

1800 M Street, N.W.
Washington, D.C. 20036-5869
202-467-7000
Fax: 202-467-7176

70-27
70-364
Morgan, Lewis
& Bockius LLP
COUNSELORS AT LAW

5/27/97
(NAC 11-2
- 5/23/97)

Donald J. Silverman
202-467-7502

May 23, 1997

VIA HAND DELIVERY

Mr. Michael F. Weber
Chief, Fuel Cycle Licensing Branch
Division of Fuel Cycle Safety and Safeguards
U.S. Nuclear Regulatory Commission
Mail Stop T8 D14
11545 Rockville Pike
Rockville, MD 20852

Re: Babcock & Wilcox License Transfers

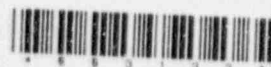
Dear Mike:

Attached, in accordance with our conversation today, are draft financial assurance documents related to Babcock & Wilcox's request to transfer various licenses to BWX Technologies, Inc. and McDermott Technology, Inc. For your convenience, we are also forwarding copies of the existing financial assurance instruments.

The enclosed booklet contains the following documents for each license:

1. A new standby trust in the name of the company to which The Babcock & Wilcox Company is transferring the license.
2. A letter to the trustee to be executed by The Babcock & Wilcox Company and the NRC cancelling the existing standby trusts.
3. Amendments to the letters of credit simply changing the name of the account party from The Babcock & Wilcox Company to BWX Technologies, Inc. or McDermott Technology, Inc.

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B PDR

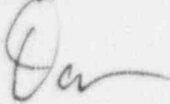


NFOH/1

Mr. Michael F. Weber
May 23, 1997
Page 2

The only change being proposed to the existing financial assurance instruments is the substitution of the names of the proposed successor companies. B&W would like to finalize these documents as soon as possible. Accordingly, your review by June 15 would be greatly appreciated. If you have any questions, please feel free to call me at 202/467-7502.

Sincerely,



Donald J. Silverman

DJS/js

Enclosures

INDEX

- A. SNM-42 and SNM-414
- B. BPM-34-03043 and SUB-125
- C. SNM-42, AMENDMENT 13 (SAPPHIRE PROJECT)
- D. SNM-2001

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.

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 or 1 million dollars, whichever is greater, unless NRC approval is attached.

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

Section 6. Trust Management.

The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in 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 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 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 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 Atlantic Richfield Company 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 wilful 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.

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

ATTEST

BWX TECHNOLOGIES, INC.

J. J. Stewart

Title: President

Seal

ATTEST

CITIBANK, N.A.

Title:

Seal:

Specimen Certificate of Events

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

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 LICENSE NUMBER

SNM-42 and SNM-414

NAME AND ADDRESS OF LICENSEE

BWX Technologies, Inc.
2220 Langhorne Road
P. O. Box 10548
Lynchburg, Virginia 24506-0548

ADDRESS OF LICENSED ACTIVITY

Naval Nuclear Fuel Division
P. O. Box 785
Lynchburgm Virginia 24505 - SNM-42

Pennsylvania Nuclear Services Operation
609 N. Warren Ave.
Apollo, Pennsylvania 15613 - SNM414

COST ESTIMATE FOR REGULATORY ASSURANCES DEMONSTRATED BY THIS AGREEMENT

SNM-42 - \$9,207,000
SNM-414 - \$8,000,000

SCHEDULE B

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

SCHEDULE C

ESCROW ADMINISTRATION

Acceptance Fee:	\$500.00
Annual Administration:	
Annual (or portion thereof) minimum Escrow Fee	\$1,000.00
Annual Administration Fee (Based on fair market value of assets)	5 per \$1000

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 licenses 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

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 (insert dates), and that said resolutions have not been vacated or recalled or amended and remain in full force and effect.

IN WITNESS WHEREOF, I hereunto affix my hand and the seal of said corporation on this (insert dates).

Robert E. Stumpf
Assistant Secretary



Babcock & Wilcox

a McDermott company

1450 Poydras Street
New Orleans, Louisiana 70112-6050

P. O. Box 61038
New Orleans, Louisiana 70161-1038
(504) 587-5700
Fax: (504) 587-6153
Telex: 6821250 JRMAC UW

April 24, 1997

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

Attention: Marie Ladolcetta
Trust Officer

Reference: Standby Trust Agreement Dated July 24, 1990 between, The Babcock & Wilcox Company and the U. S. Nuclear Regulatory Commission Relating to License Numbers SNM-145; SNM-414; SNM-778; SNM-30; BPM-34-03043-03; SUB-1259 and SNM-42

Dear Ms. Ladolcetta:

We hereby terminate the above referenced Trust per Section 16 of the referenced agreement.

Sincerely,

THE BABCOCK & WILCOX COMPANY

Daniel R. Gaubert
Senior Vice President and
Chief Financial Officer

U.S. NUCLEAR REGULATORY COMMISSION

Name:
Title:

January 17, 1996

BY CERTIFIED MAIL

Morgan Guaranty Trust Company of New York
Attn: Norma Pane - 36th Floor
60 Wall Street
New York, NY 10260-0060

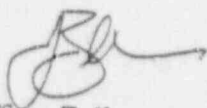
**Re: Standby Trust Agreement by and between The Babcock & Wilcox
Company and Morgan Guaranty Trust Company of New York
dated as of July 24, 1990 (the "Trust")**

Dear Ms. Pane:

Pursuant to Section 12 of the Trust, Citibank hereby accepts the appointment of successor Trustee under the Trust and assumes administration of the trust effective Friday, January 26, 1996. Please deliver to my attention at the above address all records, documents and other properties or funds constituting the Trust Fund no later than Friday, January 26, 1996.

Thank you.

Yours truly,



Jeffrey Zeiler
Assistant Vice President

cc: United States Nuclear Regulatory Commission (By Certified Mail)
Region 1
475 Allendale Road
King of Prussia, Pennsylvania 19405-1415

The Babcock & Wilcox Company (By Certified Mail)
Attn: Robert E. Fulton
1450 Poydras Street
New Orleans, LA 70112



McDermott International, Inc.

1450 Poydras Street
New Orleans, Louisiana 70112-6050
P. O. Box 61961
New Orleans, Louisiana 70161-1961
(504) 587-5400
Fax: (504) 587-6153
Telex: 6821250 JRMAC UW

Via Federal Express

November 12, 1996

Mr. D. K. Sgarlata, Manager
Babcock & Wilcox Company
Pennsylvania Nuclear Service Operations
R.D. 1, Box 355
Vandergrift, Pennsylvania 15690

Re: Standby Trust Amendment dated July 29, 1994

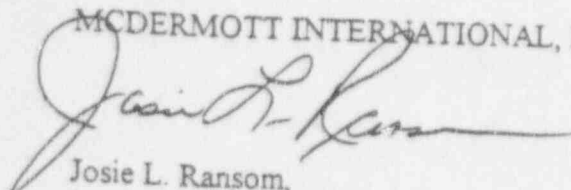
Dear Don:

Attached hereto is the original amendment dated July 24, 1994 to the Standby Trust Agreement dated July 24, 1990 signed by Morgan Guaranty Trust Company.

As discussed, we did not execute an original Standby Trust Agreement to maintain in our files. The original was transmitted to NRC on July 24, 1990 per transmittal letter of J. P. Exkert (see attached). I have also attached a clean copy of the Standby Trust Agreement for your records.

Sincerely,

MCDERMOTT INTERNATIONAL, INC.



Josie L. Ransom,
Senior Treasury Analyst

Attachment(s)

**AMENDMENT TO STANDBY TRUST AGREEMENT
DATED JULY 24, 1990**

WHEREAS, on July 24, 1990, THE BABCOCK & WILCOX COMPANY, herein referred to as the "Grantor" and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, the "Trustee" entered into a STANDBY TRUST AGREEMENT for the benefit of the U.S. Nuclear Regulatory Commission (NRC); and

WHEREAS, the Guarantor has now elected to use Letters of Credit to provide assurance that funds will be available when needed for required decommissioning activities;

NOW THEREFORE, the Grantor and the Trustee and the NRC agree to amend the STANDBY TRUST AGREEMENT, effective as of the 29th day of July, 1994, as follows:

- 1) DELETE from the STANDBY TRUST AGREEMENT the words on page 1: "Parent Guarantee" wherever they appear and
- 2) REPLACE with the words "Letter of Credit".
- 3) Schedule A is REPLACED in its entirety by the attached Schedule A.

IN WITNESS WHEREOF the parties have caused this Amendment to be executed by the respective officers duly authorized and the incorporate seals to be hereto affixed and attested as of the 29 day of July, 1994.

ATTEST:

THE BABCOCK & WILCOX COMPANY

Janie Hingle
Asst Corp Sec.

By: *Brock A. Hattox*
Senior Vice President and
Chief Financial Officer

NUCLEAR REGULATORY COMMISSION

By: _____
Title:

MORGAN GUARANTY TRUST OF NEW YORK

By: *M. J. Fane* *NORMA R. PANE*
Vice President

Carrie Brown
CARIE BROWN
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires March 15, 1999

ATTEST:

Robert Rich
ASSISTANT SECRETARY

SCHEDULE A
BABCOCK & WILCOX COMPANY

LICENSEE	FACILITY	ADDRESS	LICENSE #	CURRENT COST ESTIMATE (000 'S)
The Babcock & Wilcox Company	Pennsylvania Nuclear Service Operations (Apollo)	509 N. Warren Ave. Apollo, PA 15613	SNM-145	Complete ¹
"	Pennsylvania Nuclear Service Operations (Parks Township)	"	SNM-414	\$2,000 ²
"	Lynchburg Service Operations Laboratory	P. O. Box 11165 Lynchburg, VA 24506	SNM-778	\$5,526
"	Alliance Research Laboratory	1562 Beacon Street Alliance, OH 44601	SNM-30 BPM-34- 03043-03 SUB-1259	\$896 ³
"	Naval Nuclear Fuel Division	P. O. Box 785 Lynchburg, VA 24505	SNM-42	\$3,306 ⁴
				\$11,728 TOTAL

1. Decontamination & Decommissioning work is essentially finished.
2. Interim estimate. Refer to R. V. Carlson letter to Elinor Adensam, Dated April 30, 1993.
3. Decommissioning Plan with cost estimate has been submitted to Region Office.
4. Fifty percent of current cost estimate for Research & Test Reactor Fuel Element (RTRFE) portion. Refer to A. F. Olsen letter to J. W. N. Hickey, dated October 30, 1992.

Babcock & Wilcox
a McDermott company

J.P. Eckert
Sr. Vice President and Group Executive

FILE (existing) *[Signature]* P.2/3
SUB-
DECOMMISSIONING
FINANCIAL ASSURANCE
BWLD
DEPARTMENT
Defense & Nuclear Power Group
P.O. Box 11165
Lynchburg, Virginia 24506-1165
(804) 522-5475

JUL 30 1990

July 24, 1990

VIA FEDERAL EXPRESS

One White Flint North
11555 Rockville Pike
Rockville, MD 20852

Mail Code: 11E22
Organization ID: NRR/OEAB

Phone: (301) 492-3119

Mr. C. J. Haughney, Chief
Fuel Cycle Safety Branch
Division of Industrial and Medical
Nuclear Safety, NMSS
U. S. Nuclear Regulatory Commission
Washington, D.C. 20555

Dear Mr. Haughney:

In compliance with the Nuclear Regulatory Commission's (NRC) financial assurance regulations under 10 CFR Part 30, 40, and 70 as applicable, with respect to the licenses of the Babcock & Wilcox Company (B&W), I am attaching the following documents:

1. Letter from the President & Chief Executive Officer.
2. Letter from the Executive Vice President and Chief Financial Officer.
3. Attachment I; listing of B&W licensees.
4. Attachment I-A; the certification of financial assurance.
5. Financial test - Alternative I.
6. Auditor's special report and reconciliation.
7. Parent Company guarantee.
8. Standby Trust Agreements
9. Acknowledgement.

