

**The Savings Program for Employees of
Certain Employers at the U.S.
Department of Energy Facilities at Oak
Ridge, TN**



December 1, 2006

Dear Savings Plan Participant:

The Internal Revenue Service has announced the new changes in amounts and limits as they relate to our Savings Program and Pension Plan. We would like to review with you the status of several items and their impact on the coming year.

The following items may require your action.

Limit on Employee Contributions to a 401(k) Plan (pre-tax), Roth 401(k), and Catch-up Opportunities.

The annual limit for employee contributions to a 401(k) savings plan (a pre-tax plan) and a Roth 401(k) for calendar year 2007 is \$15,500.00. In addition, for those participants who are 50 years of age or older in 2007 and whose elected contribution percentage will result in contributions in excess of \$15,500, an additional \$5,000 catch-up contribution is available. For those participants whose contribution percentage will cause them to exceed the annual limit and the catch-up, if applicable, the payroll system will automatically recharacterize the contributions in excess of \$15,500.00 (without catch-up) or \$20,500.00 (with catch-up) as after-tax contributions.

You need to have the proper contribution elections to take advantage of these limits. The payroll system does not automatically determine your contribution percentages; you must change them yourself. To do a quick test, divide the \$15,500 or \$20,500 you would like to contribute by your annual compensation. The resulting percentage is the amount you must elect to achieve your target contribution. Make sure the combination of your pre-tax basic or Roth 401(k) basic (the first six percent) and pre-tax supplemental contributions or Roth 401(k) supplemental (the amount over six percent) are equal to or greater than the calculated percentage. If you need to change your contribution percentage to take advantage of the increases in limits for 2007, please call the toll free number at 1-888-472-8348 or log on to <https://oakridge.csplans.com>. Remember, changes made to the contribution elections will be made in the next available payroll cycle. You should make your changes any time after your last pay period in 2006.

Definition of Highly Compensated.

An employee of BWXT Y-12, L.L.C. or UT-Battelle, L.L.C. will be considered a "highly compensated employee" (HCE) for 2007 if their gross compensation from the Company for 2006 was equal to or greater than \$100,000.00. This determination will be made by the payroll system and will be reflected in the payroll and savings plan records, after the final compensation tapes are prepared at year-end.

Maximum Allowable Contribution Percentage.

The maximum allowable percentage (for pre-tax, Roth 401(k) and after-tax) will remain at 60% of eligible earnings for Non-Highly Compensated Employees. This consists of a 6% basic election and a 54% supplemental election. The Highly Compensated limit remains at 16% of eligible earnings. CitiStreet implements this restriction as you elect your contribution percentage.

Maximum Allowable Compensation for Calculation of Contributions to the Savings Program.

The annual compensation limit for 2007 has been set at \$225,000.00. Compensation in excess of this limit is not eligible for contributions to the Plan.

Maximum Annual Additions to the Savings Program.

The combined total of employee contributions and matching employer contributions for pre-tax, Roth 401(k) and after-tax contributions will be \$45,000.00 for the calendar year. Contributions in excess of the limit will be refunded.

Restrictions on Highly Compensated Employees to Insure Passing the ADP/ACP Tests.

Calendar Year 2006

The IRS requires that contributions of HCE's be restricted, if necessary, to pass the Actual Deferral Percentage (ADP) and Actual Contribution Percentage (ACP) tests. As of the date of this letter, the Company is projected to pass the tests at year-end without having to restrict HCE contributions to the pre-tax accounts. If the year-end results indicate that an adjustment is in order, it will be necessary to refund the excess contributions made during 2006. This will affect the taxable income of an HCE who has some contributions refunded. Highly compensated employees should consider delaying the completion of 2006 tax returns until testing is completed by the Plan. CitiStreet estimates that we will have final test results no later than March 1, 2007. The notification of tests results will be posted on the Citistreet savings plan home page and on the Y-12 and UT Battelle home pages.

Calendar Year 2007

Based on our current projections, there will be no initial restrictions on the HCE contributions for 2007. All HCE participants may elect to contribute the maximum plan limit of 16%. To determine your current election, or to make a change, please call CitiStreet at 1-888-I-SAVE-IT (1-888-472-8348) or log on to <https://oakridge.csplans.com>.

If you have any questions about these or other Savings Plan matters, please contact CitiStreet at 1-888-I-SAVE-IT (1-888-472-8348).