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 quarterly period ended June 30, 2013

OR

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

Commission file number 1-14287

USEC Inc.

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

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

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

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

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

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

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

As of July 31, 2013, there were 4,948,454 shares of the registrant's Common Stock issued and outstanding.

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This quarterly report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I, Item 2, contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 - that is, statements related to future events. In this context, forward-looking statements may address our expected future business and financial performance, and often contain words such as "expects", "anticipates", "intends", "plans", "believes", "will" and other words of similar meaning. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For USEC, particular risks and uncertainties that could cause our actual future results to differ materially from those expressed in our forward-looking statements include, but are not limited to: risks related to the ongoing transition of our business, including uncertainty regarding the transition of the Paducah gaseous diffusion plant and uncertainty regarding the economics of and continued funding for the American Centrifuge project and the potential for a demobilization or termination of the project; the impact of a potential de-listing of our common stock on the NYSE, including the potential for the holders of our convertible notes to require the Company to repurchase their notes in the event of a de-listing; the impact of a potential balance sheet restructuring on the holders of our common stock and convertible notes; risks related to the need to restructure the investments by Toshiba Corporation ("Toshiba") and Babcock & Wilcox Investment Company ("B&W"); risks related to the underfunding of our defined benefit pension plans and the impact of the potential requirement for us to place an amount in escrow or purchase a bond with respect to such underfunding; the impact of uncertainty regarding our ability to continue as a going concern on our liquidity and prospects; our ability to reach an agreement with the U.S. Department of Energy ("DOE") regarding the transition of the Paducah gaseous diffusion plant and uncertainties regarding the transition costs and other impacts of USEC ceasing enrichment at the Paducah gaseous diffusion plant and returning the plant to DOE; the continued impact of the March 2011 earthquake and tsunami in Japan on the nuclear industry and on our business, results of operations and prospects; the impact and potential extended duration of the current supply/

demand imbalance in the market for low enriched uranium ("LEU"); the impact of enrichment market conditions, increased project costs and other factors on the economics of the American Centrifuge project and our ability to finance the project and the potential for a demobilization or termination of the project; uncertainty regarding the timing, amount and availability of additional funding for the research, development and demonstration ("RD&D") program and the dependency of government funding on Congressional appropriations; restrictions in our credit facility on our spending on the American Centrifuge project; limitations on our ability to provide any required cost sharing under the RD&D program; uncertainty concerning our ability through the RD&D program to demonstrate the technical and financial readiness of the centrifuge technology for commercialization; uncertainty concerning the ultimate success of our efforts to obtain a loan guarantee from DOE and other financing for the American Centrifuge project or additional government support for the project and the timing and terms thereof and the potential for a demobilization or termination of the project if financing or additional government support is not in place at the end of the RD&D program; potential changes in our anticipated ownership of or role in the American Centrifuge project, including as a result of the need to raise additional capital to finance the project; the impact of actions we have taken or may take to reduce spending on the American Centrifuge project, including the potential loss of key suppliers and employees, and impacts to cost and schedule; the potential for DOE to seek to terminate or exercise its remedies under the RD&D cooperative agreement or June 2002 DOE-USEC agreement; changes in U.S. government priorities and the availability of government funding, including loan guarantees; our ability to extend, renew or replace our credit facility that matures on September 30, 2013; risks related to our inability to repay our convertible notes at maturity in October 2014; restrictions in our credit facility that may impact our operating and financial flexibility; our dependence on deliveries of LEU from Russia under a commercial agreement (the "Russian Contract") with a Russian government entity known as Techsnabexport ("TENEX") that expires in 2013 and under a new commercial supply agreement with Russia (the "Russian Supply Agreement") and limitations on our ability to import the Russian LEU we buy under the Russian Supply Agreement into the United States and other countries; risks related to our ability to sell our fixed purchase obligations under the Russian Supply Agreement; the decrease or elimination of duties charged on imports of foreign-produced low enriched uranium; pricing trends and demand in the uranium and enrichment markets and their impact on our profitability; movement and timing of customer orders; changes to, or termination of, our agreements with the U.S. government; risks related to delays in payment for our contract services work performed for DOE, including our ability to resolve certified claims for payment filed by USEC under the Contracts Dispute Act for payment of breach-of-contract amounts; the impact of government regulation by DOE and the U.S. Nuclear Regulatory Commission; the outcome of legal proceedings and other contingencies (including lawsuits and government investigations or audits); the competitive environment for our products and services; changes in the nuclear energy industry; the impact of volatile financial market conditions on our business, liquidity, prospects, pension assets and credit and insurance facilities; the impact of potential changes in the ownership of our stock on our ability to realize the value of our deferred tax benefits; the timing of recognition of previously deferred revenue; 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 for the year ended December 31, 2012 ("10-K"). Revenue and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year. For a discussion of these risks and uncertainties and other factors that may affect our future results, please see Item 1A entitled "Risk Factors" and the other sections of this report and our 10-K, which are available on our website at www.usec.com. Readers are urged to carefully review and consider the various disclosures made in this report and in our other filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business. We do not undertake to update our forward-looking statements to reflect events or circumstances that may arise after the date of this quarterly report on Form 10-Q except as required by law.

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

	June 30, 2013	December 31, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	$ 194.7	$ 292.9
Restricted cash	3.3	—
Accounts receivable, net	140.9	134.8
Inventories	959.9	1,593.2
Deferred costs associated with deferred revenue	118.7	116.8
Other current assets	18.5	19.2
Total Current Assets	1,436.0	2,156.9
Property, Plant and Equipment, net	18.4	51.0
Other Long-Term Assets		
Deposits for surety bonds	29.4	22.3
Goodwill	—	6.8
Other assets	28.4	29.4
Total Other Long-Term Assets	57.8	58.5
Total Assets	**$ 1,512.2**	**$ 2,266.4**
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable and accrued liabilities	$ 154.3	$ 145.8
Payables under Russian Contract	177.3	209.8
Inventories owed to customers and suppliers	350.6	950.0
Deferred revenue and advances from customers	165.0	125.5
Credit facility term loan	—	83.2
Convertible preferred stock	107.0	100.5
Total Current Liabilities	954.2	1,614.8
Long-Term Debt	530.0	530.0
Other Long-Term Liabilities		
Postretirement health and life benefit obligations	212.6	207.2
Pension benefit liabilities	180.3	321.7
Other liabilities	54.3	65.6
Total Other Long-Term Liabilities	447.2	594.5
Commitments and Contingencies (Note 15)		
Stockholders' Equity (Deficit)	(419.2)	(472.9)
Total Liabilities and Stockholders' Equity (Deficit)	**$ 1,512.2**	**$ 2,266.4**

See notes to consolidated condensed financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Revenue:				
Separative work units	$ 267.4	$ 347.2	$ 557.6	$ 885.1
Uranium	13.9	3.6	41.5	3.6
Contract services	3.5	3.0	6.1	7.1
Total Revenue	284.8	353.8	605.2	895.8
Cost of Sales:				
Separative work units and uranium	328.2	340.4	632.0	841.6
Contract services	3.5	3.2	6.8	7.3
Total Cost of Sales	331.7	343.6	638.8	848.9
Gross profit (loss)	(46.9)	10.2	(33.6)	46.9
Advanced technology costs	46.2	85.4	105.5	122.1
Selling, general and administrative	11.9	13.2	24.8	26.8
Special charges for workforce reductions and advisory costs	3.7	3.2	6.1	9.6
Other (income)	(40.7)	(10.0)	(88.3)	(10.0)
Operating (loss)	(68.0)	(81.6)	(81.7)	(101.6)
Interest expense	9.3	12.7	22.6	25.4
Interest (income)	(0.1)	(0.1)	(0.4)	(0.2)
(Loss) from continuing operations before income taxes	(77.2)	(94.2)	(103.9)	(126.8)
Provision (benefit) for income taxes	(36.3)	(2.1)	(39.3)	(5.4)
Net (loss) from continuing operations	(40.9)	(92.1)	(64.6)	(121.4)
Net income from discontinued operations	—	0.1	21.7	0.6
Net (loss)	**$ (40.9)**	**$ (92.0)**	**$ (42.9)**	**$ (120.8)**
Net income (loss) per share (Note 14):				
Net (loss) from continuing operations per share – basic and diluted	$ (8.35)	$ (18.80)	$ (13.18)	$ (24.78)
Net (loss) per share – basic and diluted	$ (8.35)	$ (18.78)	$ (8.76)	$ (24.65)
Weighted-average number of shares outstanding – basic and diluted	4.9	4.9	4.9	4.9

See notes to consolidated condensed financial statements.

USEC Inc.
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)
(millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Net (loss)	$ (40.9)	$ (92.0)	$ (42.9)	$ (120.8)
Other comprehensive income, before tax:				
Gain arising during the period (Note 11)	138.3	—	138.3	—
Amortization of actuarial (gains) losses, net (Note 11)	6.1	6.0	12.9	12.0
Amortization of prior service costs (Note 11)	0.5	0.4	0.7	0.8
Other comprehensive income, before tax	144.9	6.4	151.9	12.8
Income tax expense related to items of other comprehensive income	(53.9)	(2.3)	(56.5)	(4.6)
Other comprehensive income, net of tax	91.0	4.1	95.4	8.2
Comprehensive income (loss)	**$ 50.1**	**$ (87.9)**	**$ 52.5**	**$ (112.6)**

See notes to consolidated condensed financial statements.

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

	Six Months Ended June 30,	
	2013	**2012**
Cash Flows from Operating Activities		
Net (loss)	$ (42.9)	$ (120.8)
Adjustments to reconcile net (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	16.4	19.5
Transfer of machinery and equipment to U.S. Department of Energy	—	44.6
Deferred income taxes	—	(4.6)
Other non-cash income on release of disposal obligation	—	(10.0)
Convertible preferred stock dividends payable-in-kind	6.5	5.8
Gain on sale of subsidiary	(35.6)	—
Non-cash transition charges	31.0	—
Changes in operating assets and liabilities:		
Accounts receivable – (increase)	(6.1)	(11.4)
Inventories, net – decrease	24.0	340.3
Payables under Russian Contract – (decrease)	(32.5)	(65.2)
Deferred revenue, net of deferred costs – increase	37.6	27.1
Accounts payable and other liabilities – increase (decrease)	(44.3)	3.6
Accrued depleted uranium disposition – increase (decrease)	0.4	(73.5)
Other, net	(3.3)	6.7
Net Cash Provided by (Used in) Operating Activities	(48.8)	162.1
Cash Flows Provided by Investing Activities		
Capital expenditures	—	(4.1)
Deposits for surety bonds - net (increase) decrease	(7.1)	43.8
Proceeds from sale of subsidiary	43.2	—
Net Cash Provided by Investing Activities	36.1	39.7
Cash Flows Used in Financing Activities		
Borrowings under revolving credit facility	—	123.6
Repayments under revolving credit facility	—	(123.6)
Repayment of credit facility term loan	(83.2)	—
Payments for deferred financing costs	(2.1)	(9.8)
Common stock issued (purchased), net	(0.2)	(0.6)
Net Cash (Used in) Financing Activities	(85.5)	(10.4)
Net Increase (Decrease)	(98.2)	191.4
Cash and Cash Equivalents at Beginning of Period	292.9	37.6
Cash and Cash Equivalents at End of Period	**$ 194.7**	**$ 229.0**
Supplemental Cash Flow Information:		
Interest paid	$ 11.8	$ 13.2
Income taxes paid, net of refunds	0.4	0.5

See notes to consolidated condensed financial statements.

USEC Inc.
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)
(millions, except per share data)

	Common Stock, Par Value $.10 per Share	Excess of Capital over Par Value	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Six Months Ended June 30, 2012						
Balance at December 31, 2011	$ 13.0	$ 1,212.5	$ (161.2)	$ (49.4)	$ (262.5)	$ 752.4
Other comprehensive income, net of tax (Note 16)	—	—	—	—	8.2	8.2
Restricted and other common stock issued, net of amortization	—	(13.7)	—	16.5	—	2.8
Reverse stock split of 1 share for 25 (Note 1)	(12.5)	12.5	—	—	—	—
Net (loss)	—	—	(120.8)	—	—	(120.8)
Balance at June 30, 2012	**$ 0.5**	**$ 1,211.3**	**$ (282.0)**	**$ (32.9)**	**$ (254.3)**	**$ 642.6**
Six Months Ended June 30, 2013						
Balance at December 31, 2012	$ 13.0	$ 1,200.8	$ (1,361.8)	$ (33.0)	$ (291.9)	$ (472.9)
Other comprehensive income, net of tax (Note 16)	—	—	—	—	95.4	95.4
Restricted and other common stock issued, net of amortization	—	3.5	—	(2.3)	—	1.2
Reverse stock split of 1 share for 25 (Note 1)	(12.5)	12.5	—	—	—	—
Net (loss)	—	—	(42.9)	—	—	(42.9)
Balance at June 30, 2013	**$ 0.5**	**$ 1,216.8**	**$ (1,404.7)**	**$ (35.3)**	**$ (196.5)**	**$ (419.2)**

See notes to consolidated condensed financial statements.

1. BASIS OF PRESENTATION

The unaudited consolidated condensed financial statements as of and for the three and six months ended June 30, 2013 and 2012 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 ("GAAP") have been omitted pursuant to such rules and regulations. Certain amounts in the consolidated condensed financial statements have been reclassified to conform to the current presentation.

Operating results for the three and six months ended June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. 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, 2012.

Reverse Stock Split

On July 1, 2013, USEC effectuated a reverse stock split of 1-for-25 shares as described below, resulting in a reclassification from Common Stock to Excess of Capital over Par Value of $12.5 million.

Liquidity Risks and Uncertainties

USEC's consolidated condensed financial statements have been prepared assuming that USEC will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the 12-month period following the date of these financial statements.

USEC reported a net loss of $1.2 billion in the year ended December 31, 2012 and a net loss of $491.1 million in the year ended December 31, 2011. These net losses were primarily the result of expenses related to the development of the American Centrifuge project, including the expense of previously capitalized amounts during both periods and related tax valuation allowances. USEC reported a net loss of $42.9 million for the six months ended June 30, 2013 and cash and cash equivalents of $194.7 million as of June 30, 2013. USEC expects that its cash balance, internally generated cash from its ongoing operations, and available borrowings under its revolving credit facility will provide sufficient cash to meet its obligations as they become due for at least 12 months from the date of the financial statements, assuming the renewal or replacement of its revolving credit facility past September 2013 and depending on the level of American Centrifuge expenditures after the conclusion of the research, development and demonstration ("RD&D") program which is scheduled to be completed by December 31, 2013. USEC's credit facility is available to finance working capital needs and general corporate purposes. On March 14, 2013, USEC amended its credit facility, among other things, to extend the expiration date of the credit facility from May 31, 2013 to September 30, 2013. USEC repaid its existing term loan in connection with the amendment. USEC expects to renew or replace its credit facility at or prior to maturity either as part of a potential balance sheet restructuring (discussed below) or with another short term credit facility based on USEC's working capital needs. If USEC were unable to renew or replace its credit facility beyond September 2013, USEC would seek to work with customers, if needed, to effect further order movements to provide sufficient liquidity and working capital.

Although USEC expects to have adequate liquidity to meet its obligations for at least 12 months, its $530 million of convertible senior notes mature on October 1, 2014. USEC's liquidity over the next 12 months is also dependent on the level of American Centrifuge expenditures after the conclusion of the RD&D program which is scheduled to be completed by December 31, 2013. In light of the significant transition of USEC's business and the uncertainties

and challenges facing USEC and in order to address the convertible notes maturity and improve USEC's credit profile and its ability to successfully finance and deploy the American Centrifuge project and to maximize USEC's participation in such project, USEC is engaged with its advisors and certain stakeholders on alternatives for a possible restructuring of its balance sheet. Although USEC has no assurance regarding its ability to pursue or complete a restructuring, a restructuring could result in significant changes to the Company's capital structure and adjustments to its balance sheet, including the creation of a new entity for accounting purposes, which would have a material impact on USEC's financial statements, including the going concern assumption on which they have been prepared.

Given the current enrichment market conditions and the challenges these conditions present for obtaining the capital necessary for commercialization of the American Centrifuge Plant ("ACP"), USEC is evaluating and pursuing the feasibility of alternatives and the actions necessary to proceed with the commercial deployment of the American Centrifuge technology including the availability of additional government support. USEC has no assurance that it will be successful in achieving any of these measures, including obtaining additional government support that may be necessary to successful commercial deployment, or the timing thereof. Therefore, USEC continues to evaluate its options concerning the American Centrifuge project including its ability to continue the project prior to or upon completion of the RD&D program, further demobilization of or delays in the commercial deployment of the project, and termination of the project. Any such actions may have a material adverse impact on USEC's ability to deploy the American Centrifuge technology, on its liquidity and on the long-term viability of its enrichment business. See Note 15, "American Centrifuge Plant" for additional information.

In addition, on May 8, 2012, USEC received a notice from the New York Stock Exchange ("NYSE") that the average closing price of its common stock was below the NYSE's continued listing criteria relating to minimum share price. On July 1, 2013, USEC effectuated a reverse stock split of 1-for-25 shares in order to regain compliance with the NYSE continued listing criteria related to minimum share price. This action resulted in USEC's closing share price exceeding $1.00 per share, and the condition will be deemed cured if the average closing price remains above the level for at least the following 30 trading days. However, on April 30, 2013, USEC received notice from the NYSE that the decline in USEC's total market capitalization has caused it to be out of compliance with another of the NYSE's continued listing standards. In accordance with the NYSE's rules, USEC submitted a plan advising the NYSE of definitive action it has taken, or is taking, that would bring it into conformity with the market capitalization listing standards within 18 months of receipt of the letter. On August 1, 2013, the NYSE accepted USEC's plan of compliance and USEC's common stock will continue to be listed on the NYSE during the 18-month cure period, subject to the compliance with other NYSE continued listing standards and continued periodic review by the NYSE of USEC's progress with respect to its plan. USEC's plan outlines initiatives USEC must execute by quarter. These initiatives include the successful completion of American Centrifuge plant development milestones, as well as the successful execution of the Company's Russian supply agreement and the Company's potential balance sheet restructuring. The NYSE has notified us that if USEC does not achieve these financial and operational goals, the Company will be subject to NYSE trading suspension at the point the initiative or goal is not met.

