UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended September 30, 2010

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-14287

USEC Inc.

(Exact name of registrant as specified in its charter)

Delaware	**52-2107911**
(State of incorporation)	*(I.R.S. Employer Identification No.)*

Two Democracy Center
6903 Rockledge Drive, Bethesda, Maryland 20817
(301) 564-3200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐. No ☒

As of October 15, 2010, there were 114,441,455 shares of Common Stock issued and outstanding.

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This quarterly report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2, contains "forward-looking statements" – that is, statements related to future events. In this context, forward-looking statements may address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "will" and other words of similar meaning. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For USEC, particular risks and uncertainties that could cause our actual future results to differ materially from those expressed in our forward-looking statements include, but are not limited to: risks related to the deployment of the American Centrifuge technology, including risks related to performance, cost, schedule and financing; our success in obtaining a loan guarantee for the American Centrifuge Plant, including our ability to address the technical and financial concerns raised by the U.S. Department of Energy ("DOE"); our ability to reach agreement with DOE on acceptable terms of a conditional commitment, including credit subsidy cost, and our ability to meet any required conditions to funding; our ability to raise capital beyond the $2 billion of DOE loan guarantee funding for which we have applied; the impact of the demobilization of the American Centrifuge project and uncertainty regarding our ability to remobilize the project and the potential for termination of the project; our ability to meet the November 2010 milestone under the June 2002 DOE-USEC Agreement related to financing the American Centrifuge project and other remaining milestones under that agreement; restrictions in our revolving credit facility that may impact our operating and financial flexibility and spending on the American Centrifuge project; risks related to the completion of the remaining two phases of the three-phased strategic investment by Toshiba Corporation ("Toshiba") and Babcock & Wilcox Investment Company ("B&W"), including our

ability to satisfy the significant closing conditions in the securities purchase agreement governing the transactions and the impact of a failure to consummate the transactions on our business and prospects; certain restrictions that may be placed on our business as a result of the transactions with Toshiba and B&W; our ability to achieve the benefits of any strategic relationships with Toshiba and B&W; uncertainty regarding the cost of electric power used at our gaseous diffusion plant; our dependence on deliveries under the Russian Contract and on a single production facility; our inability under many existing long-term contracts to directly pass on to customers increases in our costs; the decrease or elimination of duties charged on imports of foreign-produced low enriched uranium; pricing trends and demand in the uranium and enrichment markets and their impact on our profitability; changes to, or termination of, our contracts with the U.S. government including uncertainty regarding the impacts on our business of the transition of government services performed by us at the former Portsmouth gaseous diffusion plant to the new decontamination and decommissioning contractor; limitations on our ability to compete for potential contracts with the U.S. government; changes in U.S. government priorities and the availability of government funding, including loan guarantees; the impact of government regulation; the outcome of legal proceedings and other contingencies (including lawsuits and government investigations or audits); the competitive environment for our products and services; changes in the nuclear energy industry; the impact of volatile financial market conditions on our business, liquidity, prospects, pension assets and credit and insurance facilities; and other risks and uncertainties discussed in this and our other filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K. Revenue and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year. For a discussion of these risks and uncertainties and other factors that may affect our future results, please see Item 1A entitled “Risk Factors” and the other sections of this report and our annual report on Form 10-K. Readers are urged to carefully review and consider the various disclosures made in this report and in our other filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business. We do not undertake to update our forward-looking statements except as required by law.

USEC Inc.
CONSOLIDATED CONDENSED BALANCE SHEETS (Unaudited)
(millions)

	September 30, 2010	December 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	$ 146.1	$ 131.3
Accounts receivable, net	228.0	191.4
Inventories	1,472.8	1,301.2
Deferred income taxes	43.4	48.6
Deferred costs associated with deferred revenue	184.5	244.4
Other current assets	61.1	52.7
Total Current Assets	2,135.9	1,969.6
Property, Plant and Equipment, net	1,195.3	1,115.1
Other Long-Term Assets		
Deferred income taxes	240.6	270.3
Deposits for surety bonds	110.2	158.3
Deferred financing costs, net	10.5	12.0
Goodwill	6.8	6.8
Total Other Long-Term Assets	368.1	447.4
Total Assets	**$ 3,699.3**	**$ 3,532.1**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 148.1	$ 153.4
Payables under Russian Contract	231.4	134.8
Inventories owed to customers and suppliers	587.1	469.4
Deferred revenue and advances from customers	237.6	325.0
Total Current Liabilities	1,204.2	1,082.6
Long-Term Debt	575.0	575.0
Series B-1 12.75% Convertible Preferred Stock	75.8	-
Other Long-Term Liabilities		
Depleted uranium disposition	119.2	155.6
Postretirement health and life benefit obligations	173.8	168.9
Pension benefit liabilities	181.5	176.6
Other liabilities	84.2	97.8
Total Other Long-Term Liabilities	558.7	598.9
Commitments and Contingencies (Note 14)		
Stockholders' Equity	1,285.6	1,275.6
Total Liabilities and Stockholders' Equity	**$ 3,699.3**	**$ 3,532.1**

See notes to consolidated condensed financial statements.

USEC Inc.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (Unaudited)
(millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Revenue:				
Separative work units	$ 404.2	$ 467.0	$ 1,001.8	$ 1,266.2
Uranium	79.3	26.2	164.5	150.2
U.S. government contracts and other	81.1	56.1	202.7	152.8
Total revenue	564.6	549.3	1,369.0	1,569.2
Cost of sales:				
Separative work units and uranium	451.4	461.3	1,077.2	1,268.1
U.S. government contracts and other	75.2	48.8	183.0	142.3
Total cost of sales	526.6	510.1	1,260.2	1,410.4
Gross profit	38.0	39.2	108.8	158.8
Special charge for workforce reduction	-	2.5	-	2.5
Advanced technology costs	28.6	31.7	80.3	93.8
Selling, general and administrative	14.0	14.0	43.4	45.1
Other (income)	(12.4)	-	(32.4)	-
Operating income (loss)	7.8	(9.0)	17.5	17.4
Preferred stock issuance costs	4.8	-	4.8	-
Interest expense	0.3	0.2	0.4	1.0
Interest (income)	(0.2)	(0.2)	(0.4)	(1.2)
Income (loss) before income taxes	2.9	(9.0)	12.7	17.6
Provision (benefit) for income taxes	1.9	(2.8)	14.2	8.6
Net income (loss)	**$ 1.0**	**$ (6.2)**	**$ (1.5)**	**$ 9.0**
Net income (loss) per share – basic	$ .01	$ (.06)	$ (.01)	$ .08
Net income (loss) per share – diluted	$ .01	$ (.06)	$ (.01)	$ .06
Weighted-average number of shares outstanding:				
Basic	113.2	111.8	112.6	111.3
Diluted	166.4	111.8	112.6	160.0

See notes to consolidated condensed financial statements.

USEC Inc.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)
(millions)

	Nine Months Ended September 30,	
	2010	**2009**
Cash Flows from Operating Activities		
Net income (loss)	$ (1.5)	$ 9.0
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	30.2	23.2
Deferred income taxes	31.9	(0.1)
Other non-cash income on release of disposal obligation	(32.4)	-
Preferred stock issuance costs and capitalized paid-in-kind dividends	5.6	-
Changes in operating assets and liabilities:		
Accounts receivable – (increase)	(36.6)	(10.6)
Inventories – (increase) decrease	(53.9)	212.7
Payables under Russian Contract – increase	96.6	33.4
Deferred revenue, net of deferred costs – increase (decrease)	4.1	(26.4)
Accrued depleted uranium disposition – increase (decrease)	(36.4)	28.3
Accounts payable and other liabilities – increase	8.5	22.9
Other, net	13.9	27.0
Net Cash Provided by Operating Activities	30.0	319.4
Cash Flows Used in Investing Activities		
Capital expenditures	(123.0)	(363.2)
Deposits for surety bonds – (increase) decrease	48.1	(38.2)
Net Cash (Used in) Investing Activities	(74.9)	(401.4)
Cash Flows Used in Financing Activities		
Borrowings under credit facility	38.3	-
Repayments under credit facility	(38.3)	-
Repayment and repurchases of senior notes	-	(95.7)
Proceeds from issuance of Series B-1 convertible preferred stock and warrants	75.0	-
Payments for deferred financing costs and preferred stock issuance costs	(13.2)	(0.7)
Common stock issued (purchased), net	(2.1)	(0.8)
Net Cash Provided by (Used in) Financing Activities	59.7	(97.2)
Net Increase (Decrease)	14.8	(179.2)
Cash and Cash Equivalents at Beginning of Period	131.3	248.5
Cash and Cash Equivalents at End of Period	**$ 146.1**	**$ 69.3**
Supplemental Cash Flow Information:		
Interest paid, net of amount capitalized	$ -	$ 5.6
Income taxes paid, net of refunds	2.7	5.3

See notes to consolidated condensed financial statements.

1. BASIS OF PRESENTATION

The unaudited consolidated condensed financial statements as of and for the three and nine months ended September 30, 2010 and 2009 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The unaudited consolidated condensed financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial results for the interim period. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been omitted pursuant to such rules and regulations. Certain amounts in the consolidated condensed financial statements have been reclassified to conform with the current presentation.

Operating results for the three and nine months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. The unaudited consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and related notes and management's discussion and analysis of financial condition and results of operations included in the annual report on Form 10-K for the year ended December 31, 2009.

2. INVENTORIES

USEC is a supplier of low enriched uranium ("LEU") for nuclear fuel power plants. LEU consists of two components: separative work units ("SWU") and uranium. SWU is a standard unit of measurement that represents the effort required to transform a given amount of natural uranium into two components: enriched uranium having a higher percentage of U^{235} and depleted uranium having a lower percentage of U^{235}. The SWU contained in LEU is calculated using an industry standard formula based on the physics of enrichment. The amount of enrichment deemed to be contained in LEU under this formula is commonly referred to as its SWU component and the quantity of natural uranium used in the production of LEU under this formula is referred to as its uranium component.

USEC holds uranium at the Paducah gaseous diffusion plant ("GDP") in the form of natural uranium and as the uranium component of LEU. USEC holds SWU as the SWU component of LEU. USEC may also hold title to the uranium and SWU components of LEU at fabricators to meet book transfer requests by customers. Fabricators process LEU into fuel for use in nuclear reactors. Components of inventories follow:

	September 30, 2010	December 31, 2009
	(millions)	
Current assets:		
Separative work units	$ 991.3	$ 805.1
Uranium	468.6	482.1
Materials and supplies	12.9	14.0
	1,472.8	1,301.2
Current liabilities:		
Inventories owed to customers and suppliers	(587.1)	(469.4)
Inventories, net	**$ 885.7**	**$ 831.8**

Inventories Owed to Customers and Suppliers

Generally, title to uranium provided by customers as part of their enrichment contracts does not pass to USEC until delivery of LEU. In limited cases, however, title to the uranium passes to USEC immediately upon delivery of the uranium by the customer. Additionally, USEC owed SWU and uranium inventories to fabricators with a cost totaling $586.8 million at September 30, 2010 and $469.2 million at December 31, 2009. Under inventory optimization arrangements between USEC and domestic fabricators, fabricators order bulk quantities of LEU from USEC based on scheduled or anticipated orders from utility customers for deliveries in future periods. As delivery obligations under actual customer orders arise, USEC satisfies these obligations by arranging for the transfer to the customer of title to the specified quantity of LEU at the fabricator. USEC's balances of SWU and uranium vary over time based on the timing and size of the fabricator's LEU orders from USEC. Balances can be positive or negative at the discretion of the fabricator. Fabricators have other inventory supplies and, where a fabricator has elected to order less material from USEC than USEC is required to deliver to its customers at the fabricator, the fabricator will use these other inventories to satisfy USEC's customer order obligations on USEC's behalf. In such cases, the transfer of title of LEU from USEC to the customer results in quantities of SWU and uranium owed by USEC to the fabricator. The amounts of SWU and uranium owed to fabricators are satisfied as future bulk deliveries of LEU are made.

Uranium Provided by Customers and Suppliers

USEC held uranium with estimated fair values of approximately $2.9 billion at September 30, 2010, and $2.8 billion at December 31, 2009, to which title was held by customers and suppliers and for which no assets or liabilities were recorded on the balance sheet. Utility customers provide uranium to USEC as part of their enrichment contracts. Title to uranium provided by customers generally remains with the customer until delivery of LEU at which time title to LEU is transferred to the customer, and title to uranium is transferred to USEC.

3. PROPERTY, PLANT AND EQUIPMENT

A summary of changes in property, plant and equipment follows (in millions):

	December 31, 2009	Capital Expenditures (Depreciation)	Transfers and Retirements	September 30, 2010
Construction work in progress	$ 991.4	$ 102.9	$ (11.2)	$ 1,083.1
Leasehold improvements	182.6	-	3.0	185.6
Machinery and equipment	260.1	2.2	8.1	270.4
	1,434.1	105.1	(0.1)	1,539.1
Accumulated depreciation and amortization	(319.0)	(24.9)	0.1	(343.8)
	$ 1,115.1	**$ 80.2**	**$ -**	**$ 1,195.3**

Capital expenditures include items in accounts payable and accrued liabilities at September 30, 2010 for which cash is paid in subsequent periods.

USEC is working to deploy the American Centrifuge technology at the American Centrifuge Plant ("ACP") in Piketon, Ohio. Capital expenditures related to the ACP, which is primarily included in the construction work in progress balance, totaled $1,105.6 million at September 30, 2010 and $1,023.1 million at December 31, 2009. Capitalized asset retirement obligations included in construction work in progress totaled $19.3 million at September 30, 2010 and December 31, 2009.

In 2009, USEC significantly demobilized and reduced construction and machine manufacturing activities in the American Centrifuge project because of a lack of progress in obtaining and the uncertainty of timing for additional financing for the project. However, USEC continues limited manufacturing, assembling and operating of centrifuge machines in the lead cascade test program and ongoing development efforts. USEC performed an evaluation in 2009 and concluded that future cash flows from the ACP will exceed its capital investment based on a probability-weighted analysis. USEC continues to believe there have been no events or changes in conditions that would cause USEC to reassess this conclusion. Since USEC believes its capital investment is fully recoverable, no impairment for costs previously capitalized is anticipated at this time. USEC will continue to evaluate this assessment as conditions change.

4. DEFERRED REVENUE AND ADVANCES FROM CUSTOMERS

	September 30, 2010	December 31, 2009
	(millions)	
Deferred revenue	$ 222.5	$ 301.9
Advances from customers	15.1	23.1
	$ 237.6	**$ 325.0**

Related costs associated with deferred revenue totaled $184.5 million at September 30, 2010 and $244.4 million at December 31, 2009.

Advances from customers as of December 31, 2009 included $22.7 million for services provided in 2010 for DOE in our U.S. government contracts segment. DOE funded this work through an arrangement whereby DOE transfers uranium to USEC which USEC immediately sells in the market. On November 1, 2010, USEC sold a fifth lot of such uranium that provided additional funding of $32.3 million for this work in the fourth quarter of 2010.

Advances from customers as of September 30, 2010 includes $12.6 million representing the balance of $45 million of support from DOE pursuant to a cooperative agreement entered into with DOE for pro-rata cost sharing support for continued American Centrifuge activities with a total estimated cost of $90 million. DOE made the $45 million available by taking the disposal obligation for a specific quantity of depleted uranium from USEC, which enabled USEC to release encumbered funds for investment in the American Centrifuge technology that USEC had otherwise committed to future depleted uranium disposition obligations. In July 2010, surety bonds and related deposits were reduced, and USEC received the $45 million in cash. In the nine months ended September 30, 2010, USEC made qualifying American Centrifuge expenditures of $64.8 million. DOE's pro-rata share of 50%, or $32.4 million, is recognized as other income in the nine months ended September 30, 2010. If USEC determines that it is unable to provide cost sharing of at least $45 million, DOE's share and the assumption of depleted uranium obligations will be reduced pro rata.

5. PORTSMOUTH FACILITY UPDATE

USEC leases the Portsmouth GDP from DOE. On September 30, 2010, the three large process buildings and certain other Portsmouth GDP facilities were de-leased and returned to DOE. USEC ceased uranium enrichment operations at the Portsmouth GDP, located in Piketon, Ohio, in 2001 and is currently maintaining the facility in a state of "cold shutdown" under contract with DOE in preparation for decontamination and decommissioning ("D&D") of the facilities by DOE. Under the lease agreement, ownership of plant and equipment that USEC leaves behind transfers to DOE as well as responsibility for D&D. The turnover requirements of the lease require USEC to remove certain uranium and USEC-generated waste, and USEC accrues amounts to cover these expected costs as part of USEC's lease turnover cost estimate. In order to facilitate an expeditious de-lease, USEC and DOE agreed in September 2010 to the return of certain assets to DOE as permitted under the lease that USEC had included in its lease turnover cost estimate, which had the effect of reducing USEC's lease turnover cost estimate. As a result of this reduction in accrued lease turnover costs and partially offset by approximately $1.5 million of accelerated depreciation of leasehold improvements and approximately $0.5 million of inventory abandonment related to the de-lease of the facilities, cost of sales were reduced by approximately $2.2 million for the nine months ended September 30, 2010.

6. DEBT

The carrying value of USEC's long-term debt was $575.0 million at September 30, 2010 and December 31, 2009, consisting of 3.0% convertible senior notes due October 1, 2014. Interest on the notes is payable semi-annually in arrears on April 1 and October 1 of each year. The notes were not eligible for conversion to common stock as of September 30, 2010 or December 31, 2009.

On February 26, 2010, USEC replaced its $400.0 million revolving credit facility, scheduled to mature on August 18, 2010, with a new 27-month credit facility that matures May 31, 2012. The new syndicated bank credit facility initially provided up to $225.0 million in revolving credit commitments, including up to $100.0 million in letters of credit, secured by assets of USEC Inc. and its subsidiaries, excluding equity in, and assets of, subsidiaries created to carry out future commercial American Centrifuge activities. In July 2010, the revolving credit commitments were expanded to $250.0 million, including up to $125.0 million in letters of credit. As with the former credit facility, borrowings under the new credit facility are subject to limitations based on established percentages of qualifying assets such as eligible accounts receivable and inventory.

Utilization of the current revolving credit facility at September 30, 2010 and the former revolving credit facility at December 31, 2009 follows:

	September 30, 2010	December 31, 2009
	(millions)	
Short-term borrowings	$ -	$ -
Letters of credit	42.6	45.4
Available credit	207.4	295.5

7. INVESTMENT BY TOSHIBA AND BABCOCK & WILCOX

On September 2, 2010, the first closing of $75.0 million occurred under the Securities Purchase Agreement dated as of May 25, 2010, between USEC and Toshiba Corporation ("Toshiba") and Babcock & Wilcox Investment Company ("B&W"). At the first closing, Toshiba and B&W purchased 75,000 shares of Series B-1 12.75% convertible preferred stock, and warrants to purchase 6.25 million shares of common stock at an exercise price of $7.50 per share, which will be exercisable in the future. This was the first of a three-phased investment of $200 million. The remaining two phases are subject to additional closing conditions.

The estimated fair value of the preferred stock was $75.0 million using a discount rate of 12.75%, and was equal to the liquidation value of $1,000 per share or $75.0 million. The preferred stock is classified as a liability since it is convertible for a variable number of shares of common stock based on a fixed monetary value known at the issuance date. Since the preferred stock is classified as a liability, the proceeds of $75.0 million were first allocated to the liability instrument's full fair value, and no residual proceeds remained to be assigned to the warrants. The preferred stock is subject to subsequent mark-to-market adjustment through earnings. Upfront costs and fees of $4.8 million related to the investment were expensed in the quarter ended September 30, 2010 and classified as preferred stock issuance costs. The issuance costs were expensed in the period of issuance, rather than deferred and amortized, since the preferred stock is classified as a liability and recorded at fair value.

Paid-in-kind dividends on the preferred stock of $0.8 million were accrued as of September 30, 2010 and declared payable on October 1, 2010. The dividend amount was capitalized as interest to construction work in progress for the American Centrifuge Plant. The following is a summary of the preferred stock liability as of September 30, 2010 (in millions):

	September 30, 2010
Series B-1 12.75% convertible preferred stock:	
Value at issuance	$ 75.0
Dividends payable	0.8(a)
Balance as of September 30, 2010	**$ 75.8**

(a) Paid-in-kind dividends of approximately 770 shares of convertible preferred stock declared payable on October 1, 2010.

8. INCOME TAX UPDATE

The provision for income taxes for the nine months ended September 30, 2010 includes a charge of $6.5 million related to the change in tax treatment of Medicare Part D reimbursements as a result of the Patient Protection and Affordable Care Act as modified by the Reconciliation Act of 2010 (collectively referred to as "the Act") signed into law at the end of March 2010. The charge was due to a reduction in USEC's deferred tax asset as a result of a change to the tax treatment of Medicare Part D reimbursements. Under the Act, the tax-deductible prescription drug costs will be reduced by the amount of the federal subsidy. Under Financial Accounting Standards Board guidance, the effect of changes in tax laws or rates on deferred tax assets and liabilities is reflected in the period that includes the enactment date, even though the changes may not be effective until future periods.

Included in the 2010 overall effective tax rate is a 15 percentage point impact related to the $75.0 million investment of Toshiba and B&W. The first quarterly dividend on the preferred stock that was issued on September 2, 2010 was declared payable on October 1, 2010 in additional shares of preferred stock (paid-in-kind). The preferred stock and warrants are considered equity instruments for income tax purposes. The 2010 paid-in-kind dividends and issuance costs are permanent differences that are not deductible for tax purposes and are included in the effective tax rate calculation.

9. FAIR VALUE MEASUREMENTS

Pursuant to the accounting guidance for fair value measurements, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, consideration is given to the principal or most advantageous market and assumptions that market participants would use when pricing the asset or liability.

Fair Value Hierarchy

The accounting guidance for fair value measurement also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3 – unobservable inputs in which little or no market data exists.

Financial Instruments Recorded at Fair Value

	Fair Value Measurements (in millions)							
	September 30, 2010				December 31, 2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Deferred compensation asset (a)	-	$ 1.7	-	$ 1.7	-	$ 1.5	-	$ 1.5
Liabilities:								
Deferred compensation obligation (a)	-	1.8	-	1.8	-	1.5	-	1.5
Series B-1 12.75% convertible preferred stock (b)	-	-	75.0	75.0	-	-	-	-

(a) The deferred compensation obligation represents the balance of deferred compensation plus net investment earnings. The deferred compensation plan is informally funded through a rabbi trust using variable universal life insurance. The cash surrender value of the life insurance policies is designed to track the deemed investments of the plan participants. Investment crediting options consist of institutional and retail investment funds. The deemed investments are classified within level 2 of the valuation hierarchy because of (i) the indirect method of investing and (ii) unit prices of institutional funds are not quoted in active markets; however, the unit prices are based on the underlying investments which are traded in active markets.

(b) The calculation of the fair value allocated to the Series B-1 12.75% convertible preferred stock included unobservable (level 3) inputs as described in Note 7.

The following is a reconciliation of the beginning and ending balances for items measured at fair value using significant unobservable inputs (Level 3) (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Series B-1 12.75% convertible preferred stock:				
Beginning balance	$ -	$ -	$ -	$ -
Total gains or losses (realized/unrealized)	-	-	-	-
Purchases, issuances, sales and settlements:				
Purchases	-	-	-	-
Issuances	75.0	-	75.0	-
Paid in kind dividends payable	0.8	-	0.8	-
Sales	-	-	-	-
Settlements	-	-	-	-
Ending balance	**$ 75.8**	**$ -**	**$ 75.8**	**$ -**

Other Financial Instruments

As of September 30, 2010 and December 31, 2009, the balance sheet carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and payables under the Russian Contract approximate fair value because of the short-term nature of the instruments.

The carrying value of USEC's long-term debt was $575.0 million at September 30, 2010 and December 31, 2009, consisting of 3.0% convertible senior notes due October 1, 2014. The estimated fair value of the convertible notes, based on the trading price as of the balance sheet date, was $449.2 million at September 30, 2010 and $372.0 million at December 31, 2009.

10. STOCKHOLDERS' EQUITY

Changes in stockholders' equity were as follows (in millions, except per share data):

	Common Stock, Par Value $.10 per Share	Excess of Capital over Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Comprehensive Income (Loss)
Balance at December 31, 2009	$ 12.3	$ 1,179.6	$ 322.4	$ (71.3)	$ (167.4)	$ 1,275.6	
Restricted and other stock issued, net	-	(8.3)	-	13.8	-	5.5	-
Amortization of actuarial losses and prior service costs (credits), net of income tax of $3.0 million	-	-	-	-	6.0	6.0	6.0
Net (loss)	-	-	(1.5)	-	-	(1.5)	(1.5)
Balance at September 30, 2010	**$ 12.3**	**$ 1,171.3**	**$ 320.9**	**$ (57.5)**	**$ (161.4)**	**$ 1,285.6**	**$ 4.5**

Amortization of actuarial losses and prior service costs (credits), net of tax, are those related to pension and postretirement health and life benefits as presented on a pre-tax basis in note 11.

Included in the sale of securities to Toshiba and B&W on September 2, 2010 were warrants to purchase 6.25 million shares of common stock at an exercise price of $7.50 per share, which will be exercisable in the future. The warrants are equity instruments and are assigned a zero value as described in note 7.

11. PENSION AND POSTRETIREMENT HEALTH AND LIFE BENEFITS

The components of net benefit costs for pension and postretirement health and life benefit plans were as follows (in millions):

	Defined Benefit Pension Plans				Postretirement Health and Life Benefits Plans			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009	2010	2009	2010	2009
Service costs	$ 4.8	$ 4.7	$ 14.5	$ 14.0	$ 1.2	$ 1.2	$ 3.7	$
Interest costs	12.3	11.9	36.7	35.7	3.0	3.2	8.9	
Expected return on plan assets(gains)	(12.2)	(10.6)	(36.6)	(31.9)	(0.9)	(0.8)	(2.7)	(
Amortization of prior service costs (credits)	0.4	0.4	1.3	1.2	(2.1)	(3.6)	(6.3)	(1
Amortization of actuarial losses	4.0	6.0	12.0	18.0	0.7	1.0	2.0	
Net benefit costs	**$ 9.3**	**$ 12.4**	**$ 27.9**	**$ 37.0**	**$ 1.9**	**$ 1.0**	**$ 5.6**	**$**

USEC expects total cash contributions to the plans in 2010 will be as follows: $13.9 million for the defined benefit pension plans and $6.3 million for the postretirement health and life benefit plans. Of those amounts, contributions made as of September 30, 2010 were $9.7 million and $4.7 million related to the defined benefit pension plans and postretirement health and life benefit plans, respectively.

12. STOCK-BASED COMPENSATION

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(millions)			
Total stock-based compensation costs:				
Restricted stock and restricted stock units	$ 1.3	$ 1.4	$ 6.2	$ 6.0
Stock options, performance awards and other	0.4	0.3	1.5	1.3
Less: costs capitalized as part of inventory	(0.1)	-	(0.3)	(0.2)
Expense included in selling, general and administrative	**$ 1.6**	**$ 1.7**	**$ 7.4**	**$ 7.1**
Total after-tax expense	**$ 1.1**	**$ 1.1**	**$ 4.8**	**$ 4.6**

There were 115,630 stock options exercised in the nine months ended September 30, 2010. Cash received from the exercise of the options was $0.5 million. The intrinsic value of the options exercised was $0.2 million. There were no stock options exercised in the nine months ended September 30, 2009.

Assumptions used in the Black-Scholes option pricing model to value option grants follow.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Risk-free interest rate	0.78%	1.45%	0.78-1.43%	1.40-1.45%
Expected dividend yield	-	-	-	-
Expected volatility	75%	72%	72-75%	65-72%
Expected option life	4.1 years	4.0 years	4-4.1 years	3.8-4.0 years
Weighted-average grant date fair value	$3.09	$2.71	$2.81	$1.82
Options granted	6,968	16,042	773,018	1,107,342

As of September 30, 2010, there was $10.2 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested stock-based payments granted, of which $7.8 million relates to restricted shares and restricted stock units, and $2.4 million relates to stock options. That cost is expected to be recognized over a weighted-average period of 1.9 years.

13. NET INCOME PER SHARE

Basic net income per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the period, excluding any unvested restricted stock.

In calculating diluted net income per share, the numerator is increased by interest expense on the convertible notes, net of amount capitalized and net of tax, and the denominator is increased by the weighted average number of shares resulting from potentially dilutive stock compensation awards, convertible notes, convertible preferred stock and warrants, assuming full conversion.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
			(in millions)	
Numerator:				
Net income (loss)	$1.0	$(6.2)	$(1.5)	$9.0
Net interest expense on convertible notes and convertible preferred stock dividends (a)	-	(b)	(b)	0.2
Net income (loss) if-converted	**$1.0**	**$(6.2)**	**$(1.5)**	**$9.2**
Denominator:				
Weighted average common shares	115.1	113.3	114.6	112.8
Less: Weighted average unvested restricted stock	1.9	1.5	2.0	1.5
Denominator for basic calculation	**113.2**	**111.8**	**112.6**	**111.3**
Weighted average effect of dilutive securities:				
Stock compensation awards	0.4	(b)	(b)	0.6
Convertible preferred stock	4.7	-	(b)	-
Convertible notes	48.1	(b)	(b)	48.1
Denominator for diluted calculation	**166.4**	**111.8**	**112.6**	**160.0**
Net income (loss) per share – basic	**$.01**	**$(.06)**	**$(.01)**	**$.08**
Net income (loss) per share – diluted	**$.01**	**$(.06) (b)**	**$(.01) (b)**	**$.06**

(a) Interest expense on convertible notes and convertible preferred stock dividends net of amount capitalized and net of tax.

(b) No dilutive effect of convertible notes or stock compensation awards is recognized in a period in which a net loss has occurred.

In the nine months ended September 30, 2010, net interest expense on convertible notes was less than $0.1 million and the weighted average number of shares for stock compensation awards, convertible preferred stock and convertible notes was 0.4 million, 1.6 million and 48.1 million, respectively.

In the three months ended September 30, 2009, net interest expense on convertible notes was less than $0.1 million and the weighted average number of shares for stock compensation awards and convertible notes was 0.6 million and 48.1 million, respectively.

Options and warrants to purchase shares of common stock having an exercise price greater than the average share market price are excluded from the calculation of diluted earnings per share (options and warrants in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Options excluded from diluted earnings per share	2.6	1.9	2.6	1.9
Warrants excluded from diluted earnings per share	6.3	-	6.3	-
Exercise price of excluded options	$5.18 to $16.90	$5.00 to $16.90	$5.18 to $16.90	$5.23 to $16.90
Exercise price of excluded warrants	$7.50	-	$7.50	-

14. COMMITMENTS AND CONTINGENCIES

American Centrifuge Plant

Project Funding

USEC needs to raise a significant amount of additional capital to continue funding and to complete the American Centrifuge Plant. USEC believes a loan guarantee under the DOE Loan Guarantee Program is essential to raising the capital needed to complete the American Centrifuge Plant. The DOE Loan Guarantee Program was created by the Energy Policy Act of 2005 and in December 2007, federal legislation authorized funding levels of up to $2 billion for advanced facilities for the front end of the nuclear fuel cycle, which includes uranium enrichment. DOE subsequently reallocated an additional $2 billion in loan guarantee authority to the front-end nuclear facilities loan guarantee solicitation. In July 2008, USEC applied to the DOE Loan Guarantee Program for $2 billion in U.S. government guaranteed debt financing for the ACP. DOE announced in May 2010 that it has provided Areva, a company more than 90% owned by the French government, with a conditional commitment for a loan guarantee from the reallocated funding authority for a proposed plant in the United States. DOE has said that $2 billion in funding for projects in the front end of the nuclear fuel cycle remains available. In August 2009, DOE and USEC announced an agreement to delay a final review of USEC's loan guarantee application. Since that time, USEC has worked to address the technical and financial concerns raised by DOE and submitted an update to its application in July 2010. In late October 2010, USEC was informed by DOE that it has largely completed its initial technical review of USEC's application and is proceeding to the next stage of the loan guarantee process. DOE provided USEC with a draft term sheet that will serve as the framework for discussions with DOE. Completion of due diligence by DOE and negotiation of terms and conditions between DOE and USEC are the next steps toward the potential issuance of a conditional commitment. Funding under a DOE loan guarantee will only occur following conditional commitment, final documentation and satisfaction of conditions to funding, which are subject to uncertainty.

On May 25, 2010, USEC announced that Toshiba and B&W signed a definitive agreement to make a $200 million investment in USEC. Under the terms of the agreement, Toshiba and B&W will each invest $100 million over three phases, each of which is subject to specific closing conditions. On September 2, 2010, the first closing of $75 million occurred. To complete the project, USEC will require additional capital beyond the $2 billion DOE loan guarantee, proceeds from the $200 million investment from Toshiba and B&W and internally generated cash flow.

USEC has initiated discussions with Japanese export credit agencies regarding financing a portion of the cost of building the plant. However, USEC has no assurance that it will be successful in obtaining any or all of the financing it is seeking.

Milestones under the 2002 DOE-USEC Agreement

In 2002, USEC and DOE signed an agreement (such agreement, as amended, the "2002 DOE-USEC Agreement") in which USEC and DOE made long-term commitments directed at resolving issues related to the stability and security of the domestic uranium enrichment industry. The 2002 DOE-USEC Agreement contains specific project milestones relating to the ACP. Four milestones remain relating to the financing and operation of the ACP. In early August 2009 USEC began demobilization of the American Centrifuge project. As a result, USEC requested a modification to the 2002 DOE-USEC Agreement to extend the remaining ACP milestones under the 2002 DOE-USEC Agreement. In January 2010, USEC and DOE amended the 2002 DOE-USEC Agreement to extend by one year to November 2010 the financing milestone that required that USEC secure firm financing commitment(s) for the construction of the commercial American Centrifuge Plant with an annual capacity of approximately 3.5 million SWU per year. The remaining three milestones were not adjusted by the January 2010 amendment, however, DOE and USEC have agreed to discuss adjustment of the remaining three milestones as may be appropriate based on, among other things, progress in achieving the November 2010 financing milestone and the technical progress of the program. In the January 2010 amendment to the 2002 DOE-USEC Agreement, DOE and USEC acknowledged that USEC's obligations with respect to the ACP milestones under the 2002 DOE-USEC Agreement are not dependent on the issuance by DOE of a loan guarantee to USEC. However, USEC has communicated to DOE that its ability to meet the remaining milestones is dependent on its obtaining a commitment and funding for a loan guarantee from DOE. USEC will also need additional financing commitments beyond a DOE loan guarantee to meet the November 2010 financing milestone. Meeting the November 2010 milestone is subject to significant uncertainty. Given this uncertainty, USEC plans to have discussions with DOE regarding adjustments to the November 2010 milestone. However, there can be no assurance that the milestone would be adjusted.

The 2002 DOE-USEC Agreement provides DOE with specific remedies if USEC fails to meet a milestone that would materially impact USEC's ability to begin commercial operations of the American Centrifuge Plant on schedule and such delay was within USEC's control or was due to USEC's fault or negligence. These remedies could include terminating the 2002 DOE-USEC Agreement, revoking USEC's access to DOE's U.S. centrifuge technology that USEC requires for the success of the American Centrifuge project and requiring USEC to transfer its rights in the American Centrifuge technology and facilities to DOE, and to reimburse DOE for certain costs associated with the American Centrifuge project. DOE could also recommend that USEC be removed as the sole U.S. Executive Agent under the Megatons-to-Megawatts program, which if such recommendation led to a U.S. government decision to remove USEC as sole Executive Agent, could reduce or terminate USEC's access to Russian LEU in future years, subject to rights granted to USEC under a 1997 memorandum of agreement between USEC and the U.S. government to continue to purchase Russian SWU at prices, in quantities and under terms agreed with the Russian executive agent. Any of these actions could have a material adverse impact on USEC's business.

The 2002 DOE-USEC Agreement provides that if a delaying event beyond the control and without the fault or negligence of USEC occurs which would affect USEC's ability to meet an ACP milestone, DOE and USEC will jointly meet to discuss in good faith possible adjustments to the milestones as appropriate to accommodate the delaying event.