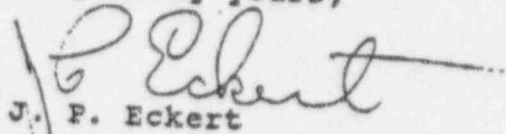
B&W's only other license affected by the financial assurance regulations is the SNM license of B&W's Naval Nuclear Fuel Division (NNFD), SNM-42. In separate correspondence to you dated May 23, 1990 and July 13, 1990, the NNFD's licensing officer, A. E. Olsen, has submitted

- 2 -

an application and other supporting documentation for an amendment to their license, to satisfy NNFD's obligation to provide financial assurance. This form of assurance is represented by a contract clause entitled "Decommissioning Expenses" which has been included in NNFD's contracts, e.g., Contract No. DE-AC11-90PN 38167 with the U. S. Department of Energy's (DOE) Pittsburgh Naval Reactors Office, and defines the means by which DOE will be responsible for NNFD's decommissioning costs. Other NNFD subcontracts for the manufacture of research reactor fuel also provide funding assurance for decommissioning costs.

We believe the attached documentation and license amendment application described above fulfills the present financial assurance requirements for The Babcock & Wilcox Company. If you require other information, please advise.

Very truly yours,


J. P. Eckert

tb
Attachments



January 17, 1996

BY CERTIFIED MAIL

Morgan Guaranty Trust Company of New York
Attn: Norma Pane - 36th Floor
60 Wall Street
New York, NY 10260-0060

**Re: Standby Trust Agreement by and between The Babcock & Wilcox
Company and Morgan Guaranty Trust Company of New York
dated as of July 24, 1990 (the "Trust")**

Dear Ms. Pane:

Pursuant to Section 12 of the Trust, Citibank hereby accepts the appointment of successor Trustee under the Trust and assumes administration of the trust effective Friday, January 26, 1996. Please deliver to my attention at the above address all records, documents and other properties or funds constituting the Trust Fund no later than Friday, January 26, 1996.

Thank you.

Yours truly,

Jeffrey Zeiler
Assistant Vice President

cc: United States Nuclear Regulatory Commission (By Certified Mail)
Region 1
475 Allendale Road
King of Prussia, Pennsylvania 19405-1415

The Babcock & Wilcox Company (By Certified Mail)
Attn: Robert E. Fulton
1450 Poydras Street
New Orleans, LA 70112

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of July 24, 1990 by and between THE BABCOCK & WILCOX COMPANY, a Delaware corporation, herein referred to as the "Grantor", and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, 60 Wall Street, New York, New York 10260, the "Trustee".

WHEREAS, the U.S. Nuclear Regulatory Commission (NRC), an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1974, has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part [30, 40, or 70]. These regulations, applicable to the Grantor, require that a holder of, or an applicant for, a Part 30, 40, and 70 license provide assurance that funds will be available when needed for required decommissioning activities.

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

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

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

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

Section 1. Definitions. As used in this Agreement:

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

Section 2. Costs of Decommissioning. This Agreement pertains to the costs of decommissioning the materials and activities identified in Schedule A.

Section 3. Establishment of Fund. The grantor and the Trustee hereby establish a standby trust fund (the Fund) for the benefit of the NRC. The Grantor and the Trustee intend that no third party have access to the Fund except as provided herein.

Section 4. Payments Constituting the Fund. Payments made to the Trustee for the Fund shall consist of cash and Eligible Securities. The Fund is established initially as consisting of the property. Such property and any other property subsequently transferred to the Trustee are referred to as the "Fund", together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount of, or adequacy of the Fund, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by the NRC.

Section 5. Payment for Required Activities Specified in the Plan. The Trustee shall make payments from the Fund to the Grantor upon presentation to the Trustee of the following:

- a. A certificate duly executed by the Secretary of the Grantor attesting to the occurrence of the events, and in the form set forth in the attached Specimen Certificate, and
- b. A certificate executed by 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 The Babcock & Wilcox Company's intent to withdraw funds from the escrow fund.

[No withdrawal from the fund can exceed 10% percent of the outstanding balance of the Fund or \$10,000,000 dollars, whichever is greater unless NRC approval is attached.]

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

Section 6. Trust Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with instructions from the Grantor which the Grantor may communicate in writing to the Trustee from time to time; except that:

- (a) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended (15 U.S.C. 80A-2(a)), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government;
- (b) The Trustee is authorized to invest the fund in 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 Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 9. Annual Valuation. After payment has been made into this standby trust fund, the Trustee shall annually, at least 30 days before the anniversary date of receipt of payment into the standby trust fund, furnish to the Grantor and to the NRC a statement confirming the value

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

Section 10. Advice of Counsel. The Trustee may from time to time consult with counsel, 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, the Trustee may resign; upon 90 days notice to NRC and the Trustee, the Grantor may replace the Trustee; but such resignation or replacement shall not be effective until the Grantor has appointed a successor Trustee and this successor accepts the appointment. The successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor Trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor Trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions. The successor Trustee shall specify the date on which it assumes administration of the trust in 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, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are signatories to this agreement or such other designees as the Grantor may designate in writing. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. If the NRC issues orders, requests, or instructions to the Trustee, these shall be in writing, signed by the NRC or 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 or the NRC hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instruction from the Grantor and/or the NRC except as provided for herein.

Section 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 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.

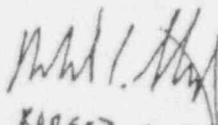
Section 16. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this trust, or in carrying out any directions by the Grantor or the NRC issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the trust fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 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, 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.

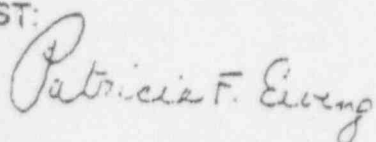
ATTEST:


ROBERT C. STUMPF
ASST. SEC.

THE BABCOCK & WILCOX COMPANY

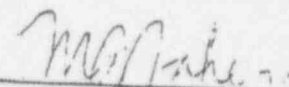

By: John A. Lynott
Title: Executive Vice President and
Chief Financial Officer

ATTEST:



PATRICIA F. EWING
[Title] Assistant Secretary
[Seal]

MORGAN GUARANTY TRUST OF NEW YORK

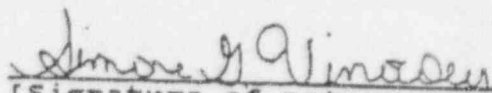

By: M.J. FAHEY
Title: Vice President

ACKNOWLEDGEMENT

STATE OF NEW YORK

CITY OF NEW YORK

On this 19th day of July, before me, a notary public in and for the City and State aforesaid, personally appeared Marlene Fahey and she did depose and say that she is a Vice President of Morgan Guaranty Trust Company of New York, a New York State banking association, Trustee, which executed the above instrument, that she knows the seal of said association; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the association; and that she signed her name thereto by like order.


[Signature of notary public]

SIMONE G. VINOCOUR

NOTARY PUBLIC, State of New York

No. 31-4938491

My Commission Expires: _____

Qualified in New York County

Certificate Filed in New York County

Commission Expires November 7, 1990

SCHEDULE A
STANDBY TRUST
BABCOCK & WILCOX INVESTMENT COMPANY

<u>LICENSEE</u>	<u>FACILITY</u>	<u>ADDRESS</u>	<u>LICENSE NUMBER</u>	<u>CERTIFIED AMOUNT (000'S)</u>	<u>CURRENT COST ESTIMATE (000'S)</u>
The Babcock & Wilcox Co.	Pennsylvania Nuclear Service Operations (Apollo)	609 N. Warren Ave. Apollo, PA 15613	SNM-145	\$ 750	
"	Pennsylvania Nuclear Service Operations (Parks Township)	609 N. Warren Ave. Apollo, PA 15613	SNM-414	\$ 750	
"	Naval Nuclear Fuel Division Research Laboratory	P. O. Box 11165 Lynchburg, VA 24526	SNM-778	\$ 750	
"	Alliance Research Laboratory	1562 Beacon Street Alliance, OH 44601	SNM-30 BPM-34-03043-03 SUB-1259		\$ 655 ¹

1. The Alliance Research Laboratory is submitting the specified Decommissioning Funding Plan

FEDERAL EXPRESS TRANSMITTAL

KEY VALUE: _____

DATE: NOVEMBER 12, 1996

TO: MAIL ROOM

FROM: JOSIE L. RANSOM
TREASURY - 25
EXT. 6063

PLEASE FORWARD VIA FEDERAL EXPRESS AS FOLLOWS:

NAME: MR. D. SGARLATA

COMPANY: BABCOCK & WILCOX COMPANY

ADDRESS: PENNSYLVANIA NUCLEAR SERVICE OPERATIONS
R.D. 1, BOX 355
VANDERGRIFT, PENNSYLVANIA

COST CENTER: 730

THANK YOU



Scotiabank

The Bank of Nova Scotia
Atlanta Agency
Suite 2700
600 Peachtree St., N.E.
Atlanta, Georgia 30308

(404) 877-1500
Fax: (404) 888-8998

D R A F T

U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Sir or Madam:

In accordance with instructions received from our client, we hereby amend our Letter of Credit No. L152573 established in your favor as follows:

The first paragraph of Letter of Credit now reads: "We hereby establish our irrevocable Standby Letter of Credit No. L 152573 in your favor, at the request and for the account of BWX Technologies, Inc. ("BWX"), 1450 Poydras Street, New Orleans, LA.", instead of as previously advised.

All references to B&W should read BWX.

All other terms and conditions remain unchanged.

Yours very truly,

Authorized Signature

\\babw\l\970418.Rr



Scotiabank

The Bank of Nova Scotia
Atlanta Agency
Suite 2700
600 Peachtree St., N.E.
Atlanta, Georgia 30308

(404) 877-1500
Fax: (404) 888-8998

IRREVOCABLE STANDBY LETTER OF CREDIT NO. L152573

This Credit expires August 15, 1995

Issued To: U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Dear Sir or Madam:

We hereby establish our Irrevocable Standby Letter of Credit No. L152573 in your favor, at the request and for the account of The Babcock & Wilcox Company ("B&W"), 1450 Poydras Street, New Orleans, LA 70125, up to the aggregate amount of Three Million Three Hundred Six Thousand United States Dollars (U.S. Dollars 3,306,000) available upon presentation of:

- (1) your sight draft, bearing reference to this Letter of Credit No. 152573, and
- (2) your signed 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 B&W's License No. SNM-42.

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 regulations in Title 10, Chapter 1 of the Code of Federal Regulations, Part (30, 40, or 70), which require that a holder of, or an applicant for, a license issued under 10 CFR Parts (30, 40, or 70) provide assurance that funds will be available when needed for decommissioning.

