

**Retirement Program Plan for Employees
of Certain Employers at the U.S.
Department of Energy Facilities at
Oak Ridge, Tennessee**

**Independent Auditors' Report,
Financial Statements
and Supplemental Schedules**

December 31, 2008 and 2007

**Retirement Program Plan for Employees of Certain Employers at the
U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

December 31, 2008 and 2007

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* Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") have been omitted because they are not applicable.



INDEPENDENT AUDITORS' REPORT

To the Participants and Administrator of the
Retirement Program Plan for Employees of Certain Employers
at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

We have audited the accompanying statements of net assets available for benefits of the Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee ("Plan") as of December 31, 2008 and 2007, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008 and 2007, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) and Schedule of Reportable Transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended. This supplementary information is the responsibility of the Plan's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Houston, Texas
October 2, 2009

**Retirement Program Plan for Employees of Certain Employers at the
U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

Statements of Net Assets Available for Benefits

December 31, 2008 and 2007

(in thousands of dollars)

	2008	2007
Assets		
Investments, at fair value		
United States Government securities	\$ 623,581	\$ 549,519
Corporate bonds and notes	58,178	99,363
Corporate bonds - preferred	272,076	353,057
Common stocks	824,318	1,453,962
Partnerships and joint ventures	149,851	109,910
Pooled separate accounts	178,301	106,597
Common/collective trusts	342,038	596,027
Mutual funds	1,321	3,464
Cash and cash equivalents	5,721	8,513
	2,455,385	3,280,412
Receivables		
Due from broker	116,017	344,729
Accrued income	7,435	8,691
	123,452	353,420
Total assets	2,578,837	3,633,832
Liabilities		
Due to broker	107,796	375,630
Net assets available for benefits	\$ 2,471,041	\$ 3,258,202

See Notes to Financial Statements.

**Retirement Program Plan for Employees of Certain Employers at the
U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2008 and 2007

(in thousands of dollars)

	<u>2008</u>	<u>2007</u>
Additions to net assets		
Net appreciation in fair value of investments	\$ -	\$ 243,731
Dividend income	21,801	21,528
Interest income	<u>64,059</u>	<u>78,769</u>
Total additions	<u>85,860</u>	<u>344,028</u>
Deductions from net assets		
Net depreciation in fair value of investments	677,341	-
Benefits paid to participants	176,762	168,467
Administrative expenses	<u>18,918</u>	<u>31,821</u>
Total deductions	<u>873,021</u>	<u>200,288</u>
Net (decrease) increase before transfers	(787,161)	143,740
Plan-to-plan transfers	-	572
Net assets available for benefits, beginning of year	<u>3,258,202</u>	<u>3,113,890</u>
Net assets available for benefits, end of year	<u>\$ 2,471,041</u>	<u>\$ 3,258,202</u>

See Notes to Financial Statements.

**Retirement Program Plan for Employees of Certain Employers at the
U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

Notes to Financial Statements

December 31, 2008 and 2007

1. Description of the Plan

The following description of the Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee (the “Plan”) provides only general information. Participants should refer to the Plan document for a complete description of the Plan’s provisions. Information about the Plan agreement, the vesting and benefit provisions, administrative expenses, and the Pension Benefit Guaranty Corporation’s (“PBGC”) benefit guarantee is also contained in the Employee Book of Benefits, which is available from the benefit plan offices of each adopting employer.