USEC's right to continue operating the Paducah GDP under its lease with DOE is not subject to meeting the ACP milestones.

Obligation Under Lease Agreement for Power Contract

Cost of sales and other long-term liabilities were reduced by $7.8 million in the second quarter of 2010 due to a change in estimate of USEC's share of future demolition and severance costs for a power plant that was built to supply power to the Paducah GDP. DOE is obligated to pay the owner/operator of the plant a portion of such costs (net of salvage credits including the value of land) and USEC is obligated under the lease agreement with DOE to fund such payments except for portions attributable to power consumed by DOE. Given additional information obtained by USEC during the second quarter of 2010, USEC believes that the amount of its liability for such payments that can be reasonably estimated at this time with respect to the plant's shutdown, which is not anticipated to occur before 2055, is lower than the previously recorded long-term liability. USEC will reassess the need for additional accruals on a recurring basis as information becomes available.

Legal Matters

DOE Contract Services Matter

The U.S. Department of Justice ("DOJ") asserted in a letter to USEC dated July 10, 2006 that DOE may have sustained damages in an amount that exceeds $6.9 million under USEC's contract with DOE for the supply of cold standby services at the Portsmouth GDP. DOJ indicated that it was assessing possible violations of the Civil False Claims Act ("FCA"), which allows for treble damages and civil penalties, and related claims in connection with invoices submitted under that contract. USEC responded to DOJ's letter in September 2006, stating that the government does not have a legitimate basis for asserting any FCA or related claims under the cold standby contract, and USEC has been cooperating with DOJ and the DOE Office of Investigations with respect to their inquiries into this matter. In a supplemental presentation by DOJ and DOE on October 18, 2007, DOJ identified revised assertions of alleged overcharges of at least $14.6 million on the cold standby contract and two other cost-type contracts, again potentially in violation of the FCA. USEC has responded to these assertions and has provided several follow-up responses to DOJ and DOE in response to their requests for additional data and analysis. As part of USEC's continuing discussions with DOJ, USEC and DOJ have agreed several times to extend the statute of limitations for this matter. USEC does not believe that there is any basis for an FCA or related claim and does not anticipate that any such claim will be filed against it in connection with this matter. Accordingly, no loss has been accrued.

Contractor Matter

On June 22, 2010, USEC and its engineering, procurement and construction contractor for the American Centrifuge Plant, Fluor Enterprises, Inc., agreed to a settlement regarding a complaint filed on October 16, 2009 in the U.S. District Court for the Southern District of Ohio by a subcontractor, Rampart Hydro Services, L.P., regarding monies owed for work performed under a contract with USEC. As part of the settlement, the complaint was dismissed with prejudice.

Other Legal Matters

USEC is subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, USEC does not believe that the outcome of any of these legal matters will have a material adverse effect on its results of operations or financial condition.

15. SEGMENT INFORMATION

USEC has two reportable segments: the LEU segment with two components, SWU and uranium, and the U.S. government contracts segment. The LEU segment is USEC's primary business focus and includes sales of the SWU component of LEU, sales of both the SWU and uranium components of LEU, and sales of uranium. The U.S. government contracts segment includes work performed for DOE and DOE contractors at the Portsmouth and Paducah GDPs, as well as nuclear energy services and technologies provided by NAC International Inc. Gross profit is USEC's measure for segment reporting. Intersegment sales between the reportable segments were less than $0.1 million in each period presented below and have been eliminated in consolidation.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(millions)			
Revenue				
LEU segment:				
Separative work units	$ 404.2	$ 467.0	$ 1,001.8	$ 1,266.2
Uranium	79.3	26.2	164.5	150.2
	483.5	493.2	1,166.3	1,416.4
U.S. government contracts segment	81.1	56.1	202.7	152.8
	$ 564.6	**$ 549.3**	**$ 1,369.0**	**$ 1,569.2**
Segment Gross Profit				
LEU segment	$ 32.1	$ 31.9	$ 89.1	$ 148.3
U.S. government contracts segment	5.9	7.3	19.7	10.5
Gross profit	38.0	39.2	108.8	158.8
Special charge for workforce reduction	-	2.5	-	2.5
Advanced technology costs	28.6	31.7	80.3	93.8
Selling, general and administrative	14.0	14.0	43.4	45.1
Other (income)	(12.4)	-	(32.4)	-
Operating income (loss)	7.8	(9.0)	17.5	17.4
Interest expense (income) and issuance costs, net	4.9	-	4.8	(0.2)
Income (loss) before income taxes	**$ 2.9**	**$ (9.0)**	**$ 12.7**	**$ 17.6**

16. SUBSEQUENT EVENT

Effective October 8, 2010, USEC entered into a Third Amended and Restated Credit Agreement replacing its existing credit agreement. The amended credit agreement adds an $85 million term loan facility to USEC's existing revolving credit facility. The total credit facility is now $310 million. As part of the amended credit agreement, $25 million of existing lender commitments was moved from the existing revolving credit facility to the term loan, resulting in aggregate lender commitments under the revolving credit facility of $225 million (previously $250 million). The amended credit agreement increases the letter of credit sublimit to $150 million.

The term loan is 100% funded as of October 8, 2010, and was issued with an original issue discount of 2% and will bear interest, at the election of USEC, at either:

- the greater of (1) the JPMorgan Chase Bank prime rate (with a floor of 3%) plus 6.5%, (2) the federal funds rate plus ½ of 1% (with a floor of 3%) plus 6.5%, or (3) an adjusted 1-month LIBO Rate plus 1% (with a floor of 3%) plus 6.5%; or
- the adjusted LIBO Rate (with a floor of 2%) plus 7.5%.

The interest rate on outstanding borrowings under the revolving credit facility is unchanged.

The credit facility matures on May 31, 2012. The term loan is subject to mandatory prepayment consistent with the existing credit agreement. The term loan may be prepaid voluntarily subject to a prepayment fee of 2% of the amount if prepaid before October 8, 2011 and 1% of the amount if prepaid after October 8, 2011 but prior to January 1, 2012.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated condensed financial statements and related notes set forth in Part I, Item 1 of this report as well as the risks and uncertainties presented in Item 1A of this report and the annual report on Form 10-K for the year ended December 31, 2009.

Overview

USEC, a global energy company, is a leading supplier of low enriched uranium ("LEU") for commercial nuclear power plants. LEU is a critical component in the production of nuclear fuel for reactors to produce electricity. We:

- supply LEU to both domestic and international utilities for use in about 150 nuclear reactors worldwide,
- are deploying what we anticipate will be the world's most advanced uranium enrichment technology, known as the American Centrifuge,
- are the exclusive executive agent for the U.S. government under a nuclear nonproliferation program with Russia, known as Megatons to Megawatts,
- perform contract work for the U.S. Department of Energy ("DOE") and its contractors at the Paducah and Portsmouth gaseous diffusion plants ("GDPs"), and
- provide transportation and storage systems for spent nuclear fuel and provide nuclear and energy consulting services.

LEU consists of two components: separative work units ("SWU") and uranium. SWU is a standard unit of measurement that represents the effort required to transform a given amount of natural uranium into two components: enriched uranium having a higher percentage of U^{235} and depleted uranium having a lower percentage of U^{235}. The SWU contained in LEU is calculated using an industry standard formula based on the physics of enrichment. The amount of enrichment deemed to be contained in LEU under this formula is commonly referred to as its SWU component and the quantity of natural uranium used in the production of LEU under this formula is referred to as its uranium component.

We produce or acquire LEU from two principal sources. We produce about half of our supply of LEU at the Paducah GDP in Paducah, Kentucky. Under the Megatons to Megawatts program, we acquire LEU from Russia under a contract, which we refer to as the Russian Contract, to purchase the SWU component of LEU recovered from dismantled nuclear weapons from the former Soviet Union for use as fuel in commercial nuclear power plants.

Our View of the Business Today

We expect that the long-term market for nuclear fuel will be vibrant and growing. A global fleet of approximately 440 operating nuclear power reactors provides the nuclear fuel industry with steady demand for enriched uranium. The fuel requirements of the current fleet provide a strong business case for our investment in the American Centrifuge technology. In addition, approximately 60 new reactors are under construction worldwide with approximately 25 of those expected to begin operation by the end of 2012. Looking out further, the World Nuclear Association reports that about 150 additional reactors are on order or planned, and more than 300 more reactors have been proposed. For the first time in decades, it appears that new reactors will be built in the United States in response to an emphasis on reducing greenhouse gas emissions combined with the economic and energy security benefits of nuclear power. Balanced against this positive outlook are several factors that may slow the need for new base load nuclear power capacity including the impact on electric power demand of the economic downturn in the United States and globally; the decline in the price of natural gas, a competing fuel, in the United States; the increase in the capital cost for building new reactors; and the length and uncertainty of the regulatory process for licensing nuclear facilities. However, worldwide population growth, increasing per capita demand for electric power, improving public acceptance of nuclear power, and environmental concerns regarding burning fossil fuels should create a growing demand for nuclear fuel for decades to come.

Throughout 2010, we have been working on a number of strategic initiatives. While we focused on the steps needed to obtain the necessary capital for and restart construction of the American Centrifuge Plant ("ACP"), we have also continued to focus on our core businesses. This includes continued safe and efficient operation of the Paducah GDP and contract work for DOE at the Paducah plant and the shutdown GDP in Piketon, Ohio.

Over the next several years, the enrichment industry will be going through its most significant change in decades. Faced with this uncertainty and systemic change, as well as volatility in the uranium market over the last several years, our customers have covered most of their SWU requirements over the next two years under long-term contracts. We are developing plans for the future of the Paducah GDP. The factors we are evaluating include SWU supply and demand, the volatility and price of electricity we require, as well as continuing discussions with customers about their future plans given an evolving SWU supply. Our customers have told us that they value diversity of supply. The Megatons to Megawatts program will conclude a highly successful 20-year non-proliferation effort at the end of 2013. Subsequently, the Russians will have the ability to sell up to 20% of U.S. SWU demand directly to U.S. utilities. The French are transitioning to centrifuge-based production in France and expect to end production at their gaseous diffusion plant. Areva also plans to build an enrichment plant in the United States. Urenco has announced expansion of its European enrichment plants and began initial operations at a facility in New Mexico in 2010. We believe our Paducah GDP can continue to be an important source of capacity during this period of market transition but economic power prices beyond the expiration of our current power agreement in May 2012 and sufficient SWU demand to permit efficient operation of the plant will be key factors in evaluating our future plans for the facility.

We continue our efforts to deploy the American Centrifuge technology. In July 2010, we submitted a comprehensive update to our loan guarantee application for the $2 billion in federal loan guarantee authority that remains available under the 2008 solicitation for Front End Nuclear Fuel facilities. In late October 2010, we were informed by DOE that it has largely completed its initial technical review of our application and is proceeding to the next stage of the loan guarantee process. DOE provided us with a draft term sheet that will serve as the framework for discussions with DOE. Completion of due diligence by DOE and negotiation of terms and conditions with DOE are the next steps toward the potential issuance of a conditional commitment and we will be working with DOE to complete those in an expeditious manner.

If we are successful in obtaining a loan guarantee and other financing required to complete the project, the American Centrifuge project could create nearly 8,000 jobs in the United States, with almost half located in Ohio. More detail is provided below in "Overview—American Centrifuge Plant Update."

Our U.S. government contracts segment includes work performed under contract with DOE ("cold shutdown contract") to maintain and prepare the former Portsmouth GDP for decontamination and decommissioning ("D&D"). This work is currently in a state of transition. In August 2010, DOE awarded a contract for the D&D of the Portsmouth GDP to a joint venture between Fluor Corp. and The Babcock & Wilcox Company ("Fluor-B&W Portsmouth LLC"). Due to potential organizational conflicts of interest ("OCI") concerns raised by DOE, we elected not to submit a proposal as a prime contractor for the contract that was awarded to Fluor-B&W Portsmouth LLC and are not a pre-selected subcontractor. Under the contract, Fluor-B&W Portsmouth LLC will serve as the prime contractor for the D&D. DOE has extended the expiration of our cold shutdown contract from September 30, 2010 to January 16, 2011, but this extension has not yet been definitized, meaning, among other things, that the parties have not yet reached an agreement on the amount of the fee to be paid to USEC for the work. The lack of contract definitization can result in delays in our submittal of incurred costs and recovery of fees for work performed. After the expiration of the contract, responsibility for work under our cold shutdown contract will transition to the new D&D contractor. To facilitate the transition, on September 30, 2010, we de-leased three large GDP production buildings and other facilities that we had leased from DOE.

We are seeking the opportunity to perform work as a subcontractor as the D&D project proceeds over the next several years. However, currently there is no extension of our cold shutdown contract past January 16, 2011 in place and the scope and timing of any contract to perform work as a subcontractor is uncertain. USEC also performs other services for DOE at the Portsmouth GDP and the Paducah GDP that will continue after the expiration of the cold shutdown contract. However, even if we are successful in our efforts to perform work at the Portsmouth GDP as a subcontractor to the D&D contractor, we expect that our revenues from U.S. government services will be significantly reduced beginning with the first quarter of 2011. More detail on our U.S. Government Contracts segment is provided below in "Overview – Revenue from U.S. Government Contracts."

Investment by Toshiba and B&W

On September 2, 2010, the first closing of $75 million occurred under the Securities Purchase Agreement (the "Purchase Agreement") dated as of May 25, 2010, between USEC and Toshiba Corporation ("Toshiba") and Babcock & Wilcox Investment Company ("B&W"). At the first closing, Toshiba and B&W purchased 75,000 shares of convertible preferred stock, and warrants to purchase 6.25 million shares of common stock at an exercise price of $7.50 per share, which will be exercisable in the future. The Purchase Agreement provides for a $200 million investment in USEC by Toshiba and B&W over three phases upon the satisfaction at each phase of certain closing conditions. Toshiba and B&W will invest equally in each of the phases in an aggregate amount of $100 million each. We will use the funds for general corporate purposes and for continued investment in the American Centrifuge Plant.

The second phase of the investment is for a total of $50 million and is contingent upon USEC receiving a conditional loan guarantee commitment from DOE, among other closing conditions. The third phase of the investment is for a total of $75 million and is contingent upon the closing of a DOE loan guarantee, as well as other closing conditions including regulatory review and USEC shareholder approval. Additional information about the transactions, including a copy of the Purchase Agreement and other agreements, can be found in the Current Reports on Form 8-K filed by us on May 25, 2010 and on September 2, 2010.

American Centrifuge Manufacturing Joint Venture

In connection with the first closing under the Purchase Agreement, on September 2, 2010, American Centrifuge Holdings, LLC ("ACP Holdings"), a wholly owned subsidiary of USEC, and Babcock & Wilcox Technical Services Group, Inc. ("B&W TSG"), a subsidiary of The Babcock & Wilcox Company, entered into the operating agreement (the "Operating Agreement") for American Centrifuge Manufacturing, LLC ("American Centrifuge Manufacturing"), a manufacturing joint venture. USEC and B&W TSG also agreed on a non-binding term sheet, including pricing, for the supply by American Centrifuge Manufacturing of centrifuges and related equipment for the American Centrifuge project. The Operating Agreement contains conditions to effectiveness that have not yet been satisfied relating to third-party funding for the construction of the American Centrifuge plant and the execution and delivery of agreements contemplated by the non-binding term sheet, including an equipment supply agreement, a guarantee by The Babcock & Wilcox Company supporting American Centrifuge Manufacturing's obligations under the equipment supply agreement, and a long term supply agreement. Once the Operating Agreement becomes effective, American Centrifuge Manufacturing will be owned 55% by ACP Holdings and 45% by B&W TSG.

American Centrifuge Plant Update

We have been building a uranium enrichment plant that uses a highly efficient uranium enrichment gas centrifuge technology that is capable of significantly reducing our electricity usage. The American Centrifuge technology requires 95% less electricity to produce low enriched uranium on a per SWU unit basis. This would significantly reduce both our production costs and our exposure to price volatility for electricity, the largest production cost component of our current gaseous diffusion technology. As of September 30, 2010, we have invested approximately $1.9 billion in the American Centrifuge program, which includes approximately $738 million charged to expense over several years for technology development and demonstration. We have operated centrifuges as part of our lead cascade test program for more than 500,000 machine hours. This experience gives us confidence in the performance of our technology, and provides operating data and expertise to support our loan guarantee application as we transition to commercial operation.

We began construction on the ACP in May 2007 after being issued a construction and operating license by the NRC. In August 2007, we began demonstrating American Centrifuge machines in a cascade configuration. Subsequently, in July 2008, we applied for $2 billion in financing from the DOE Loan Guarantee Program to finance the commercial plant. The DOE Loan Guarantee Program was created by the Energy Policy Act of 2005, and in December 2007, federal legislation authorized funding levels of up to $2 billion for advanced facilities for the front end of the nuclear fuel cycle, which includes uranium enrichment. In August 2009, DOE and USEC announced an agreement to delay a final review of our loan guarantee application. DOE raised a number of technical and financial concerns regarding our loan guarantee application, and we have focused on addressing these concerns during the past year and submitted an update to our application in July 2010. In late October 2010, we were informed by DOE that it has largely completed its initial technical review of our application and is proceeding to the next stage of the loan guarantee process. DOE provided us with a draft term sheet that will serve as the framework for discussions with DOE. Completion of due diligence by DOE and negotiation of terms and conditions with DOE are the next steps toward the potential issuance of a conditional commitment and we will be working with DOE to complete those in an expeditious manner. However, funding under a DOE loan guarantee will only occur following conditional commitment, final documentation and satisfaction of conditions to funding, which are subject to uncertainty.

Due to the uncertainty of funding, beginning in August 2009, we significantly demobilized and reduced construction and machine manufacturing activities in the American Centrifuge project. Because we deferred high-volume machine manufacturing, work at all of our strategic suppliers has been sharply reduced. Over the past year since the project was demobilized, we have worked aggressively to strengthen the project, address the DOE's concerns and attract additional sources of capital. Key actions include:

- Produced detailed updates to project scope, cost and schedule based on close collaboration with our suppliers;
- Submitted an update to our DOE loan guarantee application, incorporating the updated project cost and schedule;
- Closed on the first phase of the $200 million strategic investment by Toshiba and B&W;
- Initiated discussions with Japanese export credit agencies regarding financing a portion of the cost of building the plant;

- Operated our lead cascade of production-ready AC100 machines in a commercial plant cascade configuration and accumulated significant runtime;

- Worked under a March 2010 cooperative agreement with DOE for pro-rata cost sharing support for continued American Centrifuge activities with a total estimated cost of $90 million, including continued operation of the AC100 cascade, manufacturing of additional AC100 centrifuge machines, and refinement to the rotor tube manufacturing process in preparation for full, high-rate production;

- Refurbished machine positions in the area used for the initial lead cascade with upgraded control systems and instrumentation in preparation for installation of additional AC100 machines during the next several months, which will demonstrate improvements, provide additional data and accumulate additional operating hours; and

- Continued machine technology development in Oak Ridge in support of lead cascade testing, value engineering and increasing machine productivity.

We have also restarted limited engineering work on portions of the physical plant infrastructure to facilitate the ramp up of construction activities in the future. In 2011, we expect to continue assembling and operating AC100 machines in our lead cascade program that reflect improvements identified in prior testing. These machines are expected to support our target production level of approximately 350 SWU per machine, per year.

We need additional financing to complete plant construction, and we have reduced the scope of project activities that were underway in 2009 until we have that financing. We do not believe public market financing for a large capital project deploying innovative technology such as American Centrifuge is available given current financial market conditions. We believe a loan guarantee under the DOE Loan Guarantee Program is essential to raising the capital needed to complete the American Centrifuge Plant. In addition, to complete the project, USEC will require additional capital beyond the $2 billion DOE loan guarantee, proceeds from the investment from Toshiba and B&W, and internally generated cash flow. In order to obtain a DOE loan guarantee, we will need to demonstrate that sufficient capital is available to complete the project. We have initiated discussions with Japanese export credit agencies regarding financing a portion of the cost of building the plant. Their willingness to provide financing is closely tied with our obtaining a DOE loan guarantee. We have no assurance that we will be successful in obtaining any or all of the financing we are seeking.

We have been working with our suppliers to update the scope, cost and schedule to build the ACP. In August 2010, we announced our estimated cost of approximately $2.8 billion to complete the American Centrifuge project from the point of closing on financing. This estimate includes AC100 machine manufacturing and assembly, engineering, procurement and construction ("EPC") costs and related balance-of-plant work, start-up and initial operations, and project management. We believe we have reduced significant risk in the American Centrifuge project since our initial baseline project budget in 2008 and our new cost estimate is based on a significantly more mature project scope.

The $2.8 billion estimate is a go-forward cost estimate and does not include our investment to date, spending from now until closing on financing needed to complete the plant, overall project contingency, financing costs or financial assurance. Until potential financial closing, we expect to continue to invest at a rate consistent with our anticipated spending indicated in our outlook for the remainder of 2010, while taking into account our anticipated cash flow from operations and other available liquidity. We are currently evaluating the appropriate level for the overall project contingency taking into account the level of risk given the maturity of the project. We are also evaluating the financing costs and financial assurance required for the project, which will be affected by, among other things, the overall financing plan for the project, the amount of the credit subsidy cost for any DOE loan guarantee, and the amount and sources of the additional financing we need to complete the project. We continue to work with suppliers to refine our estimates and seek reductions in the project cost.

With respect to schedule, we anticipate it will require 18 to 24 months to begin initial commercial operations upon receiving financing to complete the plant. We also anticipate that it will require 30 to 36 months to complete the plant after initial commercial operations. We continue to work with our EPC contractor and suppliers to reduce the deployment schedule for the ACP.

Continued deployment of the ACP remains subject to available liquidity, limitations in our credit facility on spending on the ACP, our willingness to invest further in the project absent funding commitments to complete the project, our ability to obtain a DOE loan guarantee and additional capital, other risks related to the deployment of the ACP, and the negative impact of delays or a termination of the ACP on our business and prospects described in the risk factors in Item 1A of this report and of our 2009 Annual Report on Form 10-K.

Revenue from Sales of SWU and Uranium

Revenue from our LEU segment is derived primarily from:

- sales of the SWU component of LEU,
- sales of both the SWU and uranium components of LEU, and
- sales of uranium.

The majority of our customers are domestic and international utilities that operate nuclear power plants, with international sales constituting 34% of revenue from our LEU segment in 2009. Our agreements with electric utilities are primarily long-term, fixed-commitment contracts under which our customers are obligated to purchase a specified quantity of SWU from us or long-term requirements contracts under which our customers are obligated to purchase a percentage of their SWU requirements from us. Under requirements contracts, a customer only makes purchases when its reactor has requirements for additional fuel. Our agreements for uranium sales are generally shorter-term, fixed-commitment contracts.

Our revenues and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year. Revenue is recognized at the time LEU or uranium is delivered under the terms of contracts with domestic and international electric utility customers. Customer demand is affected by, among other things, reactor operations, maintenance and the timing of refueling outages. Utilities typically schedule the shutdown of their reactors for refueling to coincide with the low electricity demand periods of spring and fall. Thus, some reactors are scheduled for annual or two-year refuelings in the spring or fall, or for 18-month cycles alternating between both seasons.

Customer payments for the SWU component of LEU typically average approximately $15 to $20 million per order. As a result, a relatively small change in the timing of customer orders for LEU due to a change in a customer's refueling schedule may cause operating results to be substantially above or below expectations. Customer requirements and orders are more predictable over the longer term, and we believe our performance is best measured on an annual, or even longer, business cycle. Our revenue could be adversely affected by actions of the NRC or nuclear regulators in foreign countries issuing orders to modify, delay, suspend or shut down nuclear reactor operations within their jurisdictions.

Customer orders that are related to their requirements for enrichment may be delayed due to outages, changes in refueling schedules or delays in the initial startup of a reactor. In addition, in order to enhance our liquidity and manage our working capital in light of anticipated sales and inventory levels, we work periodically with customers regarding the timing of their orders, including advancement. As our customers have purchased more of their SWU supply under long-term contracts due to the transition to centrifuge-based supply and the uncertainty of supply during this transition, USEC has advanced orders rather than sell material into a spot market that has little near-term uncommitted demand. Most of these orders have been advanced within a calendar year. However, some orders have advanced from 2011 into 2010. Based on our outlook for demand, we expect to continue to work with customers to advance orders. If customers agree to advance orders without delivery, a sale is recorded as deferred revenue. Alternatively, if customers agree to advance orders and delivery, revenue would be recorded in an earlier than originally anticipated period. The advancement of orders will have the effect of accelerating our receipt of cash from such advanced sales, although the amount of cash we receive from such sales may be reduced as a result of the terms mutually agreed with customers in connection with advancement. However, this could have the effect of reducing backlog and revenues in future years if we do not replace these orders with additional sales. Looking a few years out, we expect an increase in uncommitted demand that could provide the opportunity to make additional near-term sales in those years to supplement our backlog and thus decrease the need to advance orders in the future. Our ability to advance orders depends on the willingness of our customers to agree to advancement on terms that we find acceptable.

Our financial performance over time can be significantly affected by changes in prices for SWU and uranium. The long-term SWU price indicator, as published by TradeTech, LLC in *Nuclear Market Review*, is an indication of base-year prices under new long-term enrichment contracts in our primary markets. Since our backlog includes contracts awarded to us in previous years, the average SWU price billed to customers typically lags behind the current price indicators by several years. Following are TradeTech's long-term SWU price indicator, the long-term price for uranium hexafluoride ("UF_6"), as calculated by USEC using indicators published in *Nuclear Market Review*, and TradeTech's spot price indicator for UF_6:

	September 30, 2010	December 31, 2009	September 30, 2009
Long-term SWU price indicator ($/SWU)	$ 160.00	$ 165.00	$ 165.00
UF_6:			
Long-term price composite ($/KgU)	175.00	167.77	181.59
Spot price indicator ($/KgU)	135.00	120.00	117.00

A substantial portion of our earnings and cash flows in recent years has been derived from sales of uranium, including uranium generated by underfeeding the production process at the Paducah GDP. We may also purchase uranium from suppliers in connection with specific customer contracts, as we have in the past. Underfeeding is a mode of operation that uses or feeds less uranium but requires more SWU in the enrichment process, which requires more electric power. In producing the same amount of LEU, we vary our production process to underfeed uranium based on the economics of the cost of electric power relative to the prices of uranium and enrichment, resulting in excess uranium that we can sell. We expect uranium sales to have less of an impact on earnings going forward. Our average unit cost for uranium inventory has risen over the past several years as production costs are allocated to uranium from underfeeding based on its net realizable value. We will continue to monitor and optimize the economics of our production based on the cost of power and market conditions for SWU and uranium.

We supply uranium to the Russian Federation for the LEU we receive under the Russian Contract. We replenish our uranium inventory with uranium supplied by customers under our contracts for the sale of SWU and through underfeeding our production process.

Under the terms of many uranium sale agreements, title to uranium is transferred to the customer and we receive payment under normal credit terms without physically delivering the uranium to the customer. The recognition of revenue and earnings for such uranium sales is deferred until LEU associated with such uranium is physically delivered to the customer rather than at the time title to uranium transfers to the customer. The timing of revenue recognition for uranium sales is uncertain.

Revenue from U.S. Government Contracts

We perform and earn revenue from contract work for DOE and DOE contractors at the Paducah and Portsmouth GDPs, including a contract for surveillance, maintenance and deactivation ("cold shutdown") work at the Portsmouth GDP to prepare it for decontamination and decommissioning ("D&D") work in future years. Continuation of U.S. government contracts is subject to DOE funding and Congressional appropriations. Revenue from cold shutdown work comprised 74% of revenue for the U.S. government contracts segment in the nine months ended September 30, 2010. As detailed above in "Overview—Our View of the Business Today," this work is currently in a state of transition and we expect that our revenues from U.S. government services will be significantly reduced beginning with the first quarter of 2011 as the responsibility for work under our cold shutdown contract will transition to the new D&D contractor. This impact will be more significant if we are not able to obtain work as a subcontractor and extend work we currently perform providing infrastructure and support services to the site tenants.

DOE is funding work under the cold shutdown contract in part through an arrangement whereby DOE transfers to us uranium which we immediately sell. We have completed five competitive sales of uranium that will fund a portion of the work through the end of 2010. USEC's receipt of the uranium is not considered a purchase by us and no revenue or cost of sales is recorded upon its sale. This is because we have no significant risks or rewards of ownership and no potential profit or loss related to the uranium sale. The amount of work to be provided, and therefore the total value of the contract modification, is dependent on the net value of the uranium realized by USEC upon each sale. Net value of the uranium equals the cash proceeds from sales less USEC's selling and handling costs. The net value from the uranium sale is recorded as deferred revenue. Revenue is recognized in our U.S. government contracts segment as cold shutdown services are provided.

Revenue from U.S. government contracts is based on allowable costs for work performed as determined under government cost accounting standards. Allowable costs include direct costs as well as allocations of indirect plant and corporate overhead costs and are subject to audit by the Defense Contract Audit Agency ("DCAA"). Also refer to "DOE Contract Services Matter" in note 14 to the consolidated condensed financial statements. Revenue from the U.S. government contracts segment includes revenue from our subsidiary NAC International Inc. ("NAC").

From January 2006 through December 2009, DOE had only approved provisional billing rates based on 2006 budgetary estimates even though updated provisional rates had been submitted based on more current information. We have finalized and submitted to DOE Incurred Cost Submissions for Portsmouth and Paducah GDP contract work for the six months ended December 31, 2002 and the years ended December 31, 2003, 2004, 2005, 2006, 2007, 2008 and 2009. Based on the results of our Incurred Cost Submissions for those years, we believe that additional amounts can be billed and revenue of approximately $2.3 million may be recognizable. There is also the potential for additional revenue to be recognized related to our valuation allowances pending the outcome of DCAA audits and DOE reviews. However, because these periods have not been audited, uncertainty exists and we have not yet recognized this additional revenue.

As a part of performing contract work for DOE, certain contractual issues, scope of work uncertainties, and various disputes arise from time to time. Issues unique to USEC can arise as a result of our history of being privatized from the U.S. government and our lease and other contracts with DOE. We bill certain pension and postretirement benefit costs to DOE pursuant to an advance agreement with DOE that addresses issues unique to USEC's privatization. In response to an issue raised by DOE's Contracting Officer, during the second quarter of 2010, we and DOE agreed to certain adjustments to the actuarial calculations of the pension cost we previously claimed, which had the effect of reducing the potential unrecognized revenue related to our Incurred Cost Submissions described above from $8.8 million at December 31, 2009 to $2.3 million. Although we believed that DOE was in agreement with these adjustments, further DOE inquiries have been made since the second quarter and we have responded, but certain amounts remain unpaid.

In addition to the amount mentioned above of potential unrecognized revenue that has not been billed, $31.2 million of unbilled receivables have been recorded and $6.5 million of past due receivables related directly to DOE or DOE contractors remain on our consolidated balance sheet as of September 30, 2010.

Cost of Sales

Cost of sales for SWU and uranium is based on the amount of SWU and uranium sold and delivered during the period and is determined by a combination of inventory levels and costs, production costs, and purchase costs. We produce about one-half of our SWU supply at the Paducah GDP. Production costs consist principally of electric power, labor and benefits, long-term depleted uranium disposition cost estimates, materials, depreciation and amortization, and maintenance and repairs. The quantity of uranium that is added to uranium inventory from underfeeding is accounted for as a byproduct of the enrichment process. Production costs are allocated to the uranium added to inventory based on the net realizable value of the uranium, and the remainder of production costs is allocated to SWU inventory costs. Under the monthly moving average inventory cost method that we use, an increase or decrease in production or purchase costs will have an effect on inventory costs and cost of sales over current and future periods.

We purchase about one-half of our SWU supply under the Russian Contract. We have agreed to purchase approximately 5.5 million SWU each calendar year for the remaining term of the Russian Contract through 2013. Prices are determined using a discount from an index of international and U.S. price points, including both long-term and spot prices, as well as other pricing elements. The pricing methodology, which includes a multi-year retrospective view of market-based price points, is intended to enhance the stability of future pricing and minimize the disruptive effect of short-term market price swings. The price per SWU under the Russian Contract for 2010 is 8% higher compared to 2009. Officials of the Russian government have indicated that Russia will not extend the Russian Contract under the government-to-government agreement beyond 2013. Accordingly, at this time we do not anticipate that we will purchase Russian SWU under the Megatons to Megawatts program after 2013. Given the success of the Megatons to Megawatts program, we believe that there could be the potential for future cooperation. However, the timing and prospects of any future cooperation are uncertain.

We provide for the remainder of our supply mix from the Paducah GDP. The gaseous diffusion process uses significant amounts of electric power to enrich uranium. Costs for electric power are approximately 70% of production costs at the Paducah GDP. We purchase most of the electric power for the Paducah GDP under a power purchase agreement with the Tennessee Valley Authority ("TVA") that expires May 31, 2012. Under the terms of our contract with TVA, beginning September 1, 2010, we began to buy 1,650 megawatts instead of the 2,000 megawatts we had been purchasing in non-summer months since 2007. The reduction in power purchased should not negatively affect plant efficiency. In addition, we continue to evaluate our TVA load profile and production requirements through the end of the contract period with a goal of optimizing power purchases and decreasing our exposure to TVA fuel cost volatility. The base price under the TVA power contract increases moderately based on a fixed, annual schedule, and is subject to a fuel cost adjustment provision to reflect changes in TVA's fuel costs, purchased-power costs, and related costs. The impact of the fuel cost adjustment has imposed an average increase over base contract prices of about 9% in the nine months ended September 30, 2010, compared to annual amounts of 6% in 2009, 15% in 2008 and 8% in 2007. Fuel cost adjustments in a given period are based in part on TVA's estimates as well as revisions of estimates for electric power delivered in prior periods. The impact of future fuel cost adjustments, which are substantially influenced by coal and purchased-power prices and hydroelectric power availability, is uncertain and our cost of power could fluctuate in the future above or below the agreed increases in the base energy price. We expect the fuel cost adjustment to continue to cause our purchase cost to remain above base contract prices, but the extent of the impact is uncertain given volatile energy prices and electricity demand.

We store depleted uranium generated from our operations at the Paducah and Portsmouth GDPs and accrue estimated costs for its future disposition. Under federal law, we have the option to send our depleted uranium to DOE for disposition, but are continuing to explore a number of competitive alternatives. DOE has constructed new facilities at the Paducah and Portsmouth GDPs to process large quantities of depleted uranium owned by DOE. Operations have commenced at the Portsmouth facility in a test environment. If we were to dispose of our depleted uranium with DOE, we would be required to reimburse DOE for the related costs of disposing of our depleted uranium, including our pro rata share of DOE's capital costs. Processing DOE's depleted uranium is expected to take about 25 years. The timing of the disposal of our depleted uranium has not been determined. The long-term liability for depleted uranium disposition is dependent upon the volume of depleted uranium that we generate and estimated processing, transportation and disposal costs. Our estimate of the unit disposal cost is based primarily on estimated cost data obtained from DOE without consideration given to contingencies or reserves. The NRC requires that we guarantee the disposition of our depleted uranium with financial assurance (refer to "Liquidity and Capital Resources – Financial Assurance and Related Liabilities"). Our estimate of the unit disposition cost for accrual purposes is approximately 30% less than the unit disposition cost for financial assurance purposes, which includes contingencies and other potential costs as required by the NRC. Our estimated cost and accrued liability, as well as financial assurance we provide for the disposition of depleted uranium, are subject to change as additional information becomes available.

Advanced Technology Costs – American Centrifuge

Costs relating to the American Centrifuge technology are charged to expense or capitalized based on the nature of the activities and estimates and judgments involving the completion of project milestones. Costs relating to the demonstration of American Centrifuge technology are charged to expense as incurred. Demonstration costs historically have included NRC licensing of the American Centrifuge Demonstration Facility in Piketon, Ohio, engineering activities, and assembling and testing of centrifuge machines and equipment at centrifuge test facilities located in Oak Ridge, Tennessee and at the American Centrifuge Demonstration Facility.

