation under the Letter of Credit

Whenever this Letter of Credit is drawn on under and in compliance with the terms of this Letter of Credit, we shall honor such draft upon its presentation to us within 30 days, and we shall deposit the amount of the draft directly into the Standby Trust Fund of BWXT in accordance with your instructions



CREDIT LYONNAIS

Each draft must bear on its face the clause "Drawn under Letter of Credit No. 400936010 dated January 9, 2004 and the total of this draft all other drafts previously drawn under this Letter of Credit does not exceed U.S. Dollars 1,000,000.00 (One Million and 00/100 U.S. Dollars Only)".

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

Very truly yours
Credit Lyonnais, New York Branch
Authorized Signature



Vincent Vrontalto
Assistant Treasurer

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of July 1, 1997 by and between BWX Technologies, Inc., a Delaware corporation, herein referred to as the "Grantor", and Citibank, N.A., 120 Wall Street, 13th Floor, New York, NY 10043, the "Trustee".

WHEREAS, the U.S. Nuclear Regulatory Commission (NRC), an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 70. These regulations, applicable to the Grantor, require that a holder of, or an applicant for a Part 70 license provide assurance that funds will be available when needed for required decommissioning activities.

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

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

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

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

Section 1. Definitions. As used in this Agreement:

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

Section 2. Costs of Decommissioning.

This Agreement pertains to the cost of decommissioning the materials and activities identified in License Number SNM-42 and SNM-414 issued pursuant to 10 CRF Part 70 as shown in Schedule A.

Section 3. Establishment of Fund.

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

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Section 4. Payments Constituting the Fund

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

Section 5. Payment for Required Activities Specified in the Plan.

The Trustee shall make payments from the Fund to the Grantor upon presentation to the Trustee of the following:

- a. A certificate duly executed by an authorized representative of the Grantor attesting to the occurrence of the events, and in the form set forth in the attached Specimen certificate, and
- b. A certificate duly executed by an authorized representative of the Grantor attesting to the following conditions:
 1. that decommissioning is proceeding pursuant to an NRC approved plan,
 2. that the funds withdrawn will be expended for activities undertaken pursuant to that Plan, and
 3. that the NRC has been given 30 days prior notice of Grantor's intent to withdraw funds from the Fund.

No withdrawal from the fund can exceed 10 percent of the outstanding balance of the Fund unless NRC approval is attached.

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

Section 6. Trust Management.

The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in U.S. Treasuries with maturities not exceeding 90 days.

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 for prudent management of the Fund;
- (b) to make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;
- (c) to register any securities held in the Fund in its own name, or in the name of a nominee, and to hold any security in bearer form or in book entry, or to combine certificates of the same issue held by the Trustee in other fiduciary capacities, to reinvest interest payments and funds from matured and redeemed instruments, to file proper forms concerning securities held in the Fund in a timely fashion with appropriate government agencies, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee or such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the U.S. Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund; and
- (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 reasonable out-of-pocket expenses incurred by the Trustee in connection with the administration of this Trust, including reasonable fees for legal services rendered to the Trustee, and the compensation of the Trustee shall be paid from the Fund.

Section 9. Annual Valuation.

After payment has been made into this standby trust fund, the Trustee shall annually, at least 30 days before the anniversary date of receipt of payment into the standby trust fund, furnish to the Grantor and to the NRC a statement confirming the value of the Trust. Any

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securities in the Fund shall be valued at market value as of no more than 60 days before the anniversary date of the establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and the NRC shall constitute a conclusively binding assent by the Grantor, barring the Grantor from asserting any claim or liability against the Trustee with respect to the matters disclosed in the statement.

Section 10. Advice of Counsel.

The Trustee may from time to time consult with counsel, 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 (See Schedule C).

Section 12. Successor Trustee.

Upon 90 days notice to the NRC and the Grantor, the Trustee may resign; upon 90 days notice to the NRC and the Trustee, the Grantor may replace the Trustee; but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor Trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor Trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions. The successor Trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the NRC and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this section shall be paid as provided in Section 8.

Section 13. Instructions to the Trustee.

All orders, request and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are signatories to this agreement or such other designees as the Grantor may designate in writing. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's written orders, requests, and instructions. If the NRC issues orders, requests, or instructions to the Trustee these shall be in writing, signed by the NRC or its designees, and the Trustee shall act and shall be fully protected in acting in accordance with such written 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

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of the Grantor or the NRC hereunder has occurred. The Trustee shall have no duty to act in the absence of such written orders, requests, and instructions from the Grantor and/or the NRC, except as provided for herein.