General

The Plan is a defined benefit plan, which covers all eligible employees of the adopting employers with contracts with the U.S. Department of Energy (“DOE”) at the Oak Ridge, Tennessee facilities. The Plan became a multiple employer pension plan effective April 1, 2000, with the participating employers being Lockheed Martin Energy System, Inc., and UT-Battelle, LLC (“UTB”). The Plan name was changed to the Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee. Effective November 1, 2000, the contract between the Department of Energy and Lockheed Martin Energy Systems, Inc. was terminated and BWXT Y-12, L.L.C. became the successor employer and Plan Sponsor. By state of Delaware Certificate of Amendment BWXT changed and replaced its name to Babcock & Wilcox Technical Services Y-12, L.L.C. (“B&W Y-12”) effective November 20, 2007. The Plan was amended to name the new participating employers, UTB and B&W Y-12, at that time. The participating employers are hereafter referred to as the “Company” individually or the “Companies” collectively. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

2. Summary of Significant Accounting Policies

The following are the significant accounting policies followed by the Plan:

Basis of Accounting

The Plan maintains its records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

**Retirement Program Plan for Employees of Certain Employers at the
U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

Notes to Financial Statements

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Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosures of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Reclassification

Certain prior year amounts were reclassified to conform to the current year presentation.

Investments Valuation and Income Recognition

Investments in the Plan are reported at fair value. Fair value, as defined by Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (“SFAS 157”), is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 7 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan’s gains and losses on investments bought and sold as well as held during the year.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those estimated future periodic payments that are attributable under the Plan’s provisions to services rendered by the employees from their date of eligibility to the valuation date. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits for retired and terminated employees or their beneficiaries are based on each employee’s compensation during the highest three calendar years during the last ten calendar years of credited service. Accumulated plan benefits for active employees are based on their average compensation during the three calendar years preceding the valuation date. Benefits payable under all circumstances (retirement, death, disability, and termination of employment) are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

**Retirement Program Plan for Employees of Certain Employers at the
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Contributions

Contributions to the Plan from the Companies are recorded in the period that the Plan's actuary determines they relate to except that a contribution receivable is recorded to the extent that amounts due are pursuant to formal commitments as well as legal or contractual requirements in existence at the end of the Plan year.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Derivative Financial Instruments

The derivatives used by the investment managers are limited to highly liquid exchange traded equity and fixed income futures and over-the-counter foreign exchange forward contracts. Short positions are collateralized with actual securities or offsetting or futures positions. Leveraging of the Plan's assets and speculation are prohibited.

3. Funding Policy

The Companies have agreed to contribute such amounts as are necessary to provide assets sufficient to meet the benefit obligations to be paid to its Plan participants. Each Company has the right under the Plan to discontinue its contributions at any time and/or terminate its participation in the Plan. Contributions by the Companies are made in amounts sufficient to meet the ERISA minimum funding requirements utilizing the entry-age-normal actuarial cost method. The Companies have met the ERISA minimum funding requirements.

Although it has not expressed an intent to do so, the Companies have the right under the Plan to discontinue their contributions at any time and terminate the Plan subject to the provisions of ERISA.

4. Plan Termination

In the event of termination, the Plan's net assets are to be used first for the payment of retirement benefits, next for the payment of vested benefits, and finally for the payment of accrued benefits for the remaining participants. If the net assets allocated for one of the above categories are not sufficient to pay all the benefits in such category, the available net assets shall be allocated pro rata to all the benefits in that category. However, in the event of termination of the Plan, the PBGC (a U.S. government agency) guarantees the payment of all nonforfeitable retirement benefits subject to certain limitations prescribed by ERISA.

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Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Plan sponsor and the level of benefits guaranteed by the Pension Benefit Guaranty Corporation.

5. Accumulated Plan Benefits

The actuarial present value of accumulated plan benefits is the amount that results from applying actuarial assumptions to the accumulated plan benefits earned by the participants to reflect the time value of money and the probability of payment between the valuation date and the expected date of payment. As of January 1, 2008 and 2007, the actuarial present value of accumulated plan benefits as estimated by Towers Perrin, the actuary for the Plan, is as follows:

<i>(in thousands of dollars)</i>	<u>2008</u>	<u>2007</u>
Vested benefits		
Participants currently receiving benefits	\$ 1,492,828	\$ 1,455,941
Other vested benefits	<u>1,190,139</u>	<u>1,133,701</u>
	2,682,967	2,589,642
Non vested benefits	<u>94,846</u>	<u>32,995</u>
Total actuarial present value of accumulated plan benefits – January 1, 2008 and 2007	<u>\$ 2,777,813</u>	<u>\$ 2,622,637</u>