Significant reductions in expenditures related to American Centrifuge technology for the nine months ended September 30, 2010, compared to 2009, reflect the demobilization of the American Centrifuge project in the latter half of 2009. Cumulative expenditures as of September 30, 2010, as well as in the nine-month periods, follow (in millions):

	Nine Months Ended September 30,		Cumulative as of September 30,
	2010	2009	2010
Amount expensed (A)	$ 78.6	$ 93.4	$ 738.2
Amount capitalized (B)	91.4	327.2	1,139.7
Total ACP expenditures, including accruals (C)	**$ 170.0**	**$ 420.6**	**$ 1,877.9**

(A)Expense included as part of Advanced Technology Costs.

(B)Amounts capitalized as part of property, plant and equipment total $1,086.4 million as of September 30, 2010, including capitalized interest of $68.4 million. Prepayments to suppliers for services not yet performed totaled $34.1 million as of September 30, 2010.

(C)Total ACP expenditures are all American Centrifuge costs including, but not limited to, demonstration facility, licensing activities, commercial plant facility, program management, interest related costs and accrued asset retirement obligations capitalized. This includes $9.5 million of accruals at September 30, 2010.

Capitalized costs relating to the American Centrifuge technology include NRC licensing of the American Centrifuge Plant, engineering activities, construction of AC100 centrifuge machines and equipment, process and support equipment, leasehold improvements and other costs directly associated with the commercial plant. Capitalized centrifuge costs are recorded in property, plant and equipment, primarily as part of construction work in progress. Of the costs capitalized to date, approximately 60% relate to the American Centrifuge Plant in Piketon, Ohio and 40% relate to machine manufacturing and assembly efforts primarily occurring in Oak Ridge, Tennessee.

Deferred financing costs, net, includes approximately $2.0 million for costs related to the DOE Loan Guarantee Program, such as loan guarantee application fees paid to DOE and third-party costs. Deferred financing costs related to the DOE Loan Guarantee Program will be amortized over the life of the loan or, if USEC does not receive a loan, charged to expense.

The continued capitalization of American Centrifuge costs is subject to ongoing review and successful project completion. If conditions change and deployment were no longer probable, costs that were previously capitalized would be charged to expense.

As previously discussed under "– Overview – American Centrifuge Plant Update," DOE and USEC announced in August 2009 an agreement to delay a final review of our loan guarantee application. Since that time, we significantly demobilized and reduced construction and machine manufacturing activities in the American Centrifuge project and have worked to address the technical and financial concerns raised by DOE. We submitted an update to our application in July 2010 and in late October 2010, we were informed by DOE that it has largely completed its initial technical review of our application and is proceeding to the next stage of the loan guarantee process. DOE provided us with a draft term sheet that will serve as the framework for discussions with DOE. Completion of due diligence by DOE and negotiation of terms and conditions with DOE are the next steps toward the potential issuance of a conditional commitment and we will be working with DOE to complete those in an expeditious manner. In parallel, we continue limited manufacturing, assembling and operating of centrifuge machines in the lead cascade test program and ongoing development efforts. Based on a probability-weighted analysis, we believe that future cash flows from the ACP will exceed our capital investment. Since we believe our capital investment is fully recoverable, no impairment for costs previously capitalized is anticipated at this time. We will continue to evaluate this assessment as conditions change.

For a discussion regarding financing for the American Centrifuge project, see "Management's Discussion and Analysis – Liquidity and Capital Resources." Risks and uncertainties related to the financing, construction and deployment of the American Centrifuge Plant are described in Item 1A, "Risk Factors" of this report and our 2009 Annual Report on Form 10-K.

Advanced Technology Costs – MAGNASTOR™

Advanced technology costs also include research and development efforts undertaken for NAC, relating primarily to its new generation MAGNASTOR dual-purpose dry storage system for spent fuel. In February 2009, MAGNASTOR was added to the NRC's list of dry storage casks approved for use under a general license. MAGNASTOR has the largest storage capacity of any cask system approved to date. NAC continues to seek license amendments for the expanded use of the technology and expects to submit a license application for the MAGNASTOR transportation cask system, MAGNATRAN™, later this year.

Results of Operations – Three and Nine Months Ended September 30, 2010 and 2009

Segment Information

We have two reportable segments measured and presented through the gross profit line of our income statement: the LEU segment with two components, SWU and uranium, and the U.S. government contracts segment. The LEU segment is our primary business focus and includes sales of the SWU component of LEU, sales of both SWU and uranium components of LEU, and sales of uranium. The U.S. government contracts segment includes work performed for DOE and its contractors at the Portsmouth and Paducah GDPs, as well as nuclear energy services and technologies provided by NAC. Intersegment sales between our reportable segments were less than $0.1 million in each period presented below and have been eliminated in consolidation.

The following table presents elements of the accompanying consolidated condensed statements of operations that are categorized by segment (dollar amounts in millions):

	Three Months Ended September 30,			
	2010	2009	Change	%
LEU segment				
Revenue:				
SWU revenue	$ 404.2	$ 467.0	$ (62.8)	(13)%
Uranium revenue	79.3	26.2	53.1	203%
Total	483.5	493.2	(9.7)	(2)%
Cost of sales	451.4	461.3	9.9	2%
Gross profit	$ 32.1	$ 31.9	$ 0.2	1%
U.S. government contracts segment				
Revenue	$ 81.1	$ 56.1	$ 25.0	45%
Cost of sales	75.2	48.8	(26.4)	(54)%
Gross profit	$ 5.9	$ 7.3	$ (1.4)	(19)%
Total				
Revenue	$ 564.6	$ 549.3	$ 15.3	3%
Cost of sales	526.6	510.1	(16.5)	(3)%
Gross profit	$ 38.0	$ 39.2	$ (1.2)	(3)%

	Nine Months Ended September 30,			
	2010	2009	Change	%
LEU segment				
Revenue:				
SWU revenue	$ 1,001.8	$ 1,266.2	$ (264.4)	(21)%
Uranium revenue	164.5	150.2	14.3	10%
Total	1,166.3	1,416.4	(250.1)	(18)%
Cost of sales	1,077.2	1,268.1	190.9	15%
Gross profit	$ 89.1	$ 148.3	$ (59.2)	(40)%
U.S. government contracts segment				
Revenue	$ 202.7	$ 152.8	$ 49.9	33%
Cost of sales	183.0	142.3	(40.7)	(29)%
Gross profit	$ 19.7	$ 10.5	$ 9.2	88%
Total				
Revenue	$ 1,369.0	$ 1,569.2	$ (200.2)	(13)%
Cost of sales	1,260.2	1,410.4	150.2	11%
Gross profit	$ 108.8	$ 158.8	$ (50.0)	(31)%

Revenue

The volume of SWU sales declined 17% in the three months and 24% in the nine months ended September 30, 2010, compared to the corresponding periods in 2009, reflecting the variability in timing of utility customer orders. The average price billed to customers for sales of SWU increased 4% in both the three and nine months ended September 30, 2010, compared to the corresponding periods in 2009, reflecting the particular contracts under which SWU were sold during the periods as well as the general trend of higher prices under contracts signed in recent years.

The volume of uranium sold increased 273% in the three months and 33% in the nine months ended September 30, 2010 compared to the corresponding periods in 2009. The average price declined 19% in the three-month period and 18% in the nine-month period. Sales volumes reflect the timing of customer orders and average prices reflect the particular price mix of contracts under which uranium was sold.

Revenue from the U.S. government contracts segment increased $25.0 million in the three months and $49.9 million in the nine months ended September 30, 2010, compared to the corresponding periods in 2009, primarily due to additional cold shutdown services performed at the Portsmouth GDP and contract fee recognition on certain contracts.

Cost of Sales

Cost of sales for the LEU segment declined $9.9 million in the three months and $190.9 million in the nine months ended September 30, 2010, compared to the corresponding periods in 2009, primarily due to lower SWU sales volumes.

Cost of sales per SWU was 3% higher in the three months ended September 30, 2010 compared to the corresponding period in 2009. Cost of sales was reduced by $2.2 million in the third quarter of 2010 due to a net reduction in projected lease turnover costs resulting from the return of certain Portsmouth GDP facilities to DOE in September 2010. Excluding the effect of this change in estimate, cost of sales per SWU was 4% higher in the three months ended September 30, 2010 compared to the corresponding period in 2009.

Cost of sales per SWU was 4% higher in the nine months ended September 30, 2010 compared to the corresponding period in 2009. Cost of sales and other long-term liabilities were reduced by $7.8 million in the second quarter of 2010 due to a change in estimate of our share of future demolition and severance costs for a power plant that was built to supply power to the Paducah GDP. DOE is obligated to pay the owner/operator of the plant a portion of such costs (net of salvage credits including the value of land) and we are obligated under our lease agreement with DOE to fund such payments except for portions attributable to power consumed by DOE. In addition, there was a charge to cost of sales of $11.4 million in the second quarter of 2009 for an increase in the estimated unit disposal cost of depleted uranium. Excluding the effects of these changes and the $2.2 million reduction in lease turnover costs described above, cost of sales per SWU was 6% higher in the nine months ended September 30, 2010 compared to the corresponding period in 2009.

Under our monthly moving average cost method, new production and acquisition costs are averaged with the cost of inventories at the beginning of the period. An increase or decrease in production or purchase costs will have an effect on inventory costs and cost of sales over current and future periods. Production costs are also allocated to uranium from underfeeding based on its net realizable value, and the remainder is allocated to SWU inventory costs.

In the nine months ended September 30, 2010, production costs increased $3.6 million (or 1%) and production volume increased 2% compared to the corresponding period in 2009. The cost of electric power increased by $4.5 million (or 1%) in the nine-month period due to a 1% increase in the average cost per megawatt hour.

We purchase approximately 5.5 million SWU per year under the Russian Contract. Purchase costs for the SWU component of LEU under the Russian Contract declined $17.6 million in the nine months ended September 30, 2010 compared to the corresponding period in 2009, reflecting decreased volume due to the timing of deliveries partially offset by an 8% increase in the market-based unit purchase cost.

Cost of sales for the U.S. government contracts segment increased $26.4 million in the three months and $40.7 million in the nine months ended September 30, 2010, compared to the corresponding periods in 2009, primarily due to additional cold shutdown services performed at the Portsmouth GDP.

Gross Profit

Gross profit declined $1.2 million in the three months ended September 30, 2010 compared to the corresponding period in 2009. Our gross profit margin was 6.7% in the three months ended September 30, 2010, compared to 7.1% in the corresponding period in 2009. Gross profit for the LEU segment increased $0.2 million in the three-month period due to the higher average SWU selling price and the increase in uranium sales volume, offset by the lower average uranium selling price and higher unit costs for both SWU and uranium.

Gross profit declined $50.0 million in the nine months ended September 30, 2010 compared to the corresponding period in 2009. Our gross profit margin was 7.9% in the nine months ended September 30, 2010, compared to 10.1% in the corresponding period in 2009. Gross profit for the LEU segment declined $59.2 million in the nine-month period due to higher unit costs for SWU and uranium and the lower average uranium selling price, partially offset by the higher average SWU selling price.

Gross profit for the U.S. government contracts segment declined $1.4 million in the three months and increased $9.2 million in the nine months ended September 30, 2010, compared to the corresponding period in 2009, reflecting contract fee recognition on certain contracts on a year to date basis.

Non-Segment Information

The following table presents elements of the accompanying consolidated condensed statements of operations that are not categorized by segment (dollar amounts in millions):

	Three Months Ended September 30,			
	2010	**2009**	**Change**	**%**
Gross profit	$ 38.0	$ 39.2	$ (1.2)	(3)%
Special charge for workforce reduction	-	2.5	2.5	100%
Advanced technology costs	28.6	31.7	3.1	10%
Selling, general and administrative	14.0	14.0	-	-
Other (income)	(12.4)	-	12.4	-
Operating income (loss)	7.8	(9.0)	16.8	187%
Preferred stock issuance costs	4.8	-	(4.8)	-
Interest expense	0.3	0.2	(0.1)	(50)%
Interest (income)	(0.2)	(0.2)	-	-
Income (loss) before income taxes	2.9	(9.0)	11.9	132%
Provision (benefit) for income taxes	1.9	(2.8)	(4.7)	(168)%
Net income (loss)	**$ 1.0**	**$ (6.2)**	**$ 7.2**	116%

	Nine Months Ended September 30,			
	2010	2009	Change	%
Gross profit	$ 108.8	$ 158.8	$ (50.0)	(31)%
Special charge for workforce reduction	-	2.5	2.5	100%
Advanced technology costs	80.3	93.8	13.5	14%
Selling, general and administrative	43.4	45.1	1.7	4%
Other (income)	(32.4)	-	32.4	-
Operating income	17.5	17.4	0.1	1%
Preferred stock issuance costs	4.8	-	(4.8)	-
Interest expense	0.4	1.0	0.6	60%
Interest (income)	(0.4)	(1.2)	(0.8)	(67)%
Income before income taxes	12.7	17.6	(4.9)	(28)%
Provision for income taxes	14.2	8.6	(5.6)	(65)%
Net income (loss)	**$ (1.5)**	**$ 9.0**	**$ (10.5)**	(117)%

Special Charge for Workforce Reduction

In August 2009, DOE and USEC agreed to delay a final review of the USEC's loan guarantee application for the American Centrifuge Plant in Piketon, Ohio. As a result, we began to demobilize the American Centrifuge project in order to preserve liquidity. A workforce reduction of 93 employees was substantially completed by September 2009, resulting in a special charge of $2.5 million for one-time termination benefits consisting of severance payments and short-term health care coverage.

Advanced Technology Costs

Advanced technology costs declined $3.1 million in the three months and $13.5 million in the nine months ended September 30, 2010, compared to the corresponding period in 2009, reflecting the demobilization of the American Centrifuge project in the latter half of 2009.

Advanced technology costs include expenses by NAC to develop and expand its MAGNASTOR storage and transportation technology of $1.7 million in the nine months ended September 30, 2010 and $0.4 million in the corresponding period of 2009.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses were flat in the three months and $1.7 million lower in the nine months ended September 30, 2010, compared to the corresponding periods in 2009. Consulting expenses declined $0.9 million in the three-month period and $3.9 million in the nine-month period. Stock-based compensation decreased $0.1 million in the three-month period and increased $0.3 million in the nine-month period. Salaries, other cash-based compensation, and employee benefits increased $1.2 million in the three months and $2.9 million in nine months ended September 30, 2010, compared to the corresponding periods in 2009.

Other (Income)

We reached a cooperative agreement with DOE in March 2010 to provide for pro-rata cost sharing support for continued funding of American Centrifuge activities with a total estimated cost of $90 million. DOE has made $45 million available by taking the disposal obligation for a specific quantity of depleted uranium from USEC, which released encumbered funds for investment in the American Centrifuge technology that USEC had otherwise committed to future depleted uranium disposition obligations. In July 2010, surety bonds and related deposits were reduced, and USEC received the $45 million in cash. In the nine months ended September 30, 2010, USEC made qualifying American Centrifuge expenditures of $64.8 million. DOE's pro-rata share of 50%, or $32.4 million, is recognized as other income in the nine months ended September 30, 2010, including $12.4 million in the three months ended September 30, 2010.

Preferred Stock Issuance Costs

Issuance costs of $4.8 million related to the investment by Toshiba and B&W were expensed in the quarter ended September 30, 2010. The issuance costs were expensed in the period of issuance, rather than deferred and amortized, since the preferred stock is classified as a liability and recorded at fair value.

Interest Expense and Interest Income

Interest expense increased $0.1 million in the three months ended September 30, 2010, and declined $0.6 million in the nine-month period, compared to the corresponding periods in 2009. Interest capitalized for American Centrifuge increased from $17.0 million in the nine months ended September 30, 2009 to $20.5 million in the nine months ended September 30, 2010, or an increase of $3.5 million in interest that was not expensed as a period cost.

Interest income was flat in the three months and declined $0.8 million in the nine months ended September 30, 2010, compared to the corresponding periods in 2009, reflecting lower interest rates and average cash balances.

Provision for Income Taxes

The income tax provision was $1.9 million in the three months and $14.2 million in the nine months ended September 30, 2010. The provision for the nine-month period included a one-time charge of $6.5 million related to the change in tax treatment of Medicare Part D reimbursements as a result of the Patient Protection and Affordable Care Act as modified by the Reconciliation Act of 2010 (collectively referred to as "the Act") signed into law at the end of March, 2010. The charge was due to a reduction in the Company's deferred tax asset as a result of a change to the tax treatment of Medicare Part D reimbursements. Under the Act, the tax-deductible prescription drug costs will be reduced by the amount of the federal subsidy. Under Financial Accounting Standards Board guidance, the effect of changes in tax laws or rates on deferred tax assets and liabilities is reflected in the period that includes the enactment date, even though the changes may not be effective until future periods. The provision for the nine-month period also included a $0.3 million benefit for the reversal of previously accrued amounts associated with liabilities for unrecognized benefits and a $0.9 million benefit primarily attributable to 2009 research credit adjustments resulting from a study completed in the third quarter of 2010.

Excluding the impact of the Act, the reversal of previously accrued amounts associated with liabilities for unrecognized benefits, and the adjustment for the 2009 research credit, the overall effective tax rate for 2010 is expected to be 70%. The overall effective tax rate for 2009 was 38%. The increase in the overall effective tax rate is primarily due to a decrease in the federal research credit that expired after 2009, a decrease in expected 2010 income before income taxes compared to 2009, and the non-deductible dividends and issuance costs associated with the Toshiba and B&W investment in the third quarter of 2010. Although we are uncertain if or when the federal research credit will be extended, if it is extended in 2010, we would expect to record an income tax benefit for the federal research credit in an amount in excess of $2 million. Furthermore, the impact of state income taxes on the effective rate increased from 4% to 13% even though the amount of state tax expense is less than the prior year and the rate differential is due to a larger decrease in the overall provision for income taxes as compared to state income taxes from the prior year.

Net Income (Loss)

Net income increased $7.2 million (or $0.07 per share–basic and diluted) in the three months ended September 30, 2010, compared with the corresponding period in 2009, reflecting the after-tax effects of DOE's pro-rata cost sharing for continued ACP activities and reduced advanced technology expenses, partially offset by the after-tax effect of preferred stock issuance costs.

Net income declined $10.5 million (or $0.09 per share–basic and $0.07 per share–diluted) in the nine months ended September 30, 2010, compared with the corresponding period in 2009, reflecting the after-tax effects of lower unit gross profits in the LEU segment and preferred stock issuance costs, and the tax provision charge of $6.5 million in the first quarter of 2010 related to the effect of changes in tax laws on our deferred tax assets, partially offset by the after-tax effects of an increase in gross profits in the government contracts segment, other income resulting from DOE's pro-rata cost sharing for continued ACP activities, and reduced advanced technology expenses.

2010 Outlook Update

Based on the financial results of the first nine months of 2010, our view of the anticipated spending pattern for the American Centrifuge project, and our outlook for results for the remainder of the year, we are providing the following earnings and cash flow guidance for full-year 2010.

We expect revenue for 2010 of approximately $2 billion, with revenue from SWU sales expected to be roughly $1.5 billion. This assumes a 3% increase in the average price billed to customers offset by a 9% decrease in SWU volume compared to 2009. Revenue from the sale of uranium is expected to be approximately $200 million dollars. Uranium revenue can be volatile due to deferral of revenue recognition until the uranium sold and delivered is used as the uranium component of LEU. We expect revenue from the U.S. government contracts segment of approximately $275 million. The revenue guidance reflects a modest increase in SWU volumes from our prior guidance, offset by reductions in uranium and U.S. government contracts revenue.

Electric power continues to be the major driver in our cost of sales. Electricity is expected to be about 70% of the cost of SWU production for 2010. Beginning September 1, 2010, we reduced the amount of power we purchase in the non-summer months by 17.5% to 1650 megawatts under our power agreement with TVA. In addition, market-based power purchased during the summer of 2010 was less expensive than our initial forecast, but the fuel cost adjustment in the TVA contract has increased during 2010 and has added 9% to the base rate through September 30, 2010. We produce approximately half of our SWU supply and purchase half from Russia under the Megatons to Megawatts program. Purchases from Russia have cost 8% more in 2010 compared to the previous year.

We use the monthly moving average inventory cost methodology, and our cost of sales continues to reflect higher production and purchase costs rolling through our inventory. These costs have risen at a higher rate than our average price billed to customers, which has caused our gross profit margin to decline over the past three years. We currently anticipate our gross profit margin for 2010 will be approximately 7%.

Spending in 2010 on the American Centrifuge project that is expensed is expected to be approximately $110 million. A cost-sharing arrangement reached with DOE to offset a portion of our American Centrifuge activities provides $45 million under "other income." Also below the gross profit line, we expect selling, general and administrative expenses to be approximately $60 million, in line with our previous guidance. In addition, our results will be affected by a one-time charge of $6.5 million taken in the first quarter of 2010 related to a change in tax treatment of Medicare Part D reimbursements as a result of health care legislation signed in March 2010.

We expect net income for the full year 2010 to be approximately breakeven, after the impact of expenses related to the American Centrifuge project. At breakeven, small changes to net income can have a substantial effect on the effective federal income tax rate. In addition, the tax treatment for the newly issued preferred equity shares will have the effect of increasing our effective tax rate.

As we approach year-end, significant uncertainty exists in our U.S. government contracts segment that could impact our outlook projections. We have approximately 1,100 employees working at the former Portsmouth plant supporting DOE, its activities and the cold shutdown contract efforts. We are working with DOE and the D&D contractor on an orderly transition of employees to the D&D contractor in January 2011, when work under our existing cold shutdown contract is expected to transition to the D&D contractor. However, because of uncertainty on the scope of work that may continue with DOE, transition to the D&D contractor, as well as our obligation to meet certain site specific regulatory requirements, we are uncertain as to potential severance and other employee related benefits that may need to be accrued at year-end. In addition, $31.2 million of unbilled receivables and $6.5 million of past due receivables related directly to DOE or DOE contractors remain on our consolidated balance sheet as of September 30, 2010, and the timing and amount of recovery are uncertain.

We are building a moderate level of inventory in 2010 for future sales, which has had a negative effect on cash flow from operations. We anticipate cash flow from operations to swing from a positive $30 million in the first nine months of 2010 to a full-year range of breakeven cash generation to $20 million cash used in operations. We also expect capital expenditures related to the American Centrifuge Plant for 2010 to total approximately $100 million.

Our financial guidance is subject to a number of assumptions and uncertainties that could affect results either positively or negatively. Variations from our expectations could cause substantial differences between our guidance and ultimate results. Among the factors that could affect our results are:

- Changes to the electric power fuel cost adjustment from our current projection;
- The timing of recognition of previously deferred revenue, particularly related to the sale of uranium;
- Changes to planned spending on the American Centrifuge project;
- Movement and timing of customer orders;
- Changes to SWU and uranium price indicators, and changes in inflation that can affect the price of SWU billed to customers;
- Economics of underfeeding the production process at the Paducah GDP to make additional uranium sales; and
- Actions taken by governmental bodies or agencies.

Liquidity and Capital Resources

Key factors that can affect liquidity requirements for our existing operations include the timing and amount of customer sales and power purchases.

We believe our sales backlog in our LEU segment is a source of stability for our liquidity position. The source of SWU supply and the duration of contracts is evolving, however, to reflect our expected transition from GDP operations and the expiration of the Megatons to Megawatts program to a SWU supply dominated by American Centrifuge operations. As we work through the transition to ACP, sales sourced from ACP output which currently make up approximately one-third of our backlog are expected to make up a greater percentage of our sales backlog. Contracts for output from the ACP are longer in duration than our contracts for sales from current operations. Since 2006, we have included in our SWU contracts pricing indices that are intended to correlate with our sources for enrichment supply. Although sales prices under many of our SWU contracts are adjusted in part based on changes in market prices for SWU and electric power, the impact of market volatility in these indices is generally mitigated through the use of market price averages over time. Additionally, changes in the power price component of sales prices are intended to mitigate the effects of changes in our power costs.

Customer orders that are related to their requirements for enrichment may be delayed due to outages, changes in refueling schedules or delays in the initial startup of a reactor. In addition, in order to enhance our liquidity and manage our working capital in light of anticipated sales and inventory levels, we work periodically with customers regarding the timing of their orders, including advancement. As our customers have purchased more of their SWU supply under long-term contracts due to the transition to centrifuge-based supply and the uncertainty of supply during this transition, USEC has advanced orders rather than sell material into a spot market that has little near-term uncommitted demand. Most of these orders have been advanced within a calendar year. However, some orders have advanced from 2011 into 2010. Based on our outlook for demand, we expect to continue to work with customers to advance orders. The advancement of orders will have the effect of accelerating our receipt of cash from such advanced sales, although the amount of cash we receive from such sales may be reduced as a result of the terms mutually agreed with customers in connection with advancement. However, this could have the effect of reducing backlog and revenues in future years if we do not replace these orders with additional sales. Looking a few years out, we expect an increase in uncommitted demand that could provide the opportunity to make additional near-term sales in those years to supplement our backlog and thus decrease the need to advance orders in the future. Our ability to advance orders depends on the willingness of our customers to agree to advancement on terms that we find acceptable.

We purchase most of the electric power for the Paducah GDP under a power purchase agreement with TVA. The base price under the TVA power contract increases moderately based on a fixed, annual schedule, and is subject to a fuel cost adjustment provision to reflect changes in TVA's fuel costs, purchased-power costs, and related costs. The impact of future fuel cost adjustments, which are substantially influenced by coal and purchased-power prices and hydroelectric power availability, is uncertain and our cost of power could fluctuate in the future above or below the agreed increases in the base energy price. We expect the fuel cost adjustment to continue to cause our purchase cost for power to remain above the base energy prices, but the impact is uncertain given volatile energy prices and electricity demand. In 2010, a change of one percentage point in the average annual fuel cost adjustment would change our annual costs for electric power by an estimated $4 to $5.5 million.

We expect our cash, internally generated cash from our LEU and government services operations, our new term loan of $85 million, and available borrowings under our revolving credit facility will provide sufficient cash to meet our cash needs for at least 12 months. Additional funds may be necessary sooner than we currently anticipate if we are not successful in our efforts to reduce spending and conserve cash or in the event of unanticipated payments to suppliers, increases in financial assurance, any shortfall in our estimated levels of operating cash flow or available borrowings under the revolving credit facility, or to meet other unanticipated expenses. However, we could further reduce our anticipated spending on the American Centrifuge project to an asset maintenance level, providing additional flexibility to address unanticipated cash requirements. We need significant additional financing to complete construction of the American Centrifuge Plant and we have reduced the scope of project activities that were underway in 2009 until we have that financing.

On May 25, 2010, we announced that Toshiba Corporation ("Toshiba") and Babcock & Wilcox Investment Company, an affiliate of The Babcock & Wilcox Company ("B&W"), signed a definitive agreement to make a $200 million investment in USEC. Under the terms of the agreement, Toshiba and B&W will each invest $100 million in USEC over three phases, each of which is subject to specific closing conditions. Closing for the first phase occurred on September 2, 2010 and USEC received $75 million. For their investment, the companies received convertible preferred stock as well as warrants to purchase shares of common stock, which will be exercisable in the future. We intend to use the funds for general corporate purposes and for investment in the American Centrifuge Plant. The initial phase investment helps USEC continue deployment of the American Centrifuge Plant during 2010. Additional details are provided in "Overview–Investment by Toshiba and B&W" and below under "–Capital Structure and Financial Resources."

We do not believe public market financing for a large capital project deploying innovative technology such as American Centrifuge is available given current financial market conditions. We believe a loan guarantee under the DOE Loan Guarantee Program is essential to raising the capital needed to complete the American Centrifuge Plant. In July 2008, we applied to the DOE Loan Guarantee Program for $2 billion in U.S. government guaranteed debt financing for the American Centrifuge Plant. We submitted an update to our application in July 2010. In late October 2010, we were informed by DOE that it has largely completed its initial technical review of our application and is proceeding to the next stage of the loan guarantee process. DOE provided us with a draft term sheet that will serve as the framework for discussions with DOE. Completion of due diligence by DOE and negotiation of terms and conditions with DOE are the next steps toward the potential issuance of a conditional commitment and we will be working with DOE to complete those in an expeditious manner. However, funding under a DOE loan guarantee will only occur following conditional commitment, final documentation and satisfaction of conditions to funding, which are subject to uncertainty.

In addition, to complete the project, we will require additional capital beyond the $2 billion DOE loan guarantee, proceeds from the investment from Toshiba and B&W, and internally generated cash flow. In order to obtain a DOE loan guarantee, we will need to demonstrate that sufficient capital is available to complete the project. We have initiated discussions with Japanese export credit agencies regarding financing a portion of the cost of building the plant. However, we have no assurance that they will be willing to provide the financing needed and on what terms.

We have been working with our suppliers to update the scope, cost and schedule to build the ACP. In August 2010, we announced our estimated cost of approximately $2.8 billion to complete the American Centrifuge project from the point of closing on financing. This estimate includes AC100 machine manufacturing and assembly, EPC and related balance-of-plant work, start-up and initial operations, and project management. We believe we have reduced significant risk in the American Centrifuge project since our initial baseline project budget in 2008 and our new cost estimate is based on a significantly more mature project scope.

The $2.8 billion estimate is a go-forward cost estimate and does not include our investment to date, spending from now until closing on financing needed to complete the plant, overall project contingency, financing costs or financial assurance. Until potential financial closing, we expect to continue to invest at a rate consistent with our anticipated spending indicated in our outlook for the remainder of 2010, while taking into account our anticipated cash flow from operations and other available liquidity. We are currently evaluating the appropriate level for the overall project contingency taking into account the level of risk given the maturity of the project. We are also evaluating the financing costs and financial assurance required for the project, which will be affected by, among other things, the overall financing plan for the project, the amount of the credit subsidy cost for any DOE loan guarantee, and the amount and sources of the additional financing we need to complete the project. We continue to work with suppliers to refine our estimates and seek reductions in the project cost.

We expect to fund continued spending on the ACP through the closing on a DOE loan guarantee through the proceeds from the first two phases of the investment from Toshiba and B&W and through our cash flow from existing operations, including the $45 million of cost sharing provided by DOE under the cooperative agreement entered into in March 2010.

We are seeking to fund the additional $2.8 billion of costs to complete the American Centrifuge project and additional amounts that are needed to cover overall project contingency, financing costs and financial assurance through a combination of the $2 billion of DOE loan guarantee funding for which we have applied, the proceeds from the third phase of the investment from Toshiba and B&W of $75 million, additional funding from Japanese export credit agencies and/or other third parties, cash on hand and prospective cash flow from existing USEC operations, and prospective reinvested project cash. Many of these sources of capital are inter-related. For example, the third phase of investment from Toshiba and B&W is contingent upon the closing of a DOE loan guarantee and in order to close on a DOE loan guarantee we will need to demonstrate that all sources of capital needed to complete the project are available. We have no assurance that we will be successful in raising this capital.

The change in cash and cash equivalents from our consolidated condensed statements of cash flows are as follows on a summarized basis (in millions):

	Nine Months Ended September 30,	
	2010	**2009**
Net Cash Provided by (Used in) Operating Activities	$ 30.0	$ 319.4
Net Cash (Used in) Investing Activities	(74.9)	(401.4)
Net Cash Provided by (Used in) Financing Activities	59.7	(97.2)
Net Increase (Decrease) in Cash and Cash Equivalents	**$ 14.8**	**$ (179.2)**

Operating Activities

Payables under the Russian Contract increased $96.6 million in the nine months ended September 30, 2010, due to the timing of deliveries, representing additions to inventory that did not require a cash outlay. Net inventories increased $53.9 million representing higher power costs and lower sales.

Investing Activities

Capital expenditures were $123.0 million in the nine months ended September 30, 2010, compared with $363.2 million in the corresponding period in 2009. Capital expenditures during these periods are principally associated with the American Centrifuge Plant, including prepayments made to suppliers for services not yet performed. Cash collateral deposits totaling $48.1 million were returned to us following (a) the signing of our new revolving credit facility in February 2010 and (b) the transfer of certain depleted uranium to DOE in support of a pro-rata cost sharing arrangement for continued funding of American Centrifuge activities.

Financing Activities

At the first closing of the investment by Toshiba and B&W in September 2010, we received $75.0 million and the investors received a total of 75,000 shares of 12.75% convertible preferred stock and warrants to purchase 6.25 million shares of common stock at an exercise price of $7.50 per share.

Borrowings and repayments under the revolving credit facility totaled $38.3 million in the nine months ended September 30, 2010. We plan to borrow on the revolving credit facility from time to time based on the timing of our working capital needs. A new term loan of $85 million was funded October 8, 2010 as part of our new credit facility agreement.

There were 115.2 million shares of common stock outstanding at September 30, 2010, compared with 113.4 million at December 31, 2009, an increase of 1.8 million shares (or 2%).

Working Capital

	September 30, 2010	December 31, 2009
	(millions)	
Cash and cash equivalents	$ 146.1	$ 131.3
Accounts receivable, net	228.0	191.4
Inventories, net	885.7	831.8
Other current assets and liabilities, net	(328.1)	(267.5)
Working capital	**$ 931.7**	**$ 887.0**

Capital Structure and Financial Resources

At September 30, 2010, our long-term debt consisted of $575.0 million in 3.0% convertible senior notes due October 1, 2014. These notes are unsecured obligations and rank on a parity with all of our other unsecured and unsubordinated indebtedness. We may, from time to time, agree to exchange a portion of our convertible notes for shares of our common stock prior to their maturity in privately negotiated transactions. We will evaluate any such transactions in light of then existing market conditions, taking into account our stock price as it relates to the conversion ratio and any potential interest cost savings. The amounts involved, individually or in the aggregate, may be material. We are restricted under our credit facility from repurchasing the notes for cash.

On September 2, 2010, the first closing of $75 million occurred under the Securities Purchase Agreement dated as of May 25, 2010 between USEC, Toshiba Corporation ("Toshiba") and Babcock & Wilcox Investment Company ("B&W"). Toshiba assigned its rights and obligations to purchase securities under the agreement to Toshiba America Nuclear Energy Corporation, a subsidiary of Toshiba.

At the first closing, the investors purchased 75,000 shares of Series B-1 12.75% Convertible Preferred Stock, par value $1.00 per share ("Series B-1 Preferred"), and warrants to purchase 6.25 million shares of Class B Common Stock, par value $.10 per share ("Class B Common"), at an exercise price of $7.50 per share. The creation of the Class B Common will require USEC stockholder approval, so the warrants will, in lieu thereof, until such USEC stockholder approval and related regulatory approvals have been obtained, be exercisable for 6,250 shares of a newly created Series C Convertible Participating Preferred Stock, par value $1.00 per share, at an exercise price of $7,500.00 per share.

The purchase agreement provides for our issuance and sale to the investors, for an aggregate amount of $200 million, in three phases subject to various terms and conditions, (1) shares of Series B-1 Preferred, (2) shares of Series B-2 11.5% Convertible Preferred Stock, par value $1.00 per share, and (3) warrants to purchase up to 12.5 million shares of a Class B Common at an exercise price of $7.50 per share. The transactions will occur in three phases upon the satisfaction at each phase of certain closing conditions. Toshiba and B&W will invest equally in each of the phases in an aggregate amount of $100 million each.

Our debt to total capitalization ratio was 31% at December 31, 2009, and 34% at September 30, 2010 including the convertible preferred stock which is classified as a liability.

Effective October 8, 2010, USEC entered into a Third Amended and Restated Credit Agreement replacing its existing credit agreement. The amended credit agreement adds an $85 million term loan facility to USEC's existing revolving credit facility. The total credit facility is now $310 million. As part of the amended credit agreement, $25 million of existing lender commitments was moved from the existing revolving credit facility to the term loan, resulting in aggregate lender commitments under the revolving credit facility of $225 million (previously $250 million). The amended credit agreement increases the letter of credit sublimit to $150 million. The revolving credit facility may be expanded through additional commitments up to an aggregate of $250 million in revolving credit commitments (previously up to $350 million). The amended credit agreement also provides that USEC may increase the amount of the term loan from $85 million up to $100 million, subject to USEC obtaining additional commitments. As a result, the total credit facility could be expanded through additional commitments and term loans up to $350 million.