Under the terms of USEC's convertible notes, a "fundamental change" is triggered if USEC's shares of common stock are not listed for trading on any of the NYSE, the American Stock Exchange (now NYSE-MKT), the NASDAQ Global Market or the NASDAQ Global Select Market, and the holders of the notes can require USEC to repurchase the notes at par for cash. USEC has no assurance that it would be eligible for listing on an alternate exchange in light of its market capitalization, stockholders' deficit and net losses. In the event a fundamental change under the convertible notes is triggered, USEC does not have adequate cash to repurchase the notes. A failure by USEC to offer to repurchase the notes or to repurchase the notes after the occurrence of a fundamental change is an event of default under the indenture governing the notes. The occurrence of a fundamental change under the convertible notes that permits the holders of the convertible notes to require a repurchase for cash is also an event of default under USEC's credit facility. See Note 15, "NYSE Listing Standards Notices" for additional information.

USEC is in discussions with the Pension Benefit Guaranty Corporation (“PBGC”) regarding the impact of its de-lease of the Portsmouth gaseous diffusion plant ("GDP") and related transition of employees on its defined benefit plan funding obligations as well as the impact of ceasing enrichment at the Paducah GDP and related transition of employees as part of future reductions in force. See Note 15, “Potential ERISA Section 4062(e) Liability” for additional information.

The above noted actions, as well as actions that may be taken by vendors, customers, creditors and other third parties in response to its actions or based on their view of its financial strength and future business prospects, could give rise to events that individually, or in the aggregate, impose significant demands on USEC's liquidity.

New Accounting Standard

In February 2013, the Financial Accounting Standards Board (“FASB”) issued guidance on the presentation of accumulated other comprehensive income (“AOCI”), adding new disclosure requirements for items reclassified out of AOCI. The new guidance does not amend any existing requirements for reporting net income or other comprehensive income in the financial statements. The implementation of the new guidance in 2013 is reflected in the notes to USEC’s consolidated condensed financial statements and did not have an effect on USEC’s results of operations, cash flows or financial position.

2. SALE OF NAC SUBSIDIARY

On January 23, 2013, USEC entered into a stock purchase agreement (the “Stock Purchase Agreement”) with Hitz Holdings U.S.A. Inc. (“Hitz”), a subsidiary of Hitachi Zosen Corporation (“Hitachi Zosen”). Pursuant to the Stock Purchase Agreement, on March 15, 2013, Hitz acquired all of the outstanding shares of USEC’s wholly-owned subsidiary NAC International, Inc. (“NAC”). NAC was acquired by USEC in 2004 and provides transportation and storage systems for spent nuclear fuel and provides nuclear and energy consulting services. USEC recorded a gain on the sale of $35.6 million in the first quarter of 2013, representing the final sale proceeds of $43.2 million (including $3.3 million received in the second quarter of 2013) less the net carrying amount of NAC assets and liabilities of $5.5 million (including goodwill of $6.8 million) and transaction costs of $2.1 million.

The following financial information related to NAC is segregated from continuing operations and reported as discontinued operations (in millions). Results for 2013 are through the date of divestiture of March 15, 2013.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Revenue	$ —	$ 11.0	$ 13.7	$ 30.5
Cost of sales	—	8.9	11.8	26.3
Gross profit	—	2.1	1.9	4.2
Advanced technology costs	—	0.3	—	0.4
Selling, general and administrative	—	1.6	1.8	2.9
Operating income	—	0.2	0.1	0.9
Gain on sale of subsidiary	—	—	35.6	—
Income before income taxes	—	0.2	35.7	0.9
Provision for income taxes	—	0.1	14.0	0.3
Net income from discontinued operations	**$ —**	**$ 0.1**	**$ 21.7**	**$ 0.6**

3. TRANSITION CHARGES

Non-Production Expenses Related to Ceasing Enrichment at the Paducah Plant

On May 24, 2013, USEC announced that it was not able to conclude a deal for the short-term extension of uranium enrichment at the Paducah GDP and began ceasing uranium enrichment at the end of May 2013. USEC is in discussions with the U.S. Department of Energy ("DOE") regarding the timing of USEC's de-lease of the Paducah GDP from DOE and is seeking to minimize its transition costs related to lease turnover, which could be substantial.

Under the terms of the lease, USEC can terminate the lease prior to June 2016 upon two years' notice. Also, as USEC's needs change, USEC can de-lease portions of the property under lease upon 60 days' notice with DOE's consent, which cannot be unreasonably withheld. On August 1, 2013, USEC provided notice to DOE that USEC exercised its rights to terminate the lease with respect to the Paducah GDP. USEC anticipates being able to complete the return of leased premises and terminate the Paducah GDP lease as early as July 2014. In the event that USEC is unable to agree on a schedule for termination prior to two years, USEC plans to retain a small portion of the leased premises until August 1, 2015 at which time the Paducah GDP lease will terminate and any remaining portion of the leased premises will be returned to DOE. In such an event, during this period USEC plans to return portions of the leased premises no longer required to meet its business needs. However, limitations on available funding to DOE in light of federal budget constraints and spending cuts could limit DOE's willingness to accept the return of areas that USEC wishes to de-lease on a timely basis. Disputes could also arise regarding the requirements of the lease and responsibility for associated turnover costs.

The Paducah GDP has operated for more than 60 years. Environmental liabilities associated with plant operations by agencies of the U.S. government prior to USEC's privatization on July 28, 1998 are the responsibility of the U.S. government. The USEC Privatization Act and the lease for the plant provide that DOE remains responsible for decontamination and decommissioning of the Paducah site.

USEC accelerated the expected productive life of plant assets in recent months and began to cease enrichment at the Paducah GDP following completion of the one-year depleted uranium enrichment program in May 2013. USEC has incurred a number of expenses unrelated to current production that have been charged directly to cost of sales. Non-production expenses in the three and six months ended June 30, 2013 and June 30, 2012 include the following:

- Asset retirement charges of $19.3 million in the three and six months ended June 30, 2013 for property, plant and equipment formerly used in the enrichment process at the Paducah GDP;
- Inventory valuation adjustments totaling $10.0 million in the three and six months ended June 30, 2013, including $7.7 million of residual uranium contained in certain cylinders that will be transferred to DOE. USEC determined that it was currently uneconomic to recover this residual uranium for resale;
- Site expenses, including lease turnover activities, of $20.1 million in the three and six months ended June 30, 2013. Following the cessation of enrichment at the Paducah GDP, costs for plant activities that formerly were capitalized as production costs will now be charged directly to cost of sales including inventory management and disposition, ongoing regulatory compliance, utility requirements for operations, security, and other site management activities related to transition of facilities and infrastructure;
- Power contract losses of $11.8 million in the three and six months ended June 30, 2013. In anticipation of a potential short-term extension of uranium enrichment at the Paducah GDP, USEC purchased approximately 700 megawatts of power for the period from June 1 through September 30, 2013 from several power providers. Due to falling prices in power markets following the purchase of this power, as part of agreements to unwind these purchases, USEC incurred expenses of approximately $11.8 million;
- Accelerated asset charges of $8.2 million in the six months ended June 30, 2013. Beginning in the fourth quarter of 2012, the expected productive life of property, plant and equipment at the Paducah GDP was reduced from the lease term ending June 2016 to an accelerated basis ending December 2014. In addition,

costs that would have been previously treated as construction work in progress are treated similar to maintenance and repair costs because of the shorter expected productive life of the Paducah GDP. The expected productive life of the Paducah GDP was further reduced following the ceasing of enrichment in June 2013;

- Portsmouth retiree benefit costs of $6.3 million in the six months ended June 30, 2013 and $6.6 million in the six months ended June 30, 2012. Prior to the start of 2012, a significant portion of the costs related to pension and postretirement health and life benefit plans were attributed to Portsmouth contract services, based on the employee base performing contract services work. Starting in 2012, ongoing retiree benefit costs related to USEC's former Portsmouth employees are charged to cost of sales of the low enriched uranium ("LEU") segment rather than the contract services segment based on continuing operations that support USEC's active and retired employees.

USEC may incur additional non-production expense and special charges in future periods based on the results of transition planning and assessments of evolving business needs.

Special Charges for Workforce Reductions and Advisory Costs

On May 31, 2013, USEC notified its Paducah employees of potential layoffs beginning in August 2013. The notifications were provided under the Worker Adjustment and Retraining Notification Act (WARN Act), a federal statute that requires an employer to provide advance notice to its employees of potential layoffs in certain circumstances.

USEC expects that an initial workforce reduction of approximately 160 employees will be substantially completed by August 19, 2013. USEC currently estimates that it could incur employee related severance costs of approximately $2.1 million to $7.5 million for the expected initial layoff in August depending on the seniority of the workers and final number of employees severed. As such, USEC accrued a special charge associated with the workforce reduction of approximately 160 employees of $2.1 million in the three months ended June 30, 2013 for estimated one-time termination benefits consisting of severance payments. Related cash expenditures are expected primarily in the third quarter of 2013.

Additional layoffs may occur in stages during 2013 and/or 2014 depending on business needs to manage inventory, fulfill customer orders, meet regulatory requirements and transition the site back to DOE in a safe and orderly manner. Information on these additional layoffs would be communicated to affected employees in future notices and may result in additional charges. USEC currently estimates that it could incur total employee related severance costs of approximately $25 million to $30 million for all Paducah GDP workers (including the $2.1 million special charge for the 160 employees described above) in the event of a full termination of activities at the site without a transfer of employees to another employer, depending on the timing of severances, if incurred, and with DOE owing a portion of this amount estimated to be up to $6 million.

Actions taken in the prior year resulted in special charges of $1.7 million and $3.6 million in the three and six months ended June 30, 2012, respectively, for one-time termination benefits for affected employees at our American Centrifuge design and engineering operations in Oak Ridge, Tennessee, and our headquarters operations located in Bethesda, Maryland. Related cash expenditures were completed in 2012.

In early 2012, USEC initiated an internal review of its organizational structure and engaged a management consulting firm to support this review. USEC is also engaged with its advisors and certain stakeholders on alternatives for a possible restructuring of its balance sheet. Special charges recorded for these advisors totaled $2.3 million and $4.7 million in the three months and six months ended June 30, 2013, compared to $1.5 million and $6.0 million in the corresponding periods of 2012.

As discussed in Note 11, "Pension and Postretirement Health and Life Benefits," USEC will freeze benefit accruals under its defined benefit pension plans, effective August 5, 2013, for active employees who are not covered by a collective bargaining agreement. Pension benefits will no longer increase for these employees to reflect changes in compensation or credited service. However, these employees will not lose any benefits earned through August 4, 2013 under the pension plans. USEC is currently in discussions with the leadership of the two local unions which represent approximately one-half of the employees at the Paducah plant regarding the implementation of these changes for their members. Unamortized prior service costs related to those pension plan participants were accelerated and a plan re-measurement was conducted. The result was a curtailment gain of $0.7 million recorded in the second quarter of 2013 to special charges.

4. ADVANCED TECHNOLOGY COSTS AND OTHER INCOME

USEC is conducting a RD&D program for the American Centrifuge technology with cost share funding from DOE. The objectives of the RD&D program are to demonstrate the American Centrifuge technology through the construction and operation of a commercial demonstration cascade of 120 centrifuge machines and sustain the domestic U.S. centrifuge technical and industrial base for national security purposes and potential commercialization of the American Centrifuge technology. This includes activities to reduce the technical risks and improve the future prospects of deployment of the American Centrifuge technology. The June 2012 cooperative agreement with DOE, as most recently amended on July 24, 2013, defines the scope, funding and technical goals for the RD&D program. The program schedule runs from June 1, 2012 through December 31, 2013. The total investment in the program will be up to $350 million, with DOE providing 80%, and USEC providing 20% of the total. DOE’s total contribution would be up to $280 million and USEC’s contribution would be up to $70 million. The cooperative agreement is being incrementally funded, and $227.7 million of DOE funding has been provided as follows, which is expected to fund the RD&D program through September 30, 2013:

- $87.7 million of funding was provided by DOE accepting title to quantities of depleted uranium that enabled USEC to release encumbered funds that were providing financial assurance for the disposition of this depleted uranium;
- $45.7 million of funding was provided pursuant to the six-month continuing appropriations resolution passed by Congress and signed by the President on September 28, 2012;
- $44.4 million of funding was provided in March 2013 by DOE transferring the separative work unit ("SWU") component of LEU that DOE previously acquired from USEC in exchange for the transfer of quantities of USEC’s depleted uranium to DOE; and
- $49.9 million of funding was provided pursuant to the FY2013 continuing appropriations resolution, through amendments to the cooperative agreement on June 13, 2013 and July 24, 2013.

As of June 30, 2013, USEC has made cumulative qualifying American Centrifuge expenditures of $225.5 million. DOE’s pro-rata share is 80% or $180.4 million. Of the $180.4 million, $156.2 million has been received by USEC and DOE’s remaining funding share of $24.2 million is included in current accounts receivable as of June 30, 2013. Additionally, advances from customers as of June 30, 2013 include a balance of funding provided by DOE of $21.7 million.

In the three and six months ended June 30, 2013, USEC made qualifying American Centrifuge expenditures of $50.9 million and $110.4 million, respectively. DOE’s pro-rata share of 80%, or $40.7 million and $88.3 million, is recognized as other income in the three and six months ended June 30, 2013, respectively.

The July 24, 2013 amendment to the cooperative agreement provided funding through September 30, 2013. DOE's remaining cost share under the RD&D program of up to $52.3 million is conditioned upon USEC continuing to meet all milestones and deliverables on schedule, USEC continuing to demonstrate to DOE's satisfaction its ability to meet future milestones, and the availability of appropriations or other sources of consideration. USEC is continuing to work with Congress and the Administration to obtain funding for the remaining DOE cost-share needed to fund the RD&D program through December 2013. The Administration has included a request for transfer

authority of $48 million in the President's Government Fiscal Year 2014 budget to fund the RD&D program, and the same level of funding is in the FY 2014 Energy and Water Appropriations bill approved by the House of Representatives on July 10, 2013 and in the Senate version of the bill reported to the Senate by the Senate Appropriations Committee on June 27, 2013. USEC believes that this level of funding, if provided, would be sufficient to complete the program. However, there is no assurance that this additional funding will be made available.

Additional details regarding financing required to complete the American Centrifuge Plant and commitments related to the American Centrifuge under the 2002 DOE-USEC Agreement and the June 2012 cooperative agreement are provided in Note 15.

5. ACCOUNTS RECEIVABLE

	June 30, 2013	December 31, 2012
	(millions)	
Utility customers	$ 105.2	$ 118.3
DOE pro-rata share of RD&D program funding	24.2	4.4
Contract services, primarily DOE:		
Billed revenue	9.3	10.5
Unbilled revenue	2.2	1.6
	11.5	12.1
	$ 140.9	**$ 134.8**

Additional details regarding DOE's pro-rata share of funding for American Centrifuge expenditures under the RD&D program are provided in Note 4.

Billings for contract services related to DOE are generally invoiced based on provisional billing rates approved by DOE. Unbilled revenue represents the difference between actual costs incurred, prior to incurred cost audit and notice by DOE authorizing final billing, and provisional billing rate invoiced amounts. USEC expects to invoice and collect the unbilled amounts as billing rates are revised, submitted to and approved by DOE.

Current accounts receivable are net of valuation allowances and allowances for doubtful accounts totaling $2.5 million at June 30, 2013 and $2.1 million at December 31, 2012. Certain receivables from DOE of $38.0 million, net of valuation allowances of $12.2 million, are included in other long-term assets as of June 30, 2013 and December 31, 2012 based on the extended timeframe expected to resolve claims for payment filed by USEC under the Contract Disputes Act. On May 30, 2013, USEC appealed the DOE's denial of its claims to the U.S. Court of Federal Claims. USEC believes DOE has breached its agreements by failing to establish appropriate provisional billing and final indirect cost rates on a timely basis.

6. INVENTORIES

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

USEC holds uranium, principally at the Paducah GDP, in the form of natural uranium and as the uranium component of LEU. USEC holds SWU as the SWU component of LEU. USEC may also hold title to the uranium and SWU components of LEU at fabricators to meet book transfer requests by customers. Fabricators process LEU into fuel for use in nuclear reactors.

Components of inventories follow (in millions):

	June 30, 2013			December 31, 2012		
	Current Assets	Current Liabilities (a)	Inventories, Net	Current Assets	Current Liabilities (a)	Inventories, Net
Separative work units	$ 660.0	$ 163.8	$ 496.2	$ 880.9	$ 382.7	$ 498.2
Uranium	295.7	186.8	108.9	703.7	567.3	136.4
Materials and supplies	4.2	—	4.2	8.6	—	8.6
	$ 959.9	**$ 350.6**	**$ 609.3**	**$ 1,593.2**	**$ 950.0**	**$ 643.2**

(a) Inventories owed to customers and suppliers, included in current liabilities, consist primarily of SWU and uranium inventories owed to fabricators. Fabricators process LEU into fuel for use in nuclear reactors. Under inventory optimization arrangements between USEC and domestic fabricators, fabricators order bulk quantities of LEU from USEC based on scheduled or anticipated orders from utility customers for deliveries in future periods. As delivery obligations under actual customer orders arise, USEC satisfies these obligations by arranging for the transfer to the customer of title to the specified quantity of LEU at the fabricator. USEC's balances of SWU and uranium vary over time based on the timing and size of the fabricator's LEU orders from USEC and the fabricator's needs for working stock of LEU. Balances can be positive or negative at the discretion of the fabricator. Fabricators have other inventory supplies and, where a fabricator has elected to order less material from USEC than USEC is required to deliver to its customers at the fabricator, the fabricator will use these other inventories to satisfy USEC's customer order obligations on USEC's behalf. In such cases, the transfer of title of LEU from USEC to the customer results in quantities of SWU and uranium owed by USEC to the fabricator. The amounts of SWU and uranium owed to fabricators are satisfied as future bulk deliveries of LEU are made.