**Retirement Program Plan for Employees of Certain Employers at the
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Factors affecting the change in the actuarial present value of accumulated plan benefits are as follows:

<i>(in thousands of dollars)</i>	2008	2007
Actuarial present value of accumulated plan benefits – January 1, 2007 and 2006	\$ 2,622,637	\$ 2,440,195
Decrease during the year attributable to benefits paid	(168,466)	(161,477)
Increase for interest due to the decrease in the discount period	146,788	136,206
Changes in accrued benefits and net actuarial gains and losses	203,048	123,054
Change in discount rate	(26,227)	84,659
Plan Amendments	33	-
Net increase	155,176	182,442
Actuarial present value of accumulated plan benefits – January 1, 2008 and 2007	\$ 2,777,813	\$ 2,622,637

The significant actuarial assumptions used in the valuations were (a) life expectancy of participants (RP-2000 Mortality Table was used), (b) turnover based upon the termination experience of the Plan, (c) assumed retirement age probabilities based on the experience of the Plan, and (d) an annual discount rate of 6.05 percent and 6.07 percent for 2008, and 5.78 percent and 5.78 percent for 2007 for B&W Y-12 and UTB, respectively. The interest rate assumptions used to calculate the actuarial present value of accumulated plan benefits are adjusted annually to reflect current, rather than long-term, shifts in the economy. This can result in significant year-to-year fluctuations in the liability.

The actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

6. Investments

All investment information disclosed in the accompanying financial statements and supplemental schedules including investments held at December 31, 2008 and 2007, and net appreciation (depreciation) in fair value of investments, interest, and dividends for the years then ended, were obtained or derived from information supplied to the plan administrator and certified as complete and accurate by the trustee and insurance administrators.

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The fair value of individual investments that represent 5 percent or more of the Plan's net assets are as follows:

<i>(in thousands of dollars)</i>	<u>2008</u>	<u>2007</u>
Prudential Jennison Intermediate	\$ 80,286	\$ 257,843
Prudential Jennison Long Term	376,242	172,132
Julius Baer	88,990	175,435
Marathon – LKM02	104,578	169,177
Arronson Partners	102,981	155,109
Franklin Templeton	94,242	169,163
Sands Capital	131,179	256,546
Metlife SSR Income	460,880	319,193
Metlife SSR Fixed	72,882	239,976

During 2008 and 2007, the Plan's investments (including investments bought and sold, as well as held during the year) appreciated (depreciated) in fair value as follows:

<i>(in thousands of dollars)</i>	<u>2008</u>	<u>2007</u>
United States government securities	\$ 127,190	\$ 25,826
Corporate bonds and notes	(8,671)	601
Corporate bonds – preferred	(23,855)	3,143
Common stocks	(599,298)	151,555
Partnerships and joint ventures	(5,972)	12,395
Pooled separate accounts	(18,428)	10,289
Common/collective trusts	(189,774)	36,595
Mutual funds	41,782	3,247
Cash and cash equivalents	(315)	80
Net (depreciation) appreciation in fair value of investments	<u>\$ (677,341)</u>	<u>\$ 243,731</u>

7. Fair Value Measurements

Effective January 1, 2008, the Plan adopted SFAS 157. SFAS 157 is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to

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unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below:

Level 1 Unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value:

Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Partnerships and joint ventures: Value provided by the investment managers with use of valuation inputs that may not be supported by observable market-based data but are significant in the measurement.

Pooled separate accounts: Measured by using net unit value and are based on quoted redemption value of the underlying investments on the last business day of the year.

Common/collective trusts: Valued at at the underlying unit values reported using audited financial statements of the collective trust and changes in such amounts through the Plan's year end.

Mutual funds: Valued at the net asset value ("NAV") of units held by the Plan at year end.