The term loan is 100% funded as of October 8, 2010, and was issued with an original issue discount of 2% and will bear interest, at our election, at either:

- the greater of (1) the JPMorgan Chase Bank prime rate (with a floor of 3%) plus 6.5%, (2) the federal funds rate plus ½ of 1% (with a floor of 3%) plus 6.5%, or (3) an adjusted 1-month LIBO Rate plus 1% (with a floor of 3%) plus 6.5%; or
- the adjusted LIBO Rate (with a floor of 2%) plus 7.5%.

The interest rate on outstanding borrowings under the revolving credit facility is unchanged and, at our election, is either:

- the sum of (1) the greater of a) the JPMorgan Chase Bank prime rate, b) the federal funds rate plus ½ of 1%, or c) an adjusted 1-month LIBO Rate plus 1% plus (2) a margin ranging from 2.25% to 2.75% based upon availability, or
- the sum of the adjusted LIBO Rate plus a margin ranging from 4.0% to 4.5% based upon availability.

The credit facility matures on May 31, 2012. The term loan is subject to mandatory prepayment consistent with the existing credit agreement. The term loan may be prepaid voluntarily subject to a prepayment fee of 2% of the amount if prepaid before October 8, 2011 and 1% of the amount if prepaid after October 8, 2011 but prior to January 1, 2012.

The credit facility is available to finance working capital needs and general corporate purposes. Commitments under the syndicated bank credit facility are secured by assets of USEC Inc. and our subsidiaries, excluding equity in, and assets of, subsidiaries created to carry out future commercial American Centrifuge activities.

Utilization of our $250 million revolving credit facility at September 30, 2010 (prior to it being amended October 8, 2010) and our former $400 million revolving credit facility at December 31, 2009 follows (in millions):

	September 30, 2010	December 31, 2009
Short-term borrowings	$ -	$ -
Letters of credit	42.6	45.4
Available credit	207.4	295.5

Borrowings under the credit facilities are subject to limitations based on established percentages of qualifying assets such as eligible accounts receivable and inventory. Available credit reflects the levels of qualifying assets at the end of the previous month less any borrowings or letters of credit. The revolving credit facilities contain various reserve provisions that reduce available borrowings under the facility periodically or restrict the use of borrowings. As of September 30, 2010 and December 31, 2009, we had met all of the reserve provision requirements by a large margin. As of September 30, 2010 and December 31, 2009, we were in compliance with all of the various customary operating and financial covenants included in each credit facility.

Under the terms of the credit facility, we are subject to restrictions on our ability to spend on the American Centrifuge project. Subject to certain limitations when Availability (as defined in the amended credit agreement) falls below certain thresholds, the amended credit agreement permits us to spend up to $165 million for the American Centrifuge project over the term of the credit facility (the "ACP Spending Basket"). The credit facility does not restrict the investment of proceeds of grants and certain other financial accommodations (excluding proceeds from the issuance of debt or equity by the borrowers) that may be received from DOE or other third parties that are specifically designated for investment in the American Centrifuge project. Under this provision, the $45 million made available by DOE pursuant to a cooperative agreement entered into with USEC in March 2010 for continued American Centrifuge activities is not restricted by the credit facility or counted towards the ACP Spending Basket. In addition to the ACP Spending Basket, the credit facility also permits the investment in the American Centrifuge project of net proceeds from additional capital raised by us (such as the investment from Toshiba and B&W), subject to certain provisions and certain limitations when Availability falls below certain thresholds. If we are unable to raise additional proceeds or capital that are permitted under the credit facility to be invested in the American Centrifuge project outside of the ACP Spending Basket, the size of the ACP Spending Basket would necessitate further reductions in spending on the American Centrifuge project.

The credit facility includes provisions permitting transfer of assets related to the American Centrifuge project to enable USEC to separately finance the American Centrifuge project. The USEC subsidiaries created to carry out future commercial American Centrifuge activities will not be guarantors under the credit facility, and their assets will not be pledged as collateral.

Borrowings under the revolving credit facility are subject to limitations based on established percentages of qualifying assets pledged as collateral to the lenders, such as eligible accounts receivable and USEC-owned inventory. The revolving credit facility contains various reserve provisions that reduce available borrowings under the facility periodically or restrict the use of borrowings if certain requirements are not met. Additional details are provided in our 2009 Annual Report on Form 10-K.

The credit facility includes various customary operating and financial covenants, including restrictions on the incurrence and prepayment of other indebtedness, granting of liens, sales of assets, making of investments, maintenance of a minimum amount of collateral, and payment of dividends or other distributions. In addition, our current credit facility prohibits our payment of cash dividends or distributions to holders of our common stock. However, as described in Item 1A, "Risk Factors," in our 2009 Annual Report on Form 10-K, the more restrictive nature of the covenants under our current credit facility as compared with our prior $400 million credit facility, combined with the smaller size of the credit facility, makes compliance with the covenants under the credit facility more difficult should we encounter unanticipated adverse events. Complying with these covenants may also limit our flexibility to successfully execute our business strategy. Failure to satisfy the covenants would constitute an event of default under the credit facility.

Default under, or failure to comply with the Russian Contract, the 2002 DOE-USEC Agreement (other than the milestones related to deployment of the American Centrifuge project), the lease of the GDPs or any other material contract or agreement with the DOE, or any exercise by DOE of its rights or remedies under the 2002 DOE-USEC Agreement, would also be considered to be an event of default under the credit facility if it would reasonably be expected to result in a material adverse effect on (i) our business, assets, operations or condition (taken as a whole), (ii) our ability to perform any of our obligations under the credit facility, (iii) the assets pledged as collateral under the credit facility; (iv) the rights or remedies under the credit facility of the lenders or J.P. Morgan as administrative agent; or (v) the lien or lien priority with respect to the collateral of J.P. Morgan as administrative agent.

Deferred Financing Costs

Financing costs are generally deferred and amortized over the life of the instrument. Issuance costs of $4.8 million related to the investment by Toshiba and B&W were expensed in the quarter ended September 30, 2010 since the preferred stock is classified as a liability and recorded at fair value. A summary of deferred financing costs for the nine months ended September 30, 2010 follows (in millions):

	December 31, 2009	Expenditures	Amortization	September 30, 2010
Other current assets:				
Bank credit facilities	**$ 0.5**	**$ 8.4**	**$ (2.6)**	**$ 6.3**
Deferred financing costs (long-term):				
Convertible notes	$ 10.0	$ -	$ (1.5)	$ 8.5
DOE Loan Guarantee application	2.0	-	-	2.0
Deferred financing costs	**$ 12.0**	**$ -**	**$ (1.5)**	**$ 10.5**

Financial Assurance and Related Liabilities

The NRC requires that we guarantee the disposition of our depleted uranium and stored wastes with financial assurance. The financial assurance in place for depleted uranium and stored wastes is based on the quantity of depleted uranium and waste at the end of the prior year plus expected depleted uranium generated over the current year. We also provide financial assurance for the ultimate decontamination and decommissioning ("D&D") of the American Centrifuge facilities to meet NRC and DOE requirements. Surety bonds for the disposition of depleted uranium and for D&D are partially collateralized by interest earning cash deposits included in other long-term assets.

A summary of financial assurance, related liabilities and cash collateral follows (in millions):

	Financial Assurance		Long-Term Liability	
	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
Depleted uranium disposition and stored wastes	$ 189.2	$ 262.8	$ 119.2	$ 155.6
Decontamination and decommissioning of American Centrifuge	22.2	22.2	22.3	21.3
Other financial assurance	17.6	20.4		
Total financial assurance	**$ 229.0**	**$ 305.4**		
Letters of credit	**42.6**	**45.4**		
Surety bonds	**186.4**	**260.0**		
Cash collateral deposit for surety bonds	**$ 110.2**	**$ 158.3**		

We reached a cooperative agreement with DOE in March 2010 to provide for pro-rata cost sharing support for continued funding of American Centrifuge activities with a total estimated cost of $90 million. DOE made $45 million available by taking the disposal obligation for a specific quantity of depleted uranium from USEC, which released encumbered funds for investment in the American Centrifuge technology that USEC had committed as financial assurance for depleted uranium disposition. The commensurate reduction in the cash collateral deposit is reflected as a reduction in cash used in investing activities.

The amount of financial assurance needed in the future for depleted uranium disposition is anticipated to increase by an estimated $30 to $40 million per year depending on Paducah GDP production volumes and the estimated unit disposition cost defined by the NRC requirement.

The amount of financial assurance needed for D&D of the American Centrifuge Plant is dependent on construction progress and decommissioning cost projections. The estimates of completed construction activities supporting the decommissioning funding plan are based on projected percent completion of activities as defined in the baseline construction schedule.

As part of our license to operate the American Centrifuge Plant, we provide the NRC with a projection of the total D&D cost. The total D&D cost related to the NRC and the incremental lease turnover cost related to DOE is uncertain at this time and is dependent on many factors including the size of the plant. Financial assurance will also be required for the disposition of depleted uranium generated from future centrifuge operations.

Off-Balance Sheet Arrangements

Other than the letters of credit issued under the credit facility, and the surety bonds, contractual commitments and the license agreement with DOE relating to the American Centrifuge technology disclosed in our 2009 Annual Report, there were no material off-balance sheet arrangements, obligations, or other relationships at September 30, 2010 or December 31, 2009.

New Accounting Standards Not Yet Implemented

We have reviewed recently issued accounting standards that are not yet effective and have determined that none would have a material impact to USEC's consolidated financial statements.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

At September 30, 2010, the balance sheet carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and payables under the Russian Contract approximate fair value because of the short-term nature of the instruments.

USEC has not entered into financial instruments for trading purposes. At September 30, 2010, our debt consisted of the 3.0% convertible senior notes with a balance sheet carrying value of $575.0 million. The fair value of the convertible notes, based on the trading price as of September 30, 2010, was $449.2 million.

The estimated fair value of our convertible preferred stock at September 30, 2010 was $75.0 million, and was equal to the liquidation value of $1,000 per share or $75.0 million.

Reference is made to additional information reported in management's discussion and analysis of financial condition and results of operations included herein for quantitative and qualitative disclosures relating to:

- commodity price risk for electric power requirements for the Paducah GDP (refer to "Overview – Cost of Sales" and "Results of Operations – Cost of Sales"),
- interest rate risk relating to the outstanding term loan and any outstanding borrowings at variable interest rates under our credit facility (refer to "Liquidity and Capital Resources – Capital Structure and Financial Resources"), and
- interest rate and other market risks relating to the valuation of our convertible preferred stock (refer to "Liquidity and Capital Resources – Capital Structure and Financial Resources").

Item 4. ***Controls and Procedures***

Effectiveness of Our Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 1. ***Legal Proceedings***

Reference is made to information regarding (a) the U.S. Department of Justice's investigation of a possible claim relating to USEC's contracts with the U.S. Department of Energy for the supply of cold standby and other services at the Portsmouth GDP and (b) settlement of a contractor's claim, reported in note 14 to the consolidated condensed financial statements.

USEC is subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, we do not believe that the outcome of any of these legal matters will have a material adverse effect on our results of operations or financial condition.

Item 1A. ***Risk Factors***

Investors should carefully consider the updated risk factors below and the other risk factors in Item 1A of our 2009 Annual Report on Form 10-K, in addition to the other information in this Quarterly Report on Form 10-Q.

We may not be successful in our efforts to obtain a loan guarantee from DOE, which would have a significant impact on the American Centrifuge project and our prospects.

We must raise capital to remobilize and to complete the ACP. We believe a loan guarantee under the DOE Loan Guarantee Program is essential to raising capital needed to complete the American Centrifuge project, including raising additional capital needed from third parties. Therefore, we believe that a loan guarantee is critical to the future of the American Centrifuge project and our prospects. However, we cannot give any assurance that we will receive a DOE loan guarantee at all, in the amount or the timeframe we seek or on terms that we find acceptable.

The DOE Loan Guarantee Program was created by the Energy Policy Act of 2005 and in December 2007, federal legislation authorized funding levels of up to $2 billion for advanced facilities for the front end of the nuclear fuel cycle, which includes uranium enrichment. We applied for $2 billion in funding in July 2008. DOE subsequently reallocated an additional $2 billion in loan guarantee authority to the front-end nuclear facilities loan guarantee solicitation. DOE announced in May 2010 that it has provided Areva, a company that is more than 90% owned by the French government, with a conditional commitment for a loan guarantee from the reallocated funding authority for a proposed plant in the United States. DOE has said that $2 billion in funding for projects in the front end of the nuclear fuel cycle remains available but we have no assurance that a DOE Loan Guarantee will be made available to us.

On August 4, 2009, DOE and USEC announced an agreement to delay a final review of our loan guarantee application for the ACP. DOE raised several concerns with respect to our loan guarantee application, both financial and technical, that we will be required to address to DOE's satisfaction in order to obtain a loan guarantee. We have been working to address these issues. Our efforts to address DOE's concerns focused on:

- Completing a review of our quality assurance program and implementing corrective actions as needed;
- Startup and operations of the AC100 lead cascade testing program in early 2010 using upgraded production machines to improve DOE's confidence in the machines' reliability through consistent operation;

- Maintaining and demonstrating centrifuge machine manufacturing capability; and

- Establishing a revised baseline cost and schedule for the project, taking into account the demobilization and remobilization costs and associated delays.

In late October 2010, we were informed by DOE that it has largely completed its initial technical review of our application and is proceeding to the next stage of the loan guarantee process. DOE provided us with a draft term sheet that will serve as the framework for discussions with DOE. Completion of due diligence by DOE and negotiation of terms and conditions with DOE are the next steps toward the potential issuance of a conditional commitment and we will be working with DOE to complete those in an expeditious manner. However, we have no assurance that we will be successful in reaching an agreement on mutually acceptable terms and conditions or that we will be able to reach an agreement in a timely manner. In addition, funding under a DOE loan guarantee will only occur following conditional commitment, final documentation and satisfaction of conditions to funding, which are subject to uncertainty.

As part of completing its due diligence, DOE will be retaining an independent engineer and other outside advisors to assist in the review of our project. If as a result of these reviews DOE determines that we have not met their technical and financial requirements, our ability to obtain a loan guarantee could be jeopardized. Any issues or concerns that are raised as part of the additional due diligence could also affect the terms and conditions that are required in order for us to obtain a loan guarantee. We may be asked to agree to terms that are difficult to achieve or that cannot be achieved in the timeframe we need. We may also be asked to agree to conditions that limit our flexibility with respect to the American Centrifuge project or that increase the cost of the project. In addition, if any new issues or concerns arise with respect to the ACP technology or financing, the likelihood of obtaining a DOE loan guarantee could be adversely affected.

We also cannot give any assurances that we will be able to demonstrate to DOE that we can obtain the capital needed to complete the project. Additional capital beyond the $2 billion of DOE loan guarantee funding that we have applied for and our internally generated cash flow will be required to complete the project. The amount of additional capital that we will need will depend on a variety of factors, including our estimate of the total cost to complete the project, the input we receive from our suppliers as part of our ongoing negotiations, the length of the demobilization, and efficiencies and other cost savings that we are able to achieve. In order to obtain a DOE loan guarantee, we will have to demonstrate that sufficient capital is available to complete the project.

In 2009, we have significantly demobilized and reduced construction and machine manufacturing activities in the American Centrifuge project because of a lack of progress in obtaining a loan guarantee and uncertainty of funding. If we determine that we do not see a path forward to the receipt of loan guarantee funding or if we see further delay or increased uncertainty with respect to our prospects for obtaining a loan guarantee, or for other reasons, including as needed to preserve our liquidity, we may reduce spending and staffing on the project even further or might be forced to take other actions, including terminating the project. Further cuts in project spending and staffing could make it even more difficult to remobilize the project and could lead to more significant delays and increased costs and potentially make the project uneconomic. Termination of the ACP could have a material adverse impact on our business and prospects because we believe the long-term competitive position of our enrichment business depends on the successful deployment of competitive gas centrifuge enrichment technology.

Even if we are successful in obtaining a conditional commitment for a loan guarantee from DOE, we may be unable to meet any or all required conditions to funding or to reach agreement on acceptable terms, including credit subsidy cost, which would have a significant impact on the American Centrifuge project and our prospects.

A conditional commitment represents only one step in obtaining a loan guarantee from DOE. Final approval and issuance of a loan guarantee would be subject to completion of final agreements, continuing due diligence by DOE, and satisfaction of conditions, some of which could be significant. These conditions could include technical conditions to address or mitigate known or perceived technology risks and financial conditions to address or mitigate known or perceived funding or cost overrun risks, which may be difficult to achieve to DOE's satisfaction.

Our ability to satisfy these conditions could be affected by risks related to, among other things, the availability of sufficient capital to complete the project, supplier performance including our ability to demonstrate component and machine production and installation rates, unforeseen technical problems, our ability to meet DOE's technical requirements including with respect to machine performance and reliability, our ability to negotiate satisfactory fixed or maximum cost contracts with our suppliers, our ability to successfully enter into sufficient contracts for the output of the American Centrifuge plant, and unanticipated cost increases.

We may not have an agreement with respect to credit subsidy cost or other key terms at the time of conditional commitment. The amount of the credit subsidy cost is affected by the perceived credit risk of the project and could be substantial and make the project uneconomic.

We have entered into a securities purchase agreement with two investors, Toshiba Corporation and Babcock & Wilcox Investment Company, pursuant to which the investors will make a strategic investment in USEC of $200 million in three phases. If we fail to consummate the remaining two phases of the transactions contemplated by the securities purchase agreement, we may be unable to raise capital from alternative sources, and our business and prospects may be substantially harmed.

On May 25, 2010, we entered into a securities purchase agreement (the "Purchase Agreement") with two investors, Toshiba Corporation ("Toshiba") and Babcock & Wilcox Investment Company ("B&W"), pursuant to which the investors agreed to purchase, in three phases and for an aggregate amount of $200 million, shares of a newly created series of preferred stock and warrants to purchase shares of a newly created series of preferred stock or class of common stock (the "Transactions"). On September 2, 2010, the first closing of $75.0 million occurred under the Purchase Agreement. The remaining two phases of the Transactions ($125.0 million) are subject to significant closing conditions, including the conditions listed in the risk factor below. As a result, the remaining Transactions may not be completed in a timely manner or at all.

If the remaining Transactions are not completed on time or at all for any reason, our ongoing business and financial results may be adversely affected and we will be subject to a number of risks, including the following:

- We have incurred and will incur significant costs and expenses relating to the Transactions, whether or not the remaining Transactions are completed;
- Matters relating to the Transactions require substantial commitments of time and resources by our management, whether or not the remaining Transactions are completed, which could otherwise have been devoted to other opportunities that may have been beneficial to us, including pursuing other strategic options or sources of capital;

- The second closing of the Transactions is conditioned on our obtaining a conditional commitment for a loan guarantee of not less than $2 billion from DOE. The securities purchase agreement may be terminated by any party if the second closing does not occur by June 30, 2011. If the second closing is not consummated, our ability to continue to spend on the American Centrifuge project will be limited and our anticipated sources of near term liquidity could be affected;

- Our loan guarantee application includes the $200 million investment as part of the sources of funds for the American Centrifuge project. The strategic investment was also intended in part to address financial concerns of the DOE with respect to the ability of the American Centrifuge project to mitigate cost and other risk. If the remaining Transactions are not consummated or are delayed significantly, this would adversely affect our ability to obtain a loan guarantee (which is a condition to the third closing);

- We need significant additional financing to complete construction of the American Centrifuge Plant beyond the DOE loan guarantee and the proceeds of the Transactions, and we will need to demonstrate the availability of that funding in order to obtain the DOE loan guarantee (which is a condition of the third closing). We have initiated discussions with Japanese export credit agencies (ECAs) for additional financing. Our ability to obtain Japanese ECA financing is highly dependent on the strategic investment by Toshiba. If the remaining Transactions are not consummated or are delayed significantly and our ability to obtain Japanese ECA financing is adversely affected, this will subsequently adversely affect our ability to obtain a DOE loan guarantee, consummate the third closing and complete the American Centrifuge project; and

- If the remaining Transactions are not consummated, we may be unable to raise capital from alternative sources on terms favorable to us, if at all. If the remaining Transactions are not consummated or are delayed significantly and we are unable to raise capital from alternative sources, our business and prospects (including the American Centrifuge project) may be substantially harmed and our stock price may decline.

We cannot provide any assurance that the remaining Transactions will be completed, that there will not be a delay in the completion of the remaining Transactions or that all or any of the anticipated benefits of the Transactions will be achieved. In the event the remaining Transactions are materially delayed for any reason, our business and prospects may be substantially harmed.

Completion of the remaining Transactions is subject to significant closing conditions, including governmental approvals and other conditions that may be difficult to obtain and are outside of our control.

The completion of the remaining Transactions is subject to significant closing conditions, many of which may be difficult to obtain and are outside our control.

The third closing is subject to the receipt of governmental approvals and determinations from the U.S. Nuclear Regulatory Commission ("NRC"), the U.S. Department of Energy ("DOE") and other relevant authorities related to foreign ownership, control, or influence ("FOCI") and other matters. As a result of the ownership interests that the investors will obtain in connection with the third closing, DOE and/or NRC may require that we agree to mitigation measures (such as entering into a negation plan with the agencies) to assure that the investment from Toshiba does not result in FOCI. Under the securities purchase agreement, the parties are obligated to reasonably cooperate in obtaining these approvals; however, any negation action plan proposed to be applied to any investor must be reasonably acceptable to that investor and must not materially restrict certain rights of the investor intended to be provided to such investor under the Transaction documents. We cannot assure you that any negation action plans or other mitigation measures required by NRC or DOE will be reasonably acceptable. While we have received confirmation from the NRC that NRC consent is not required for the first and second closings, we cannot assure you that the NRC and DOE will provide the approvals necessary for the third closing on a timely basis or at all, which could have the effect of preventing or delaying completion of the Transactions or imposing additional costs on us.

The Transactions may also be subject to the notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. Under this statute, the parties are required to make notification filings and to await the expiration of the statutory waiting period prior to completing the Transactions. If the federal antitrust authority challenges the Transactions, they could seek to enjoin the Transactions, impose conditions on the completion of the Transactions, or require changes to the terms of the Transactions. This could have the effect of preventing or delaying completion of the Transactions or imposing additional costs on us.

The Transactions are also subject to significant conditions tied to our progress in obtaining a DOE loan guarantee for the American Centrifuge project. The obligations of the investors at the second closing of the Transactions is conditioned upon USEC having entered into a loan guarantee conditional commitment in an amount not less than $2 billion for the American Centrifuge project with DOE. The obligations of the investors at the third closing of the Transactions is conditioned upon USEC achieving closing on a DOE loan guarantee in an amount not less than $2 billion for the American Centrifuge project. Our ability to satisfy these conditions and to obtain a loan guarantee is subject to significant uncertainty as described in the risk factor "*We may not be successful in our efforts to obtain a loan guarantee from DOE, which would have a significant impact on the American Centrifuge project and our prospects*." In order to obtain a loan guarantee, we will have to demonstrate that any additional capital needed to complete the American Centrifuge project is available.

The obligations of the investors at the third closing are subject to the approval by our shareholders of (1) the amendment of our certificate of incorporation to create a new class of common stock and to increase our authorized shares of common stock and (2) the issuance of shares of common stock in the Transactions in excess of the threshold for requiring shareholder approval under the New York Stock Exchange listing requirements. We have no assurance that our shareholders will approve these matters. If we do not obtain shareholder approval, we could be required to redeem the investors' shares for cash or separative work units (SWU), which could harm our financial condition.

The second and third closings are also subject to other customary conditions to closing, including compliance with covenants, the accuracy of representations and warranties in the securities purchase agreement (including the absence of any action or proceeding by DOE under the 2002 DOE-USEC Agreement that has resulted or reasonably could be expected to result in a recommendation to exercise remedies), and that no material adverse effect shall have occurred with respect to USEC.

There are outside dates tied to the satisfaction of these conditions of June 30, 2011 for the second closing and December 31, 2011 (subject to a one year extension in certain circumstances) for the third closing. If these outside dates are not extended, a significant delay in satisfying conditions to closing could give a party a right to terminate the securities purchase agreement. As discussed above, the failure to complete the Transactions could negatively impact our business and prospects.

If the second or third closing does not occur by the relevant outside date, and the condition is not waived by the parties, each of Toshiba and B&W must elect to either convert its shares of preferred stock into a new class of common stock (or a new class of preferred stock) or to sell its shares of preferred stock pursuant to an orderly sales arrangement. The orderly sales arrangement includes conversion of the preferred stock into ordinary common stock at the time of the sale. Until the receipt of stockholder approval, any issuance of common stock, including as a result of the conversion or sale of preferred stock issued pursuant to the Transactions, is limited in the aggregate to the total number of shares that may be issued in compliance with the NYSE listing requirements. If the conversion or sale of all of the preferred stock would result in an issuance of common stock in excess of the NYSE limitations, then not all the preferred stock could be converted or sold and some preferred stock would remain outstanding. At the later of December 31, 2012 or one year following the applicable date of the failure to close, we would be required to redeem any remaining outstanding shares of preferred stock held by Toshiba or B&W for cash or SWU, which could harm our financial condition.

If Toshiba or B&W convert or sell their preferred shares or exercise their warrants, our stockholders may be diluted and our stock price may be negatively impacted.

Following the first closing of the Transactions, Toshiba and B&W now hold shares of newly created preferred stock and warrants to purchase shares of a newly created series of preferred stock or class of common stock. Such shares are convertible into a newly created class of common stock at the market price at the time of conversion at the election of the holder at any time after the third closing. Any remaining shares of preferred stock outstanding on December 31, 2016 will be automatically converted into the new class of common stock (or a new class of preferred stock) at the market price. In addition, such shares of preferred stock are convertible if the second or third closing of the Transactions does not occur by the relevant outside date as described above. If the failure to close is due to a material breach by us, the preferred stock is convertible at a 10% premium. The conversion of preferred stock or exercise of warrants may result in substantial dilution to our existing stockholders. Additionally, any sales by the investors could adversely affect prevailing market prices of our common stock. The potential for such dilution or adverse stock price impact may encourage short selling by market participants. Additional information about the Transactions and the conversion and other rights related to the preferred stock and warrants to be issued in the Transactions can be found in the Current Reports on Form 8-K filed by us on May 25, 2010 and September 2, 2010.

We may not realize the expected benefits of any strategic relationships with Toshiba or B&W.

In connection with the Transactions, we entered into a strategic relationship agreement with Toshiba and B&W that provides a process for us to explore potential business opportunities throughout the nuclear fuel cycle. However, we may not be successful in realizing the expected benefits of these strategic relationships. The realization of these expected benefits are subject to a number of risks, including:

- Success in potential efforts to sell our low enriched uranium in connection with Toshiba's nuclear power plant proposals, including Toshiba's success in nuclear reactor sales;
- Success of efforts to identify potential growth opportunities in U.S. government services, spent nuclear fuel transportation and storage, manufacturing of spent fuel storage systems; and
- Our success in achieving cost savings and other benefits through the manufacturing joint venture with B&W.

We may not achieve the perceived benefits of the strategic relationships as rapidly or to the extent anticipated which could have an adverse impact on the perceived benefits of the Transactions and our prospects.

Apart from a DOE loan guarantee and the strategic investment by Toshiba and B&W, deployment of the American Centrifuge technology will require additional external financial and other support that may be difficult to secure.

We cannot assure you that we will be able to attract the capital we need to complete the American Centrifuge project in a timely manner or at all. Factors that could affect our ability to obtain financing or the cost of such financing include:

- our ability to get loan guarantees or other support from the U.S. government,
- our ability to meet the closing conditions of the second and third phases of the $200 million strategic transaction with Toshiba and B&W and to otherwise address the financial concerns identified by DOE,
- the success of any discussions with Japanese export credit agencies regarding financing for the American Centrifuge project, including our dependency on Toshiba's support for these discussions,
- the success of our demonstration of the American Centrifuge technology and our ability to address the technical concerns and risks identified by DOE,
- the estimated costs, efficiency, timing and return on investment of the deployment of the American Centrifuge Plant (described below),
- our ability to secure a sufficient number of long-term SWU purchase commitments from customers on satisfactory terms, including adequate prices,
- the level of success of our current operations,
- SWU prices,
- USEC's perceived competitive position and investor confidence in our industry and in us,
- projected costs for the disposal of depleted uranium and the decontamination and decommissioning of the American Centrifuge Plant, and the impact of related financial assurance requirements,
- additional downgrades in our credit rating,
- market price and volatility of our common stock,
- general economic and capital market conditions,
- conditions in energy markets,
- regulatory developments,
- our reliance on LEU delivered to us under the Russian Contract and uncertainty regarding prices and deliveries under the Russian Contract, and
- restrictive covenants in the agreements governing our credit facility and in our outstanding notes and any future financing arrangements that limit our operating and financial flexibility.

We have demobilized the American Centrifuge project and increased costs and cost uncertainty could adversely affect our ability to finance and deploy the American Centrifuge Plant.

Based on our work with suppliers to date, we estimate the cost to complete the American Centrifuge project from the point of closing on financing will be approximately $2.8 billion. This estimate includes AC100 machine manufacturing and assembly, EPC and related balance-of-plant work, start-up and initial operations, and project management. The $2.8 billion estimate is a go-forward cost estimate and does not include our investment to date, spending from now until financial closing, overall project contingency, financing costs or financial assurance. Until potential financial closing, we expect to continue to invest at a rate consistent with our anticipated spending indicated in our outlook for the remainder of 2010, while taking into account our anticipated cash from operations and other available liquidity.

We are currently evaluating the appropriate level for the overall project contingency taking into account the level of risk given the maturity of the project. The amount of overall project contingency is not included in our $2.8 billion go-forward cost estimate and could affect the amount of capital that we will need to raise to complete the project. Factors that can affect the level of contingency include, among other things: the risk of the project, including the structure of contracts with suppliers and expectation regarding the potential transition to fixed cost contracts; the overall cost of the project; other risks perceived by lenders to the project; and the maturity of the project.

We are also evaluating the financing costs and financial assurance required for the project, which are also not included in our $2.8 billion go-forward cost estimate. Factors that can affect the financing costs and financial assurance include, among other things: the overall financing plan for the project, the amount of the credit subsidy cost for any DOE loan guarantee, and the amount and sources of the additional financing we need to complete the project.

Increases in the cost of the ACP increase the amount of external capital we must raise and could threaten our ability to successfully finance and deploy the ACP. We are seeking to fund the costs to complete the American Centrifuge project, including additional amounts that are needed to cover overall project contingency, financing costs and financial assurance through a combination of the $2 billion of loan guarantee funding for which we have applied, the proceeds from the $200 million investment from Toshiba and B&W, additional funding from Japanese export credit agencies and/or other third parties, cash on hand and prospective cash flow from existing USEC operations, and prospective reinvested project cash. Many of these sources of capital are inter-related. For example, the third phase of the investment by Toshiba and B&W is contingent upon the closing of a DOE loan guarantee and in order to close on a DOE loan guarantee we will need to demonstrate that all sources of capital needed to complete the project are available. However, we have no assurance that we will be successful in raising this capital.

The amount of additional capital that we will need will depend on a variety of factors, including how we ultimately deploy the project, the input we receive from our suppliers as part of our ongoing negotiations, the length of the demobilization, and efficiencies and other cost-savings that we are able to achieve.

We cannot assure investors that, if remobilized, the costs associated with the ACP will not be materially higher than anticipated or that efforts that we take to mitigate or minimize cost increases will be successful or sufficient. Our cost estimates and budget for the ACP have been, and will continue to be, based on many assumptions that are subject to change as new information becomes available or as events occur. Regardless of our success in demonstrating the technical viability of the American Centrifuge technology, uncertainty surrounding our ability to accurately estimate costs or to limit potential cost increases could jeopardize our ability to successfully finance and deploy the ACP. Our inability to finance and deploy the ACP could have a material adverse impact on our business and prospects because we believe the long-term competitive position of our enrichment business depends on the successful deployment of competitive gas centrifuge enrichment technology.

We are required to meet certain milestones under the 2002 DOE-USEC Agreement and our failure to meet these milestones could cause DOE to exercise one or more remedies under the 2002 DOE-USEC Agreement.

The 2002 DOE-USEC Agreement contains specific project milestones relating to the American Centrifuge Plant. As amended in January 2010, the following four milestones remain under the 2002 DOE-USEC Agreement:

- November 2010 – Secure firm financing commitment(s) for the construction of the commercial American Centrifuge Plant with an annual capacity of approximately 3.5 million SWU per year (the "Financing Milestone");
- August 2010 – begin commercial American Centrifuge Plant operations;
- November 2011 – commercial American Centrifuge Plant annual capacity at 1 million SWU per year; and
- May 2013 – commercial American Centrifuge Plant annual capacity of approximately 3.5 million SWU per year.

In a January 2010 amendment to the 2002 DOE-USEC Agreement, DOE and USEC agreed to discuss adjustment of the August 2010, November 2011 and May 2013 milestones as may be appropriate based on, among other things, progress in achieving the November 2010 Financing Milestone and the technical progress of the program. However, we may not be able to reach an acceptable agreement regarding possible adjustments to these milestones and DOE may assert that a delaying event was within our control or due to our fault or negligence.

As part of the January 2010 amendment, DOE and USEC acknowledged that no part of the 2002 DOE-USEC Agreement, including the milestones for the ACP, is dependent on the issuance by DOE of a loan guarantee to us. However, we have communicated to DOE that obtaining a timely commitment and funding for a loan guarantee from DOE is necessary in order for us to meet the remaining four milestones and complete the ACP. We will also need additional financing commitments beyond a DOE loan guarantee to meet the November 2010 financing milestone. Meeting the November 2010 milestone is subject to significant uncertainty. Given this uncertainty, we plan to have discussions with DOE regarding adjustments to the November 2010 milestone. However, there can be no assurance that the milestone would be adjusted.

Unless we are able to obtain a loan guarantee commitment from DOE in the near term, which is largely outside of our control, and we are able to obtain other financing commitments, we will not be able to meet the Financing Milestone by November 2010. Our ability to obtain additional financing commitments is dependent upon our obtaining a loan guarantee commitment. Risks related to our ability to obtain a loan guarantee commitment are described in the risk factor *"We may not be successful in our efforts to obtain a loan guarantee from DOE, which would have a significant impact on the American Centrifuge project and our prospects*." Risks related to our ability to raise capital are described in the risk factor "*Apart from a DOE loan guarantee and the strategic investment by Toshiba and B&W, deployment of the American Centrifuge technology will require additional external financial and other support that may be difficult to secure."*

Until we have met the Financing Milestone, DOE has full remedies under the 2002 DOE-USEC Agreement if we fail to meet a milestone that would materially impact our ability to begin commercial operations of the American Centrifuge Plant on schedule and such delay was within our control or was due to our fault or negligence. These remedies include terminating the 2002 DOE-USEC Agreement, revoking our access to DOE's U.S. centrifuge technology that we require for the success of the American Centrifuge project and requiring us to transfer certain of our rights in the American Centrifuge technology and facilities to DOE, and requiring us to reimburse DOE for certain costs associated with the American Centrifuge project. DOE could also recommend that we be removed as the sole U.S. Executive Agent under the Megatons to Megawatts program. Any of these actions could have a material adverse impact on our business and prospects. Uncertainty surrounding the milestones under the 2002 DOE-USEC Agreement or the initiation by DOE of any action or proceeding under the 2002 DOE-USEC Agreement could adversely affect our ability to obtain financing for the American Centrifuge project or to consummate the transactions with Toshiba and B&W.

Our new credit facility contains limitations on our ability to invest in the American Centrifuge project, which could adversely affect our ability to deploy the American Centrifuge Plant.