Section 14. Amendment of Agreement.

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

Section 15. Irrevocability and Termination.

Subject to the right of the parties to amend this Agreement as provided in Section 14, this trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee and the NRC, or by the Trustee and the NRC if the Grantor ceases to exist. Upon termination of the trust, all remaining trust property, less final trust administration expenses, to the extent not paid directly to the Trustee, 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, that is made in good faith and does not constitute negligence or wilful misconduct by the Trustee or its directors, officers, employees or agents, in the administration of this trust, or in carrying out any directions by the Grantor or the NRC issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless from the trust fund from and against any personal liability to which the Trustee may be subject by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense, except for any such personal liability that is due to the negligence or willful misconduct of the Trustee or its directors, officers, employees or agents.

Section 17.

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

Section 18. Interpretation and Severability.

As used in this Agreement, word 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.

CANCELLED

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

ATTEST

RE Fulton

BWX TECHNOLOGIES, INC.

J. J. Stewart

J. J. Stewart

Title: President

Seal

ATTEST

ROBERTA MASSIELLO
Senior Trust Officer

[Signature]

CITIBANK, N.A.
[Signature]

Title:

Seal:

ISABELA LADOLCETTA
Senior Trust Officer

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Specimen Certificate of Events

Citibank, N.A.
120 Wall St.
13th Floor
New York, NY 10043

CANCELLED

Gentlemen:

In accordance with the terms of the Agreement with you dated July 1, 1997, I _____ of BWX Technologies, Inc., hereby certify that the following events have occurred:

1. BWX Technologies, Inc., is required to commence the decommissioning of the licensed activity relating to licenses SNM-42 and SNM-414.
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 _____. A copy of the approval is attached.
3. The Board of Directors of BWX Technologies, Inc., has adopted the attached resolution authorizing the commencement of the decommissioning.

BWX Technologies, Inc.

J. J. Stewart
Title: President

Date:

SCHEDULE A

U.S. NUCLEAR REGULATORY COMMISSION

SNM-42 and SNM-414

NAME AND ADDRESS OF LICENSEE

BWX Technologies, Inc.
P.O. Box 11165
Lynchburg, VA 24506-1165

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ADDRESS OF LICENSED ACTIVITY

Naval Nuclear Fuel Division
P. O. Box 785
Lynchburg, VA 24505-0785 - SNM-42

Pennsylvania Nuclear Services Operation
Rd. 1 Box 355
Vandergrift, PA 15690-0355 - SNM-414

COST ESTIMATE FOR REGULATORY ASSURANCES DEMONSTRATED BY THIS AGREEMENT

SNM-42	\$13,207,000
SNM-414	\$11,000,000

SCHEDULE B

As of the execution date, July 1, 1997, this Standby Trust Agreement does not require the deposit of any funds.

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SCHEDULE C

ESCROW ADMINISTRATION

Acceptance Fee:	Waived
Annual Administration Fee:	\$7,500.00
Annual (or portion thereof) minimum Escrow Fee:	\$7,500.00

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RESOLUTION

RESOLVED, by the Board of Directors of BWX Technologies, Inc. (the "Company"), that the Company has agreed to provide financial assurance to the United States Nuclear Regulatory Commission with respect to license numbers SNM-42 and SNM-414.

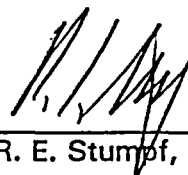
RESOLVED FURTHER, that J. J. Stewart be hereby authorized in the name and on behalf of the Company, to take any and all actions, and to execute and deliver any and all agreements, documents and instruments, relating to the aforesaid matter, including, but not limited to the Standby Trust Agreement; each such agreement, document and instrument to be in such form and to contain such terms, provisions, stipulations and conditions as the said J. J. Stewart shall approve, his approval to be conclusively evidenced by his execution and delivery thereof.

CERTIFICATE

CANCELLED

I, the undersigned, Assistant Secretary of BWX Technologies, Inc., a corporation duly organized and existing under the laws of the State of Delaware, do hereby certify that the above and foregoing is a true and correct copy of certain resolutions adopted by the Board of Directors of said corporation, pursuant to a consent in lieu of a meeting dated June 19, 1997, and that said resolutions have not been vacated or recalled or amended and remain in full force and effect.

IN WITNESS WHEREOF, I hereunto set my hand this 19th day of June, 1997.



R. E. Stumpf, Assistant Secretary