This letter of credit is effective as of July 29, 1994 and shall expire on August 15, 1995, but such expiration date shall be automatically extended for a period of one (1) year on August 15, 1995, and on each successive expiration date, unless, at least 90 days before the current expiration date, we notify both you and B&W, as shown on the signed return receipts. If B&W 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 duly honor such draft upon its presentation to us within 30 days, and we shall deposit the amount of the draft directly into the standby trust fund of B&W in accordance with your instructions.

Each draft must bear on its face the clause: "Drawn under Letter of Credit No. 152573, dated July 29, 1994, and the total of this draft and all other drafts previously drawn under this letter of credit does not exceed U.S. dollars 3,306,000 (U.S. Dollars Three Million Three Hundred Six Thousand)."

A816 F. C. H. Ashby
F. C. H. Ashby
Senior Manager - Loan Operations
July 19, 1994

A. S. Norsworthy
A. S. Norsworthy
Assistant Agent
July 19, 1994

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



Scotiabank

The Bank of Nova Scotia
Atlanta Agency
Suite 2700
600 Peachtree St., N.E.
Atlanta, Georgia 30308

(404) 877-1500
Fax: (404) 888-8998

April 17, 1995

BENEFICIARY

U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

APPLICANT

The Babcock & Wilcox Company
1450 Poydras Street
New Orleans, 70112

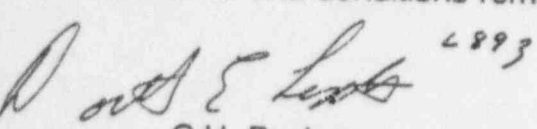
Dear Sir or Madam:

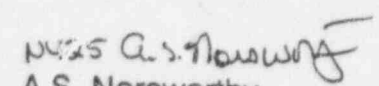
RE: Letter of Credit No.L152573 dated July 29, 1994 for \$3,306,000.00

The above mentioned credit has been amended as follows:

1. All references to the Letter of Credit Number in paragraph 1 and 5 are to read L152573.
2. In line 4 of the third paragraph following "we notify both you and B&W" and immediately proceeding "as shown on the signed return receipts" we have inserted "by certified mail". It now reads "we notify both you and B&W by certified mail, as shown on the signed return receipts."

All other terms and conditions remain unchanged.


C.H. Bushey
Team Leader


A.S. Norsworthy
Sr. Team Leader

D.E. LEGISTA
SR. LOAN OPERATIONS OFFICER



Scotiabank

The Bank of Nova Scotia
Atlanta Agency
Suite 2700
600 Peachtree St., N.E.
Atlanta, Georgia 30308

(404) 877-1500
Fax: (404) 888-8998

D R A F T

U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Sir or Madam:

In accordance with instructions received from our client, we hereby amend our Letter of Credit No. L152572 established in your favor as follows:

The first paragraph of Letter of Credit now reads: "We hereby establish our irrevocable Standby Letter of Credit No. L152572 in your favor, at the request and for the account of BWX Technologies, Inc. ("BWX"), 1450 Poydras Street, New Orleans, LA.", instead of as previously advised.

All references to B&W should read BWX. All references to "license SNM-778" should read "license SNM-42".

All other terms and conditions remain unchanged.

Yours very truly,

Authorized Signature

\\babw\970418.114



Scotiabank

The Bank of Nova Scotia
Atlanta Agency
Suite 2700
600 Peachtree St., N.E.
Atlanta, Georgia 30308

(404) 877-1500
Fax: (404) 888-8998

IRREVOCABLE STANDBY LETTER OF CREDIT NO. L152572

This Credit expires August 15, 1995

Issued To: U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Dear Sir or Madam:

We hereby establish our Irrevocable Standby Letter of Credit No. L152572 in your favor, at the request and for the account of The Babcock & Wilcox Company ("B&W"), 1450 Poydras Street, New Orleans, LA 70125, up to the aggregate amount of Five Million Five Hundred Twenty Six Thousand U.S. Dollars (U.S. dollars 5,526,000) available upon presentation of:

- (1) your sight draft, bearing reference to this Letter of Credit No. L152572, and
- (2) your signed 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 B&W's License No. SNM778."

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 regulations in Title 10, Chapter 1 of the Code of Federal Regulations, Part (30, 40, or 70), which require that a holder of, or an applicant for, a license issued under 10 CFR Parts (30, 40, or 70) provide assurance that funds will be available when needed for decommissioning.

by certified mail
This letter of credit is effective as of July 29, 1994 and shall expire on August 15, 1995, but such expiration date shall be automatically extended for a period of one (1) year on August 15, 1995, and on each successive expiration date, unless, at least 90 days before the current expiration date, we notify both you and B&W, as shown on the signed return receipts. If B&W 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 duly honor such draft upon its presentation to us within 30 days, and we shall deposit the amount of the draft directly into the standby trust fund of B&W in accordance with your instructions.

Each draft must bear on its face the clause: "Drawn under Letter of Credit No. 152572, dated July 29, 1994, and the total of this draft and all other drafts previously drawn under this letter of credit does not exceed U.S. dollars 5,526,000 (Five Million Five Hundred Twenty Six Thousand and 00/100 United States Dollars)."

Ashby
Ashby
F. C. H. Ashby
Senior Manager - Loan Operations
July 19, 1994

10425
A. S. Norsworthy
A. S. Norsworthy
Assistant Agent
July 19, 1994

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



Scotiabank

The Bank of Nova Scotia
Atlanta Agency
Suite 2700
600 Peachtree St., N.E.
Atlanta, Georgia 30308

(404) 877-1500
Fax: (404) 888-8998

April 17, 1995

BENEFICIARY

U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

APPLICANT

The Babcock & Wilcox Company
1450 Poydras Street
New Orleans, 70112

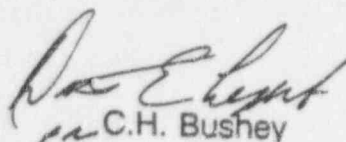
Dear Sir or Madam:

RE: Letter of Credit No.L152572 dated July 29, 1994 for \$5,526,000.00

The above mentioned credit has been amended as follows:

1. All references to the Letter of Credit Number in paragraph 1 and 5 are to read L152572.
2. In line 4 of the third paragraph following "we notify both you and B&W" and immediately proceeding "as shown on the signed return receipts" we have inserted "by certified mail". It now reads "we notify both you and B&W by certified mail, as shown on the signed return receipts."

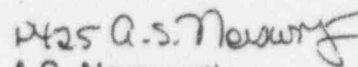
All other terms and conditions remain unchanged.

 4893

C.H. Bushey
Team Leader

D.E. LEGISTA

SR. LOAN OPERATIONS OFFICER


A.S. Norsworthy
Sr. Team Leader



Scotiabank

The Bank of Nova Scotia
Atlanta Agency
Suite 2700
600 Peachtree St., N.E.
Atlanta, Georgia 30308

(404) 877-1500
Fax: (404) 888-8998

D R A F T

U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Sir or Madam:

In accordance with instructions received from our client, we hereby amend our Letter of Credit No. L152574 established in your favor as follows:

The first paragraph of Letter of Credit now reads: "We hereby establish our irrevocable Standby Letter of Credit No. L152574 in your favor, at the request and for the account of BWX Technologies, Inc. ("BWX"), 1450 Poydras Street, New Orleans, LA.", instead of as previously advised.

All references to B&W should read BWX.

All other terms and conditions remain unchanged.

Yours very truly,

Authorized Signature

h:\babw\70418.H2



Scotiabank

The Bank of Nova Scotia
Atlanta Agency
Suite 2700
600 Peachtree St., N.E.
Atlanta, Georgia 30308

(404) 877-1500
Fax: (404) 888-8998

April 17, 1995

BENEFICIARY

U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

APPLICANT

The Babcock & Wilcox Company
1450 Poydras Street
New Orleans, 70112

Dear Sir or Madam:

RE: Letter of Credit No.L152574 dated July 29, 1994 for \$2,000,000.00

The above mentioned credit has been amended as follows:

1. All references to the Letter of Credit Number in paragraph 1 and 5 are to read L152574.
2. In line 4 of the third paragraph following "we notify both you and B&W" and immediately proceeding "as shown on the signed return receipts" we have inserted "by certified mail". It now reads "we notify both you and B&W by certified mail, as shown on the signed return receipts."

All other terms and conditions remain unchanged.

L 893

C.H. Bushey
Team Leader

D.E. LEGISTA
SR. LOAN OPERATIONS OFFICER

A.S. Norsworthy
Sr. Team Leader



Scotiabank

The Bank of Nova Scotia
Atlanta Agency
Suite 2700
600 Peachtree St., N.E.
Atlanta, Georgia 30308

(404) 877-1500
Fax: (404) 888-8998

IRREVOCABLE STANDBY LETTER OF CREDIT NO. L152574

This Credit expires August 15, 1995

Issued To: U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Dear Sir or Madam:

We hereby establish our Irrevocable Standby Letter of Credit No. L152574 in your favor, at the request and for the account of The Babcock & Wilcox Company ("B&W"), 1450 Poydras Street, New Orleans, LA 70125, up to the aggregate amount of Two Million U.S. Dollars (U.S. dollars 2,000,000) available upon presentation of:

- (1) your sight draft, bearing reference to this Letter of Credit No. 152574, and
- (2) your signed 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 B&W's License No. SNM-414."

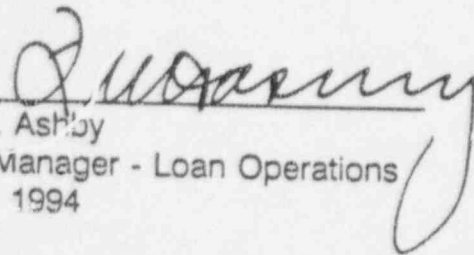
This letter of credit is issued in accordance with regulations issued under the authority of the U.S. Nuclear Regulatory Commission (NRC), an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974. The NRC has promulgated regulations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

This letter of credit is effective as of July 29, 1994 and shall expire on August 15, 1995, but such expiration date shall be automatically extended for a period of one (1) year on August 15, 1995, and on each successive expiration date, unless, at least 90 days before the current expiration date, we notify both you and B&W, as shown on the signed return receipts. If B&W 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 duly honor such draft upon its presentation to us within 30 days, and we shall deposit the amount of the draft directly into the standby trust fund of B&W in accordance with your instructions.

Each draft must bear on its face the clause: "Drawn under Letter of Credit No. 152574, dated July 29, 1994, and the total of this draft and all other drafts previously drawn under this letter of credit does not exceed U.S. dollars 2,000,000 (Two Million and 00/100 United States Dollars)."

A816 
F. C. H. Ashby
Senior Manager - Loan Operations
July 19, 1994

10425 A-S. Norsworthy
A. S. Norsworthy
Assistant Agent
July 19, 1994

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

Morgan Guaranty Trust Company of New York

c/o J.P. Morgan Services, Inc.

P.O. Box 6071

Newark, DE 19714-9857

Attention: International Trade Services

SPECIMEN

JPMorgan

April 16, 1997

Our Credit No. S-868003

Effective: July 1, 1997

U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Sir or Madam:

In accordance with instructions received from our client, we hereby amend our Letter of Credit No. S-868003 established in your favor as follows:

The first paragraph of Letter of Credit now reads: "We hereby establish our Irrevocable Standby Letter of Credit No. S-868003 in your favor, at the request and for the account of BWX Technologies, Inc. ("BWX"), 1450 Poydras Street, New Orleans, LA.", instead of as previously advised.

All references to B&W should read BWX.

All other terms and conditions remain unchanged.

Yours very truly,

Authorized Signature
Letter of Credit Services
(302) 634-1851

q:\its\standby\868003

J.P. Morgan Guaranty Trust Company of New York

J.P. Morgan Services, Inc.
P.O. Box 6071
Newark, DE 19714-9857
Attention: International Trade Services

JPMorgan

1978 11.04		# of pages 2
To <i>Joan L...</i>	From <i>Don Blum</i>	
Co. <i>M. Morgan</i>	Co. <i>MORGAN</i>	
Dept.	Phone #	
Fax # <i>804-587-6062</i>	Fax #	

IRREVOCABLE STANDBY LETTER OF CREDIT NO. S-868003

This Credit expires August 15, 1997

Issued to: U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Sir or Madam:

We hereby establish our Irrevocable Standby Letter of Credit No. S-868003 in your favor, at the request and for the account of The Babcock & Wilcox Company ("B&W"), 1450 Poydras Street, New Orleans, LA 70125, up to the aggregate amount of Six Million U.S. Dollars (U.S. Dollars 6,000,000) available upon presentation of:

- (1) your sight draft, bearing reference to this Letter of Credit No. S-868003 and
- (2) your signed 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 B&W'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 regulations in Title 10, Chapter 1 of the Code of Federal Regulations, Part (30, 40, or 70), which require that a holder of, or an applicant for, a license issued under 10 CFR Parts (30, 40, or 70) provide assurance that funds will be available when needed for decommissioning.

This letter of Credit is effective immediately and shall expire on August 15, 1997, but such expiration date shall be automatically extended for a period of one (1) year on August 15, 1997, and on each successive expiration date, unless, at least 90 days before the current expiration date, we notify both you and B&W by certified mail, as shown on the signed return receipts, that we elect not to renew this credit for any additional period. If B&W 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 of 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 duly honor such draft upon its presentation to us within 30 days, and we shall deposit the amount of the draft directly into the standby trust fund or B&W in accordance with your instructions. Each draft must bear on its face the clause "Drawn under Letter of Credit No. S-868003 dated December 18, 1996, and the total of this draft and all other drafts previously drawn under this letter of credit does not exceed U.S. Dollars 6,000,000.00 (Six Million and 00/100 United States Dollars)."

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

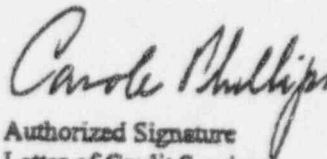
JPMorgan

IRREVOCABLE STANDBY LETTER OF CREDIT NO. S-868003

Page 2

Drafts and documents presented by mail should be mailed to Morgan Guaranty Trust Company of New York, c/o J.P. Morgan Services Inc., P.O. Box 6071 Newark, Delaware, 19714-9857, Attention: Letter of Credit Services. Courier or physical deliveries should be addressed to Morgan Guaranty Trust Company of New York, c/o J.P. Morgan Services, Inc., 500 Stanton Christiansa Road, Newark, Delaware, 19713-2107, Attention: Letter of Credit Services. Although we prefer physical presentations be made to our Newark, Delaware location, our 15 Broad Street, New York, New York, 10015 location is also available for your physical presentations. Should you use our 15 Broad Street address for physical presentations, letters of credit/documents must be directed to, Tellers Department, Ground Floor, 15 Broad Street, Attention: Letter of Credit Services.

Yours very truly,



Authorized Signature
Letter of Credit Services
(302) 634-1830

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of July 1, 1997 by and between McDermott Technology, 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 BPM--34-03043 and SUB-1259 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.

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 or 1 million dollars, whichever is greater, unless NRC approval is attached.

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

Section 6. Trust Management.

The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in 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 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 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 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 Atlantic Richfield Company 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.

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

ATTEST

MCDERMOTT TECHNOLOG^Y~~Y~~, INC.

E. A. Womack

Title: President

Seal

ATTEST

CITIBANK, N.A.

Title:

Seal:

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

ATTEST

MCDERMOTT TECHNOLOGY, INC.

E. A. Womack

Title: President

Seal

ATTEST

CITIBANK, N.A.

Title:

Seal:

Specimen Certificate of Events

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

Gentlemen:

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

1. McDermott Technology, Inc., is required to commence the decommissioning of the licensed activity called the Alliance Research Laboratory, 1562 Beacon Street, Alliance, OH 44601.
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 McDermott Technology, Inc., has adopted the attached resolution authorizing the commencement of the decommissioning.

McDermott Technology, Inc.

E. A. Womack
Title: President

Date:

SCHEDULE A

U.S. NUCLEAR REGULATORY COMMISSION LICENSE NUMBER

BPM-34-03043 and SUB-1259

NAME AND ADDRESS OF LICENSEE AND LICENSED ACTIVITY

McDermott Technology, Inc.
1450 Poydras Street
P. O. Box 61961
New Orleans, LA 70161

ADDRESS OF LICENSED ACTIVITY

Alliance Research Laboratory
1562 Beacon Street
Alliance, OH 44601

COST ESTIMATE FOR REGULATORY ASSURANCES DEMONSTRATED BY THIS AGREEMENT

\$896,000

SCHEDULE B

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

SCHEDULE C

ESCROW ADMINISTRATION

Acceptance Fee:	\$500.00
Annual Administration:	
Annual (or portion thereof) minimum Escrow Fee	\$1,000 00
Annual Administration Fee (Based on fair market value of assets)	5 per \$1000

RESOLUTION

RESOLVED, by the Board of Directors of McDermott Technology, Inc. (the "Company"), that the Company has agreed to provide financial assurance to the United States Nuclear Regulatory Commission with respect to Alliance Research Laboratory.

RESOLVED FURTHER that E. A. Womack 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 E. A. Womack shall approve, his approval to be conclusively evidenced by his execution and delivery thereof.

CERTIFICATE

I, the undersigned, Assistant Secretary of McDermott Technology, 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 (insert dates), and that said resolutions have not been vacated or recalled or amended and remain in full force and effect.

IN WITNESS WHEREOF, I hereunto affix my hand and the seal of said corporation on this (insert dates).

Robert E. Stumpf
Assistant Secretary

January 17, 1996

BY CERTIFIED MAIL

Morgan Guaranty Trust Company of New York
Attn: Norma Pane - 36th Floor
60 Wall Street
New York, NY 10260-0060

Re: Standby Trust Agreement by and between The Babcock & Wilcox
Company and Morgan Guaranty Trust Company of New York
dated as of July 24, 1990 (the "Trust")

Dear Ms. Pane:

Pursuant to Section 12 of the Trust, Citibank hereby accepts the appointment of successor Trustee under the Trust and assumes administration of the trust effective Friday, January 26, 1996. Please deliver to my attention at the above address all records, documents and other properties or funds constituting the Trust Fund no later than Friday, January 26, 1996.

Thank you.

Yours truly,



Jeffrey Zeiler
Assistant Vice President

cc: United States Nuclear Regulatory Commission (By Certified Mail)
Region 1
475 Allendale Road
King of Prussia, Pennsylvania 19405-1415

The Babcock & Wilcox Company (By Certified Mail)
Attn: Robert E. Fulton
1450 Poydras Street
New Orleans, LA 70112

*Cancellation of this
Trust accomplished when
we cancel trust for
SNM-42 + SNM-414
(previously commingled)*



McDermott International, Inc.

1450 Poydras Street
New Orleans, Louisiana 70112-6050

P. O. Box 61961
New Orleans, Louisiana 70161-1961
(504) 587-5400
Fax: (504) 587-6153
Telex: 6821250 JRMAC UW

Via Federal Express

November 12, 1996

Mr. D. K. Sgarlata, Manager
Babcock & Wilcox Company
Pennsylvania Nuclear Service Operations
R.D. 1, Box 355
Vandergrift, Pennsylvania 15690

Re: Standby Trust Amendment dated July 29, 1994

Dear Don:

Attached hereto is the original amendment dated July 24, 1994 to the Standby Trust Agreement dated July 24, 1990 signed by Morgan Guaranty Trust Company.

As discussed, we did not execute an original Standby Trust Agreement to maintain in our files. The original was transmitted to NRC on July 24, 1990 per transmittal letter of J. P. Exkert (see attached). I have also attached a clean copy of the Standby Trust Agreement for your records.

Sincerely,

McDERMOTT INTERNATIONAL, INC.

Josie L. Ransom,
Senior Treasury Analyst

Attachment(s)

**AMENDMENT TO STANDBY TRUST AGREEMENT
DATED JULY 24, 1990**

WHEREAS, on July 24, 1990, THE BABCOCK & WILCOX COMPANY, herein referred to as the "Grantor" and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, the "Trustee" entered into a STANDBY TRUST AGREEMENT for the benefit of the U.S. Nuclear Regulatory Commission (NRC); and

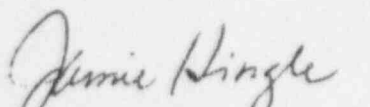
WHEREAS, the Guarantor has now elected to use Letters of Credit to provide assurance that funds will be available when needed for required decommissioning activities;

NOW THEREFORE, the Grantor and the Trustee and the NRC agree to amend the STANDBY TRUST AGREEMENT, effective as of the 29th day of July, 1994, as follows:


- 1) DELETE from the STANDBY TRUST AGREEMENT the words on page 1: "Parent Guarantee" wherever they appear and
- 2) REPLACE with the words "Letter of Credit".
- 3) Schedule A is REPLACED in its entirety by the attached Schedule A.

IN WITNESS WHEREOF the parties have caused this Amendment to be executed by the respective officers duly authorized and the incorporate seals to be hereto affixed and attested as of the 29 day of July, 1994.

ATTEST:


Asst. Corp. Sec.

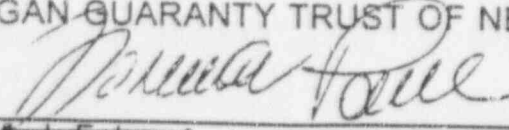
THE BABCOCK & WILCOX COMPANY

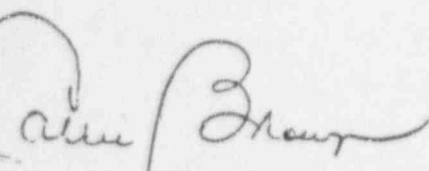

By: Brock A. Hattox
Senior Vice President and
Chief Financial Officer

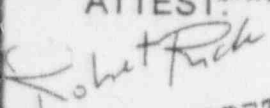
NUCLEAR REGULATORY COMMISSION

By: 
Title:

MORGAN GUARANTY TRUST OF NEW YORK


By: ~~M. J. Fahy~~ NORMA R. PANE
Vice President


CARRIE BROWN
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires March 15, 1999

ATTEST:

ASSISTANT SECRETARY

SCHEDULE A
BABCOCK & WILCOX COMPANY

LICENSEE	FACILITY	ADDRESS	LICENSE #	CURRENT COST ESTIMATE (000 'S)
The Babcock & Wilcox Company	Pennsylvania Nuclear Service Operations (Apollo)	609 N. Warren Ave. Apollo, PA 15613	SNM-145	Complete ¹
"	Pennsylvania Nuclear Service Operations (Parks Township)	"	SNM-414	\$2,000 ²
"	Lynchburg Service Operations Laboratory	P. O. Box 11165 Lynchburg, VA 24506	SNM-778	\$5,526
"	Alliance Research Laboratory	1562 Beacon Street Alliance, OH 44601	SNM-30 BPM-34- 03043-03 SUB-1259	\$896 ³
"	Naval Nuclear Fuel Division	P. O. Box 785 Lynchburg, VA 24505	SNM-42	\$3,306 ⁴
				\$11,728 TOTAL

1. Decontamination & Decommissioning work is essentially finished.
2. Interim estimate. Refer to R. V. Carlson letter to Elinor Adensam, Dated April 30, 1993.
3. Decommissioning Plan with cost estimate has been submitted to Region Office.
4. Fifty percent of current cost estimate for Research & Test Reactor Fuel Element (RTRFE) portion. Refer to A. F. Olsen letter to J. W. N. Hickey, dated October 30, 1992.

Babcock & Wilcox
a McDermott company

J.P. Eckert
Sr. Vice President and Group Executive

FILE - (existing)
SUB- (existing)
DECOMMISSIONING -
FINANCIAL ASSURANCE
BWILCO
DEPARTMENT

Defense & Nuclear Power Group
P.O. Box 11165
Lynchburg, Virginia 24506-1165
(804) 522-5475

JUL 30 1990

July 24, 1990

VIA FEDERAL EXPRESS

One White Flint North
11555 Rockville Pike
Rockville, MD 20852

Mail Code: 11E22
Organization ID: NRR/OEAB

Phone: (301) 492-3119

Mr. C. J. Haughney, Chief
Fuel Cycle Safety Branch
Division of Industrial and Medical
Nuclear Safety, NMSS
U. S. Nuclear Regulatory Commission
Washington, D.C. 20555

Dear Mr. Haughney:

In compliance with the Nuclear Regulatory Commission's (NRC) financial assurance regulations under 10 CFR Part 30, 40, and 70 as applicable, with respect to the licenses of the Babcock & Wilcox Company (B&W), I am attaching the following documents:

1. Letter from the President & Chief Executive Officer.
2. Letter from the Executive Vice President and Chief Financial Officer.
3. Attachment I; listing of B&W licensees.
4. Attachment I-A; the certification of financial assurance.
5. Financial test - Alternative I.
6. Auditor's special report and reconciliation.
7. Parent Company guarantee.
8. Standby Trust Agreements
9. Acknowledgement.

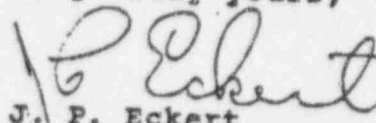
B&W's only other license affected by the financial assurance regulations is the SNM license of B&W's Naval Nuclear Fuel Division (NNFD), SNM-42. In separate correspondence to you dated May 23, 1990 and July 13, 1990, the NNFD's licensing officer, A. E. Olsen, has submitted

- 2 -

an application and other supporting documentation for an amendment to their license, to satisfy NNFD's obligation to provide financial assurance. This form of assurance is represented by a contract clause entitled "Decommissioning Expenses" which has been included in NNFD's contracts, e.g., Contract No. DE-AC11-90PN 38187 with the U. S. Department of Energy's (DOE) Pittsburgh Naval Reactors Office, and defines the means by which DOE will be responsible for NNFD's decommissioning costs. Other NNFD subcontracts for the manufacture of research reactor fuel also provide funding assurance for decommissioning costs.

We believe the attached documentation and license amendment application described above fulfills the present financial assurance requirements for The Babcock & Wilcox Company. If you require other information, please advise.

Very truly yours,


J. P. Eckert

tb
Attachments



January 17, 1996

BY CERTIFIED MAIL

Morgan Guaranty Trust Company of New York
Attn: Norma Pane - 36th Floor
60 Wall Street
New York, NY 10260-0060

**Re: Standby Trust Agreement by and between The Babcock & Wilcox
Company and Morgan Guaranty Trust Company of New York
dated as of July 24, 1990 (the "Trust")**

Dear Ms. Pane:

Pursuant to Section 12 of the Trust, Citibank hereby accepts the appointment of successor Trustee under the Trust and assumes administration of the trust effective Friday, January 26, 1996. Please deliver to my attention at the above address all records, documents and other properties or funds constituting the Trust Fund no later than Friday, January 26, 1996.

Thank you.

Yours truly,

Jeffrey Zeiler
Assistant Vice President

cc: United States Nuclear Regulatory Commission (By Certified Mail)
Region 1
475 Allendale Road
King of Prussia, Pennsylvania 19405-1415

The Babcock & Wilcox Company (By Certified Mail)
Attn: Robert E. Fulton
1450 Poydras Street
New Orleans, LA 70112

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of July 24, 1990 by and between THE BABCOCK & WILCOX COMPANY, a Delaware corporation, herein referred to as the "Grantor", and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, 60 Wall Street, New York, New York 10260, the "Trustee".

WHEREAS, the U.S. Nuclear Regulatory Commission (NRC), an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1974, has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part [30, 40, or 70]. These regulations, applicable to the Grantor, require that a holder of, or an applicant for, a Part 30, 40, and 70 license provide assurance that funds will be available when needed for required decommissioning activities.

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

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

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

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

Section 1. Definitions. As used in this Agreement:

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

Section 2. Costs of Decommissioning. This Agreement pertains to the costs of decommissioning the materials and activities identified in Schedule A.

Section 3. Establishment of Fund. The grantor and the Trustee hereby establish a standby trust fund (the Fund) for the benefit of the NRC. The Grantor and the Trustee intend that no third party have access to the Fund except as provided herein.

Section 4. Payments Constituting the Fund. Payments made to the Trustee for the Fund shall consist of cash and Eligible Securities. The Fund is established initially as consisting of the property. Such property and any other property subsequently transferred to the Trustee are referred to as the "Fund", together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount of, or adequacy of the Fund, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by the NRC.

Section 5. Payment for Required Activities Specified in the Plan. The Trustee shall make payments from the Fund to the Grantor upon presentation to the Trustee of the following:

- a. A certificate duly executed by the Secretary of the Grantor attesting to the occurrence of the events, and in the form set forth in the attached Specimen Certificate, and
- b. A certificate executed by 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 The Babcock & Wilcox Company's intent to withdraw funds from the escrow fund.

No withdrawal from the fund can exceed 10% percent of the outstanding balance of the Fund or \$10,000,000 dollars, whichever is greater unless NRC approval is attached.

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

Section 6. Trust Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with instructions from the Grantor which the Grantor may communicate in writing to the Trustee from time to time, except that:

- CONFIDENTIAL TFC-80F1 50453 6062 F.11/16
- (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 Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 9. Annual Valuation. After payment has been made into this standby trust fund, the Trustee shall annually, at least 30 days before the anniversary date of receipt of payment into the standby trust fund, furnish to the Grantor and to the NRC a statement confirming the value

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

Section 10. Advice of Counsel. The Trustee may from time to time consult with counsel, 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, the Trustee may resign; upon 90 days notice to NRC and the Trustee, the Grantor may replace the Trustee; but such resignation or replacement shall not be effective until the Grantor has appointed a successor Trustee and this successor accepts the appointment. The successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor Trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor Trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions. The successor Trustee shall specify the date on which it assumes administration of the trust in 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, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are signatories to this agreement or such other designees as the Grantor may designate in writing. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. If the NRC issues orders, requests or instructions to the Trustee, these shall be in writing, signed by the NRC or 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 or the NRC hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instruction from the Grantor and/or the NRC except as provided for herein.

Section 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 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.

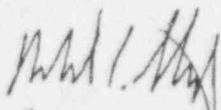
Section 16. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this trust, or in carrying out any directions by the Grantor or the NRC issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the trust fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 17. This Agreement shall be administered, construed, and enforced according to the laws of the State of New York.

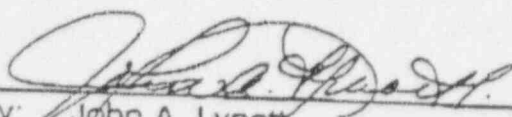
Section 18. Interpretation and Severability. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement. If any 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.

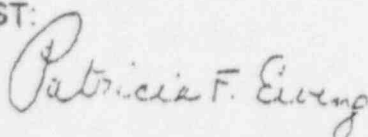
ATTEST:


ROBERT C. STUMPF
ASST. SEC.

THE BABCOCK & WILCOX COMPANY


By: John A. Lynott
Title: Executive Vice President and
Chief Financial Officer

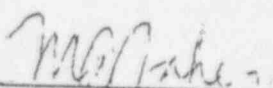
ATTEST:



PATRICIA F. EWING

[Title] Assistant Secretary
[Seal]

MORGAN GUARANTY TRUST OF NEW YORK

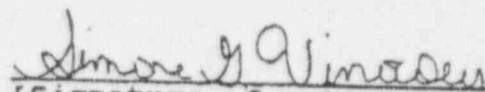

By: M.J. FAHEY
Title: Vice President

ACKNOWLEDGEMENT

STATE OF NEW YORK

CITY OF NEW YORK

On this 19th day of July, before me, a notary public in and for the City and State aforesaid, personally appeared Marlene Fahey and she did depose and say that she is a Vice President of Morgan Guaranty Trust Company of New York, a New York State banking association, Trustee, which executed the above instrument, that she knows the seal of said association; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the association; and that she signed her name thereto by like order.


[Signature of notary public]

SIMONE G. VINOCOUR

NOTARY PUBLIC, State of New York

No. 31-4938491

My Commission Expires: _____

Qualified in New York County

Certificate Filed in New York County

Commission Expires November 7, 1990

SCHEDULE A
STANDBY TRUST
BABCOCK & WILCOX INVESTMENT COMPANY

<u>LICENSEE</u>	<u>FACILITY</u>	<u>ADDRESS</u>	<u>LICENSE NUMBER</u>	<u>CERTIFIED AMOUNT</u> (000'S)	<u>CURRENT COST ESTIMATE</u> (000'S)
The Babcock & Wilcox Co.	Pennsylvania Nuclear Service Operations (Apollo)	609 N. Warren Ave. Apollo, PA 15613	SNM-145	\$ 750	
"	Pennsylvania Nuclear Service Operations (Parks Township)	609 N. Warren Ave. Apollo, PA 15613	SNM-414	\$ 750	
"	Naval Nuclear Fuel Division Research Laboratory	P. O. Box 11165 Lynchburg, VA 24506	SNM-778	\$ 750	
"	Alliance Research Laboratory	1562 Beacon Street Alliance, OH 44601	SNM-30 BPM-34-03043-03 SUB-1259		\$ 655 ¹

1. The Alliance Research Laboratory is submitting the specified Decommissioning Funding Plan

FEDERAL EXPRESS TRANSMITTAL

KEY VALUE: _____

DATE: NOVEMBER 12, 1996

TO: MAIL ROOM

FROM: JOSIE L. RANSOM
TREASURY - 25
EXT. 6063

PLEASE FORWARD VIA FEDERAL EXPRESS AS FOLLOWS:

NAME: MR. D. SGARLATA

COMPANY: BABCOCK & WILCOX COMPANY

ADDRESS: PENNSYLVANIA NUCLEAR SERVICE OPERATIONS
R.D. 1, BOX 355
VANDERGRIFT, PENNSYLVANIA

COST CENTER: 730

THANK YOU



Scotiabank

The Bank of Nova Scotia
Atlanta Agency
Suite 2700
600 Peachtree St., N.E.
Atlanta, Georgia 30308

(404) 877-1500
Fax: (404) 888-8998

D R A F T

U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Sir or Madam:

In accordance with instructions received from our client, we hereby amend our Letter of Credit No. L152571 established in your favor as follows:

The first paragraph of Letter of Credit now reads: "We hereby establish our irrevocable Standby Letter of Credit No. L152571 in your favor, at the request and for the account of McDermott Technologies, Inc. ("MTI"), 1450 Poydras Street, New Orleans, LA.", instead of as previously advised.