Under the terms of our credit facility, we are subject to restrictions on our ability to spend on the American Centrifuge project. Subject to certain limitations when availability (as defined in the credit agreement) falls below certain thresholds, the credit facility permits us to spend up to $165 million for the American Centrifuge project over the term of the credit facility (the "ACP Spending Basket"). The credit facility does not restrict the investment of proceeds of grants and certain other financial accommodations (excluding proceeds from the issuance of debt or equity by the borrowers) that may be received from DOE or other third parties that are specifically designated for investment in the American Centrifuge project. Under this provision, the $45 million made available by DOE pursuant to a cooperative agreement entered into with USEC in March 2010 for continued American Centrifuge activities is not restricted by the credit facility or counted towards the ACP Spending Basket. In addition to the ACP Spending Basket, the credit facility also permits the investment in the American Centrifuge project of net proceeds from additional equity capital raised by us (such as the investment from Toshiba and B&W), subject to certain provisions and certain limitations when availability falls below certain thresholds.

If we are unable to obtain and timely close on a DOE loan guarantee and raise additional proceeds or capital that are permitted under the credit facility to be invested in the American Centrifuge project outside of the ACP Spending Basket, the size of the ACP Spending Basket may necessitate future reductions in spending on the American Centrifuge project, which could adversely affect our ability to deploy the American Centrifuge project and our prospects. Our spending on the American Centrifuge project will need to take into account existing contractual obligations, including anticipated payments for materials to be delivered as well as project contract termination costs.

If we are not successful in our efforts to perform work as a subcontractor to the decontamination and decommissioning contractor at the Portsmouth GDP or if the transition has other unanticipated impacts, our results of operations could be adversely affected.

Our government services business includes work performed under contract with DOE ("cold shutdown contract") to maintain and prepare the former Portsmouth GDP for decontamination and decommissioning ("D&D"). This work is currently in a state of transition. In August 2010, DOE awarded a contract for the D&D of the Portsmouth GDP to a joint venture between Fluor Corp. and The Babcock & Wilcox Company ("Fluor-B&W Portsmouth LLC"). Due to potential organizational conflicts of interest ("OCI") concerns raised by DOE, we elected not to submit a proposal as a prime contractor for the contract that was awarded to Fluor-B&W Portsmouth LLC and are not a pre-selected subcontractor. Under the contract, Fluor-B&W Portsmouth LLC will serve as the prime contractor for the D&D. DOE extended the expiration of our cold shutdown contract to January 16, 2011, but this extension has not yet been definitized, meaning, among other things, that the parties have not yet reached an agreement on the amount of the fee to be paid to USEC for the work. The lack of contract definitization can result in delays in our submittal of incurred costs and recovery of fees for work performed. After the expiration of the contract, responsibility for work under our cold shutdown contract will transition to the new D&D contractor.

We are seeking the opportunity to perform work as a subcontractor as the D&D project proceeds over the next several years. However, our success in being selected and the scope, timing and size of any contract to perform work as a subcontractor is uncertain. Accordingly, we expect that our revenues from U.S. government services will be significantly reduced beginning with the first quarter of 2011. This impact will be more significant if we are not able to obtain work as a subcontractor and extend work we currently perform providing infrastructure and support services to the site tenants.

We are in the process of negotiating transition activities with the new D&D contractor to determine what scope of work will be transitioned and in what timeframe. The outcome of these discussions could raise additional risks and uncertainties, including:

- The potential impact on USEC employees and potential severance and other costs to USEC, as we have approximately 1,100 employees working at the former Portsmouth plant supporting DOE, its activities and the cold shutdown contract efforts;
- The potential impact of the loss of employees on work we perform to comply with requirements of our certificate with NRC for the Portsmouth facility;
- The potential impact of our de-lease of facilities at Portsmouth on our activities with respect to the American Centrifuge plant, including, but not limited to, potential reduction in flexibility with respect to the storage of materials, potential increased costs of site services and use of site facilities, and potential increased interferences with our activities on site;
- The potential impact on our ability to collect unbilled amounts from DOE. As a part of performing contract work for DOE, certain contractual issues, scope of work uncertainties, and various disputes arise from time to time. As discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Revenue from U.S. Government Contracts," we believe that as of September 30, 2010 additional amounts can be billed to DOE and revenue of approximately $2.3 million may be recognizable. There could also be the potential for additional revenue to be recognized related to our valuation allowances pending the outcome of DCAA audits and DOE reviews. In addition, $31.2 million of unbilled receivables and $6.5 million of past due receivables related directly to DOE or DOE contractors remain on our consolidated balance sheet as of September 30, 2010, and the timing and amount of recovery are uncertain. The termination of the cold shutdown contract could adversely affect our ability to timely recover these or other amounts we may be owed from DOE; and
- The potential impact on the cost of remaining services and activities. The reduction of the scope of work performed by USEC for DOE and the transition of the work to the D&D contractor could adversely impact the costs to us at the Portsmouth site and throughout the rest of the Company. Costs of work self-performed by us could increase due to the increased allocation of overhead and other costs to such work. Costs of contracting with the D&D contractor to perform work previously performed by us could be higher than current costs.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

(c) Third Quarter 2010 Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased(1)	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1 – July 31	-	$ -	-	-
August 1 – August 31	3,414	$5.07	-	-
September 1 – September 30	2,078	$5.08	-	-
Total	**5,492**	**$5.07**	**-**	**-**

(1) These purchases were not made pursuant to a publicly announced repurchase plan or program. Represents 5,492 shares of common stock surrendered to USEC to pay withholding taxes on shares of restricted stock under the Company's equity incentive plan.

Item 6. ***Exhibits***

3.1	Certificate of Incorporation of USEC Inc., as amended.
4.1	Warrant to purchase 3,125,000 shares of Class B Common Stock or 3,125 shares of Series C Convertible Participating Preferred Stock issued to Toshiba America Nuclear Energy Corporation, incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed on September 2, 2010 (Commission file number 1-14287).
4.2	Warrant to purchase 3,125,000 shares of Class B Common Stock or 3,125 shares of Series C Convertible Participating Preferred Stock issued to Babcock & Wilcox Investment Company, incorporated by reference to Exhibit 4.2 of the Current Report on Form 8-K filed on September 2, 2010 (Commission file number 1-14287).
10.1	Investor Rights Agreement, dated as of September 2, 2010, by and among USEC Inc., Toshiba Corporation, and Babcock & Wilcox Investment Company, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on September 2, 2010 (Commission file number 1-14287).
10.2	Limited Liability Company Agreement of American Centrifuge Manufacturing, LLC dated as of September 2, 2010 between American Centrifuge Holdings, LLC and Babcock & Wilcox Technical Services Group, Inc., incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed on September 2, 2010 (Commission file number 1-14287) (Certain information has been omitted and filed separately pursuant to a request for confidential treatment under Rule 24b-2).
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
32	Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

USEC Inc.

November 3, 2010 By: /s/ John C. Barpoulis

John C. Barpoulis
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

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CERTIFICATE OF INCORPORATION

OF

USEC INC.

FIRST: The name of the corporation is USEC Inc. (hereinafter the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, 19801. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may now or hereafter be organized under the Delaware General Corporation Law as set forth in Title 8 of the Delaware Code (the "DGCL").

FOURTH: A. The total number of shares of stock of all classes that the Corporation shall have authority to issue is 275,000,000 shares. The authorized capital stock is divided into 25,000,000 shares of preferred stock, each having a par value of $1.00 (the "Preferred Stock"), and 250,000,000 shares of common stock, each having a par value of $.10 (the "Common Stock").

B. The shares of Preferred Stock of the Corporation may be issued from time to time in one or more classes or series thereof, the shares of each class or series thereof to have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as are stated and expressed herein or in the resolution or resolutions providing for the issue of such class or series, adopted by the Board of Directors as hereinafter provided.

Authority is hereby expressly granted to the Board of Directors of the Corporation, subject to the provisions of this Article FOURTH and to the limitations prescribed by the DGCL, to authorize the issue of one or more classes, or series thereof, of Preferred Stock and with respect to each such class or series to fix by resolution or resolutions providing for the issue of such class or series the voting powers, full or limited, if any, of the shares of such class or series and the designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof. The authority of the Board of Directors with respect to each class or series thereof shall include, but not be limited to, the determination or fixing of the following:

(i) the maximum number of shares to constitute such class or series, which may subsequently be increased or decreased by resolution of the Board of Directors unless otherwise provided in the resolution providing for the issue of such class or series, the distinctive designation thereof and the stated value thereof if different than the par value thereof;

(ii) the dividend rate of such class or series, the conditions and dates upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes of stock or any other series of any class of stock of the Corporation, and whether such dividends shall be cumulative or noncumulative;

(iii) whether the shares of such class or series shall be subject to redemption, in whole or in part, and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption, including whether or not such redemption may occur at the option of the Corporation or at the option of the holder or holders thereof or upon the happening of a specified event;

(iv) the terms and amount of any sinking fund established for the purchase or redemption of the shares of such class or series;

(v) whether or not the shares of such class or series shall be convertible into or exchangeable for shares of any other class or classes of any stock or any other series of any class of stock of the Corporation, and, if provision is made for conversion or exchange, the times, prices, rates, adjustments, and other terms and conditions of such conversion or exchange;

(vi) the extent, if any, to which the holders of shares of such class or series shall be entitled to vote with respect to the election of directors or otherwise;

(vii) the restrictions, if any, on the issue or reissue of any additional Preferred Stock;

(viii) the rights of the holders of the shares of such class or series upon the dissolution of, or upon the subsequent distribution of assets of, the Corporation; and

(ix) the manner in which any facts ascertainable outside the resolution or resolutions providing for the issue of such class or series shall operate upon the voting powers, designations, preferences, rights and qualifications, limitations or restrictions of such class or series.

C. The shares of Common Stock of the Corporation shall be of one and the same class. The holders of Common Stock shall have one vote per share of Common Stock on all matters on which holders of Common Stock are entitled to vote.

FIFTH: The name and mailing address of the Sole Incorporator is as follows: Lynn Buckley, P.O. Box 636, Wilmington, DE 19899.

SIXTH: A. The business and affairs of the Corporation shall be managed by or under the direction of its Board of Directors. In furtherance, and not in limitation, of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to:

(i) adopt, amend, alter, change or repeal the By-Laws of the Corporation; provided, however, that no By-Laws hereafter adopted shall invalidate any prior act of the directors that would have been valid if such new By-Laws had not been adopted;

(ii) determine the rights, powers, duties, rules and procedures that affect the power of the Board of Directors to manage and direct the business and affairs of the Corporation, including the power to designate and empower committees of the Board of Directors, to elect, appoint and empower the officers and other agents of the Corporation, and to determine the time and place of, and the notice requirements for, Board meetings, as well as quorum

and voting requirements for, and the manner of taking, Board action; and

(iii) exercise all such powers and do all such acts as may be exercised or done by the Corporation, subject to the provisions of the laws of the State of Delaware, this Certificate of Incorporation, and the By-Laws of the Corporation.

B. The number of directors constituting the Board of Directors shall be as specified in the By-Laws or fixed in the manner provided therein. Whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes unless expressly provided by such terms.

C. Any vacancies in the Board of Directors for any reason and any newly created directorships resulting by reason of any increase in the number of directors may be filled only by the Board of Directors, acting by a majority of the remaining directors then in office, although less than a quorum, or by a sole remaining director, and any directors so appointed shall hold office until the next election for which such directors have been chosen and until their successors are elected and qualified or their earlier resignation or removal.

D. Except as may be provided in a resolution or resolutions providing for any class or series of Preferred Stock pursuant to Article FOURTH hereof with respect to any directors elected by the holders of such class or series, any director, or the entire Board of Directors, may be removed from office by the stockholders at any time.

E. In connection with the exercise of its or their judgment in determining what is in the best interests of the Corporation and its stockholders, the Board of Directors of the Corporation, any committee of the Board of Directors or any individual director may, but shall not be required to, in addition to considering the long-term and short-term interests of the stockholders, consider all of the following factors: provision for the protection of the health and safety of the public and the common defense and security of the United States of America, assurance that adequate enrichment capacity will remain available to meet the demands of the domestic electric utility industry, provision for the continuation by the Corporation of the operation of the Department of Energy's gaseous diffusion plants, and provision for the protection of the public interest in maintaining reliable and economical uranium mining, enrichment and conversion services. The provisions of this Section shall be deemed solely to grant discretionary authority to the directors and shall not be deemed to provide to any constituency the right to be considered.

SEVENTH: Except as may be provided in a resolution or resolutions providing for any class or series of Preferred Stock pursuant to Article FOURTH hereof, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Special meetings of stockholders of the Corporation may be called only by the Chairman, if there be one, or the President, or pursuant to a resolution adopted by (i) the Board of Directors or (ii) a committee of the Board of Directors that has been designated by the Board of Directors and whose power and authority include the power to call such meetings. Elections of directors need not be by written ballot, unless otherwise provided in the By-Laws.

EIGHTH: A. The Corporation shall indemnify its directors and officers to the fullest extent authorized or permitted by the DGCL, as the same exists or may hereafter be amended, and such right to indemnification shall continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except for successful proceedings to enforce rights to indemnification, the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or administrators) in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation. The right to indemnification conferred in this Article EIGHTH shall include the right to be paid by the Corporation the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition.

B. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation who are not directors or officers similar to those conferred in this Article EIGHTH to directors and officers of the Corporation.

C. The rights to indemnification and to the advancement of expenses conferred in this Article EIGHTH shall not be exclusive of any other right which any person may have or hereafter acquire under this Certificate of Incorporation, the By-Laws, any statute, agreement, vote of stockholders or disinterested directors, or otherwise.

D. Any repeal or modification of this Article EIGHTH by the stockholders of the Corporation shall not adversely affect any rights to indemnification and advancement of expenses of a director or officer of the Corporation existing pursuant to this Article EIGHTH with respect to any acts or omissions occurring prior to such repeal or modification.

NINTH: No person shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided, however, that the foregoing shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended hereafter to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. Any amendment, repeal or modification of this Article NINTH shall not adversely affect any right or protection of a director of the Corporation existing at the time of such amendment, repeal or modification with respect to any act or omission occurring prior to such amendment, repeal or modification.

TENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the DGCL or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the DGCL order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

ELEVENTH: A. *Statutory Acquisition Restriction*. For purposes of this Article ELEVENTH, the term "Statutory Acquisition Restriction" shall mean the acquisition, directly or indirectly, of beneficial ownership by a person or by a number of persons acting together as a group, of securities of the Corporation representing more than ten percent (10%) of the total votes of all outstanding voting securities of the Corporation after the Privatization Date and prior to the third anniversary thereof; provided, however, such restriction shall not apply to (i) any employee stock ownership plan of the Corporation, (ii) members of the underwriting syndicate purchasing shares of Common Stock of the Corporation in stabilization transactions in connection with the privatization of the Company through an initial public offering consummated on the Privatization Date and (iii) in the case of securities beneficially held in the ordinary course of business for others, any commercial bank, broker-dealer, or clearing agency; provided no person for whom such bank, broker-dealer or clearing agency is holding such securities has violated the Statutory Acquisition Restriction. For purposes of this Article ELEVENTH, the term "Privatization Date" shall mean the date of consummation of the initial public offering undertaken to privatize the United States Enrichment Corporation, the government-owned corporation.

B. *Foreign Ownership Restrictions*. For purposes of this Article ELEVENTH, the term "Foreign Ownership Restrictions" shall mean any one or more of the following: (i) the beneficial ownership of more than ten percent (10%) of the aggregate number of issued and outstanding shares of Common Stock of the Corporation by or for the account of a foreign person or persons; (ii) the beneficial ownership of any shares of Common Stock of the Corporation by or for the account of a Contravening Person (as defined below); (iii) the acquisition of control (direct or indirect) of the Company by a person or group of persons acting together in any transaction or series of transactions in which the arrangements for financing such person's or persons' acquisition of the Corporation involve or will involve receipt of money, from borrowing or otherwise, from one or more foreign persons in an amount in excess of ten percent (10%) of the purchase price of the Corporation's securities purchased by such person or group of persons, whether such funds are to be used for temporary or permanent financing; or (iv) any ownership of or exercise of rights with respect to shares of Common Stock of the Corporation or other exercise or attempt to exercise control of the Corporation that the Board of Directors determines is inconsistent with or in violation of the regulations, rules or restrictions of a governmental entity or agency which exercises regulatory power over the Corporation, its business, operations or assets or could jeopardize the continued operations of the Corporation's facilities.

C. *Information Request*. If the Corporation has reason to believe that the ownership or proposed ownership of, or exercise of rights with respect to, securities of the Corporation by any person, including record holders, beneficial owners and any person presenting any securities of the Corporation for transfer into its name (a "Proposed Transferee") may be inconsistent with, or in violation of the Statutory Acquisition Restriction or the Foreign Ownership Restrictions, the Corporation may request of such person and such person shall furnish promptly to the Corporation such information (including, without limitation, information with respect to citizenship, other ownership interests and affiliations) as the Corporation shall reasonably request to determine whether the ownership of, or the exercise of any rights with respect to, securities of the Corporation by such person is inconsistent with, or in violation of, the Statutory Acquisition Restriction or the Foreign Ownership Restrictions. Any person who is or proposes to be a registered holder of securities of the Corporation shall be obliged to disclose to the Corporation, at the Corporation's request, the name and address of the beneficial owner of the securities of the Corporation.

Any person that has filed a Schedule 13D or a Schedule 14D-1 (or in either case, a successor form thereto required by the U.S. Securities and Exchange Commission (the "SEC")) with respect to the Corporation's securities and, in the case of the Schedule 13D, which filing indicates any plans or proposals which relate to or would result in the occurrence of any of the events described in Item 4 of Schedule 13D (or its equivalent, if and to the extent that such Item is amended, modified or superseded by another Item or another form of the SEC then in effect) may be requested by the Corporation to provide to the Corporation such information as the Board of Directors may require to confirm that such person's plans or proposals will not result in a violation of the Statutory Acquisition Restriction or the Foreign Ownership Restrictions.

The Corporation may require that any information sought under this Section C of Article ELEVENTH be given under oath. The Board of Directors shall be entitled to rely and to act in reliance on any declaration and the information contained therein.

D. *Suspension of Voting Rights; Refusal to Transfer*. If any person, including a Proposed Transferee, from whom information is requested should fail to respond to the Corporation's request pursuant to Section C of this Article ELEVENTH or if the Corporation shall conclude that the ownership of, or the exercise of any rights of ownership with respect to, securities of the Corporation by any person, including a Proposed Transferee, could result in any inconsistency with, or violation of, the Statutory Acquisition Restriction or the Foreign Ownership Restrictions, the Corporation may (i) refuse to permit the transfer of securities of the Corporation to such Proposed Transferee; and/or (ii) suspend or limit voting rights associated with stock ownership by such person or Proposed Transferee if the Board of Directors in good faith believes that the exercise of such voting rights would result in any inconsistency with, or violation of, the Statutory Acquisition Restriction or the Foreign Ownership Restrictions. If the Board of Directors determines that the foregoing measures are not sufficient to ensure compliance with the Statutory Acquisition Restriction or the Foreign Ownership Restrictions, the Corporation may take such action as may be authorized under this Article ELEVENTH. Any action by the Corporation pursuant to the foregoing with respect to the Statutory Acquisition Restriction or the Foreign Ownership Restrictions may remain in effect for as long as the Corporation determines is necessary to comply with the Statutory Acquisition Restriction or the Foreign Ownership Restrictions.

E. *Legends*. The Corporation may note on the certificates of its securities that the shares represented by such certificates are subject to the restrictions set forth in this Article TWELFTH.

F. *Joint Ownership*. For purposes of this Article ELEVENTH, where the same shares of Common Stock of the Corporation are held or beneficially owned by one or more persons, and any one of such persons is a foreign person or a Contravening Person, then such shares of Common Stock shall be deemed to be held or beneficially owned by a foreign person or Contravening Person, as applicable.

G. *Additional Provisions*. The Corporation is hereby authorized to take any other action it may deem necessary or appropriate to ensure compliance with the provisions of this Article ELEVENTH, including, without limitation, suspending or limiting any and all rights of stock ownership which may violate or be inconsistent with the Statutory Acquisition Restriction or the applicable Foreign Ownership Restrictions (other than the right to transfer stock ownership in a transaction consistent with the Statutory Acquisition Restriction and the Foreign Ownership Restrictions). Further, the Corporation may exercise any and all appropriate remedies, at law or in equity in any court of competent jurisdiction, against any holder of its securities or rights with respect thereto or any Proposed Transferee, with a view towards obtaining the information set forth in Section C or preventing or curing any situation which would cause any inconsistency with, or violation of, the Statutory Acquisition Restriction or the Foreign Ownership Restrictions.

H. *Redemption and Exchange*. Without limiting the generality of the foregoing and notwithstanding any other provision of this Certificate of Incorporation to the contrary, any shares held or beneficially owned by a foreign person or a Contravening Person shall always be subject to redemption or exchange by the Corporation by action of the Board of Directors, pursuant to Section 151 of the DGCL or any other applicable provision of law, to the extent necessary in the judgment of the Board of Directors to comply with the Foreign Ownership Restrictions. As used in this Certificate of

Incorporation, "redemption" and "exchange" are hereinafter collectively referred to as "redemption", references to shares being "redeemed" shall be deemed to include shares which are being "exchanged", and references to "redemption price" shall be deemed to include the amount and kind of securities for which any such shares are exchanged. The terms and conditions of such redemption shall be as follows:

(a) the redemption price of the shares to be redeemed pursuant to this Article ELEVENTH shall be equal to the fair market value of the shares to be redeemed, as determined by the Board of Directors in good faith unless the Board determines in good faith that the holder of such shares knew or should have known its ownership or beneficial ownership would constitute a violation of the Foreign Ownership Restrictions, in which case the redemption price shall be equal to the lower of (i) the fair market value of the shares to be redeemed and (ii) such foreign person's or Contravening Person's purchase price for such shares;

(b) the redemption price of such shares may be paid in cash, securities or any combination thereof and the value of any securities constituting all or any part of the redemption price shall be determined by the Board in good faith;

(c) if less than all the shares held or beneficially owned by foreign persons are to be redeemed, the shares to be redeemed shall be selected in any manner determined by the Board of Directors to be fair and equitable;

(d) at least 30 days' written notice of the redemption date shall be given to the record holders of the shares selected to be redeemed (unless waived in writing by any such holder), provided that the redemption date may be the date on which written notice shall be given to record holders if the cash or redemption securities necessary to effect the redemption shall have been deposited in trust for the benefit of such record holders and subject to immediate withdrawal by them upon surrender of the stock certificates for their shares to be redeemed, duly endorsed in blank or accompanied by duly executed proper instruments of transfer;

(e) from and after the redemption date, the shares to be redeemed shall cease to be regarded as outstanding and any and all rights attaching to such shares of whatever nature (including without limitation any rights to vote or participate in dividends declared on stock of the same class or series as such shares) shall cease and terminate, and the holders thereof thenceforth shall be entitled only to receive the cash or securities payable upon redemption; and

(f) the redemption shall be subject to such other terms and conditions as the Board of Directors shall determine.

I. *Board Action*. The Board of Directors shall have the exclusive right to interpret all issues arising under this Article ELEVENTH (including but not limited to determining whether a person is a foreign person or a Contravening Person, whether a person is an Affiliate of another person, whether a person controls or is controlled by another person and whether a person is the beneficial owner of the securities of the Corporation) and the determination of the Board under this Article shall be final and binding. The Bylaws of the Corporation may make appropriate provisions to effectuate the requirements of this Article ELEVENTH to the extent set forth herein and the Board may, at any time and from time to time, adopt such other or additional reasonable procedures as the Board may deem desirable or necessary to comply with the Statutory Acquisition Restriction or the Foreign Ownership Restrictions or to carry out the provisions of this Article ELEVENTH.

J. Certain Definitions. For purposes of this Article ELEVENTH,

"Affiliate" and "Affiliated" shall have the meaning set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

"Contravening Person" shall mean (i) a person having a significant commercial relationship with a Foreign Enrichment Provider with respect to uranium or uranium products or (ii) a Foreign Competitor.

"Foreign Competitor" shall mean a Foreign Enrichment Provider or a person Affiliated with a Foreign Enrichment Provider in such a manner as to warrant application of the Foreign Ownership Restrictions to such person.

"Foreign Enrichment Provider" shall mean any person incorporated, organized or having its principal place of business outside of the United States which is in the business of enriching uranium for use by nuclear reactors or any person incorporated, organized or having its principal place of business outside of the United States which is in the business of creating a fissile product capable of use as a fuel source for nuclear reactors in lieu of enriched uranium.

"foreign person" shall mean (i) an individual who is not a citizen of the United States of America; (ii) a partnership in which any general partner is a foreign person or the partner or partners having a majority interest in partnership profits are foreign persons; (iii) a foreign government or representative thereof; (iv) a corporation, partnership, trust, company, association or other entity organized or incorporated under the laws of a jurisdiction outside of the United States and (v) a corporation, partnership, trust, company, association or other entity that is controlled directly or indirectly by any one or more of the foregoing.

"person" shall include natural persons, corporations, partnerships, companies, associations, trusts, joint ventures and other entities.

K. *Amendment*. Any amendment, alteration, change or repeal of this Article ELEVENTH shall require the affirmative vote of both (a) a majority of the members of the Board of Directors then in office and (b) the affirmative vote of holders of at least two-thirds of the voting power of all the shares of capital stock of the Corporation entitled to vote generally in the election of directors voting together as a single class.

TWELFTH: The Corporation hereby reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation. Except as may be provided in a resolution or resolutions providing for any class or series of Preferred Stock pursuant to Article FOURTH hereof and which relate to such class or series of Preferred Stock, any such amendment, alteration, change or repeal shall require the affirmative vote of both (a) a majority of the members of the Board of Directors then in office and (b) a majority of the voting power of all of the shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

THIRTEENTH: In the event that any of the provisions of this Certificate of Incorporation (including any provision within a single Section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, the remaining provisions are severable and shall remain enforceable to the full extent permitted by law.

I, THE UNDERSIGNED, being the Sole Incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the DGCL do make this Certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 29th day of June, 1998.

/s/ Lynn Buckley
Lynn Buckley
Sole Incorporator

CERTIFICATE OF AMENDMENT
TO THE
CERTIFICATE OF INCORPORATION
OF
USEC INC.

USEC Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), in accordance with the provisions of Section 151(g) thereof, DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of the Corporation duly called and held on February 8, 2008, resolutions were duly adopted setting forth a proposed amendment to the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing such amendment to be submitted to the stockholders of the Corporation for approval at its next annual meeting of stockholders to be held on April 24, 2008. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that Article ELEVENTH of the Certificate of Incorporation be, and it hereby is, amended and restated in its entirety to read as follows, subject to the approval of the stockholders of the Corporation:

"ELEVENTH: Foreign Ownership

A. [Reserved]

B. Foreign Ownership Review Event. For purposes of this Article ELEVENTH, the term "Foreign Ownership Review Event" shall mean the occurrence of any one or more of the following events: (i) the beneficial ownership by a foreign person of (a) five percent (5%) or more of the issued and outstanding shares of any class of equity securities of the Corporation, (b) five percent (5%) or more in voting power of the issued and outstanding shares of all classes of equity securities of the Corporation, or (c) less than five percent (5%) of the issued and outstanding shares of any class of equity securities of the Corporation or less than five percent (5%) of the voting power of the issued and outstanding shares of all classes of equity securities of the Corporation, if such foreign person is entitled to control the appointment and tenure of any of the Corporation's management positions or any director; (ii) the beneficial ownership of any shares of any class of equity securities of the Corporation by or for the account of a Contravening Person (as defined below); or (iii) any Adverse Regulatory Occurrence.

C. Information Request. If the Corporation has reason to believe that the ownership or proposed ownership of, acquisition of an interest in, or exercise of rights with respect to, securities of the Corporation by any person, including record holders, beneficial owners and any person presenting any securities of the Corporation for transfer into its name (a "Proposed Transferee") may constitute a Foreign Ownership Review Event, the Corporation may request of such person and such person shall furnish promptly to the Corporation such information (including, without limitation, information with respect to citizenship, other ownership interests and affiliations as well as any other agreements or arrangements) as the Corporation shall request to enable the Board of Directors to determine whether the ownership of, the acquisition of any interest in, or the exercise of any rights with respect to, securities of the Corporation by such person constitutes a Foreign Ownership Review Event. Any person who is or proposes to be a registered holder of securities of the Corporation shall disclose to the Corporation, at the Corporation's request, the name and address of the beneficial owner of the securities of the Corporation and any other information relating to such person's ownership or other interest in securities of the Corporation that the Corporation may request.

Any disclosure of information made under this Section C of Article ELEVENTH shall be delivered to the Corporation promptly upon a request by the Corporation therefor (and in any event within five (5) calendar days of such request). The Corporation may require that any such information be given under oath. The Board of Directors shall be entitled to rely and to act in reliance on any declaration and the information provided to the Corporation pursuant to this Section C of Article ELEVENTH.

D. Suspension of Voting Rights; Refusal to Transfer. If any person, including a Proposed Transferee, from whom information is requested pursuant to Section C of this Article ELEVENTH should fail to respond to such request, or if the Corporation shall conclude that the ownership of, the acquisition of an interest in, or the exercise of any rights of ownership with respect to, securities of the Corporation by any person, including a Proposed Transferee, could constitute or result in any Adverse Regulatory Occurrence, then (i) the Board of Directors may, from time to time in its sole discretion, resolve that neither any record owner nor any beneficial owner of securities held by a person may be Transferred to a Proposed Transferee; and/or (ii) the Board of Directors may, in its sole discretion, resolve that such person, either alone or together with its Related Persons, as of any record date for the determination of holders of securities entitled to vote on any matter, shall not be entitled to vote or cause the voting of all or such portion as the Board of Directors shall determine of the securities of the Corporation owned beneficially or of record by such person or its Related Persons, in person or by proxy or through any voting agreement or other arrangement, (A) on any matter submitted to a vote of such holders or (B) on specified matters as from time to time determined by the Board of Directors. The Corporation may disregard any votes purported to be cast in excess of or otherwise in violation of the restrictions or limitations set forth in sub-section (ii) of Section D of this Article ELEVENTH. Any action by the Board of Directors pursuant to this Article ELEVENTH may remain in effect for as long as the Board of Directors determines such action is necessary to prevent or remedy any Adverse Regulatory Occurrence. Notwithstanding the foregoing, the Board of Directors may, from time to time in its sole discretion, (1) resolve to release any restriction on Transfer set forth herein from any number of securities, on terms and conditions and in ratios and numbers to be fixed by the Board of Directors in its sole discretion, and (2) resolve to release any of the securities of the Corporation from any of the limitations or restrictions on voting set forth in sub-section (ii) of Section D of this Article ELEVENTH.

E. Legends. If any securities of the Corporation are represented by a certificate, a legend shall be placed on such certificate to the effect that such securities are subject to the restrictions set forth in this Article ELEVENTH. If any such securities shall not be represented by certificates, then the Corporation shall require, to the extent required by law, that an analogous notification of such restrictions be used in respect of such securities.

F. Joint Ownership. For purposes of this Article ELEVENTH, where the same shares of any class of equity securities of the

Corporation are held or beneficially owned by one or more persons, and any one of such persons is a foreign person or a Contravening Person, then such shares shall be deemed to be held or beneficially owned by a foreign person or Contravening Person, as applicable.

G. [Reserved]

H . Redemption and Exchange. Without limiting the generality of the foregoing and notwithstanding any other provision of this Certificate of Incorporation to the contrary, any shares held or beneficially owned by a foreign person or a Contravening Person shall always be subject to redemption or exchange by the Corporation by action of the Board of Directors, pursuant to Section 151 of the DGCL or any other applicable provision of law, to the extent necessary in the judgment of the Board of Directors to prevent any Adverse Regulatory Occurrence. Except where the context provides otherwise, as used in this Certificate of Incorporation, "redemption" and "exchange" are hereinafter collectively referred to as "redemption", references to shares being "redeemed" shall be deemed to include shares which are being "exchanged", and references to "redemption price" shall be deemed to include the amount and kind of securities for which any such shares are exchanged. The terms and conditions of such redemption shall be as follows:

(a) the redemption price of the shares to be redeemed pursuant to this Article ELEVENTH shall be equal to the fair market value of the shares to be redeemed, as determined by the Board of Directors in good faith unless the Board determines in good faith that the holder of such shares knew or should have known its ownership or beneficial ownership would constitute a Foreign Ownership Review Event, in which case the redemption price for any such shares, other than shares for which the Board of Directors had determined at the time of the holder's purchase that the ownership of, or exercise of rights with respect to, such shares did not, at such time, constitute an Adverse Regulatory Occurrence, shall be equal to the lower of (i) the fair market value of the shares to be redeemed and (ii) such foreign person's or Contravening Person's purchase price for such shares;

(b) the redemption price of such shares may be paid in cash, securities or any combination thereof and the value of any securities constituting all or any part of the redemption price shall be determined by the Board in good faith;

(c) if less than all the shares held or beneficially owned by foreign persons are to be redeemed, the shares to be redeemed shall be selected in any manner determined by the Board of Directors to be fair and equitable;

(d) at least 30 days' written notice of the redemption date shall be given to the record holders of the shares selected to be redeemed (unless waived in writing by any such holder), provided that the redemption date may be the date on which written notice shall be given to record holders if the cash or redemption securities necessary to effect the redemption shall have been deposited in trust for the benefit of such record holders and subject to immediate withdrawal by them upon surrender of the stock certificates for their shares to be redeemed, duly endorsed in blank or accompanied by duly executed proper instruments of transfer;

(e) from and after the redemption date, the shares to be redeemed shall cease to be regarded as outstanding and any and all rights attaching to such shares of whatever nature (including without limitation any rights to vote or participate in dividends declared on stock of the same class or series as such shares) shall cease and terminate, and the holders thereof thenceforth shall be entitled only to receive the cash or securities payable upon redemption; and

(f) the redemption shall be subject to such other terms and conditions as the Board of Directors shall determine.

In connection with any exchange effected pursuant to Section H of this Article ELEVENTH, authority is hereby expressly granted to the Board of Directors, subject to this Certificate of Incorporation and the DGCL, to fix the designations, preferences, and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of any securities of the Corporation issued in exchange for any issued and outstanding securities of the Corporation held or beneficially owned by a foreign person or Contravening Person.

I . Board Action. The Board of Directors shall have the exclusive right to interpret all issues arising under this Article ELEVENTH (including but not limited to determining whether a Foreign Ownership Review Event has occurred, whether an Adverse Regulatory Occurrence has occurred, whether a person is a foreign person or a Contravening Person, whether a person is an Affiliate of another person or a Related Person, whether a person controls or is controlled by another person and whether a person is the beneficial owner of securities of the Corporation, and whether a person has met the requirements of Section C of this Article ELEVENTH with regard to the provision of information), and the determination of the Board under this Article ELEVENTH shall be final, binding and conclusive. The Bylaws of the Corporation may make appropriate provisions to effectuate the requirements of this Article ELEVENTH to the extent set forth herein and the Board may, at any time and from time to time, adopt such other or additional reasonable procedures as the Board may deem desirable or necessary to comply with Regulatory Restrictions, to prevent or remedy any Adverse Regulatory Occurrence, to address any issues arising in connection with a Foreign Ownership Review Event or to otherwise carry out the provisions of this Article ELEVENTH.

J. Certain Definitions. For purposes of this Article ELEVENTH,

"Adverse Regulatory Occurrence" shall mean any ownership of, or exercise of rights with respect to, shares of any class of equity securities of the Corporation or other exercise or attempt to exercise control of the Corporation that is inconsistent with, or in violation of, any Regulatory Restrictions, or that could jeopardize the continued operations of the Corporation's facilities.

"Affiliate" and "Affiliated" shall have the meaning set forth in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

"Contravening Person" shall mean (i) a person acting as an agent for a Foreign Enrichment Provider with respect to uranium or uranium products or (ii) a Foreign Competitor.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Foreign Competitor" shall mean a Foreign Enrichment Provider or a person Affiliated with a Foreign Enrichment Provider in

such a manner as to constitute a Foreign Ownership Review Event.

"Foreign Enrichment Provider" shall mean any person incorporated, organized or having its principal place of business outside of the United States which is in the business of enriching uranium for use by nuclear reactors or any person incorporated, organized or having its principal place of business outside of the United States which is in the business of creating a fissile product capable of use as a fuel source for nuclear reactors in lieu of enriched uranium.

"foreign person" shall mean (i) an individual who is not a citizen of the United States of America; (ii) a partnership in which any general partner is a foreign person or the partner or partners having a majority interest in partnership profits are foreign persons; (iii) a foreign government or representative thereof; (iv) a corporation, partnership, trust, company, association or other entity organized or incorporated under the laws of a jurisdiction outside of the United States and (v) a corporation, partnership, trust, company, association or other entity that is controlled directly or indirectly by any one or more of the foregoing.

"person" shall include natural persons, corporations, partnerships, companies, associations, trusts, joint ventures, other entities, governments, or political subdivisions, agencies or instrumentalities of governments.

"Regulatory Restrictions" shall mean the regulations, rules or restrictions of any governmental entity or agency which exercises regulatory power over the Corporation, its business, operations or assets, including, without limitation, the U.S. Nuclear Regulatory Commission.

"Related Person" shall mean with respect to any person:

(1) any Affiliate of such person;

(2) any other person(s) with which such first person has any agreement, arrangement or understanding (whether or not in writing) to act together for the purpose of acquiring, voting, holding or disposing of securities of the Corporation;

(3) in the case of a person that is a company, corporation or similar entity, any executive officer (as defined under Rule 3b-7 under the Exchange Act) or director of such person and, in the case of a person that is a partnership or a limited liability company, any general partner, managing member or manager of such person, as applicable;

(4) in the case of a person that is a natural person, any relative or spouse of such natural person, or any relative of such spouse who has the same home as such natural person or who is a director or officer of the Corporation or any of its Affiliates;

(5) in the case of a person that is an executive officer (as defined under Rule 3b-7 under the Exchange Act), or a director of a company, corporation or similar entity, such company, corporation or entity, as applicable; and

(6) in the case of a person that is a general partner, managing member or manager of a partnership or limited liability company, such partnership or limited liability company, as applicable.

"Transfer" shall mean (with its cognates having corresponding meanings), with respect to any securities of the Corporation, any direct or indirect assignment, sale, exchange, transfer, tender or other disposition of such securities or any interest therein, whether voluntary or involuntary, by operation of law or otherwise (and includes any sale or other disposition in any one transaction or series of transactions and the grant or transfer of an option or derivative security covering such securities), and any agreement, arrangement or understanding, whether or not in writing, to effect any of the foregoing; provided, however, that a "Transfer" shall not occur simply as a result of the grant of a proxy in connection with a solicitation of proxies subject to the provisions of Section 14 of the Exchange Act.

K. Amendment. Any amendment, alteration, change or repeal of this Article ELEVENTH shall require the affirmative vote of both (a) a majority of the members of the Board of Directors then in office and (b) the affirmative vote of holders of at least two-thirds of the voting power of all the shares of capital stock of the Corporation entitled to vote generally in the election of directors voting together as a single class."

SECOND: Thereafter, at the annual meeting of stockholders of the Corporation duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, the affirmative vote of holders of at least two-thirds of the voting power of all the shares of capital stock of the Corporation entitled to vote generally in the election of directors voting together as a single class, as required by Article ELEVENTH of the Certificate of Incorporation, was obtained in favor of such amendment in accordance with Section 242 of the General Corporation Law of the State of Delaware.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by its duly authorized officer this 25th day of April, 2008.

USEC INC.

By: /s/ John K. Welch
Name: John K. Welch
Title: President and Chief Executive Officer

CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS OF SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

of

USEC INC.

Pursuant to Section 151 of the General Corporation Law of the State of Delaware

We, James R. Mellor, Chairman of the Board, and Timothy B. Hansen, Secretary, of USEC Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Certificate of Incorporation of the said Corporation, the said Board of Directors on April 24, 2001, adopted the following resolution creating a series of one hundred thousand (100,000) shares of Preferred Stock designated as Series A Junior Participating Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Certificate of Incorporation, a series of Preferred Stock of the Corporation be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" and the number of shares constituting such series shall be one hundred thousand (100,000).

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the fifteenth day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1.00 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value $0.10 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the Corporation shall at any time after April 24, 2001 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in Paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1.00 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to

which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Series A Junior Participating Preferred Stock) with dividends in arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) directors.

(ii) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of directors shall be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) directors or, if such right is exercised at an annual meeting, to elect two (2) directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect directors in any default period and during the continuance of such period, the number of directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Junior Participating Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this Paragraph (C)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this Paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of directors until the holders of Preferred Stock shall have exercised their right to elect two (2) directors voting as a class, after the exercise of which right (x) the directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in Paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining directors theretofore elected by the holders of the class of stock which elected the director whose office shall have become vacant. References in this Paragraph (C) to directors elected by the holders of a particular class of stock shall include directors elected by such directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect directors shall cease, (y) the term of any directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of directors shall be such number as may be provided for in the certificate of incorporation or by-laws irrespective of any increase made pursuant to the provisions of Paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the certificate of incorporation or by-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either

as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under Paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up. (A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received an amount equal to $1,000 per share of Series A Participating Preferred Stock, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 1,000 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Junior Participating Preferred Stock shall not be redeemable.

Section 9. Ranking. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. At any time when any shares of Series A Junior Participating Preferred Stock are outstanding, neither the Certificate of Incorporation of the Corporation nor this Certificate of Designation shall be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate and do affirm the foregoing as true under the penalties of perjury this 24th day of April, 2001.

/s/ James R. Mellor
Chairman of the Board

Attest:

/s/ Timothy B. Hansen
Secretary

CERTIFICATE OF INCREASE
OF
CERTIFICATE OF DESIGNATION, PREFERENCES AND
RIGHTS OF SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
OF
USEC INC.

USEC Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), in accordance with the provisions of Section 151(g) thereof, DOES HEREBY CERTIFY:

1. No shares of Series A Junior Participating Preferred Stock of the Corporation have, as of the date of this Certificate, been issued.

2. A resolution providing for an amendment to the Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of the Corporation was duly adopted by the Board of Directors of the Corporation on September 10, 2007, which resolution provides as follows:

> RESOLOVED, that the Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of the Corporation, filed with the Delaware Secretary of State on August 25, 2001, shall be amended by amending and restating Section 1 thereof in its entirety as follows:
>
> "Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" and the number of shares constituting such series shall be two hundred thousand (200,000)."

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Increase of Certificate of Designation to be executed by its duly authorized officer this 21st day of September, 2007.

USEC INC.

By: /s/ Allen L. Lear
Allen L. Lear
Interim General Counsel and Secretary

CERTIFICATE OF DESIGNATION OF

SERIES B-1 12.75% CONVERTIBLE PREFERRED STOCK

of

USEC INC.

Pursuant to Section 151 of the General Corporation Law

of the State of Delaware

We, John K. Welch, President and Chief Executive Officer, and Peter B. Saba, Secretary, of USEC Inc., a corporation organized and existing under the General Corporation Law (the "DGCL") of the State of Delaware (the "Corporation"), in accordance with the provisions of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Certificate of Incorporation, the Board of Directors on May 24, 2010 adopted the following resolution creating a series of 300,000 shares of Preferred Stock, par value $1.00 per share, designated as Series B-1 12.75% Convertible Preferred Stock:

> RESOLVED, that pursuant to the authority vested in the Board of Directors in accordance with the provisions of the Certificate of Incorporation, a series of Preferred Stock of the Corporation be and it hereby is created, and that the designation and amount thereof and the powers, preferences and relative, participating, optional and other rights of the shares of such series, and the qualifications, limitations and restrictions thereof are as follows:

Section 1. Designation. The designation of this series of Preferred Stock, par value $1.00 per share, of the Corporation is "Series B-1 12.75% Convertible Preferred Stock" ("Series B-1 12.75% Preferred Stock"). Each share of Series B-1 12.75% Preferred Stock shall be identical in all respects to every other share of Series B-1 12.75% Preferred Stock.

Section 2. Number of Shares. The authorized number of shares of Series B-1 12.75% Preferred Stock is 300,000. Shares of Series B-1 12.75% Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation, or converted into another series of Preferred Stock or into Common Stock, shall revert to authorized but unissued shares of Preferred Stock and shall not be reissued as shares of Series B-1 12.75% Preferred Stock.

Section 3. Definitions. As used herein with respect to Series B-1 12.75% Preferred Stock:

(a) "ACP" shall mean the design, manufacture, construction, development, startup, completion, operation, financing, maintenance and improvement of a front-end nuclear fuel facility utilizing U.S. gas centrifuge enrichment technology and related infrastructure assets and properties.

(b) "Affiliate" shall mean any Person controlling, controlled by or under common control with any other Person. For purposes of this definition, "control" (including "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of securities, partnership or other ownership interests, by contract or otherwise.

(c) "Aggregate Outstanding Value" shall mean, at any time and from time to time and subject to the Automatic Redemption Adjustment, if any, (1) the Original Issue Value of all of the outstanding shares of Series B Preferred Stock, *plus* (2) for each share of Series C Preferred Stock then held by the Permitted Holders, excluding those shares of Series C Preferred Stock issued upon exercise of the Warrants, the Base Price upon which the Permitted Holders' acquisition of such share was calculated, *plus* (3) for each share of Common Stock then held by the Permitted Holders, excluding those shares of Class B Common Stock issued upon exercise of the Warrants or Ordinary Common Stock purchased in the market, the Base Price upon which the Permitted Holders' acquisition of such share was calculated, *plus* (4) the aggregate amount of accrued and unpaid Dividends on outstanding shares of Series B Preferred Stock which have been added to the Liquidation Preference pursuant to Section 5(a).

(d) "Approved Market" shall have the meaning ascribed to it in the definition of "Base Price."

(e) "Automatic Redemption" shall mean an automatic redemption pursuant to Section 7(g) of this Certificate of Designation subsequent to a Conversion Election, Section 8(c) of this Certificate of Designation or Section 8(c) of the Series B-2 Certificate of Designation.

(f) "Automatic Redemption Adjustment" shall mean, for purposes of determining the Aggregate Outstanding Value, the Permitted Holder Outstanding Value, the Original Issue Value and the Permitted Holder Original Issue Value, that if an Automatic Redemption has been effected prior to the date of determining such values, (1) the aggregate amount of the Liquidation Preference, as of the date of redemption, of a Permitted Holder's Series B Preferred Stock (excluding shares issued as a Dividend) redeemed in connection with the Automatic Redemption shall be added to such Permitted Holder's Aggregate Outstanding Value and Permitted Holder Outstanding Value and (2) the aggregate amount of the Liquidation Preference, as of the date of redemption, of such Permitted Holder's Series B Preferred Stock (excluding shares issued as a Dividend) redeemed in connection with the Automatic Redemption shall be added to such Permitted Holder's Original Issue Value and Permitted Holder Original Issue Value; provided, however, that, if at any time after any Automatic Redemption, such Permitted Holder's Deemed Holder Percentage is less than 8%, then such adjustment to the Aggregate Outstanding Value, the Permitted Holder Outstanding Value, the Original Issue Value and the Permitted Holder Original Issue Value shall not be made.

(g) "B&W" shall mean Babcock & Wilcox Investment Company, a Delaware corporation.

(h) "Base Price" shall mean for any date, the price determined by the first of the following clauses that applies: (1) if the Ordinary Common Stock is then listed or quoted on the New York Stock Exchange, The NASDAQ Stock Market or the American Stock Exchange (each an "Approved Market"), the arithmetic average of the daily volume weighted average prices per share of the Ordinary Common Stock for each of the 20 consecutive Trading Days immediately preceding (but not including) such date, as reported for the regular trading session (including any extensions thereof) on the primary Approved Market on which the Ordinary Common Stock is then listed or quoted (without regard to pre-open or after hours trading outside of such regular trading

session on such Trading Day), as reported by Bloomberg Financial L.P. (or any successor thereof) using the HP function (or any equivalent thereof); (2) if the Ordinary Common Stock has not been listed or quoted on an Approved Market for a minimum of 20 consecutive Trading Days immediately preceding (but not including) such date and if prices for the Ordinary Common Stock are then quoted on the OTC Bulletin Board, the arithmetic average of the daily volume weighted average prices per share of the Ordinary Common Stock for each of the 20 consecutive Trading Days immediately preceding (but not including) such date, as quoted for the regular trading session on the OTC Bulletin Board; (3) if the Ordinary Common Stock has not been listed or quoted on the OTC Bulletin Board for a minimum of 20 consecutive Trading Days immediately preceding (but not including) such date and if prices for the Ordinary Common Stock are then reported in the "Pink Sheets" published by the National Quotation Bureau Incorporated (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Ordinary Common Stock so reported; or (4) in all other cases, the fair market value of a share of Ordinary Common Stock as determined by the Board of Directors acting reasonably and in good faith; provided that if the Series B-1 12.75% Preferred Stock is converting into Series C Preferred Stock, the Base Price, as calculated above, shall be multiplied by one thousand (1,000).

(i) "Beneficially Own" shall mean "beneficially own" as defined in Rule 13d-3 promulgated under Section 13(d) of the Exchange Act or any successor provisions thereto, and "Beneficial Ownership" shall have a correlative meaning.

(j) "Board of Directors" shall mean the board of directors of the Corporation or any duly authorized committee thereof.

(k) "Business Day" shall mean any calendar day other than (1) a Saturday or Sunday or (2) a calendar day on which banking institutions in either the City of New York or Tokyo, Japan are authorized by law, regulation or executive order to remain closed.

(l) "Bylaws" shall mean the Amended and Restated Bylaws of the Corporation, as amended from time to time.

(m) "Certificate of Designation" shall mean this Certificate of Designation of Series B-1 12.75% Convertible Preferred Stock of the Corporation, as amended from time to time.

(n) "Certificate of Incorporation" shall mean the Certificate of Incorporation of the Corporation, as amended from time to time.

(o) "Change of Control" shall mean the occurrence of any of the following:

(1) any Person shall Beneficially Own, directly or indirectly, through a merger, business combination, purchase, or other transaction or series of transactions, shares of the Corporation's capital stock entitling such Person at such time to exercise 50% or more of the total voting power of the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors, other than as a result of an acquisition of such stock by the Corporation, any of the Corporation's Subsidiaries or any of the Corporation's employee benefit plans (for purposes of this subsection (1), "Person" shall include any syndicate or group that would be deemed to be a "person" under Section 13(d)(3) of the Exchange Act);

(2) the Corporation (A) merges or consolidates with or into any other Person, another Person merges with or into the Corporation, or the Corporation conveys, sells, transfers or leases all or substantially all of the Corporation's assets to another Person or (B) engages in any recapitalization, reclassification or other transaction in which all or substantially all of the Common Stock is exchanged for or converted into cash, securities or other property, in each case other than a merger or consolidation:

(i) that does not result in a reclassification, conversion, exchange or cancellation of the Corporation's outstanding Common Stock;

(ii) that is effected solely to change the Corporation's jurisdiction of incorporation and results in a reclassification, conversion or exchange of outstanding shares of the Common Stock solely into shares of any class or series of common stock of the surviving entity; or

(iii) where the issued and outstanding capital stock having voting power to vote generally to elect a majority of the Board of Directors outstanding immediately prior to such transaction is converted into or exchanged for such voting stock of the surviving or transferee Person constituting a majority of the outstanding shares of such voting stock of such surviving or transferee Person (immediately after giving effect to such issuance).

(p) "Charter Amendment Approval" shall mean the approval of the stockholders of the Corporation necessary to amend the Corporation's Certificate of Incorporation to approve the authorization of Class B Common Stock and the proper filing of such amendment with the Secretary of State of the State of Delaware.

(q) "Class B Common Stock" shall mean the Class B Common Stock of the Corporation, par value $.10 per share, to be authorized by the Charter Amendment Approval.

(r) "Closing Deadline Failure" shall mean, unless waived in writing (1) by the Corporation if such Closing Deadline Failure is as a result of breach by a Permitted Holder, (2) by the Permitted Holders if such Closing Deadline Failure is as a result of breach by the Corporation, or (3) by the Permitted Holders and the Corporation if such Closing Deadline Failure is not as a result of a breach by the Permitted Holders or the Corporation, either, (A) with respect to the Second Closing (as defined in the Securities Purchase Agreement), that the Second Closing shall not have occurred by June 30, 2011 and the Securities Purchase Agreement shall have been terminated pursuant to Section 10.2 thereof, or (B) with respect to the Third Closing (as defined in the Securities Purchase Agreement), that the Third Closing shall not have occurred by the Third Closing Termination Date (as defined in the Securities Purchase Agreement) and the Securities Purchase Agreement shall have been terminated pursuant to Section 10.3 thereof.

(s) "Code" shall mean the Internal Revenue Code of 1986, as amended, as now or hereafter in effect, together with all regulations, rulings and interpretations thereof or thereunder by the Internal Revenue Service.

(t) "Common Stock" shall mean collectively, the Ordinary Common Stock and the Class B Common Stock.

(u) "Conditional Commitment" shall mean a conditional commitment (as defined in 10 CFR 609.2) from DOE to the Corporation in an amount not less than $2 billion, and specifying the detailed conditions to be satisfied for the DOE Financial Closing.

(v) "Conversion Cap", with respect to a conversion hereunder, shall mean that the total number of shares of Class B Common Stock received upon such conversion shall not, when combined with the total number of shares of Class B Common Stock (1) issued or issuable upon the exercise of the Warrants and (2) issued by the Corporation upon conversion of securities issued pursuant to the Transactions (as defined in the Securities Purchase Agreement) exceed 49.99% of the total number of outstanding shares of Ordinary Common Stock and Class B Common Stock at the time of any such conversion, subject to adjustments for stock splits, stock dividends, reorganizations or similar transactions.

(w) "Conversion Election" shall have the meaning ascribed to it in Section 7(a).

(x) "Corporation" shall have the meaning ascribed to it in the recitals.

(y) "Corporation Plans" shall mean the Corporation's 1999 Equity Incentive Plan, as amended, and the Corporation's 2009 Equity Incentive Plan, as may be amended, the Corporation's 2009 Employee Stock Purchase Plan, as may be amended, and any similar plans entered into after the date hereof, and any inducement grants.

(z) "Deemed Holder Percentage" shall mean, as to any Permitted Holder, the percentage resulting from the following calculation, (1)(A) the number of shares of Ordinary Common Stock equal to the quotient of (w) the Liquidation Preference *plus* an amount per share equal to the accrued but unpaid Dividends not previously added to the Liquidation Preference on the outstanding shares of Series B Preferred Stock held by such Permitted Holder from and including the immediately preceding Dividend Payment Date to, but excluding, the date of conversion and (x) the Base Price for the date of such calculation, *plus* (B) the number of outstanding of shares of (y) Series C Preferred Stock multiplied by 1000 *plus*, (z) if then outstanding, Class B Common Stock, in each case held by such Permitted Holder divided by (2)(A) the total number of shares of Ordinary Common Stock equal to the quotient of (v) the Liquidation Preference *plus* an amount per share equal to the accrued but unpaid Dividends not previously added to the Liquidation Preference on all outstanding shares of Series B Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding, the date of conversion and (w) the Base Price for the date of such calculation, *plus* (B) the total number of all outstanding shares of (x) Series C Preferred Stock multiplied by 1000 *plus* (y) if then outstanding, Class B Common Stock, *plus* (z) Ordinary Common Stock.

(aa) "DGCL" shall have the meaning ascribed to it in the Preamble.

(bb) "Dividend" shall have the meaning ascribed to it in Section 5(a).

(cc) "Dividend Payment Date" shall mean January 1, April 1, July 1 and October 1 of each year, commencing on April 1, 2010; provided that if any such Dividend Payment Date would otherwise occur on a day that is not a Business Day, such Dividend Payment Date shall instead be (and any Dividend payable on Series B-1 12.75% Preferred Stock on such Dividend Payment Date shall instead be payable on) the immediately succeeding Business Day.

(dd) "Dividend Period" shall mean the period commencing on and including a Dividend Payment Date and shall end on and include the calendar day preceding the next Dividend Payment Date; provided, however, that with respect to any shares of Series B-1 12.75% Preferred Stock not outstanding for the entirety of any such Dividend Period, there shall be an initial pro-rated Dividend Period for such shares that shall commence on and include the issue date of such shares.

(ee) "Dividend Rate" shall mean 12.75% per annum.

(ff) "DOE" shall mean the United States Department of Energy.

(gg) "DOE Financial Closing" shall mean the closing of a Loan Guarantee Agreement (as defined in 10 CFR 609.2), between DOE, an eligible lender, and the Corporation, pursuant to the Conditional Commitment, guaranteeing a loan or other debt obligation in an amount not less than $2 billion for the ACP and there shall have been an initial draw of the funds guaranteed pursuant to the Loan Guarantee Agreement in an amount not less than the minimum amount permitted thereunder.

(hh) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(ii) "Exchange Property" shall have the meaning ascribed to it in Section 10(a).

(jj) "Excluded Lender" shall mean a bank or other financial institution providing indebtedness for borrowed money which is guaranteed by the Loan Guarantee Agreement (as defined in 10 CFR 609.2) pertaining to the DOE Financial Closing; provided, however "Excluded Lender" shall not include a Person providing funding or committed funding (pursuant to definitive binding agreements) for debt or equity of the Corporation in an amount of at least $100,000,000 that is not guaranteed by such Loan Guarantee Agreement.

(kk) "Factor" shall be the Factor established in accordance with the provisions of Section 7(h)(1).

(ll) "Final Determination" shall mean the earlier to occur of (1) the conclusion of the litigation or binding arbitration (as applicable), including any and all appeals (whether by final determination or the expiration of any applicable appeal periods), regarding the dispute between the Permitted Holders and the Corporation, or (2) a written agreement between the Corporation and the appropriate Permitted Holder or Permitted Holders resolving such dispute.

(mm) "Governmental Authority" shall mean any foreign governmental authority, the United States of America, any state of the United States and any political subdivision of any of the foregoing, and any agency, instrumentality, department, commission, board, bureau, central bank, authority, court, arbitral body or other tribunal, in each case whether executive, legislative, judicial, regulatory or administrative, having jurisdiction over any of the Permitted Holders, the Corporation, any of the Corporation's Subsidiaries or their respective Property.

(nn) "Initial Liquidation Preference" shall mean $1,000 per share of Series B Preferred Stock.

(oo) "Initial Preferred Director" shall have the meaning ascribed to it in Section 9(b)(1).

(pp) "Internal Reorganization Event" shall have the meaning ascribed to it in Section 10(c).

(qq) "Investor Rights Agreement" shall mean that certain Investor Rights Agreement, dated as of September 2, 2010 among the Corporation, Toshiba and B&W, as amended from time to time.

(rr) "Junior Stock" shall mean the Common Stock and any other class or series of capital stock of the Corporation that ranks junior to the Series B Preferred Stock (1) as to the priority of payment of dividends and/or (2) as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation. For the avoidance of doubt, Junior Stock shall include the Series A Preferred Stock and the Series C Preferred Stock.

(ss) "Liquidation Preference" shall initially mean $1,000 per share of Series B Preferred Stock; provided, however, that to the extent that the Corporation does not declare and pay a Dividend on a Dividend Payment Date pursuant to Section 5(a), an amount equal to the Dividend shall be added to the Liquidation Preference of such share on the applicable Dividend Payment Date.

(tt) "Orderly Sale Arrangement" shall have the meaning set forth in the Securities Purchase Agreement.

(uu) "Ordinary Common Stock" shall mean the common stock of the Corporation, par value $.10 per share. For the avoidance of doubt, the Ordinary Common Stock shall not include the Class B Common Stock.

(vv) "Original Issuance Date" shall mean, with respect to each share of Series B Preferred Stock issued to the Permitted Holders, the date on which such share was issued by the Corporation.

(ww) "Original Issue Value" shall mean, subject to the Automatic Redemption Adjustment, if any, the aggregate Initial Liquidation Preference of all the shares of Series B Preferred Stock issued to the Permitted Holders excluding those shares issued as a Dividend.

(xx) "Parity Stock" shall mean any class or series of stock of the Corporation that ranks equally with Series B-1 12.75% Preferred Stock (1) in the priority of payment of dividends and/or (2) in the distribution of assets upon any liquidation, dissolution or winding up of the Corporation (in each case, without regard to whether dividends accrue cumulatively or non-cumulatively). For the avoidance of doubt, Parity Stock shall include the Series B-2 11.5% Preferred Stock.

(yy) "Permit" shall mean any approval, authorization, certificate, consent, license or permit of or from any Governmental Authority.

(zz) "Permitted Holder Material Breach" shall mean a material breach of the Securities Purchase Agreement or the Investor Rights Agreement by any Permitted Holder.

(aaa) "Permitted Holder Original Issue Value" shall mean, subject to the Automatic Redemption Adjustment, if any, for any Permitted Holder, the aggregate Initial Liquidation Preference of all shares of Series B Preferred Stock issued to such Permitted Holder excluding those shares issued as a Dividend.

(bbb) "Permitted Holder Outstanding Value" shall mean, as to any Permitted Holder, at any time and from time to time and subject to the Automatic Redemption Adjustment, if any, (1) the Original Issue Value of all of the outstanding shares of Series B Preferred Stock then held by such Permitted Holder, *plus*, (2) for each share of Series C Preferred Stock then held by a Permitted Holder, excluding those shares of Series C Preferred Stock issued upon exercise of the Warrants, the Base Price upon which such Permitted Holder's acquisition of such share was calculated, *plus* (3) for each share of Common Stock then held by such Permitted Holder, excluding those shares of Class B Common Stock issued upon exercise of the Warrants or Ordinary Common Stock purchased in the market, the Base Price upon which such Permitted Holder's acquisition of such share was calculated, *plus* (4) the aggregate amount of accrued and unpaid Dividends on outstanding shares of Series B Preferred Stock, which have been added to the Liquidation Preference pursuant to Section 5(a).

(ccc) "Permitted Holders" shall mean (1) Toshiba America or any other Wholly-Owned Affiliates of Toshiba, (2) B&W and its Wholly-Owned Affiliates, (3) a special purpose entity jointly and wholly controlled by Toshiba and B&W and (4) Westinghouse Electric Company, LLC, to the extent it is controlled by Toshiba or a Permitted Holder described under (1) above; provided, however, that each Permitted Holder must be a U.S. Person.

(ddd) "Person" shall mean any individual, corporation, company, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, Governmental Authority or any other entity.

(eee) "Preferred Director" shall have the meaning ascribed to it in Section 9(b)(2).

(fff) "Preferred Stock" shall mean any and all series of preferred stock, par value $1.00 per share, of the Corporation, including the Series B Preferred Stock.

(ggg) "Property" shall mean any interest in any kind of property or asset, whether real, personal or mixed, tangible or intangible.

(hhh) "Qualified Director" shall mean any individual reasonably acceptable to the Nominating and Governance Committee of the Board of Directors.

(iii) "Regulatory Bodies" shall mean the DOE and the U.S. Nuclear Regulatory Commission, and any successor Governmental Authorities thereto.

(jjj) "Reorganization Event" shall have the meaning ascribed to it in Section 10(a).

(kkk) "Sale Plan" shall have the meaning ascribed to it in Section 7(c)(1).

(lll) "Securities Purchase Agreement" shall mean that certain Securities Purchase Agreement, dated as of May 25, 2010, among the Corporation, Toshiba and B&W, as amended from time to time.

(mmm) "Senior Stock" shall mean any class or series of capital stock of the Corporation that ranks senior to the Series B Preferred Stock (1) as to the priority of dividends and/or (2) as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(nnn) "Series A Preferred Stock" shall mean the series of Preferred Stock of the Corporation, par value $1.00 per share, designated as "Series A Junior Participating Preferred Stock."

(ooo) "Series B Preferred Stock" shall mean the Series B-1 12.75% Preferred Stock together with the Series B-2 11.5% Preferred Stock.

(ppp) "Series B-1 12.75 % Preferred Stock" shall have the meaning ascribed to it in Section 1.

(qqq) "Series B-2 11.5% Preferred Stock" shall mean the series of Preferred Stock of the Corporation, par value $1.00 per share, designated as "Series B-2 11.5% Convertible Preferred Stock."

(rrr) "Series B-2 Certificate of Designation" shall mean that certain Certificate of Designation of Series B-2 11.5% Preferred Stock, as filed with the Secretary of State of the State of Delaware.

(sss) "Series C Preferred Stock" shall mean the series of Preferred Stock of the Corporation, par value $1.00 per share, designated as "Series C Participating Convertible Preferred Stock."

(ttt) "Share Issuance Approval" shall mean the approval of the stockholders of the Corporation necessary to approve the conversion of all the Series B Preferred Stock and the Series C Preferred Stock, and the exercise of all the Warrants, for Common Stock for purposes of Section 312.03 of the New York Stock Exchange Listed Company Manual, or if shares of the Ordinary Common Stock become listed and traded on another Approved Market, the approval required by such Approved Market, or the time at which all such approvals shall for any reason become inapplicable or not required so as to permit all such conversions and exercises.

(uuu) "Share Issuance Limitation" shall mean the total number of shares of Common Stock or securities convertible into Common Stock that can be issued by the Corporation upon conversion or exercise of securities issued pursuant to the Transactions (as defined in the Securities Purchase Agreement) in accordance with the rules and regulations of the Approved Market on which shares of the Corporation's equity securities are listed or traded prior to receipt of the Share Issuance Approval.

(vvv) "Subsidiary" of any Person shall mean any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (1) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (2) the interest in the capital or profits of such partnership, joint venture or limited liability company or (3) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries. Notwithstanding the foregoing, American Centrifuge Manufacturing, LLC, a Delaware limited liability company, shall not be considered a Subsidiary of B&W or the Corporation.

(www) "SWU" shall have the meaning ascribed to it in the definition of "SWU Consideration."

(xxx) "SWU Consideration" shall mean the fair market value of separative work units with respect to low enriched uranium ("SWU") (as determined reasonably and in good faith by the Board of Directors, taking into account the applicable volume of SWU, the then-current market price for SWU and other relevant factors) provided by the Corporation to the Permitted Holders *minus* any consideration paid by the Permitted Holders for such SWU.

(yyy) "Third Party Financing" shall mean the funding or committed funding (pursuant to definitive binding agreements) for debt or equity of the Corporation in an amount of at least $100,000,000 from a third party that is not an Affiliate of the Corporation, a Japanese export credit agency, a U.S. Governmental Authority or an Excluded Lender where (1) such funds, together with such other additional funds available to the Corporation at such time, is necessary and sufficient to consummate the DOE Financial Closing, and (ii) the third-party requires, as a condition to the funding, that the Preferred Stock be converted in accordance with the terms hereof.

(zzz) "Third Party Transfer" shall mean an irrevocable Transfer in compliance with Section 11 of all legal ownership, Voting Control and Beneficial Ownership of any share or shares of Series B-1 12.75% Preferred Stock to a Person other than a Permitted Holder or its Affiliates.

(aaaa) "Toshiba" shall mean Toshiba Corporation, a corporation organized under the laws of Japan.

(bbbb) "Toshiba America" shall mean Toshiba America Nuclear Energy Corporation, a Delaware corporation.

(cccc) "Trading Day" shall mean any day on which shares of the Corporation's equity securities are traded, or able to be traded, on the Approved Market on which shares of the Corporation's equity securities are listed or traded.

(dddd) "Transfer" shall mean, with respect to any shares of Series B-1 12.75% Preferred Stock, any direct or indirect assignment, sale, exchange, transfer, tender or other disposition of such shares or any interest therein, whether voluntary or involuntary, by operation of law or otherwise (and includes any sale or other disposition in any one transaction or series of transactions and the grant or transfer of an option or derivative security covering such shares), and any agreement, arrangement or understanding, whether or not in writing, to effect any of the foregoing; provided, however, that a "Transfer" shall not occur simply as a result of the grant of a proxy in connection with a solicitation of proxies subject to the provisions of Section 14 of the Exchange Act.

(eeee) "U.S. Person" shall mean any person that is treated as a "United States Person" under Code Section 7701(a)(30) and that provides an IRS Form W-9 (or successor form), evidencing a complete exemption from United States withholding tax (including backup withholding tax), on or before the time at which it acquires securities pursuant to this Certificate of Designation.

(ffff) "Voting Control" shall mean, with respect to a share or shares of Series B-1 12.75% Preferred Stock, the power, whether exclusive or shared, revocable or irrevocable, to vote or direct the voting of such share or shares of Series B-1 12.75% Preferred Stock, by proxy, voting agreement or otherwise.

(gggg) "Warrants" shall mean those warrants to purchase Class B Common Stock or Series C Preferred Stock originally issued by the Corporation to the Permitted Holders pursuant to the Securities Purchase Agreement.

(hhhh) "Wholly-Owned Affiliate" shall mean, as to any Person, any Affiliate that, directly or indirectly, is wholly-owned and controlled (other than by contract) by a Person, or any other Affiliate to which the Corporation, in its sole discretion, consents.

Section 4. Titles and Subtitles; Interpretation. The titles and subtitles used in this Certificate of Designation are used for convenience only and are not to be considered in construing or interpreting this Certificate of Designation. The definitions contained in this Certificate of Designation are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

Section 5. Dividends.

(a) Rate. Holders of Series B-1 12.75% Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds or assets available therefor, subject to the provisions of the DGCL, on each share of Series B-1 12.75% Preferred Stock, Dividends with respect to each Dividend Period in an amount equal to the Dividend Rate on the Liquidation Preference per share of Series B-1 12.75% Preferred Stock, payable, at the Corporation's election, in (1) cash, (2) additional shares (including fractional shares) of Series B-1 12.75% Preferred Stock having a deemed value of $1,000 per share for purposes of the number of such additional shares or (3) any combination of (1) and (2) (the "Dividend"). If and to the extent that the Corporation does not pay the entire Dividend for a particular Dividend Period on the applicable Dividend Payment Date for such period, the amount of such Dividend not paid shall be added to the Liquidation Preference in accordance with the definition thereof. Dividends payable at the Dividend Rate shall begin to accrue (whether or not earned or declared, whether or not there are funds legally available for the payment thereof and whether or not restricted by the terms of any of the Corporation's indebtedness outstanding at any time) and be cumulative from the Original Issuance Date, shall compound on each Dividend Payment Date (*i.e.*, no Dividends shall accrue on other Dividends unless and until the first Dividend Payment Date for such other Dividends has passed without such other Dividends having been paid on such date) and shall be payable in arrears on the first Dividend Payment Date after such Dividend Period. Dividends that are payable on Series B-1 12.75% Preferred Stock in the form of additional shares of such stock shall, except as specifically provided in this Certificate of Designation, have all rights granted hereunder, including the payment of Dividends. Dividends that are payable on Series B-1 12.75% Preferred Stock on any Dividend Payment Date shall be payable to holders of record of Series B-1 12.75% Preferred Stock as they appear on the stock register of the Corporation on the record date for such Dividend, which shall be the date 10 Business Days prior to the applicable Dividend Payment Date, or such other date as determined by the Board of Directors. The Corporation shall elect the form of such payment by giving notice at least 5 Business Days prior to the applicable Dividend Payment Date. If no such notice is given, the Corporation shall be deemed to have elected a payment through the issuance of shares of Series B-1 12.75% Preferred Stock. Dividends paid on the shares of Series B-1 12.75% Preferred Stock in an amount less than accumulated and unpaid Dividends payable thereon shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

Dividends payable at the Dividend Rate on Series B-1 12.75% Preferred Stock in respect of any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of Dividends payable at the Dividend Rate on Series B-1 12.75% Preferred Stock on any date prior to the end of a Dividend Period, and for the initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and actual days elapsed over such 30-day months.

(b) Priority of Dividends. Subject to any approvals required pursuant to Section 9, such Dividends (payable in cash, securities or other property) as may be determined by the Board of Directors may be declared and paid on any capital stock, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment.

(c) Payment in Shares. Any shares of Series B-1 12.75% Preferred Stock paid as a Dividend pursuant to this Section 5 shall be duly authorized, validly issued, fully paid and non-assessable, and shall be free of preemptive rights and free of any lien or adverse claim.

Section 6. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series B-1 12.75% Preferred Stock shall be entitled to receive on par with each share of Parity Stock ranking equally with Series B-1 12.75% Preferred Stock in the distribution of assets upon any liquidation, dissolution or winding up of the Corporation for each share of Series B-1 12.75% Preferred Stock, out of the assets of the Corporation or proceeds thereof available for distribution to stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Junior Stock, an amount equal to the greater of (1) the Liquidation Preference per share of Series B-1 12.75% Preferred Stock *plus* an amount per share equal to the accrued but unpaid Dividends not previously added to the Liquidation Preference from and including the immediately preceding Dividend Payment Date to, but excluding, the date fixed for such liquidation, dissolution or winding up of the Corporation and (2) the per share amount of all cash, securities and other property (such securities or other property having a value equal to its fair market value as reasonably and in good faith determined by the Board of Directors) to be distributed in respect of the Common Stock such holder would have been entitled to receive had it converted such Series B-1 12.75% Preferred Stock (without regard to the Conversion Cap or Share Issuance Limitation) immediately prior to the date fixed for such liquidation, dissolution or winding up of the Corporation. To the extent that such amount is paid in full to all holders of Series B-1 12.75% Preferred Stock and all holders of Parity Stock ranking equally with Series B-1 12.75% Preferred Stock in the distribution of assets upon any liquidation, dissolution or winding up of the Corporation, the holders of other capital stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(b) Partial Payment. If, in connection with any distribution described in Section 6(a) above, the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences in full to all holders of Series B-1 12.75% Preferred Stock and all holders of Parity Stock ranking equally with Series B-1 12.75% Preferred Stock in the distribution of assets upon any liquidation, dissolution or winding up of the Corporation, then the amounts paid to the holders of Series B-1 12.75% Preferred Stock and to the holders of all such other Parity Stock shall be paid pro rata in accordance with the respective aggregate Liquidation Preferences of the holders of Series B-1 12.75% Preferred Stock and the holders of all such other Parity Stock.

(c) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 6, the merger or consolidation of the Corporation with any other corporation or other Person, including a merger or consolidation in which the holders of Series B-1 12.75% Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation, but shall instead be subject to the provisions of Section 10.

Section 7. Mandatory Redemption or Conversion on a Closing Deadline Failure.

(a) Permitted Holder Election on a Closing Deadline Failure. Within 20 Business Days of a Closing Deadline Failure, each Permitted Holder shall deliver a written notice to the Corporation stating, with respect to all of its outstanding shares of Series B-1 12.75% Preferred Stock, whether such Permitted Holder elects to convert such shares pursuant to Section 7(b) (a "Conversion Election") or sell such shares pursuant to Section 7(c) (a "Sale Election"). If any Permitted Holder does not make such election by such deadline, such Permitted Holder shall be deemed to have irrevocably made a Sale Election with respect to all of its outstanding shares of Series B-1 12.75% Preferred Stock.

(b) Conversion Election Procedures. Within 40 Business Days of a Closing Deadline Failure, the Corporation shall, with respect to the outstanding shares of Series B-1 12.75% Preferred Stock held by all Permitted Holders that made a Conversion Election, convert such shares (i) if the Charter Amendment Approval has been obtained and subject to the making of any filing or receipt of any approval from any Regulatory Body in order not to adversely affect the Permits or regulatory status of the Corporation or its Subsidiaries, into Class B Common Stock, or (ii) if the Charter Amendment Approval has not been

obtained or such regulatory approvals cannot be obtained, into Series C Preferred Stock, in either case into the number of shares of the Class B Common Stock or Series C Preferred Stock, as applicable, equal to the product of (A) the quotient of (1) the Liquidation Preference *plus* an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding, such date of conversion, and (2) the Base Price for such conversion date and (B) the Factor. Any outstanding shares of Series B-1 12.75% Preferred Stock not converted pursuant to this Section 7(b) as a result of the limitations set forth in Section 7(d) shall remain outstanding until the earlier of (x) the date on which the Share Issuance Approval is obtained (on which date any then outstanding shares of Series B-1 12.75% Preferred Stock held by all Permitted Holders that made a Conversion Election shall be converted pursuant to this Section 7(b) using the Base Price for such conversion date) and (y) such time the outstanding shares of Series B-1 12.75% Preferred Stock are redeemed pursuant to Section 7(g).

(c) Sale Election Procedures.

(1) If a Permitted Holder makes or is deemed to make a Sale Election, such Permitted Holder shall use commercially reasonable efforts to sell and dispose of such Permitted Holder's shares of Series B-1 12.75% Preferred Stock in accordance with Section 11 and the Orderly Sale Arrangement. In furtherance of the foregoing and without limitation, such Permitted Holder shall use commercially reasonable efforts to, as promptly as is practicable, either (x) enter into an agreement with a broker dealer that represents one of the institutions listed on Schedule C to the Securities Purchase Agreement as of such date pursuant to which all of the shares of Ordinary Common Stock into which the outstanding shares of Series B-1 12.75% Preferred Stock held by such Permitted Holder shall be converted and sold (the "Sale Plan") or (y) sell pursuant to such other method as shall be mutually agreed upon between the Corporation and the Permitted Holder. The Sale Plan shall, inter alia:

(A) constitute a written binding contract between such Permitted Holder and such broker dealer pursuant to which such Permitted Holder instructs the broker dealer to sell such shares on its account;

(B) result in the sale as promptly as practicable and in brokers transactions of the shares of Ordinary Common Stock into which such Permitted Holder's outstanding shares of Series B-1 12.75% Preferred Stock shall be converted, as provided below pursuant to the Orderly Sale Arrangement;

(C) permit such Permitted Holder no influence over when or whether to effect the sale of such shares of Ordinary Common Stock underlying such Permitted Holder's outstanding shares of Series B-1 12.75% Preferred Stock (other than initiating a separate block trade undertaken in accordance with the Orderly Sale Arrangement); and

(D) except as provided in clause (C), require that such shares of Ordinary Common Stock underlying such Permitted Holder's outstanding shares of Series B-1 12.75% Preferred Stock are sold pursuant to the terms of the Sale Plan;

(2) Upon a Third Party Transfer, shares of Series B-1 12.75% Preferred Stock when sold pursuant to a Sale Plan shall automatically convert into the number of shares of Ordinary Common Stock equal to the following: (x) if sold pursuant to a brokers transaction, the product of (A) the quotient of (1) the Liquidation Preference *plus* an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding, such date of conversion, and (2) the price per share reported for the sale of the underlying Ordinary Common Stock and (B) the Factor; or (y) if sold other than through a brokers transaction, the product of (A) the quotient of (1) the Liquidation Preference *plus* an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding, such date of conversion, and (2) the price per share at which the underlying Ordinary Common Stock is agreed to be sold in such transaction and (B) the Factor.

(d) Share Issuance Limitation. Notwithstanding anything in this Certificate of Designation to the contrary, any issuance of Common Stock or Series C Preferred Stock shall be limited to the total number of shares that may be issued in compliance with the Share Issuance Limitation to the extent applicable.

(e) Deferred Implementation of Sale Plan. In the event that a Permitted Holder at the time of a Sale Election advises the Corporation that it in good faith believes that it is in possession of material non-public information concerning the Corporation, such Permitted Holder may defer implementation of the Sale Plan until the next period of time during which directors and executive officers of the Corporation are permitted to purchase and sell shares of Ordinary Common Stock in a trading "window" or similar period pursuant to the Corporation's trading policies in effect at such time. Without limiting a Permitted Holder's obligation to do so, if a Permitted Holder shall fail to enter into and initiate a Sale Plan within 180 days of a Sale Election and shall at any time thereafter fail to use commercially reasonable efforts to implement a Sale Plan (tolling such period to the extent it is prevented from doing so pursuant to the provisions of Section 4.7 of the Investor Rights Agreement) the Corporation may, if the Permitted Holder fails to resume and maintain such commercially reasonable efforts within ten (10) Business Days after notice of such failure from the Corporation, convert such Permitted Holder's shares of Series B-1 12.75% Preferred Stock pursuant to the provisions of Section 7(b) (without regard for the deadline or notice provided for therein) as of the date of such failure applying the Base Price as of the date of such conversion. With respect to a Permitted Holder's obligation in the immediately preceding sentence, such commercially reasonable efforts shall include such Permitted Holder causing any Initial Preferred Director or the Preferred Director, as applicable, to resign within 90 days of the delivery of the notice pursuant to Section 7(a) if such Initial Preferred Director's or the Preferred Director's access, as applicable, to material non-public information concerning the Corporation is preventing the Permitted Holder from entering into the Sale Plan or otherwise disposing of its shares in accordance with Section 11 and the Orderly Sale Arrangement.

(f) Optional Redemption. Notwithstanding any Sale Plan, at any time from and after a Sale Election, the Corporation may, subject to the provisions of the DGCL, and from time to time, upon 10 Business Days prior written notice, redeem all or any portion of the outstanding shares of Series B-1 12.75% Preferred Stock for, at the Corporation's sole discretion, cash or SWU Consideration in an amount equal to the product of (i) the Liquidation Preference of such shares *plus* an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding, the date of redemption and (ii) the Factor.

(g) Automatic Redemption. If a Closing Deadline Failure occurs and shares of Series B-1 12.75% Preferred Stock remain outstanding on the later of (i) December 31, 2012 or (ii) the one-year anniversary of such Closing Deadline Failure, the Corporation shall, subject to the provisions of the DGCL, redeem all outstanding shares of Series B-1 12.75% Preferred Stock for, at the Corporation's sole discretion, cash or SWU Consideration in an amount equal to (i) the product of (A) the Liquidation Preference of such shares *plus* an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the immediately preceding Dividend Payment Date to, but

excluding, the date of redemption and (B) the Factor.

(h) Determination of Factor.

(1) The Factor shall be (i) if at the time of the Closing Deadline Failure the Securities Purchase Agreement was not terminable pursuant to Section 10.2(c) or (d) or Section 10.3(c) or (d) thereof, 1.0 (one); (ii) if at the time of the Closing Deadline Failure the Securities Purchase Agreement was terminable pursuant to Sections 10.2(c) or 10.3(c) thereof, 1.1 (one and one-tenth); or (iii) if at the time of the Closing Deadline Failure the Securities Purchase Agreement was terminable as to such Permitted Holder pursuant to Sections 10.2(d) or 10.3(d) thereof, 0.9 (nine-tenths).

(2) Together with the notice delivered by each Permitted Holder pursuant to Section 7(a), each Permitted Holder shall state the Factor to be applied with respect to the Conversion Election or the Sale Election. If any Permitted Holder does not make such determination in its notice, the Factor deemed noticed and applicable to such Permitted Holder shall be 1.0. Within 20 Business Days of receipt by the Corporation of a notice pursuant to Section 7(a), the Corporation may deliver a written notice to a Permitted Holder disputing such Permitted Holder's determination of the Factor or, if the Permitted Holder did not include a Factor in its notice, the deemed Factor. If the Corporation does not timely provide such notice, such Permitted Holder's determination of the Factor or the deemed Factor, as the case may be, shall be final and binding on such Permitted Holder and the Corporation. If the Corporation timely objects to a Permitted Holder's determination of the Factor, the Factor shall be initially 1.0 for purposes of such conversion or redemption and all of such Permitted Holder's outstanding shares of Series B-1 12.75% Preferred Stock shall be converted pursuant to Section 7(b), sold pursuant to Section 7(c) or redeemed pursuant to Sections 7(f) or (g) based upon such Factor and either the Corporation or such Permitted Holder may seek a Final Determination pursuant to the procedures set forth in Section 13.2 of the Securities Purchase Agreement, and following any such Final Determination, such final Factor shall be applied hereunder.

Section 8. Other Conversion.

(a) Conversion by the Corporation.

(1) Conversion Upon Third Party Financing. Effective upon the DOE Financial Closing that follows or is contemporaneous with a Third Party Financing or immediately prior thereto, the Corporation may convert all of the outstanding shares of Series B-1 12.75% Preferred Stock (i) if the Charter Amendment Approval has been obtained, into Class B Common Stock, or (ii) if the Charter Amendment Approval has not been obtained, into Series C Preferred Stock, in either case into the number of shares of the Class B Common Stock or Series C Preferred Stock, as applicable, equal to the quotient of (A) 120% of the sum of (i) the Liquidation Preference *plus* (ii) an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding, the date of conversion and (B) the Base Price for the date that the Corporation provides notice pursuant to Section 8(a)(2).

(2) Conversion Timing. If the Corporation elects to convert pursuant to this Section 8(a), the Corporation shall provide written notice to the Permitted Holders of record at their respective last addresses appearing on the books of the Corporation. Such notice shall state the conversion date of Series B-1 12.75% Preferred Stock, which date shall be no less than 5 days and no more than 60 days from the date of such notice; provided, however, that the effectiveness of the conversion (and the Corporation's right and obligation to effect the conversion) shall be conditioned upon the DOE Financial Closing. Notwithstanding the foregoing, if, after delivery of such notice, the Corporation desires to specify a different conversion date, the Corporation shall not be required to notify the Permitted Holders of such change until after the conversion is effected unless such changed conversion date is more than 15 days prior to or after the original conversion date. The conversion date shall be the date specified in such written notice or such different date as specified by the Corporation in accordance with this Section 8(a)(2).

(b) Conversion by the Permitted Holders.

(1) Post-Third Closing Conversion. At any time and from time to time after the Third Closing (as defined in the Securities Purchase Agreement), any Permitted Holder's shares of Series B-1 12.75% Preferred Stock shall be converted, in whole or in part, upon the request of such Permitted Holder, subject to the Conversion Cap, into the number of shares of Class B Common Stock equal to the quotient of (A) the Liquidation Preference *plus* an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding, such date of conversion and (B) the Base Price for the conversion date specified in the written notice provided by such Permitted Holder pursuant to Section 8(b)(2). Shares of Series B-1 12.75% Preferred Stock not converted as a result of the foregoing limitations shall remain outstanding except as provided herein.

(2) Conversion Timing. If a Permitted Holder elects to convert pursuant to this Section 8(b), such Permitted Holder shall provide written notice to the Corporation. Such notice shall state the conversion date of Series B-1 12.75% Preferred Stock, which date shall be no less than 5 days and no more than 60 days from the date of such notice. The conversion date shall be the date specified in such written notice.

(c) Automatic Conversion and Redemption. On December 31, 2016, all outstanding shares of Series B-1 12.75% Preferred Stock shall be automatically converted, without any action on the part of the holder and subject to the Conversion Cap, into the number of shares of Class B Common Stock equal to the quotient of (i) the Liquidation Preference *plus* an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding, such date of conversion and (ii) the Base Price for December 31, 2016. Shares of Series B-1 12.75% Preferred Stock not converted as a result of the foregoing limitation shall remain outstanding except as provided herein. If shares of Series B-1 12.75% Preferred Stock remain outstanding on February 28, 2017 due to the Conversion Cap, the Corporation shall, subject to the provisions of the DGCL, redeem all outstanding shares of Series B-1 12.75% Preferred Stock for cash in an amount equal to the Liquidation Preference of such shares *plus* an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding, the date of redemption. If the Corporation fails to pay such redemption amount by March 15, 2017, the Conversion Cap shall no longer apply and all outstanding shares of Series B-1 12.75% Preferred Stock shall be automatically converted, without any action on the part of the holder, into the number of shares of Class B Common Stock equal to the quotient of (A) the Liquidation Preference *plus* an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the

immediately preceding Dividend Payment Date to, but excluding, such date of conversion and (B) the Base Price for March 15, 2017. In the event of any automatic conversion or redemption pursuant to this Section 8(c), the conversion or redemption shall be deemed to have been effected at the time that the event triggering such automatic conversion or redemption occurred.

(d) Conversion Mechanics. A Permitted Holder shall cease to be a record holder of each share of Series B-1 12.75% Preferred Stock on the date such share is converted. As promptly as practicable on or after the conversion date (and in any event no later than three Trading Days thereafter), the Corporation or its agent, including its transfer agent, shall issue the number of shares of Class B Common Stock or Series C Preferred Stock (including fractional shares) issuable pursuant to Section 8(a), (b) or (c). Any such certificate or certificates shall be delivered by the Corporation or its agent, including its transfer agent, to the appropriate holder on a book-entry basis or by mailing certificates evidencing the shares to the holders at their respective addresses as set forth in the records of the Corporation, subject in each case to the provisions of Section 9 of the Securities Purchase Agreement.

(e) Reservation of Class B Common Stock. Subject to receiving the Charter Amendment Approval and for as long as any shares of Series B Preferred Stock remain outstanding, the Corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Ordinary Common Stock or Class B Common Stock, or shares of Ordinary Common Stock or Class B Common Stock held in treasury by the Corporation, for the purpose of effecting the conversion of the Series B Preferred Stock, the full number of shares of Ordinary Common Stock or Class B Common Stock then issuable upon the conversion of all the shares of Series B Preferred Stock then outstanding. For purposes hereof, reservations hereunder shall be at the Base Price equal to the closing price of the Corporation's Ordinary Common Stock on the New York Stock Exchange on the second to last Trading Day prior to the date of the Securities Purchase Agreement; provided, however, if the Base Price for the date four Trading Days prior to the First Closing, the Second Closing or the Third Closing (each as defined in the Securities Purchase Agreement) or on June 30 of any year is less than such amount, then that lower amount shall be used as the Base Price for purposes of this calculation. All shares of Class B Common Stock delivered upon conversion of Series B Preferred Stock shall have been duly authorized and validly issued and shall be fully paid and nonassessable, and shall be free from preemptive rights and free of any lien or adverse claim.

(f) Partial Conversion. In case of any conversion of any of the shares of Series B Preferred Stock at the time outstanding, the shares to be converted shall be selected pro rata among the shares of Series B Preferred Stock held by each Permitted Holder and among each such Permitted Holder's shares of Series B-1 12.75% Preferred Stock and Series B-2 11.5% Preferred Stock. If fewer than all of the shares represented by any certificate are converted, a new certificate shall be issued representing the unconverted shares without charge to the holder thereof.

(g) Taxes. The Corporation shall pay any and all taxes that may be payable in respect of the issue or delivery of shares of Ordinary Common Stock, Class B Common Stock or Series C Preferred Stock on conversion of Series B-1 12.75% Preferred Stock. The Corporation shall not, however, be required to pay any tax that may be payable in respect of any Transfer involved in the issue and delivery of shares of Ordinary Common Stock, Class B Common Stock or Series C Preferred Stock in a name other than that in which Series B-1 12.75% Preferred Stock so converted was registered, and no such issue or delivery shall be made unless and until the Person requesting such issue has paid to the Corporation the amount of any such tax, or has established to the satisfaction of the Corporation that such tax has been paid.

Section 9. Voting Rights.

(a) General. The holders of shares of Series B-1 12.75% Preferred Stock shall not be entitled to vote, except as otherwise provided herein or required by applicable law.

(b) Election of Directors.

(1) Effective as of the first Original Issuance Date, the number of directors constituting the Board of Directors shall be increased by two Persons and the holders of a majority of the outstanding Series B Preferred Stock, voting together as a separate class to the exclusion of the holders of Common Stock and any other series of Preferred Stock, shall be entitled to elect two Qualified Directors to the Board of Directors (each such director, an "Initial Preferred Director") until the earliest to occur of (i) a Closing Deadline Failure as a result of a Permitted Holder Material Breach at a time when the Securities Purchase Agreement is terminable pursuant to Sections 10.2(d) and 10.3(d) thereof, (ii) a Change of Control or (iii) such time as the Permitted Holders' Aggregate Outstanding Value is equal to or less than (x) prior to or on December 31, 2016, 75% of the Original Issue Value or, (y) after December 31, 2016, 50% of the Original Issue Value, whereupon at any such time (A) the right of the holders of a majority of the outstanding Series B Preferred Stock to elect the Initial Preferred Directors shall cease, (B) the term of office of the Initial Preferred Directors shall immediately and automatically terminate, (C) the Initial Preferred Directors will no longer be qualified to serve and (D) the number of directors constituting the Board of Directors shall be immediately and automatically reduced by two Persons.

(2) Effective as of the first Original Issuance Date and at such time as when the Permitted Holders do not have the right to elect the Initial Preferred Directors pursuant to Section 9(b)(1)(iii) and any Permitted Holder's Permitted Holder Outstanding Value is greater than (x) prior to or on December 31, 2016, 75% of such Permitted Holder's Permitted Holder Original Issue Value or, (y) after December 31, 2016, 50% of such Permitted Holder's Permitted Holder Original Issue Value, the number of directors constituting the Board of Directors shall be increased by one Person and the holders of a majority of the outstanding Series B Preferred Stock, voting together as a separate class to the exclusion of the holders of Common Stock and any other series of Preferred Stock, shall be entitled to elect one Qualified Director to the Board of Directors (such director, the "Preferred Director") until the earliest to occur of (i) an event described in Section 9(b)(1)(i) or (ii) or (ii) such time as each Permitted Holder's Permitted Holder Outstanding Value is equal to or less than (x) prior to or on December 31, 2016, 75% of such Permitted Holder's Permitted Holder Original Issue Value or (y) after December 31, 2016, 50% of such Permitted Holder's Permitted Holder Original Issue Value, whereupon at any such time (A) the right of the holders of a majority of the outstanding Series B Preferred Stock to elect the Preferred Director shall cease, (B) the term of office of the Preferred Director shall immediately and automatically terminate, (C) the Preferred Director will no longer be qualified to serve and (D) the number of directors constituting the Board of Directors shall be immediately and automatically reduced by one Person.

(3) For the avoidance of doubt, except for the increase or decrease in the number of directors provided for herein, nothing in this Section 9(b) shall prohibit the Board of Directors from fixing the number of directors constituting the Board of Directors pursuant to the Bylaws.

(4) Term. Subject to the provisions of this Section 9(b), each Initial Preferred Director or the Preferred Director, as applicable, shall serve until the next annual meeting of the stockholders of the Corporation and until his or her successor is elected and qualified in accordance with this Section 9(b) and the Bylaws, unless any such Initial Preferred Director or the Preferred Director, as applicable, is earlier removed in accordance with the Bylaws, resigns or is otherwise unable to serve; provided, however, that only the holders of a majority of the outstanding shares of the Series B Preferred Stock may remove any such Initial Preferred Director or the Preferred Director, as applicable, without cause at any time and the holders of a majority of the voting power of the outstanding shares of the capital stock of the Corporation entitled to vote on the matter may remove any such Initial Preferred Director or the Preferred

Director, as applicable, with cause at any time. Subject to the provisions of this Section 9(b), in the event any Initial Preferred Director or the Preferred Director, as applicable, is removed, resigns or is unable to serve as a member of the Board of Directors, the holders of a majority of the outstanding shares of Series B Preferred Stock, voting together as a separate class to the exclusion of the holders of Common Stock and any other series of Preferred Stock, shall have the right to fill such vacancy. Each Initial Preferred Director or the Preferred Director, as applicable, may only be elected to the Board of Directors by the holders of the Series B Preferred Stock in accordance with this Section 9(b), and any such Initial Preferred Director's or the Preferred Director's seat, as applicable, shall otherwise remain vacant.

(c) Class Voting Rights as to Particular Matters. In addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least a majority of the outstanding shares of Series B Preferred Stock, voting together as a single class to the exclusion of the holders of the Common Stock and any other series of Preferred Stock, then outstanding and entitled to vote on the matter, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating any of the actions described in (x) Section 9(c)(1) if any shares of Series B Preferred Stock are outstanding and (y) Sections 9(c)(2) and 9(c)(3) if the number shares of Series B Preferred Stock outstanding is greater than 10% of all of the shares of Series B Preferred Stock issued to the Permitted Holders, in each case excluding shares issued as a Dividend.

(1) Amendment of Series B Preferred Stock. Any amendment, alteration or repeal (by merger, consolidation or otherwise) of any provision of the Certificate of Incorporation or this Certificate of Designation so as to adversely affect the powers, preferences and relative participating, optional and other rights of Series B-1 12.75% Preferred Stock.

(2) Dividends, Repurchase and Redemption.

(A) The declaration or payment of any dividend or distribution of Common Stock or other Junior Stock (other than a dividend payable solely in Junior Stock provided such dividend is not treated as a distribution of property for purposes of Section 305 of the Code, the Treasury Regulations promulgated thereunder or any successor provision); or

(B) the purchase, redemption or other acquisition for consideration by the Corporation, directly or indirectly, of any Common Stock, other Junior Stock or Parity Stock, (except as necessary (i) to effect a reclassification of Junior Stock for or into other Junior Stock, (ii) to effect a reclassification of Parity Stock for or into other Parity Stock with the same or lesser aggregate liquidation preference, (iii) to effect a reclassification of Parity Stock into Junior Stock, (iv) to effect the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, (v) to effect the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock with the same or lesser per share liquidation amount (vi) to effect the exchange or conversion of one share of Parity Stock into Junior Stock or (vii) pursuant to the Corporation Plans).

(3) Issuance of Senior Stock or Parity Stock. Prior to the Third Closing (as defined in the Securities Purchase Agreement), the issuance of any Senior Stock or Parity Stock, except as specifically provided for herein or in the Certificate of Designation for the Series B-2 11.5% Preferred Stock.

(d) Changes after Provision for Redemption or Conversion. No vote or consent of the holders of Series B-1 12.75% Preferred Stock shall be required pursuant to Section 9(c)(x) or Section 9(c)(y) if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of Series B-1 12.75% Preferred Stock (1) shall have been redeemed or converted, or (2) shall have been irrevocably elected for redemption or conversion in accordance with Sections 7(f), 7(g) or 8(a) and will, subject to the passage of time, be redeemed or converted; provided, that if, on or before the redemption date specified by the Corporation, all funds required for the redemption of the shares called for redemption have been deposited by the Corporation in trust for the benefit of the Permitted Holders with a bank or trust company doing business in the City of New York having a capital and surplus of at least $500 million and selected by the Board of Directors, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date, Dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the Permitted Holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the Permitted Holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

Section 10. Reorganization Events.

(a) In the event of:

(1) any consolidation or merger of the Corporation with or into another Person or of another Person with or into the Corporation; or

(2) any sale, transfer, lease or conveyance to another Person of all or substantially all of the property and assets of the Corporation,

in each case in which holders of Ordinary Common Stock would be entitled to receive cash, securities or other property for their shares of Ordinary Common Stock (any such event specified in this Section 10(a), a "Reorganization Event"), the outstanding shares of Series B Preferred Stock shall be deemed for the purposes of this Section 10 only to be converted into the number of shares of Ordinary Common Stock equal to the quotient of (x) the Liquidation Preference *plus* an amount per share equal to the accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding the date of conversion and (y) the Base Price for the date of effectiveness of such Reorganization Event and each such share shall, (A) become convertible into securities and other property receivable in such Reorganization Event by and in the same relative amounts as a holder of Ordinary Common Stock other than securities issued or other property distributed by such holder or its Affiliates if such Reorganization Event is entered into with such holder or its Affiliates; provided, however, that if such consideration consists, in whole or in part, of shares of capital stock of, or other equity interests in, the Corporation or any other Person, then the designation and the powers, preferences and relative, participating, optional and other rights and the qualifications, limitations and restrictions of such shares of capital stock or other equity interests may differ only to the extent that the then existing designation and powers, preferences and relative, participating, optional and other rights and the qualifications, limitations and restrictions of the Ordinary Common Stock and Series B Preferred Stock differ as provided in this Certificate of Designation or the Certificate of Designation for the Series B-2 11.5% Preferred Stock (including, without limitation, with respect to the voting rights and conversion provisions thereof) or, at the Corporation's sole discretion, (B) be redeemed by the Corporation for a cash price equal to 105% of the fair value of the consideration that would have otherwise been received under subsection (A), as determined by the Board of Directors acting reasonably and in good faith (such cash, securities and other property, the "Exchange Property").

(b) Subject to the restrictions set forth in Section 10(a), in the event that holders of the shares of the Ordinary Common Stock have the opportunity to

elect the form of Exchange Property to be received in such transaction, the Exchange Property that holders of the Series B Preferred Stock shall be entitled to receive shall be determined by the holders of a majority of the outstanding shares of Series B Preferred Stock.

(c) Notwithstanding anything in this Certificate of Designation to the contrary, Section 10(a) shall not apply to a merger, consolidation, asset sale, reorganization or statutory share exchange (1) among the Corporation and its direct and indirect Subsidiaries or (2) between the Corporation and any Person for the primary purpose of changing the domicile of the Corporation (an "Internal Reorganization Event") and no such transaction shall be deemed to be a Reorganization Event. Without limiting the rights of the holders of the Series B Preferred Stock set forth in Section 9(c)(1), the Corporation shall not effectuate an Internal Reorganization Event without the consent of the holders of a majority of the outstanding shares of the Series B Preferred Stock unless the Series B Preferred Stock shall be outstanding as a class or series of preferred stock of the surviving entity having the same rights, terms, preferences, liquidation preference and accrued and unpaid Dividends as the Series B Preferred Stock in effect immediately prior to such Internal Reorganization Event, as adjusted for such Internal Reorganization Event pursuant to this Certificate of Designation after giving effect to any such Internal Reorganization Event.

(d) The Corporation (or any successor) shall, within 20 days after the occurrence of any Reorganization Event or Internal Reorganization Event, provide written notice to the holders of the Series B Preferred Stock of the occurrence of such event and, in the case of a Reorganization Event, of the kind and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Section 10 or the validity of any Reorganization Event or Internal Reorganization Event.

Section 11. Restrictions.

(a) Notwithstanding anything in this Certificate of Designation to the contrary and unless the Corporation, in its sole discretion, otherwise agrees in writing, Permitted Holders may not Transfer shares of Series B-1 12.75% Preferred Stock if such Transfer would require approvals from or filings with any Regulatory Bodies in order not to adversely affect the Permits or regulatory status of the Corporation or its Subsidiaries, unless such approvals and/or filings have been made and received; provided, however, this Section 11(a) shall not apply to any transfer where the transferee received Ordinary Common Stock pursuant to the terms hereof.

(b) Notwithstanding anything in this Certificate of Designation to the contrary and unless the Corporation, in its sole discretion, otherwise agrees in writing, the conversion of Series B-1 12.75% Preferred Stock for Ordinary Common Stock shall also be subject to the requirements of Section 9.2 of the Securities Purchase Agreement.

(c) Any purported conversion or Transfer of Series B-1 12.75% Preferred Stock in violation of these restrictions shall be null and void abinitio.

Section 12. Record Holders. To the fullest extent permitted by applicable law, the Corporation may deem and treat the record holder of any share of Series B-1 12.75% Preferred Stock as the true and lawful owner thereof for all purposes.

Section 13. No Standing to Bring Derivative Action. Notwithstanding any provision of the DGCL, the Rules of the Court of Chancery of the State of Delaware or any other applicable law, rule or regulation which would otherwise confer such standing or empower a holder of Series B-1 12.75% Preferred Stock to take such action, no holder of any share of Series B-1 12.75% Preferred Stock shall have standing to bring an action, suit or proceeding derivatively or otherwise in the right of the Corporation.

Section 14. Legends. All certificates representing shares of Series B-1 12.75% Preferred Stock shall bear a legend or other restriction substantially to the following effect (it being agreed that if such shares are not certificated, other appropriate restrictions shall be implemented to give effect to the following):

> "THIS SECURITY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR AS MAY BE HELD BY A PERSON DEEMED AN "AFFILIATE" (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE ISSUER OF THIS SECURITY, AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN A TRANSACTION NOT INVOLVING A PUBLIC OFFERING, (II) PURSUANT TO ANY OTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, INCLUDING RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (III) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (IV) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL NOTIFY ANY SUBSEQUENT PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE. THIS SECURITY MAY ONLY BE TRANSFERRED IN ACCORDANCE WITH THE TERMS OF THE CERTIFICATE OF DESIGNATION OF SERIES B-1 CONVERTIBLE PREFERRED STOCK OF USEC INC. (THE "COMPANY"), AS AMENDED.
>
> THIS SECURITY IS SUBJECT TO THE RESTRICTIONS (INCLUDING THE VOTING AND TRANSFER RESTRICTIONS) SET FORTH IN ARTICLES FOURTH AND ELEVENTH OF USEC INC.'S CERTIFICATE OF INCORPORATION, AS AMENDED.
>
> THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE OBLIGATIONS AND RESTRICTIONS (INCLUDING RESTRICTIONS ON TRANSFER, CONVERSION AND REDEMPTION) STATED IN, AND ARE TRANSFERABLE ONLY IN ACCORDANCE WITH, THE PROVISIONS OF SECTION 9 OF THE SECURITIES PURCHASE AGREEMENT BY AND AMONG THE COMPANY, TOSHIBA CORPORATION ("TOSHIBA") AND BABCOCK & WILCOX INVESTMENT COMPANY ("B&W"), DATED AS OF MAY 25, 2010.
>
> THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE OBLIGATIONS AND RESTRICTIONS (INCLUDING RESTRICTIONS ON THE DISPOSITION OF SECURITIES) STATED IN THE PROVISIONS OF SECTION 4.7 OF THE INVESTOR RIGHTS AGREEMENT BY AND AMONG THE COMPANY, TOSHIBA AND B&W, DATED AS OF SEPTEMBER 2, 2010."

Section 15. Written Consent. Any action as to which a class vote of the holders of Preferred Stock, or the holders of Preferred Stock and Class B

Common Stock voting together, is required pursuant to the terms of this Certificate of Designation or the Securities Purchase Agreement may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation.

Section 16. Notices. All notices or communications in respect of Series B-1 12.75% Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designation, in the Certificate of Incorporation or Bylaws or by applicable law or regulation. Notwithstanding the foregoing, if Series B-1 12.75% Preferred Stock is issued in book-entry form through The Depository Trust Corporation or any similar facility, such notices may be given to the holders of Series B-1 12.75% Preferred Stock in any manner permitted by such facility.

Section 17. Other Rights. The shares of Series B-1 12.75% Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law and regulation.

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IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation to be duly executed and acknowledged by its undersigned duly authorized officers this 2nd day of September, 2010.

USEC INC.

By: /s/ John K. Welch
Name: John K. Welch
Title: President and Chief Executive Officer

Attest:

By: /s/ Peter B. Saba
Name: Peter B. Saba
Title: Secretary

CERTIFICATE OF DESIGNATION OF

SERIES C CONVERTIBLE PARTICIPATING PREFERRED STOCK

of

USEC INC.

Pursuant to Section 151 of the General Corporation Law

of the State of Delaware

We, John K. Welch, President and Chief Executive Officer, and Peter B. Saba, Secretary, of USEC Inc., a corporation organized and existing under the General Corporation Law ("DGCL") of the State of Delaware (the "Corporation"), in accordance with the provisions of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Certificate of Incorporation, the Board of Directors on May 24, 2010 adopted the following resolution creating a series of 25,000 shares of Preferred Stock, par value $1.00 per share, designated as Series C Convertible Participating Preferred Stock:

> RESOLVED, that pursuant to the authority vested in the Board of Directors in accordance with the provisions of its Certificate of Incorporation, a series of Preferred Stock of the Corporation be and it hereby is created, and that the designation and amount thereof and the powers, preferences and relative, participating, optional and other rights of the shares of such series, and the qualifications, limitations and restrictions thereof are as follows:

Section 1. Designation. The designation of this series of Preferred Stock, par value $1.00 per share, of the Corporation is "Series C Convertible Participating Preferred Stock" ("Series C Preferred Stock"). Each share of Series C Preferred Stock shall be identical in all respects to every other share of Series C Preferred Stock.

Section 2. Number of Shares. The authorized number of shares of Series C Preferred Stock is 25,000. Shares of Series C Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation, or converted into another series of Preferred Stock or into Common Stock, shall revert to authorized but unissued shares of Preferred Stock and shall not be reissued as shares of Series C Preferred Stock.

Section 3. Definitions. As used herein with respect to Series C Preferred Stock:

(a) "Affiliate" shall mean any Person controlling, controlled by or under common control with any other Person. For purposes of this definition, "control" (including "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of securities, partnership or other ownership interests, by contract or otherwise.

(b) "Aggregate Outstanding Value" shall mean, at any time and from time to time and subject to the Automatic Redemption Adjustment, if any, (1) the Original Issue Value of all of the outstanding shares of Series B Preferred Stock, *plus*, (2) for each share of Series C Preferred Stock then held by the Permitted Holders, excluding those shares of Series C Preferred Stock issued upon exercise of the Warrants, the Base Price (as defined in the Series B-1 Certificate of Designation) upon which the Permitted Holders' acquisition of such share was calculated, *plus*, (3) for each share of Common Stock then held by the Permitted Holders, excluding those shares of Class B Common Stock issued upon exercise of the Warrants or Ordinary Common Stock purchased in the market, the Base Price upon which the Permitted Holders' acquisition of such share was calculated, *plus* (4) the aggregate amount of accrued and unpaid Dividends on outstanding shares of Series B Preferred Stock which have been added to the Liquidation Preference pursuant to Section 5(a).

(c) "Approved Market" shall mean, if the Ordinary Common Stock is then listed or quoted on the New York Stock Exchange, The NASDAQ Stock Market or the American Stock Exchange, such market or exchange.

(d) "Automatic Redemption" shall mean an automatic redemption pursuant to Section 7(g) of the Series B-1 Certificate of Designation subsequent to a Conversion Election (as defined in the Series B-1 Certificate of Designation), Section 8(c) of the Series B-1 Certificate of Designation or Section 8(c) of the Series B-2 Certificate of Designation.

(e) "Automatic Redemption Adjustment" shall mean, for purposes of determining the Aggregate Outstanding Value, the Permitted Holder Outstanding Value, the Original Issue Value and the Permitted Holder Original Issue Value, that if an Automatic Redemption has been effected prior to the date of determining such values, (1) the aggregate amount of the Liquidation Preference, as of the date of redemption, of a Permitted Holder's Series B Preferred Stock (excluding shares issued as a Dividend) redeemed in connection with the Automatic Redemption shall be added to such Permitted Holder's Aggregate Outstanding Value and Permitted Holder Outstanding Value and (2) the aggregate amount of the Liquidation Preference, as of the date of redemption, of such Permitted Holder's Series B Preferred Stock (excluding shares issued as a Dividend) redeemed in connection with the Automatic Redemption shall be added to such Permitted Holder's Original Issue Value and Permitted Holder Original Issue Value; provided, however, that, if at any time after any Automatic Redemption, such Permitted Holder's Deemed Holder Percentage is less than 8%, then such adjustment to the Aggregate Outstanding Value, the Permitted Holder Outstanding Value, the Original Issue Value and the Permitted Holder Original Issue Value shall not be made.

(f) "B&W" shall mean Babcock & Wilcox Investment Company, a Delaware corporation.

(g) "Beneficially Own" shall mean "beneficially own" as defined in Rule 13d-3 promulgated under Section 13(d) of the Exchange Act or any successor provisions thereto, and "Beneficial Ownership" shall have a correlative meaning.

(h) "Board of Directors" shall mean the board of directors of the Corporation or any duly authorized committee thereof.

(i) "Bylaws" shall mean the Amended and Restated Bylaws of the Corporation, as amended from time to time.

(j) "Certificate of Designation" shall mean this Certificate of Designation of Series C Convertible Participating Preferred Stock of the Corporation, as amended from time to time.

(k) "Certificate of Incorporation" shall mean the Certificate of Incorporation of the Corporation, as amended from time to time.

(l) "Change of Control" shall mean the occurrence of any of the following:

(1) any Person shall Beneficially Own, directly or indirectly, through a merger, business combination, purchase, or other transaction or series of transactions, shares of the Corporation's capital stock entitling such Person at such time to exercise 50% or more of the total voting power of the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors, other than as a result of an acquisition of such stock by the Corporation, any of the Corporation's Subsidiaries or any of the Corporation's employee benefit plans (for purposes of this subsection (1), "Person" shall include any syndicate or group that would be deemed to be a "person" under Section 13(d)(3) of the Exchange Act);

(2) the Corporation (A) merges or consolidates with or into any other Person, another Person merges with or into the Corporation, or the Corporation conveys, sells, transfers or leases all or substantially all of the Corporation's assets to another Person or (B) engages in any recapitalization, reclassification or other transaction in which all or substantially all of the Common Stock is exchanged for or converted into cash, securities or other property, in each case other than a merger or consolidation:

(i) that does not result in a reclassification, conversion, exchange or cancellation of the Corporation's outstanding Common Stock;

(ii) that is effected solely to change the Corporation's jurisdiction of incorporation and results in a reclassification, conversion or exchange of outstanding shares of the Common Stock solely into shares of any class or series of common stock of the surviving entity; or

(iii) where the issued and outstanding capital stock having ordinary voting power to vote generally to elect a majority of the Board of Directors outstanding immediately prior to such transaction is converted into or exchanged for such voting stock of the surviving or transferee Person constituting a majority of the outstanding shares of such voting stock of such surviving or transferee Person (immediately after giving effect to such issuance).

(m) "Charter Amendment Approval" shall mean the approval of the stockholders of the Corporation necessary to amend the Corporation's Certificate of Incorporation to approve the authorization of Class B Common Stock and the proper filing of such amendment with the Secretary of State of the State of Delaware.

(n) "Class B Common Stock" shall mean the Class B Common Stock of the Corporation, par value $.10 per share, to be authorized by the Charter Amendment Approval.

(o) "Closing Deadline Failure" shall mean, unless waived in writing (1) by the Corporation if such Closing Deadline Failure is as a result of breach by a Permitted Holder, (2) by the Permitted Holders if such Closing Deadline Failure is as a result of breach by the Corporation, or (3) by the Permitted Holders and the Corporation if such Closing Deadline Failure is not as a result of a breach by the Permitted Holders or the Corporation, either, (A) with respect to the Second Closing (as defined in the Securities Purchase Agreement), that the Second Closing shall not have occurred by June 30, 2011 and the Securities Purchase Agreement shall have been terminated pursuant to Section 10.2 thereof, or (B) with respect to the Third Closing (as defined in the Securities Purchase Agreement), that the Third Closing shall not have occurred by the Third Closing Termination Date (as defined in the Securities Purchase Agreement) and the Securities Purchase Agreement shall have been terminated pursuant to Section 10.3 thereof.

(p) "Code" shall mean the Internal Revenue Code of 1986, as amended, as now or hereafter in effect, together with all regulations, rulings and interpretations thereof or thereunder by the Internal Revenue Service.

(q) "Common Stock" shall mean collectively, the Ordinary Common Stock and the Class B Common Stock.

(r) "Converted Series C Preferred Stock" shall have the meaning ascribed to it in Section 10(b).

(s) "Corporation" shall have the meaning ascribed to it in the recitals.

(t) "Deemed Holder Percentage" shall mean, as to any Permitted Holder, the percentage resulting from the following calculation, (1)(A) the number of shares of Ordinary Common Stock equal to the quotient of (w) the Liquidation Preference *plus* an amount per share equal to the accrued but unpaid Dividends not previously added to the Liquidation Preference on the outstanding shares of Series B Preferred Stock held by such Permitted Holder from and including the immediately preceding Dividend Payment Date (as defined in the Series B-1 Certificate of Designation or the Series B-2 Certificate of Designation, as applicable) to, but excluding, the date of conversion and (x) the Base Price for the date of such calculation, *plus* (B) the number of outstanding of shares of (y) Series C Preferred Stock multiplied by 1000 *plus*, (z) if then outstanding, Class B Common Stock, in each case held by such Permitted Holder divided by (2)(A) the total number of shares of Ordinary Common Stock equal to the quotient of (v) the Liquidation Preference *plus* an amount per share equal to the accrued but unpaid Dividends not previously added to the Liquidation Preference on all outstanding shares of Series B Preferred Stock from and including the immediately preceding Dividend Payment Date (as defined in the Series B-1 Certificate of Designation) to, but excluding, the date of conversion and (w) the Base Price for the date of such calculation, *plus* (B) the total number of all outstanding shares of (x) Series C Preferred Stock multiplied by 1000 *plus* (y) if then outstanding, Class B Common Stock, *plus* (z) Ordinary Common Stock.

(u) "DGCL" shall have the meaning ascribed to it in the recitals.

(v) "Dividend" shall have the meaning ascribed to it in the Series B-1 Certificate of Designation or the Series B-2 Certificate of Designation, as applicable.

(w) "DOE" shall mean the United States Department of Energy.

(x) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(y) "Governmental Authority" shall mean any foreign governmental authority, the United States of America, any state of the United States and any political subdivision of any of the foregoing, and any agency, instrumentality, department, commission, board, bureau, central bank, authority, court, arbitral body or other tribunal, in each case whether executive, legislative, judicial, regulatory or administrative, having jurisdiction over any of the Permitted Holders, the Corporation, any of the Corporation's Subsidiaries or their respective Property.

(z) "Initial Investor Director" shall have the meaning ascribed to it in Section 5(b)(1) hereof.

(aa) "Initial Liquidation Preference" shall mean $1,000 per share of each of Series B-1 12.75% Preferred Stock and Series B-2 11.5% Preferred Stock.

(bb) "Investor Director" shall have the meaning ascribed to it in Section 5(b)(2).

(cc) "Investor Rights Agreement" shall mean that certain Investor Rights Agreement, dated as of September 2, 2010 among the Corporation, Toshiba and B&W, as amended from time to time.

(dd) "Junior Stock" shall mean the Common Stock and any other class or series of capital stock of the Corporation that ranks junior to the Series C Preferred Stock (1) as to the priority of payment of dividends and/or (2) as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation. For the avoidance of doubt, Junior Stock shall include the series of Preferred Stock of the Corporation, par value $1.00 per share, designated as "Series A Junior Participating Preferred Stock."

(ee) "Liquidation Preference" shall mean $.01 per share of Series C Preferred Stock.

(ff) "Ordinary Common Stock" shall mean the common stock of the Corporation, par value $.10 per share. For the avoidance of doubt, the Ordinary Common Stock shall not include the Class B Common Stock.

(gg) "Original Issuance Date" shall mean, with respect to each share of Series C Preferred Stock issued to the Permitted Holders, the date on which such share was issued by the Corporation.

(hh) "Original Issue Value" shall mean, subject to the Automatic Redemption Adjustment, if any, the aggregate Initial Liquidation Preference of all the shares of Series B Preferred Stock issued to the Permitted Holders excluding those shares issued as a Dividend.

(ii) "Parity Stock" shall mean any class or series of stock of the Corporation that ranks equally with Series C Preferred Stock (1) in the priority of payment of dividends and/or (2) in the distribution of assets upon any liquidation, dissolution or winding up of the Corporation (in each case, without regard to whether dividends accrue cumulatively or non-cumulatively).

(jj) "Permit" shall mean any approval, authorization, certificate, consent, license or permit of or from any Governmental Authority.

(kk) "Permitted Holder Material Breach" shall mean the material breach of the Securities Purchase Agreement or the Investor Rights Agreement by any Permitted Holder.

(ll) "Permitted Holder Original Issue Value" shall mean, subject to the Automatic Redemption Adjustment, if any, for any Permitted Holder, the aggregate Initial Liquidation Preference of all shares of Series B Preferred Stock issued to such Permitted Holder excluding those shares issued as a Dividend and those shares acquired upon exercise of the Warrants.

(mm) "Permitted Holder Outstanding Value" shall mean, as to any Permitted Holder, at any time and from time to time and subject to the Automatic Redemption Adjustment, if any, (1) the Original Issue Value of all of the outstanding shares of Series B Preferred Stock then held by such Permitted Holder, *plus*, (2) for each share of Series C Preferred Stock then held by a Permitted Holder, excluding those shares of Series C Preferred Stock issued upon exercise of the Warrants, the Base Price upon which such Permitted Holder's acquisition of such share was calculated, *plus*, (3) for each share of Common Stock then held by such Permitted Holder, excluding those shares of Class B Common Stock issued upon exercise of the Warrants or Ordinary Common Stock purchased in the market, the Base Price (as defined in the Series B-1 Certificate of Designation) upon which such Permitted Holder's acquisition of such share was calculated, *plus*, (4) the aggregate amount of accrued and unpaid Dividends on outstanding shares of Series B Preferred Stock which have been added to the Liquidation Preference pursuant to Section 5(a) of the Series B-1 Certificate of Designation or Series B-2 Certificate of Designation, as applicable.

(nn) "Permitted Holders" shall mean (1) Toshiba America or any other Wholly-Owned Affiliates of Toshiba, (2) B&W and its Wholly-Owned Affiliates, (3) a special purpose entity jointly and wholly controlled by Toshiba and B&W and (4) Westinghouse Electric Company, LLC, to the extent that it is controlled by Toshiba or a Permitted Holder described under (1) above; provided, however, that each Permitted Holder must be a U.S. Person.

(oo) "Person" shall mean any individual, corporation, company, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, Governmental Authority or any other entity.

(pp) "Preferred Stock" shall mean any and all series of preferred stock, par value $1.00 per share, of the Corporation, including the Series C Preferred Stock.

(qq) "Property" shall mean any interest in any kind of property or asset, whether real, personal or mixed, tangible or intangible.

(rr) "Qualified Director" shall mean any individual reasonably acceptable to the Nominating and Governance Committee of the Board of Directors.

(ss) "Regulatory Bodies" shall mean the DOE and the U.S. Nuclear Regulatory Commission and any successor Governmental Authorities thereto.

(tt) "Securities Purchase Agreement" shall mean that certain Securities Purchase Agreement, dated as of May 25, 2010, among the Corporation, Toshiba and B&W, as amended from time to time.

(uu) "Senior Stock" shall mean any class or series of capital stock of the Corporation that ranks senior to the Series C Preferred Stock (1) as to the priority of dividends and/or (2) as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation. For the avoidance of doubt, Senior Stock shall include the Series B Preferred Stock.

(vv) "Series B Preferred Stock" shall mean the Series B-1 12.75% Preferred Stock together with the Series B-2 11.5% Preferred Stock.

(ww) "Series B-1 12.75 % Preferred Stock" shall mean the series of Preferred Stock of the Corporation, par value $1.00 per share, designated as "Series B-1 12.75% Convertible Preferred Stock."

(xx) "Series B-1 Certificate of Designation" shall mean that certain Certificate of Designation of Series B-1 12.75% Convertible Preferred Stock of the Corporation as filed with the Secretary of State of the State of Delaware.

(yy) "Series B-2 11.5% Preferred Stock" shall mean the series of preferred stock of the Corporation, par value $1.00 per share, designated as "Series B-2 11.5% Convertible Preferred Stock."

(zz) "Series B-2 Certificate of Designation" shall mean that certain Certificate of Designation of Series B-2 11.5% Convertible Preferred Stock of the Corporation as filed with the Secretary of State of the State of Delaware.

(aaa) "Series C Preferred Stock" shall have the meaning ascribed to it in Section 1.

(bbb) "Series C Preferred Stock Automatic Conversion Time" shall have the meaning ascribed to it in Section 10(b).

(ccc) "Share Issuance Approval" shall mean the approval of the stockholders of the Corporation necessary to approve the conversion of all the Series B Preferred Stock and the Series C Preferred Stock, and the exercise of all the Warrants, for Common Stock for purposes of Section 312.03 of the New York Stock Exchange Listed Company Manual, or if shares of the Ordinary Common Stock become listed and traded on another Approved Market, the approval required by such Approved Market, or the time at which all such approvals shall for any reason become inapplicable or not required so as to permit all such conversions and exercises.

(ddd) "Subsidiary" of any Person shall mean any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (1) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (2) the interest in the capital or profits of such partnership, joint venture or limited liability company or (3) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries. Notwithstanding the foregoing, American Centrifuge Manufacturing, LLC, a Delaware limited liability company, shall not be considered a Subsidiary of B&W or the Corporation.

(eee) "Third Party Transfer" shall mean an irrevocable Transfer in compliance with Section 11 of all legal ownership, Voting Control and Beneficial Ownership of any share or shares of Series C Preferred Stock to a Person other than a Permitted Holder or its Affiliates.

(fff) "Toshiba" shall mean Toshiba Corporation, a corporation organized under the laws of Japan.

(ggg) "Toshiba America" shall mean Toshiba America Nuclear Energy Corporation, a Delaware corporation.

(hhh) "Transfer" shall mean, with respect to any shares of Series C Preferred Stock, any direct or indirect assignment, sale, exchange, transfer, tender or other disposition of such shares or any interest therein, whether voluntary or involuntary, by operation of law or otherwise (and includes any sale or other disposition in any one transaction or series of transactions and the grant or transfer of an option or derivative security covering such shares), and any agreement, arrangement or understanding, whether or not in writing, to effect any of the foregoing; provided, however, that a "Transfer" shall not occur simply as a result of the grant of a proxy in connection with a solicitation of proxies subject to the provisions of Section 14 of the Exchange Act.

(iii) "U.S. Person" shall mean any person that is treated as a "United States Person" under Code Section 7701(a)(30) and that provides an IRS Form W-9 (or successor form), evidencing a complete exemption from United States withholding tax (including backup withholding tax), on or before the time at which it acquires securities pursuant to this Certificate of Designation.

(jjj) "Voting Control" shall mean, with respect to a share or shares of Series C Preferred Stock, the power, whether exclusive or shared, revocable or irrevocable, to vote or direct the voting of such share or shares of Series C Preferred Stock, by proxy, voting agreement or otherwise.

(kkk) "Warrants" shall mean those warrants to purchase Class B Common Stock or Series C Preferred Stock originally issued by the Corporation to the Permitted Holders pursuant to the Securities Purchase Agreement.

(lll) "Wholly-Owned Affiliate" shall mean, as to any Person, any Affiliate that, directly or indirectly, is wholly-owned and controlled (other than by contract) by a Person, or any other Affiliate to which the Corporation, in its sole discretion, consents.

Section 4. Titles and Subtitles; Interpretation. The titles and subtitles used in this Certificate of Designation are used for convenience only and are not to be considered in construing or interpreting this Certificate of Designation. The definitions contained in this Certificate of Designation are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term.

Section 5. Voting Rights.

(a) General. The holders of shares of Series C Preferred Stock shall not be entitled to vote, except as otherwise provided herein or required by applicable law. On any matter as to which the shares of Series C Preferred Stock shall be entitled to vote, each share shall entitle the holder thereof to 1,000 votes. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series C Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Election of Directors.

(1) Effective at the time no Series B Preferred Stock shall be outstanding, the number of directors constituting the Board of Directors shall be increased by two Persons and the holders of a majority of the voting power of the outstanding Class B Common Stock and Series C Preferred Stock, voting together as a separate class to the exclusion of the holders of any other Common Stock and any other series of Preferred Stock, shall be entitled to elect two Qualified Directors to the Board of Directors (each such director, an "Initial Investor Director") until the earliest to occur of (i) a Closing Deadline Failure as a result of a Permitted Holder Material Breach at a time when the Securities Purchase Agreement is terminable pursuant to Sections 10.2(d) and 10.3(d) thereof, (ii) a Change of Control or (iii) such time as the Permitted Holders' Aggregate Outstanding Value is equal to or less than (x) prior to or on December 31, 2016, 75% of the Original Issue Value or, (y) after December 31, 2016, 50% of the Original Issue Value, whereupon at any such time (A) the right of the holders of a majority of the voting power of the outstanding Series B Preferred Stock to elect the Initial Investor Directors shall cease, (B) the term of office of the Initial Investor Directors shall immediately and automatically terminate, (C) the Initial Investor Directors will no longer be qualified to serve and (D) the number of directors constituting the Board of Directors shall be immediately and automatically reduced by two Persons.

(2) Effective as of the first Original Issuance Date and at such time as when the Permitted Holders do not have the right to elect the Initial Investor Directors pursuant to Section 5(b)(1)(iii) and any Permitted Holder's Permitted Holder Outstanding Value is greater than (x) prior to or on December 31, 2016, 75% of such Permitted Holder's Permitted Holder Original Issue Value or (y) after December 31, 2016, 50% of such Permitted Holder's Permitted Holder Original Issue Value, the number of directors constituting the Board of Directors shall be increased by one Person and the holders of a majority of the voting power of the outstanding Class B Common Stock and Series C Preferred Stock, voting together as a separate class to the exclusion of the holders of Ordinary Common Stock and any other series of Preferred Stock, shall be entitled to elect one Qualified Director to the Board of Directors (such director, the "Investor Director") until the earliest to occur of (i) an event described in Section 5(b)(1)(i) or (ii) or (ii) such time as each Permitted Holder's Permitted Holder Outstanding Value is equal to or less than (x) prior to or on December 31, 2016, 75% of such Permitted Holder's Permitted Holder Original Issue Value or (y) after December 31, 2016, 50% of such Permitted Holder's Permitted Holder Original Issue Value, whereupon at any such time (A) the right of the holders of a majority of the voting power of the outstanding Class B Common Stock and Series C Preferred Stock to elect the Investor Director shall cease, (B) the term of office of the Investor Director shall immediately and automatically terminate, (C) the Investor Director will no longer be qualified to serve and (D) the number of directors constituting the Board of Directors shall be immediately and automatically reduced by one Person.

(3) For the avoidance of doubt, except for the increase or decrease in the number of directors provided for herein, nothing in this Section 5(b) shall prohibit the Board of Directors from fixing the number of directors constituting the Board of Directors pursuant to the Bylaws.

(4) Term. Subject to the provisions of this Section 5(b), each Initial Investor Director or the Investor Director, as applicable, shall serve until the next annual meeting of the stockholders of the Corporation and until his or her successor is elected and qualified in accordance with this Section 5(b) and the Bylaws, unless any such Initial Investor Director or the Investor Director, as applicable, is earlier removed in accordance with the Bylaws, resigns or is otherwise unable to serve; provided, however, that only the holders of a majority of the voting power of the outstanding Class B Common Stock and the Series C Preferred Stock may remove any such Initial Investor Director or the Investor Director, as applicable, without cause at any time, and the holders of a majority of the voting power of the outstanding shares of the capital stock of the Corporation entitled to vote on the matter may remove any such Initial Investor Director or the Investor Director, as applicable, with cause at any time. Subject to the provisions of this Section 5(b), in the event any Initial Investor Director or the Investor Director, as applicable, is removed, resigns or is unable to serve as a member of the Board of Directors, the holders of a majority of the voting power of the outstanding Class B Common Stock and Series C Preferred Stock, voting together as a separate class to the exclusion of the holders of any other Common Stock and any other series of Preferred Stock, shall have the right to fill such vacancy. Each Initial Investor Director or the Investor Director, as applicable, may only be elected to the Board of Directors by the holders of the Class B Common Stock and Series C Preferred Stock in accordance with this Section 5(b), and each such Initial Investor Director's or the Investor Director's seat, as applicable, shall otherwise remain vacant.

(d) Notwithstanding Section 5(a), the holders of Series C Preferred Stock and Class B Common Stock shall be entitled to vote together with the holders of Common Stock (and any other class or series of capital stock entitled to vote on the matter with the Common Stock) as a single class with respect to any transactions involving a merger of the Corporation or sale of substantially all of the Corporation's assets, which must be submitted to the Corporation's stockholders pursuant to the DGCL; provided, however, that each holder of Class B Common Stock shall be entitled to (A) one vote for each outstanding share of Class B Common Stock held of record by such holder as of the applicable record date, but only to the extent that the aggregate voting power of all of the outstanding Series C Preferred Stock and Class B Common Stock does not exceed 20% of the total voting power of all outstanding shares of all classes and series of capital stock entitled to vote thereon or (B) if pursuant to clause (A) the aggregate voting power of all of the outstanding Series C Preferred Stock and Class B Common Stock would exceed 20% of the total voting power of all outstanding shares of all classes and series of capital stock entitled to vote on the matter, such fraction of one vote for (i) each one-one thousandth (1/1000) of a share of Series C Preferred Stock and (ii) each share of Class B Common Stock held of record by such holder as of the applicable record date such that the aggregate voting power of all of the outstanding Series C Preferred Stock and Class B Common Stock equaled 20% of the total voting power of all outstanding shares of all classes and series of capital stock entitled to vote thereon.

(e) Notwithstanding Section 5(a), the vote or consent of the holders of at least a majority of the outstanding shares of Series C Preferred Stock, voting together as a separate class to the exclusion of the holders of the Common Stock and any other series of Preferred Stock then outstanding and entitled to vote thereon, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating any amendment, alteration or repeal of the Certificate of Incorporation or this Certificate of Designation (by merger, consolidation or otherwise) so as to adversely affect the powers, preferences and relative participating, optional and other rights of Series C Preferred Stock.

Section 6. Dividends and Distributions. Subject to applicable law and the rights, if any, of the holders of any Senior Stock, the holders of Series C Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series C Preferred Stock in an amount equal to the product of (a) the aggregate per share amount of all dividends declared and paid on the Ordinary Common Stock out of the assets of the Corporation that are by law available therefor at such times and in such amounts as the Board of Directors in its discretion shall determine and (b) 1000. Except as otherwise required by the DGCL and Section 7(a), in any circumstance where the Corporation may declare dividends or otherwise make distributions (including, without limitation, any distribution on liquidation, dissolution or winding-up of the Corporation) on the Common Stock, the Corporation shall declare the same per share dividends or make the same per share distributions, as the case may be, on the Series C Preferred Stock; provided, however, that if any such dividends or distributions are declared with respect to the Common Stock in the form of additional shares of Common Stock (or rights to acquire Common Stock), such dividends or distributions shall be made with respect to the Series C Preferred Stock in the form of an equivalent number of shares of Series C Preferred Stock (or rights to acquire Series C Preferred Stock) and if any such dividends or distributions are declared with respect to Series C Preferred Stock in the form of additional shares of Series C Preferred Stock (or rights to acquire Series C Preferred Stock), such dividends or distributions shall be made with respect to the Common Stock in the form of an equivalent number of shares of Common Stock (or rights to acquire Ordinary Common Stock).

Section 7. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. Subject to the rights of the holders of any Senior Stock outstanding at any time, in the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of the Series C Preferred Stock shall be entitled to receive for each outstanding share of Series C Preferred Stock, out of the assets of the Corporation or proceeds thereof available for distribution to stockholders of the Corporation, and after satisfaction of all liabilities and obligations to creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Junior Stock, an amount equal to the per share amount of all cash and other property to be distributed in respect of the Common Stock into which the Series C Preferred Stock is then convertible.

(b) Partial Payment. If, in connection with any distribution described in Section 7(a) above, the assets of the Corporation or proceeds thereof are not sufficient to pay the Liquidation Preferences, *plus* an amount equal to any dividends declared but unpaid thereon, in full to all holders of Series C Preferred Stock and all holders of Parity Stock, then the amounts paid to the holders of Series C Preferred Stock and to the holders of all such other capital stock ranking equally on liquidation shall be paid pro rata in accordance with the respective aggregate Liquidation Preferences, *plus* any dividends declared but unpaid thereon, of the holders of Series C Preferred Stock and the holders of all such other Parity Stock.

(c) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 7, the merger or consolidation of the Corporation with any other corporation or other Person, including a merger or consolidation in which the holders of Series C Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation, but shall instead be subject to the provisions of Section 9.

Section 8. Subdivision or Combination. If the Corporation in any manner subdivides or combines the outstanding shares of any of the Ordinary Common Stock, Class B Common Stock or Series C Preferred Stock, then the outstanding shares of the Ordinary Common Stock, Class B Common Stock or Series C Preferred Stock, as applicable, will be subdivided or combined in the same manner.

Section 9. Equal Status. Except as expressly provided in this Certificate of Designation, shares of Ordinary Common Stock and Series C Preferred Stock shall have the same rights, powers, preferences and restrictions and rank equally, share ratably and be identical in all respect as to all matters. In any merger, consolidation, reorganization or other business combination, the consideration received per share by the holders of the Ordinary Common Stock and per 1/1000 of a share of Series C Preferred Stock in such merger, consolidation, reorganization or other business combination shall be identical; provided, however, that if such consideration consists, in whole or in part, of shares of capital stock of, or other equity interests in, the Corporation or any other corporation, partnership, limited liability company or other entity, then the designation and the powers, preferences and relative, participating, optional and other rights and the qualifications, limitations and restrictions of such shares of capital stock or other equity interests may differ to the extent that the designation and the powers, preferences and relative, participating, optional and other rights and the qualifications, limitations and restrictions of the Ordinary Common Stock and the Series C Preferred Stock differ as provided herein or in the Certificate of Incorporation (including, without limitation, with respect to the voting rights and conversion provisions hereof) if and to the extent necessary due to regulatory requirements or restrictions applicable to the entity surviving such merger, consolidation, reorganization or other business combination that are similar in nature to those applicable to the Corporation; and provided, further, that if the holders of the Ordinary Common Stock or Series C Preferred Stock are granted the right to elect to receive one of two or more alternative forms of consideration, the foregoing provision shall be deemed satisfied if holders of the other class or series are granted identical election rights, subject to the preceding proviso.

Section 10. Automatic Conversion.

(a) Subject to Section 11, a share of the Series C Preferred Stock shall be automatically converted, without any action on the part of the Corporation (other than the subsequent exchange of Series C Preferred Stock certificates for Ordinary Common Stock certificates or, in the case of uncertificated shares of Series C Preferred Stock, upon receipt of proper transfer instructions from the registered holder of the shares of Series C Preferred Stock or by his, her or its attorney lawfully constituted in writing, and upon payment of all necessary transfer taxes and compliance with appropriate procedures for transferring shares in uncertificated form), or any holder of the Series C Preferred Stock or any other Person, into 1000 fully paid and nonassessable shares of Ordinary Common Stock upon a Third Party Transfer of such share.

(b) In the event of any automatic conversion pursuant to the terms of Section 10(a), the conversion shall be deemed to have been effected upon such Third-Party Transfer (the "Series C Preferred Stock Automatic Conversion Time"). At the Series C Preferred Stock Automatic Conversion Time, the certificate or certificates that represented the shares of Series C Preferred Stock that were so converted immediately prior to such conversion (the "Converted Series C Preferred Stock") shall, automatically and without further action, represent 1000 fully paid and non-assessable shares of Ordinary Common Stock per share of Series C Preferred Stock. Permitted Holders of the Converted Series C Preferred Stock shall deliver their certificates, duly endorsed in blank or accompanied by proper instruments of transfer, in form reasonably satisfactory to the Corporation, duly executed by such Permitted Holder or such Permitted Holder's authorized attorney to the principal office of the Corporation (or such other office or agency (including the transfer agent, if applicable) of the Corporation as it may designate by notice in writing to the registered Permitted Holder at the address of such Permitted Holder appearing on the books of the Corporation), together with a written notice stating the name or names (with addresses) and denominations in which the certificate or certificates representing such shares of Ordinary Common Stock are to be issued and including instructions for delivery thereof. Upon such delivery, the Corporation or its agent shall promptly issue and deliver at such stated address to such holder of shares of Ordinary Common Stock a certificate or certificates representing the number of shares of Ordinary Common Stock to which such holder is entitled by reason of such conversion, and shall cause such shares of Ordinary Common Stock to be registered in the name of such holder. The Person entitled to receive the shares of Ordinary Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Ordinary Common Stock at and as of the Series C Preferred Stock Automatic Conversion Time, and the rights of such Person as a holder of shares of the Series C Preferred Stock that have been converted shall cease and terminate at and as of the Series C Preferred Stock Automatic Conversion Time, in each case without regard to any failure by such Permitted Holder to deliver the certificates or the notice required by this Section.

Section 11. Restrictions.

(a) Notwithstanding anything in this Certificate of Designation to the contrary and unless the Corporation, in its sole discretion, otherwise agrees in writing, Permitted Holders may not Transfer shares of Series C Preferred Stock if such Transfer would require approvals from or filings with any Regulatory Bodies in order not to adversely affect the Permits or regulatory status of the Corporation or its Subsidiaries, unless such approvals and/or filings have been made and received; provided, however, this Section 11(a) shall not apply to any transfer where the transferee received Ordinary Common Stock pursuant to the terms hereof.

(b) Notwithstanding anything in this Certificate of Designation to the contrary and unless the Corporation, in its sole discretion, otherwise agrees in writing, the conversion of Series C Preferred Stock for Ordinary Common Stock shall also be subject to the requirements of Section 9.2 of the Securities

Purchase Agreement.

(c) Any purported conversion or Transfer of Series C Preferred Stock in violation of these restrictions shall be null and void ab initio.

Section 12. Record Holders. To the fullest extent permitted by applicable law, the Corporation may deem and treat the record holder of any share of the Series C Preferred Stock as the true and lawful owner thereof for all purposes.

Section 13. Legends. All certificates representing shares of Series C Preferred Stock shall bear a legend or other restriction substantially to the following effect (it being agreed that if such shares are not certificated, other appropriate restrictions shall be implemented to give effect to the following):

> "THIS SECURITY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR AS MAY BE HELD BY A PERSON DEEMED AN "AFFILIATE" (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE ISSUER OF THIS SECURITY, AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN A TRANSACTION NOT INVOLVING A PUBLIC OFFERING, (II) PURSUANT TO ANY OTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, INCLUDING RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (III) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (IV) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL NOTIFY ANY SUBSEQUENT PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE. THIS SECURITY MAY ONLY BE TRANSFERRED IN ACCORDANCE WITH THE TERMS OF THE CERTIFICATE OF DESIGNATION OF SERIES C CONVERTIBLE PARTICIPATING PREFERRED STOCK OF USEC INC. (THE "COMPANY"), AS AMENDED.
>
> THIS SECURITY IS SUBJECT TO THE RESTRICTIONS (INCLUDING THE VOTING AND TRANSFER RESTRICTIONS) SET FORTH IN ARTICLES FOURTH AND ELEVENTH OF USEC INC.'S CERTIFICATE OF INCORPORATION, AS AMENDED.
>
> THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE OBLIGATIONS AND RESTRICTIONS (INCLUDING RESTRICTIONS ON TRANSFER, CONVERSION AND REDEMPTION) STATED IN, AND ARE TRANSFERABLE ONLY IN ACCORDANCE WITH, THE PROVISIONS OF SECTION 9 OF THE SECURITIES PURCHASE AGREEMENT BY AND AMONG THE COMPANY, TOSHIBA CORPORATION ("TOSHIBA") AND BABCOCK & WILCOX INVESTMENT COMPANY ("B&W"), DATED AS OF MAY 25, 2010.
>
> THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE OBLIGATIONS AND RESTRICTIONS (INCLUDING RESTRICTIONS ON THE DISPOSITION OF SECURITIES) STATED IN THE PROVISIONS OF SECTION 4.7 OF THE INVESTOR RIGHTS AGREEMENT BY AND AMONG THE COMPANY, TOSHIBA AND B&W, DATED AS OF SEPTEMBER 2, 2010."

Section 14. Written Consent. Any action as to which a class vote of the holders of Series C Preferred Stock, or the holders of Series C Preferred Stock and Class B Common Stock voting together, is required pursuant to the terms of this Certificate of Designation or the Securities Purchase Agreement may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation.

Section 15. Notices. All notices or communications in respect of Series C Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designation, in the Certificate of Incorporation or Bylaws or by applicable law or regulation. Notwithstanding the foregoing, if Series C Preferred Stock is issued in book-entry form through The Depository Trust Corporation or any similar facility, such notices may be given to the holders of the Series C Preferred Stock in any manner permitted by such facility.

Section 16. Other Rights. The shares of Series C Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation or as provided by applicable law and regulation.

[THIS SPACE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation to be duly executed and acknowledged by its undersigned duly authorized officers this 2nd day of September, 2010.

USEC INC.

By: /s/ John K. Welch
Name: John K. Welch
Title: President and Chief Executive Officer

Attest:

By: /s/ Peter B. Saba
Name: Peter B. Saba
Title: Secretary

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, John K. Welch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of USEC Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 3, 2010

/s/ John K. Welch
John K. Welch
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, John C. Barpoulis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of USEC Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 3, 2010

/s/ John C. Barpoulis
John C. Barpoulis
Senior Vice President and Chief Financial Officer

EXHIBIT 32

CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of USEC Inc. for the quarter ended September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), pursuant to 18 U.S.C. § 1350, John K. Welch, President and Chief Executive Officer, and John C. Barpoulis, Senior Vice President and Chief Financial Officer, each hereby certifies, that, to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of USEC Inc.

November 3, 2010

/s/ John K. Welch
John K. Welch
President and Chief Executive Officer

November 3, 2010

/s/ John C. Barpoulis
John C. Barpoulis
Senior Vice President and Chief Financial Officer