Cash and cash equivalents: Stated at fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value

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of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2008:

<i>(in thousands of dollars)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
United States government securities	\$ -	\$ 618,669	\$ 4,912	\$ 623,581
Corporate bonds and notes	9,983	44,379	3,816	58,178
Corporate bonds – preferred	-	260,242	11,834	272,076
Common stocks	818,599	5,719	-	824,318
Partnerships and joint ventures	-	-	149,851	149,851
Pooled separate accounts	-	178,301	-	178,301
Common/collective trusts	-	342,038	-	342,038
Mutual funds	1,321	-	-	1,321
Cash and cash equivalents	5,721	-	-	5,721
	<u>\$ 835,624</u>	<u>\$ 1,449,348</u>	<u>\$ 170,413</u>	<u>\$ 2,455,385</u>

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2008.

<i>(in thousands of dollars)</i>	<u>United States government securities</u>	<u>Corporate bonds and notes</u>	<u>Corporate bonds - preferred</u>	<u>Partnerships and joint ventures</u>	<u>Total</u>
Balance at beginning of year	\$ -	\$ 2,450	\$ 4,637	\$ 109,911	\$ 116,998
Realized gains (losses)	-	(200)	21	4,771	4,592
Unrealized gains (losses) relating to instruments still held at the reporting date	86	(1,691)	(2,745)	(10,257)	(14,607)
Purchases, issuances, and settlements	4,826	3,257	9,921	45,426	63,430
Balance at end of year	<u>\$ 4,912</u>	<u>\$ 3,816</u>	<u>\$ 11,834</u>	<u>\$ 149,851</u>	<u>\$ 170,413</u>

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U.S. Department of Energy Facilities at Oak Ridge, Tennessee**

Notes to Financial Statements

December 31, 2008 and 2007

8. Contracts with Trustee and Insurance Companies

Funds invested in separate accounts are subject to certain investment restrictions and standards set forth in the contract. Earnings of the assets invested in separate accounts are a function of the underlying assets of the separate account and not the assets of the general account. Assets invested in separate accounts are reported at the fair value of the participation units owned by the fund as of the last day of the plan year. The assets invested in separate accounts are by contract, segregated from the general account, available for transfer between accounts under the contract at their market value and are not subject to the creditors of the insurance companies.

Realized gains and losses occur at the date of sale, transfer or other disposition. Unrealized gains and losses are the result of a measurement of the change in participation unit value for assets not removed from the separate account.

9. Tax Status

The plan obtained its latest determination letter on August 7, 2002, in which the Internal Revenue Service (“IRS”) stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (the “IRC”). The Plan has been amended and restated since receiving the determination letter. The Plan Administrator believes the Plan is being operated in compliance with the applicable provisions of the IRC and therefore, no provision for income taxes has been included in the Plan’s financial statements.

10. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

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11. Related Party Transactions

The Plan invests in a common/commingled trust fund managed by Northern Trust Company. Northern Trust Company is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan for trustee, custodian and investment management services amounted to approximately \$2,244,000 and \$1,361,000 for the years ended December 31, 2008 and 2007, respectively.

The Plan incurs expenses related to general administration and record keeping. The cost of collecting and distributing amounts to and from participants, and of keeping the individual records for all investment fund options, are paid by the Plan. The Plan sponsor incurs certain accounting and auditing fees relating to the Plan.

SUPPLEMENTAL SCHEDULES

**Retirement Program Plan for Employees of
Certain Employers at the U.S.
Department of Energy Facilities at
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EIN – 54-1987297 PN - 001

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

The following pages represent the assets held for investment purposes at the end of the year of the Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee as of December 31, 2008.

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Certain Employers at the U.S.
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EIN – 54-1987297 PN - 001

Schedule H, Line 4j – Schedule of Reportable Transactions

The following pages represent the reportable transactions for the year ended December 31, 2008 of the year of the Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee.