
**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 June 30, 2007

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
(State of incorporation)

52-2107911
(I.R.S. Employer Identification No.)

**2 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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 July 31, 2007, there were 87,433,000 shares of Common Stock issued and outstanding.

TABLE OF CONTENTS

	<u>Page</u>
PART I – FINANCIAL INFORMATION	
Item 1.	Financial Statements:
	Consolidated Condensed Balance Sheets at June 30, 2007 and December 31, 2006 (Unaudited) 3
	Consolidated Condensed Statements of Income (Loss) for the Three and Six Months Ended June 30, 2007 and 2006 (Unaudited) 4
	Consolidated Condensed Statements of Cash Flows for the Six Months Ended June 30, 2007 and 2006 (Unaudited) 5
	Notes to Consolidated Condensed Financial Statements (Unaudited) 6
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations 16
Item 3.	Quantitative and Qualitative Disclosures about Market Risk 37
Item 4.	Controls and Procedures 37
PART II – OTHER INFORMATION	
Item 1.	Legal Proceedings 38
Item 1A.	Risk Factors 38
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds 44
Item 4.	Submission of Matters to a Vote of Security Holders 44
Item 6.	Exhibits 45
Signature	46
Exhibit Index	47

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: the success of the demonstration and deployment of our American Centrifuge technology including our ability to meet our performance targets, target cost estimate and schedule for the American Centrifuge Plant and our ability to secure required external financial support; 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 most existing long-term contracts to pass on to customers increases in SWU prices under the Russian Contract resulting from significant increases in market prices; changes in existing restrictions on imports of Russian enriched uranium, including the imposition of duties on imports of enriched uranium under the Russian Contract; the elimination of duties charged on imports of foreign-produced low enriched uranium; pricing trends in the uranium and enrichment markets and their impact on our profitability; changes to, or termination of, our contracts with the U.S. government and changes in U.S. government priorities and the availability of government funding; the impact of government regulation; the outcome of legal proceedings and other contingencies (including lawsuits, government investigations or audits and government/regulatory and environmental remediation efforts); the competitive environment for our products and services; changes in the nuclear energy industry; 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. We do not undertake to update our forward-looking statements except as required by law.

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

	June 30, 2007	December 31, 2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 48.3	\$ 171.4
Accounts receivable – trade	136.9	215.9
Inventories	1,062.3	900.0
Deferred income taxes	26.8	24.0
Other current assets	92.5	97.8
Total Current Assets	1,366.8	1,409.1
Property, Plant and Equipment, net	205.9	189.9
Other Long-Term Assets		
Deferred income taxes	190.3	156.2
Deposits for surety bonds	65.7	60.8
Pension asset	14.8	13.8
Inventories	—	24.2
Goodwill	6.8	6.8
Intangibles	0.4	0.6
Total Other Long-Term Assets	278.0	262.4
Total Assets	<u>\$ 1,850.7</u>	<u>\$ 1,861.4</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 128.4	\$ 129.1
Payables under Russian Contract	117.4	105.3
Inventories owed to customers and suppliers	4.1	56.9
Deferred revenue and advances from customers	136.1	133.8
Total Current Liabilities	386.0	425.1
Long-Term Debt	150.0	150.0
Other Long-Term Liabilities		
Depleted uranium disposition	82.6	71.5
Postretirement health and life benefit obligations	135.8	128.7
Pension benefit liabilities	22.8	20.2
Other liabilities	84.1	79.9
Total Other Long-Term Liabilities	325.3	300.3
Commitments and Contingencies (Note 7)		
Stockholders' Equity	989.4	986.0
Total Liabilities and Stockholders' Equity	<u>\$ 1,850.7</u>	<u>\$ 1,861.4</u>

See notes to consolidated condensed financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenue:				
Separative work units	\$ 145.9	\$ 404.3	\$ 550.9	\$ 638.3
Uranium	16.2	71.0	32.0	146.8
U.S. government contracts and other	49.0	50.0	93.2	101.5
Total revenue	211.1	525.3	676.1	886.6
Cost of sales:				
Separative work units and uranium	142.8	404.5	496.0	630.2
U.S. government contracts and other	40.6	41.2	79.2	84.8
Total cost of sales	183.4	445.7	575.2	715.0
Gross profit	27.7	79.6	100.9	171.6
Special charge for organizational restructuring	—	—	—	1.5
Advanced technology costs	35.6	27.3	69.3	47.1
Selling, general and administrative	11.5	14.1	24.0	25.8
Operating income (loss)	(19.4)	38.2	7.6	97.2
Interest expense	2.4	3.5	5.9	8.2
Interest (income)	(7.9)	(0.5)	(17.8)	(2.3)
Income (loss) before income taxes	(13.9)	35.2	19.5	91.3
Provision (benefit) for income taxes	(0.5)	13.6	(6.4)	35.1
Net income (loss)	<u>\$ (13.4)</u>	<u>\$ 21.6</u>	<u>\$ 25.9</u>	<u>\$ 56.2</u>
Net income (loss) per share – basic and diluted	\$ (.15)	\$.25	\$.30	\$.65
Weighted-average number of shares outstanding:				
Basic	87.1	86.6	87.0	86.5
Diluted	87.1	86.9	87.4	86.8

See notes to consolidated condensed financial statements.

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

	Six Months Ended June 30,	
	2007	2006
Cash Flows from Operating Activities		
Net income	\$ 25.9	\$ 56.2
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	18.8	17.3
Deferred income taxes	(8.5)	(0.8)
Changes in operating assets and liabilities:		
Accounts receivable – decrease (increase)	79.0	(50.5)
Inventories – net decrease (increase)	(190.9)	73.5
Payables under Russian Contract – increase	12.1	32.3
Deferred revenue, net of deferred costs – increase (decrease)	11.9	(12.0)
Accrued depleted uranium disposition	11.1	9.7
Accounts payable and other liabilities – (decrease)	(37.1)	(77.6)
Other, net	(5.1)	(8.4)
Net Cash Provided by (Used in) Operating Activities	<u>(82.8)</u>	<u>39.7</u>
Cash Flows Used in Investing Activities		
Capital expenditures	(37.4)	(16.1)
Deposits for surety bonds	(4.0)	—
Net Cash (Used in) Investing Activities	<u>(41.4)</u>	<u>(16.1)</u>
Cash Flows Used in Financing Activities		
Borrowings under credit facility	5.9	125.8
Repayments under credit facility	(5.9)	(99.8)
Repayment of senior notes	—	(288.8)
Tax benefit related to stock-based compensation	0.9	0.3
Common stock issued (purchased), net	0.2	1.4
Net Cash Provided By (Used in) Financing Activities	<u>1.1</u>	<u>(261.1)</u>
Net (Decrease)	(123.1)	(237.5)
Cash and Cash Equivalents at Beginning of Period	171.4	259.1
Cash and Cash Equivalents at End of Period	<u>\$ 48.3</u>	<u>\$ 21.6</u>
Supplemental Cash Flow Information:		
Interest paid, net of capitalized interest	\$ 3.4	\$ 14.8
Income taxes paid	35.4	51.1

See notes to consolidated condensed financial statements.

USEC Inc.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION

The unaudited consolidated condensed financial statements as of and for the three and six months ended June 30, 2007 and 2006 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. 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 have been omitted pursuant to such rules and regulations.

Operating results for the three and six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. 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, 2006.

The results of operations for the six months ended June 30, 2007 include an out-of-period adjustment in the first quarter that decreased advanced technology costs by approximately \$3.0 million attributed to a vendor refund. USEC management deems this amount to be immaterial to its overall results.

New Accounting Standards Not Yet Implemented

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements." This statement clarifies the definition of fair value, establishes a framework for measuring fair value when required or permitted under other accounting pronouncements, and expands the disclosures on fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We are evaluating the statement and have not determined whether it will have a material effect on our financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are evaluating the statement and have not determined whether it will have a material effect on our financial position or results of operations.

2. INVENTORIES

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	(millions)	
Current assets:		
Separative work units	\$ 779.3	\$ 701.7
Uranium	272.9	189.1
Materials and supplies	10.1	9.2
	<u>1,062.3</u>	<u>900.0</u>
Long-term assets:		
Uranium	—	24.2
Current liabilities:		
Inventories owed to customers and suppliers	(4.1)	(56.9)
Inventories, net	<u>\$ 1,058.2</u>	<u>\$ 867.3</u>

3. INCOME TAXES

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). This interpretation clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before the related tax benefit may be recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

USEC adopted the provisions of FIN 48 effective January 1, 2007. As a result of implementing FIN 48, USEC recognized a \$31.1 million increase in the liability for unrecognized tax benefits. This increase resulted in a \$7.5 million decrease in the January 1, 2007 retained earnings balance and a \$23.6 million increase in the deferred tax assets. Implementation of FIN 48 also resulted in an additional \$11.4 million decrease in the January 1, 2007 retained earnings balance for accrued interest and penalties. The liability for unrecognized tax benefits was \$38.5 million at January 1, 2007, of which \$19.5 million would impact the effective tax rate, if recognized.

USEC and its subsidiaries file income tax returns with the U.S. government and various states and foreign jurisdictions. The Internal Revenue Service ("IRS") has been examining USEC's federal income tax returns from 1998 through 2003. In addition, in the second quarter of 2007, the IRS commenced an examination of USEC's 2004 and 2005 federal income tax returns. For tax return years 1998 through 2003, USEC reached agreement with the IRS during the first quarter of 2007 on all matters except for one remaining issue described below. With the exception of the one issue described below, the applicable U.S. federal statute of limitations expired on March 31, 2007 with respect to tax return years 1998 through 2002. The liability for unrecognized tax benefits decreased \$15.4 million and the tax provision decreased \$12.7 million in the first quarter of 2007, primarily as a result of the expiration of the statute of limitations.

The remaining issue in the IRS examination related to \$50.2 million of expenditures incurred at the Paducah gaseous diffusion plant during tax return years 1998 through 2000. USEC incurred these expenditures to improve the stability of several structures at the site in the event of an earthquake. The IRS challenged the timing of deductibility of these costs. During the second quarter of 2007, USEC reached agreement with the IRS on this issue which resulted in a decrease to the liability for unrecognized tax benefits of \$15.9 million, a tax payment to the IRS of \$8.6 million and a decrease in deferred tax assets. At June 30, 2007, the liability for unrecognized tax benefits, included in other long-term liabilities, was \$7.9 million. In addition, USEC currently anticipates that the applicable federal statute of limitations with respect to tax return year 2003 will expire in the third quarter of 2007. As of June 30, 2007, the applicable Kentucky and Ohio statutes of limitations for tax return years 2002 forward and 2003 forward, respectively, have not yet expired. USEC believes that it is reasonably possible that the liability for unrecognized tax benefits could decrease by up to \$2.0 million in the next 12 months.

USEC recognizes accrued interest as a component of interest expense and accrued penalties as a component of selling, general and administrative expense in the consolidated statement of income, which is consistent with the reporting in prior periods for these items. After implementation of FIN 48, USEC's balance of accrued interest and penalties was \$19.5 million as of January 1, 2007. Expenses for accrued interest and penalties recorded during the second quarter were \$0.6 million for a year to date amount of \$2.0 million. In addition, on March 31, 2007, as a result of the expiration of the federal statute of limitations with respect to tax return years 1998 through 2002, \$6.6 million of previously accrued interest was reversed and was recorded as interest income in the consolidated statement of income. Also, during the second quarter of 2007, as a result of resolving the remaining issue with the IRS as described above, \$6.9 million of previously accrued interest and penalties was reversed and recorded as interest income and as a reduction to selling, general and administrative expense in the consolidated statement of income. As of June 30, 2007, accrued interest and penalties totaled \$8.0 million.

4. DEBT

Revolving Credit Facility

There were no short-term borrowings under the \$400.0 million revolving credit facility at June 30, 2007 or December 31, 2006. During the six months ended June 30, 2007, aggregate borrowings and repayments were \$5.9 million, and the peak amount outstanding was \$4.8 million. Letters of credit issued under the facility amounted to \$33.4 million at June 30, 2007 and \$35.8 million at December 31, 2006. Borrowings under the credit facility are subject to limitations based on established percentages of qualifying assets such as eligible accounts receivable and inventory. Availability under the credit facility after letters of credit outstanding was \$313.1 million at June 30, 2007 and \$346.2 million at December 31, 2006.

Senior Notes

Senior notes bearing interest at 6.75% amounted to \$150.0 million in aggregate principal amount at June 30, 2007 and December 31, 2006. The senior notes are due January 20, 2009, and interest is paid every six months in arrears on January 20 and July 20. The senior notes are unsecured obligations and rank on parity with all other unsecured and unsubordinated indebtedness of USEC Inc. The senior notes are not subject to any sinking fund requirements. The senior notes may be redeemed by USEC at any time at a redemption price equal to the principal amount plus any accrued interest up to the redemption date plus a make-whole premium.

At June 30, 2007, the fair value of the senior notes calculated based on a credit-adjusted spread over U.S. Treasury securities with similar maturities was \$145.5 million, compared with the balance sheet carrying amount of \$150.0 million.

In January 2006, USEC repaid the remaining balance of its 6.625% senior notes which amounted to \$288.8 million on the scheduled maturity date.

5. DEFERRED REVENUE AND ADVANCES FROM CUSTOMERS

Deferred revenue and advances from customers were as follows (in millions):

	June 30, 2007	December 31, 2006
Deferred revenue	\$ 134.4	\$ 129.4
Advances from customers	1.7	4.4
	<u>\$ 136.1</u>	<u>\$ 133.8</u>

In a number of sales transactions, title to uranium or low enriched uranium ("LEU") is transferred to the customer and USEC receives payment under normal credit terms without physically delivering the uranium or LEU to the customer. This may occur because the terms of the agreement require USEC to hold the uranium to which the customer has title, or because the customer encounters brief delays in taking delivery of LEU at USEC's facilities. In such cases, recognition of revenue is deferred until uranium or LEU to which the customer has title is physically delivered rather than at the time title transfers to the customer. Related costs associated with deferred revenue, reported in other current assets, totaled \$68.5 million at June 30, 2007 and \$78.4 million at December 31, 2006.

6. AMERICAN CENTRIFUGE DECONTAMINATION AND DECOMMISSIONING

USEC leases facilities in Piketon, Ohio from the U.S. Department of Energy ("DOE") for the American Centrifuge Plant. USEC owns all capital improvements and, unless otherwise consented to by DOE, must remove them by the conclusion of the lease term. At the conclusion of the 36-year lease period in 2043, assuming no further extensions, USEC is required to return these leased facilities to DOE in a condition that meets U.S. Nuclear Regulatory Commission ("NRC") requirements and in the same condition as the facilities were in when they were leased to USEC (other than due to normal wear and tear). This creates an asset retirement obligation ("ARO"). As part of the NRC license to operate the American Centrifuge Plant issued in April 2007, USEC is required to provide an acceptable Decommissioning Funding Plan ("DFP") to the NRC. USEC is required to adjust the cost estimate of the DFP annually prior to operation of the facility at full capacity, and after full capacity is reached, at least every three years. The current DFP cost estimate of \$317.7 million is in 2006 dollars. USEC is required to provide financial assurance to the NRC incrementally based on the DFP and in anticipation of the upcoming annual facility construction and centrifuge installation. USEC is also required to provide financial assurance to DOE in an amount equal to USEC's current estimate of costs to comply with lease turnover requirements, less the amount of financial assurance required of USEC by the NRC for decommissioning, which is estimated to be \$27.6 million. During 2006, USEC provided a surety bond of \$8.8 million in accordance with the DFP increment related to American Centrifuge decommissioning. On March 12, 2007, USEC provided an additional surety bond of \$8.1 million, in accordance with the DFP increment related to the NRC license application and anticipated commercial plant construction. The 2006 and March 2007 surety bonds were collateralized with interest-earning cash deposits, included in other long-term assets, of \$2.0 million and \$4.0 million, respectively.

The accounting for ARO requires that the fair value of retirement costs that USEC has a legal obligation to pay be recorded as a liability, with an equivalent amount added to the asset cost as construction of the American Centrifuge Plant takes place. During each reporting period, USEC reassesses and revises the estimate of the ARO based on construction progress, cost evaluation of future decommissioning expectations, and other judgmental considerations which impact the amount recorded in both construction work in progress and other long-term liabilities.

Commensurate with the American Centrifuge Plant commercial lease signed in December 2006, USEC recorded \$8.8 million, the 2006 financial assurance, as the estimate of the fair value of the ARO at year end. In the first quarter of 2007, USEC reassessed and revised the estimate of the ARO reducing the amount recorded in both construction work in progress and other long-term liabilities by \$6.1 million to \$2.7 million at March 31, 2007

In the second quarter of 2007, USEC added ARO for construction activity during the period and expects to add amounts during 2007 as construction progress continues. Also during the second quarter USEC revised the estimate of the ARO slightly downward for changing long-term inflation rate assumptions.

In addition to the establishment of an ARO during the construction period, the liability is also accreted for the time value of money by applying an interest method of allocation to the liability.

Changes in USEC's asset retirement obligation since December 31, 2006 follow (in millions):

	Asset Retirement Obligation
Balance at December 31, 2006	\$ 8.8
Revision of estimate	(6.1)
Time value accretion (less than \$0.1 million)	—
Balance at March 31, 2007	<u>\$ 2.7</u>
Revision of estimate and additional retirement obligation	0.3
Time value accretion (less than \$0.1 million)	—
Balance at June 30, 2007	<u><u>\$ 3.0</u></u>

Upon commencement of commercial operations, the asset cost capitalized during the construction period will be depreciated over the appropriate period based on the shorter of the asset life or expected lease period.

7. COMMITMENTS AND CONTINGENCIES

Power Contracts and Commitments

The gaseous diffusion process uses significant amounts of electric power to enrich uranium. USEC purchases most of the electric power for the Paducah plant under a power purchase agreement signed with the Tennessee Valley Authority ("TVA") in 2000, as amended in April 2006 and June 2007. Capacity under the TVA agreement is fixed through May 2012. Prices are subject to monthly fuel cost adjustments to reflect changes in TVA's fuel costs, purchased power costs, and related costs. Prices for additional power purchases from June through August 2007 are fixed at market-based prices. As of June 30, 2007, USEC is obligated, whether or not it takes delivery of electric power, to make minimum payments for the purchase of electric power of approximately \$2.5 billion through May 2012, subject to fuel cost adjustments.

American Centrifuge Technology

USEC is working to develop and deploy the American Centrifuge technology as a replacement for the gaseous diffusion technology used at the Paducah plant. The DOE-USEC Agreement contains specific project milestones relating to the American Centrifuge Plant. Under the DOE-USEC Agreement, if, for reasons within USEC's control, USEC fails to meet one or more milestones and it is determined that the resulting delay would substantially impact USEC's ability to begin commercial operations on schedule, DOE could take a number of actions that could have a material adverse impact on USEC's business. These actions include terminating the DOE-USEC Agreement, recommending that USEC be removed as the sole Executive Agent under the Megatons-to-Megawatts program, which could reduce or terminate USEC's access to Russian LEU, or revoking USEC's access to DOE's U.S. centrifuge technology that USEC requires for the American Centrifuge project and requiring USEC to transfer its rights in U.S. centrifuge technology and facilities to DOE royalty free.

In March 2007, DOE accepted USEC's proposal to revise completion dates for two project milestones. The October 2006 Lead Cascade milestone has been revised to October 2007 – Lead Cascade operational and generating product assay in a range usable by commercial nuclear power plants. The January 2007 milestone requiring USEC to have secured a financing commitment for a 1 million separative work units ("SWU") centrifuge plant has been rescheduled to January 2008. Under its revised deployment schedule, USEC is working toward beginning commercial plant operations of the American Centrifuge Plant in late 2009 and having approximately 11,500 machines deployed in 2012, which USEC expects to operate at a production rate of about 3.8 million SWU per year based on its current estimates of machine output and plant availability. This revised schedule is later than the schedule established by the milestones contained in the DOE-USEC Agreement of beginning commercial plant operations in January 2009, reaching a plant capacity of 1 million SWU in March 2010 and, at USEC's option, reaching a plant capacity of 3.5 million SWU in September 2011, and USEC anticipates reaching agreement with DOE regarding these milestones at a later date. However, USEC cannot provide any assurances that it will reach an agreement or that DOE will not assert its rights under the agreement.

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 plant. DOJ indicated that it was assessing possible violations of the Civil False Claims Act ("FCA") and related claims in connection with invoices submitted under that contract. USEC responded to DOJ's letter in September 2006, indicating that the government does not have any legitimate bases for asserting any FCA or related claims under the cold standby contract, and has been cooperating with DOJ and the DOE Office of Investigations with respect to their inquiries into this matter. USEC intends to defend vigorously any such claim that might be asserted against it.

Defense Contract Audit Agency Audit Inquiry

In March 2007, in connection with an audit of fiscal year 2002 costs, the Defense Contract Audit Agency ("DCAA") raised certain questions regarding the allowability, under the Federal Acquisition Regulations, of employee overtime costs associated with satisfaction by employees of mandatory qualification and certification standards. Representatives of USEC and DCAA have had a number of subsequent communications regarding these questions, and those discussions continue. USEC provided a paper to DCAA in April 2007, explaining USEC's position that such costs are allowable and recoverable, and DCAA indicated in a communication on or about April 25, 2007 that it intended to question such costs. No disallowance has yet been made, nor has USEC quantified the potential impacts of disallowance. USEC intends to continue to work with DCAA and DOE to resolve any disagreements, and does not believe that any disallowance of employee overtime costs associated with satisfaction of qualification and certification requirements would be justified.

Environmental Matter

USEC and certain federal agencies were identified as potentially responsible parties under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, for a site in Bamwell, South Carolina, previously operated by Starmet CMI ("Starmet"), one of USEC's former contractors. In February 2004, USEC entered into an agreement with the U.S. Environmental Protection Agency ("EPA") to clean up certain areas at Starmet's Bamwell site. Under the agreement, USEC was responsible for removing certain material from the site that was attributable to quantities of depleted uranium USEC had sent to the site. In December 2005, the EPA confirmed that USEC completed its clean up obligations under the agreement.

In June 2007, the EPA notified USEC that the agency had spent approximately \$7.6 million in its remediation of retention ponds at the Bamwell site. The EPA indicated verbally that it would seek reimbursement of this amount from USEC and the federal agencies that had previously been identified as potentially responsible parties. It further suggested that USEC's share of the reimbursement expense would be approximately \$3.2 million. While USEC intends to challenge this amount, it nonetheless accrued a current liability of \$3.2 million at June 30, 2007.

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 our results of operations or financial condition.

8. PENSION AND POSTRETIREMENT HEALTH AND LIFE BENEFITS

The components of net benefit costs (income) 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		Six Months Ended		Three Months Ended		Six Months Ended	
	June 30,		June 30,		June 30,		June 30,	
	2007	2006	2007	2006	2007	2006	2007	2006
Service costs	\$ 4.3	\$ 4.5	\$ 9.0	\$ 9.1	\$ 0.8	\$ 0.9	\$ 2.0	\$ 2.4
Interest costs	10.7	10.2	21.5	20.4	3.0	2.7	5.9	5.5
Expected return on plan assets (gains)	(14.5)	(13.4)	(29.0)	(26.9)	(1.4)	(1.4)	(2.8)	(2.8)
Amortization of prior service costs (credit)	0.5	0.4	0.9	0.8	(3.6)	(3.5)	(7.2)	(7.2)
Amortization of actuarial losses	0.3	1.3	0.6	2.6	0.7	0.6	1.1	1.3
Net benefit costs (income)	<u>\$ 1.3</u>	<u>\$ 3.0</u>	<u>\$ 3.0</u>	<u>\$ 6.0</u>	<u>\$ (0.5)</u>	<u>\$ (7)</u>	<u>\$ (1.0)</u>	<u>\$ (8)</u>

Amortization of prior service credit for the postretirement health and life benefit plans reflects the institution of a lifetime cap on claims after age 65 for medical and drug coverage. The credit is amortized over the average remaining years of service until full eligibility.

USEC expects total cash contributions to the plans in 2007 will be as follows: \$10.0 million for the defined benefit pension plans and \$3.3 million for the postretirement health and life benefit plans. Of those amounts, contributions made as of June 30, 2007 were \$4.7 million and \$1.7 million related to the defined benefit pension plans and postretirement health and life benefit plans, respectively.

During the second quarter of 2007 USEC's actuaries completed a mid-year valuation update of the pension and postretirement health and life benefit plans. The valuation was conducted using updated census data and the same economic assumptions disclosed in note 12 of USEC's 2006 Annual Report, including assumptions of a 5.75% discount rate, 4.0% compensation increase and 8.0% expected return on plan assets. SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" adopted by USEC at December 31, 2006 requires recognition on the balance sheet of the over or underfunded status of a defined benefit postretirement plan as an asset or liability, and an offsetting adjustment to accumulated other comprehensive income (loss), a component of stockholders' equity. Based on the updated census data, the underfunded status of the plans increased \$5.5 million on an after tax basis which was recorded in accumulated other comprehensive loss. The increase in the overall unfunded status of the plans was driven primarily by fewer employees retiring than expected (resulting in additional accruals of benefits), and an increase in participation by retirees that had previously declined coverage for health and welfare benefits as provided under the plan.

9. STOCK-BASED COMPENSATION

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(millions)			
Expense included in selling, general and administrative:				
Restricted stock and restricted stock units	\$ 3.5	\$ 1.6	\$ 5.4	\$ 1.2
Stock options	0.4	0.3	0.8	0.4
Total expense	<u>\$ 3.9</u>	<u>\$ 1.9</u>	<u>\$ 6.2</u>	<u>\$ 1.6</u>
Total after-tax expense	<u>\$ 2.5</u>	<u>\$ 1.2</u>	<u>\$ 4.0</u>	<u>\$ 1.0</u>
Costs capitalized as part of inventory	<u>\$ —</u>	<u>\$ 0.1</u>	<u>\$ 0.2</u>	<u>\$ 0.1</u>
Additional information:				
Intrinsic value of stock options exercised	\$ 0.3	\$ 0.1	\$ 0.7	\$ 1.1
Cash received from exercise of stock options	\$ 0.3	\$ 0.2	\$ 0.7	\$ 1.4

Stock based compensation in the six months ended June 30, 2006 reflected a net credit of \$0.4 million during the first quarter of 2006 related to restricted stock and restricted stock units for the early termination of a long-term incentive plan.

Assumptions used in the Black-Scholes option pricing model to value option grants follow. There were no option grants in the three months ended June 30, 2007.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Risk-free interest rate	—	5.0%	4.5%	4.6-5.0%
Expected dividend yield	—	—	—	—
Expected volatility	—	38%	42%	38-41%
Expected option life	—	3.0 years	3.5 years	3.5 years
Weighted-average grant date fair value	—	\$ 4.50	\$ 4.77	\$ 4.32
Options granted	—	25,000	258,000	267,000

As of June 30, 2007, there was \$10.8 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested stock-based payments granted, of which \$9.3 million relates to restricted shares and restricted stock units, and \$1.5 million relates to stock options. That cost is expected to be recognized over a weighted-average period of 1.7 years.

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, 2006	\$ 10.0	\$ 970.6	\$ 137.5	\$ (95.5)	\$ (36.6)	\$ 986.0	\$ —
Implementation of FIN 48, net of tax (Note 3)	—	—	(18.9)	—	—	(18.9)	—
Common stock issued:							
Proceeds from the exercise of stock options	—	—	—	0.7	—	0.7	—
Restricted and other stock issued, net of amortization	—	2.3	—	1.8	—	4.1	—
Amortization of actuarial losses and prior service costs (credits) and valuation revisions, net of tax	—	—	—	—	(8.4)	(8.4)	(8.4)
Net income	—	—	25.9	—	—	25.9	25.9
Balance at June 30, 2007	<u>\$ 10.0</u>	<u>\$ 972.9</u>	<u>\$ 144.5</u>	<u>\$ (93.0)</u>	<u>\$ (45.0)</u>	<u>\$ 989.4</u>	<u>\$ 17.5</u>

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 8.

11. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted net income per share is calculated by increasing the weighted average number of shares by the assumed conversion of potentially dilutive stock compensation awards. No dilutive effect of stock compensation awards is recognized in periods in which a net loss has occurred.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Weighted average number of shares outstanding:	(in millions)			
Basic	87.1	86.6	87.0	86.5
Dilutive effect of stock compensation awards	—(1)	.3	.4	.3
Diluted	<u>87.1</u>	<u>86.9</u>	<u>87.4</u>	<u>86.8</u>

(1) Potential shares totaling 0.4 million for the three months ended June 30, 2007 would be antidilutive, and in that period diluted earnings per share is the same as basic earnings per share.

Excluded from the calculation of diluted earnings per share for the three and six months ended June 30, 2006 were 0.2 million options to purchase shares of common stock having an exercise price (ranging from \$13.25 to \$16.90) greater than the average share market price. There were no such options for the three and six months ended June 30, 2007.

12. 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 plants, 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 amounted to less than \$0.1 million in each period presented below and have been eliminated in consolidation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(millions)			
Revenue				
LEU segment:				
Separative work units	\$ 145.9	\$ 404.3	\$ 550.9	\$ 638.3
Uranium	16.2	71.0	32.0	146.8
	162.1	475.3	582.9	785.1
U.S. government contracts segment	49.0	50.0	93.2	101.5
	<u>\$ 211.1</u>	<u>\$ 525.3</u>	<u>\$ 676.1</u>	<u>\$ 886.6</u>
Segment Gross Profit				
LEU segment	\$ 19.3	\$ 70.8	\$ 86.9	\$ 154.9
U.S. government contracts segment	8.4	8.8	14.0	16.7
Gross profit	27.7	79.6	100.9	171.6
Special charge for organizational restructuring	—	—	—	1.5
Advanced technology costs	35.6	27.3	69.3	47.1
Selling, general and administrative	11.5	14.1	24.0	25.8
Operating income (loss)	(19.4)	38.2	7.6	97.2
Interest expense (income), net	(5.5)	3.0	(11.9)	5.9
Income (loss) before income taxes	<u>\$ (13.9)</u>	<u>\$ 35.2</u>	<u>\$ 19.5</u>	<u>\$ 91.3</u>

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 financial statements and related notes set forth in Part I, Item 1 of this report as well as the risks and uncertainties included in Part II, Item 1A of this report and the annual report on Form 10-K for the year ended December 31, 2006.

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, either directly or through our subsidiaries United States Enrichment Corporation and NAC International Inc. ("NAC"):

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

Low Enriched Uranium

LEU is sold and measured by 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 U²³⁵ and depleted uranium having a lower percentage of U²³⁵. The SWU contained in LEU is calculated using an industry standard formula based on the physics of enrichment. The amount of enrichment contained in LEU under this formula is commonly referred to as the SWU component.

We produce or acquire LEU from two principal sources. We produce LEU at the gaseous diffusion plant in Paducah, Kentucky, and we acquire LEU from Russia under a contract (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

During the first half of 2007, we have been sharply focused on addressing significant pressure on our gross profit margins and cash flow from operations caused by higher power costs incurred since June 2006. These efforts have shown early signs of success as our financial forecasts for the full year 2007, while still below 2006 results, are substantially better than our original guidance for net losses and negative cash flow. However, we continue to foresee challenges through the rest of 2007 and continuing over the next several years as we work to identify an achievable path forward to finance and build a new commercial uranium enrichment plant that we call the American Centrifuge Plant to replace our aging gaseous diffusion plant in Paducah, Kentucky. We believe that over the longer term, the deployment of the American Centrifuge Plant will provide our customers with an efficient and reliable source of LEU, and that our production costs will be more predictable and less affected by changes in power costs. In addition, we believe that the American Centrifuge Plant would provide the United States with energy security for nuclear fuel, which provides substantial national security benefits.

Our cost of sales increased during the first half of 2007 and will continue to increase during the second half of the year as a result of a significant increase beginning in June 2006 in the cost of electric power used by our Paducah plant. Because of our average inventory method of accounting, the impact of the 2006 power cost increase is reflected in our cost of sales over time. We expect the high cost of power to continue to adversely affect our gross profit margin until the American Centrifuge Plant is complete. Our cost of sales also increased in the first half of 2007 as a result of increases in purchase costs for LEU delivered under the Russian Contract. Purchases under the Russian Contract account for approximately 50% of our supply mix and our costs under this contract are increasing at a faster rate than price increases under our existing customer contracts. This price increase under the Russian Contract without associated price increases under most of our existing customer contracts has had and will continue to have a negative impact on our gross profit margin.

During the second quarter of 2007 we reached a new five-year power agreement with the Tennessee Valley Authority (“TVA”), which supplies most of the power for the Paducah plant. The new agreement went into effect June 1, 2007 and is expected to result in a modest decrease in our power cost during the first year of the agreement, followed by moderate annual increases over the remainder of the contract. As we had sought, the new agreement provides that we will receive up to 2,000 megawatts of electricity during non-summer months during the first three years, an approximately 25% increase in the amount of electricity. The additional power gives us added production, while providing additional stability and predictability in our power costs over the next five years.

The market price for our product increased during the first half of the year and we believe market fundamentals suggest that SWU prices will likely remain firm as supply and demand for LEU needed to fuel a growing number of reactors worldwide seeks a balance. We believe that a stable domestic enrichment market is essential to the successful financing and deployment of the American Centrifuge technology.

The Russian government has said it will not extend the current Megatons to Megawatts program beyond 2013 and has been negotiating with the U.S. government regarding direct sales of Russian LEU to U.S. utilities after that date. Given the high priority that the Bush Administration has placed on ensuring a secure domestic nuclear fuel supply, we believe that the U.S. government will seek reasonable limits on Russian imports beyond 2013. We support a balanced approach that will provide the market with fairly priced Russian LEU while sustaining a stable domestic enrichment market that can support investment in new uranium enrichment facilities. If Russia is permitted to begin selling substantial quantities of LEU before we have secured an adequate backlog of sales of production from the American Centrifuge Plant, the impact on enrichment supply could be significant, and long-term SWU prices could drop to a level where we could not justify further investment in the American Centrifuge Plant.

During the second quarter of 2007, we continued our substantial efforts to test and deploy the American Centrifuge technology. We are currently preparing initial operations of a cascade of centrifuge machines. Each individual centrifuge cascade is an arrangement of centrifuge machines that can independently increase the enrichment level of uranium in the U²³⁵ isotope from the 0.71% level found in nature to the 4% to 5% typically required by commercial nuclear power plants. A uranium enrichment facility that uses centrifuge gas technology is made up of hundreds of cascades. These cascades are the building blocks of a centrifuge plant.

After extensively testing centrifuge components and individual full-size prototype machines in special test facilities in Oak Ridge, Tennessee, we have commenced a demonstration and integrated testing phase during which full-size prototype machines will be connected in a closed-loop cascade configuration, known as the Lead Cascade. The Lead Cascade consists of fewer than 20 prototype machines, including spare machines, and is located within an existing building that will also house the American Centrifuge Plant in Piketon, Ohio. The Lead Cascade will provide valuable information for the development of the first series of plant production centrifuges, which we refer to as the AC100. The Lead Cascade of prototype machines is expected to help identify improvements in design, assembly and operations that will be integrated into the AC100 machine, helping to ensure its reliability and achieve lower costs.

On a parallel path with Lead Cascade testing operations, we have been refining the design of the AC100 centrifuge that we expect to populate the commercial plant. We expect to deploy several dozen of these machines in 2008 and begin initial operations in early 2009. The first AC100 machines will operate initially in a closed-loop configuration and may later be used in commercial operations. The AC100 series is expected to be the first centrifuges used to produce enriched uranium for sale when commercial operations begin, scheduled for late 2009. Commercial plant cascades will have more machines to provide additional operational flexibility and capacity.

Following our receipt in April 2007 of a 30-year construction and operating license for the American Centrifuge Plant from the NRC, on May 31, 2007 we officially commenced construction, meeting a June 2007 project milestone under our 2002 agreement with DOE, which is described in detail below.

Earlier this year we completed a comprehensive review of the cost of deploying the American Centrifuge Plant and, based on that review, established a target cost estimate of \$2.3 billion. That target cost estimate includes amounts already spent and estimates for cost escalation, but does not include financing costs or a reserve for general contingencies. Based on information currently available to the Company, including initial bids and procurements from suppliers, feedback from consultants and other third parties, and our analysis of material, commodity and labor cost trends, we believe that some of our costs could be higher than provided for in our target cost estimate, particularly for the first centrifuge machines being manufactured by our suppliers.

Working closely with key project suppliers, we are seeking to reduce the capital cost per machine while maintaining performance objectives to help achieve our target cost estimate. We continue to simplify the design of the centrifuge machines in order to reduce costs as well as to take advantage of technological advancements to improve performance. We believe that success in these value engineering efforts may help to offset higher materials costs seen in some of the initial procurements, but we cannot assure you that such offsets will be achieved or that we will otherwise meet our target cost estimate.

Using information collected from these efforts, we expect to update our target cost estimate for deployment of the American Centrifuge Plant in early 2008. This update will include a reserve for general contingencies that will reflect the maturity of the project as well as our evaluation of material, commodity and labor cost trends at that point. The reserve for general contingencies, which is not included in our target cost estimate of \$2.3 billion, will take into account variations in the project plans that we believe may occur and associated increased costs that we cannot specifically identify at the time the estimate is prepared.

Financing the American Centrifuge project is a major area of focus for management. We expect to spend approximately \$320 million on the American Centrifuge project in 2007 and about double that amount in 2008 toward our target cost estimate under our current deployment schedule. Included in our overall financing needs will also be items such as financial assurance requirements and initial operating costs related to commercial plant startup which by their nature are not included in our target cost estimate for deployment of the American Centrifuge Plant. We will need to raise significant amounts of capital in the near term to continue to finance the project and we expect to access the capital markets in a manner and at the times as are in the strategic interests of the company. We are considering various financial products, including equity and debt securities, and the type of financing we undertake would affect our financing costs. For a description of factors that could affect our financing costs, see Part II, Item 1A, "Risk Factors." We also continue to pursue potential investment or other participation by third parties and/or support from the U.S. government in financing this capital-intensive project.

We have been seeking the support of the U.S. government in two principal ways. We have been pursuing the possibility of U.S. government loan guarantees under authorized programs. We submitted a pre-application for a loan guarantee under DOE's loan guarantee program in December 2006 and also provided feedback to DOE in response to its Notice of Proposed Rulemaking for the loan guarantee program. We believe we are well qualified for loan guarantees under criteria for both energy conservation and nuclear power. However, DOE is still developing regulations for this program and additional Congressional appropriations may be required before any meaningful loan guarantees could be offered. We do not expect to hear about potential awards before late 2007 or early 2008, at which time potential participants would be invited to submit a formal loan application. In our pre-application, we requested a proposed loan guarantee amount based on a preliminary cost estimate plus amounts for contingency, financing, financial assurance costs and initial operating costs related to commercial plant startup. Our pre-application was based on limited information known at the time. We expect to have more accurate information as part of our update of our target cost estimate for deployment of the American Centrifuge Plant and this information would form the basis for any loan application we might be asked by DOE to submit.

The second principal way that we have been seeking the support of the U.S. government is through discussions we have had with DOE regarding the potential for USEC to re-enrich uranium contained in cylinders of depleted uranium, also known as "tails." These tails were generated during the several decades that the U.S. government operated its gaseous diffusion plants in Kentucky, Ohio and Tennessee. These cylinders are owned by the U.S. government and represent an obligation of the U.S. government for their ultimate disposal. Because the market price of uranium has increased dramatically over the past three years, it now makes economic sense to reclaim more of the U²³⁵ content remaining in these byproduct cylinders. We have the only domestic enrichment plant capable of processing and reclaiming the U²³⁵ content from these cylinders, so we believe we are ideally suited to this task. We have been discussing with DOE the potential for us to re-enrich the uranium contained in these cylinders for the benefit of USEC, our customers and the U.S. government. At the request of several congressmen and senators, the Government Accountability Office is reviewing current law to determine DOE's authority to transfer this material to us for additional processing. Any agreement for the re-enrichment of DOE's tails will require action by the U.S. government, and the nature and the timing of any action is uncertain.

If we can reach agreement with the government regarding the tails, we will seek to generate additional cash flows from operations to help offset the higher cost of electric power at the Paducah plant and to reinvest in the American Centrifuge Plant. Our electric utility customers would also benefit from additional uranium supply in the marketplace. The U.S. government could gain a uranium supply that it could hold as a strategic reserve similar to the national petroleum strategic reserve, and provide an assurance of uranium supply for new nuclear power reactors being proposed in the U.S. The U.S. government would also benefit from a smaller disposal liability because fewer cylinders of tails will remain after the re-enrichment process.

We are focused on meeting these substantial challenges, and we are encouraged about the prospects for the nuclear power industry and the important role that we will play in fueling that future.

Revenue from Sales of SWU and Uranium

The majority of our customers are domestic and international utilities that operate nuclear power plants. Our revenue 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.

Our agreements with electric utility customers are primarily long-term contracts under which they are obligated to purchase a specified quantity of SWU or uranium or a percentage of their SWU or uranium requirements. Under requirements contracts, our customers are not obligated to make purchases if their reactor does not have requirements. The timing of requirements is associated with reactor refueling outages.

Our revenues and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year. 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 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 U.S. Nuclear Regulatory Commission ("NRC") or nuclear regulators in foreign countries issuing orders to delay, suspend or shut down nuclear reactor operations within their jurisdictions.

Our financial performance over time can be significantly affected by changes in prices for SWU. The SWU price indicator for new long-term contracts, as published by TradeTech 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. Following are the long-term SWU price indicator, the long-term price for uranium hexafluoride, as calculated using indicators published in Nuclear Market Review, and the spot price indicator for uranium hexafluoride:

	<u>June 30,</u> <u>2007</u>	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>	<u>June 30,</u> <u>2006</u>
Long-term SWU price indicator (\$/SWU)	\$140.00	\$139.00	\$ 136.00	\$128.00
Uranium hexafluoride:				
Long-term price composite (\$/KgU)	260.47	234.34	192.54	135.05
Spot price indicator (\$/KgU)	358.00	260.00	199.00	132.00

A substantial portion of our earnings and cash flows in recent years has been derived from sales of uranium and, as a result, our inventory of uranium available for sale has been reduced. We expect the volume of uranium delivered to customers under current contracts in 2007 to decline by about half compared to 2006. We will continue to supplement our supply of uranium by underfeeding the production process at the Paducah plant and by purchasing uranium from suppliers in connection with specific customer contracts. 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 price of uranium. Rising uranium prices in the market have continued to make underfeeding economical despite increases in power costs. Under the June 2007 amendment to the TVA power contract, USEC has a greater supply of electric power available to underfeed the production process and increase our SWU production.

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. Our new SWU sales contracts and certain of those contracts that we have renegotiated require customers to deliver a greater amount of natural uranium to us relative to the quantity of LEU product delivered. Although this means we will sell less SWU under these contracts, the natural uranium delivered to us by customers is approaching the amounts we utilize in our production process and must deliver under the Russian Contract.

Although we have reduced supplies of uranium available for sale compared with prior years, we expect to opportunistically sell uranium inventory in excess of internal needs. We intend to use the proceeds to pay for increased costs under the TVA power contract and to invest in the American Centrifuge technology. The recognition of revenue and earnings for uranium sales is deferred until uranium or LEU to which the customer has title is physically delivered rather than at the time title 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 plants, including contracts for cold standby and processing out-of-specification uranium at the Portsmouth plant. DOE and USEC have periodically extended the cold standby program, and we anticipate continued funding through 2008. The program was modified beginning in 2006 to include actions necessary to transition to a preliminary decontamination and decommissioning program ("cold shutdown"). Processing of USEC-owned out-of-specification uranium under contract with DOE was completed in October 2006, and we expect that the processing of DOE-owned out-of-specification uranium for DOE will continue through September 2008. Continuation of U.S. government contracts is subject to DOE funding and Congressional appropriations, and the processing of out-of-specification uranium is currently funded through February 2008.

Revenue from U.S. government contracts is based on allowable costs 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 is in the process of reviewing the final settlement of allowable costs proposed by USEC for the twelve months ended June 2002, the six months ended December 2002, the twelve months ended December 2003, and the twelve months ended December 2004. Also refer to "DOE Contract Services Matters" and "Defense Contract Audit Agency Audit Inquiry" in note 7 to the Consolidated Condensed Financial Statements. Revenue from U.S. government contracts includes revenue from NAC.

Cost of Sales

Cost of sales for SWU and uranium is based on the amount of SWU and uranium sold during the period and is determined by a combination of inventory levels and costs, production costs, and purchase costs. 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. Under the monthly moving average inventory cost method coupled with our inventories of SWU and uranium, 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 have agreed to purchase approximately 5.5 million SWU each calendar year for the remaining term of the Russian Contract through 2013. Purchases under the Russian Contract are approximately 50% of our supply mix. Prices are determined using a discount from an index of international and U.S. price points, including both long-term and spot prices. A multi-year retrospective of the index is used to minimize the disruptive effect of short-term market price swings. Increases in these price points in recent years have resulted, and likely will continue to result, in increases to the index used to determine prices under the Russian Contract. Officials of the Russian government have announced that Russia will not extend the Russian Contract or the government-to-government agreement it implements, beyond 2013. Accordingly, we do not anticipate that we will purchase significant quantities of Russian SWU after 2013.

We provide for the remainder of our supply mix from the Paducah gaseous diffusion plant. The gaseous diffusion process uses significant amounts of electric power to enrich uranium. In 2006, the power load at the Paducah plant averaged 1,370 megawatts and we expect the average power load at the Paducah plant to increase in 2007. We purchase electric power for the Paducah plant under a power purchase agreement signed with TVA in 2000. On June 1, 2006, fixed, below market prices under the 2000 TVA power contract expired and a one-year pricing agreement went into effect. Costs for electric power increased from approximately 60% of production costs at the Paducah plant under the pre-2006 agreement to approximately 70%. Pricing for the one-year term ending May 2007 was about 50% higher than the pre-2006 pricing, and was also subject to a fuel cost adjustment to reflect changes in TVA's fuel costs, purchased power costs, and related costs. Upon the expiration of this one-year pricing agreement, effective June 1, 2007, we amended the TVA power contract to provide for the quantity and pricing of power purchases for the five-year period June 1, 2007 through May 31, 2012, extending the overall term of the power contract by two additional years to May 31, 2012.

Pricing under the five-year agreement continues to consist of a summer and a non-summer base energy price through May 31, 2008. Beginning June 1, 2008, the price consists of a year-round base energy price that increases moderately based on a fixed, annual schedule. All years remain subject to a fuel cost adjustment provision. The initial power price under the 2007 amendment is expected to represent a modest reduction from the actual price paid under the previous one-year pricing, in each case after taking into account the fuel cost adjustment. The impact of future fuel cost adjustments is uncertain and our cost of power could fluctuate in the future.

The increase in electric power costs from the pre-2006 pricing has significantly increased overall LEU production costs and reduced cash flows, and will increasingly reduce our gross profit margin as higher production costs are reflected in cost of sales under our monthly moving average cost of inventory.

The quantity of power purchases under the 2007 amendment generally ranges from 300 megawatts in the summer months (June – August) to up to 2,000 megawatts in the non-summer months. This is an increase from previous quantities in the non-summer months. During the last two years of the contract, the quantity of non-summer power purchases will be reduced to a maximum of 1,650 megawatts at all hours. This is designed to provide a transition down for the TVA power system because of the significant amount of power being purchased by us. Consistent with past practice, we have also agreed to purchase from TVA and another third party, at market-based prices, an additional 600 megawatts of power during the summer months of 2007.

Because of the increased quantities in the non-summer months, the 2007 amendment also provides for an increase in the amount of financial assurances we provide to TVA to support our payment obligations. These include a letter of credit and weekly prepayments based on the price and usage of power.

We store depleted uranium at the Paducah and Portsmouth plants and accrue estimated costs for its future disposition. We anticipate that we will send most or all of our depleted uranium to DOE for disposition unless a more economic disposal option becomes available. DOE is constructing facilities at the Paducah and Portsmouth plants to process large quantities of depleted uranium owned by DOE. Under federal law, DOE would also process our depleted uranium if we provided it to DOE for disposal. If we were to dispose of our uranium in this way, we would be required to reimburse DOE for the related disposition costs of our depleted uranium, including our pro rata share of DOE's capital 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, and was increased by 2% in the first quarter of 2007 as a result of our review of current data available. The NRC requires that we guarantee the disposition of our depleted uranium with financial assurance (refer to "Liquidity and Capital Resources – Financial Assurances and Related Liabilities"). Our estimate of the unit disposition cost for accrual purposes is approximately 35% 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.

American Centrifuge Technology

We continue our substantial efforts to test and deploy the American Centrifuge technology. During the spring of 2007, our teams in Piketon assembled and installed prototype machines for the Lead Cascade, which number fewer than 20. These machines are operated individually and continue to be tested extensively as our team resolves various technical issues that emerge during initial operations. The operation of the cascade requires evacuating the system piping and the centrifuges to create a vacuum, energizing the machines to begin spinning the rotors at high speeds, conditioning the piping with process gas, introducing process gas into individual machines and then opening connecting valves between machines.

As the next step, we expect the amount of gas inventory in individual machines to increase to approximately half of the planned operating inventory. Thereafter, we will gradually transition the machines to a closed-loop cascade configuration. Over the following months we expect to gradually increase the gas flow to 100% of planned operating inventory. Out of this testing process, we expect that commercial grade separation capability can be demonstrated.

We expect the Lead Cascade operation will position us to meet the revised October 2007 milestone under our 2002 agreement with DOE of having the Lead Cascade operational and generating product assay in a range usable by commercial nuclear power plants. The license issued by the NRC for the demonstration facility specifies that the machines be configured in a closed-loop configuration where the uranium gas is enriched, depleted and re-combined in a repetitive cycle. The license for the demonstration facility only permits test samples of enriched uranium to be withdrawn. The separation of the two uranium isotopes can be tested by analyzing these small samples. It is through this test data that we expect to demonstrate the achievement of the October 2007 milestone. The Lead Cascade is expected to operate for an extended period at various operating conditions to provide further reliability data, aid in confirming design parameters for the AC100 machine, and provide additional training to operators.

The number of the initial cascade of prototype machines was intentionally limited to fewer than 20 machines. This cascade arrangement achieves the Lead Cascade objectives while minimizing spending and use of manufacturing capacity on machines that are not as efficient as the AC100 machines that will be used in the commercial plant. These objectives include:

- providing information on machine-to-machine interactions and integrated efficiency of the full cascade,
- demonstrating the capability of the cascade to generate product assays in a range useable by commercial nuclear power plants,
- confirming the design and performance of centrifuge machine and cascade support systems,
- verifying cascade performance models under various operating conditions,
- providing information on the performance of centrifuge components over time, and
- providing operators and technicians hands-on experience assembling, operating and maintaining the machines.

On a parallel path with Lead Cascade operations, we have been refining the design of the AC100 centrifuge that we expect to populate the commercial plant. We expect to deploy several dozen of these machines in 2008 and begin initial operations in early 2009. The first AC100 machines will operate initially in a closed-loop configuration and may later be used in commercial operations. The AC100 series is expected to be the first centrifuges used to produce enriched uranium for sale when commercial operations begin, scheduled for late 2009. Commercial plant cascades will have more machines to provide additional operational flexibility and capacity.

The 3.8 million SWU capacity of the American Centrifuge Plant is the expected output from the approximately 11,500 AC100 machines that will fit in the existing buildings at Piketon. We are working to be in a position to assemble approximately 400 machines per month from 2010 through 2012. We will evaluate the nuclear fuel market and progress by utilities towards building new reactors early in the next decade to determine the economic return from building additional American Centrifuge capacity. We will also continue to conduct research and development on the American Centrifuge machines even as the initial 3.8 million SWU plant is built. New analytic capability and computer aided manufacturing methods open the door to potentially less costly, more productive machines as we seek to enhance our capability in centrifuge technology and develop a next-generation machine.

USEC has principally been in a demonstration phase during the second quarter of 2007 and the majority of expenditures have been expensed. USEC is moving into a commercial plant phase where an increasing amount of costs will be capitalized as part of the American Centrifuge Plant. USEC's ability to move from a demonstration phase to a commercial plant phase is based on management's view that the technology has a high probability of commercial success and meets internal targets related to physical control, technical achievement, and economic viability.

Capitalized costs relating to the American Centrifuge technology include or will include compliance with NRC licensing requirements, engineering activities, construction of centrifuge machines and equipment, leasehold improvements and other costs directly associated with the American Centrifuge commercial plant. Capitalized centrifuge costs are recorded in property, plant and equipment as part of construction work in progress. The continued capitalization of such costs is subject to ongoing review and successful project completion, including NRC licensing and license compliance, financing, and installation and operation of centrifuge machines and equipment. If conditions change and deployment were no longer probable, costs that were previously capitalized would be charged to expense.

Expenditures related to American Centrifuge technology for the six months ended June 30, 2007 and 2006, as well as cumulative expenditures as of June 30, 2007, follow (in millions):

	Six Months Ended June 30,		Cumulative as of June 30, 2007
	2007	2006	
Total expenditures, including accruals (A)	\$ 94.2	\$ 57.9	\$ 464.9
Amount expensed	\$ 68.6	\$ 46.2	\$ 376.0
Amount capitalized (B)	\$ 25.6	\$ 11.7	\$ 88.9

(A) Total 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.

(B) Cumulative capitalized costs as of June 30, 2007 include interest of \$6.8 million and exclude prepayments made to suppliers for services not yet performed of \$0.9 million.

For discussions of the financing plan for the American Centrifuge program, see “Management’s Discussion and Analysis – Liquidity and Capital Resources.” For discussions of the target cost estimate for the American Centrifuge program, see “Management’s Discussion and Analysis – Our View of the Business Today.” Risks and uncertainties related to the demonstration, construction and deployment of the American Centrifuge technology are described in Part II, Item 1A, “Risk Factors” of this report.

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.

Government Investigation of Imports from France

In 2002, the U.S. Department of Commerce (“DOC”) imposed antidumping and countervailing duty (anti-subsidy) orders on imports of LEU produced in France. The orders were imposed in response to unfair trading practices by our French competitors in connection with imports of LEU into the United States. Since 2002, these orders have been challenged and impacted by further judicial and administrative actions.

In 2005, the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) ruled that a subsidy provided through government payments under SWU contracts at above-market prices is not subject to the countervailing duty law. On remand from the Federal Circuit, the DOC determined in March 2006 that, because the determination that led to the countervailing duty order was based in large part on such a subsidy, the countervailing duty investigation, absent such subsidy, would result in a *de minimis* subsidy margin that would not support imposition of a countervailing duty order on imports of French LEU.

On February 9, 2007, the Federal Circuit affirmed the Court of International Trade’s May 2006 decision sustaining the DOC’s remand determination. The Federal Circuit’s decision was not appealed to the Supreme Court, and as a result, pursuant to the DOC’s March 2006 remand determination, the countervailing duty order was revoked, effective May 14, 2007.

In the same 2005 decision, the Federal Circuit also concluded that imports of French LEU pursuant to SWU contracts were not subject to the antidumping law because such transactions involved a sale of “services” rather than a sale of merchandise. Following that decision, the DOC issued a remand determination excluding imports pursuant to SWU transactions from the scope of the antidumping duty order and establishing a mechanism for the French enricher and importer to certify that specific imports fall within that exclusion. Appeals by USEC and the United States regarding that remand determination are pending before the Federal Circuit.

On January 3, 2007, the DOC and the U.S. International Trade Commission (“ITC”) initiated a “sunset” review of the antidumping order against French LEU. On May 3, 2007, the DOC determined that termination of the antidumping order is likely to lead to a continuation or recurrence of dumping of French LEU. Later this year, the ITC is expected to determine whether termination of the order is likely to lead to a continuation or recurrence of material injury to the U.S. enrichment industry, although the deadline for this determination could be extended until March 2008. Unless the ITC makes an affirmative determination, the antidumping order will be revoked and unfairly priced French LEU could again be sold in the United States without restriction. We believe that the absence of any limitation on dumped French LEU could undermine market prices for SWU and result in lost sales by USEC. Therefore, we are supporting continuation of the order in the proceedings before the ITC.

Results of Operations – Three and Six Months Ended June 30, 2007 and 2006

The following tables show for the three and six months ended June 30, 2007 and 2006, certain items from the accompanying consolidated condensed statements of income detailed by reportable segments and in total.

Segment Information

We have two reportable segments measured and presented through the gross profit line of our income statement: the low enriched uranium (“LEU”) segment with two components, separative work units (“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 DOE contractors at the Portsmouth and Paducah plants as well as nuclear energy solutions provided by NAC. Intersegment sales between the reportable segments were less than \$0.1 million in each period presented below and have been eliminated in consolidation. Segment information follows (in millions):

	Three Months Ended June 30, 2007			Three Months Ended June 30, 2006		
	U.S.			U.S.		
	LEU Segment	Government Contracts Segment	Total	LEU Segment	Government Contracts Segment	Total
Revenue	\$ 162.1	\$ 49.0	\$ 211.1	\$ 475.3	\$ 50.0	\$ 525.3
Cost of sales	142.8	40.6	183.4	404.5	41.2	445.7
Gross profit	\$ 19.3	\$ 8.4	\$ 27.7	\$ 70.8	\$ 8.8	\$ 79.6
	Six Months Ended June 30, 2007			Six Months Ended June 30, 2006		
	U.S.			U.S.		
	LEU Segment	Government Contracts Segment	Total	LEU Segment	Government Contracts Segment	Total
Revenue	\$ 582.9	\$ 93.2	\$ 676.1	\$ 785.1	\$ 101.5	\$ 886.6
Cost of sales	496.0	79.2	575.2	630.2	84.8	715.0
Gross profit	\$ 86.9	\$ 14.0	\$ 100.9	\$ 154.9	\$ 16.7	\$ 171.6

Revenue

Total revenue declined \$314.2 million (or 60%) in the three months and \$210.5 million (or 24%) in the six months ended June 30, 2007, compared to the corresponding periods in 2006. Revenues from the LEU segment are presented in the following table (in millions, except percentage change):

	Three Months Ended			Percentage Change
	June 30, 2007	June 30, 2006	(Decrease)	
SWU Revenue	\$ 145.9	\$ 404.3	\$ (258.4)	(64)%
Uranium Revenue	16.2	71.0	(54.8)	(77)%
Total LEU Revenue	\$ 162.1	\$ 475.3	\$ (313.2)	(66)%

	Six Months Ended			Percentage Change
	June 30, 2007	June 30, 2006	(Decrease)	
SWU Revenue	\$ 550.9	\$ 638.3	\$ (87.4)	(14)%
Uranium Revenue	32.0	146.8	(114.8)	(78)%
Total LEU Revenue	\$ 582.9	\$ 785.1	\$ (202.2)	(26)%

Revenue from sales of SWU in the three and six month periods ended June 30, 2007 decreased compared to the corresponding periods in 2006 reflecting decreases in the volume of SWU sold, partly offset by increases the average price billed to customers. The volume of SWU sales decreased 65% in the three months and 21% in the six months ended June 30, 2007, compared to the corresponding periods in 2006, due to the timing of utility customer refuelings. The decline in volume in the six-month period compared to the prior year was expected and we estimate the volume of SWU sales in 2007 will be about 6% to 8% higher than in 2006 due to increased sales in the second half of 2007. Revenue from the sales of SWU under barter contracts, based on the estimated fair value of uranium received in exchange for SWU, was \$50.8 million in the six months ended June 30, 2007 compared to \$12.5 million in the corresponding period in 2006. The barter sales occurred in the first quarters of 2007 and 2006.

The average SWU price increased 3% in the three months and 10% in the six months ended June 30, 2007, compared to the corresponding periods in 2006. Excluding sales of SWU under barter contracts in the first quarter of 2007 and 2006, the average SWU price billed to customers increased 6% in the six month period compared to the prior year. The increases reflect higher prices charged to customers under contracts signed in recent years, price increases from contractual provisions for inflation and market adjustments, and the customer mix. We estimate the overall average SWU price in 2007 will be about 6% to 8% higher than in 2006.

The volume of uranium sold declined 86% in the three months and 75% in the six months ended June 30, 2007, compared to the corresponding periods in 2006. We expect the volume of uranium delivered to customers under current contracts in 2007 to decline by about half compared to 2006. The average price for uranium delivered increased 67% in the three-month period reflecting higher prices charged to customers under contracts signed in recent years. The average price for uranium declined 14% in the six-month period because of deliveries under older, lower-priced contracts in the first quarter of 2007. We currently estimate about a 25% to 30% increase in the average uranium price billed to customers under current contracts in 2007 compared to 2006.

Revenue from the U.S. government contracts segment declined \$1.0 million (or 2%) in the three months and \$8.3 million (or 8%) in the six months ended June 30, 2007, compared to the corresponding periods in 2006, due primarily to net declines in DOE and other contract work at the Portsmouth and Paducah plants.

Cost of Sales

Cost of sales for SWU and uranium declined \$261.7 million (or 65%) in the three months and \$134.2 million (or 21%) in the six months ended June 30, 2007, compared to the corresponding periods in 2006, due to the declines in sales volume, partly offset by increases in unit costs. Cost of sales per SWU was 11% higher in the three months and 9% higher in the six months ended June 30, 2007, compared to the corresponding period in 2006, reflecting increases in the monthly moving average inventory costs. Our inventory costs are driven by our production costs and by costs of purchasing SWU under the Russian Contract. Under the monthly moving average inventory cost method we use to value our SWU and uranium inventories, an increase or decrease in production or purchase costs has an effect on inventory costs and cost of sales over current and future periods.

Production costs increased \$42.5 million (or 30%) in the three months ended June 30, 2007, compared to the corresponding period in 2006, reflecting a 25% increase in unit production costs and a 4% increase in production volume. Production costs increased \$101.7 million (or 38%) in the six months ended June 30, 2007, compared to the corresponding period in 2006, reflecting a 34% increase in unit production costs and a 3% increase in production volume. These increases were primarily driven by increases in the cost of electric power, which increased \$42.0 million in the three months and \$97.4 million in the six months ended June 30, 2007, compared to the corresponding periods in 2006, reflecting increases 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 \$60.3 million in the three months and \$23.4 million in the six months ended June 30, 2007, compared to the corresponding periods in 2006, reflecting decreased volume based on the timing of deliveries, partly offset by increases in the market-based purchase cost.

Cost of sales for the U.S. government contracts segment declined \$0.6 million (or 1%) in the three months and \$5.6 million (or 7%) in the six months ended June 30, 2007, compared to the corresponding periods in 2006, due primarily to net declines in DOE and other contract work at the Portsmouth and Paducah plants.

Gross Profit

Our gross profit margin was 13.1% in the three months ended June 30, 2007, compared to 15.2% in the corresponding period in 2006, and 14.9% in the six months ended June 30, 2007, compared with 19.4% in the corresponding period in 2006, reflecting higher production costs resulting from an increase in power costs beginning in June 2006 and declines in high-margin uranium sales, partly offset by higher average sale prices for SWU.

Gross profit for SWU and uranium declined \$51.5 million (or 73%) in the three months and \$68.0 million (or 44%) in the six months ended June 30, 2007, compared to the corresponding periods in 2006, due to decreases in the volume of SWU and uranium sold and increases in the SWU unit cost, partly offset by increases in the average SWU price billed to customers.

Gross profit for the U.S. government contracts segment declined \$0.4 million (or 5%) in the three months and \$2.7 million (or 16%) in the six months ended June 30, 2007, compared to the corresponding periods in 2006.

Non-Segment Information

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Gross profit	\$ 27.7	\$ 79.6	\$ 100.9	\$ 171.6
Special charge for organizational restructuring	—	—	—	1.5
Advanced technology costs	35.6	27.3	69.3	47.1
Selling, general and administrative	11.5	14.1	24.0	25.8
Operating income (loss)	(19.4)	38.2	7.6	97.2
Interest expense	2.4	3.5	5.9	8.2
Interest (income)	(7.9)	(0.5)	(17.8)	(2.3)
Income (loss) before income taxes	(13.9)	35.2	19.5	91.3
Provision (benefit) for income taxes	(0.5)	13.6	(6.4)	35.1
Net income (loss)	<u>\$ (13.4)</u>	<u>\$ 21.6</u>	<u>\$ 25.9</u>	<u>\$ 56.2</u>

Special Charge for Organizational Restructuring

In connection with our organizational restructuring announced in September 2005, we accrued facility-related charges of \$1.5 million during the first quarter of 2006 related to efforts undertaken to consolidate office space at the headquarters location in Bethesda, Maryland. We ceased use of a portion of the headquarters office space by the end of the first quarter of 2006 leading to the facility-related charge.

Advanced Technology Costs

Advanced technology costs increased \$8.3 million (or 30%) in the three months and \$22.2 million (or 47%) in the six months ended June 30, 2007, compared to the corresponding periods in 2006, reflecting increased demonstration costs for the American Centrifuge technology of \$35.2 million and \$68.6 million in the three and six months ended June 30, 2007 compared to \$26.7 million and \$46.2 million in the three and six months ended June 30, 2006. The remaining amounts included in advanced technology costs are for development efforts by NAC of its new MAGNASTOR™ storage system.

Selling, General and Administrative

Selling, general and administrative expenses ("SG&A") declined \$2.6 million (or 18%) in the three months and \$1.8 million (or 7%) in the six months ended June 30, 2007, compared to the corresponding periods in 2006. This decline reflects a reversal of a previously accrued tax penalty of \$3.4 million. We reached agreement with the IRS during the second quarter of 2007 on the timing of certain deductions related to expenditures made in the tax return years 1998 through 2000. The IRS challenged the timing of the deductibility of these expenditures. In addition to the tax penalty reversal, SG&A reflects a \$1.5 million reduction of consulting expenses in the three and six months as well as reduced expenses associated with leased office space related to our organizational restructuring as we ceased use of a portion of the headquarters office space by the end of the first quarter of 2006. Offsetting these SG&A improvements are increased compensation expenses of \$2.1 million in the three months and \$4.2 million in the six months ended June 30, 2007 compared to the corresponding periods in 2006 resulting primarily from the impact of increases in our stock price on our incentive compensation plans.

Operating Income (Loss)

Operating income declined \$57.6 million (or 151%) in the three months and \$89.6 million (or 92%) in the six months ended June 30, 2007, compared to the corresponding periods in 2006, primarily reflecting lower gross profits and increases in advanced technology costs.

Interest Expense and Interest Income

Interest expense declined \$1.1 million (or 31%) in the three months and \$2.3 million (or 28%) in the six months ended June 30, 2007, compared to the corresponding periods in 2006, resulting primarily from our repayment of \$288.8 million of our 6.625% senior notes in the first quarter of 2006 and utilization of our credit facility in the second quarter of 2006, slightly offset by increases of accrued interest for taxes.

Interest income increased \$7.4 million in the three months and \$15.5 million in the six months ended June 30, 2007, compared to the corresponding periods in 2006, due, in large part, to reversals of previously accrued interest expense on taxes and interest expense recorded upon the adoption of FIN 48 effective January 1, 2007. These reversals relate to the expiration of the U.S. federal statute of limitations with respect to tax return years 1998 through 2002 and agreement on outstanding matters reached with the IRS during the second quarter of 2007.

Provision (Benefit) for Income Taxes

The income tax benefit is \$0.5 million in the three months and \$6.4 million in the six months ended June 30, 2007. The income tax provision was \$13.6 million and \$35.1 million in the corresponding three and six month periods in 2006. In the first quarter of 2007, we recorded the effects of approximately \$12.7 million of benefits due to reversals of accruals previously recorded and those associated with the adoption of FIN 48 effective January 1, 2007. These reversals resulted from the expiration of the U.S. federal statute of limitations with respect to tax return years 1998 through 2002. In the first quarter of 2007, we had estimated the effective tax rate to be in the range of 15% to 20% exclusive of the reversals recorded during the quarter and based on our anticipated net loss for 2007 along with changes in state tax laws. Excluding these reversals and based on our revised income projections as described in our 2007 Outlook Update, the overall effective income tax rate for the six months ended June 30, 2007 is 41% compared to 38% in the corresponding six month period in 2006. The increase in our effective income tax rate from year to year is primarily attributable to changes in state tax laws effective January 1, 2007.

Net Income (Loss)

We had a net loss of \$13.4 million (or \$.15 per share) in the three months ended June 30, 2007, compared with net income of \$21.6 million (or \$.25 per share) in the corresponding period in 2006. Net income was \$25.9 million (or \$.30 per share) in the six months ended June 30, 2007, compared with net income of \$56.2 million (or \$.65 per share) in the corresponding period in 2006. The decline of \$35.0 million in the three-month period and \$30.3 million in the six-month period reflects the after-tax impacts of our reduced operating income, partly offset by approximately \$16.9 million in the first quarter of 2007 and \$3.8 million in the second quarter of 2007 of tax-related effects from the impact of reversals of accruals previously recorded and those associated with the adoption of FIN 48, released upon the U.S. federal statute of limitations expiration. The expiration on March 31, 2007 of the statute of limitations with respect to tax return years 1998 through 2002 reversed taxes and interest that were established as a result of the adoption of FIN 48 on January 1, 2007. In addition to these tax-related impacts, the net income declines compared to the corresponding periods in 2006 reflect lower gross profits and increases in advanced technology costs.

2007 Outlook Update

We are updating our guidance for annual net income, cash flow from operations and our spending pattern for the American Centrifuge project for the remainder of 2007. Both net income and cash flows from operations are expected to improve compared to our earlier guidance primarily due to market conditions for enrichment and uranium, and our ability to use additional electric power in our enrichment process at Paducah.

Our projection for total revenue for 2007 remains relatively unchanged at approximately \$1.91 billion, with approximately \$1.55 billion coming from the sale of SWU. We now expect the volume of SWU sold in 2007 to increase by about 6% to 8% over 2006 and that the average price billed to customers will increase by about 6% to 8% over last year. Uranium revenue is expected to be approximately \$165 million in 2007. Revenue from U.S. government contracts and other sources is expected to total about \$200 million, roughly unchanged from 2006 but higher than earlier guidance on improved sales by subsidiary NAC International.

Our cost of sales continues to be heavily impacted by the higher price of electricity we have paid since June 2006. Additionally, the price we expect to pay Russia for low enriched uranium under the Megatons to Megawatts program in 2007 is approximately 5% higher than the price we paid in 2006. These higher production and purchase costs offset the improved prices billed to customers in 2007 for both SWU and uranium. We now expect our gross profit margin for 2007 to be approximately 14%, an improvement over our earlier 2007 guidance but below the 18% gross margin recorded in 2006.

Total spending on the American Centrifuge project in 2007 is expected to be approximately \$320 million, split between \$135 million in expense and \$155 million in capital expenditures, with the remainder in prepayments for specialty materials and new manufacturing facilities for building the commercial plant AC100 centrifuges. The allocation of spending between expense and capital expenditures will continue to be dependent upon the timing of moving the project from the demonstration phase to a commercial plant phase in which significant expenditures will be capitalized. We continue to anticipate that the rate of spending on the American Centrifuge Plant will increase substantially after 2007, with spending in 2008 projected to be about double the 2007 level.

We expect our SG&A expenses to be approximately \$53 million and net interest to be positive \$13 million. Given our expectation for net income in 2007 rather than a net loss, we now anticipate that the effective tax rate will increase from our previous guidance. In the first six months, USEC recorded the effect of approximately \$20.7 million in non-cash reversals of prior income tax-related accruals. Excluding these reversals, the overall effective income tax rate for the year is expected to be approximately 39% to 41%.

Our guidance for 2007 net income is in a range of \$70 to \$80 million. We no longer expect a loss in the third quarter of 2007.

We also expect cash flows from operations for 2007 to improve substantially over the previous guidance and to be in a range of \$25 to \$35 million. The expected improvement is primarily due to higher average uranium prices billed to customers, improved gross margin and higher customer collections now anticipated in 2007 for SWU previously expected to be delivered late in the fourth quarter.

Although we have smaller supplies of uranium available for sale as compared with prior years, we expect to sell uranium inventory in excess of internal needs opportunistically. These potential sales of additional uranium are not reflected in the net income and cash flow guidance described above. In addition, we now believe the risk of having to purchase uranium to address a mismatch of uranium supplied by customers and the amount owed to Russia in future periods has been reduced.

This earnings and cash flow 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 net income are:

- Timing of decision to begin capitalizing most spending related to the American Centrifuge. A delay could result in more spending allocated as expense, which would have a direct negative impact on net income;
- Uranium prices and additional uranium sales related to underfeeding the production process at the Paducah plant;
- Timing of recognition of deferred revenue; and
- Movement and timing of customer orders.

Liquidity and Capital Resources

We provide for our liquidity requirements through our cash balances, working capital and access to our bank credit facility. We expect that our cash, internally generated funds from operations and available borrowings under the credit facility will be sufficient over the next 12 months to meet our cash needs, including the funding of American Centrifuge project activities. However, additional capital will be required in 2008 and beyond to complete the American Centrifuge project on our deployment schedule.

Although in the past our credit facility has primarily been used to provide letters of credit, we expect to place increasing reliance on it to supplement our liquidity. Borrowings under the credit facility are subject to limitations based on established percentages of qualifying assets such as eligible accounts receivable and inventory. For a discussion of reserve provisions that reduce available borrowings under the facility or restrict the use of borrowings, see “— Capital Structure and Financial Resources” below.

Our current target estimate for the cost of deployment of the American Centrifuge Plant is \$2.3 billion, including amounts already spent and estimates for cost escalation, but not including costs of financing or a reserve for general contingencies. We expect to spend approximately \$320 million on the project in 2007. The rate of planned investment will increase substantially after 2007 under our deployment schedule, with spending in 2008 currently projected to be about double the level of 2007. Included in our overall financing needs will also be items such as financial assurance requirements and initial operating costs related to commercial plant startup which by their nature are not included in our target cost estimate for deployment of the American Centrifuge Plant. We expect to access the capital markets to raise capital to fund the American Centrifuge project in a manner and at the times as are in the strategic interests of the company. We are considering various financial products, including equity and debt securities, and the type of financing we undertake would affect our financing costs. We have also been exploring potential investment or other participation by third parties and/or the U.S. government.

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

	Six Months Ended June 30,	
	2007	2006
Net Cash Provided by (Used in) Operating Activities	\$ (82.8)	\$ 39.7
Net Cash (Used in) Investing Activities	(41.4)	(16.1)
Net Cash Provided by (Used in) Financing Activities	1.1	(261.1)
Net (Decrease) in Cash and Cash Equivalents	<u>\$ (123.1)</u>	<u>\$ (237.5)</u>

Operating Activities

Cash flow used by operating activities was \$82.8 million in the six months ended June 30, 2007 compared with cash flow provided by operations of \$39.7 million in the corresponding period in 2006, or \$122.5 million more cash used by operating activities period to period.

During the first six months ended June 30, 2007, results of operations of \$25.9 million excluding approximately \$20.7 million non-cash related reversals of previously recorded and those associated with the adoption of FIN 48 contributed to our operating cash. Net inventory balances grew \$190.9 million reflecting increased production volume and cost as well as lower sales, partially offset by a reduction in accounts receivable of \$79.0 million from customer collections following a high level of sales in the fourth quarter of 2006. The increased inventory level was planned to meet delivery obligations to customers in the second half of 2007. Purchase costs under the Russian Contract decreased during the period and the increase in payables caused by the timing of the purchases remained outstanding at June 30, 2006, providing \$12.1 million of cash flow as of the end of the period.

During the first six months ended June 30, 2006, results of operations contributed \$56.2 million to cash flow along with a reduction in net inventory balances of \$73.5 million since December 31, 2005, as we sold more from inventories than we produced. Purchase costs under the Russian Contract increased during the period, but the increase in payables caused by the timing of the purchases remained outstanding at June 30, 2006, providing \$32.3 million of cash flow as of the end of the period. The reduction in our balances of accounts payable and other liabilities were principally from tax payments made during the period, from prepayment modifications under the amended TVA contract, and from payments made to our former president and chief executive officer in settlement of his claims. These reductions in accounts payable and other liabilities reduced cash flow from operations by \$77.6 million. Accounts receivable balances increased \$50.5 million, reflecting the timing of our increased sales volume at the end of the six-month period.

Investing Activities

Capital expenditures amounted to \$41.4 million in the six months ended June 30, 2007, compared with \$16.1 million in the corresponding period in 2006. Capital expenditures include cash expenditures associated with the American Centrifuge Plant of \$31.5 million in the six months ended June 30, 2007, compared with \$11.7 million in the corresponding period in 2006. In addition, cash deposits of \$4.0 million were provided in March 2007 as collateral for an \$8.1 million surety bond, in anticipation of receipt of the American Centrifuge Plant license from the NRC, which was later received in April 2007.

Financing Activities

During the six months ended June 30, 2007, aggregate borrowings and repayments under the revolving credit facility were \$5.9 million, and the peak amount outstanding was \$4.8 million. There were no borrowings under the revolving credit facility at June 30, 2007 or December 31, 2006.

We repaid the remaining principal balance of our 6.625% senior notes of \$288.8 million on the scheduled maturity date of January 20, 2006, using cash on hand and borrowing under our bank credit facility of approximately \$78.5 million. We repaid the \$78.5 million borrowing with funds from operations by the end of January 2006.

There were 87.4 million shares of common stock outstanding at June 30, 2007, compared with 87.1 million at December 31, 2006, an increase of 0.3 million shares (or 0.3%).

Working Capital

	<u>June 30,</u> <u>2007</u>	(millions)	<u>December 31,</u> <u>2006</u>
Cash and cash equivalents	\$ 48.3		\$ 171.4
Accounts receivable – trade	136.9		215.9
Inventories, net	1,058.2		843.1
Other current assets and liabilities, net	(262.6)		(246.4)
Working capital	<u>\$ 980.8</u>		<u>\$ 984.0</u>

Capital Structure and Financial Resources

At June 30, 2007, our long-term debt consisted of \$150.0 million of 6.75% senior notes due January 20, 2009. The senior notes are unsecured obligations and rank on a parity with all of our other unsecured and unsubordinated indebtedness. Our total debt-to-capitalization ratio was 15% at June 30, 2007 and 13% at December 31, 2006.

In August 2005, we entered into a five-year, syndicated bank credit facility, providing up to \$400.0 million in revolving credit commitments, including up to \$300.0 million in letters of credit, secured by assets of USEC Inc. and our subsidiaries. The credit facility is available to finance working capital needs, refinance existing debt and fund capital programs, including the American Centrifuge project.

Utilization of the revolving credit facility at June 30, 2007 and December 31, 2006 follows:

	<u>June 30,</u> <u>2007</u>	(millions)	<u>December 31,</u> <u>2006</u>
Short-term borrowings	\$ —		\$ —
Letters of credit	33.4		35.8
Available credit	313.1		346.2

Borrowings under the credit facility 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, and will fluctuate during the quarter. Qualifying assets are reduced by a \$150.0 million reserve referred to in the agreement as the “senior note reserve” tied to the aggregate amount of proceeds received by us from any future debt or equity offerings. The senior note reserve reduces availability under the credit facility only at such time and to the extent that we do not have sufficient qualifying assets available to cover the reserve and our other reserves. Our other reserves against our qualifying assets currently consist primarily of a reserve for future obligations to DOE with respect to the turnover of the gaseous diffusion plants at the end of the term of the lease of these facilities.

The revolving credit facility also contains various other reserve provisions that reduce available borrowings under the facility periodically or restrict the use of borrowings, including covenants that can periodically limit us to \$50.0 million in capital expenditures based on available liquidity levels. Other reserves under the revolving credit facility, such as availability reserves and borrowing base reserves, are customary for credit facilities of this type.

Outstanding borrowings under the facility bear interest at a variable rate equal to, based on our election, either:

- the sum of (1) the greater of the JPMorgan Chase Bank prime rate and the federal funds rate plus 1/2 of 1% plus (2) a margin ranging from 0.25% to 0.75% based upon collateral availability, or
- the sum of LIBOR plus a margin ranging from 2.0% to 2.5% based on collateral availability.

The revolving 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 inventory, and payment of dividends or other distributions. Failure to satisfy the covenants would constitute an event of default under the revolving credit facility. As of June 30, 2007, we were in compliance with all of the covenants.

Our current credit ratings are as follows:

	Standard & Poor's	Moody's
Corporate credit/family rating	B-	B3
Senior unsecured debt	CCC	Caa2
Outlook	Negative	Negative

We do not have any debt obligations that are accelerated or in which interest rates increase in the event of a credit rating downgrade, although reductions in our credit ratings may increase the cost and reduce the availability of financing to us in the future.

Contractual Commitments to Purchase Power

USEC signed new power purchase agreements in 2007, principally with TVA, resulting in the following estimated contractual commitments at June 30, 2007 (in millions):

	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Total</u>
Power purchase commitments for the Paducah plant	\$ 559.5	\$1,490.0	\$453.6	\$2,503.1

Capacity under the contracts is fixed. Prices for supplemental power in July through August 2007 are fixed. Remaining prices under the TVA contract are subject to monthly fuel cost adjustments to reflect changes in TVA's fuel costs, purchased power costs, and related costs.

There were no other significant changes to our contractual commitments as presented in our 2006 Annual Report.

Financial Assurances and Related Liabilities

The NRC requires that we guarantee the disposition of our depleted uranium and stored wastes with financial assurance. The financial assurance requirement 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. Financial assurances are also provided 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 collateralized by interest earning cash deposits included in other long-term assets. A summary of financial assurances, related liabilities and cash collateral follows (in millions):

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
Depleted Uranium:		
Long-term liability for depleted uranium disposition	<u>\$ 82.6</u>	<u>\$ 71.5</u>
Financial assurance primarily for depleted uranium:		
Letters of credit	\$ 24.1	\$ 24.1
Surety bonds	<u>130.6</u>	<u>130.6</u>
Total financial assurance primarily for depleted uranium	<u>\$ 154.7</u>	<u>\$ 154.7</u>
Decontamination and decommissioning (“D&D”) of American Centrifuge:		
Long-term liability for asset retirement obligation	<u>\$ 3.0</u>	<u>\$ 8.8</u>
Financial assurance related to D&D:		
Letters of credit	\$ —	\$ —
Surety bonds	<u>16.9</u>	<u>8.8</u>
Total financial assurance related to D&D	<u>\$ 16.9</u>	<u>\$ 8.8</u>
Other financial assurance:		
Letters of credit	\$ 9.3	\$ 11.7
Surety bonds	<u>2.5</u>	<u>3.6</u>
Total other financial assurance	<u>\$ 11.8</u>	<u>\$ 15.3</u>
Total financial assurance:		
Letters of credit	<u>\$ 33.4</u>	<u>\$ 35.8</u>
Surety bonds	<u>150.0</u>	<u>143.0</u>
Total financial assurance	<u>\$ 183.4</u>	<u>\$ 178.8</u>
Cash collateral deposit for surety bonds for depleted uranium and D&D	<u>\$ 65.7</u>	<u>\$ 60.8</u>

Off-Balance Sheet Arrangements

Other than the letters of credit issued under the credit facility, the surety bonds as discussed above and certain contractual commitments disclosed in our 2006 Annual Report along with updates included in this quarterly report for our contractual commitments to purchase power, there were no material off-balance sheet arrangements, obligations, or other relationships at June 30, 2007 or December 31, 2006.

New Accounting Standards Not Yet Implemented

Reference is made to New Accounting Standards Not Yet Implemented in note 1 of the notes to the consolidated condensed financial statements for information on new accounting standards.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

At June 30, 2007, 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 long-term debt consisting of \$150.0 million in 6.75% senior notes scheduled to mature January 20, 2009. At June 30, 2007, the fair value of the senior notes was \$145.5 million and the balance sheet carrying amount was \$150.0 million. The fair value is calculated based on a credit-adjusted spread over U.S. Treasury securities with similar maturities. USEC has not entered into financial instruments for trading purposes.

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 plant (refer to "Overview – Cost of Sales" and "Results of Operations – Cost of Sales"),
- commodity price risk for raw materials needed for construction of the American Centrifuge Plant, that could affect the overall cost of the project, and
- interest rate risk relating to any outstanding borrowings at variable interest rates under the \$400.0 million revolving credit agreement (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.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

USEC Inc.
PART II. OTHER INFORMATION

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 contract with the U.S. Department of Energy for the supply of cold standby services at the Portsmouth plant, (b) questions raised by the Defense Contract Audit Agency regarding the allowability of certain costs billed to DOE, and (c) an environmental matter involving Starmet CMI, the U.S. Environmental Protection Agency, USEC and others, reported in note 7 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 2006 Annual Report on Form 10-K, in addition to the other information in our Annual Report and in this quarterly report on Form 10-Q.

The long-term viability of our business depends on our ability to replace our current enrichment facility with the American Centrifuge Plant.

We currently depend on our gaseous diffusion facility in Paducah, Kentucky for approximately one-half of the LEU that we need to meet our delivery obligations to our customers and to generate uranium through underfeeding to satisfy our obligations under the Russian Contract. The gaseous diffusion technology that we use at the Paducah plant is an older, high operating-cost technology that requires substantially greater amounts of electric power than the centrifuge technology used by our competitors. Due to significant increases in our power costs and the possibility of additional power cost increases in the future, the production of LEU using gaseous diffusion technology is becoming increasingly uneconomic. We are focused on developing and deploying an advanced uranium enrichment centrifuge technology, which we refer to as American Centrifuge technology, as a replacement for our gaseous diffusion technology. The American Centrifuge technology is more advanced and expected to operate substantially more cost-efficiently than gaseous diffusion. The American Centrifuge technology, however, has substantial capital costs and risks as further described below. We are not currently pursuing any strategies to replace our gaseous diffusion plant in Paducah with alternatives other than the American Centrifuge Plant. As a result, if we are unable to successfully and timely demonstrate and deploy the American Centrifuge Plant on a cost-effective basis, due to the risks and uncertainties described in this section or for any other reasons, our gross profit margins, cash flows, liquidity and results of operations would be materially and adversely affected and our business may not remain viable.

We face a number of risks and uncertainties associated with the successful and timely demonstration, construction and deployment of the American Centrifuge technology.

The American Centrifuge technology is expected to be more operationally cost-efficient than our gaseous diffusion technology that we currently depend on for LEU production at our Paducah plant. However, the demonstration, construction and deployment of the American Centrifuge technology is a large and capital-intensive undertaking that is subject to numerous risks and uncertainties.

We are in the process of demonstrating the American Centrifuge technology and are working toward beginning commercial plant operations in late 2009 and having approximately 11,500 centrifuge machines deployed in 2012. However, to date we have experienced substantial delays in demonstrating the American Centrifuge technology and these delays have impacted our construction and deployment schedule and increased the overall costs of the project. The delays we have experienced to date resulted from a variety of factors, including the failure of certain materials to meet specifications, performance problems with, and failures of, certain centrifuge components, and the time-consuming process of ensuring compliance with regulatory requirements.

In the beginning of 2007, we revised our deployment schedule and cost estimate to take account of the effect of delays experienced through the end of 2006. While the revised schedule takes into account the lessons we have learned in our efforts to deploy the American Centrifuge Plant to date, it is nevertheless ambitious. To maintain the revised schedule, we have made, and expect to continue to make, key decisions, including decisions to expend or commit to expend large amounts of capital and resources, before we have received all relevant centrifuge machine performance data and confirmation of the American Centrifuge project's costs, schedule and overall viability.

Additionally, our ability to meet the revised schedule depends on a number of factors that are outside of our control, including our reliance on third party suppliers for American Centrifuge components. The failure of any of these suppliers to provide their respective components as scheduled or at all could result in substantial delays in, or otherwise materially hamper, the deployment of the American Centrifuge Plant. There are a limited number of potential suppliers for these key components and finding alternate suppliers could be difficult, time consuming and costly. In addition, because such suppliers are few and due to our dependence on them for key components, our ability to obtain favorable contractual terms with these suppliers is limited. We have entered into and expect to enter into future agreements with suppliers in which we bear certain cost, schedule and performance risk. Although we will seek to address these risks, we cannot provide any assurance that we will be able to, which could result in cost increases and unanticipated delays. Our inability to effectively integrate these suppliers and other key third party suppliers could also result in delays and otherwise increase our costs.

As a result of these and other factors, including factors and circumstances similar to those that have delayed us in the past, we may be unable to meet our revised schedule. Delays in our revised schedule could:

- increase our costs for the project, both on an overall basis and in terms of the incremental costs we must incur to recover from delays;
- if the delays cause us to fail to meet a milestone under the DOE-USEC Agreement, lead DOE to exercise the remedies described below;
- make it more difficult for us to attract and retain customers who may want to contract for purchases of LEU beyond 2012 before we can enter into contracts for the sale of LEU generated by the American Centrifuge Plant; and
- extend the time under which we are contractually required to continue to operate our high-cost Paducah plant.

Any of these outcomes could substantially reduce our revenues, gross profit margins, liquidity and cash flows and adversely affect the overall economics, ability to finance and the likelihood of successful deployment of the American Centrifuge. This would have a material adverse impact on our business and prospects because we believe the long-term viability of our business depends on the successful deployment of the American Centrifuge project.

We are required to meet certain milestones under the DOE-USEC Agreement and our failure to meet these milestones or disagreements with DOE as to whether we met a milestone in a timely manner could cause DOE to exercise one or more remedies under the DOE-USEC Agreement.

The DOE-USEC Agreement contains specific project milestones relating to the American Centrifuge Plant. In March 2007, we received approval from DOE to revise and extend the October 2006 milestone by one year and to extend the January 2007 financing milestone by one year to January 2008. In approving these extensions, DOE reserved its rights and remedies under the DOE-USEC Agreement.

After the revision, four mandatory milestones and one optional milestone remain:

- October 2007: Lead Cascade operational and generating product assay in a range useable by nuclear power plants;
- January 2008: Financing commitment secured for a one million SWU centrifuge plant;
- January 2009: Begin American Centrifuge commercial plant operations at facility in Piketon, Ohio;
- March 2010: American Centrifuge Plant capacity at one million SWU per year; and
- September 2011: American Centrifuge Plant (if expanded at our option) projected to have an annual capacity at 3.5 million SWU per year.

Our revised schedule for deploying the American Centrifuge Plant is later than the schedule established by these milestones. While we believe that we will reach a mutually acceptable agreement with DOE regarding rescheduling of these other milestones, we cannot assure you that we will reach such an agreement. If DOE determines that we failed to comply with the terms of the DOE-USEC Agreement, including if DOE determines we did not meet one or more of the milestones that we believe we have already met, then, unless such failure is determined to arise from causes beyond our control and without our fault or negligence, DOE could exercise one or more remedies under the DOE-USEC Agreement. These remedies could include terminating the 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 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 USEC be removed as the sole Executive Agent under the Megatons-to-Megawatts program. Any of these actions could have a material adverse impact on our business and prospects. Once USEC has secured (and demonstrated to DOE) firm financing commitments for the construction of a one million SWU centrifuge plant, DOE's ability to take these actions is limited to circumstances in which failure to meet a milestone is attributable to our gross negligence in project planning or execution or where we constructively or formally abandon the project.

Deployment of the American Centrifuge technology will require additional external financial and other support that may be difficult to secure.

We will require a significant amount of capital to achieve commercial deployment of the American Centrifuge Plant. Under our revised deployment schedule, spending on the American Centrifuge project will increase substantially after 2007, with spending in 2008 currently projected to be approximately double the level of 2007.

Given the declining level of cash generated by our existing operations caused by higher power costs incurred since June 2006, the expected cost to complete the American Centrifuge project and the risk associated with the project, we expect that we will need participation by third parties and/or the U.S. government to finance and complete the project under our revised deployment schedule. We cannot assure you that we will be able to obtain sufficient additional external financing and we cannot predict the cost or terms on which such financing will be available, if at all, to continue our operations and deployment of the American Centrifuge Plant. We also cannot assure you that we will be able to attract third party and/or U.S. government participation.

Factors that could affect our ability to obtain financing, the cost of any financing or our ability to successfully attract the third party and/or U.S. government investment or participation that we may need to raise capital could include:

- the success of our demonstration of the American Centrifuge and the estimated costs, efficiency, timing and return on investment of the deployment of the American Centrifuge Plant;
- consequences of a failure to reach an agreement with DOE regarding future milestones under the 2002 DOE-USEC Agreement or the determination by DOE that we have not complied with a prior milestone that we believe we met;
- our ability to get loan guarantees or other support from the U.S. government;
- SWU prices;
- our perceived competitive position;
- our ability to secure long-term SWU purchase commitments from customers at adequate prices and for adequate duration;
- 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;
- the impact of reductions or changes in trade restrictions on imports of Russian and other foreign LEU and related uncertainties;
- 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;
- investor confidence in our industry and in us;
- competition for financing from other uranium enrichment projects;
- our reliance on LEU delivered to us under the Russian Contract;
- the level of success of our current operations; and
- restrictive covenants in the agreements governing our revolving credit facility and any future financing arrangements that limit our operating and financial flexibility.

There can be no assurance that we will attract the capital we need to complete the American Centrifuge project in a timely manner or at all. If we do not, we might be forced to slow or stop spending on the project, which could result in delays and increased costs, and potentially make the project uneconomic. This would have a material adverse impact on our business and prospects because we believe the long-term viability of our business depends on the successful deployment of the American Centrifuge project.

Our estimates of the costs of the American Centrifuge project are subject to significant uncertainties that could adversely affect our ability to finance and deploy the American Centrifuge Plant.

Our cost estimates for the American Centrifuge project are based on many assumptions that are subject to change as new information becomes available or as unexpected events occur. Some of the key variables in our estimates are difficult to quantify with certainty at this stage of the project. Further, several key variables such as the cost of raw materials to build the plant and general inflation are outside our control. It is also difficult to quantify with certainty at this stage the cost of manufacturing complex centrifuge machine components on a commercial scale. This manufacturing will be done by third parties and while our cost estimates reflected preliminary input from our project suppliers, we will not know the actual cost until we finalize the design of the centrifuge machines and enter into contractual arrangements with these project suppliers.

Based on information currently available to us, including initial bids and procurements from suppliers, feedback from consultants and other third parties, and our analysis of material, commodity and labor cost trends, we believe that some of our costs could be higher than provided for in our target cost estimate, particularly for the first centrifuge machines being manufactured by our suppliers. Working closely with key project suppliers, we are seeking to reduce the capital cost per machine while maintaining performance objectives to help achieve our target cost estimate. We continue to simplify the design of the centrifuge machines in order to reduce costs as well as to take advantage of technological advancements to improve performance. We believe that success in these value engineering efforts may help to offset higher materials costs seen in some of the initial procurements, but we cannot assure you that such offsets will be achieved or that we will otherwise meet our target cost estimate.

In addition, our current target estimate for the deployment of the American Centrifuge Plant of \$2.3 billion assumes that we are able to comply with an ambitious schedule for demonstration and deployment activities and achieve certain costs savings in 2007 and beyond. We may not be able to maintain this schedule or achieve these cost savings. Our target estimate of \$2.3 billion does not include costs related to financing or a reserve for general contingencies. In addition, included in our overall financing needs will be items such as financial assurance requirements and initial operating costs related to commercial plant startup which by their nature are not included in our target cost estimate for deployment of the American Centrifuge Plant. In our pre-application for a loan guarantee under DOE's loan guarantee program, we requested a proposed loan guarantee amount based on a preliminary cost estimate plus amounts for contingency, financing, financial assurance costs and initial operating costs related to commercial plant startup.

We expect to update our target cost estimate for deployment of the American Centrifuge Plant in early 2008. This update will include a reserve for general contingencies that will reflect the maturity of the project as well as our evaluation of material, commodity and labor cost trends at that point. The reserve for general contingencies, which is not included in our current target cost estimate of \$2.3 billion, will take into account variations in the project plans that we believe may occur and associated increased costs that we cannot specifically identify at the time the estimate is prepared.

We cannot assure investors that costs associated with the American Centrifuge Plant will not be materially higher than anticipated or that efforts that we take to mitigate cost increases will be successful or sufficient. 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 American Centrifuge Plant. This would have a material adverse impact on our business and prospects because we believe the long-term viability of our business depends on the successful deployment of the American Centrifuge project.

Significant increases in the cost of the electric power supplied to our Paducah plant have materially increased our overall production costs and may, in the future, increase our cost of sales to a level above the average prices we bill our customers.

Dramatically higher costs for power are putting significant pressure on our business and will continue to do so unless and until we are able to deploy more efficient centrifuge technology. We do not hedge our exposure to the volatility of electric power prices. The gaseous diffusion enrichment process that we use to produce LEU at our Paducah plant requires significant amounts of electric power. After an approximately 50% increase in 2006 in our costs for electric power under our power contract with the Tennessee Valley Authority ("TVA"), electric power constitutes approximately 70% of production cost at the Paducah plant. We amended our power contract with TVA effective June 1, 2007 to provide capacity and prices from June 2007 through May 2012. While this contract provides some stability and assurances regarding power costs for the next five years, the costs of electric power under this 2007 amendment are at prices generally similar to those implemented in the 2006, and those prices continue to increase each year through 2012. Our power costs are also subject to monthly adjustments to account for changes in TVA's fuel and purchased-power costs, which means that our actual power costs could be even greater than we anticipate. We also purchase additional power during the summer months at market prices, which is the time of the year when market prices are the highest, and which are subject to volatility.

Capacity and prices under the TVA contract are only agreed upon through May 2012 and we have not yet contracted for power for periods beyond that time. If we want to purchase power to operate our Paducah plant beyond May 2012, we may be unable to reach an acceptable agreement and we are at risk for additional power cost increases in the future.

Although we are currently signing new contracts with customers in which prices for future deliveries are adjusted, in part, on the basis of changes in a power cost index, most of our sales contracts do not include provisions that permit us to pass through increases in power prices to our customers. As a result, our gross profit margin and cash flow under these sales contracts will be significantly reduced by the higher power costs under the amended TVA contract. Additionally, if our power costs rise unexpectedly, profit margins under new sales contracts that we are entering into may be similarly impacted to the extent the adjustments in the power cost index are not sufficient to account for increases in our power costs. Accordingly, if our power costs continue to rise and mitigating steps are unavailable or insufficient, production at the Paducah plant will become increasingly uneconomic at existing contract prices, which will adversely affect the long-term viability of our business.

In accordance with the TVA power contract, we provide financial assurance to support our payment obligations to TVA, including providing an irrevocable letter of credit and making weekly prepayments based on the price and usage of power. Effective September 2007, because of the increased volume of power we have contracted for, the amount required for the letter of credit and weekly prepayments will increase. These financial requirements will increase again in October 2007. A significant increase in the price we pay for power could further increase the amount of this financial assurance, which could adversely affect our liquidity and reduce capital resources otherwise available to fund the American Centrifuge project.

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

(c) Second Quarter 2007 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
April 1 – April 30	1,146	\$ 20.47	—	—
May 1 – May 31	753	\$ 20.94	—	—
June 1 – June 30	—	—	—	—
Total	1,899	\$ 20.66	—	—

- (1) These purchases were not made pursuant to a publicly announced repurchase plan or program. Represents 1,899 shares of common stock surrendered to USEC to pay withholding taxes on shares of restricted stock under the 1999 Equity Incentive Plan, as amended.

Item 4. Submission of Matters to a Vote of Security Holders

USEC held its annual meeting of shareholders on April 26, 2007. As of the record date, March 1, 2007, there were 87.1 million shares of common stock outstanding and entitled to vote. 93.1% of those shares were represented at the annual meeting.

A board of eight directors (listed below) was elected at the annual meeting. Each director holds office until the next annual meeting of shareholders and until his or her successor is elected and has qualified. There were no abstentions or broker non-votes. The number of votes cast for and withheld follows (in millions):

	For	Withheld
James R. Mellor, Chairman	80.7	0.3
Michael H. Armacost	52.1	28.9
Joyce F. Brown	80.8	0.3
Joseph T. Doyle	80.8	0.3
John R. Hall	80.8	0.3
W. Henson Moore	80.8	0.3
Joseph F. Paquette, Jr.	80.8	0.3
John K. Welch	80.8	0.3

The following item was also voted on at the annual meeting (in millions):

	For	Against	Abstain
Ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors for 2007	80.3	0.2	0.6

Item 6. Exhibits

- 10.1 Amendatory Agreement (Supplement No. 4) dated June 1, 2007 to Power Contract between Tennessee Valley Authority and United States Enrichment Corporation (Certain information has been omitted and filed separately pursuant to a request for confidential treatment under Rule 24b-2).
- 10.2 Contract dated June 25, 2007 between USEC Inc. and BWXT Services, Inc. (Certain information has been omitted and filed separately pursuant to a request for confidential treatment under Rule 24b-2).
- 10.3 Summary Sheet for 2007 Non-Employee Director Compensation.
- 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.

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.

August 2, 2007

By _____ /s/ John C. Barpoulis
John C. Barpoulis
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Amendatory Agreement (Supplement No. 4) dated June 1, 2007 to Power Contract between Tennessee Valley Authority and United States Enrichment Corporation (Certain information has been omitted and filed separately pursuant to a request for confidential treatment under Rule 24b-2).
10.2	Contract dated June 25, 2007 between USEC Inc. and BWXT Services, Inc. (Certain information has been omitted and filed separately pursuant to a request for confidential treatment under Rule 24b-2).
10.3	Summary Sheet for 2007 Non-Employee Director Compensation.
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.

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE REDACTED PORTIONS. THE CONFIDENTIAL REDACTED PORTIONS HAVE BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH REDACTIONS.

AMENDATORY AGREEMENT
Between
TENNESSEE VALLEY AUTHORITY
And
UNITED STATES ENRICHMENT CORPORATION

Date: June 1, 2007

TV-05356W, Supp. No. 4

THIS AGREEMENT, made and entered into by and between TENNESSEE VALLEY AUTHORITY (TVA), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (TVA Act), and UNITED STATES ENRICHMENT CORPORATION (Company), a corporation created and existing under the laws of the State of Delaware;

WITNESSETH:

WHEREAS, Company has been purchasing power from TVA under Power Contract TV-05356W, dated July 11, 2000, as amended (Power Contract), for the operation of Company's uranium enrichment facilities near Paducah, Kentucky; and

WHEREAS, the parties wish to (a) extend the term of the Power Contract for two years and (b) amend the Power Contract to provide for the pricing and quantity of power and energy for the time period commencing on June 1, 2007, and ending on May 31, 2012;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth, and subject to the provisions of the TVA Act, the parties mutually agree as follows:

SECTION 1 – DEFINITIONS

Initial capped terms used in this agreement which are defined in Article I of the Power Contract shall have the meaning there defined.

SECTION 2 – EXTENSION OF THE POWER CONTRACT

Effective as of the date first above written (Effective Date), section 2.1 of the Power Contract is amended in the respects necessary to provide that the Power Contract shall continue in effect through the Billing Month of May 2012.

SECTION 3 – QUANTITY AND PRICING OF BASELINE ENERGY

Section 2.4 of the Power Contract, which had previously been effective to provide for the quantity and pricing of Baseline Energy during Period Two of the Power Contract, shall be of no force and effect to provide for quantity and pricing from and after the Effective Date of this agreement. In lieu thereof, the following provisions shall apply.

- 3.1 **Quantity of Energy.** Subject to the terms and conditions of the Power Contract, Baseline Energy, in the monthly MW amounts set forth in Exhibit A, shall be made available to Company for the period from June 1, 2007, through May 31, 2012. Of each monthly amount, 300 MW will continue to be Firm Baseline Energy and any remaining amount will be Interruptible Baseline Energy, as provided in the Power Contract.
- 3.2 **Base Energy Price.** Subject to the provisions of section 4 below, the price for Baseline Energy during the period from June 1, 2007, through May 31, 2012, shall be as follows:
 - (i) \$***** from June 1, 2007, through August 31, 2007,
 - (ii) \$***** from September 1, 2007, through May 31, 2008,
 - (iii) \$***** from June 1, 2008, through May 31, 2009,
 - (iv) \$***** from June 1, 2009, through May 31, 2010,
 - (v) \$***** from June 1, 2010, through May 31, 2011, and
 - (vi) \$***** from June 1, 2011, through May 31, 2012.

SECTION 4 – FUEL COST ADJUSTMENT

The Baseline Energy Prices as set forth in section 3.2 above of this agreement shall be subject to the TVA Fuel Cost Adjustment (FCA) as calculated under Exhibit B to TV-05356W, Supp. No. 3, dated April, 3, 2006; provided, however, that from and after the Effective Date of this agreement, the table in said Exhibit B setting forth the values of B (the monthly per MWh Base Fuel Rates as defined in Exhibit B) shall be deemed to be deleted and replaced with the following:

June	\$17.13
July	\$22.22
August	\$18.92
September	\$17.09
October	\$16.22
November	\$17.09

December	\$16.53
January	\$16.96
February	\$18.26
March	\$18.80
April	\$16.09
May	\$14.57

It is recognized that the FCA shall mean the per-MWh amount by which the Baseline Energy Prices under section 3.2 above of this agreement are increased or decreased from time to time in accordance with the formula designed to reflect changes in TVA's fuel costs, purchased power costs, and related costs as shown on said Exhibit B. It is further recognized and agreed that TUm (as defined in Exhibit B) has a lag integrated into the formula and that unless otherwise agreed between the parties, any such amount shall remain an obligation even though the payment of the bill for power taken during May of 2012 has been made.

SECTION 5 – PERFORMANCE ASSURANCE

Sections 1, 2, and 4 of Supplement 2 of the Power Contract are hereby deleted and replaced with the following:

- “1. Letter of Credit. Company shall continue to provide TVA an Irrevocable Letter of Credit, in a form acceptable to TVA, in the amount of \$***** not later than June 15, 2007. Not later than September 1, 2007, the amount of such Letter of Credit shall be increased to \$***** and on or before October 1, 2007, the amount of such Letter of Credit shall be increased to \$*****. Company shall at all times keep such Letter of Credit in full force and effect. The Letter of Credit may be utilized by TVA to cover any obligations for which the Power Contract provides and for which payments are not made by Company, including, but not limited to, minimum bill obligations. Notwithstanding hereunder, Company will remain obligated to make all payments as they become due under the Power Contract.

2. Weekly Prepayments. Notwithstanding the provisions of section 2.6 of the Power Contract, Company shall pay TVA a designated sum of money per week in advance for power and energy used under the Power Contract (Weekly Prepayment). Beginning on June 1, 2007, and going through August 24, 2007, Company shall pay TVA a Weekly Prepayment in the amount of \$*****. Beginning on September 7, 2007, Company shall pay TVA a Weekly Prepayment in the amount of \$***** and beginning on October 5, 2007, Company shall pay TVA a Weekly Prepayment in the amount of \$*****. Such Weekly Prepayments shall be made no later than 3 p.m. CST or CDT, whichever is currently effective, on the first four (4) Fridays of each calendar month and shall be made electronically through Automatic Clearing House to TVA's account. TVA's monthly bill for power and energy shall reflect the cumulative Weekly Prepayments for that month as a credit to be applied against that monthly bill. Company shall have seven (7) days from the date of the monthly bill, or until the next Weekly Prepayment (whichever comes later) to pay any amount that is

not covered by the cumulative Weekly Prepayments for that month. In the event that the cumulative Weekly Prepayments for any month exceed the amount of that monthly bill, TVA shall notify Company of the overpayment and credit such amount to Company's next Weekly Prepayment.

4. Early Payment Credits. Notwithstanding Section 2 of the Terms and Conditions set forth in Attachment 4 of the Power Contract, provided that Company makes all Weekly Prepayments in full falling within that Billing Month on or before the Weekly Prepayment Due Dates, and Company is not otherwise delinquent or in default under the Power Contract, the Company shall be entitled to early payment credits. Such early payment credits shall be calculated as follows:

- (a) TVA shall determine the aggregate amount of all Weekly Prepayments due under the Power Contract and received during the Billing Month;
- (b) TVA shall provide a flat ten (10) days of such credit by applying TVA's Average Short-Term Interest Rate (as defined in the Terms and Conditions to the Power Contract) to such aggregate amount."

The parties expressly agree that this procedure for figuring Early Payment Credits was the appropriate method used from June 1, 2006 to May 31, 2007.

SECTION 6 – RATIFICATION OF THE POWER CONTRACT

The Power Contract is ratified and confirmed as the continuing obligation of the parties.

IN WITNESS WHEREOF, the parties to this agreement have caused it to be executed by their duly authorized representatives, as of the day and year first above written.

UNITED STATES ENRICHMENT CORPORATION

By /s/ John K. Welch
Title: President and CEO

TENNESSEE VALLEY AUTHORITY

By /s/ Bruce S. Schofield
for Executive Vice President
Customer Resources

BASELINE ENERGY
JUNE 1, 2007, THROUGH MAY 31, 2012
(TOTAL OF FIRM AND INTERRUPTIBLE BASELINE ENERGY IN MW)*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
January		2,000	2,000	2,000	1,650	1,650
February		2,000	2,000	2,000	1,650	1,650
March		2,000	2,000	2,000	1,650	1,650
April		2,000	2,000	2,000	1,650	1,650
May		1,700	1,700	1,700	1,400	1,400
June	300	300	300	300	300	
July	300	300	300	300	300	
August	300	300	300	300	300	
September	1,700	1,700	1,700	1,400	1,400	
October	2,000	2,000	2,000	1,650	1,650	
November	2,000	2,000	2,000	1,650	1,650	
December	2,000	2,000	2,000	1,650	1,650	

It is recognized that, beginning in September 2010, the amounts of power provided for in the table above decline in a manner (“Ramp-Down”) that is designed to produce benefits for the TVA power system. It is further recognized that TVA and Company are planning to begin discussions about possible arrangements for continued TVA power supply to the Paducah facility after May 2012. If agreement is reached for such continued TVA supply by no later than May 31, 2009, and if such agreed-upon arrangements contain a later Ramp-Down that is acceptable to TVA, TVA will agree to amend the Power Contract such that the last 3 columns of the table above would be revised to read as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
January	2,000	2,000	2,000
February	2,000	2,000	2,000
March	2,000	2,000	2,000
April	2,000	2,000	2,000
May	1,700	1,700	1,700
June	300	300	
July	300	300	
August	300	300	
September	1,700	1,700	
October	2,000	2,000	
November	2,000	2,000	
December	2,000	2,000	

* The monthly MW amounts shall be multiplied by the number of hours in that month to determine the required quantities of Baseline Energy. The actual hourly MW amounts shall be essentially constant except during ramp up/ramp down periods and will be scheduled in accordance with operating procedures jointly developed under section 2.2(f) of the Power Contract.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

EXHIBIT 10.2

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE REDACTED PORTIONS. THE CONFIDENTIAL REDACTED PORTIONS HAVE BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH REDACTIONS.

**USEC Inc.
Centrifuge Commercial Plant Manufacturing**

CONTRACT NUMBER: 723886
CONTRACTOR: BWXT Services Inc.
DATE: June 25, 2007

Contract Purchase Agreement

IN WITNESS WHEREOF, the Parties have caused this Contract to be signed by their duly authorized officers as of the Effective Date.

UNITED STATES ENRICHMENT
CORPORATION, INC.

BWXT SERVICES, INC.

By: /s/ J.E. Vogelsang
Name: J.E. Vogelsang
Title: Director, ACP Procurement,
Contract & Material Management

By: /s/ Terry Chalker
Name: Terry Chalker
Title: Director, Contracts

USEC PROPRIETARY INFORMATION

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

CONTRACT

BETWEEN

USEC Inc.

AND

BWXT Services, Inc.

In consideration of the mutual promises hereinafter set forth, USEC Inc., a Delaware Corporation, ("the Corporation"), and BWXT Services, Inc., a Delaware corporation ("Contractor") (the Corporation and Contractor being referred to herein individually as a "Party" and together, as the "Parties") hereby agree to the following contract (which, including the General Terms and Conditions and the Attachments attached hereto, is hereinafter referred to as the "Contract"). It is understood that BWXT Clinch River, LLC, a Delaware Limited Liability Company, a wholly owned subsidiary of BWXT Services, Inc. has applied for Foreign Ownership, Control or Influence (FOCI) approval and that upon FOCI approval, this contract will be assigned to BWXT Clinch River. After that time, references to Contractor shall mean BWXT Clinch River, LLC.

THE CUMULATIVE VALUE OF THE TASK ORDERS UNDER THIS CONTRACT WILL NOT EXCEED \$*** (to be modified as additional scope is identified for issuance on task orders) DURING THE PERIOD OF PERFORMANCE.**

DEFINITIONS. (Applicable to all stages)

As used throughout this Contract, the following terms, whether in the singular or plural, when used with initial capitalization, shall have the meanings set forth below:

- (a) The term "Task Order Ceiling Price" means the maximum amount specified in the Task Order to be paid by the Corporation to the Contractor for the Services, Deliverables and Materials to be provided under that Task Order.
- (b) The term "Target cost" as used in this Contract, means the estimated cost of Task Orders as initially negotiated or adjusted in accordance with section X, XI or XII.
- (c) The term "Target fee" as used in this Contract, means percentage of the target cost as specified in section XI or XII.
- (d) The term "Ceiling cost," as used in this Contract, means the target cost, as adjusted, multiplied by a factor of *****. Total payments during Stage III will not be greater than the ceiling cost.
- (g) The term "Change" means a modification to a Task Order that may be issued unilaterally by a Buyer in accordance with the terms of Article 19 of the General Terms and Conditions of the Contract. A Change does not include Technical Direction.

USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886

I. PURPOSE and SCOPE. (Applicable to all stages)

This is a task order contract for services and materials which will be provided to support the American Centrifuge Lead Cascade and Commercial Plant. Task orders issued under this contract will provide funding for Centrifuge Assemblies which includes labor, parts, and equipment (tooling, assembly fixtures, etc.), and other associated support costs as necessary for Lead Cascade and development of Commercial Plant manufacturing capability. Task orders will also be issued under this contract for Commercial Plant Centrifuge Assemblies for installation in the Commercial Plant. Anticipated components for manufacture include the Upper Suspension Assemblies (USA), Lower Suspension Drive Assemblies (LSDA), Cap Assemblies, Column Parts, and Motor Drive Units referred to hereafter as "Centrifuge Assemblies".

This is a long term agreement with three stages to support start up of the 3.8 M SWU plant in Piketon, OH with the possibility of future contracts to supply additional expansion of the plant or construction of other plants. USEC intends to lease the current Boeing facility in Oak Ridge, TN and will make it available to the contractor for performance of this work.

Stage I of this acquisition requires the contractor to take over the ACP work scope previously performed by Boeing in Oak Ridge. Generally, the work scope includes (Specific work will be defined in Task Orders to be provided):

- Facility modifications, buildup of the equipment, vendor base, staff, organization and all other activities necessary to manufacture, deliver and support 11,520 units of hardware plus spares, fully conforming to USEC provided designs, to the ACP site in Piketon, OH,
- Supporting USEC and other ACP contractor efforts to incorporate cost reduction features and lean manufacturing processes into the commercial plant design,
- Development of Column Assemblies for Lead Cascade,
- Development of Lower Suspension and Drive Assemblies for Lead Cascade,
- Development of Upper Suspension Assemblies for Lead Cascade,
- Deliver Rotor Assemblies for Lead Cascade and technology transfer to Piketon,
- Development and qualification of rotor balance stands and technology transfer of rotor balance stand efforts.

The Stage I effort is to be performed under cost-plus fixed fee task orders under this contract. The first series of task orders is for time and materials to perform from contract award through end of December, 2007. Additional task orders will be issued through completion of development, staffing, organizing, equipping facilities, manufacturing and supporting Lead Cascade Centrifuge Assemblies.

The Stage II effort is for Commercial Plant machine production and delivery of the first 610 Commercial Plant Centrifuge Assemblies to the ACP plant in Piketon, OH. This effort is to be performed under cost plus incentive fee task orders under this contract.

Stage III requires delivery of:

- 10,910 Centrifuge Assemblies,

USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886

- Spares (TBD), and
- Supply support (TBD) as necessary to support reliable operation of the first ACP plant.

This effort is to be performed under target-price, incentive fee task orders under this contract. The target price for Stage III will be negotiated after manufacture of 350 units of hardware during Stage II.

USEC may unilaterally add services, spares and supply support line items to support the first Piketon, OH plant to this contract at the time of Stage III negotiations or anytime up through delivery of hardware for the last unit, subject to equitable adjustment to the Contract pursuant to the terms of Article 19 of the General Terms and Conditions of the Contract.. USEC may require Contractor to provide a proposal for supplying hardware to subsequent USEC centrifuge plants in the future.

For performance under all stages, the contractor shall:

- a. Maintain a quality program consistent with and meeting applicable requirements of USEC's Quality Assurance Program and NRC license to build and operate the Piketon, OH facility.
- b. Establish and implement material resource planning and supply chain management systems that timely support production of reliable Centrifuge Assemblies.
- c. Ensure a safety culture is in place that assures safety takes priority over cost, schedule, manufacturing or any other considerations. The contractor shall comply with all applicable state and federal occupational health and safety requirements.
- d. Maintain an effective security program that maintains compliance with all applicable NRC and DOE security and classification requirements and regulations. The NRC and/or the DOE will be the regulatory authority for security compliance for machine manufacturing operations.
- e. Maintain an effective regulatory compliance program that is responsive to all regulatory requirements, questions and directions throughout the life of the contract.
- f. Propose, for USEC approval, maintain, use and report to USEC the results from a project control system that accurately reflects the project status relative to cost and schedule performance. Elements of the project control system shall include:
 1. A Work Breakdown Structure (WBS) that provides the basis for all project control system components, including estimating, budgeting, scheduling, performing, and management.
 2. Cost estimating methodologies that are consistent with industry standards.

USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886

3. Project schedules that integrate with the WBS. Activity logic links shall depict all work scope constraints and decision points and shall be integrated into a total project network schedule. The project schedule shall clearly depict critical path activities and milestones.
4. A capability to process USEC proposed or directed changes with minimum impact on technical, schedule, and cost elements of the contract.
5. Variance analysis, explanation and justification for differences between planned and actual performance against the cost and schedule baseline on a monthly basis.
6. Commercially accepted performance analysis techniques utilizing earned-value methods. Documentation of performance metrics (i.e., quantities) are preferred for all technical work scopes, however it is recognized that some small elements (e.g. Project Management) may use a level of effort technique.

g. Coordinate with other contractors to assure centrifuge machines are assembled and delivered in accordance with USEC's schedule including appropriate storage and inventory to assure such delivery, including insuring delivery during short duration disruptions as agreed in task orders.

h. Implement a Qualification Test Program with support from USEC for:

- 1) Manufacturing Process Qualification
- 2) Product Qualification
- 3) Product Acceptance

The contractor shall develop Qualification Test Plans for Centrifuge Assemblies and submit the plans for USEC approval.

i. Establish and maintain a configuration control program for the design, specifications, manufacturing processes, quality requirements and all other attributes necessary to deliver Centrifuge Assemblies in accordance with USEC drawings and specifications.

j. Establish and implement an effective risk management program that is designed to identify potential cost and schedule issues and develop plans that will mitigate or eliminate problems.

k. Establish and maintain a continuous improvement program using the latest manufacturing techniques (lean manufacturing, 6 sigma, or equivalent)

l. Develop a transportation plan using USEC designed; contractor supplied shipping containers that ensures timely delivery of all Centrifuge Assemblies to Piketon, OH. Transportation risks and detailed planning will be developed in Stage II and III.

m. Operate and maintain facility infrastructure, such as water, sewer, electrical, and compressed air systems in compliance with all local, state, and federal environmental regulations and building codes.

USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886

n. Perform make versus buy analysis. It is understood that the current ACP manufacturing plan envisions that unclassified components manufactured during the performance of this contract will be outsourced while classified components will be manufactured by the Contractor. Contractor agrees to assess the validity and effectiveness of this approach throughout the term of this contract through the implementation and deployment of a comprehensive Make Versus Buy Program. This program will ensure the consideration of all pertinent cost and non-cost related factors resulting in the delivery of high quality components in the most cost effective manner.

II. TASK ORDERS (Applicable to all Stages)

a. The Contractor shall furnish personnel, facilities, equipment, materials, supplies, and services (except those that are provided by the Corporation) in accordance with the Statement of Work/Specification provided with each Task Order Release. The Buyer will issue specific Task Orders within the purpose of the Contract. A Task Order shall designate: (1) The scope of work, (including but not limited to drawings, specifications, etc.) for the Task to be performed; (2) Schedule of performance for the Task; (3) Estimate of the dollar amount anticipated for all Services, Deliverables and Materials to be provided; (4) The amount currently authorized for payment; (5) Authorized travel for the Task; (6) Services, Deliverables and Materials to be provided and required delivery dates for such Deliverables; (7) Applicable Quality requirements. (8) Any Authorized Overtime; (9) Any agreed special Terms and Conditions.

b. Upon receipt of a proposed Task Order for cost reimbursable tasks the Contractor will provide the Buyer a proposal or quote for each task, containing at a minimum: (1) The labor hours by department to complete the task (see Section VI (Direct Productive Labor Hour) and agreed rates; (2) cost of material (if any); (3) Other Direct Costs (if any); and, (4) fee as specified in section X, XI, or XII.

c. Upon completion of the proposal or quote, Contractor and Corporation will negotiate details to arrive at a mutually agreed scope, schedule, target cost, fee and ceiling price as appropriate for each Task Order to be issued under this contract.

d. Labor costs for Task Orders shall be estimated using agreed straight time labor rates, unless overtime is required to meet Task Order schedules. All overtime shall be authorized by Task Order. Subsequent authorization of overtime or additional overtime shall be by Task Order revision.

e. Authorized overtime shall not be billed unless the personnel working the overtime have already performed 40 hours of work under this Contract in the week in which the overtime is being billed and the overtime is authorized by the Task Order.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

f. Task Orders shall be numbered and incorporated into this Contract upon acceptance by the Contractor. The Contactor shall perform the Task Order in accordance with the negotiated schedule and Task Order Ceiling price specified in the Task Order.

g. Contractor shall not expend any time or incur any expense which would result in an obligation of the Corporation to pay or reimburse the Contractor for Services, Deliverables or Materials which, when aggregated with all amounts paid, or required to be paid, by the Corporation hereunder, would exceed a Task Order Ceiling Price.

h. For cost reimbursable task orders, the Corporation shall not request or require Contractor to perform work or incur costs which, when aggregated with all amounts previously paid by the Corporation hereunder, and amounts obligated to be paid by the Corporation under the termination provisions of this Contract would exceed a Task Order Ceiling Price without first increasing the Task Order Ceiling Price. Contractor shall promptly notify the Buyer in writing whenever it expects that the costs chargeable to the Corporation in the next thirty (30) days, when added to all such costs previously incurred and charged or chargeable to the Corporation, will exceed seventy-five percent (75%) of a Task Order Ceiling Price. Such notice shall set forth the estimated amount of additional funds required to complete the Services hereunder. Except for an equitable adjustment made in connection with a Contract modification under the terms of this Contract, the Corporation shall not be obligated to increase the Task Order Ceiling Price.

i. TECHNICAL REPRESENTATIVE. The Corporation's Technical Representative, with overall responsibility for coordinating work under this Contract is *****. In addition, the Corporation may designate a specific Technical Representative in each Task Order.

III. PERIOD OF PERFORMANCE (Applicable to all Stages)

This Contract shall be effective when fully executed by both parties and shall remain in effect through December 31, 2012 or through completion of the manufacture of Centrifuge Assemblies and Spares in Stage III.

IV. TERMS AND CONDITIONS (Applicable to all stages)

This Contract constitutes the agreement between the Contractor and the Corporation, subject to and including the terms set forth herein and in Terms and Conditions (centrifuge) as modified hereby incorporated into this contract.

V. TRAVEL EXPENSES (Applicable to All stages)

a. The Corporation shall reimburse the Contractor's actual costs incurred plus G&A and fee under this Contract for transportation, lodging, meals, and incidental expenses in accordance with Attachment A and subject to other limitations as provided in this Contract.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

VI. DIRECT PRODUCTIVE LABOR HOUR AND OTHER DIRECT COSTS. (Applicable to All stages)

a. Direct Productive Labor Hour (abbreviated "DPLH") means the hours expended by Contractor that are directly attributable to the performance of Services by Contractor.

b. The DPLH rates include all charges for Contractor's direct labor, overhead plus all applicable Federal, State and local taxes. General and administrative expenses (G&A) and fee will be billed separately. All overtime must be coordinated with the Technical Representative. The Corporation shall not separately reimburse Contractor for any costs deemed to be included in the DPLH rates. Contractor shall not receive a premium for any time spent traveling. Salaried personnel who work in excess of eight hours per day or 40 hours per week shall be charged their actual hours worked, and their hourly rate will be adjusted downward to reflect the additional hours.

c. Other Direct Costs ("ODCs"). Direct costs (other than those included in the DPLH rates), approved in advance by the Technical Representative and actually reasonably incurred by Contractor for equipment, materials, supplies, travel, relocation costs and commercial courier services (e.g., Federal Express or DHL) necessary for the performance of the Services or delivery of the Deliverables and Materials ("Other Direct Costs" or "ODCs") shall be reimbursed by the Corporation at Contractor's actual cost plus G&A and fee. Unless otherwise agreed in writing in advance by the Corporation, ODCs shall be limited to: (i) fees charged by a third party database services for searches of its electronic databases; (ii) long-distance telephone calls placed by Contractor; (iii) photocopying; (iv) employing subcontractors and consultants and (v) purchasing equipment and materials (subject to any consent required under the Task Orders), and (vi) costs of operating and maintaining facilities provided by USEC under this agreement.

d. Unless otherwise agreed in writing in advance by the Corporation, the following costs are not within the definition of ODCs, and will not be reimbursed as separate ODC line items, although such costs other than non-travel related meals are allowable as part of overhead costs, by the Corporation regardless of whether such costs are incurred in connection with the performance of the Services: (i) secretarial, word-processing, library or other administrative costs or services; (ii) local telephone charges; (iii) charges for receipt by Contractor of faxes, documents or packages; and (iv) meals, unless taken by an employee of Contractor in connection with travel away from the office in which that employee normally works.

e. Any reimbursement permitted under this Section for ODCs shall be determined by the Corporation based upon supporting documentation submitted by Contractor in accordance with Section IX.g., below and any reimbursement policies provided to Contractor by the Corporation.

VII. EMPLOYEE PROTECTION

a. Section 211 of the Energy Reorganization Act of 1974, as amended (the "ERA"), or 10 CFR Section 70.7 of the NRC regulations (applicable to item/services provided in support USEC Inc's

USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886

centrifuge lead cascade or production facility) or 10 CFR Part 708 of the DOE regulations (applicable to item/services provided in support of USEC Inc's centrifuge demonstration project), implementing Section 211, as applicable applies to the performance of Work under this Contract. Contractor acknowledges its obligation to comply with the requirements of Section 211 of the Energy Reorganization Act of 1974, as amended (the "ERA"), 10 CFR Section 10.7 of the NRC regulations or 10 CFR Part 708 of the DOE regulations implementing Section 211.

b. In the event that an employee of Contractor, or an employee of any subcontractor, files a complaint with the United States Department of Labor (the "DOL") alleging that Contractor, or any of its subcontractors, violated the requirements of Section 211 with respect to such employee while he or she was performing Services in connection with this Contract, Contractor shall promptly notify the Buyer of the filing of such complaint, and shall keep the Buyer apprised of the status of the complaint itself and all material developments in any DOL or judicial proceedings related to the complaint.

c. In the event that Contractor becomes aware of an allegation of retaliation or safety raised to the NRC or DOE, Contractor shall promptly notify the Buyer of the filing of such allegation, and shall keep the Buyer apprised of the status of the allegation itself and all material developments in any NRC, DOE or judicial proceedings related to the allegation.

d. Contractor further agrees to indemnify and hold the Corporation harmless against any and all costs, losses, claims, damages, liabilities, civil penalties and expenses, including reasonable attorneys' fees, imposed upon or incurred by the Corporation in connection with (A) any DOL proceeding brought against the Corporation by an employee or former employee of Contractor, or any subcontractor of Contractor, based upon Contractor's or its subcontractor's actual or alleged violation of Section 211 with respect to such employee or former employee, (B) any investigation or enforcement action by the NRC based upon such an actual or alleged violation of Section 211, 10 CFR Section 70.7 or 10 CFR Part 708; and (C) any civil action brought against the Corporation based upon Contractor's, or its Subcontractor's, actual or alleged violation of Section 211. Such costs, losses, claims, damages, liabilities, civil penalties and expenses, including reasonable attorney's fees, shall not be recoverable from the Corporation under any other provisions of this Contract.

e. Contractor shall notify the Buyer if any Contractor employee is subject to an NRC or DOE Order or enforcement action. The Corporation reserves the right to determine that the employee may not be used in the performance of this Contract.

VIII. SUBCONTRACTS AND CONSULTANTS. (Applicable to Stages I and II)

a. Major Purchases. The Contractor must receive written approval from the Buyer, prior to: 1) issuing a solicitation if the purchase is estimated to exceed \$100,000; and commitment of USEC funds for purchases greater than \$100,000. The Contractor must provide the following to the USEC Buyer and Technical Representative:

(i) For solicitations:

(A) An explanation of the need and purpose for the purchase, including the estimated cost.

(B) A copy of the solicitation, if requested by USEC.

(ii) For commitments:

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

- (A) A copy of the proposal for the selected source, including schedule for delivery and contract terms and conditions governing the purchase.
- (B) A description of the source selection process, including bid summaries, evaluation criteria and evaluation results, as applicable.
- (C) A schedule of Termination Liability by calendar quarter, from the anticipated date of award through completion of delivery or performance.
- (D) A copy of the purchase order or contract, if requested by USEC.

b. Contractor shall ensure that all subcontracts placed under the Contract (and all lower-tier subcontracts) include at least (i) the same requirements as to quality, performance and protection of information and property as are imposed on Contractor by the Contract; (ii) any requirements imposed by applicable law and regulation; (iii) the same requirements to maintain the confidentiality of USEC Proprietary Information, and provide and protect the intellectual property rights of the Corporation as are imposed on contractor by the Contract; and (iii) any other provisions in this Contract required to be included in such subcontracts including, but not limited to, the following articles of the General Terms and Conditions if applicable: **Article 6 (Key Personnel), Article 34 (Security of Classified Information and Controlled Areas), Article 5 (Standard of Performance), Article 32 (Confidentiality), Article 39 (Compliance With Nuclear Safety and Safeguards and Security Requirements).**

c. The Contractor further agrees to pass the requirements imposed by this Section to its subcontractors by including a provision similar to this section in all Subcontracts for the performance of Services in connection with the Task Orders.

d. Subcontractor Conflicts of Interest. Contractor shall ensure that subcontracts include protection against Conflicts of Interest acceptable to the Corporation. If required by the Corporation, Contractor shall cause subcontractors to execute agreements with the Corporation for the protection of USEC Proprietary Information, prior to engaging subcontractors in work under the Task Orders.

IX. ALLOWABLE COST (Applicable to All stages)

a. For the purpose of reimbursing allowable costs (except as provided in subsection b of this Section, with respect to pension, deferred profit sharing, and employee stock ownership plan contributions), the term "costs" includes only –

- (i) Those recorded costs that, at the time of the request for reimbursement, the Contractor has paid by cash, check, or other form of actual payment for items or services purchased directly for the contract;
- (ii) When the Contractor is not delinquent in paying costs of contract performance in the ordinary course of business, costs incurred, but not necessarily paid, for —

USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886

(A) Supplies and services purchased directly for this Contract and associated financing payments to subcontractors, provided payments determined due will be made—

(1) In accordance with the terms and conditions of a subcontract or invoice; and

(2) Ordinarily within 30 days of the submission of the Contractor's payment request to the Corporation;

(B) Materials issued from the Contractor's inventory and placed in the production process for use on this Contract;

(C) Direct labor based on actual hours worked at an effective hourly rate;

(D) Direct travel;

(E) Other direct in-house costs; and

(F) Properly allocable and allowable indirect costs according to the contractor's normally accepted practices, as shown in the records maintained by the Contractor for purposes of obtaining reimbursement under this Contract; and

b. Accrued costs of Contractor contributions under employee pension plans shall be excluded until actually paid unless—

(i) The Contractor's practice is to make contributions to the retirement fund quarterly or more frequently; and

(ii) The contribution does not remain unpaid 30 days after the end of the applicable quarter or shorter payment period (any contribution remaining unpaid shall be excluded from the Contractor's indirect costs for payment purposes).

c. Notwithstanding the audit and adjustment of invoices or vouchers under subsection f of this Section, allowable indirect costs under this Contract shall be obtained by applying indirect cost rates established in accordance with this Section.

d. *Final indirect cost rates.*

(i) Final annual indirect cost rates and the appropriate bases for each of the Contractor's fiscal years during which Work was performed under this Contract shall be established in accordance with the contractor's normally accepted practices.

(ii) The Contractor and the Buyer shall execute a written understanding setting forth the final indirect cost rates. The understanding shall specify the agreed-upon final annual indirect cost rates, the bases to which the rates apply, the periods for which the rates apply, and any

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

specific indirect cost items treated as direct costs in the settlement. The understanding shall not change any contract obligation, or specific cost allowance or disallowance provided for in this Contract. The understanding is incorporated into this Contract upon execution.

(iii) Within 120 days after settlement of the final annual indirect cost rates for the Contractor's fiscal year in which is Contract is completed, Contractor shall submit a completion invoice or voucher to reflect the settled amounts and rates.

e. *Billing rates.* If necessary, the Contractor shall invoice using provisional rates, as may be amended from time-to-time by the Contractor. Adjustment from provisional rates to final rates for costs other than overhead and G&A shall be made on the first invoice following closing of Contractor books for the prior fiscal year. Adjustment from provisional rates to final rates for overhead shall be made on the first invoice after incurred costs are determined. Adjustment from provisional rates to final rates for G&A shall be made on the first invoice following negotiations of final rates with the BWXT Services, Inc. cognizant government representative (i.e., "CACO").

f. *Audit.* At any time or times before final payment, the Buyer may have the Contractor's invoices or vouchers and statements of cost audited. Any payment may be —

- (i) Reduced by amounts found by the Buyer not to constitute allowable costs; or
- (ii) Adjusted for prior overpayments or underpayments.

Corporation's audit rights shall be limited to BWXT Clinch River LLC. Contractor's G&A cost will be as finally determined by the CACO.

g. *Final payment.*

(i) Upon approval of a completion invoice or voucher submitted by the Contractor in accordance with subsection d (iii) of this section, and upon the Contractor's compliance with all terms of this Contract, the Corporation shall promptly pay any balance of allowable costs and that part of the fee (if any) not previously paid.

(ii) The Contractor shall pay to the Corporation any refunds, rebates, credits, or other amounts (including interest, if any) accruing to or received by the Contractor, to the extent that those amounts are properly allocable to costs for which the Contractor has been reimbursed by the Corporation. Before final payment under this Contract, the Contractor and each assignee whose assignment is in effect at the time of final payment shall execute and deliver:

(A) An assignment to the Corporation, in form and substance satisfactory to the Buyer, of refunds, rebates, credits, or other amounts (including interest, if any) properly allocable to costs for which the Contractor has been reimbursed by the Corporation under this Contract; and

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

(B) A release discharging the Corporation, its officers, agents, and employees from all liabilities, obligations, and claims arising out of or under this Contract, except —

(1) Specified claims stated in exact amounts or in estimated amounts when the exact amounts are not known;

(2) Claims (including reasonable incidental expenses) based upon liabilities of the Contractor to third parties arising out of the performance of this Contract; provided, that the claims are not known to the Contractor on the date of the execution of the release, and that the Contractor gives notice of the claims in writing to the Buyer within 1 year following the release date or notice of final payment date, whichever is earlier.

X. COST PLUS FIXED FEE (Applicable to STAGE I)

a. *General.* The Corporation shall pay the Contractor for performing Stage I of this Contract its allowable costs plus a fixed fee. During Stage I, Subcontractor shall receive a fixed fee determined for each Task Order. The fee shall be *****% of the target cost determined as described in section II.(c). The fixed fee will be provisionally billed with each invoice on the basis of *****% of the total cost invoiced. Upon issuance of the final billing under the contract, any remaining balance of the fixed fee will be billed.

b. *Equitable adjustments.* When the work under Stage I of this Contract is increased or decreased by a modification to Task Orders or when any equitable adjustment in the cost is authorized under any other Section, equitable adjustments in the cost and fixed fee as appropriate shall be stated in a modification to the Task Order.

c. *Task Order modification.* The total allowable cost and the adjusted fixed fee determined as provided in this Section shall be evidenced by a modification to the Task Order signed by the Contractor and Buyer.

XI. COST PLUS INCENTIVE FEE (Applicable to STAGE II)

a. *General.* The Corporation shall pay the Contractor for performing this Contract its allowable costs plus a fee determined as provided in this Contract. During Stage II Subcontractor's target fee shall be ***** percent (*****%) of Subcontractor's target cost. Fee will be provisionally billed with each invoice on the basis of *****% of the total cost invoiced. Upon issuance of the final billing under the contract and determination of the incentive fee earned, provisional fee invoiced will be reconciled and an adjustment, positive or negative, will be added to the final invoice. Subcontractor's target cost for Stage II shall be subject to adjustment as a result of changes to the Subcontract pursuant to the changes clause.

b. *Target cost and target fee.* The target cost and target fee under Stage II of this Contract will be determined at the individual Task Order level and are subject to adjustment in accordance with subsection d of this Section.

USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886

c. *Equitable adjustments.* When the work under Task Orders is increased or decreased by a modification to the Task Order or when any equitable adjustment in the target cost is authorized under any other Section, equitable adjustments in the target cost, target fee, minimum fee, and maximum fee, as appropriate, shall be stated in a modification to the Task Order.

d. *Fee payable.*

(i) The fee payable under this Contract shall be the target fee increased: (i) by ***** for every dollar that the target cost is less than the target cost; or decreased by ***** for every dollar that the target cost exceeds the target cost. In no event shall the fee be greater than ***** percent or less than ***** percent of the total target cost.

(ii) If this Contract is terminated in its entirety, the portion of the target fee payable shall not be subject to an increase or decrease as provided in this Section. The termination shall be accomplished in accordance with other applicable Sections of this Contract.

(iii) For the purpose of fee adjustment, target cost may be adjusted by mutual agreement between the Buyer and the Contractor based on agreed scope changes or other negotiated changes.

(iv) Fee will be provisionally billed with each invoice on the basis of *****% of the total cost invoiced. Such provisional billing rate will be reviewed quarterly and adjusted up or down based on projected target cost. Upon issuance of the final billing under Stage II of this contract and determination of the incentive fee earned, provisional fee invoiced will be reconciled and an adjustment, positive or negative, will be added to the final invoice.

(v) The Corporation and the Contractor agree to pursue development of award fee incentives for items such as schedule, safety, regulatory performance, etc. to be negotiated and mutually agreed for Stage II.

e. *Contract modification.* The target cost and the adjusted fee determined as provided in this Section shall be evidenced by a modification to the Task Order signed by the Contractor and Buyer.

XII. TARGET PRICE WITH INCENTIVE FEE (Applicable to STAGE III)

a. *General.* The Corporation shall pay the Contractor for performing Stage III of this Contract its target costs plus a fee determined as provided in this Contract; provided, that in no event shall the total final cost exceed the ceiling cost as determined below. The target fee for Stage III will be *****% of the target cost, as adjusted.

b. *Ceiling Cost, Target cost and target fee.* The ceiling cost, target cost and target fee for Stage III will be determined at the Task Order level and are subject to adjustment in accordance with subsections d and e of this Section.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

c. *Equitable adjustments.* When the work under Task Orders is increased or decreased by a modification to the Task Order or when any equitable adjustment in the target cost is authorized under any other Section, equitable adjustments in the target cost, ceiling cost, target fee, minimum fee, and maximum fee, as appropriate, shall be stated in a modification to the Task Order.

(d) The Ceiling cost will be the target cost, as adjusted, multiplied by a factor of *****. Total payments during Stage III will not be greater than the ceiling cost.

e. *Fee payable.*

(i) The fee payable under this Contract shall be the target fee increased by ***** for every dollar that the total allowable cost is less than the target cost or decreased by ***** for every dollar that the total allowable cost exceeds the target cost. In no event shall the fee be greater than ***** percent of the target cost or less than *****.

(ii) If this Contract is terminated in its entirety, the portion of the target fee payable shall not be subject to an increase or decrease as provided in this Section. The termination shall be accomplished in accordance with other applicable Sections of this Contract.

(iii) For the purpose of fee adjustment, target cost may be adjusted by mutual agreement between the Buyer and the Contractor based on agreed scope changes or other negotiated changes.

(iv) Fee will be provisionally billed with each invoice on the basis of *****% of the total cost invoiced. Such provisional billing rate will be reviewed quarterly and adjusted up or down based on projected target cost. Upon issuance of the final billing under Stage III of this contract and determination of the incentive fee earned, provisional fee invoiced will be reconciled and an adjustment, positive or negative, will be added to the final invoice.

(v) The Corporation and the Contractor agree to pursue development of award fee incentives for items such as schedule, safety, regulatory performance, etc. to be negotiated and mutually agreed for Stage III.

e. *Contract modification.* The target cost and the adjusted fee determined as provided in this Section shall be evidenced by a modification to the Task Order signed by the Contractor and Buyer.

XIII. LIQUIDATED DAMAGES (Applicable to Stage 3)

Provisions for Liquidated Damages are based on Contractor providing Deliverables to the Piketon, OH facility in accordance with the mutually agreed upon Production/Delivery Schedule. Damages assessed pursuant to this clause will accrue commencing on the second consecutive business day that the Contractor fails to provide Deliverables in accordance with the Production/Delivery Schedule as follows:

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

- (i.) In the event that the Contractor fails to deliver the required quantity of Deliverables for between two and one-half and four consecutive business days, the Contractor shall be assessed Liquidated Damages in the amount of \$***** per business day.
- (ii.) In the event that the Contractor fails to deliver the required quantity of Deliverables for greater than four consecutive business days, the Contractor shall be assessed Liquidated Damages in the amount of \$***** per business day.
- (iii.) The total maximum Liquidated Damages that will be assessed to the Contractor during the term of this contract shall be limited to \$***** (***** dollars).
- (iv.) For purposes of determining Liquidated Damages under this clause, delivery shall be defined as delivery of Deliverables at the USEC facility in Piketon, OH in accordance with the baseline component Production/Delivery Schedule mutually agreed to between USEC and the Contractor prior to the commencement of Stage 3.
- (v.) It is understood that the assessed value of Liquidated Damages will be prorated based on the degree to which the Contractor fails to provide the requisite number of Deliverables. (e.g. During full production, when the Production/Delivery Schedule is established as 20 Deliverables per business day, 5 percent of the applicable daily penalty will be assessed for each Deliverable not provided to the Piketon, OH facility in accordance with Production/Delivery Schedule).
- (vi.) It is understood that the Contractor shall not be assessed Liquidated Damages when the delay in delivery or performance is due to a Force Majeure, design deficiencies, design changes, schedule changes not mutually agreed to between USEC and the Contractor, delays in obtaining any required USEC approvals, unavailability of suitable shipping containers, impacts emanating from labor disputes not caused by the Contractor's failure to act in good faith, or transportation related delays that are beyond the reasonable responsibility or control of the Contractor. In the course of meeting the Production/Delivery Schedule, Contractor shall be permitted to use all reasonable approaches, such as maintaining its own inventory at the Contractor's facility.

XIV. NOTICES. (Applicable to ALL STAGES)

Any notice, request, demand, claim or other communication related to this Contract shall be in writing and delivered by hand or transmitted by telecopier, registered mail (postage prepaid) or overnight courier to the other Party at the following numbers and addresses:

Contractor: *****
 BWXT CR, LLC
 Care of:
 BWXT Technologies
 Lynchburg, VA, 24505
 Note: address to be updated when new office is established

USEC: *****

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

757 Boeing Road
Oak Ridge, TN 37830

XV. Guarantees. (Applicable to ALL STAGES)

Upon assignment of this contract to BWXT Clinch River, LLC pursuant to Article 3 of the General Terms and Conditions, BWXT Services, Inc. hereby guarantees the performance of all of the obligations of its wholly owned subsidiary BWXT, Clinch River, LLC under this Contract including any obligations under any task orders issued under the Contract and any amendments or modifications of the Contract. In the event, USEC Inc. assigns the Contract to an affiliate pursuant to Article 3, USEC, Inc. hereby guarantees the performance of all of the obligations of its affiliate under this Contract including any obligations under any task orders issued under the Contract and any amendments or modifications of the Contract.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

Attachment A TRAVEL

A. Air Travel

Air travel is authorized only when a less expensive means of accomplishing the business objective is unavailable (i.e., telephone, conference calls, video conferencing, etc). Reservations must be made as far in advance as possible in order to take advantage of any advance booking discounts which may be available.

The lowest cost air routing, consistent with reasonable time and cost considerations, shall be used. As a minimum, the Lowest Logical Airfare (*as defined below) which is offered by the Company's designated travel agencies at the time of the booking shall be used, without regard to the airline involved or any airline-sponsored bonus/benefit programs to which the employee may belong.

The travel agent will offer the minimum Lowest Logical Airfare. *The minimum Lowest Logical Airfare is the lowest available airfare within the following parameters:

Departures and arrivals should be within two hours of the desired time.

There should be no more than one interim stop each way (domestic).

There should be no scheduled lay-over period which exceeds two hours for domestic or four hours for international flights.

The cost of the round-trip airfare should provide savings of at least \$100.

Employees are required to clearly identify to the travel agent any additional parameters which may be used to identify the lowest available airfare(e.g., the employee's schedule may be flexible enough to allow him/her additional considerations, such as, staying over a Saturday night; accepting the cheapest airfare regardless of transit time or en route stops; accepting a non-refundable ticket; etc.).

Employees shall be required to obtain written authorization from their supervisors and/or higher management prior to making reservations for air travel with costs exceeding the lowest logical airfare.

B. CLASS OF TRAVEL

All employees shall be required to use economy class travel for domestic and business class (or economy class when business class is unavailable) for international travel, except as follows:

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

Elected Vice Presidents and above, including the Corporate Treasurer and subsidiary heads, may use first class air travel accommodations for both domestic and international travel.

Others designated by the CEO may use first class air travel accommodations for international travel only.

When two employees must travel together on the same aircraft and only one of them is eligible to fly first-class, the non-eligible employee may be eligible to fly first class if such a seating arrangement is necessary to enable the two employees to conduct business during the flight. A written request from the employee who is eligible to fly first class must be issued to the travel agency prior to booking the flight for the non-eligible employee. A copy of the request must be attached to the employee's expense account in order to receive reimbursement for the upgrade in airfare.

An employee who is required to travel with a customer shall be eligible to fly first class if the customer has arranged to fly first class and it is necessary for the two to conduct business during the flight. The employee must obtain written approval from his/her Division Head or higher management prior to making any first-class air travel reservations for this reason. A copy of the written approval must be attached to the employee's expense account in order to receive reimbursement for the first class airfare.

Hourly employees shall use only economy class air travel accommodations for both domestic and international air travel.

C. AIR TRAVEL RESTRICTIONS

Not more than three (3) senior executives from within the corporate staff or any operating unit, division or department within the Company shall travel on the same aircraft at the same time.

Executive, managerial, or technical employees from within the corporate staff or the same operating unit, division, or department of the Company shall not travel on the same aircraft if the loss of such personnel would seriously affect or hamper the operations of the Company.

D. COMMUNICATIONS

Business-related communication expenses that are substantiated by appropriate receipts shall be reimbursed. All communications should be conducted by the most efficient and least expensive means available. Company-supplied AVN voice network phone cards or calling cards should be used when and where available. Calls should not be billed to hotel rooms when a Company-supplied calling card can be used. Hotel FAX facilities should be used only when essential. Special discretion should be exercised in frequency and length of phone calls home. Cellular phones are to be used when no other phones are available.

E. CHANGES IN TRAVEL ARRANGEMENTS

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

When changes in travel planning require either cancellation or revision of airline tickets, the Company's designated travel agent must be notified immediately so that the necessary changes can be made. (The Company's designated travel agent shall provide travelers with telephone numbers which can be used to obtain the agency's assistance on weekends and after hours.) Travel changes made en route which do not require fare changes can normally be handled directly at the airline ticket counter.

F. AIRCRAFT CHARTERING

Corporate policy and procedure 1222-003 shall be followed for all matters relative to the use of aircraft charter services and the use of Company aircraft, respectively.

Any aircraft charter shall be approved by the Corporation in advance of proposed travel.

G. Reserved

H. INCIDENTAL/MISCELLANEOUS TRAVEL EXPENSES

The following are examples of incidental expenses which are reimbursable when directly related to business travel:

- Tips for porters, bellhops, hotel maids, waiters, etc. (must be reasonable for the services rendered) – in the Federal Travel Regulations, these are reimbursed as part of Meals & Incidentals (M&I) rate
- Tips for taxis are not incidental expenses but are reimbursed as part of ground transportation expenses.
- Laundry/dry cleaning/valet for trips which exceed 7 days in duration – in M&I rate
- Parking
- Toll fees
- Currency conversions
- Traveler cheque fees
- Telephone (See Statement I.D above. Air and car phone usage is discouraged.)
- Passport and visa charges
- Immunizations required for the trip

The Following are examples of incidental expenses which are not reimbursable:

- Baby-sitter fees
- Personal toiletries and medicines
- Barber/hair stylist
- Traffic fines
- Luggage, briefcases, luggage carriers, etc.
- Personal injury insurance
- Magazines, books, newspapers
- Lost or stolen personal property
- Travel accident insurance
- Medical expenses/Prescriptions

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

- Flowers and gifts
- Contributions
- Lawn Care Services while on Business
- Dog Kennel Fees

NOTE: The Company maintains travel accident insurance which provides coverage for all employees traveling on Company business. Reimbursement shall not be made for additional travel accident insurance purchased by the employee.

I. LODGING

All reservations for lodging during business travel must be made through the Company's designated travel agent. The Company's travel agent has negotiated preferred rates with certain hotels, and employees are required to use these hotels whenever available. Accommodations should be reasonably priced (follow the Federal Travel Regulations lodging rates wherever possible).

Employees shall be responsible to ensure that their hotel cancellations are made. "No-show" charges are not reimbursable unless they are for reasons beyond the traveler's control.

J. MEETINGS AND GROUP TRAVEL

The Company's designated travel agents are the sole authorized sources for arrangements relative to group or meeting travel. Any department which is planning to sponsor group or meeting travel involving ten (10) or more participants should identify the event to the designated travel agency to ensure that available discounts are obtained and applied.

K. MEALS AND ENTERTAINMENT

Meal expenses while traveling shall be reasonable and reflect a sense of equity on the part of the employee. It is expected that meal costs will be consistent with the geographic area and/or the occasion or event. Follow the Federal Travel Regulations for maximum allowable M&I rates. Tips for meals are included in the expense of meals and should not exceed 15%, unless charged because of size of party. Any daily total of meals greater than the appropriate FTR rate will be reported to the employee's operating unit or cost center manager when determined excessive. (Refer to your specific division procedure for details)

Business meals and entertainment at restaurants, night clubs, golf clubs and courses, ball games, etc., shall be reimbursable only if they are directly related to the active conduct of business, or if the meal or entertainment precedes or follows a substantial, bona fide business discussion. The employee must attend the business meal or entertainment with a customer(s) or vendor(s) in order for the expenditure to be reimbursable.

No reimbursements shall be made for expenses relative to meals and entertainment for local fellow employees, except as follows:

- Meals and entertainment which has been organized under an approved employee relations activity.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

- Meals for local employees when work extends beyond normal work hours if the business involved cannot be conducted during the course of the normal working day.
- Meals for employees at local Company-sponsored training programs and seminars, at the discretion of local management.

Member of employee's families are included as a Company expense only when a customer has members of his family present, when the Company requests that a family member be present, or when family members are included in a "Special Event".

L. USE OF PERSONAL CARS

Employees may wish to utilize their personal cars for business travel when other transportation is unavailable or less economical. Mileage for the use of personal cars for business purposes shall be reimbursed in accordance with the rate which is periodically announced by the Director, Corporate Materials and Transportation. Mileage to and from the airport is only permissible beyond normal mileage to and from work.

M. RENTAL CARS

Cars shall be rented by employees only when other means of transportation are unavailable, more costly, or impractical. The use of a rental car must be justified as a business need and not as a matter of personal convenience. A mid-size car is required, unless it will not meet the requirements of the task.

All car rentals shall be arranged through the Company's designated travel agent (see I.C. above). The Company's preferred suppliers shall be used whenever possible. In the event the preferred suppliers are unable to provide a car, the employee may obtain a car from another available rental car agency (or rental source), on a short-term basis. (See Corporate Policy 1222-001 for further information on the Company's Rental Car Program.)

The employee shall be responsible to refuel the rented vehicle before returning it to the rental supplier in order to minimize the refueling cost. The use of the "Fuel Purchase Option" offered by some rental car companies is generally more expensive than refueling the vehicle prior to its return. This option should not be selected.

The cost of Collision Damage Waiver and Loss Damage Waiver agreements may or may not be reimbursable, dependent upon several variables (e.g., the country(ies) where travel is to take place, the existence of any coverages which may be provided via credit card programs, etc). The Company's designated travel agent is provided specific instructions relative to this subject by the Director, Corporate Materials and Transportation, and employees should inquire as to whether they will need to obtain these coverages prior to travel.

In the event of an accident, the employee shall be responsible to report the event to both the rental car agency (in accordance with the rental agreement), and either the Company's designated travel agent, the employee's Department Head, or the Corporate Transportation Department.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

N. TAXI AND OTHER LOCAL TRANSPORTATION

The cost of taxi service to and from places of business, hotels, airports or railroad stations in connection with business activities is reimbursable. Taxi use is authorized only when a more economical service (e.g., hotel vans, shuttles, etc.) is not available. Employees are encouraged to utilize public transportation whenever feasible.

O. COMBINED BUSINESS AND PERSONAL TRAVEL

When personal travel is combined with business travel, the employee shall be reimbursed for the lowest logical fares for only the business portion of the trip, with the amount determined as of the date ticketed. Details of personal travel must be identified separately at the time of booking, as well as on the employee's expense account report.

All combined business and personal travel shall be approved by the Corporation in advance of proposed travel.

P. SPOUSAL TRAVEL

Spousal travel shall be handled in accordance with Corporate Policy 1222-010. The presence of an employee's spouse may be appropriate or necessary at certain meetings, conferences or other business-related functions. In such cases, the Company will bear the travel and living expenses of the employee's spouse. Employee's requesting spousal accompaniment on business travel must obtain advance approvals from the appropriate Division Head as well as the President of BWXT (use form ADM No. 827, Employee Spousal Travel Authorization which includes each spouse who will traveled, their travel destination, the reason for the trip, and the total cost associated with the spouse).

All spousal travel shall be approved by the Corporation in advance of proposed travel.

Q. TRAVEL ARRANGER INCENTIVE PROGRAMS/SECRETARY CLUBS, ETC.

The Company's designated travel agent shall be utilized for all business-related travel arrangements. No employee shall accept cash, free or discounted airline tickets, free or discounted hotel rooms, or any other offering of value in exchange for their services in arranging Company-related travel.

R. TRAVEL CLUBS

Due to the nature of our business and the amount of travel incurred by employees, we will allow the purchase of one airline club membership for employees that are direct reports to the General Manager or travel greater than 50,000 air miles a year if approved by the Division Head. Any other expenses associated with any form of travel airline club, or rental car expediting service program (other than those arranged by the Company) shall not be reimbursable.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

S. UPGRADES USING FREQUENT TRAVELERS AWARDS OR OTHER FORMS OF PAYMENT

Upgrades are prohibited when the upgrade results in a higher cost to the Company, other than would have occurred in the absence of the upgrade.

T. WEEKEND TRAVEL

If the employee elects to achieve a lower overall trip cost through the use of restricted, discounted airfares by extending the trip for a certain duration (i.e., stay over a Saturday night or both nights of a weekend), the Company shall reimburse hotel and reasonable meal expenses for the extended stay. These expenses shall not exceed the amount of savings realized from the discounted airfare.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

TABLE OF CONTENTS

Heading	Paragraph
Applicable Law	22.
Assignment	3.
Code of Conduct	40.
Compliance with Laws	23.
Compliance with Nuclear Safety and Safeguards and Security Requirements	39.
Confidentiality	32.
Conflict of Interest	8.
Contract Management	18.
Contract Modifications	19.
Contractor Representations	4.
Contractor Status	28.
Corporation Rules and Regulations	38.
Definitions	1.
Delivery	7.
Dispute Resolution	20.
Entire Agreement	2.
Furnished Property	24.
Hazardous Material and Asbestos	13.
Headings	27.
Indemnification	15.
Inspection and Rejection	9.
Insurance	41.
Intellectual Property	33.
Key Personnel; Workforce	6.
Limitation of Liability	11.
Materials and Heat Treatment	14.
Miscellaneous	36.
Non Waiver or Default	25.
Payment	16.
Precedence	31.
Preexisting Conditions	42.
Price-Anderson Indemnification	37.
Remedies for Breach of Warranty	11.
Security of Classified Information and Controlled Areas	34.
Severability	30.
Standards of Performance	5.
Survival	26.
Taxes	17.
Termination and Suspension of This Contract	21.
Third Party Beneficiaries	29.
Title and Risk of Loss	12.
Waiver for Claims Due to Nuclear Incidents	35.
Warranties	10.
Workforce	6.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

1. DEFINITIONS.

As used throughout this Contract, the following terms, whether in the singular or plural, when used with initial capitalization, shall have the meanings set forth below:

- (a) The term "Buyer" means the Corporation's Procurement Director or his/her designated Procurement representative.
- (b) The term "Conflict Of Interest" means that, because of other activities or relationships with other persons (including, without limitation, competitors of the Corporation) Contractor is unable or potentially unable to render impartial assistance or advice to the Corporation, or Contractor's objectivity in performing under this Contract is or might be otherwise impaired.
- (c) The term "Contract" means the contractual agreement between the Corporation and Contractor which includes (i) the terms and conditions herein, (ii) any supplements to the terms and conditions herein agreed by the Parties, (iii) any item descriptions, Specifications or Drawings incorporated herein or attached hereto, and (iv) any instructions submitted to Contractor by Buyer in connection with this Contract.
- (d) The term "Contract Price" means the total price for the Supplies set forth on the face of the Contract and includes all applicable Federal, State and local taxes and duties except for those set forth in Paragraph 18(a).
- (e) The term "Contractor" means the individual or business entity that has entered into this Contract with the Corporation.
- (f) The term "Corporation" means USEC Inc.
- (g) The term "Corporation Facility" means any property or facility owned or leased by the Corporation.
- (h) The term "Default" shall have the meaning ascribed to it in the Paragraph entitled "Termination and Suspension of This Contract."
- (i) The term "Deliverables" means the tangible product or products of the Services including but not limited to Centrifuge Assemblies as more fully described in applicable task orders.
- (j) The term "Drawings" means all the drawings, sketches, or maps referenced in this Contract and also such supplementary drawings, sketches or maps as the Buyer may issue from time to time.
- (k) The term "Force Majeure" shall have the meaning ascribed to it in the Paragraph entitled "Termination and Suspension of This Contract."
- (l) The term "Furnished Property" shall have the meaning ascribed to it in the Paragraph entitled "Furnished Property".
- (m) The term "Party" refers to the Corporation or the Contractor individually and the term "Parties" refers to both the Corporation and the Contractor collectively.
- (n) The term "Services" means the services described in the Statement of Work to be provided/performed by Contractor.
- (o) The term "Specifications" means all the terms and stipulations contained in the document entitled "Specifications" and includes those portions known as "specific contract requirements" and such amendments, revisions, deductions or additions as may be issued in writing, from time to time, by the Buyer, pertaining to the quantities and qualities of the Supplies to be furnished under this Contract.
- (p) The term "Statement of Work" or "SOW" means the description of the Work to be performed by Contractor pursuant to this Contract attached and hereby incorporated into the Contract. The Statement of Work may be a separate document labeled "Statement of Work" or incorporated in the terms herein, or both.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

(q) The term “Supplies” means any materials, components or goods required to be furnished by Contractor in the performance of Services under this Contract.

(r) The term “Work” means the Services, Deliverables and Supplies.

2. ENTIRE AGREEMENT.

The whole and entire agreement of the Parties with respect to the subject matter hereto, is set forth in this Contract; and the Parties are not bound by any prior agreements, understandings or conditions other than as expressly set forth herein. THIS CONTRACT IS LIMITED TO THE TERMS AND CONDITIONS SPECIFIED HEREIN, ON THE FACE OF THE CONTRACT AND IN ANY ATTACHMENTS THERETO PROVIDED BY THE CORPORATION OR SPECIFICALLY AGREED TO BY THE CORPORATION IN WRITING. THE CORPORATION DOES NOT AGREE TO ANY PROPOSED ADDITION, ALTERATION OR DELETION OF THESE TERMS. THIS CONTRACT CAN ONLY BE VARIED BY WRITTEN AGREEMENT SIGNED BY BOTH PARTIES. ANY ACKNOWLEDGEMENT OF THIS CONTRACT SIGNED OR SUBMITTED BY CONTRACTOR OR ANY OTHER STATEMENT OR WRITING OF CONTRACTOR SHALL NOT BE DEEMED TO ALTER, ADD TO, OR OTHERWISE AFFECT THESE TERMS ABSENT THE BUYER’S WRITTEN AGREEMENT.

3. ASSIGNMENT

It is understood that the Contractor will assign this contract to BWXT Clinch River, LLC upon approval of Foreign Ownership Influence or Control (FOCI) for BWXT Clinch River. Beyond this assignment, contractor may not assign this Contract. The rights and obligations of Contractor under this Contract are personal to Contractor and may not be delegated or subcontracted to any other entity, in whole or in part, without the prior written consent of the Corporation. The Corporation shall have the right to assign this Contract including all rights, benefits and obligations hereunder to any affiliate of the Corporation without Contractor’s consent.

4. CONTRACTOR’S REPRESENTATIONS.

(a) Contractor’s Representations. The Contractor, and the person signing this Contract on the Contractor’s behalf, each hereby make the following representations to the Corporation:

- (i) The Contractor is a merchant in the business of providing the Work called for by this Contract and is not acting as an agent for any other person or entity in providing such Work;
- (ii) The Contractor has all power and authority required to execute, deliver and perform this Contract, and the Contractor has sufficient staff and other resources to carry out its duties hereunder in a prompt, efficient and diligent manner;
- (iii) The execution, delivery and performance of this Contract by the Contractor and by the person signing this Contract on behalf of the Contractor have been duly authorized by all necessary corporate or partnership action;
- (iv) This Contract constitutes a legal, valid and binding agreement of the Contractor, enforceable against the Contractor in accordance with its terms, except as limited by bankruptcy, insolvency, receivership or other similar laws affecting or relating to the rights of creditors generally;

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

(v) The Contractor has or will obtain, maintain and comply with all licenses and permits necessary to legally and validly execute, deliver and perform this Contract;

(vi) The representations and certificates made in, or submitted with, the Contractor's proposal, have been duly authorized, made and executed and are true and correct as if made herein and as of the date hereof; and

(vii) The Contractor has the right to make all disclosures to, and assignments of intellectual property rights to, the Corporation as required under this Contract.

(viii) Except as disclosed in an attached schedule, Contractor has no Conflict of Interest in performing this Contract.

(b) Corporation's Representations. The Corporation, and the person signing this Contract on the Corporation's behalf, each hereby make the following representations to the Contractor:

(i) The Corporation has all power and authority required to execute, deliver and perform this Contract;

(ii) The execution, delivery and performance of this Contract by the Corporation and by the person signing this Contract on behalf of the Corporation have been duly authorized by all necessary corporate or partnership action;

(iii) This Contract constitutes a legal, valid and binding agreement of the Corporation, enforceable against the Corporation in accordance with its terms, except as limited by bankruptcy, insolvency, receivership or other similar laws affecting or relating to the rights of creditors generally;

(iv) The Corporation has the right to make all disclosures including intellectual property to the Contractor as may be required under this Contract.

(c) Condition. Each Party acknowledges that the it has relied on the truth, accuracy and completeness of the foregoing representations in entering into this Contract and thus such truth, accuracy and completeness shall be deemed a condition to any right of payment or performance by each Party under this Contract.

5. STANDARDS OF PERFORMANCE.

Contractor shall be responsible for the professional quality, technical accuracy and coordination of all Work furnished by Contractor under this Contract. In connection with the foregoing, Contractor shall expend its reasonable professional efforts to perform the Work at the locations set forth in this Contract (or in a Release issued under this Contract, if applicable) with all due diligence, economy and efficiency, in accordance with the Contract; generally accepted techniques and practices in Contractor's industry; sound management and technical practices; and applicable law and regulations.

6. KEY PERSONNEL; WORK FORCE REASSIGNMENTS.

(a) Key Personnel Identified. The following personnel are each considered to be a "Key Person" and shall be assigned by Contractor to perform the Services.

*****	President and General Manager
*****	Operations
*****	Program Management
*****	ES&H & Performance Assurance
*****	Integrated Manufacturing

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

***** Business Management

(b) Key Personnel Replacement. Contractor shall not remove any Key Person from performing the Services without the prior written consent of USEC, and such consent shall not be unreasonable withheld. Contractor shall provide to USEC at least sixty (60) days notice to any Key Person becoming unavailable for a period of one (1) month or longer to perform the Services, unless the unavailability is not under the control of the Contractor, in which case Contractor shall notify USEC of such unavailability within three (3) Business Days of learning of same. Whenever any Key Person is unavailable for performance of the Services, Contractor agrees to replace such Key Person with an individual of substantially equal abilities and qualification acceptable to USEC. Contractor shall make such replacement not later than ten (10) Business Days prior to such Key Person becoming unavailable; provided, however, that Contractor shall have not less than twenty (20) Business Days from the day that Contractor learns of such unavailability to make such replacement. Contractor agrees to promptly re-task any employee (to include, without limitation, Key Persons) performing any of the Services who is unacceptable to USEC with an employee acceptable to USEC subject to the limitations of any applicable laws, regulations or collective bargaining agreements.

(c) Work Force Continuity. Contractor shall use its best efforts to maintain the continuity of individual workers that perform the Services. As such, Contractor shall not remove from performing the Services more that (a) *****% of the work force in any one (1) month period or (b) *****% of the work force in any three (3) month period, without first notifying USEC at least fifteen (15) days in advance of such action.

7. DELIVERY.

(a) The Contractor shall deliver the Supplies and perform all Work in accordance with the terms specified elsewhere in this Contract.

(b) UNLESS OTHERWISE STATED IN THIS CONTRACT, TIME SHALL BE DEEMED OF THE ESSENCE FOR DELIVERY OF SUPPLIES AND PERFORMANCE OF THE WORK. If the Contractor becomes aware of difficulty in providing the Supplies/Work, the Contractor shall timely notify the Buyer, in writing, giving pertinent details of the difficulty. This notification shall not change any delivery schedule.

(c) In the event of a change or termination for convenience, no claim will be allowed under the Paragraph entitled "Termination and Suspension of This Contract" for any costs arising out of the Contractor's manufacturing of Supplies in advance of the Contractor's normal production schedule unless there has been prior written consent by the Buyer.

(d) The Contractor shall wrap, pack, crate, load, enclose and brace the Supplies on the carrier in a good, workmanlike manner and in accordance with applicable law and regulation, and any specifications referred to in this Contract (or in the absence of such specifications, applicable trade practices in the U.S. industry).

8. CONFLICT OF INTEREST

(a) Prohibited Activities. Without the Corporation's prior written consent, during performance of this Contract and for a period of two (2) years after expiration or termination hereof, Contractor shall not perform any work that is the subject of specific authorized task orders under this Contract related to centrifuge components used to enrich uranium for a competitor of the Corporation.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

(b) Disclosure of Conflicts of Interest. In the event that Contractor discovers either a Conflict of Interest during the contract term or a material change in a Conflict of Interest that existed as of the date this Contract was awarded but that was waived by the Corporation, Contractor shall make an immediate and full disclosure thereof in writing to the Corporation including a description of the action that Contractor has taken or proposes to take to avoid or mitigate such new conflict or material change in a pre-existing conflict. Without limiting any other rights it may have under law or equity, the Corporation reserves the right to terminate this contract for default if it determines that the Contractor was aware of a Conflict of Interest prior to the award of this Contract and did not disclose the conflict to the Corporation prior to its award, or if the Contractor becomes aware of the Conflict of Interest after the award of this Contract and failed to promptly disclose such conflict to the Corporation.

(c) Subcontracts. The Contractor shall ensure that all subcontracts include protection against Conflicts of Interest acceptable to the Buyer.

9. INSPECTION AND REJECTION OF DELIVERABLES.

(a) Technical Representative. The Technical Representative shall be responsible for acceptance of all Deliverables submitted, and all Services performed under, this Contract based on approved manufacturing processes and the quality control plan. Acceptance of deliverables shall occur at Contractor's facility in Oak Ridge, TN.

(b) Rejection. Within a reasonable period of time for the completion of Services or shipment of Deliverables from Contractor's facility, the Technical Representative, by notice to Contractor, may reject a Deliverable of Service if the Technical Representative determines that such Deliverable or Service does not conform to the requirements of this Contract. Contractor shall have fifteen (15) days after receiving written notice of rejection to provide a cure schedule and, unless otherwise agreed, such cure shall be completed within a reasonable time after Contractor's receipt of such notice. If Contractor fails to cure, or the cure is deemed unacceptable or impracticable by the Technical representative, USEC shall have the right (i) if USEC has not yet paid for the rejected Service or Deliverable, to disallow that portion of any invoice covering such Service or Deliverable or (ii), if payment has already been made, to require Contractor to refund such payment. USEC may also accept the defective Service and Deliverable, subject to an equitable reduction in the amount due or paid to Contractor for such Service or Deliverable.

10. WARRANTIES.

(a) Basic Warranties. Contractor warrants to USEC that:

- (i) Contractor shall expend its reasonable professional efforts to provide Deliverables that conform with the specifications in the Contract.
- (ii) Contractor shall perform all of the Services pursuant to this Contract in a professional manner consistent with the standards of quality and care typical within the industry at the time of performance for similar work.
- (iii) Contractor will keep the Deliverables free of all liens, security interests or encumbrances, other than those created or agreed to by USEC.

(b) Warranty Term and Remedy.

- (i) The warranties set forth herein shall be effective for a period of one (1) year beginning upon Final Acceptance of the Deliverable.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

- (ii) Any Deliverable which does not conform with the warranty set forth herein, shall, within a reasonable period of time after notification to, or discovery by, Contractor of the defect, be repaired or reworked by Contractor.
- (iii) Any Services which do not conform with warranty obligations set forth herein shall be reformed by Contractor at Contractor's expense with a reasonable time from date of the notice to Contractor of the applicable deficiency.
- (iv) If Contractor disputes responsibility for correction, Contractor shall nevertheless proceed in accordance with any reasonable written request issued by USEC under this section to repair or rework the Deliverable or perform the Services. In the event it is later determined that the Deliverable or Services did conform to the terms of the warranty herein, the Contract shall be equitably adjusted to pay Contractor for such additional costs incurred in complying with USEC's instructions, plus a mutually agreed upon fee.
- (v) In order for the applicable warranty remedy to apply, written claim must be made by USEC within ninety (90) days from the date the defect is detected by USEC and in no event later than the expiration date of the applicable warranty period.

(c) Warranty Disclaimer and Exclusive Remedy for Breach of Warranty .

THE WARRANTIES AND REMEDIES FOR BREACH OF WARRANTY SET FORTH HEREIN ARE EXCLUSIVE, AND NO OTHER WARRANTIES OR REMEDIES FOR BREACH OF WARRANTY OF ANY KIND, WHETHER STATUTORY, WRITTEN, ORAL, EXPRESS, OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTIES OF PERFORMANCE, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, SHALL APPLY. THE SOLE LIABILITY OF CONTRACTOR AND THE EXCLUSIVE REMEDY OF USEC WITH RESPECT TO ANY ALLEDGED BREACH OF WARRANTY, WHETHER SUCH LIABILITY ARISES ON ACCOUNT OF CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, OR OTHERWISE, SHALL BE LIMITED TO THE REMEDIES SPECIFIED IN THIS ARTICLE.

(d) Other Warranties. In addition to the warranties provided herein, Contractor shall assign to USEC all manufacturer's warranties for equipment or items purchased by Contractor or perform Services under the Contract provided such things are USEC-funded and become the property of USEC pursuant to the terms of this Contract.

11. LIMITATION OF LIABILITY.

(a) Neither Party (including subcontractors of Contractor or customers and subcontractors of USEC) shall be liable to the other Party whether arising under contract, tort (including negligence), strict liability, or otherwise, for any special, indirect, incidental, or consequential loss or damage of any nature arising at any time from any cause whatsoever. Nothing herein shall be deemed to limit the liability of the Department of Energy under the Price-Anderson Act nuclear indemnity agreement extended to Contractor under Section 37 of this Contract.

(b) Except in regard to: (i) liabilities to USEC pursuant to Contractor's intentional violation of the provisions of Article 32; or (ii) liabilities to USEC pursuant to Article 35; the total liability of Contractor and its subcontractors, whether in contract, tort (negligence), strict liability or otherwise shall not exceed *****.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

12. TITLE AND RISK OF LOSS.

(a) **Corporation to Take Title.** (i) The Corporation shall hold title to all Deliverables completed and title to materials, equipment, and other things intended for incorporation into the Deliverable or for which the Corporation paid or reimbursed the Contractor, risk of loss shall pass to the Corporation upon acceptance of Deliverables at Contractor's facility, and title shall pass to the Corporation upon delivery at Corporation's Facility. Contractor shall retain title to all equipment and materials used by the Contractor but not intended to be incorporated into the Deliverable.

(ii) Unless this Contract specifically provides otherwise, title to Supplies shall remain with the Contractor until, and shall pass to the Corporation upon, delivery of the Supplies (i) to the carrier, if transportation is other than F.O.B. Destination; or (ii) the designated destination, if delivery is F.O.B. Destination. Risk of loss shall pass to the Corporation upon delivery of the Supplies to the carrier. In the event that delivery is other than F.O.B. Destination, the Contractor shall, upon the Buyer's request, arrange for delivery of the Supplies to the destination requested by the Corporation at the Corporation's cost. If the Supplies are subsequently rejected by the Corporation, title to, and risk of loss of (other than any loss due to the gross negligence of the Corporation), the Supplies shall revert to the Contractor on the date of such rejection. Rejected Supplies shall be disposed of in accordance with Subparagraph (f) of the Paragraph entitled "Remedies for Breach of Warranty."

(b) **Title to Property. In the event of termination and** unless otherwise provided explicitly in this Contract, the Corporation shall be deemed to acquire title to all supplies and materials (collectively, "Property") acquired by the Contractor hereunder at the Corporation's expense, upon the Corporation's payment therefore.

(c) **Contractor Risk of Loss.** (i) Notwithstanding the foregoing and prior to acceptance of the completed Deliverable by the Corporation, Contractor shall bear the risk of loss of, or damage to, the Deliverable or any equipment or materials used by the Contractor for the Deliverable.

(ii) Title to and risk of loss of defective Deliverables that are returned for replacement shall revert to the Contractor upon notice of the defect. If the Contractor fails to furnish timely disposition instructions, the Corporation may dispose of the defective Supplies for the Contractor's account in a reasonable manner.

(c) **Disclaimer.** The fact that the Corporation takes title to the Deliverable or to any equipment, materials or thing under this Paragraph, shall not be considered acceptance of such Deliverable, equipment, materials, or thing nor limit or affect the Corporation's right to require correction or replacement of defective or nonconforming Deliverable, equipment, material or thing or relieve the Contractor of any obligation under this Contract.

13. HAZARDOUS MATERIAL AND ASBESTOS.

Unless otherwise authorized elsewhere in this Contract, all Supplies furnished hereunder shall not contain asbestos or any other hazardous material.

14. MATERIALS AND HEAT TREATMENT.

In the event that the Contract includes material and heat treatment requirements, the Contractor shall furnish a statement signed by an authorized person within its quality organization stating that such requirements have been met. When a choice of materials is authorized, the statement shall indicate which materials were used in performance of this Contract.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

15. INDEMNIFICATION.

Except with respect to public liability for which USEC is indemnified pursuant to the Price Anderson Act, as amended, (see Section 37), and any other damage to or loss or impairment of the property equipment, facilities or business (including the economic value of such property, equipment, facilities or business) of USEC arising out of or resulting from, directly or indirectly, a nuclear incident (as defined in Section 11 of the Atomic Energy Act of 1954, as amended) in any way related to the manufacturing work and services being performed by Contractor under this Agreement, Contractor shall indemnify, save harmless and defend USEC and its directors, officers, employees, contractors or agents from and against any and all liabilities, claims, penalties, forfeitures or suits (collectively, "Claims") and the costs and expenses incident thereto (including cost of defense, settlement and reasonable attorneys' fees) (collective, "Costs"), which they or any of them may hereafter incur, become responsible for or pay out as a result of death or bodily injuries to any person, destruction or damage to any property, contamination of or adverse effects on the environment, or any violation of laws, regulations or orders, caused by or arising out of, in whole or in part, Contractor's performance of or failure to perform any services or other obligations assumed by Contractor under this Contract. Notwithstanding the foregoing, the financial obligation of Contractor under this Section shall be reduced to the extent such Claims or costs arise from the negligence, strict liability or fault of USEC, its directors, officers, employees, agents or contractors (other than Contractor or Contractor's subcontractors or suppliers), which negligence, strict liability or fault shall be determined on a comparative negligence basis. For clarity, the parties understand and agree that this indemnification, save harmless and defense obligation does not extend to any Claims by USEC or its directors, officers, employees, agents or contractors for damage to or loss or impairment of the property equipment, facilities or business (including the economic value of such property, equipment, facilities or business) of USEC or its directors, officers, employees, agents or contractors that result either directly or indirectly from a nuclear incident as that term is defined and understood in the Atomic Energy Act of 1954, as amended, regardless of whether the Claims are caused, in whole or in part, by the negligence, strict liability or other fault of Contractor and that USEC hereby releases Contractor from and against any such Claims.

16. PAYMENT.

- (a) Upon the submission of an acceptable invoice and subject to acceptance by the Corporation of the Work covered thereby, the Corporation shall pay Contractor the Contract Price for such Work, to the extent that Contractor has not been previously paid therefore. Unless otherwise specifically provided elsewhere in this Contract, Contractor shall submit invoices as the Work progress, but not more often than once per month.
- (b) Invoices shall be submitted to the attention of the Corporation's Accounts Payable Group at the address shown on the face of the Contract.
- (c) Only invoices that are determined by the Corporation to be acceptable will be processed for payment. Invoices must include:
 - (i) Contractor's name and address;
 - (ii) Invoice date;
 - (iii) Contract number and line item number;
 - (iv) Description, quantity, unit of measure, unit price and extended price of Work delivered;

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

- (v) Shipping number and date of shipment including the bill of lading number and weight of shipment if shipped other than F.O.B. Destination;
 - (vi) Terms of any prompt payment discount offered;
 - (vii) Name, title and mailing address of the person or office to whom payment is to be sent;
 - (viii) Name, title, phone number and mailing address of the person or office to be notified in event of an unacceptable invoice; and
 - (ix) Any information or document required by the other requirements of this Contract.
 - (x) All federal, state and local taxes which must be paid by Contractor (i.e. those taxes that the Corporation does not pay directly to a State or Commonwealth on its direct payment permits);
- (d) If any invoice is determined to be unacceptable, the Corporation shall notify Contractor of the defect within a reasonable time after receipt of the invoice by the Accounts Payable Group.
- (e) Payment shall be by wire transfer to:
- *****
- (f) Untimely payment of Contractor invoices or fee shall result in an ***** percent per annum (***** % per annum) late fee on any balance not paid within thirty (30) days of the Corporation's receipt of an acceptable invoice.

17. TAXES.

(a) Sales and Use Tax. Unless separately stated elsewhere in this Contract, any sales or use taxes applicable to Work performed or tangible personal property provided in Ohio shall be paid, to the extent practicable, by the Corporation directly to the State on a Direct Payment Permit. Contractor agrees that the prices, fees, charges (including expenses for which Contractor seeks reimbursement to or other consideration) to be paid by the Corporation under the Contract shall not include any such Ohio sales and use taxes. All other sales or use taxes shall be paid by Contractor and billed to the Corporation unless the Corporation provides exemption certificates stating the statutory reason for claiming the exemption.

(b) Prices and Charges Include Taxes. Except for sales and use taxes paid by the Corporation pursuant to Subparagraph (a) of this Paragraph, Contractor agrees that the price charged for fixed price Work, and the amounts charged for labor and costs for time and materials Work includes all applicable federal, state and local taxes, duties and governmental charges ("**Taxes**") Contractor incurred under this Contract other than those that Contractor is legally obliged to charge to, and collect from, the Corporation. Those Taxes that Contractor is obliged to charge to, and collect from, the Corporation shall be listed separately on any invoice for the Work to which such Taxes are attributable. Contractor shall take any steps reasonably requested by the Corporation to lawfully minimize the Corporation's liability for Taxes.

(c) Exclusive Liability for Certain Taxes. The Contractor hereby assumes sole and exclusive liability for income, franchise or other taxes associated with the Contractor's business operations and for all taxes and/or contributions, however they may be designated, the payment of which may be required under the Federal Social Security Act and under unemployment insurance laws or unemployment compensation laws, however they may be designated, of the several states, with respect to employees employed by the Contractor in the performance of services subject to this Contract.

(d) Disclosure. The Corporation (and each employee, representative, or other agent of the Corporation) may disclose to any and all persons, without limitation of any kind, the tax

USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886

treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to the Corporation relating to such tax treatment and tax structure.

18. CONTRACT MANAGEMENT.

(a) Buyer. Unless otherwise stated in this Contract, any action that may be taken by the Corporation in this Contract may only be taken by the Buyer (such action shall bind the Corporation unless it violates applicable law or governmental regulations). In addition to the foregoing authority, the Buyer may also take any action expressly reserved for the Technical Representative (as described in subparagraph (b) of this Paragraph), if any, and may override any decision of the Technical Representative. All actions taken by the Buyer shall bind the Corporation unless such actions violate applicable law or governmental regulations. In such event, Contractor will not be obligated to comply with Buyer's direction and will provide corresponding notice to Corporation. The Buyer may replace the Technical Representative and shall provide written notice thereof to the Contractor.

(b) Technical Representative. The Technical Representative, if one is designated elsewhere in this Contract, shall be authorized to provide Technical Direction (as defined in Subparagraph (c)) relating to the performance of the Contractor's obligations under this Contract. All actions taken by the Technical Representative prior to his or her replacement hereunder shall bind the Corporation unless such action violates applicable law or governmental regulations. In such event, Contractor will not be obligated to comply with Technical Representative's direction and will provide corresponding notice to Corporation. If no Technical Representative is designated in this Contract, all actions shall be taken by the Buyer.

(c) Technical Direction. (i) The Contractor's performance of this Contract shall be subject to the Technical Direction of the Technical Representative if one is so designated or the Buyer if a Technical Representative is not designated. "Technical Direction" includes, without limitation: (A) directions to the Contractor that shift work emphasis between work areas of this Contract, require pursuit of certain lines of inquiry, fill in details or otherwise serve to accomplish performance of this Contract; (B) provision of written information to the Contractor that assists in the interpretation of drawings, specifications or technical portions of this Contract; and (C) review and acceptance, on the Corporation's behalf, of anything required to be provided by the Contractor under this Contract; provided, however that none of the foregoing Technical Direction shall be deemed to alter the status of the Contractor as an independent contractor.

(ii) All Technical Direction must be within the scope of this Contract and significant Technical Direction shall be issued in writing by the Technical Representative or the Buyer. Any Technical Direction issued pursuant to this Subparagraph (c) shall not result in any additional payment to the Contractor. The Technical Representative does not have the authority to, and may not, issue any Technical Direction that: (A) requires additional services outside of the scope of this Contract; (B) alters any written performance schedule included in the Contract or agreed to by the Buyer; (C) changes the terms of this Contract; or (D) interferes with the Contractor's right to perform its obligations in accordance with this Contract.

(iii) The Contractor shall proceed promptly to perform any Technical Direction issued by the Technical Representative in the manner prescribed by and within the Technical Representative's authority. If, in the opinion of the Contractor, any Technical Direction violates Subparagraph (c)(ii) of this Paragraph, the Contractor shall: (A) notify the Buyer in writing immediately after receipt of any such Technical Direction; (B) request in writing that the Buyer

USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886

modify this Contract accordingly; and (C) unless otherwise directed by the Buyer, continue performance of this Contract without complying with the Technical Direction in question, pending a decision by the Buyer. Upon receiving any such notification from the Contractor, the Buyer shall: (X) advise the Contractor in writing as soon as possible after receipt of the Contractor's letter that the Technical Direction is within the scope of this Contract and does not constitute a change; or (Y) advise the Contractor in writing within a reasonable time that the Corporation shall modify this Contract in accordance with the Paragraph entitled "Contract Modifications." Any disagreement between the Corporation and the Contractor regarding the Buyer's determination of whether a Technical Direction is within the scope of this Contract or whether, or in what amount, to allow for an equitable adjustment, shall be resolved in accordance with the Paragraph entitled "Dispute Resolution."

19. CONTRACT MODIFICATIONS.

With or without additional consideration, the Buyer may at any time by written order and without advance notice or notice to any sureties, make changes within the general scope of this Contract. If any such modification results in a material change in the cost of, or the time required for, performance of this Contract, the Buyer shall make an equitable adjustment to the Contract Price, delivery schedule or other affected Contract terms; provided, that the Contractor has requested an equitable adjustment within thirty (30) days from receipt of the written order and prior to final payment under this Contract. A dispute involving any equitable adjustment shall not excuse the Contractor from performing the Contract, as modified.

20. DISPUTE RESOLUTION.

(a) Mutual Agreement. Any controversy or claim (a "Dispute") between the Parties arising out of or relating to this Contract, or the breach, termination or validity hereof that is not resolved by mutual agreement shall be decided by the Buyer. The Buyer shall, in writing, notify the Contractor of its final decision ("Final Decision") and designate such notice as the "Final Decision Notice." In the event the Contractor disagrees with the Buyer's Final Decision, the Contractor shall notify the Buyer of its disagreement within thirty (30) days after receipt of the Final Decision Notice; otherwise, the Final Decision shall be final and no action shall lie against the Corporation arising out of said Dispute.

(b) Disputes Subject to Arbitration. In the event the Contractor notifies the Buyer of its disagreement with the Final Decision within the time period in Subparagraph (a) of this Paragraph, the Dispute shall be finally settled by binding arbitration in accordance with the CPR Non-Administered Arbitration Rules (the "Rules") as in effect on the effective date of this Contract, as modified by this Paragraph, and by a single arbitrator appointed in accordance with the Rules. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. § 1 et seq., (the "Act") and shall be held at the Corporation's headquarters in Bethesda, Maryland.

(c) Hearings and Award. To the extent feasible (as determined by the arbitrator), all hearings shall be held within ninety (90) days following the appointment of the arbitrator. At a time designated by the arbitrator, each Party shall simultaneously submit to the arbitrator and exchange with the other Party its final proposal for damages and/or any other applicable remedy. Either Party may elect by notice given no later than ten (10) days after appointment of the arbitrator to require that, in rendering the final award, the arbitrator shall be limited to choosing the award proposed by a Party without modification. In no event shall the arbitrator award damages inconsistent with any of the terms and conditions of this Contract. Absent (i) a

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

determination by the arbitrator that extraordinary circumstances require additional time or (ii) agreement of the Parties, the arbitrator shall issue the final award no later than thirty (30) days after completion of the hearings. Judgment on any award may be entered in any court having jurisdiction thereof.

(d) Confidentiality. The fact that either Party has invoked the provisions of this Paragraph, and the proceedings of, and award resulting from, an arbitration hereunder shall be considered to be confidential information subject to the confidentiality provisions of this Contract.

(e) Arbitration Award Binding Upon Successors. This agreement to arbitrate and any award made hereunder shall be binding upon the successors and assigns and any trustee or receiver of each Party.

21. TERMINATION AND SUSPENSION OF THIS CONTRACT.

(a) Termination or Suspension. The Corporation may terminate or suspend this Contract, in whole or in part, (i) at the Corporation's convenience, upon written notice to Contractor or (ii) if Contractor Defaults (as defined in Subparagraph (b)) of this Paragraph) and, where a right of cure is provided, fails to cure such Default within the applicable cure period, if one is provided, or if none is provided, thirty (30) days (unless extended in writing by the Buyer) after receiving written notice from the Buyer specifying the Default. The Contractor may terminate this Contract if Corporation Defaults (as defined in Subparagraph (b)) of this Paragraph) provided that Corporation has not cured such Default within thirty (30) days (unless extended in writing by Contractor) after written notice of the breach from the Contractor.

(b) Definition of Default. "Default" includes: (i) Either Party is adjudged bankrupt or insolvent; (ii) Either Party makes a general assignment for the benefit of its creditors; (iii) a trustee or receiver is appointed for either Party or any of its property; (iv) Either Party files a cure petition to take advantage of any debtor's act or to reorganize under the bankruptcy or similar laws; (v) Contractor fails to make prompt payments to subcontractors or suppliers for labor, materials or equipment; or (vi) except to the extent caused by Force Majeure, Contractor fails to make progress in the work so as to endanger performance of this Contract, (vii) Either Party fails to cure a defect it is required to cure under the provisions of this Contract, (viii) Either Party breaches any warranty or representation made under this Contract; or (ix) Either Party breaches any other term of this Contract and such breach has or could reasonably have a material adverse effect on the performance of this Contract. Force Majeure shall excuse a Default by Contractor under item (vi) if Contractor gives notice to the Buyer promptly of the effect of such Force Majeure on performance of this Contract and the likely duration thereof, if reasonably known, and keeps the Buyer informed of any changes in such circumstances, including when such Force Majeure ends; provided, Contractor uses all reasonable efforts to continue to perform this Contract, to remedy the circumstances constituting the Force Majeure and to mitigate the adverse effects of such Force Majeure on performance of this Contract. "Force Maleure" means an unforeseeable occurrence beyond the reasonable control of Contractor and without its fault or negligence such as acts of God or the public enemy, acts of the U.S. Government in its sovereign capacity, fires, floods, epidemics, quarantine restrictions, strikes, unforeseeable delays of common carriers and unusually severe weather.

(c) Contractor's Obligations Upon Termination or Suspension. (i) Upon the Corporation's termination or suspension of this Contract, in whole or in part, Contractor shall (A) cease work on the terminated or suspended portions of this Contract on and as of the effective date of the termination or suspension, and shall not incur further expenses in connection with the terminated

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

or suspended portions of this Contract, until, in the event of suspension, the Buyer notifies Contractor that the suspension has been lifted and that Contractor may resume work; (B) continue to perform those portions of this Contract that are not terminated or suspended; (C) terminate and/or assign to the Corporation or to an affiliate (if so directed by the Buyer), contractor or a supplier of the Corporation (at the Corporation's discretion) all of Contractor's right, title and interest in subcontracts and purchase orders relating to the terminated or suspended portion of this Contract; (D) take actions necessary to protect, preserve and (in the case of a termination of this Contract) promptly transfer title to and possession of all work, materials, and information (regardless of form) acquired or produced for performance of this Contract to the Corporation or an affiliate, contractor or a supplier of the Corporation (as determined by the Buyer); and (E) in the case of termination for convenience under Subparagraph (a)(i) above, provide supporting cost data as requested by the Corporation and permit Corporation auditors access to all records within Contractor's custody or control or that of its subcontractors to verify such cost data in order to facilitate the determination of the appropriate compensation due to Contractor.

(ii) In the case of a termination of this Contract, Contractor shall also take all other actions necessary to enable the Corporation or an affiliate, contractor or supplier of the Corporation (as determined by the Buyer) to complete performance of this Contract or, if requested by the Buyer, sell any Work, Supplies, material or equipment related to this Contract to which the Corporation has title, and pay the proceeds of such sale (less reasonable sales expenses) to the Corporation. All such activities shall be at the Corporation's expense.

(d) The Corporation's Obligations Upon Termination or Suspension. Upon the Corporation's termination or suspension of this Contract for convenience under Subparagraph (a) of this Paragraph and Contractor's fulfillment of its obligations under Subparagraph (c), the Corporation shall pay Contractor all incurred costs plus the percentage fee which is associated with the incurred costs. If the Contract is terminated for default, Contractor shall be entitled to all incurred costs-but only that fee which is associated with the percentage of Work satisfactorily performed.

(e) Other Remedies. Nothing in this Section 21 shall be deemed to limit any other remedy that either Party may have under this Contract or applicable law in the event of termination or suspension of the Contract.

22. APPLICABLE LAW.

This Contract shall be governed by the laws of the laws of the State of Delaware. In no event shall the U.N. Convention on the International Sale of Goods apply to this Contract.

23. COMPLIANCE WITH LAWS.

(a) The Contractor shall comply with all applicable federal, state and local laws, rules, regulations, orders, codes and standards in performing this Contract. The cost of such compliance shall be borne by the Contractor.

(b) The Contractor shall provide to the Corporation with each delivery any Material Safety Data Sheet applicable to the Supplies in conformance with and containing such information as required by the Occupational Safety and Health Act of 1970 and regulations promulgated thereunder, or its state approved counterpart.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

24. FURNISHED PROPERTY.

(a) The Corporation may provide to the Contractor property owned or controlled by the Corporation ("**Furnished Property**"). Furnished Property shall be used only for the performance of the Work.

(b) Title to Furnished Property shall not pass to Contractor. The Contractor shall clearly mark (if not so marked) all Furnished Property to show that it is Furnished Property. The Contractor, as part of the Work, shall (i) provide approved storage facilities for Furnished Property and (ii) unload, provide receipts for, and store all such Furnished Property. If such items are already in storage, the Contractor shall take custody of them when directed by the Buyer or his designee. The Contractor shall check, account and care for, and protect such items in accordance with good commercial practice and in the same manner as if such items were to be furnished by the Contractor under this Contract.

(c) Except for reasonable wear and tear or expected consumption of the Furnished Property in the performance of the Work, the Contractor shall be responsible for, and shall promptly notify the Corporation of, any loss or destruction of, or damage to, Furnished Property. The Contractor shall be liable for loss or destruction of, or damage to, Furnished Property and for expenses incidental to such loss, destruction or damage or replacement or repair of such property.

(d) At the Buyer's request and/or upon completion or term of this Contract, the Contractor shall submit in a form acceptable to the Buyer, inventory lists of Furnished Property and shall deliver or make such other disposal of Furnished Property as may be directed by the Buyer.

25. NON WAIVER OR DEFAULT.

Any failure by either Party at any time, or from time to time, to enforce or require the strict keeping and performance of any of the terms or conditions of this Contract shall not constitute a waiver of such terms or conditions and shall not affect or impair such terms or conditions in any way nor the right of such Party at any time to avail itself of such remedies as it may have for any breach or breaches of such terms or conditions

26. SURVIVAL.

Upon expiration or termination (for any reason) of this Contract, all provisions of this Contract dealing with conflicts of interest, intellectual property, confidentiality, proprietary data and ownership rights, as well as the provisions of the Paragraphs entitled "Contractor's Representations," "Indemnification" and "Waiver for Claims Due to Nuclear Incidents" and any other provision of this Contract that expressly states that it will survive expiration or termination hereof, shall survive and remain binding upon the Parties hereto and upon their successors and assigns.

27. HEADINGS.

The headings and subheadings of the Paragraphs contained in this Contract are inserted for convenience only and shall not affect the meaning or interpretation of this Contract or any provision hereof.

28. CONTRACTOR STATUS.

(a) The Contractor is an independent Contractor.

(b) Nothing herein contained or implied shall at any time be so construed as to create the relationship of employer and employee, partnership, principal and agent, or joint venture

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

between the Corporation and Contractor or its subcontractors or between the Corporation and any of Contractor's personnel or its subcontractor's personnel. The Corporation shall not have any obligation under local, state or federal laws regarding pay, benefits, taxes or other labor matters relating to personnel of Contractor or its subcontractors and the total commitment and liability of the Corporation in regard to payment for Work is to pay for Work accepted, pursuant to the payment provisions of this Contract. Neither Party has any authority whatsoever, express or implied, to assume or create any obligation on behalf of or in the name of, the other Party with respect to third parties.

(c) Without limiting (i) the Corporation's right to provide Technical Direction as set forth in the Paragraph entitled "Contract Management" or (ii) any requirement in this Contract regarding subcontractors and consultants, the Corporation shall have no right to control or direct the details, means or methods by which the Contractor performs this Contract.

29. THIRD PARTY BENEFICIARIES.

Except as provided in the Paragraph entitled "Waiver for Claims Due to Nuclear Incidents," nothing in this Contract shall be interpreted as creating any right of enforcement of any provision herein by any person or entity that is not a Party to this Contract.

30. SEVERABILITY.

If any provision of this Contract is held invalid by a court of competent jurisdiction, such provision shall be severed from this Contract and, to the extent possible, this Contract shall continue without effect to the remaining provisions.

31. PRECEDENCE.

Any inconsistencies in this Contract shall be resolved in accordance with the following descending order of precedence: (a) face of the Contract or release document, (b) any master-type agreement (such as corporate or blanket agreements); (c) the terms and conditions herein, (d) the Statement(s) of Work, (e) specifications and (f) Drawings.

32. CONFIDENTIALITY.

Any information exchanged between the Parties during the performance of this Contract, including the terms of the Contract itself, shall be kept confidential and protected in accordance with the terms of the Confidentiality Agreement between USEC Inc. and BWXT Services, Inc. with an effective date of April 27, 2007 (the "Confidentiality Agreement"). Contractor understands that it may be necessary for USEC to provide information, including this Contract, information under this Contract and other information protected under the Confidentiality Agreement to the U.S. Government, lenders, prospective investors and other person in connection with solely for the purpose of obtaining financing and funds for its American Centrifuge Program. Contractor agrees and consents to such disclosure of information provided such persons have agreed to protect the confidentiality of the information or are under statutory or legally enforceable code of professional responsibility to protect such information. In any case where additional disclosure of terms of this Contract are sought by a Party, permission to do so shall not be unreasonably withheld provided the prospective recipients have agreed to protect the confidentiality of the information or are under statutory or legally enforceable code of professional responsibility to protect such information.

USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886

33. INTELLECTUAL PROPERTY.

(a) All inventions, discoveries, improvements, documents, drawings, designs, specifications, notebooks, tracings, photographs, negatives, reports, findings, recommendations, data and memoranda of every description, including material maintained in any form or medium, concepts, ideas, methods, methodologies, procedures, processes, know-how and techniques (including without limitation, function, process, system and data models); templates, the generalized features of the structure, sequence and organization of software, user interfaces and screen designs; general purpose consulting and software tools, utilities and routines; and logic, coherence and methods of operation or systems (whether or not patentable, or copyrightable that are conceived or first actually reduced to practice or first prepared by Contractor, its personnel or its subcontractor(s), in the performance of the Work related to design of centrifuge components or the Deliverables (collectively, "**Contractor Developed Design Technology**") shall be the property of the Corporation and treated by Contractor and its subcontractor as confidential USEC Proprietary Information. Unless directed by the Corporation otherwise, Contractor may maintain a reasonable number of copies of Contractor Developed Design Technology for archival purposes only. All retained copies shall be marked as confidential and protected from disclosure to third persons in accordance with the provisions of the Paragraph of this Contract entitled "Confidentiality" for so long as Contractor retains such copies.

(b) The Corporation shall acquire all of Contractor's right, title and interest in and to all Contractor Developed Design Technology by written assignment or as a work for hire. Contractor hereby assigns all its right, title and interest in such Contractor Developed Design Technology to the Corporation, and Contractor shall execute any documents and otherwise assist in obtaining, maintaining, or enforcing the Corporation's intellectual property rights in and to Contractor's Developed Design Technology, as the Corporation may reasonably require to preserve the Corporation's rights therein. No additional compensation shall be paid to Contractor for, or as result of, providing such assistance. To the extent Contractor Background Technology (as defined below) is incorporated into Contractor Developed Design Technology, Contractor hereby grants to the Corporation a fully-paid, world-wide, non-exclusive, irrevocable, transferable, perpetual license to make, have made, use, sell, offer to sell, reproduce, prepare derivative works, perform and/or display publicly, and sublicense such Contractor Background Technology to the extent necessary for the Corporation to exercise its rights of ownership in Contractor Developed Design Technology. No additional compensation shall be paid to Contractor for, or as result of, such license.

(c) All inventions, discoveries, improvements, documents, drawings, designs, specifications, notebooks, tracings, photographs, negatives, reports, findings, recommendations, data and memoranda of every description, including material maintained in any form or medium, concepts, ideas, methods, methodologies, procedures, processes, know-how and techniques (including without limitation, function, process, system and data models); templates, the generalized features of the structure, sequence and organization of software, user interfaces and screen designs; general purpose consulting and software tools, utilities and routines; and logic, coherence and methods of operation or systems (whether or not patentable, or copyrightable that are conceived or first actually reduced to practice or first prepared by Contractor, its personnel or its subcontractor(s), in the performance of the Work related to manufacturing of centrifuge components or the Deliverables (collectively, "**Contractor Developed Manufacturing Technology**") shall be the property of the Contractor. Other than as provided in sub-paragraph

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

(g) below, nothing in this agreement shall be construed as expressly or implicitly granting a license to Corporation of any Contractor Developed Manufacturing Technology, including without limitation intellectual property rights, except for the limited purpose of acceptance and use of Deliverables under the Contract.

(d) The Corporation acknowledges that Contractor may have created, acquired or otherwise have rights in (and may, in connection with the performance of the Work, employ, provide, modify, acquire or otherwise obtain rights in) various inventions, discoveries, improvements, data, concepts, ideas, methods, methodologies, procedures, processes, know-how and techniques (including without limitation, function, process, system and data models); templates, the generalized features of the structure, sequence and organization of software, user interfaces and screen designs; general purpose consulting and software tools, utilities and routines; and logic, coherence and methods of operation or systems (collectively, the “**Contractor Background Technology**”). Contractor Background Technology shall not include any Deliverable.

(e) Even if used in connection with the performance of the Work, Contractor Background Technology shall remain the property of Contractor and the Corporation shall acquire no right or interest in such property, except for the license provided in Subparagraph (b) above or Subparagraph (g) below. Similarly, property of the Corporation (including, without limitation, the Corporation Technology (as defined below) and any equipment, material, hardware and software of the Corporation) shall remain the property of the Corporation and Contractor shall acquire no right or interest in such property except as provided in Subparagraph (f) below.

(f) The term “**Corporation Technology**” means all inventions, discoveries, improvements, documents, drawings, designs, specifications, notebooks, tracings, photographs, negatives, reports, findings, recommendations, data and memoranda of every description, including material maintained in any form or medium, concepts, ideas, methods, methodologies, procedures, processes, know-how and techniques (including without limitation, function, process, system and data models); templates, the generalized features of the structure, sequence and organization of software, user interfaces and screen designs; general purpose consulting and software tools, utilities and routines; and logic, coherence and methods of operation or systems (whether or not patentable, or copyrightable) owned by, or licensed to the Corporation or to which the Corporation otherwise has rights to use or possess.

(f) Nothing in this agreement shall be construed as expressly or implicitly granting a license to Contractor of any Corporation Technology, including without limitation intellectual property rights, except for the limited purpose of performing its Work under the Contract.

(g) To the extent Contractor Developed Manufacturing Technology or Contractor Background Technology is incorporated into the Deliverables or can be useful for the Corporation’s objectives of manufacturing centrifuges, Contractor hereby grants to the Corporation a fully-paid, world-wide, non-exclusive, irrevocable, transferable, perpetual license to make, have made, use, reproduce, prepare derivative works, perform and/or display publicly, and sublicense such Contractor Developed Technology or Contractor Background Technology to the extent necessary for the Corporation to exercise its rights to make the Deliverables. No additional compensation shall be paid to Contractor for, or as result of, such license.

34. SECURITY OF CLASSIFIED INFORMATION AND CONTROLLED AREAS.

USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886

(a) Classified Information Access. (i) “**Classified Information**” means any information or material, regardless of its physical form or characteristics, that has been determined pursuant to Executive Order 12356 or prior Executive Orders to require protection against unauthorized disclosure, and which is so designated; and all data concerning design, manufacture or utilization of atomic weapons, the production of special nuclear material, or the use of special nuclear material in the production of energy, but shall not include the data declassified or removed from the Restricted Data category pursuant to Section 142 of the Atomic Energy Act of 1954, as amended (the “**AEA**”) unless protected under Section 142d of the AEA.

(ii) Security Clearance. The Parties recognize that the Department of Energy (“**DOE**”) or the Nuclear Regulatory Commission may determine security classifications and issue security clearances required for performance of all or part of this Contract. Contractor shall follow the applicable rules and procedures of DOE, NRC and other responsible governmental authorities regarding access to and safeguarding of Classified Information, security clearances and other security matters, including the requirements of DOE Acquisition Regulations (the “**DEAR**”) (see 48 C.F.R Chapter 9) 952.204-2, Security, DEAR 952.204-70 Classification/Declassification, 10 C.F.R. 95, and the procedures with respect to Foreign Ownership Control and Interest (“**FOCI**”) in DEAR 904.7000 *et seq.* and DEAR 952.204-73, Facility Clearance. Contractor shall not permit any individual to have access to any level or category of classified information, except in accordance with applicable laws and procedures. Contractor shall not be granted access to any classified information until the Buyer has notified Contractor that such access has been approved by a DOE FOCI determination.

(b) Site Access. Certain Corporation Facilities are each enclosed by a perimeter fence establishing a controlled area. At the time of initial entrance to the site, Contractor’s employees shall report to the applicable badge office for security processing. Processing of Contractor’s employees will be done without charge to Contractor. All Contractor employees performing hereunder must be United States citizens. If naturalized, proper evidence must be furnished. All employees must have picture identification with them upon arrival at the applicable badge office. Unless informed by the Buyer of a different procedure, Contractor shall ensure that, once issued, badges are worn by Contractor’s employees at all times while on site. The continued presence of Contractor’s employees on-site is subject to review by the Corporation, DOE and/or other Corporation or DOE contractors based upon a check of appropriate records of law enforcement agencies.

(c) Technology Transfer Controls. Even if not classified, information related to enrichment, an enrichment facility or a component of an enrichment facility, are subject to U.S. Government restrictions on technology transfers, including, but not limited to, those found in 10 C.F.R. parts 110, 810, or 1017 or 15 C.F.R. part 779. Accordingly, Contractor shall not disclose such information in any manner inconsistent with any such U.S. Government restriction. Further, Contractor shall not use, nor permit any subcontractor to use, any non-U.S. national or non-U.S. owned entity in connection with (i) delivery to, or work at, a controlled area or (ii) Work involving information, Work or goods that are subject to U.S. government control, without first ensuring that such activities fully comply with all applicable restrictions.

(d) Foreign Nationals. Foreign nationals are not permitted to perform work at Corporation Facilities without prior written permission from the Buyer. Written requests for use of foreign nationals must be submitted to the Buyer at least ten (10) weeks prior to their anticipated work date. Failure of the Buyer to approve the use of a foreign national shall not constitute excusable delay nor entitle Contractor to an increase in the Contract Price.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

(e)EXPORT CONTROLLED INFORMATION

(i) Definition. "Export Controlled Information" or "ECI" means all information and contract documents (purchase orders, drawings, specifications, etc.) furnished by The Corporation to be used in connection with proposal/offer preparation or performance under a contract, which are identified as ECI. The ECI identification will be determined by an appropriate ECI review authority as specified by the DOE Office Export Control Policy and Corporation (NA-242).

(ii) Oral or Visual Disclosure. A Party that discloses Export Controlled Information orally or visually shall identify it as Export Controlled Information at the time of disclosure.

(iii) Marking. All tangible objects, such as drawings, reports, programs or documents, which constitute and/or contains or may contain Export Controlled Information shall be Marked "Export Controlled information" or "Information Contained Within May Contain Export Controlled Information" or such other markings as required or permitted by DOE guidance. Markings inadvertently omitted from Export Controlled Information when disclosed to a recipient shall be applied by such recipient promptly when requested by the disclosing Party, and such Export Controlled Information shall thereafter continue to be treated as provided by this Agreement.

(iv) Export Controlled Information shall be protected in accordance with the DOE guidelines on Export Control and Nonproliferation and with U.S. Government export control laws and regulations. Each recipient shall not disclose the information to suppliers or contractors who are not U.S. owned and managed or to employees who are not U.S. Citizens, except in accordance with the DOE Guidelines on Export Control and Nonproliferation, and with U.S. Government export control laws and regulations. This restriction applies to written and oral guidance concerning performance, which may be provided by the Corporation technical representatives.

(v) Unless specifically and expressly approved in writing by the Corporation, Contractor shall not disclose any ECI or information that may contain ECI provided or furnished by the Corporation for any purpose to any individual who is not a U.S. citizen or to any non-U.S. person or entity (including any non-U.S. employee, supplier or contractor). For purposes of this Section, a person or entity is considered to be non-U.S. if it is incorporated, organized or created under the laws of a foreign country, or is foreign owned, controlled or influenced as defined in applicable regulations and guidelines. This restriction applies to written and oral information and guidance which may be provided by the Corporation and applies to any information provided by any contractor, or subcontractor to the Corporation or any other person acting on behalf of the Corporation. Prior to disclosing any ECI to any person, Contractor shall include this Section in a contract or agreement with the recipient.

(f) UNCLASSIFIED CONTROLLED NUCLEAR INFORMATION.

The specifications/drawings/Statement of Work referenced in this Contract and attached hereto contains Unclassified Controlled Nuclear Information (UCNI) as defined in Section 148 of the Atomic Energy Act of 1954, as amended. Only authorized individuals can have access to UCNI documents. An authorized individual is someone working for or with the United States government, USEC, or its contractors requiring access to specific UCNI in the performance of official duties. The information shall be controlled and handled according to the instructions set forth below:

(i) Handle UCNI material in such a way it will not be available to anyone to whom you are not deliberately transmitting it. An authorized individual shall maintain control over all

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

UCNI to prevent unauthorized access. Physical control shall be maintained over documents in use to prevent unauthorized disclosure. In a controlled or guarded area, unlocked files, desks, or similar containers are adequate protection. In an uncontrolled or unguarded area, a locked drawer or desk, a locked repository or a locked room is adequate.

(ii) UCNI may be transmitted to a person who needs to know the information to do his/her job and is an employee of the Contractor. Refer to the Department Of Energy (DOE) Manual 471.1-1 for criteria/authorization on dissemination of UCNI to a wider audience.

(iii) When transmitting UCNI, alert the recipient to the fact the transmission includes UCNI. The sensitive content of the information shall also be documented by the inclusion of markings on documentation and inclusion of an UCNI cover sheet. Documents shall be packaged to prevent disclosure or presence of UCNI. The information should be appropriately marked UCNI within the package or envelope. The outside of the package or envelope shall be marked TO BE OPENED BY ADDRESSEE ONLY. UCNI shall be transmitted by U.S. Mail (U.S. First class, Express, certified or registered mail) or other commercial carrier who can provide tracking of packages. Refer to DOE Manual 471.1 or 10 CFR 1017 for additional criteria.

(iv) When the specifications/drawings/Statement of Work is no longer required by the Contractor, destroy it in a manner that will assure sufficient complete destruction to prevent its retrieval. Refer to DOE Manual 471.1 or 10 CFR 1017 for additional criteria.

(v) This subparagraph shall be included in all subcontracts for performance of work under the Contract that require use of the above referenced specifications/drawings/Statement of Work.

35. WAIVER FOR CLAIMS DUE TO NUCLEAR INCIDENTS.

Certain of the Corporation's contracts with its customers require the Corporation to seek from its suppliers a waiver of any claim against the Corporation's customers for loss, damage or loss of use of, property resulting from a nuclear incident (as defined in Section 11 of the Atomic Energy Act of 1954, as amended) (the "**AEA**") at the Corporation Facility. To facilitate the Corporation's compliance with the foregoing requirement, Contractor hereby waives any such claims it may now or hereafter have against any and all of the Corporation's customers (but not against the Corporation) resulting from a nuclear incident at the Corporation Facility to the extent such customers have also waived such claims against Contractor. Contractor shall include this Paragraph in any subcontract entered into by Contractor in connection with this Contract and shall require that this Paragraph be included in all lower tier subcontracts.

36. MISCELLANEOUS.

- (a) This Contract shall inure to the benefit of the Parties and their respective successors and permitted assigns.
- (b) The remedies provided to a Party under this Contract in the event of a default or breach of this Contract or any applicable warranty is not exclusive.
- (c) Contractor shall avoid damaging existing buildings, equipment and vegetation on the Corporation's facilities. If Contractor's actions or omissions cause damage to any Corporation property, Contractor shall replace or repair the damage at no expense to the Corporation

37. PRICE-ANDERSON INDEMNIFICATION

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

(a) Authority. This Paragraph is incorporated into this Contract pursuant to the Lease agreement (the "GCEP Lease") between the Corporation and the Department of Energy (the "Department").

(b) Definitions. The definitions set out in the Atomic Energy Act of 1954, as amended (the "Act") shall apply to this Paragraph.

(c) Financial protection. The Corporation shall obtain and maintain, at its expense, financial protection to cover public liability, as described in paragraph (d)(2) below in such amount and of such type as is commercially available at commercially reasonable rates, terms and conditions, provided that in the event the Nuclear Regulatory Commission (NRC) grants a license for a uranium enrichment facility not located on federally-owned property, the amount is no more than the amount required by the NRC for the other facility.

(d) Indemnification. The following indemnification from the Department is included in the GCEP Lease: (1) To the extent that the Corporation and other persons indemnified are not compensated by any financial protection required by paragraph (c), the Department will indemnify the Corporation and other persons indemnified up to the full amount authorized by Section 170 of the Act against (i) claims for public liability as described in subparagraph (d)(2) of this Paragraph; and (ii) such legal costs of the Corporation and other persons indemnified as are approved by the Department. Nothing herein shall be deemed to require the Corporation to indemnify the Contractor or any other person or entity for any of the claims or costs described above.

(2) The public liability referred to in subparagraph (d)(1) of this Paragraph is public liability as defined in the Act which (i) arises out of or in connection with the activities under the GCEP Lease, including transportation; and (ii) arises out of or results from a nuclear incident or precautionary evacuation, as those terms are defined in the Act.

(e) Waiver of Defenses. (1) In the event of a nuclear incident, as defined in the Act, arising out of nuclear waste activities, as defined in the Act, the Contractor, on behalf of itself and other persons indemnified, agrees to waive any issue or defense as to charitable or governmental immunity.

(2) In the event of an extraordinary nuclear occurrence which:

(i) arises out of, results from or occurs in the course of the construction, possession or operation of a production or utilization facility; or

(ii) arises out of, results from, or occurs in the course of transportation of source material, by-product material, or special nuclear material to or from a production or utilization facility; or

(iii) arises out of or results from the possession, operation, or use by the Contractor or a subcontractor of a device utilizing special nuclear material or by-product material, during the course of the GCEP Lease activity; or

(iv) arises out of, results from, or occurs in the course of nuclear waste activities, the Contractor, on behalf of itself and other persons indemnified, agrees to waive:

(A) Any issue or defense as to the conduct of the claimant (including the conduct of persons through whom the claimant derives its cause of action) or the fault of persons indemnified, including, but not limited to:

1. Negligence;
2. Contributory negligence;
3. Assumption of risk; or

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

4. Unforeseen intervening causes, whether involving the conduct of a third person or an act of God;

(B) Any issue or defense as to charitable or governmental immunity; and

(C) Any issue or defense based on any statute of limitations, if suit is instituted within 3 years from the date on which the claimant first knew, or reasonably could have known, of his injury or damage and the cause thereof. The waiver of any such issue or defense shall be effective regardless of whether such issue or defense may otherwise be deemed jurisdictional or relating to an element in the cause of action. The waiver shall be judicially enforceable in accordance with its terms by the claimant against the person indemnified.

(v) The term extraordinary nuclear occurrence means an event which the Department has determined to be an extraordinary nuclear occurrence as defined in the Act. A determination of whether or not there has been an extraordinary nuclear occurrence will be made in accordance with the procedures in 10 CFR Part 840.

(vi) For the purposes of that determination, "offsite" as that term is used in 10 CFR Part 840 means away from "the contract location" which phrase means any Department facility, installation, or site at which activity under this GCEP Lease is being carried on, and any Corporation-owned or -controlled facility, installation, or site at which the Corporation is engaged in the performance of activity under this GCEP Lease.

(3) The waivers set forth above:

(i) Shall be effective regardless of whether such issue or defense may otherwise be deemed jurisdictional or relating to an element in the cause of action;

(ii) Shall be judicially enforceable in accordance with their terms by the claimant against the person indemnified;

(iii) Shall not preclude a defense based upon a failure to take reasonable steps to mitigate damages;

(iv) Shall not apply to injury or damage to a claimant or to a claimant's property which is intentionally sustained by the claimant or which results from a nuclear incident intentionally and wrongfully caused by the claimant;

(v) Shall not apply to injury to a claimant who is employed at the site of and in connection with the activity where the nuclear incident or extraordinary nuclear occurrence takes place, if benefits therefore are either payable or required to be provided under any workmen's compensation or occupation disease law;

(vi) Shall not apply to any claim resulting from a nuclear incident occurring outside the United States;

(vii) Shall be effective only with respect to those obligations set forth in this Section and in insurance policies, contracts or other proof of financial protection; and

(viii) Shall not apply to, or prejudice the prosecution or defense of, any claim or portion of claim which is not within the protection afforded under (A) the limit of liability provisions under subsection 170e. of the Act, or (B) the terms of this Paragraph and the terms of insurance policies, contracts, or other proof of financial protection.

(f) Notification and Litigation of Claims. The Contractor shall give immediate written notice to the Corporation and the Department of any known action or claim filed or made against the Contractor or other person indemnified for public liability as defined in paragraph (d)(2). Except as otherwise directed by the Corporation or the Department, the Contractor shall furnish promptly to the Corporation and the Department, copies of all pertinent papers received by the Contractor or filed with respect to such actions or claims. The Corporation and the Department

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

shall have the right to, and may collaborate with, the Contractor and any other person indemnified in the settlement or defense of any action or claim and the Department shall have the right to (1) require the prior approval of the Department for the payment of any claim that the Department may be required to indemnify hereunder; and (2) appear through the Attorney General on behalf of the Contractor or other person indemnified in any action brought upon any claim that the Department may be required to indemnify hereunder, take charge of such action, and settle or defend any such action. If the settlement or defense of any such action or claim is undertaken by the Department, the Contractor or other person indemnified shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

(g) Continuity of the Department's Obligations. The obligations of the Department under this Paragraph shall not be affected by any failure on the part of the Corporation to fulfill its obligation under this GCEP Lease and shall be unaffected by the death, disability, or termination of the existence of the Corporation, or by the completion, termination or expiration of the GCEP Lease.

(h) Effect of other Clauses. The provisions of this Paragraph shall not be limited in any way by, and shall be interpreted without reference to, any other clause of the GCEP Lease or this Contract provided, however, that this Paragraph shall be subject to any provisions that are or have been added to the GCEP Lease after its execution as required by applicable Federal law, including statutes, executive orders and regulations, to be included in Nuclear Hazards Indemnity Agreements.

(i) Inclusion in Contracts. This Paragraph shall not be applicable to this Contract if the Contractor is subject to Nuclear Regulatory Commission (NRC) financial protection requirements under Section 170b. of the Act or NRC agreements of indemnification under Sections 170c. or k. of the Act for the activities under the contract.

38. CORPORATION RULES AND REGULATIONS

(a) The Contractor and all Contractor employees shall comply with the applicable rules and regulations in force at the Corporation Facility at which the Work is being performed. Contractor and all Contractor employees shall comply with all applicable Corporation and DOE rules and regulations when performing Work at the East Tennessee Technology Park.

(b) The Contractor shall include the substance of this Paragraph in all subcontracts for work at or on a Corporation Facility.

39. COMPLIANCE WITH NUCLEAR SAFETY AND SAFEGUARDS AND SECURITY REQUIREMENTS.

(a) Contractor shall comply with all nuclear safety, safeguards and security requirements set forth in this Contract (including the Specifications, Drawings, or Statement of Work) (each a "**Nuclear Safety, Safeguards and Security Requirement**"). Contractor shall conduct self-assessments and cooperate with the Corporation, DOE, the Nuclear Regulatory Commission ("**NRC**") and the Corporation in activities that address these requirements.

(b) In the event that Contractor becomes aware of any failure to comply with a Nuclear Safety, Safeguards and Security Requirement, Contractor shall promptly notify the Buyer or, if applicable, the Corporation's Site Regulatory Compliance Manager and, in consultation with such person(s), take appropriate preventive and/or corrective action to achieve compliance, and assure continued compliance, with such requirements.

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

(c) In the event that DOE or NRC initiates an enforcement action against the Corporation arising out of Contractor's failure to comply with any such Nuclear Safety, Safeguards and Security Requirement, Contractor agrees to cooperate fully with the Corporation in responding to such enforcement actions by providing all information, assistance, and documentation required by the Corporation. The Parties agree to coordinate their legal and factual position in a timely manner so that all submittals are made in a timely manner, as determined by the Corporation to DOE or NRC, as the case may be.

(d) All costs incurred by Contractor in connection with the Corporation's response to an enforcement action in accordance with subparagraph (c) above shall be borne by Contractor and shall not be subject to reimbursement by the Corporation under this Contract or otherwise. In addition, Contractor agrees to indemnify and hold the Corporation harmless against any and all liabilities, claims, penalties, fines, forfeitures, losses, costs and expenses (including costs of defense, settlement and reasonable attorney's fees) that they or either of them may incur, become responsible for, or pay out, as a result of Contractor's failure to comply with any Nuclear Safety, Safeguards and Security Requirement, in accordance with the Paragraph entitled "Indemnification" of this Contract.

40. CODE OF CONDUCT.

(a) The Contractor agrees that its employees performing services under this Contract who represent the Corporation, or may be viewed as representing the Corporation, abide by the Corporation's Code of Conduct (the "Code"). The Code can be accessed at: www.usec.com/v2001_02/Content/AboutUSEC/USECCodeofBusinessConduct.pdf.

(b) The Contractor further agrees that it will ensure that its employees covered by this Paragraph are provided access to the Code and that they have read and understand its requirements and prohibitions.

41. INSURANCE.

(a) Required Insurance. During the term hereof, Contractor shall maintain, at no direct cost to the Corporation, the following kinds and amounts of insurance to cover bodily injury (including death) and property damage suffered or (in the case of liability insurance) caused by Contractor or its employees, if any, in connection with the performance of the Work:

- (i) Workers Compensation. As required by applicable law.
- (ii) Employers Liability \$1 million per occurrence.
- (iii) General Liability. \$1 million per occurrence for both bodily injury and property damage.
- (iv) Automobile Liability. \$1 million combined single limit.
- (v) Excess Liability. \$10 million covering items (ii), (iii) and (iv).

(b) Contractor shall ensure that the insurance carrier provides the Buyer thirty (30) days written notice prior to cancellation in coverage terms.

(c) Contractor shall provide written evidence of all liability policies required under this Paragraph by providing Certificates of Insurance. Contractor shall upon award of this Contract, and prior to the commencement of any work at or on a Corporation Facility, provide the Buyer Certificates of Insurance for all liability policies required under this Paragraph or a written certification that all required insurance has been obtained. This certification shall apply to Contractor and all subcontractors working at or on a Corporation Facility. Contractor and its

**USEC PROPRIETARY INFORMATION
CONTRACT NO. 723886**

subcontractors shall maintain copies of all required certificates of insurance at the site of work when Work is being performed at or on a Corporation Facility.

(d) The Contract shall insert the substance of this Paragraph, in all subcontracts for the performance of Work (in whole or in part) where (i) the price to be paid under the subcontract is expected to exceed \$100,000 (or, if an indefinite quantity type contract, purchases under the subcontract could exceed \$100,000) or (ii) the Work are to be performed at or on a Corporation Facility. Such provision shall require subcontractors to provide and maintain the insurances required above.

(e) Contractor may purchase at its own expense such additional or other insurance protection as it may deem necessary. Maintenance of the required insurance protection does not relieve Contractor of responsibility for any losses covered by the above required policies, nor entitle Contractor to reimbursement of insurance-related costs, except as specifically agreed by the Buyer.

42. PREEXISTING CONDITIONS

The Corporation agrees to reimburse the Contractor, and the Contractor shall not be held responsible, for any liability (including without limitation, a claim involving strict or absolute liability and any civil fine or penalty), expense, or remediation cost, but limited to those of a civil nature, which may be incurred by, imposed on, or asserted against the Contractor arising out of any condition, act, or failure to act related to performance of the work under this contract which occurred before the Contractor assumed responsibility for such work on August 1, 2007 (Effective Date). To the extent the acts or omissions of the Contractor cause or add to any liability, expense or remediation cost resulting from conditions in existence prior to the Effective Date, the Contractor shall be responsible in accordance with the terms and conditions of this Contract.

SUMMARY SHEET FOR 2007 NON-EMPLOYEE DIRECTOR COMPENSATION

The following table sets forth the compensation for USEC's non-employee directors for the term commencing at the 2007 annual meeting of shareholders held on April 26, 2007:

Annual Retainer	\$180,000 paid at the beginning of the service year. \$80,000 of the retainer is paid in cash and \$100,000 of the retainer is paid in the form of restricted stock units, although a director may elect to receive a greater proportion of the retainer in restricted stock units. Restricted stock units vest on the first to occur of: (1) one year from the date of grant, (2) termination of the director's service by reason of Retirement, death or disability, or (3) a change in control.
Committee Chairman Fees	\$20,000 annual fee for Audit, Finance and Corporate Responsibility Committee chairman. \$10,000 annual fee for Compensation Committee chairman. \$7,500 annual fee for all other committees' chairman. Committee chairman fees are paid in cash at the beginning of the service year, although a director may elect to receive their committee chairman fee in restricted stock units.
Incentive Restricted Stock Unit Awards	If a director chooses to receive restricted stock units as payment for the part of the annual retainer or chairman fees that they are otherwise entitled to receive in cash, he or she will receive an incentive payment of restricted stock units equal to 20% of the portion of the annual retainer and chairman fees that the director elects to take in restricted stock units in lieu of cash. These incentive restricted stock units will vest on the first to occur of: (1) three years from the date of grant, (2) termination of the director's service by reason of Retirement, death or disability, or (3) a change in control. Incentive restricted stock units are granted at the time the annual retainer is paid.

All restricted stock units are granted pursuant to the USEC Inc. 1999 Equity Incentive Plan, as amended, and are subject to the terms of such plan and the applicable restricted stock unit award agreements approved for issuance of restricted stock units to non-employee directors under the plan. Restricted stock units carry the right to receive dividend equivalent restricted stock units to the extent dividends are paid by the Company.

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.

August 2, 2007

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

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.

August 2, 2007

/s/ John C. Barpoulis

John C. Barpoulis
Senior Vice President and Chief Financial Officer

**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 June 30, 2007, 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.

August 2, 2007

/s/ John K. Welch

John K. Welch
President and Chief Executive Officer

August 2, 2007

/s/ John C. Barpoulis

John C. Barpoulis
Senior Vice President and Chief Financial Officer