All references to B&W should read MTI.

All other terms and conditions remain unchanged.

Yours very truly,

Authorized Signature

\\babwin970418.113



Scotiabank

The Bank of Nova Scotia
Atlanta Agency
Suite 2700
600 Peachtree St., N.E.
Atlanta, Georgia 30308

(404) 877-1500
Fax: (404) 888-8998

IRREVOCABLE STANDBY LETTER OF CREDIT NO. L152571

This Credit expires August 15, 1995

Issued To: U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Dear Sir or Madam:

We hereby establish our Irrevocable Standby Letter of Credit No. L152571 in your favor, at the request and for the account of The Babcock & Wilcox Company ("B&W"), 1450 Poydras Street, New Orleans, LA 70125, up to the aggregate amount of Eight Hundred Ninety Six Thousand and 00/100 U.S. Dollars (U.S. dollars 896,000) available upon presentation of:

- (1) your sight draft, bearing reference to this Letter of Credit No. 152571, and
- (2) your signed 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 B&W's License No. SNM 30, BPM-34-03043-03, SUP-1259

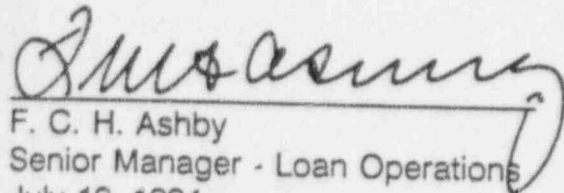
This letter of credit is issued in accordance with regulations issued under the authority of the U.S. Nuclear Regulatory Commission (NRC), an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974. The NRC has promulgated regulations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

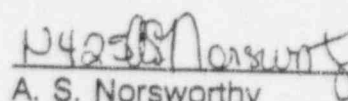
This letter of credit is effective as of July 29, 1994 and shall expire on August 15, 1995, but such expiration date shall be automatically extended for a period of one (1) year on August 15, 1995, and on each successive expiration date, unless, at least 90 days before the current expiration date, we notify both you and B&W, as shown on the signed return receipts. If B&W 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 duly honor such draft upon its presentation to us within 30 days, and we shall deposit the amount of the draft directly into the standby trust fund of B&W in accordance with your instructions.

Each draft must bear on its face the clause: "Drawn under Letter of Credit No. 152571, dated July 29, 1994, and the total of this draft and all other drafts previously drawn under this letter of credit does not exceed U.S. dollars 896,000 (U.S. Dollars Eight Hundred Ninety Six Thousand)."

816 
F. C. H. Ashby
Senior Manager - Loan Operations
July 19, 1994


A. S. Norsworthy
Assistant Agent
July 19, 1994

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



Scotiabank

The Bank of Nova Scotia
Atlanta Agency
Suite 2700
600 Peachtree St., N.E.
Atlanta, Georgia 30308

(404) 877-1500
Fax: (404) 888-8998

April 17, 1995

BENEFICIARY

U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

APPLICANT

The Babcock & Wilcox Company
1450 Poydras Street
New Orleans, 70112

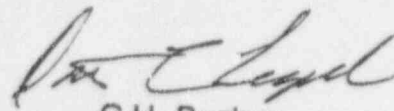
Dear Sir or Madam:

RE: Letter of Credit No.L152571 dated July 29, 1994 for \$896,000.00

The above mentioned credit has been amended as follows:

1. All references to the Letter of Credit Number in paragraph 1 and 5 are to read L152571.
2. In line 4 of the third paragraph following "we notify both you and B&W" and immediately proceeding "as shown on the signed return receipts" we have inserted "by certified mail". It now reads "we notify both you and B&W by certified mail, as shown on the signed return receipts."

All other terms and conditions remain unchanged.

 2893
C.H. Bushey
Team Leader

N425 A.S. Norsworthy
A.S. Norsworthy
Sr. Team Leader

D.E. LEGISTA
SR. LOAN OPERATIONS OFFICER

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, Amendment 13, 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.

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 or 1 million dollars, whichever is greater, unless NRC approval is attached.

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

Section 6. Trust Management.

The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in 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 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 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 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 Atlantic Richfield Company 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 wilful 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.

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

ATTEST

BWX TECHNOLOGIES, INC.

J. J. Stewart

Title: President

Seal

ATTEST

CITIBANK, N.A.

Title:

Seal:

Specimen Certificate of Events

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

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, Amendment 13.
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 LICENSE NUMBER

SNM-42, Amendment 13

NAME AND ADDRESS OF LICENSEE AND LICENSED ACTIVITY

Babcock & Wilcox
Naval Nuclear Fuel Division
P. O. Box 785
Lynchburg, Virginia 24505-0785

COST ESTIMATE FOR REGULATORY ASSURANCES DEMONSTRATED BY THIS AGREEMENT

Attached is a decommissioning cost estimate for the equipment for which this Standby Trust Agreement applies. The cost estimate includes a sample estimate worksheet which lists the equipment that will require decommissioning following the completion of the Sapphire contracts. This equipment was installed under Babcock & Wilcox's Sapphire contract numbers NPN-F36 & NPN-F37.

SCHEDULE B

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

SCHEDULE C

ESCROW ADMINISTRATION

Acceptance Fee:	\$500.00
Annual Administration:	
Annual (or portion thereof) minimum Escrow Fee	\$1,000.00
Annual Administration Fee (Based on fair market value of assets)	5 per \$1000

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 licenses numbers SNM-42, Amendment 13.

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

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 (insert dates), and that said resolutions have not been vacated or recalled or amended and remain in full force and effect.

IN WITNESS WHEREOF, I hereunto affix my hand and the seal of said corporation on this (insert dates).

Robert E. Stumpf
Assistant Secretary



Babcock & Wilcox

a McDermott company

1450 Poydras Street
New Orleans, Louisiana 70112-6050

P. O. Box 61038
New Orleans, Louisiana 70161-1038
(504) 587-5700
Fax: (504) 587-6153
Telex: 6821250 JRMAC UW

April 24, 1997

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

Attention: Marie Ladolcetta
Trust Officer

Reference: Standby Trust Agreement Dated January 31, 1997, between The Babcock
& Wilcox Company and the U. S. Nuclear Regulatory Commission
Relating to License SNM-42, Amendment 13

Dear Ms. Ladolcetta:

We hereby terminate the above referenced Trust per Section 16 of the referenced
agreement.

Sincerely,

THE BABCOCK & WILCOX COMPANY

Daniel R. Gaubert
Senior Vice President and
Chief Financial Officer

U.S. NUCLEAR REGULATORY COMMISSION

Name:
Title:

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of January 31, 1997, by and between The Babcock & Wilcox Company, a Delaware Corporation, herein referred to as the "Grantor", and Citibank, N.A., the "Trustee".

WHEREAS, the U. S. Nuclear Regulatory Commission (NRC), an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part [30, 40, 70, or 72]. These regulations, applicable to the Grantor, require that a holder of, or an applicant for a Part 30, 40, 70, or 72 license provide assurance that funds will be available when needed for required decommissioning activities.

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

WHEREAS, when payment is made under a Letter of Credit, this Standby Trust shall be used for the receipt of such payment; and

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

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

Section 1. Definitions. As used in this Agreement:

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

Section 2. Costs of Decommissioning. This Agreement pertains to the costs of decommissioning the materials and activities identified in License Number SNM-42 issued pursuant to 10 CFR ~~Part~~ Amendment 13 as shown in Schedule A.

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a Standby Trust Fund (the Fund) for the benefit of the NRC. The Grantor and the Trustee intend that no third party have access to the Fund except as provided herein.

Section 4. Payments Constituting the Fund. Payments made to the Trustee for the Fund shall consist of cash, securities, or other liquid assets acceptable to the Trustee. The Fund is established initially as consisting of the property, which is acceptable to the Trustee, described in Schedule B attached hereto. Such property and any other property subsequently transferred to the Trustee are referred to as the "Fund", together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement.

The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount of, or adequacy of the Fund, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by the NRC.

Section 5. Payment for Required Activities Specified in the Plan. The Trustee shall make payments from the Fund to the Grantor upon presentation to the Trustee of the following:

- a. A certificate duly executed by the Secretary of the Depositor attesting to the occurrence of the events, and in the form set forth in the attached Specimen Certificate, and
- b. A certificate attesting to the following conditions;
 - (1) that decommissioning is proceeding pursuant to an NRC approved plan.
 - (2) that the funds withdrawn will be expended for activities undertaken pursuant to that Plan, and
 - (3) that the NRC has been given 30 days prior notice of [insert name of licensee]'s intent to withdraw funds from the escrow fund.

No withdrawal from the fund can exceed 100 percent of the outstanding balance of the Fund or U.S. Dollars 375,000.00, whichever is greater, unless NRC approval is attached.

In the event of the Grantor's default or inability to direct decommissioning activities, the Trustee shall make payments from the Fund as the NRC shall direct, in writing, to provide for the payment of the costs of required activities covered by this Agreement. The Trustee shall reimburse the Grantor 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; except that:

- (a) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940,

as amended (15 U.S.C. 80a-2(a)), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State government;

- (b) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the Federal government; and
- (c) For a reasonable time, not to exceed 60 days, the Trustee is authorized to hold uninvested cash, awaiting investment or distribution, without liability for the payment of interest thereon.

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

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

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

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

are part of the Fund;

- (d) To deposit any cash in the Fund in Interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal government; and
- (e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Annual Valuation. After payment has been made into this Standby Trust Fund, the Trustee shall annually, at least 30 days before the anniversary date of receipt of payment into the Standby Trust Fund, furnish to the Grantor and to the NRC a statement confirming the value of the Trust. Any securities in the Fund shall be valued at market value as of no more than 60 days before the anniversary date of the establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after 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 11. 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 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with Grantor. (See Schedule C.)

Section 13. Successor Trustee. Upon 90 days notice to the NRC, the Trustee may resign; upon 90 days notice to NRC and the Trustee, the Grantor may replace the Trustee; but such resignation or replacement shall not be effective until the Grantor has appointed a Successor Trustee and this Successor accepts the appointment. The Successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the Successor Trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the Successor Trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a Successor Trustee or for instructions. The Successor Trustee shall specify the date on which it assumes administration of the Trust in 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 9.

Section 14. Instructions to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are signatories to this Agreement or such other designees as the Grantor may designate in writing. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. If the NRC 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 15. 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 16. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 15, this Trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee and the NRC or 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 17. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this Trust, or in carrying out any directions by the Grantor, the NRC, or State Agency, issues in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the Trust Fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

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

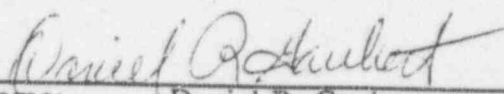
Section 19. Interpretation and Severability. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement. If any part of the 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 hereunto affixed and attested as of the date first written above.

ATTEST:
(Grantor)




THE BABCOCK & WILCOX COMPANY

By: 
Name: Daniel R. Gaubert
Title: Vice President, Finance
(Chief Financial Officer)
Seal

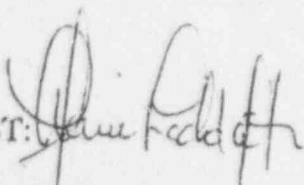
NUCLEAR REGULATORY COMMISSION

By: _____
Name: _____
Title: _____
Seal

CITIBANK, N.A.

By: 
Name: KEVIN PLEIN
Title: VICE PRESIDENT
Seal

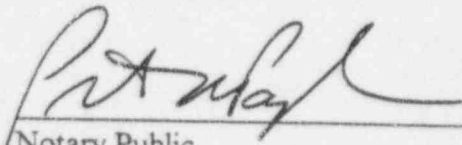
of Trustee

ATTEST: 
Title: **MARIELADOLCETTA**
Seal: Trust Officer

ACKNOWLEDGMENT

State of New York
City of New York

On this 3rd day of February, 1997, before me, a notary public in and for the City and State aforesaid, personally appeared **Kevin Plein**, and he did depose and say that he is the **Vice President of Citibank, N. A.**, national banking association, Trustee, which executed the above instrument, that he knows the seal of said association; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the association; and that he signed his name thereto by like order.



Notary Public

PETER M. PAVLYSHIN
Notary Public, State of New York
No. 41-4991237
Qualified in Queens County
Certificate Filed in New York County
Commission Expires January 27, 1998

My Commission Expires:

(Date)

SCHEDULE A

U.S. Nuclear Regulatory Commission License Number: SNM-42, Amendment 13

Name of Licensee: Babcock & Wilcox
Naval Nuclear Fuel Division

Address of Licensee and Licensed Activity: P.O. Box 785
Mt. Athos Road
Lynchburg, VA 24505-0785

Attached is a decommissioning cost estimate for the equipment for which this standby trust agreement applies. The cost estimate includes a sample estimate worksheet which lists the equipment that will require decommissioning following the completion of the Sapphire contracts. This equipment was installed under Babcock & Wilcox's Sapphire contract numbers NPN-F36 & NPN-F37.

MAN-HOURS BY COST CENTER														
WBS	D/E/C	410/413	455	310	311	312	453	430	315	710	TOTAL HOURS	TOTAL COST	EXPEN COST	DECOM COST
1.1	D		16				8	40			64	3927	0	3927
1.2	D		16				12	20			48	2945	0	2945
2.1	C	2.5				16	8				26.5	1626	0	0
2.2	C	2.5				16	3			87	124	7609	0	0
2.3	C	2				32	3			15	36	2209	0	0
2.4	C	2				32	3			15	52	3191	0	0
2.5	C	2				48	3			44	97	5952	0	0
2.6	C	2					3				5	307	0	0
2.7	C	1				32	24				57	3498	0	0
2.8	C	40				16	8			87	151	9265	0	0
2.9	C	40				16	24			130	210	12886	0	0
2.10	C	40				16	8			15	79	4847	0	0
2.11	C	40	168			32	16				256	15708	15708	0
2.12	E	40				16	8				34	2086	2086	0
2.13	E	10									0	0	0	0
3.1	D										0	0	0	0
3.2	D										0	0	0	0
3.3	D						16			29	45	2761	0	2761
3.4	D			180	80		8				268	16444	0	16444
3.5	D			180	80		8				268	16444	0	16444
3.6	D			240	100		8				348	21353	0	21353
3.7	D		40								40	2454	0	2454
3.8	C										0	0	0	0
3.9	D				40		8			260	308	18899	0	18899
3.10	C			40			16			346	402	24667	0	0
3.11	D										0	0	0	0
3.12	E		400	180	100		8				688	42216	42216	0
3.13	E						8				8	491	491	0
4.1	D						2				2	123	0	123
4.2	D						2				2	123	0	123
4.3	D						2			17	19	1166	0	1166
4.4	D			40	10		2			17	69	4234	0	4234
4.5	D	100		40	20		2			17	179	10983	0	10983
4.6	D	100		80	20		2			17	219	13438	0	13438
4.7	D	50					2			17	69	4234	0	4234
4.8	C						8				8	491	0	0
4.9	D				10		4			87	101	6197	0	6197
4.10	E	100					12			87	199	12211	12211	0
4.11	D						4				4	245	0	245
4.12	E	150		40	20		4				214	13131	13131	0
4.13	E						4				4	245	245	0
5.1	D						5				5	307	0	307
5.2	D						5				5	307	0	307
5.3	D						5				5	307	0	307
5.4	D						5				5	307	0	307
5.5	D						5				5	307	0	307
5.6	D						5				5	307	0	307
5.7	D						5				5	307	0	307

[illegible]

SAPPHIRE FACILITY DECOMMISSIONING ESTIMATE WBS/WORKSHEET

COST CENTER 311 GROUP: Electrical Maint.

		Man-Hours	Expense Dollars
1.0	Work Planning		
1.1	SERs		
1.2	RWPs		
2.0	Equipment Clean-Out (Remove all Material)		
2.1	CRF Vault		
2.2	Shipping/Receiving		
2.3	Conversion		
2.4	Blend Columns		
2.5	Feedstock Dissolver		
2.6	Drum Dryer		
2.7	Storage Racks		
2.8	Sea/Lands		
2.9	High Level Dissolvers (Beryllium)		
2.10	High Level Dissolver Duct (Beryllium)		
2.11	Extraction (Beryllium)		
2.12	Beryllium Waste Pretreatment		
2.13	Waste Treatment		
3.0	Equipment Dissassembly		
3.1	CRF Vault	-	
3.2	Shipping/Receiving	-	
3.3	Conversion	-	
3.4	Blend Columns	80	
3.5	Feedstock Dissolver	80	
3.6	Drum Dryer	100	
3.7	Storage Racks	-	
3.8	Sea/Lands	-	
3.9	High Level Dissolvers (Beryllium)	40	
3.10	High Level Dissolver Duct (Beryllium)	-	
3.11	Extraction (Beryllium)	-	
3.12	Beryllium Waste Pretreatment	100	
3.13	Waste Treatment		

B. J. Allen 6/14/96
SGS BACK

[illegible]

SCHEDULE B

Letter of Credit for \$375,000

Morgan Guaranty Trust Company of New York

c/o J.P. Morgan Services, Inc.
P.O. Box 6071
Newark, DE 19714-9857
Attention: International Trade Services

SPECIMEN

JPMorgan

April 16, 1997
Our Credit No. S-868072
Effective: July 1, 1997

U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Sir or Madam:

In accordance with instructions received from our client, we hereby amend our Letter of Credit No. S-~~868006~~ established in your favor as follows:
86072

The first paragraph of Letter of Credit now reads: "We hereby establish our Irrevocable Standby Letter of Credit No. S-868072 in your favor, at the request and for the account of BWX Technologies, Inc. ("BWX"), 1450 Poydras Street, New Orleans, LA.", instead of as previously advised.

All references to B&W should read BWX.

All other terms and conditions remain unchanged.

Yours very truly,

Authorized Signature
Letter of Credit Services
(302) 634-1851

q:\standby\868072

Morgan Guaranty Trust Company of New York

JPMorgan

c/o J.P. Morgan Services, Inc.

P.O. Box 6071

Newark, DE 19714-9857

Attention: International Trade Services

January 24, 1997

Letter of Credit No. S-868072

This Credit expires January 30, 1998

Issued to: U.S. Nuclear Regulatory Commission
Washington, 20555

Dear Sir and Madam:

We hereby establish our Irrevocable Standby Letter of Credit No. S-868072 in your favor, at the request and for the account of The Babcock & Wilcox Company ("B&W"), 1450 Poydras Street, New Orleans, LA 70112, up to the aggregate amount of \$375,000.00 (United States Dollars Three Hundred Seventy Five Thousand and 00/100) available upon presentation of:

- (1) your sight draft, bearing reference to this Letter of Credit No. S-868072 and
- (2) your signed 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 B&W's License No. SNM-42."

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 regulations 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.

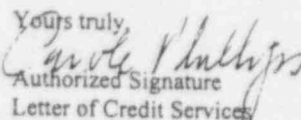
This letter of credit is effective as of January 24, 1997 and shall expire on January 30, 1998, but such expiration date shall be automatically extended for a period of one (1) year on January 30, 1998, and on each successive expiration date, unless, at least 90 days before the current expiration date, we notify both you and B&W by certified mail, as shown on the signed return receipts. If B&W 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 B&W in accordance with your instructions.

Each draft must bear on its face the clause "Drawn under Letter of Credit No. S-868072 dated January 24, 1997 and the total of this draft and all other drafts previously drawn under this letter of credit does not exceed U.S. Dollars 375,000.00 (United States Dollars Three Hundred Seventy Five Thousand and 00/100)".

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

Yours truly,


Authorized Signature
Letter of Credit Services
(302) 634-1830

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of July 1, 1997 by and between BWX Technologies, Inc. (BWX), a Delaware corporation, herein referred to as the "Grantor", and The Bank of New York, 101 Barclay Street, New York, NY 10248, 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-2001 issued pursuant to 10 CFR 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.

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 or 1 million dollars, whichever is greater, unless NRC approval is attached.

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

Section 6. Trust Management.

The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in 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 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 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 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 Atlantic Richfield Company 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 wilful 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.

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

ATTEST

BWX TECHNOLOGIES, INC.

J. J. Stewart

Title: President

Seal

ATTEST

THE BANK OF NEW YORK

Title:

Seal:

Specimen Certificate of Events

The Bank of New York
101 Barclay Street
New York, NY 10286

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-2001.
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 LICENSE NUMBER

SNM-2001

NAME AND ADDRESS OF LICENSEE

BWX Technologies, Inc.
2220 Langhorne Road
P. O. Box 10548
Lynchburg, Virginia 24506-0548

ADDRESS OF LICENSED ACTIVITY

Shallow Land Disposal Area (SLDA). Situated off Pennsylvania State Route 66 along the Kiskimere Road Approximately three miles southeast of Leechburg, Pennsylvania.

COST ESTIMATE FOR REGULATORY ASSURANCES DEMONSTRATED BY THIS AGREEMENT

Ten Million Dollars (\$10,000,000)

SCHEDULE B

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

SCHEDULE C

ESCROW ADMINISTRATION

Acceptance Fee:	\$500.00
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Annual Administration:

Annual (or portion thereof) minimum Escrow Fee	\$1,000.00
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Annual Administration Fee (Based on fair market value of assets)	5 per \$1000
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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 licenses 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

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 (insert dates), and that said resolutions have not been vacated or recalled or amended and remain in full force and effect.

IN WITNESS WHEREOF, I hereunto affix my hand and the seal of said corporation on this (insert dates).

Robert E. Stumpf
Assistant Secretary



Babcock & Wilcox

a McDermott company

1450 Poydras Street
New Orleans, Louisiana 70112-6050

P. O. Box 61038
New Orleans, Louisiana 70161-1038
(504) 587-5700
Fax: (504) 587-6153
Telex: 6821250 JRMAC UW

April 24, 1997

Bank of New York
101 Barclay Street
New York, NY 10286

Attention: Matthew G. Louis
Trust Officer

Reference: Standby Trust Agreement Dated September 27, 1995, between The
Babcock & Wilcox Company and the U. S. Nuclear Regulatory
Commission Relating to License Number SNM-2001

Dear Mr. Louis:

We hereby terminate the above referenced Trust per Section 16 of the referenced
agreement.

Sincerely,

THE BABCOCK & WILCOX COMPANY

Daniel R. Gaubert
Senior Vice President and
Chief Financial Officer

U.S. NUCLEAR REGULATORY COMMISSION

Name:
Title:

SNM-2001

THE BANK OF NEW YORK

NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

101 BARCLAY STREET, NEW YORK, N. Y. 10286

February 12, 1997

Babcock & Wilson
Nuclear Environmental Services Inc.
2220 Langhorne Road
P.O. Box 10548
Lynchburg, VA 24506-0548
Attention: Philip Rosenthal

Dear Mr. Rosenthal:

As you know, The Bank of New York has purchased all of the corporate trust business of Wachovia Bank, effective as of the close of business on April 5, 1996. This business included bond trustee, registrar, paying agent, and escrow services.

As a result of the above transaction, we have been servicing your account since that time. However, in order to complete the records with respect to this transaction, this letter shall serve to officially advise you that The Bank of New York has assumed full responsibility as the successor trustee under the terms of your agreement with Wachovia Bank, N.A. effective as of the closing date previously indicated.

My associates and I look forward to continuing our relationship with you and to provide you with service of the highest caliber.

Should you have any questions or comments, please do not hesitate to call me at (212) 815-7172.

Sincerely,



Matthew G. Louis
Trust Administrator

STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of September 27, 1995 by and between The Babcock & Wilcox Company (B&W), a Delaware corporation, herein referred to as the "Grantor," and Wachovia Bank of Georgia, N.A. Trust Services Division, 191 Peachtree St., N.W., Atlanta, GA 30303, 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-2001 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.

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 or 1 million dollars, whichever is greater, unless NRC approval is attached.

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

Section 6. Trust Management.

The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in 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 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 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

Section 9. Annual Valuation.

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

Section 10. Advice of Counsel.

The Trustee may from time to time consult with counsel, 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.

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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).

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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 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 Atlantic Richfield Company 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 willful 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 Georgia.

Section 18. Interpretation and Severability.

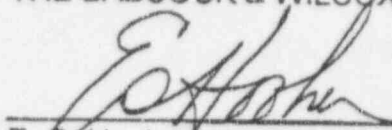
As used in this Agreement, word in the singular include the plural and words in the plural include the singular. The descriptive headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement. If any part of this Agreement is invalid, it shall not affect the remaining provisions which will remain valid and enforceable.

6

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

ATTEST

THE BABCOCK & WILCOX COMPANY



E. O. Hooker

Title: Executive Vice President, Government Group

Seal

ATTEST

WACHOVIA BANK OF GEORGIA, N.A.

Title:

Seal:

10/06/88 FAX 00:00 FAX 004 040 4040 D H NESI 008

SCHEDULE A

U.S. NUCLEAR REGULATORY COMMISSION LICENSE NUMBER

SNM-2001

NAME AND ADDRESS OF LICENSEE

The Babcock & Wilcox Company
2220 Langhorne Road
P.O. Box 10548
Lynchburg, Virginia 24506-0548

ADDRESS OF LICENSED ACTIVITY

Shallow Land Disposal Area (SLDA). Situated off Pennsylvania State Route 66 along the Kiskimere Road approximately three miles southeast of Leechburg, Pennsylvania.

COST ESTIMATE FOR REGULATORY ASSURANCES DEMONSTRATED BY THIS AGREEMENT

Ten Million Dollars (\$10,000,000)

SCHEDULE B

As of the execution date, September 27, 1995, this standby trust agreement does not require the deposit of any funds.

SCHEDULE C

ESCROW ADMINISTRATION

Acceptance Fee:	\$ 500.00
Annual Administration:	
Annual (or portion thereof) minimum Escrow Fee:	1,000.00
Annual Administration Fee: (Based on fair market value of assets)	5 per \$1000

Specimen Certificate of Events

Wachovia Bank of Georgia, N.A.
Trust Services Division
191 Peachtree Street, NW
Atlanta, GA 30303

Gentleman:

In accordance with the terms of the Agreement with you dated September 27, 1995, I _____
_____ of The Babcock & Wilcox Company, hereby certify that the following events
have occurred:

1. The Babcock & Wilcox company is required to commence the decommissioning of the licensed activity called the Shallow Land Disposal Area (SLDA) situated off Pennsylvania State Route 66 along the Kiskimere Road approximately three miles southeast of Leechburg, Pennsylvania.
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 The Babcock & Wilcox Company has adopted the attached resolution authorizing the commencement of the decommissioning.

The Babcock & Wilcox Company

Title:

Date:

RESOLUTION

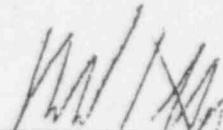
RESOLVED, by the Board of Directors of The Babcock & Wilcox Company (the "Company"), that the Company has agreed, along with the Atlantic Richfield Company, to provide financial assurance to the United States Nuclear Regulatory Commission with respect to Parks Township Shallow Land Disposal Area decommissioning;

RESOLVED FURTHER, that E. O. Hooker 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 E. O. Hooker shall approve, his approval to be conclusively evidenced by his execution and delivery thereof.

CERTIFICATE

I, the undersigned, Assistant Secretary of The Babcock & Wilcox Company, a Delaware corporation, 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 September 1, 1995, 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 and affixed the seal of said corporation on this 1st day of September, 1995.



Robert E. Stumpf,
Assistant Secretary

NOTICE OF AMENDMENT

U.S. Nuclear Regulatory Commission
Washington, DC 20555

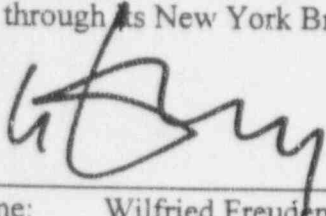
Re: Irrevocable Letter of Credit No. 0015/95
Amount: \$10,000,000.00
Maturity Date: September 26, 1996

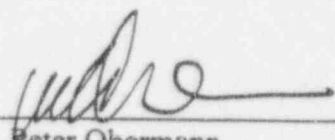
The undersigned, duly authorized officers of Bayerische Landesbank Girozentrale, acting through its New York Branch (the "Bank"), hereby advises you, with reference to Irrevocable Letter of Credit No. 0015/95 (the "Letter of Credit"; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in your favor, that:

- (1) At the request and for the account of Atlantic Richfield Company on behalf of Babcock & Wilcox Company, we hereby extend the date referenced in Paragraph Three of the Letter of Credit (as such date may have been extended previously from time to time) to September 26, 1997.
- (2) We hereby delete the words 'or the "Uniform Commercial Code"' in Paragraph Seven.
- (3) Except as specifically provided in paragraphs (1) and (2) above, all of the terms and conditions of the Letter of Credit remain unchanged and in full force and effect.
- (4) This Notice of Amendment is an integral part of the Letter of Credit.

IN WITNESS WHEREOF, the undersigned, on behalf of the Bank, has executed and delivered this Notice of Amendment as of the 26th day of September, 1996.

BAYERISCHE LANDESBANK GIROZENTRALE,
Acting through its New York Branch

By: 
Name: Wilfried Freudenberger
Title: Executive Vice President
and General Manager

By: 
Name: Peter Obermann
Title: Senior Vice President
Manager Lending Division

560 Lexington Avenue
New York, N.Y. 10022, USA

Phone:
212-310-9800

Telex:
TRT 177130 bayland nyk

Fax:
212-310-9841 (GENERAL)
212-310-9868 (CORP. FIN.)
212-310-9870 (TREASURY)

Swift:
BYLAUS33

Cable:
BAYERNBANK NEWYORK

Head Office:
Brienner Strasse 20
80333 München
Germany
Phone: 49-89-2171-01

JC:pk
ARCOLC

September 26, 1996

U.S. Nuclear Regulatory Commission
Washington, DC 20555

Ref: Letter of Credit No. 0015/95
Amendment effective September 27, 1997
\$10,000,000

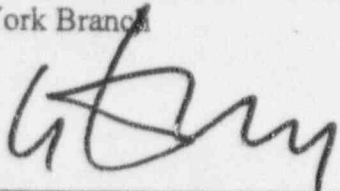
Gentlemen:

In reference to the above letter of credit, please be assured that at no time is the NRC without letter of credit coverage. The letter of credit expires on September 26, 1997 at midnight and the letter of credit automatically renews on September 27, 1997 at 12:01 a.m.

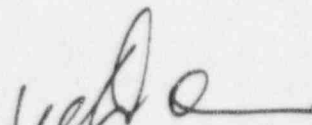
Please contact Joanne Cicino at (212) 310-9834 if you have any questions.

Yours truly,

BAYERISCHE LANDESBANK GIROZENTRALE
New York Branch



Wilfried Freudenberger
Executive Vice President
and General Manager



Peter Obermann
Senior Vice President
Manager Lending Division

cc: R.H. Hamade

JC:pk
NRCLTR

560 Lexington Avenue
New York, N.Y. 10022, USA

Phone:
212-310-9800

Telex:
TRT 177130 bayland nyk

Fax:
212-310-9841 (GENERAL)
212-310-9868 (CORP. FIN.)
212-310-9870 (TREASURY)

Swift:
BYLAUS33

Cable:
BAYERNBANK NEWYORK

Head Office:
Brienner Strasse 20
80333 München
Germany
Phone: 49-89-2171-01

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B&W Nuclear Environmental Services, Inc.

a McDermott company

P.O. Box 10548
Lynchburg, VA 24506-0548
(804) 948-4600
Fax: (804) 948-4846

ESH96-033

October 9, 1996

Ms. Heather Astwood, Project Manager
Low-Level Waste and Decommissioning Projects Branch
Division of Waste Management TWFN 7F-27
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Subject: Parks SLDA - Nonstandard Financial Assurance
SNM-2001
Docket No. 70-3085

References: (a) NRC (H.Astwood) letter to B&W NESI (P.Rosenthal), dated June 25, 1996.
(b) B&W NESI (P.Rosenthal) letter ESH96-028 to NRC (H.Astwood), dated August 21, 1996.

Dear Ms. Astwood:

This is in response to your letter of Reference (a) and is a follow up to my letter of Reference (b). Enclosed for your records please find a Notice of Amendment to the Irrevocable Letter of Credit (LOC) presently in effect for Parks SLDA. The Notice of Amendment effectively extends the Letter of Credit to September 26, 1997 and revises, as you requested in paragraph 3 of Reference (a), the paragraph which addresses governing credit standards for the LOC.

I have also enclosed a letter from Bayerische Landesbank to the NRC which states the bank's protocol in executing the automatic renewal provision of the Letter of Credit. I trust that this will satisfy your concern expressed in paragraph 1 of Reference (a).

Please note that we have taken no action with respect to paragraphs 2, 4, and 5 of Reference (a) because it is unclear what action, if any, is needed. I agree with your earlier suggestion that a conference call on this subject, including principal individuals from the NRC, ARCO and B&W may be in order. Please advise.

If you have any questions concerning the enclosed documents, please do not hesitate to contact me.

Sincerely,

Philip R. Rosenthal
Senior Project Manager

Enclosures: (1) Notice of Amendment to Irrevocable Letter of Credit (No. 0015/95).
(2) Bayerische Landesbank letter to the US Nuclear Regulatory Commission, dated September 26, 1996.

cc: w/encl.

K.B. Schoen, ARCO
J.R. Lewis, B&W
R. Fulton, NOLA

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