Uranium Provided by Customers and Suppliers

USEC held uranium with estimated values of approximately $1.6 billion at June 30, 2013, and $1.9 billion at December 31, 2012, to which title was held by customers and suppliers and for which no assets or liabilities were recorded on the balance sheet. The reduction reflects a 7% decline in quantities and an 8% decline in the uranium spot price indicator. Utility customers provide uranium to USEC as part of their enrichment contracts. Title to uranium provided by customers generally remains with the customer until delivery of LEU at which time title to LEU is transferred to the customer, and title to uranium is transferred to USEC.

7. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2012	Capital Expenditures (Depreciation)	Transfers and Retirements	Ceasing of Enrichment at Paducah	June 30, 2013
Construction work in progress	$ 2.7	$ —	$ (0.6)	$ (1.7)	$ 0.4
Leasehold improvements	183.7	—	(0.6)	—	183.1
Machinery and equipment	181.7	—	(9.3)	—	172.4
	368.1	—	(10.5)	(1.7)	355.9
Accumulated depreciation and amortization	(317.1)	(11.3)	8.5	(17.6)	(337.5)
	$ 51.0	**$ (11.3)**	**$ (2.0)**	**$ (19.3)**	**$ 18.4**

As noted in Note 3, USEC incurred a charge to cost of sales of $19.3 million in the three months ended June 30, 2013 in connection with the ceasing of enrichment at the Paducah GDP and the related retirements of property, plant and equipment used in the enrichment process.

8. DEFERRED REVENUE AND ADVANCES FROM CUSTOMERS

	June 30, 2013	December 31, 2012
	(millions)	
Deferred revenue	$ 143.3	$ 123.1
Advances from customers	21.7	2.4
	$ 165.0	**$ 125.5**
Deferred costs associated with deferred revenue	**$ 118.7**	**$ 116.8**

Advances from customers as of June 30, 2013 consists of the balance of funding provided by DOE for the RD&D program. Details are provided in Note 4.

9. DEBT

Credit Facility

On March 14, 2013, USEC amended its credit facility that was scheduled to mature on May 31, 2013. The amended revolving credit facility totals $110.0 million (including letters of credit of up to $25.0 million) and matures on September 30, 2013. The term loan under the credit facility was repaid in connection with the amendment.

Utilization of the credit facility at June 30, 2013 and December 31, 2012 follows:

	June 30, 2013	December 31, 2012
	(millions)	
Borrowings under the revolving credit facility	$ —	$ —
Term loan	—	83.2
Letters of credit	3.1	14.7
Available credit	76.9	87.1

As of June 30, 2013, USEC met all of the reserve provision and collateral requirements of the credit facility and was in compliance with all of the covenants.

The credit facility is secured by assets of USEC Inc. and its subsidiaries, excluding equity in, and assets of, subsidiaries created to carry out future commercial American Centrifuge activities. Borrowings under the credit facility are subject to limitations based on established percentages of eligible accounts receivable and USEC-owned inventory pledged as collateral to the lenders. The amended credit facility requires cash collateralization of letters of credit issued by the bank at 105%. Cash collateralization of $3.3 million as of June 30, 2013 is classified as restricted cash. Available credit reflects the levels of qualifying assets at the end of the previous month less any borrowings or letters of credit.

The credit facility is available to finance working capital needs and general corporate purposes. The credit facility imposes limitations and restrictions on USEC's ability to invest in the American Centrifuge project. With certain exceptions, all funds of USEC Inc. and its subsidiaries are subject to full cash dominion, meaning that they will be swept on a daily basis into an account with the administrative agent and will be used to pay outstanding loans before they are available to USEC for use in its operations.

The credit facility contains various reserve provisions that reduce available borrowings under the facility periodically including a permanent availability block equal to $30.0 million. The other reserves under the revolving credit facility, such as availability reserves and borrowing base reserves, are customary for credit facilities of this type.

Convertible Senior Notes due 2014

Convertible senior notes amounted to $530.0 million as of June 30, 2013 and December 31, 2012. The convertible senior notes are due October 1, 2014. Interest of 3.0% is payable semi-annually in arrears on April 1 and October 1 of each year. The notes were not eligible for conversion to common stock as of June 30, 2013 or December 31, 2012.

Deferred Financing Costs

Financing costs are generally deferred and amortized over the life of the instrument. A summary of deferred financing costs for the three months ended June 30, 2013 follows (in millions):

	December 31, 2012	Additions	Reductions	June 30, 2013
Other current assets:				
Bank credit facilities	$ 3.0	$ 2.1	$ (4.1)	$ 1.0
Deferred financing costs (long-term):				
Convertible notes	$ 3.6	$ —	$ (1.0)	$ 2.6

10. FAIR VALUE MEASUREMENTS

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

Fair Value Hierarchy

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

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

Financial Instruments Recorded at Fair Value

	Fair Value Measurements (in millions)							
	June 30, 2013				December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Cash equivalents (a)	—	$ 194.5	—	$ 194.5	—	$ 292.2	—	$ 292.2
Deferred compensation asset (b)	—	2.8	—	2.8	—	2.7	—	2.7
Liabilities:								
Deferred compensation obligation (b)	—	2.7	—	2.7	—	2.7	—	2.7

(a) Cash equivalents consist of funds invested in institutional money market funds. These investments are classified within Level 2 of the valuation hierarchy because unit prices of institutional funds are estimated prices using observable, market-based inputs.

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

Other Financial Instruments

As of June 30, 2013 and December 31, 2012, the balance sheet carrying amounts for accounts receivable, accounts payable and accrued liabilities (excluding the deferred compensation obligation described above), and payables under the commercial agreement (the "Russian Contract") with a Russian government entity known as Techsnabexport ("TENEX") approximate fair value because of the short-term nature of the instruments.

The balance sheet carrying amounts and estimated fair values of USEC's debt follow (in millions):

	June 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Credit facility term loan	$ —	$ —	$ 83.2	$ 93.5
Convertible preferred stock and accrued dividends payable-in-kind	107.0	107.0	100.5	100.5
3.0% convertible senior notes, due October 1, 2014	530.0	119.3	530.0	198.2

The estimated fair values of the term loans are based on the change in market value of an index of loans of similar credit quality based on published credit ratings, and are classified as using Level 2 inputs in the fair value measurement.

The convertible preferred stock can be converted or sold at the holder's option and is classified as a current liability at the redemption value. The estimated fair value of the convertible preferred stock is based on a market approach using a discount rate of 12.75%, which is unobservable (Level 3) since the instruments do not trade. Dividends on the convertible preferred stock are paid (or accrued and are added to the liquidation preference of the convertible preferred stock) as additional shares of convertible preferred stock on a quarterly basis at an annual rate of 12.75%, which is consistent with current market prices and other market benchmarks. The estimated fair value equals the redemption value of $1,000 per share. The convertible preferred stock are currently subject to a share issuance limitation. If a share issuance limitation were to exist at the time of share conversion or sale, any preferred stock shares subject to the share issuance limitation would be subject to optional or mandatory redemption for, at USEC's option, cash or SWU consideration. However, USEC's ability to redeem may be limited by Delaware law, and if not limited may result in mandatory prepayment of USEC's credit facility.

The estimated fair value of the convertible notes is based on the trading price as of the balance sheet date, and is classified as using Level 1 inputs in the fair value measurement.

11. PENSION AND POSTRETIREMENT HEALTH AND LIFE BENEFITS

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

	Defined Benefit Pension Plans				Postretirement Health and Life Benefit Plans			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012	2013	2012	2013	2012
Service costs	$ 3.7	$ 3.7	$ 7.4	$ 7.3	$ 0.9	$ 0.9	$ 1.8	$ 1.8
Interest costs	11.0	12.0	22.0	24.1	2.3	2.8	4.5	5.6
Expected returns on plan assets (gains)	(12.7)	(13.0)	(25.5)	(26.0)	(0.6)	(0.7)	(1.2)	(1.4)
Amortization of prior service costs	0.5	0.4	0.7	0.8	—	—	—	—
Amortization of actuarial (gains) losses, net	6.1	4.9	12.2	9.8	0.7	1.1	1.4	2.2
Curtailment (gains)	(0.7)	—	(0.7)	—	—	—	—	—
Net benefit costs	**$ 7.9**	**$ 8.0**	**$ 16.1**	**$ 16.0**	**$ 3.3**	**$ 4.1**	**$ 6.5**	**$ 8.2**

USEC expects to contribute $23.4 million to the defined benefit pension plans in 2013, consisting of $20.9 million of required contributions under the Employee Retirement Income Security Act ("ERISA") and $2.5 million to non-qualified plans. USEC has contributed $7.0 million in the six months ended June 30, 2013.

There is no required contribution for the postretirement health and life benefit plans under ERISA and USEC does not expect to contribute in 2013. USEC receives federal subsidy payments for sponsoring prescription drug benefits that are at least actuarially equivalent to Medicare Part D.

Effective August 5, 2013, accrued benefits for active employees who are not covered by a collective bargaining agreement have been frozen under the defined benefit pension plans. The retirement benefit will be fixed and will no longer increase based on service or earnings. The freeze of the defined benefit pension plans is part of the internal organizational structure review effort. We are currently in discussions with the leadership of the two local unions (the United Steelworkers ("USW") and the Security, Police, Fire Professionals of America ("SPFPA"), which represent approximately one-half of the employees at the Paducah plant) regarding the implementation of these changes for their members.

A curtailment occurs when an employer eliminates accrual of pension benefits for some or all future services of a significant number of employees covered by the pension plan. When a curtailment occurs, plan assets and benefit obligations are remeasured. The remeasurement date for the curtailment was June 30, 2013. The net effect of the curtailment on the net periodic cost was a gain of $0.7 million and a decrease of $138.3 million on the pension liability (unfunded status) and accumulated other comprehensive income as of June 30, 2013.

The key economic assumptions for the June 30, 2013 remeasurement have changed from the December 31, 2012 measurement. The discount rate used at June 30, 2013 is 4.92% compared to 4.07% used at December 31, 2012, the salary growth rate remained the same at 4.00%, and the expected return on assets also remained the same at 6.75%. The expected contributions to the pension plans for 2013 remain the same.

Prior to the start of 2012, a significant portion of the costs related to pension and postretirement health and life benefit plans were attributed to Portsmouth contract services, based on the employee base performing contract services work. Starting in 2012, ongoing retiree benefit costs related to USEC's former Portsmouth employees are charged to the LEU segment rather than the contract services segment based on our continuing LEU segment operations that support our active and retired employees. These net benefit costs totaled $6.3 million for the six months ended June 30, 2013 and $6.6 million for the six months ended June 30, 2012 and are directly charged to cost of sales rather than production.

Net periodic benefit costs related to continued operations are allocated to SWU inventory costs, selling, general and administrative expense, and advanced technology costs.

Other Plans

Effective August 5, 2013, certain employees impacted by the pension freeze discussed above will be eligible to receive an enhanced matching contribution formula under the USEC Savings Program (401(k) plan). USEC's current maximum matching contribution for these individuals is 4% of eligible earnings and will increase to 7% in August.

12. STOCK-BASED COMPENSATION

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(millions)			
Total stock-based compensation costs:				
Restricted stock and restricted stock units	$ 0.4	$ 1.3	$ 1.3	$ 2.5
Stock options, performance awards and other	—	0.2	0.1	0.5
Less: costs capitalized as part of inventory	—	(0.1)	—	(0.1)
Expense included in selling, general and administrative and advanced technology costs	**$ 0.4**	**$ 1.4**	**$ 1.4**	**$ 2.9**
Total recognized tax benefit	**$ —**	**$ —**	**$ —**	**$ —**

The total recognized tax benefit is reported at the federal statutory rate net of the tax valuation allowance.

Stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized over the requisite service period, which is either immediate recognition if the employee is eligible to retire, or on a straight-line basis until the earlier of either the date of retirement eligibility or the end of the vesting period. There was no stock-based compensation granted in the three months ended June 30, 2013. As of June 30, 2013, there was $1.5 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested restricted shares and restricted stock units granted. That cost is expected to be recognized over a weighted-average period of 1.3 years.

On January 10, 2013, the Compensation Committee of the Board of Directors approved the surrender and cancellation of 2,462,726 unexercised stock options and suspended the Annual Incentive Program and Long Term Incentive Program for 2013 under the USEC Inc. 2009 Equity Incentive Plan.

13. INCOME TAXES

Because there is a full valuation allowance against deferred tax assets and there are pretax losses from continuing operations and income in other components of the financial statements (e.g., discontinued operations and other comprehensive income), the income tax benefit from pretax losses from continuing operations is limited to the amount of income tax expense recorded on all items other than continuing operations. The income tax benefit from continuing operations consists primarily of the income tax benefit calculated using an estimated annual effective tax rate. The estimated annual effective tax rate applied to pretax losses from continuing operations for the interim period is calculated using the estimated full-year plan for ordinary income and the year-to-date amounts for discontinued operations and other comprehensive income. The income tax expense on all items other than continuing operations is recorded discretely based on year-to-date amounts. The difference in calculating the income tax expense and income tax benefit of $31.8 million is an interim timing difference recorded on the balance sheet in current liabilities that will reverse by year end when full-year results are presented.

14. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period, excluding any unvested restricted stock. In calculating diluted net income per share, the numerator is increased by interest expense on the convertible notes and convertible preferred stock dividends, net of amount capitalized and net of tax, and the denominator is increased by the weighted average number of shares resulting from potentially dilutive securities, assuming full conversion, consisting of stock compensation awards, convertible notes, convertible preferred stock and warrants. No dilutive effect is recognized in a period in which a net loss has occurred or in which the assumed conversion effect of convertible securities is antidilutive.

On July 1, 2013, USEC effectuated a reverse stock split of 1-for-25 shares in order to regain compliance with the NYSE continued listing criteria related to minimum share price. When changes in common stock resulting from a reverse stock split occur after the close of the periods but before the financial statements are issued or are available to be issued, the per-share computations for those and any prior period financial statements are based on the new number of shares. Net income (loss) per share was adjusted for all periods presented to reflect the change in the number of shares.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(millions)			
Numerators:				
Net (loss) from continuing operations	$ (40.9)	$ (92.1)	$ (64.6)	$ (121.4)
Net income from discontinued operations	—	0.1	21.7	0.6
Net (loss)	$ (40.9)	$ (92.0)	$ (42.9)	$ (120.8)
Numerators for diluted calculations (a):				
Net (loss) from continuing operations	$ (40.9)	$ (92.1)	$ (64.6)	$ (121.4)
Net income from discontinued operations	—	0.1	21.7	0.6
Net (loss)	$ (40.9)	$ (92.0)	$ (42.9)	$ (120.8)
Denominator:				
Weighted average common shares	5.0	5.0	5.0	5.0
Less: Weighted average unvested restricted stock	0.1	0.1	0.1	0.1
Denominator for basic calculation	**4.9**	**4.9**	**4.9**	**4.9**
Weighted average effect of dilutive securities:				
Convertible notes	1.8	1.8	1.8	1.8
Convertible preferred stock:				
Equivalent common shares (b)	10.0	3.1	8.9	3.0
Less: share issuance limitation (c)	9.1	2.2	8.0	2.1
Net allowable common shares	0.9	0.9	0.9	0.9
Subtotal	2.7	2.7	2.7	2.7
Less: shares excluded in a period of a net loss or antidilution	2.7	2.7	2.7	2.7
Weighted average effect of dilutive securities	—	—	—	—
Denominator for diluted calculation	**4.9**	**4.9**	**4.9**	**4.9**
Net (loss) per share from continuing operations – basic and diluted	**$ (8.35)**	**$ (18.80)**	**$ (13.18)**	**$ (24.78)**
Net income per share from discontinued operations – basic and diluted	**$ —**	**$ 0.02**	**$ 4.43**	**$ 0.12**
Net (loss) per share – basic and diluted	**$ (8.35)**	**$ (18.78)**	**$ (8.76)**	**$ (24.65)**

(a) The numerators are subject to increase for interest expense on convertible notes and convertible preferred stock dividends, net of tax, of $5.1 million in the three months ended June 30, 2013 and $10.0 million in the six months ended June 30, 2013. The tax rate is the statutory rate. Net interest expense on convertible notes and convertible preferred stock dividends was $4.8 million in the three months ended June 30, 2012 and $9.5 million in the six months ended June 30, 2012.

However, no dilutive effect is recognized in a period in which a net loss has occurred. In addition, for purposes of calculating income from discontinued operations per share, the calculation of (loss) from continuing operations per share provides a control number in determining whether potential common shares are dilutive or antidilutive. The control number concept requires that the same number of potentially dilutive securities applied in computing diluted

earnings per share from continuing operations be applied to all other categories of income or loss (discontinued operations and net income/loss), regardless of their antidilutive effect on such categories. Therefore, no dilutive effect is recognized in the calculation of income from discontinued operations per share.

(b) The number of equivalent common shares for the convertible preferred stock is based on the arithmetic average of the daily volume weighted average prices per share of common stock for each of the last 20 trading days, and is determined as of the beginning of the period for purposes of calculating diluted net income per share.

(c) Prior to obtaining shareholder approval, the preferred stock may not be converted into an aggregate number of shares of common stock in excess of 19.99% of the shares of our common stock outstanding on May 25, 2010 (approximately 0.9 million shares adjusted to take into account the 1-for-25 reverse stock split), in compliance with the rules of the New York Stock Exchange. If a share issuance limitation were to exist at the time of share conversion or sale, any preferred stock shares subject to the share issuance limitation would be subject to optional or mandatory redemption for, at USEC's option, cash or SWU consideration. However, USEC's ability to redeem may be limited by Delaware law, and if not limited may result in mandatory prepayment of USEC's credit facility.

Options and warrants to purchase shares of common stock having an exercise price greater than the average share market price are excluded from the calculation of diluted net income per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Options excluded from diluted net income per share	2,000	116,000	2,000	116,000
Warrants excluded from diluted net income per share	250,000	250,000	250,000	250,000
Exercise price of excluded options	$ 177.50 to $ 357.00	$ 93.00 to $ 357.00	$ 177.50 to $ 357.00	$ 93.00 to $ 357.00
Exercise price of excluded warrants	$ 187.50	$ 187.50	$ 187.50	$ 187.50

15. COMMITMENTS AND CONTINGENCIES

American Centrifuge Plant

Project Funding

USEC is in the process of developing an updated plan for the financing and commercialization of the American Centrifuge project. Factors that can affect this plan include key variables related to project cost, schedule, market demand and market prices for low enriched uranium, financing costs and other financing terms. USEC has experienced cost pressures due to delays in deployment of the project. The economics of the project are also being increasingly challenged by the current supply/demand imbalance in the market for low enriched uranium and related downward pressure on market prices. USEC does not currently have the remaining government cost-share funding in place for the last three months of the calendar year needed to complete the RD&D program or any financing in place for the project following the completion of the current RD&D program described in Note 4 and will need significant additional financing in order to complete the American Centrifuge Plant. Despite the technical progress being made by the RD&D program, if financing is not in place at the end of the RD&D program, USEC could demobilize or terminate the project in order to preserve its liquidity. USEC could also make a decision at any time to demobilize or terminate the project based on the timing and likelihood of successful commercialization of the American Centrifuge project taking into account the factors above. In the event of a demobilization or termination of the American Centrifuge project, USEC could incur significant costs that could put significant demands on its liquidity.

USEC believes a loan guarantee under the DOE Loan Guarantee Program, which was established by the Energy Policy Act of 2005, or other government support is critical to obtaining the funding needed to complete the ACP. In July 2008, USEC applied under the DOE Loan Guarantee Program for $2 billion in U.S. government guaranteed

debt financing for the ACP. Instead of moving forward with a conditional commitment for a loan guarantee, in the fall of 2011, DOE proposed a two-year RD&D program for the project. DOE indicated that USEC's application for a DOE loan guarantee would remain pending during the RD&D program but has given USEC no assurance that a successful RD&D program will result in a loan guarantee. In order to obtain a loan guarantee, USEC will need to demonstrate a viable commercialization plan which is dependent on the factors described above. Additional capital beyond the $2 billion of DOE loan guarantee funding that USEC has applied for and USEC's internally generated cash flow will be required to complete the project. USEC has had discussions with Japanese export credit agencies regarding financing up to $1 billion of the cost of completing the ACP, with such potential financing predicated on USEC receiving a DOE loan guarantee.

USEC also expects to need at least $1 billion of capital for the project in addition to the DOE loan guarantee and the Japanese export credit agency funding discussed above. The amount of additional capital includes contributions from USEC and is dependent on a number of factors, including the amount of any revised cost estimate and schedule for the project, the amount of contingency or other capital DOE may require as part of a loan guarantee, and the amount of the DOE credit subsidy cost that would be required to be paid in connection with a loan guarantee. USEC currently anticipates the sources for this capital to include cash generated by the project during startup, available USEC cash flow from operations and additional third-party capital. USEC expects the additional third-party capital would be raised at the project level, including through the issuance of additional equity participation.

However, in order to successfully raise this capital, USEC needs to develop and validate a viable business plan that supports loan repayment and provides potential investors with an attractive return on investment based on the project's risk profile. The economics of the American Centrifuge project are increasingly challenged under current enrichment market conditions, which have continued to decline during 2013. USEC has no assurances that it will be successful in obtaining this financing and that the delays and cost increases the Company has experienced and market conditions will not adversely affect these efforts. USEC is working to identify cost mitigation actions; however USEC has no assurance that it will be successful. USEC also is uncertain regarding the amount of internally generated cash flow from operations that USEC will have available to finance the project in light of the delays in deployment of the project, reduced cash flow from operations as a result of ceasing enrichment at the Paducah GDP and potential requirements for USEC's internally generated cash flow to satisfy its pension and postretirement benefit and other obligations. The amount of capital that USEC is able to contribute to the project going forward will also impact USEC's share of the ultimate ownership of the project, which would be reduced as a result of raising equity and other capital to deploy the project.

Given the current enrichment market conditions and the challenges these conditions present for obtaining the capital necessary for ACP commercialization, USEC is evaluating and pursuing the feasibility of alternatives and the actions necessary to proceed with the commercial deployment of the American Centrifuge technology including the availability of additional government support. USEC has no assurance that it will be successful in achieving any of these measures, including obtaining additional government support that may be necessary to successful commercial deployment, or the timing thereof. Therefore, USEC continues to evaluate its options concerning the American Centrifuge project including its ability to continue the project prior to or upon completion of the RD&D program, further demobilization of or delays in the commercial deployment of the project, and termination of the project. Any such actions may have a material adverse impact on USEC's ability to deploy the American Centrifuge technology, on its liquidity and on the long-term viability of its enrichment business.

In order to address the October 1, 2014 maturity of its $530 million of convertible senior notes and increase the likelihood of a successful financing and deployment of the American Centrifuge project and USEC's participation in such project, USEC is engaged with its advisors and certain stakeholders on alternatives for a possible restructuring of its balance sheet. A restructuring of USEC's balance sheet could adversely affect the holders of USEC common stock through dilution or loss in value. However, USEC has no assurance regarding the outcome of any discussions USEC pursues with creditors or other key stakeholders.

Milestones under the 2002 DOE-USEC Agreement

USEC and DOE are parties to an agreement dated June 17, 2002, as amended (the "2002 DOE-USEC Agreement"), pursuant to which USEC and DOE made long-term commitments directed at resolving issues related to the stability and security of the domestic uranium enrichment industry. The agreement provides that USEC will develop, demonstrate and deploy advanced enrichment technology in accordance with milestones and provides for remedies in the event of a failure to meet a milestone under certain circumstances.

The 2002 DOE-USEC Agreement provides DOE with specific remedies if USEC fails to meet a milestone that would materially impact USEC's ability to begin commercial operations of the American Centrifuge Plant on schedule and such delay was within USEC's control or was due to USEC's fault or negligence. These remedies could include terminating the 2002 DOE-USEC Agreement, revoking USEC's access to DOE's U.S. centrifuge technology that USEC requires for the success of the American Centrifuge project and requiring USEC to transfer certain of its rights in the American Centrifuge technology and facilities to DOE, and to reimburse DOE for certain costs associated with the American Centrifuge project. Any of these remedies under the 2002 DOE-USEC Agreement could have a material adverse impact on USEC's business.

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

Technical Milestones under the June 2012 Cooperative Agreement

The June 2012 cooperative agreement with DOE, as amended, includes nine technical milestones for the RD&D program. As of June 30, 2013, five of the milestones have been completed and certified by DOE; one milestone has been completed and documentation has been submitted for certification by DOE; and the final three milestones are targeted for completion at the end of the RD&D program on December 31, 2013. DOE has the right to terminate the cooperative agreement if any of the remaining technical milestones are not met. DOE also has the right to terminate the cooperative agreement if USEC materially fails to comply with the other terms and conditions of the cooperative agreement. Failure to meet the technical milestones under the cooperative agreement could provide a basis for DOE to exercise its remedies under the 2002 DOE-USEC Agreement.

In addition, the cooperative agreement contains non-binding performance indicators that are designed to be achieved throughout the RD&D program and ensure that the RD&D program is on track to achieve the milestones and other program objectives. Although the performance indicators are non-binding, the failure to achieve a performance indicator could cause DOE to take actions that are adverse to USEC. By manufacturing the 120 AC100 centrifuges required for the demonstration cascade, the program has met the third out of five performance indicators. Documentation of completion of the fourth performance indicator has been submitted to DOE for certification. Progress on the remaining performance indicator is in line with expectations to achieve the target dates for the performance indicator.

2002 DOE-USEC Agreement - Domestic Enrichment Facilities

Under the 2002 DOE-USEC Agreement, USEC agreed to operate the Paducah GDP at a production rate at or above 3.5 million SWU per year and production at Paducah may not be reduced below a minimum of 3.5 million SWU per year until six months before USEC has the permanent addition of 3.5 million SWU per year of new capacity installed based on advanced enrichment technology. By letter dated May 30, 2013, USEC provided notice to DOE under the 2002 DOE-USEC Agreement that it would cease enrichment at the Paducah GDP at the conclusion of the agreements related to the one-year, multi-party depleted uranium enrichment program on May 31, 2013. Under the 2002 DOE-USEC Agreement, DOE can transition operations of Paducah from USEC operation to ensure the continuity of domestic enrichment operations and the fulfillment of supply contracts. USEC is in discussions with DOE regarding an agreement related to the transition of the Paducah GDP and while USEC believes maintaining USEC's access to the Paducah GDP would be the best course of action to permit the

fulfillment of supply contracts, there can be no assurance that DOE will not seek to exercise this right in a manner that will result in material adverse impacts to USEC.

NYSE Listing Standards Notices

On May 8, 2012, USEC received notice from the NYSE that the average closing price of its common stock was below the NYSE's continued listing criteria relating to minimum share price. The NYSE listing requirements require that a company's common stock trade at a minimum average closing price of $1.00 over a consecutive 30 trading-day period. On July 1, 2013, USEC effectuated a reverse stock split in order to regain compliance with the NYSE continued listing criteria related to minimum share price. This action resulted in USEC's closing share price exceeding $1.00 per share, and the condition will be deemed cured if the average closing price remains above the level for at least the following 30 trading days. Subject to the NYSE's rules, during the cure period, USEC's common stock will continue to be listed and trade on the NYSE, subject to its continued compliance with the NYSE's other applicable listing rules.

On April 30, 2013, USEC received notice from the NYSE that the decline in USEC's total market capitalization has caused it to be out of compliance with another of the NYSE's continued listing standards. The NYSE listing requirements require that a company maintain an average market capitalization of not less than $50 million over a consecutive 30 trading-day period where the company's total stockholders' equity is less than $50 million. In accordance with the NYSE's rules, USEC submitted a plan advising the NYSE of definitive action it has taken, or is taking, that would bring it into conformity with the market capitalization listing standards within 18 months of receipt of the letter. On August 1, 2013, the NYSE accepted USEC's plan of compliance and USEC's common stock will continue to be listed on the NYSE during the 18-month cure period, subject to the compliance with other NYSE continued listing standards and continued periodic review by the NYSE of USEC's progress with respect to its plan. USEC's plan outlines initiatives USEC must execute by quarter. These initiatives include the successful completion of American Centrifuge plant development milestones, as well as the successful execution of the Company's Russian supply agreement and the Company's potential balance sheet restructuring. The NYSE has notified us that if USEC does not achieve these financial and operational goals, the Company will be subject to NYSE trading suspension at the point the initiative or goal is not met.

In addition, the NYSE can at any time suspend trading in a security and delist the stock if it deems it necessary for the protection of investors. The NYSE can take accelerated listing action if USEC's common stock trades at levels viewed to be “abnormally low” over a sustained period of time. USEC would also be subject to immediate suspension and de-listing from the NYSE if its average market capitalization is less than $15 million over a consecutive 30 trading-day period or if it were to file or announce an intent to file under any of the sections of the bankruptcy law. During July 2013, USEC's market capitalization fell below $15 million for several days. Even if USEC meets the numerical listing standards above, the NYSE reserves the right to assess the suitability of the continued listing of a company on a case-by-case basis whenever it deems it appropriate and will consider factors such as unsatisfactory financial conditions and/or operating results or inability to meet debt obligations or adequately finance operations.

Under the terms of USEC's convertible notes, a "fundamental change" is triggered if USEC's shares of common stock are not listed for trading on any of the NYSE, the American Stock Exchange (now NYSE-MKT), the NASDAQ Global Market or the NASDAQ Global Select Market, and the holders of the notes can require USEC to repurchase the notes at par for cash. USEC has no assurance that it would be eligible for listing on an alternate exchange in light of its market capitalization, stockholders' deficit and net losses. USEC's receipt of a NYSE continued listing standards notification described above did not trigger a fundamental change. In the event a fundamental change under the convertible notes is triggered, USEC does not have adequate cash to repurchase the notes. A failure by USEC to offer to repurchase the notes or to repurchase the notes after the occurrence of a fundamental change is an event of default under the indenture governing the notes. The occurrence of a fundamental change under the convertible notes that permits the holders of the convertible notes to require a repurchase for cash is an event of default under USEC's credit facility. Accordingly, the exercise of remedies by

holders of USEC's convertible notes or lenders under USEC's credit facility as a result of a delisting would have a material adverse effect on USEC's liquidity and financial condition.

Potential ERISA Section 4062(e) Liability

USEC is in discussions with the Pension Benefit Guaranty Corporation ("PBGC") regarding the impact of USEC's de-lease of the Portsmouth gaseous diffusion facilities and related transition of employees performing government services work to DOE's new decontamination and decommissioning ("D&D") contractor on September 30, 2011. USEC notified the PBGC of this occurrence and the PBGC has informally advised USEC of its preliminary view that the Portsmouth site transition is a cessation of operations that triggers liability under ERISA Section 4062(e) and that its preliminary estimate is that the ERISA Section 4062(e) liability (computed taking into account the plan's underfunding on a termination basis, which amount differs from that computed for GAAP purposes) for the Portsmouth site transition is approximately $130 million. USEC has informed the PBGC that it does not agree that the Portsmouth de-lease and transition of employees constituted a cessation of operations that triggered liability under ERISA Section 4062(e). USEC also disputes the amount of the PBGC's preliminary calculation of the potential ERISA Section 4062(e) liability. In addition, USEC believes that DOE is responsible for a significant portion of any pension costs associated with the transition of employees at Portsmouth. However, USEC has not reached a resolution with the PBGC and USEC has no assurance that the PBGC will agree with it or will not pursue a requirement for it to accelerate funding or take other actions to provide security. USEC is also in discussions with the PBGC regarding the cessation of enrichment at the Paducah GDP and related transition of employees as part of future reductions in force. In addition, a demobilization or termination of the American Centrifuge project could raise doubt about the long-term viability of USEC's enrichment business and the PBGC could take the position that a demobilization of the American Centrifuge project, either alone or taken together with actions related to the transition of the Paducah GDP, create potential liabilities under ERISA Section 4062(e).

Legal Matters

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

On June 27, 2011, a complaint was filed in the United States District Court for the Southern District of Ohio, Eastern Division, against USEC by a former Portsmouth GDP employee claiming that USEC owes severance benefits to him and other similarly situated employees that have transitioned or will transition to the DOE D&D contractor. The plaintiff amended its complaint on August 31, 2011 and February 10, 2012, among other things, to limit the purported class of similarly situated employees to salaried employees at the Portsmouth site who transitioned to the D&D contractor and are allegedly eligible for or owed benefits. On October 11, 2012, the United States District Court granted USEC's motion to dismiss the complaint and dismissed Plaintiffs' motion for class certification as moot. The Plaintiffs filed an appeal on January 18, 2013 and on July 19, 2013, the U.S. Court of Appeals for the Sixth Circuit upheld the District Court decision and dismissed the Plaintiffs' appeal. The Plaintiffs have ninety days to seek review of the decision by the United States Supreme Court by filing a writ of certiorari. USEC has not accrued any amounts for this matter.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The sole component of accumulated other comprehensive income (loss) is pension and postretirement health and life benefit plans.

Changes in accumulated other comprehensive income (loss) for the sole component follow (in millions and net of tax).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Beginning balance	$ (287.5)	$ (258.4)	$ (291.9)	$ (262.5)
Gain arising during the period	138.3	—	138.3	—
Amortization of actuarial (gains) losses, net (a)	6.1	6.0	12.9	12.0
Amortization of prior service costs (a)	0.5	0.4	0.7	0.8
Total reclassifications for the period, before tax	144.9	6.4	151.9	12.8
Income tax (expense) benefit	(53.9)	(2.3)	(56.5)	(4.6)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	91.0	4.1	95.4	8.2
Ending balance	**$ (196.5)**	**$ (254.3)**	**$ (196.5)**	**$ (254.3)**

(a) These items reclassified from accumulated other comprehensive income (loss) are included in the computation of net benefit costs as detailed in Note 11.

17. SEGMENT INFORMATION

USEC has two reportable segments: the LEU segment with two components, SWU and uranium, and the contract services 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 contract services segment consists of work performed for DOE and DOE contractors at the Portsmouth site and the Paducah GDP. The contract services segment formerly included nuclear energy services and technologies provided by NAC International Inc. Refer to Note 2 regarding the sale of NAC in March 2013 and results of operations for NAC. Gross profit is USEC's measure for segment reporting. There were no intersegment sales in the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(millions)			
Revenue				
LEU segment:				
Separative work units	$ 267.4	$ 347.2	$ 557.6	$ 885.1
Uranium	13.9	3.6	41.5	3.6
	281.3	350.8	599.1	888.7
Contract services segment	3.5	3.0	6.1	7.1
	$ 284.8	**$ 353.8**	**$ 605.2**	**$ 895.8**
Segment Gross Profit (Loss)				
LEU segment	$ (46.9)	$ 10.4	$ (32.9)	$ 47.1
Contract services segment	—	(0.2)	(0.7)	(0.2)
Gross profit (loss)	**$ (46.9)**	**$ 10.2**	**$ (33.6)**	**$ 46.9**

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

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated condensed financial statements and related notes set forth in Part I, Item 1 of this report as well as the risks and uncertainties presented in Part II, Item 1A of this report and Part I, Item 1A of the annual report on Form 10-K for the year ended December 31, 2012.

Overview

USEC, a global energy company, is a leading supplier of low enriched uranium ("LEU") for commercial nuclear power plants. LEU is a critical component in the production of nuclear fuel for reactors to produce electricity. We supply LEU to both domestic and international utilities for use in nuclear reactors worldwide.

We have historically produced or acquired LEU from two principal sources. We produced about half of our supply of LEU at the Paducah gaseous diffusion plant ("GDP") in Paducah, Kentucky that we lease from the U.S. Department of Energy ("DOE"), and we acquired the other portion under a contract with Russia (the "Russian Contract") under the 20-year Megatons to Megawatts program that ends in 2013. Under the Russian Contract, we purchase the SWU component of LEU derived from dismantled nuclear weapons from the former Soviet Union for use as fuel in commercial nuclear power plants. We began ceasing enrichment at the Paducah GDP at the end of May 2013 after the one-year arrangement under which we were continuing enrichment at the Paducah GDP expired and are working to transition the site back to DOE. Our purchases under the Megatons to Megawatts program will also end in 2013 and will be replaced by purchases under a new 10-year commercial agreement with Russia (the "Russian Supply Agreement"). Purchase quantities under the Russian Supply Agreement will be about half the level under the Megatons to Megawatts program unless the parties exercise a mutual option to increase such purchases.

Our business is in a state of significant transition as we seek to re-position our enrichment business for long term success. We will be a significantly smaller company with lower revenues as we transition from having two sources of supply that provided approximately 10 to 12 million separative work units ("SWU") per year to making sales from our existing inventory, from future purchases of LEU from Russia at lower quantities and from other potential sources of supply. We continue to pursue commercialization of the American Centrifuge technology, which we believe is the best path to remaining a competitive producer of LEU in the long-term. We are confirming the technical readiness of the American Centrifuge technology through a cooperative cost-sharing research, development and demonstration ("RD&D") program with DOE. We are also in parallel working to position USEC financially to move forward as a stronger sponsor of the American Centrifuge project. However, current enrichment market conditions and the challenges these conditions present for obtaining the capital needed for the commercialization of the American Centrifuge project are causing us to evaluate the alternatives and actions needed for the deployment of the project, as discussed below under "Our View of the Business Today."

LEU consists of two components: 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 deemed to be contained in LEU under this formula is commonly referred to as its SWU component and the quantity of natural uranium used in the production of LEU under this formula is referred to as its uranium component.

Our View of the Business Today

Our business is in a state of significant transition from the gaseous diffusion technology employed for more than 60 years to a modern, cost-effective gas centrifuge technology. Managing this transition has been made more challenging by the prolonged outage of approximately 50 reactors in Japan. In March 2011, a tsunami resulting from a major earthquake caused irreparable damage to four reactors in Japan and subsequently resulted in more than 50 reactors in Japan and Germany being off-line in the aftermath of the tsunami. The majority of the Japanese reactors will remain off-line for an undetermined period of time until federal and local approval is obtained for re-start. In July, four Japanese utilities applied to nuclear regulators for permission to restart ten of the idled reactors. Germany has announced a national policy to phase out nuclear power by 2022. Together, these shutdowns have significantly affected the global supply and demand for LEU. An oversupply of nuclear fuel available for sale has increased over time and has resulted in significant downward pressure on market prices for LEU. In particular, based on current market conditions, we see limited uncommitted demand for LEU relative to supply prior to the end of the decade, and therefore fewer opportunities to make additional sales for delivery during that period. In addition, low prices for competing fuels such as natural gas in the United States could slow the need for new base load nuclear power capacity or hasten the retirement of some older nuclear plants in the United States.

The market conditions have affected our business plans, including our ability to continue enrichment at the Paducah GDP and increased challenges to the economics of our plan to deploy the American Centrifuge technology, as described below. The one-year arrangement with Energy Northwest to enrich depleted uranium supplied to Energy Northwest by DOE expired on May 31, 2013. USEC pursued possible opportunities for continuing enrichment at Paducah but the U.S. Department of Energy ("DOE") concluded that there were not sufficient benefits to the taxpayers to extend enrichment beyond May 31. During June and July 2013, we took steps to cease enrichment at the plant and prepare facilities for eventual return to DOE. We expect to continue operations at the site into 2014 in order to manage inventory, continue to meet customer orders and to meet the turnover requirements of our lease with DOE.

We have already made regulatory submittals to the NRC to support the de-lease of a portion of the Paducah GDP and return to DOE certain areas currently leased from DOE and expect to be taking additional actions over the next several months as our planning continues. For a limited period of time, we still need to lease certain areas used for ongoing operations such as shipping and handling, inventory management and site services. All 1,034 Paducah employees (except guards) were provided a WARN notice on May 31, 2013, and we expect initial layoffs of approximately 160 employees by August 19, 2013. Additional layoffs are expected to occur in stages into 2014 depending on business needs. We are currently in discussions with DOE regarding the timing of our de-lease and are seeking to minimize our transition costs related to lease turnover, which could be substantial. On August 1, 2013, we provided notice to DOE that we have exercised our rights to terminate the lease with respect to the Paducah GDP. We anticipate being able to complete the return of leased premises and terminate the Paducah GDP lease as early as July 2014. In the event that we and DOE are unable to agree on a schedule for termination prior to two years, we plan to retain a small portion of the leased premises until August 1, 2015, at which time the Paducah GDP lease will terminate and any remaining portion of the leased premises will be returned to DOE. In such an event, during this period we plan to return portions of the leased premises no longer required to meet our business needs. Under our lease, DOE has the obligation for decontamination and decommissioning of the Paducah GDP. For a discussion of potential transition costs, see below under "LEU Segment - Paducah GDP Transition."

We are also seeking to manage the impacts of the Paducah transition on our existing business. Now that we have ceased enrichment at the Paducah GDP, there will be a transition period of at least several years until the American Centrifuge Plant ("ACP") could be in commercial operations. During this period we will no longer be enriching uranium but making sales from our existing inventory, from our future purchases from Russia and from other potential sources of supply. We have an objective of minimizing the period of transition until we have a new source of domestic U.S. enrichment production. We expect to continue discussions with customers regarding our existing backlog, including revisions to contracts to reflect our anticipated sources of supply and anticipated timing for the financing and commercial production from the ACP. For a discussion of the potential implications of the transition of the Paducah GDP, see Part II, Item 1A, Risk Factors.

We continued to make progress in demonstrating the American Centrifuge technology in the first half of 2013. In April 2013, we announced that we had completed construction of our American Centrifuge commercial demonstration cascade in Piketon, Ohio. Construction activities included preparing the cascade for machine installation, making physical improvements to the facilities, removing existing cascade support equipment and installing new infrastructure systems. During cascade construction the program added more than 300 workers and at that time the RD&D program as a whole supported more than 1,100 jobs at more than 160 companies from 28 states.

In the subsequent months we have completed formal integrated systems testing of plant infrastructure and control systems and recently began the process of conditioning plant equipment and the 120 centrifuge machines in the commercial plant demonstration cascade with uranium gas in preparation for the demonstration of full cascade operations in the fourth quarter. The 120-machine cascade is the centerpiece of a cooperative research, development and demonstration ("RD&D") program with DOE. The objectives of the RD&D program are to demonstrate the American Centrifuge technology through the construction and operation of a commercial demonstration cascade and sustain the domestic U.S. centrifuge technical and industrial base for national security purposes and potential commercialization of the American Centrifuge technology. This includes activities to reduce the technical risks and improve the future prospects of deployment of the American Centrifuge technology.

The June 2012 cooperative agreement with DOE, as amended, includes nine technical milestones for the RD&D program. As of June 30, 2013, five of the milestones have been completed and certified by DOE; one milestone has been completed and documentation has been submitted for certification by DOE; and the final three milestones are targeted for completion at the end of the RD&D program on December 31, 2013. DOE has the right to terminate the cooperative agreement if any of the remaining technical milestones are not met. DOE also has the right to terminate the cooperative agreement if we materially fail to comply with the other terms and conditions of the cooperative agreement. Failure to meet the technical milestones under the cooperative agreement could provide a basis for DOE to exercise its remedies under the 2002 DOE-USEC Agreement.

In addition, the cooperative agreement contains non-binding performance indicators that are designed to be achieved throughout the RD&D program and ensure that the RD&D program is on track to achieve the milestones and other program objectives. Although the performance indicators are non-binding, the failure to achieve a performance indicator could cause DOE to take actions that are adverse to us. By manufacturing the 120 AC100 centrifuges required for the demonstration cascade, the program has met the third out of five performance indicators. Documentation of completion of the fourth performance indicator has been submitted to DOE for certification. Progress on the remaining performance indicator is in line with expectations to achieve the target dates for the performance indicator.

The cooperative agreement between USEC and DOE defines the scope, funding and technical goals for the RD&D program. The program schedule runs from June 1, 2012 through December 31, 2013. The total investment in the program will be up to $350 million, with DOE providing 80%, and USEC providing 20% of the total. DOE's total contribution would be up to $280 million and our contribution would be up to $70 million. The cooperative agreement is being incrementally funded, and $227.7 million of DOE funding has been provided. The amount of federal funding made available to date is expected to fund RD&D program activities through September 30, 2013. We have adjusted our program spending to accommodate changes to the timing and amount of federal funding, and we remain on schedule and budget to complete the RD&D program by the end of 2013. We will continue to work with Congress and the Administration to fund the RD&D program through December 2013 and achieve the remaining program milestones. The Administration has included a request for transfer authority of $48 million in the President's Government Fiscal Year 2014 budget to fund the RD&D program, and the same level of funding is in the FY 2014 Energy and Water Appropriations bill approved by the House of Representatives on July 10, 2013 and in the Senate version of the bill reported to the Senate by the Senate Appropriations Committee on June 27, 2013. We believe that this level of funding, if provided, would be sufficient to complete the program. However, there is no assurance that this additional funding will be made available.

We plan to incorporate the 120-machine cascade in the full commercial plant of 96 identical cascades. USEC is in the process of developing an updated plan for the financing and commercialization of the American Centrifuge project. Factors that can affect this plan include key variables related to project cost, schedule, market demand and market prices for low enriched uranium, financing costs and other financing terms. USEC has experienced cost pressures due to delays in deployment of the project. The economics of the project are also being increasingly challenged by the current supply/demand imbalance in the market for low enriched uranium and related downward pressure on market prices, which have continued to decline during 2013. USEC does not currently have the remaining government cost-share funding in place for the last three months of the calendar year needed to complete the RD&D program or any financing in place for the project following completion of the RD&D program and will need significant additional financing in order to complete the American Centrifuge Plant.

We expect to need at least $4 billion of capital in order to complete the ACP. While a portion of that capital could include cash generated by the project during startup and additional capital contributions from USEC, the majority of the capital will need to come from third parties. We believe a loan guarantee under the DOE Loan Guarantee Program, which was established by the Energy Policy Act of 2005, or other government support is critical to obtaining the funding needed to complete the ACP. In July 2008, we applied under the DOE Loan Guarantee Program for $2 billion in U.S. government guaranteed debt financing for the ACP. We have also had discussions with Japanese export credit agencies regarding financing up to $1 billion of the cost of completing the ACP, with such potential financing predicated on our receiving a DOE loan guarantee. As part of the commercialization effort, we expect to need additional investors in the project which would reduce our ownership in the project. In order to successfully raise this capital, we need to develop and validate a viable business plan that supports loan repayment and provides potential investors with an attractive return on investment based on the project's risk profile. The economics of the American Centrifuge project are increasingly challenged under current enrichment market conditions, as described above, which have continued to decline during 2013. We have no assurances that we will be successful in obtaining this financing and that market conditions and the delays and cost increases we have experienced will not adversely affect these efforts.

Given the current enrichment market conditions and the challenges these conditions present for obtaining the capital necessary for ACP commercialization, we are evaluating and pursuing the feasibility of alternatives and the actions necessary to proceed with the commercial deployment of the American Centrifuge technology including the availability of additional government support. We have no assurance that we will be successful in achieving any of these measures, including obtaining additional government support that may be necessary to successful commercial deployment, or the timing thereof. Therefore, we continue to evaluate our options concerning the American Centrifuge project including our ability to continue the project prior to or upon completion of the RD&D program, further demobilization of or delays in the commercial deployment of the project, and termination of the project. Any such actions may have a material adverse impact on our ability to deploy the American Centrifuge technology, on our liquidity and on the long-term viability of our enrichment business. Additional information is provided in Part II, Item 1A, Risk Factors of this report and “Management's Discussion and Analysis of Financial Condition and Results of Operations - The American Centrifuge Plant - Potential Project Demobilization” of the USEC's 2012 annual report on Form 10-K.

We currently estimate that we could incur total employee related severance and benefit costs of approximately $14.5 million for all American Centrifuge workers in the event of a full demobilization of the project. In addition, we currently estimate ongoing contractual commitments at June 30, 2013 of approximately $37.5 million, including contractual termination penalties related to both prepayment and contractual commitment amounts in connection with a demobilization. Depending on the length of the demobilization period, we would also incur significant costs related to the execution of the demobilization in addition to the severance costs, contractual commitments, contractual termination penalties and other related costs described above.

We are in the last year of the 20-year contract implementing the Megatons to Megawatts program. In March 2011, we signed a commercial agreement with Russia that provides continued access to this important source of supply following the conclusion of the Megatons to Megawatts program and in the second quarter deliveries under this commercial agreement commenced. We have also agreed to conduct a feasibility study to explore the possible deployment of an enrichment plant in the United States employing Russian centrifuge technology.

We also must continue to manage events that occur that are outside of our control, including actions that may be taken by vendors, customers, creditors and other third parties in response to our decisions or based on their view of our financial strength and future business prospects. For a discussion of the potential risks and uncertainties facing our business, see Part II, Item 1A, Risk Factors, of this report and Part I, Item 1A, Risk Factors, of the 2012 annual report on Form 10-K.

LEU Segment

Revenue from Sales of SWU and Uranium

Revenue from our LEU segment is derived primarily from:

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

The majority of our customers are domestic and international utilities that operate nuclear power plants, with international sales constituting 17% of revenue from our LEU segment in 2012. Our agreements with electric utilities are primarily long-term, fixed-commitment contracts under which our customers are obligated to purchase a specified quantity of SWU from us or long-term requirements contracts under which our customers are obligated to purchase a percentage of their SWU requirements from us. Under requirements contracts, a customer only makes purchases when its reactor has requirements for additional fuel. Our agreements for uranium sales are generally shorter-term, fixed-commitment contracts.

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

Customer payments for the SWU component of LEU typically average approximately $20 million per order. As a result, a relatively small change in the timing of customer orders for LEU due to a change in a customer's refueling schedule may cause operating results to be substantially above or below expectations. While many contracts require the purchase of fixed quantities of SWU, customer orders that are related to their requirements for enrichment may be delayed due to outages, changes in refueling schedules or delays in the initial startup of a reactor. Customer requirements and orders are more predictable over the longer term. Our revenue could be adversely affected by actions of the NRC or nuclear regulators in foreign countries issuing orders to modify, delay, suspend or shut down nuclear reactor operations within their jurisdictions.

In order to enhance our liquidity and manage our working capital in light of anticipated sales and inventory levels and to respond to customer-driven changes, we have been working with customers regarding the timing of their orders, in particular the advancement of those orders. Rather than selling material into the limited spot market for enrichment, USEC advanced orders from 2012 into 2011 and orders from 2013 into 2012. Based on our anticipated liquidity and working capital needs, we have worked with customers to advance orders from 2014 to 2013. If customers agree to advance orders without delivery, a sale is recorded as deferred revenue. Alternatively, if

customers agree to advance orders and delivery, revenue is recorded in an earlier than originally anticipated period. The advancement of orders has the effect of accelerating our receipt of cash from such advanced sales, although the amount of cash and profit we receive from such sales may be reduced as a result of the terms mutually agreed with customers in connection with advancement.

Backlog is the estimated aggregate dollar amount of SWU and uranium sales that we expect to recognize as revenue in future periods under existing contracts with customers. Due to the current supply/demand imbalance in the market, we have not been able to achieve sufficient new sales to offset reductions in backlog resulting from annual deliveries including as a result of order advancements. We are seeing increased price competition as our competitors lower their prices to sell excess supply created by current market conditions and secondary suppliers liquidate inventories. This has adversely affected our sales efforts, and unless market conditions improve or we lower our prices to compete with this excess supply, we expect to continue to see a reduction to our sales backlog over time. Our ability to make new sales also is constrained by the uncertainty about our future prospects associated with the transition from production at the Paducah GDP to commercial production at the ACP. During the period of transition to commercialization of the ACP, we anticipate a lower level of revenues and sales, aligned with our anticipated sources of LEU from existing inventory and purchases of Russian LEU. We will need to enter into long-term contracts for production from the ACP in order to support the financing of the ACP, which would add to our longer-term backlog.

Our backlog includes sales prices that are in many cases significantly above current market prices. Therefore, customers may seek to limit their obligations under existing contracts or may be unwilling to extend contracts that have termination rights. Our backlog also includes contracts that may need to be revised to reflect our anticipated supply sources during our transition period. Many of our ACP contracts in our backlog were established with ACP-related financing and production milestones that needed to be revised in light of delays in the project. We have waived such milestones where we had the contractual right to do so and agreed with customers to modifications for other contracts. We expect to continue to work with customers regarding the remaining contracts and support for the ACP, however, some customers have indicated they expect to exercise their contract termination rights in light of current market prices. We have no assurance that our customers will agree to revise existing contracts or will not seek to exercise contract termination rights, which could adversely affect the value of our backlog and our prospects.

Our financial performance over time can be significantly affected by changes in prices for SWU and uranium. The long-term SWU price indicator, as published by TradeTech, LLC in *Nuclear Market Review*, is an indication of base-year prices under new long-term enrichment contracts in our primary markets. Since our backlog includes contracts awarded to us in previous years, the average SWU price billed to customers typically lags behind the current price indicators by several years, which means that prices under most contracts today exceed declining market prices. Following are TradeTech's long-term and spot SWU price indicators, the long-term price for uranium hexafluoride ("UF6"), as calculated by USEC using indicators published in *Nuclear Market Review*, and TradeTech's spot price indicator for UF6:

	June 30, 2013	December 31, 2012	June 30, 2012
SWU:			
Long-term price indicator ($/SWU)	$ 120.00	$ 135.00	$ 140.00
Spot price indicator ($/SWU)	110.00	120.00	134.00
UF_6:			
Long-term price composite ($/KgU)	165.68	165.68	176.13
Spot price indicator ($/KgU)	113.50	123.50	139.00

Most of our inventories of uranium available for sale have been sold in prior years, and we are no longer able to acquire uranium through underfeeding at the Paducah GDP. Underfeeding is a mode of operation that uses less uranium feed but requires more SWU in the enrichment process, which requires more electric power. In producing the same amount of LEU, we were able to vary our production process to underfeed uranium based on the

economics of the cost of electric power relative to the prices of uranium and enrichment, resulting in excess uranium that we could sell.

In a number of sales transactions, title to uranium or 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 does not occur at the time title to uranium or LEU transfers to the customer but instead is deferred until LEU to which the customer has title is physically delivered.

Cost of Sales for SWU and Uranium

Cost of sales for SWU and uranium is based on the amount of SWU and uranium sold and delivered during the period and is determined by a combination of inventory levels and costs, production costs, and purchase costs. Under the monthly moving average inventory cost method that we use, changes in production or purchase costs have an effect on inventory costs and cost of sales over current and future periods.

Prior to the cessation of enrichment at the Paducah GDP, we historically produced about one-half of our SWU supply. Production costs consisted principally of electric power, labor and benefits, materials, depreciation and amortization, and maintenance and repairs. The gaseous diffusion process used significant amounts of electric power to enrich uranium. Costs for electric power were approximately 70% of production costs at the Paducah GDP.

Following the cessation of enrichment at the Paducah GDP, costs for plant activities that formerly were included in production costs will now be charged directly to cost of sales including inventory management and disposition, ongoing regulatory compliance, utility requirements for operations, security, and other site management activities related to transition of facilities and infrastructure.

We have historically purchased about one-half of our SWU supply under the Russian Contract. Prices under the contract are determined using a discount from an index of published price points, including both long-term and spot prices, as well as other pricing elements. The pricing methodology, which includes a multi-year retrospective view of market-based price points, is intended to enhance the stability of pricing and minimize the disruptive effect of short-term market price swings. The average price per SWU under the Russian Contract for 2013 is expected to be 6% higher compared to 2012. Prices under the new 10-year Russian Supply Agreement are determined based on a mix of market-related price points and other factors.

Paducah GDP Transition

On May 24, 2013, we announced that we were not able to conclude a deal for the short-term extension of uranium enrichment at the Paducah GDP and began ceasing uranium enrichment at the end of May 2013. We are working on the transition of the Paducah GDP following the termination of enrichment in the second quarter of 2013. Depending on the finalization of a transition plan with DOE, we could expect to incur significant costs in connection with ceasing enrichment at Paducah. For example, delays in the de-lease schedule, delays in the packaging and transfer to other locations of the inventories held by us, additional lease turnover activities, additional costs for waste removal, and other costs could be greater than anticipated. These costs could place significant demands on our liquidity and we are evaluating alternatives to manage these potential costs. We are also seeking to manage the impacts of the Paducah transition on our existing business.

In addition, we have no assurance that DOE would accept the areas of the Paducah GDP that we wish to de-lease on a schedule that would be cost efficient. Under the terms of the lease, we can terminate the lease prior to June 2016 upon two years' notice. Also, as our needs change, we can de-lease portions of the property under lease upon 60 days' notice with DOE's consent, which cannot be unreasonably withheld. On August 1, 2013, we provided notice to DOE that we have exercised our rights to terminate the lease with respect to the Paducah GDP. We

anticipate being able to complete the return of leased premises and terminate the Paducah GDP lease as early as July 2014. In the event that we and DOE are unable to agree on a schedule for termination prior to two years, we plan to retain a small portion of the leased premises until August 1, 2015, at which time the Paducah GDP lease will terminate and any remaining portion of the leased premises will be returned to DOE. In such an event, during this period we plan to return portions of the leased premises no longer required to meet our business needs. However, limitations on available funding to DOE in light of federal budget constraints and spending cuts could limit DOE's willingness to accept the return of areas that we wish to de-lease on a timely basis. Disputes could also arise regarding the requirements of the lease and responsibility for associated turnover costs.

As of June 30, 2013, we have accrued current liabilities for lease turnover costs related to the Paducah GDP of $43.8 million. Lease turnover costs are costs incurred in returning the GDP to DOE in accordance with the lease, including removing nuclear material as required and removing USEC-generated waste. The Paducah GDP has operated for more than 60 years. Environmental liabilities associated with plant operations by agencies of the U.S. government prior to USEC's privatization on July 28, 1998 are the responsibility of the U.S. government. The USEC Privatization Act and the lease for the plant provide that DOE remains responsible for decontamination and decommissioning of the Paducah site.

Workforce Reductions

On May 31, 2013, USEC notified its Paducah employees of potential layoffs beginning in August 2013. The notifications were provided under the Worker Adjustment and Retraining Notification Act (WARN Act), a federal statute that requires an employer to provide advance notice to its employees of potential layoffs in certain circumstances. We expect that an initial workforce reduction of approximately 160 employees will be substantially completed by August 19, 2013. We currently estimate that we could incur employee related severance costs of approximately $2.1 million to $7.5 million for the expected initial layoff in August depending on the seniority of the workers and the final number of employees severed. As such, we accrued a special charge associated with the workforce reduction of approximately 160 employees of $2.1 million in the three months ended June 30, 2013 for estimated one-time termination benefits consisting of severance payments.

Additional layoffs may occur in stages during 2013 and/or 2014 depending on business needs to manage inventory, fulfill customer orders, meet regulatory requirements and transition the site back to DOE in a safe and orderly manner. USEC currently estimates that it could incur total employee related severance costs of approximately $25 million to $30 million for all Paducah GDP workers (including the $2.1 million special charge for the 160 employees described above) in the event of a full termination of activities at the site without a transfer of employees to another employer, depending on the timing of severances, if incurred. DOE would owe a portion of this amount estimated to be up to $6 million.

Paducah Plant Assets

We record leasehold improvements, machinery and equipment for the Paducah GDP at acquisition cost and depreciate these assets on a straight line basis over the shorter of the useful life of the assets or the expected productive life of the plant, which had been through December 2014 based on asset type. We will continue to use certain areas and equipment of the Paducah GDP for ongoing operations, including shipping and handling, inventory management and site services. In general, these assets are now expected to be useful only through the first or second quarters of 2014 and depreciation will be further accelerated prospectively starting in July 2013. Additionally, the carrying value of Paducah assets designated as no longer useful, following the end of enrichment, were immediately retired and expensed in the second quarter of 2013. In total, these asset retirements resulted in a charge to cost of sales of $19.3 million in the second quarter of 2013. As of June 30, 2013, the remaining carrying value of Paducah property, plant and equipment totals approximately $17 million and will be depreciated directly to cost of sales in the remaining periods.

Inventory

We have significant inventories of SWU and uranium at the Paducah GDP and these inventories are valued at the lower of cost or market. Market is based on the terms of contracts with customers, and, for any inventories not under contract, market is based primarily on published price indicators at the balance sheet date. If our inventory costs were to exceed market prices, we could be required to record an inventory impairment.

We incurred charges to cost of sales related to our inventory evaluation based on the immediate ceasing of enrichment of $10.0 million in the three months ended June 30, 2013. We determined that it was currently uneconomic to recover $7.7 million of residual uranium contained in certain cylinders that will be transferred to DOE. Certain materials and supplies used in the enrichment process of $2.3 million were also expensed following the termination of enrichment at the end of the second quarter 2013.

Pension Obligations

We have potential pension plan funding obligations under ERISA Section 4062(e) related to our de-lease of the Portsmouth gaseous diffusion facilities and transition of employees to DOE's decontamination and decommissioning ("D&D") contractor in 2011 and related to the future transition of employees in connection with the Paducah GDP transition. We are in discussions with the Pension Benefit Guaranty Corporation ("PBGC") regarding their assertion that the Portsmouth site transition is a cessation of operations that triggers liability under ERISA Section 4062(e). We are also in discussions with the PBGC regarding the cessation of enrichment at the Paducah GDP and related transition of employees as part of future reductions in force. Additional details are provided in "Liquidity and Capital Resources - Defined Benefit Plan Funding."

We announced to our employees that we will freeze benefit accruals under the defined benefit pension plans effective August 5, 2013, for active employees who are not covered by a collective bargaining agreement. Pension benefits will no longer increase for these employees to reflect changes in compensation or credited service. However, these employees will not lose any benefits earned through August 4, 2013, under the pension plans. Also, starting August 5, 2013, these employees impacted by the pension freeze will be eligible to receive enhanced employer matching contributions under the USEC Savings Program (401(k) Plan). USEC's current maximum matching contribution for these individuals is 4% of eligible earnings and will increase to 7% in August for those employees. We are currently in discussions with the leadership of the two local unions (the United Steelworkers ("USW") and the Security, Police, Fire Professionals of America ("SPFPA")), which represent approximately one-half of the employees at the Paducah plant, regarding the implementation of these changes for their members.

Limitation on Imports of LEU from France

The U.S. Department of Commerce ("DOC") imposed an antidumping order on imports of French LEU in 2002. In December 2012, the DOC and the U.S. International Trade Commission ("ITC") initiated separate reviews to determine if the antidumping order should remain in place. This is the second round of "sunset reviews" of the antidumping order. The first round of reviews in 2007 concluded that termination of the antidumping order would lead to the continuation or recurrence of dumping of French LEU (a determination made by the DOC), and to the continuation or recurrence of material injury to the U.S. LEU industry (a determination made by the ITC), which resulted in the order being maintained.

In April 2013, the Department of Commerce determined that revocation of the antidumping order would result in the resumption of dumping of French LEU and therefore the order should remain in place. The ITC's investigation, which is focused on whether revocation would lead to continuation or recurrence of material injury to the domestic enrichment industry, is not expected to be completed until the fourth quarter of 2013. If the ITC determines that revocation would not lead to continuation or recurrence of material injury, the order would be revoked notwithstanding the Department of Commerce's finding. USEC believes that revocation of the order would result in imports of French LEU that would depress market prices and adversely affect USEC's ability to secure contracts required for the financing of the American Centrifuge Plant.

Contract Services Segment

We currently provide limited services to DOE and its contractors at our Paducah site and at the Portsmouth site related to facilities we continue to lease for the American Centrifuge Plant. Revenue from our contract services segment formerly included revenue generated by our subsidiary NAC. On March 15, 2013, USEC sold NAC to a subsidiary of Hitachi Zosen Corporation. Results of NAC operations through the date of divestiture are presented under net income from discontinued operations for the three and six months ended June 30, 2013 and 2012.

Revenue from U.S. government contracts is based on allowable costs for work performed in accordance with government cost accounting standards ("CAS"). 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"), or such other entity that DOE authorizes to conduct the audit. As a part of performing contract work for DOE, certain contractual issues, scope of work uncertainties, and various disputes arise from time to time. Issues unique to USEC can arise as a result of our history of being privatized from the U.S. government and our lease and other contracts with DOE. Payment for our contract work performed for DOE is subject to DOE funding availability and Congressional appropriations.

Contract Services Receivables

USEC formerly performed work under contract with DOE to maintain and prepare the former Portsmouth GDP for D&D. In September 2011 our contracts for maintaining the Portsmouth facilities and performing services for DOE at Portsmouth expired and we completed the transition of facilities to DOE's D&D contractor for the Portsmouth site. DOE historically has not approved our provisional billing rates in a timely manner. DOE has approved provisional billing rates for 2004, 2006 and 2010 based on preliminary budgeted estimates even though updated provisional rates had been submitted based on more current information. In addition, we have finalized and submitted to DOE the Incurred Cost Submissions for Portsmouth and Paducah contract work for the six months ended December 31, 2002 and the years ended December 31, 2003 through 2011. DCAA historically has not completed their audits of our Incurred Cost Submissions in a timely manner. DCAA has been periodically working on audits for the six months ended December 31, 2002 and the year ended December 31, 2003 since May 2008. In June 2011, a new DOE contractor began an audit for the year ended December 31, 2004, and has since begun audits of the years ended December 31, 2005 and 2006. There is the potential for additional revenue to be recognized, based on the outcome of DOE reviews and audits, as the result of the release of previously established receivable related reserves. However, because these periods have not been audited, uncertainty exists and we have not yet recognized this additional revenue.

Our consolidated balance sheet includes gross receivables from DOE or DOE contractors for contract services work totaling $52.0 million as of June 30, 2013. Of the $52.0 million, $38.0 million represents certified claims submitted to DOE through June 30, 2013. We have submitted the following certified claims to the DOE contracting officer under the Contract Disputes Act ("CDA") for payment of breach-of-contract amounts due to DOE's failure to timely approve provisional billing rates equaling unreimbursed costs.

Period Covered	Date of Claim	Amount of Claim	DOE Response
Periods through December 31, 2009	December 2, 2011	$11.2 million	Denied by DOE contracting officer in letter dated June 1, 2012
Year ended December 31, 2010	February 16, 2012	$9.0 million	Denied by DOE contracting officer in letter dated August 15, 2012
Year ended December 31, 2011	May 8, 2012	$17.8 million	Denied by DOE contracting officer in letter dated August 15, 2012

Based on the extended timeframe expected to resolve claims for payment filed by USEC under the CDA, these amounts are classified as a long-term receivable, net of valuation allowances, as of June 30, 2013 and December 31, 2012. On May 30, 2013, we appealed the DOE's denial of our claims to the U.S. Court of Federal Claims.

In December 2012, we invoiced DOE for $42.8 million, representing its share of pension and postretirement benefits costs related to the transition of Portsmouth site employees to DOE's D&D contractor, as permitted by CAS and based on CAS calculation methodology. However, we have not recognized revenue or a receivable since we have not reached a resolution with DOE and we have no assurance that DOE will agree with us. As noted above in "LEU Segment - Pension Obligations," we have potential pension plan funding obligations under ERISA Section 4062(e) related to our de-lease of the Portsmouth gaseous diffusion facilities and transition of employees to DOE's D&D contractor and related to the future transition of employees in connection with the Paducah GDP transition. We believe that DOE is responsible for a significant portion of any pension and postretirement benefit costs associated with the transition of employees at Portsmouth. Additional details are provided in "Liquidity and Capital Resources - Defined Benefit Plan Funding."

Portsmouth Contract Closeout Costs

Contract closeout related costs, as defined by applicable federal acquisition regulations and government cost accounting standards, related to the Portsmouth site transition are anticipated to be billed to DOE and recorded as revenue when contract closeout occurs and amounts are deemed probable of recovery. Our current estimate for these billable costs is approximately $10 million or more, which includes an estimate to complete outstanding DOE audits within a reasonable period of time. The actual amounts of contract closeout costs are subject to a number of factors and therefore subject to significant uncertainty including uncertainty concerning the amount of such costs and the amount that may be reimbursable under contracts with DOE. DOE has informally questioned the allocation of certain costs to the closeout of the cold shutdown contract and has withheld provisional payments of some costs until resolution of the issue. Although we believe that DOE's non-payment is without merit, an additional amount of $0.9 million of revenues have been reserved in the first half of 2013 pending resolution.

Advanced Technology Costs

USEC is working to deploy the American Centrifuge technology at the ACP in Piketon, Ohio. As of June 30, 2013, cumulative project costs totaled $2.5 billion. Historically, costs relating to the American Centrifuge technology were either charged to expense or capitalized based on the nature of the activities and estimates and judgments involving the completion of project milestones. Costs relating to the demonstration of American Centrifuge technology were charged to expense as incurred and costs relating to the construction and deployment of the ACP were capitalized.

Beginning with the fourth quarter of 2011, all project costs incurred have been expensed, including interest expense that previously would have been capitalized. As of December 31, 2012, we expensed $1.1 billion of previously capitalized costs related to the American Centrifuge project. Although we continued to make progress in the deployment of the ACP, the expense of previously capitalized costs was based on our assessment of our ability to recover the full amount of this prior capital investment. This expense of previously capitalized costs does not affect any future capital investment in the ACP. We would anticipate that capitalization of amounts related to the ACP would resume if and when commercial plant deployment resumes.

Liabilities related to the American Centrifuge project remain on the balance sheet, including accrued asset retirement obligations of $22.6 million and accrued costs of $6.6 million as of June 30, 2013.

Organizational Structure Review

In early 2012, we initiated an internal review of our organizational structure and expect to reduce significantly the size of our workforce and corporate-wide organization costs over time. Workforce reductions in 2012 involved approximately 50 employees at our American Centrifuge design and engineering operations in Oak Ridge, Tennessee, at our central services operations located in Piketon, Ohio and at our headquarters operations located in Bethesda, Maryland, including two senior corporate officers. Additional actions affecting employees to align the organization with our evolving business environment are expected, which could result in additional charges. We continue to evaluate opportunities to streamline corporate overhead and anticipate workforce reductions at our Paducah site as our operations transition over time. We will also be working to assure that the company has adequate resources to execute and complete the RD&D program and prepare for commercial deployment of our American Centrifuge technology.

Results of Operations – Three and Six Months Ended June 30, 2013 and 2012

Segment Information

We have two reportable segments measured and presented through the gross profit line of our income statement: the LEU segment with two components, SWU and uranium, and the contract services 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 contract services segment includes limited work performed for DOE and its contractors at Paducah and Portsmouth. There were no intersegment sales in the periods presented.

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

	Three Months Ended June 30,			
	2013	2012	Change	%
LEU segment				
Revenue:				
SWU revenue	$ 267.4	$ 347.2	$ (79.8)	(23)%
Uranium revenue	13.9	3.6	10.3	286 %
Total	281.3	350.8	(69.5)	(20)%
Cost of sales	328.2	340.4	12.2	4 %
Gross profit (loss)	$ (46.9)	$ 10.4	$ (57.3)	(551)%
Contract services segment				
Revenue	$ 3.5	$ 3.0	$ 0.5	17 %
Cost of sales	3.5	3.2	(0.3)	(9)%
Gross profit (loss)	$ —	$ (0.2)	$ 0.2	-
Total				
Revenue	$ 284.8	$ 353.8	$ (69.0)	(20)%
Cost of sales	331.7	343.6	11.9	3 %
Gross profit (loss)	$ (46.9)	$ 10.2	$ (57.1)	(560)%

	Six Months Ended June 30,			
	2013	2012	Change	%
LEU segment				
Revenue:				
SWU revenue	$ 557.6	$ 885.1	$ (327.5)	(37)%
Uranium revenue	41.5	3.6	37.9	1,053 %
Total	599.1	888.7	(289.6)	(33)%
Cost of sales	632.0	841.6	209.6	25 %
Gross profit (loss)	$ (32.9)	$ 47.1	$ (80.0)	(170)%
Contract services segment				
Revenue	$ 6.1	$ 7.1	$ (1.0)	(14)%
Cost of sales	6.8	7.3	0.5	7 %
Gross profit (loss)	$ (0.7)	$ (0.2)	$ (0.5)	(250)%
Total				
Revenue	$ 605.2	$ 895.8	$ (290.6)	(32)%
Cost of sales	638.8	848.9	210.1	25 %
Gross profit (loss)	$ (33.6)	$ 46.9	$ (80.5)	(172)%

Revenue

Revenue from the LEU segment declined $69.5 million in the three months and $289.6 million in the six months ended June 30, 2013 compared to the corresponding periods in 2012. The volume of SWU sales declined 27% in the three-month period and 40% in the six-month period reflecting the variability in timing of utility customer orders and the expected decline in SWU deliveries in 2013 compared to 2012. The average price billed to customers for sales of SWU increased 5% in both the three- and six-month periods reflecting the particular contracts under which SWU were sold during the periods.

Revenue from the sale of uranium was $41.5 million in the six-month period of 2013 compared with $3.6 million in the first half of 2012, reflecting the timing of uranium sales.

Revenue from the contract services segment declined $1.0 million in the six months ended June 30, 2013 compared to the corresponding period in 2012 reflecting reserves of revenue of $0.9 million primarily in the first quarter of 2013 pending resolution of cost allocations related to the closeout of the cold shutdown contract.

Cost of Sales

Cost of sales for the LEU segment declined $12.2 million in the three months ended June 30, 2013, compared to the corresponding period in 2012, due to lower SWU sales volumes partially offset by higher non-production expenses and higher uranium sales in the current period. Cost of sales per SWU excluding non-production expenses was unchanged in the three months ended June 30, 2013 compared to the corresponding period in 2012. Cost of sales for SWU and uranium and non-production expenses for the three-month periods are detailed in the following table (dollar amounts in millions):

	Three Months Ended June 30,			
	2013	2012	Change	%
Cost of sales for the LEU segment:				
SWU and uranium	$ 258.2	$ 337.1	$ (78.9)	(23)%
Non-production expenses	70.0	3.3	66.7	2,021 %
Total	$ 328.2	$ 340.4	$ (12.2)	(4)%

Cost of sales for the LEU segment declined $209.6 million in the six months ended June 30, 2013, compared to the corresponding period in 2012, due to lower SWU sales volumes partially offset by higher non-production expenses, higher SWU unit costs and higher uranium sales in the current period. Cost of sales for SWU and uranium and non-production expenses for the six-month periods are detailed in the following table (dollar amounts in millions):

	Six Months Ended June 30,			
	2013	2012	Change	%
Cost of sales for the LEU segment:				
SWU and uranium	$ 556.3	$ 835.0	$ (278.7)	(33)%
Non-production expenses	75.7	6.6	69.1	1,047 %
Total	$ 632.0	$ 841.6	$ (209.6)	(25)%

Cost of sales per SWU excluding non-production expenses was 3% higher in the six months ended June 30, 2013 compared to the corresponding period in 2012. Under our monthly moving average cost method, new production and acquisition costs are averaged with the cost of inventories at the beginning of the period. An increase or decrease in production or purchase costs will have an effect on inventory costs and cost of sales over current and future periods. Although unit production costs declined 5% in the six months ended June 30, 2013 compared to the corresponding period in 2012 (described below), the SWU unit cost for the six-month period was negatively impacted by the carryforward effect of higher production and purchase costs from prior years.

Production costs declined $73.8 million (or 37%) in the three months and $111.7 million (or 26%) in the six months ended June 30, 2013, compared to the corresponding periods in 2012. Production volume declined 34% in the three-month period and 23% in the six-month period. Production in the current periods consisted of enrichment of depleted uranium under the one-year multi-party arrangement with Energy Northwest, the Bonneville Power Administration, TVA and DOE. This program was completed in May 2013 and then a small quantity of LEU was produced in June 2013 as we ceased enrichment at the Paducah GDP. Unit production costs declined 5% in the three and six months ended June 30, 2013, compared to the corresponding periods in 2012. The average cost per megawatt hour declined 5% in the three- and six-month periods, reflecting lower unit power costs commencing in June 2012 under the amended TVA power contract.

As we accelerated the expected productive life of plant assets in recent months and began to cease enrichment at the Paducah GDP following completion of the one-year depleted uranium enrichment program in May 2013, we have incurred a number of expenses unrelated to current production that have been charged directly to cost of sales. Non-production expenses in the three and six months ended June 30, 2013 and June 30, 2012 include the following:

- Asset retirement charges of $19.3 million in the three and six months ended June 30, 2013 for property, plant and equipment formerly used in the enrichment process at the Paducah GDP;
- Inventory valuation adjustments totaling $10.0 million in the three and six months ended June 30, 2013, including $7.7 million of residual uranium contained in certain cylinders that will be transferred to DOE. We determined that it was currently uneconomic to recover this residual uranium for resale;
- Site expenses, including lease turnover activities, of $20.1 million in the three and six months ended June 30, 2013. Following the cessation of enrichment at the Paducah GDP, costs for plant activities that formerly were capitalized as production costs will now be charged directly to cost of sales including inventory management and disposition, ongoing regulatory compliance, utility requirements for operations, security, and other site management activities related to transition of facilities and infrastructure;
- Power contract losses of $11.8 million in the three and six months ended June 30, 2013. In anticipation of a potential short-term extension of uranium enrichment at the Paducah GDP, we purchased approximately 700 megawatts of power for the period from June 1 through September 30, 2013 from several power providers. Due to falling prices in power markets following the purchase of this power, as part of agreements to unwind these purchases, we incurred expenses of approximately $11.8 million;
- Accelerated asset charges of $8.2 million in the six months ended June 30, 2013. Beginning in the fourth quarter of 2012, the expected productive life of property, plant and equipment at the Paducah GDP was reduced from the lease term ending June 2016 to an accelerated basis ending December 2014. In addition, costs that would have been previously treated as construction work in progress are treated similar to maintenance and repair costs because of the shorter expected productive life of the Paducah GDP. The expected productive life of the Paducah GDP was further reduced following the ceasing of enrichment in June 2013;
- Portsmouth retiree benefit costs of $6.3 million in the six months ended June 30, 2013 and $6.6 million in the six months ended June 30, 2012. Prior to the start of 2012, a significant portion of the costs related to pension and postretirement health and life benefit plans were attributed to Portsmouth contract services, based on the employee base performing contract services work. Starting in 2012, ongoing retiree benefit costs related to our former Portsmouth employees are charged to cost of sales of the LEU segment rather than the contract services segment based on our continuing operations that support our active and retired employees.

Purchase costs for the SWU component of LEU from Russia increased $36.2 million in the six months ended June 30, 2013 compared to the corresponding period in 2012 due to a 3% increase in the purchase cost per SWU under the Russian Contract and due to the commencement of purchases under the new 10-year Russian Supply Agreement. We expect the overall average price per SWU under the Russian Contract for full year 2013 will be 6% higher compared to 2012.

Cost of sales for the contract services segment was $6.8 million in the six months ended June 30, 2013, a decline of $0.5 million (or 7%) compared to the corresponding period in 2012.

Gross Profit (Loss)

Gross profit declined $57.1 million in the three months and $80.5 million in the six months ended June 30, 2013, compared to the corresponding periods in 2012. Our margin was (16.5%) in the three months ended June 30, 2013 compared to 2.9% in the corresponding period in 2012, and (5.6%) in the six months ended June 30, 2013 compared to 5.2% in the corresponding period in 2012.

Gross profit for the LEU segment declined $57.3 million in the three-month period and $80.0 million in the six-month period primarily due to increases in non-production expenses and lower SWU sales volume, partially offset by increases in SWU unit profit margins.

Gross profit for the contract services segment increased $0.2 million in the three months and declined $0.5 million in the six months ended June 30, 2013, compared to the corresponding periods in 2012. The decline in the six-month period reflects reserves of revenue of $0.9 million primarily in the first quarter of 2013 pending resolution of cost allocations related to the closeout of the Portsmouth cold shutdown contract.

Non-Segment Information

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

	Three Months Ended June 30,			
	2013	**2012**	**Change**	**%**
Gross profit (loss)	$ (46.9)	$ 10.2	$ (57.1)	(560)%
Advanced technology costs	46.2	85.4	39.2	46 %
Selling, general and administrative	11.9	13.2	1.3	10 %
Special charges for workforce reductions and advisory costs	3.7	3.2	(0.5)	(16)%
Other (income)	(40.7)	(10.0)	30.7	307 %
Operating (loss)	(68.0)	(81.6)	13.6	17 %
Interest expense	9.3	12.7	3.4	27 %
Interest (income)	(0.1)	(0.1)	—	— %
(Loss) from continuing operations before income taxes	(77.2)	(94.2)	17.0	18 %
Provision (benefit) for income taxes	(36.3)	(2.1)	34.2	1,629 %
Net (loss) from continuing operations	(40.9)	(92.1)	51.2	56 %
Net income from discontinued operations	—	0.1	(0.1)	(100)%
Net (loss)	**$ (40.9)**	**$ (92.0)**	**$ (51.1)**	56 %

	Six Months Ended June 30,			
	2013	**2012**	**Change**	**%**
Gross profit (loss)	$ (33.6)	$ 46.9	$ (80.5)	(172)%
Advanced technology costs	105.5	122.1	16.6	14 %
Selling, general and administrative	24.8	26.8	2.0	7 %
Special charges for workforce reductions and advisory costs	6.1	9.6	3.5	36 %
Other (income)	(88.3)	(10.0)	78.3	783 %
Operating (loss)	(81.7)	(101.6)	19.9	20 %
Interest expense	22.6	25.4	2.8	11 %
Interest (income)	(0.4)	(0.2)	0.2	100 %
(Loss) from continuing operations before income taxes	(103.9)	(126.8)	22.9	18 %
Provision (benefit) for income taxes	(39.3)	(5.4)	33.9	628 %
Net (loss) from continuing operations	(64.6)	(121.4)	56.8	47 %
Net income from discontinued operations	21.7	0.6	21.1	3,517 %
Net (loss)	**$ (42.9)**	**$ (120.8)**	**$ (77.9)**	64 %

Advanced Technology Costs

Advanced technology costs decreased $39.2 million in the three months and $16.6 million in the six months ended June 30, 2013, compared to the corresponding periods in 2012, reflecting an expense in the second quarter of 2012 of $44.6 million related to the title transfer of previously capitalized American Centrifuge machinery and equipment to DOE as provided in the cooperative agreement entered into with DOE for the RD&D program, partially offset with an increase in development activity in connection with the RD&D program. The RD&D program schedule runs from June 1, 2012 through December 31, 2013.

Selling, General and Administrative

Selling, general and administrative expenses declined $1.3 million in the three months and $2.0 million in the six months ended June 30, 2013, compared to the corresponding periods in 2012, reflecting decreases in salary expense due to corporate workforce reductions and decreases in other compensation expenses.

Special Charges for Workforce Reductions and Advisory Costs

Following the cessation of enrichment at the Paducah GDP, we expect that an initial workforce reduction of approximately 160 employees will be substantially completed by August 19, 2013. We accrued a charge associated with the workforce reduction of approximately 160 employees of $2.1 million in the second quarter of 2013 for estimated one-time termination benefits consisting of severance payments.

Actions taken in the prior year resulted in charges of $1.7 million and $3.6 million in the three and six months ended June 30, 2012, respectively, for one-time termination benefits for affected employees at our American Centrifuge design and engineering operations in Oak Ridge, Tennessee, and our headquarters operations located in Bethesda, Maryland.

In early 2012, we initiated an internal review of our organizational structure and engaged a management consulting firm to support this review. We are also engaged with our advisors and certain stakeholders on alternatives for a possible restructuring of our balance sheet. Costs for these advisors totaled $2.3 million and $4.7 million in the three months and six months ended June 30, 2013, compared to $1.5 million and $6.0 million in the corresponding periods of 2012.

We will freeze benefit accruals under our defined benefit pension plans, effective August 5, 2013, for active employees who are not covered by a collective bargaining agreement. Unamortized prior service costs related to those pension plan participants were accelerated and a plan re-measurement was conducted. The result was a curtailment gain of $0.7 million recorded in the second quarter of 2013 to special charges.

Other (Income)

DOE and USEC provide pro-rata cost sharing support for continued American Centrifuge activities under our June 2012 cooperative agreement, as amended. DOE's pro-rata share of 80% of qualifying American Centrifuge expenditures, or $40.7 million in the three months and $88.3 million in the six months ended June 30, 2013, is recognized as other income.

Interest Expense

Interest expense declined $3.4 million in the three months and $2.8 million in the six months ended June 30, 2013, compared to the corresponding periods in 2012, primarily since we repaid the term loan in connection with the March 2013 amendment to the credit facility.

Provision (Benefit) for Income Taxes

The income tax benefit from continuing operations was $36.3 million in the three months and $39.3 million in the six months ended June 30, 2013. The income tax benefit from continuing operations was $2.1 million in the three months and $5.4 million in the six months ended June 30, 2012. Included in the income tax benefit were reversals of previously accrued amounts associated with liabilities for unrecognized benefits of $0.6 million for the six months ended June 30, 2013 and $0.8 million for the corresponding period in 2012.

Because there is a full valuation allowance against deferred tax assets and there are pretax losses from continuing operations and income in other components of the financial statements (e.g., discontinued operations and other comprehensive income), the income tax benefit from pretax losses from continuing operations is limited to the amount of income tax expense recorded on all items other than continuing operations. The income tax benefit from continuing operations consists primarily of the income tax benefit calculated using an estimated annual effective tax rate. The estimated annual effective tax rate applied to pretax losses from continuing operations for the interim period is calculated using the estimated full-year plan for ordinary income and the year-to-date amounts for discontinued operations and other comprehensive income.

The income tax expense on all items other than continuing operations is recorded discretely based on year-to-date amounts. The difference in calculating the income tax expense and income tax benefit of $31.8 million is an interim timing difference recorded on the balance sheet in current liabilities that will reverse by year end when full-year results are presented.

Net (Loss) from Continuing Operations

The net loss from continuing operations improved $51.2 million ($10.45 per share) in the three months and $56.8 million ($11.60 per share) in the six months ended June 30, 2013, compared to the corresponding periods in 2012, reflecting DOE’s pro-rata cost sharing support for the RD&D program included in other income, partially offset by the after-tax effects of lower gross profits and special charges. Net income (loss) per share was adjusted for all periods presented to reflect the 1-for-25 reverse stock split effectuated on July 1, 2013.

Net Income from Discontinued Operations

On March 15, 2013, USEC sold its NAC subsidiary to a subsidiary of Hitachi Zosen Corporation. Results of NAC operations through the date of divestiture are presented under net income from discontinued operations for the three and six months ended June 30, 2013 and 2012. Included in the six months ended June 30, 2013 is our gain on the sale of $35.6 million, representing the cash proceeds from the sale less the net carrying amount of NAC assets and liabilities of $5.5 million and transaction costs of $2.1 million.

Net (Loss)

Our net loss improved $51.1 million ($10.43 per share) in the three months and $77.9 million ($15.89 per share) in the six months ended June 30, 2013, compared to the corresponding periods in 2012, reflecting the lower net losses from continuing operations and the after-tax effect of the gain on the sale of our NAC subsidiary in the first quarter of 2013. Net income (loss) per share was adjusted for all periods presented to reflect the 1-for-25 reverse stock split effectuated on July 1, 2013.

2013 Outlook Update

Due to the uncertainties inherent in USEC's period of transition from enrichment at the Paducah plant, the end of the Megatons to Megawatts program and the incremental nature of funding for the RD&D program, we are limiting our guidance for USEC's financial results and operating metrics for 2013. We expect the average SWU price billed to customers in 2013 to increase by 5% but deliveries to be approximately 35% lower than in 2012, resulting in total revenue of approximately $1.25 billion.

We are in the midst of an RD&D program that has an 80% DOE and 20% USEC cost share. Federal funding for the program has been incremental and subject to Congressional action. As noted earlier, DOE provided additional obligated funding of $29.9 million on July 24, 2013, bringing total government obligated funding to $227.7 million, which is expected to fund the RD&D program through September 30, 2013. DOE's remaining cost share of up to $52.3 million to fund the program for the last three months of the calendar year is conditioned upon USEC continuing to meet all milestones and deliverables on schedule, USEC continuing to demonstrate to DOE's satisfaction its ability to meet future milestones, and the availability of appropriations or other sources of consideration.

USEC has announced that layoffs will begin at the Paducah plant in August and additional employment reductions could come later in the year. This could result in special charges for termination-related benefits. Also below the gross profit line, we expect selling, general and administrative expenses of less than $50 million for 2013.

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

- The timing and amount of potential severance costs, pension and postretirement benefit costs and other costs related to the transition of the Paducah GDP;
- The timing of recognition of previously deferred revenue;
- Movement and timing of customer orders; and
- Changes to SWU and uranium price indicators, and changes in inflation that can affect the price of SWU billed to customers.

Liquidity and Capital Resources

We expect our cash balance, internally generated cash from our ongoing operations, and available borrowings under our revolving credit facility will provide sufficient cash to meet our needs for at least 12 months assuming the renewal or replacement of our revolving credit facility past September 2013 and depending on the level of American Centrifuge expenditures after the conclusion of the RD&D program which is scheduled to be completed by December 31, 2013. Our credit facility is available to finance working capital needs and general corporate purposes. On March 14, 2013, we amended our credit facility, among other things, to extend the expiration date of the credit facility from May 31, 2013 to September 30, 2013. We repaid our existing term loan in connection with the amendment. We expect to renew or replace our credit facility at or prior to maturity either as part of a potential balance sheet restructuring (discussed below) or with another short term credit facility based on our working capital needs. If we are unable to renew or replace our credit facility beyond September 2013, we would seek to work with customers, if needed, to effect further order movements to provide sufficient liquidity and working capital.

We are preparing to be a significantly smaller company with lower revenues as we transition from having two sources of supply that provided approximately 10 to 12 million SWU per year to making sales from our existing inventory and from future purchases of LEU from Russia at lower quantities. We began ceasing enrichment at the Paducah GDP at the end of May 2013 after the current arrangements under which we were continuing enrichment at the Paducah GDP expired and we are working to transition the site back to DOE as described above under “LEU Segment - Paducah GDP Transition.” As described below under “Defined Benefit Plan Funding”, we are in discussions with the Pension Benefit Guaranty Corporation (“PBGC”) regarding the impact of our de-lease of the Portsmouth gaseous diffusion plant and future de-lease of the Paducah GDP and related transition of employees on our defined benefit plan funding obligations.

In addition, DOE has not yet authorized funding sufficient to complete the RD&D program and we could demobilize or terminate the American Centrifuge project if additional funding for the RD&D program is not obtained or if we determine that there is no longer a viable path to ACP commercialization. Despite the technical

progress being made by the RD&D program, if financing is not in place at the end of the RD&D program, we could demobilize or terminate the project in order to preserve our liquidity, which would result in severance costs, contractual commitments, contractual termination penalties and other related costs described under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Our View of the Business Today," which could impose additional demands on our liquidity. We could also take actions to restructure the project that could result in changes in our anticipated ownership of or role in the project. These actions, as well as actions that may be taken by vendors, customers, creditors and other third parties in response to our actions or based on their view of our financial strength and future business prospects, could give rise to events that individually, or in the aggregate, impose significant demands on our liquidity.

In light of the significant transition of our business and the uncertainties and challenges facing us and in order to address the convertible notes maturity and improve our credit profile and our ability to successfully finance and deploy the American Centrifuge project and to maximize our participation in such project, we are engaged with our advisors and certain stakeholders on alternatives for a possible restructuring of our balance sheet. Although the economics of the American Centrifuge project are increasingly challenged under current enrichment market conditions, we continue to believe that the deployment of the American Centrifuge project represents our clearest path to a long-term, direct source of domestic enrichment production, and therefore the long-term viability of our LEU business. We believe that a restructuring could improve the likelihood of success in the deployment of the American Centrifuge project. A restructuring of our balance sheet could adversely affect the holders of our common stock through dilution or loss in value. However, we have no assurance regarding the outcome of any discussions we pursue with creditors or other key stakeholders or that a restructuring of our balance sheet will lead to our obtaining a DOE loan guarantee.

Key factors that can affect liquidity requirements for our existing operations include the timing and amount of customer sales and purchases of Russian LEU as well as transition costs related to the lease turnover of the Paducah GDP. We believe our sales backlog in our LEU segment is a source of stability for our liquidity position. Since 2006, we have included in our SWU contracts pricing indices that are intended to correlate with our sources for enrichment supply. Although sales prices under many of these SWU contracts are adjusted in part based on changes in market prices for SWU and electric power, the impact of market volatility in these indices is generally mitigated through the use of market price averages over time.

In order to enhance our liquidity and manage our working capital in light of anticipated sales and inventory levels and to respond to customer-driven changes, we have been working with customers regarding the timing of their orders, in particular the advancement of those orders. Rather than selling material into the limited spot market for enrichment, USEC advanced orders from 2012 into 2011 and orders from 2013 into 2012. Based on our anticipated liquidity and working capital needs, we have worked with customers to advance orders from 2014 to 2013. The advancement of orders has the effect of accelerating our receipt of cash from such advanced sales, although the amount of cash and profit we receive from such sales may be reduced as a result of the terms mutually agreed with customers in connection with advancement.

The shutdown of the Japanese reactors and the shutdown of reactors in other countries due to concerns raised by the March 2011 events in Japan have significantly affected the global supply and demand for LEU, and an oversupply of nuclear fuel available for sale has increased over time and has resulted in significant downward pressure on market prices for LEU. In particular, based on current market conditions, we see limited uncommitted demand for LEU relative to supply prior to the end of the decade. This imbalance of supply and demand has been increasing and this increase could continue depending on the length and severity of delays or cancellations of deliveries. We are seeing increased price competition as our competitors lower their prices to sell excess supply created by current market conditions and this is adversely affecting our sales efforts. Due to the current supply/demand imbalance in the market, we have not been replacing sales from the current year with new sales, which has reduced our backlog. We also have not been entering into sales for output from the American Centrifuge Plant due to delays in the deployment of the plant and current market prices. We also anticipate a significantly lower level of sales over the next several years as we align sales with our anticipated sources of LEU until the American Centrifuge Plant is in commercial production. Looking out beyond the second half of this decade, we could see an

increase in uncommitted demand that could provide the opportunity to make additional sales to supplement our backlog. However, the amount of any demand and our ability to capture that demand and the pricing is uncertain.

Significant additional financing is needed to complete the American Centrifuge Plant. We applied for a $2 billion loan guarantee for the project under the DOE Loan Guarantee Program in July 2008. Instead of moving forward with a conditional commitment for a loan guarantee, in the fall of 2011, DOE proposed the RD&D program for the project. USEC began funding the RD&D program in January 2012. On June 12, 2012, USEC and DOE entered into a cooperative agreement to provide cost-share funding for the RD&D program. The agreement provides for 80% DOE and 20% USEC cost sharing for work performed during the period June 1, 2012 through December 31, 2013 with a total estimated cost of $350 million. DOE's total contribution would be up to $280 million and our contribution would be up to $70 million. As of June 30, 2013, USEC made qualifying American Centrifuge expenditures under the agreement of $225.5 million. The cooperative agreement is being incrementally funded, and $227.7 million of DOE funding has been provided. The amount of federal funding made available to date is expected to fund RD&D program activities through September 30, 2013. We have adjusted our program spending to accommodate changes to the timing and amount of federal funding and we remain on schedule and budget to complete the RD&D program by the end of 2013. We will continue to work with Congress and the Administration to fund the RD&D program through December 2013 and achieve the remaining program milestones. The Administration has included a request for transfer authority of $48 million in the President's Government Fiscal Year 2014 budget to fund the RD&D program, and the same level of funding is in the FY 2014 Energy and Water Appropriations bill approved by the House of Representatives on July 10, 2013 and in the Senate version of the bill reported to the Senate by the Senate Appropriations Committee on June 27, 2013. We believe that this level of funding, if provided, would be sufficient to complete the program. However, there is no assurance that this additional funding will be made available.

Additional capital beyond the $2 billion of DOE loan guarantee funding that we have applied for and our internally generated cash flow will be required to complete the project. USEC has had discussions with Japanese export credit agencies regarding financing up to $1 billion of the cost of completing the ACP, with such potential financing predicated on USEC receiving a DOE loan guarantee. We also expect to need at least $1 billion of capital for the project in addition to the DOE loan guarantee and the Japanese export credit agency funding. The amount of additional capital is dependent on a number of factors, including the amount of any revised cost estimate and schedule for the project, the amount of contingency or other capital DOE may require as part of a loan guarantee, and the amount of the DOE credit subsidy cost that would be required to be paid in connection with a loan guarantee. We currently anticipate the sources for this capital to include cash generated by the project during startup, available USEC cash flow from operations and additional third-party capital. We expect the additional third-party capital would be raised at the project level, including through the issuance of additional equity participation in the project.

However, in order to successfully raise this capital, we need to develop and validate a viable business plan that supports loan repayment and provides potential investors with an attractive return on investment based on the project's risk profile. The economics of the American Centrifuge project are increasingly challenged under current enrichment market conditions, which have continued to decline during 2013. We have no assurances that we will be successful in obtaining this financing or that the delays and cost increases we have experienced will not adversely affect these efforts. We are working to identify cost mitigation actions; however we have no assurance that we will be successful. We also are uncertain regarding the amount of internally generated cash flow from operations that we will have available to finance the project in light of the delays in deployment of the project and potential requirements for our internally generated cash flow to satisfy our pension and postretirement benefits and other obligations. The amount of capital that we are able to contribute to the project going forward will also impact our share of the ultimate ownership of the project, which will likely be reduced as a result of raising equity and other capital to deploy the project.

Given the current enrichment market conditions and the challenges these conditions present for obtaining the capital necessary for ACP commercialization, we are evaluating and pursuing the feasibility of alternatives and the actions necessary to proceed with the commercial deployment of the American Centrifuge technology including the

availability of additional government support. We have no assurance that we will be successful in achieving any of these measures, including obtaining additional government support that may be necessary to successful commercial deployment, or the timing thereof. Therefore, we continue to evaluate our options concerning the American Centrifuge project including our ability to continue the project prior to or upon completion of the RD&D program, further demobilization of or delays in the commercial deployment of the project, and termination of the project. Any such actions may have a material adverse impact on our ability to deploy the American Centrifuge technology, on our liquidity and on the long-term viability of our enrichment business. Additional information is provided in Part II, Item 1A, Risk Factors of this report and "Management's Discussion and Analysis of Financial Condition and Results of Operations - The American Centrifuge Plant - Potential Project Demobilization" of the USEC's 2012 annual report on Form 10-K.

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

	Six Months Ended June 30,	
	2013	2012
Net Cash Provided by (Used in) Operating Activities	$ (48.8)	$ 162.1
Net Cash Provided by Investing Activities	36.1	39.7
Net Cash (Used in) Financing Activities	(85.5)	(10.4)
Net Increase (Decrease) in Cash and Cash Equivalents	**$ (98.2)**	**$ 191.4**

Operating Activities

Payment of the Russian Contract payables balance of $32.5 million, due to the timing of deliveries, was a use of cash flow in the six months ended June 30, 2013, partially offset with decreases in our net inventory balances primarily from the timing of sales. The net loss of $42.9 million in the six-month period, net of non-cash charges including depreciation and amortization, was a use of cash flow. As previously reported and beginning with the fourth quarter of 2011, all American Centrifuge project costs incurred have been expensed as part of our operating activities.

Our LEU segment provided positive cash flow in the six months ended June 30, 2012 based on the timing of customer orders and deliveries. Inventories declined $340.3 million in the six-month period in 2012 due to monetization of inventory produced in the prior year. Payment of the Russian Contract payables balance of $65.2 million, due to the timing of deliveries, was a significant use of cash flow in the six months ended June 30, 2012. The net loss of $120.8 million in the six-month period in 2012, net of non-cash charges including depreciation and amortization, and the expense associated with the title transfer of previously capitalized American Centrifuge machinery and equipment to DOE as provided in the June 2012 cooperative agreement with DOE for the RD&D program, was a use of cash flow. On March 13, 2012, USEC entered into an agreement with DOE pursuant to which DOE acquired U.S. origin LEU from USEC in exchange for the transfer of quantities of USEC's depleted uranium tails to DOE. DOE also agreed to accept title to quantities of our depleted uranium tails as part of its funding for the RD&D program under the June 2012 cooperative agreement. The decrease in accrued depleted uranium disposition obligations in the six months ended June 30, 2012 associated with these agreements with DOE do not generate cash flow until surety bonds can be modified and cash collateral returned. Cash collateral deposits of $43.8 million were returned to us in June 2012 in connection with the March 2012 uranium transfer agreement with DOE.

Investing Activities

Cash proceeds on the sale of NAC of $43.2 million were received in the six months ended June 30, 2013. Cash collateral deposits of $43.8 million were returned to us in the six months ended June 30, 2012 following the transfer of quantities of our depleted uranium to DOE in exchange for the SWU component of LEU under a March 2012 agreement with DOE.

Financing Activities

Payments on the credit facility term loan, including the repayment of the term loan in connection with the March 2013 credit facility amendment, totaled $83.2 million in the six months ended June 30, 2013.

Adjusted for the 1-for-25 reverse stock split effective July 1, 2013, there were 5.0 million shares of common stock outstanding at June 30, 2013 and December 31, 2012.

Working Capital

	June 30, 2013	December 31, 2012
	(millions)	
Cash and cash equivalents	$ 194.7	$ 292.9
Restricted cash	3.3	—
Accounts receivable, net	140.9	134.8
Inventories, net	609.3	643.2
Credit facility term loan, current	—	(83.2)
Convertible preferred stock	(107.0)	(100.5)
Other current assets and liabilities, net	(359.4)	(345.1)
Working capital	**$ 481.8**	**$ 542.1**

Defined Benefit Plan Funding

We expect to contribute $23.4 million to the defined benefit pension plans in 2013, consisting of $20.9 million of required contributions under the Employee Retirement Income Security Act (“ERISA”) and $2.5 million to non-qualified plans. We have contributed $7.0 million in the six months ended June 30, 2013. There is no required contribution for the postretirement health and life benefit plans under ERISA and we do not expect to contribute in 2013. We receive federal subsidy payments for sponsoring prescription drug benefits that are at least actuarially equivalent to Medicare Part D.

In addition, we are in discussions with PBGC regarding the impact of our de-lease of the Portsmouth gaseous diffusion facilities and related transition of employees performing government services work to DOE's D&D contractor on September 30, 2011. We are also in discussions with the PBGC regarding the cessation of enrichment at the Paducah GDP and related transition of employees as part of future reductions in force. Pursuant to ERISA Section 4062(e), if an employer ceases operations at a facility in any location and, as a result, more than 20% of the employer's employees who are participants in a PBGC-covered pension plan established and maintained by the employer are separated, PBGC has the right to require the employer to place an amount in escrow or furnish a bond to PBGC to provide protection in the event the plan terminates within five years in an underfunded state. Alternatively, the employer and PBGC may enter into an alternative arrangement with respect to any such requirement, such as accelerated funding of the plan or the granting of a security interest. PBGC could also elect not to require any further action by the employer. PBGC has informally advised us of its preliminary view that the Portsmouth site transition is a cessation of operations that triggers liability under ERISA Section 4062(e) and that its preliminary estimate is that the ERISA Section 4062(e) liability (computed taking into account the plan's underfunding on a termination basis, which amount differs from that computed for GAAP purposes) for the Portsmouth site transition is approximately $130 million. The PBGC has also informally advised us that the Paducah de-lease will be a cessation of operations when the 20% requirement is met and would also trigger liability under ERISA Section 4062(e). We have informed PBGC that we do not agree that either de-lease and transition of employees constitute a cessation of operations that would trigger liability under ERISA Section 4062(e). We also dispute the amount of their preliminary calculation of the potential ERISA Section 4062(e) liability related to the Portsmouth transition. In addition, we believe that DOE is responsible for a significant portion of any pension costs associated with the transition of employees at Portsmouth. We have not reached a resolution with PBGC and we

have no assurance that PBGC will agree with our position or reach a consensual resolution and will not pursue a requirement for us to establish an escrow or furnish a bond.

Given the significant number of current active employees at Paducah, the amount of any potential liability related to a future de-lease and transition actions at Paducah could be more significant than the preliminary PBGC calculation of the potential ERISA Section 4062(e) liability in connection with the Portsmouth site transition of approximately $130 million. In addition, a demobilization or termination of the American Centrifuge project could raise doubt about the long-term viability of our enrichment business and the PBGC could take the position that a demobilization of the American Centrifuge project, either alone or taken together with actions related to the transition of the Paducah GDP, create potential liabilities under ERISA Section 4062(e).

Capital Structure and Financial Resources

At June 30, 2013, our debt consisted of $530.0 million in 3.0% convertible senior notes due October 1, 2014. The convertible notes are unsecured obligations and rank on a parity with all of our other unsecured and unsubordinated indebtedness. As described above, we are engaged with our advisors and certain stakeholders on alternatives for a possible restructuring of our balance sheet which, among other things, if successful would be expected to address this convertible notes maturity. However, we have no assurance regarding the outcome of any discussions we pursue with creditors or other key stakeholders or the impact of any restructuring on our convertible senior notes. In the event that we are not able to restructure the convertible notes prior to maturity, we also have no assurance that we would be able to refinance the convertible notes at maturity on terms acceptable to us or at all in light of our financial condition, credit rating, and anticipated available future cash flow from operations. Refer to Part I, Item 1A, Risk Factors, of the 2012 annual report on Form 10-K, "*Our $530.0 million of convertible senior notes mature on October 1, 2014. Although we may seek to restructure or refinance this obligation prior to maturity, we may not be successful, and we would likely be unable to repay the notes at maturity, which would adversely affect our liquidity and prospects.*"

We are restricted under our credit facility from repurchasing the notes for cash. Holders of our convertible notes have the right to require the Company to repurchase such notes for cash if our common stock is no longer listed for trading on the NYSE, the American Stock Exchange (now NYSE-MKT), the NASDAQ Global Market or the NASDAQ Global Select Market. We are working to ensure that our common stock remains listed on the NYSE, however, we have no assurance that we will remain listed. See "NYSE Listing Standards Notices" below and Part II, Item 1A, Risk Factors, of this report, *"Our failure to maintain compliance with the listing requirements of the New York Stock Exchange (NYSE) could result in a delisting of our common stock, which could require us to repurchase our $530 million of convertible notes for cash, which we would not have adequate cash to do and would result in an event of default under our credit facility."*

On March 13, 2012, we amended and restated our $310.0 million credit facility that was scheduled to mature on May 31, 2012. As of December 31, 2012, the amended and restated credit facility totaled $230.0 million including a revolving credit facility of $146.8 million (including up to $75.0 million in letters of credit) and a term loan of $83.2 million. The amended and restated credit facility initially had a total capacity of $235 million, but commencing December 3, 2012, the aggregate revolving commitments and term loan principal were reduced by $5.0 million per month through the maturity of the credit facility.

On March 14, 2013, we amended our March 2012 credit facility that was scheduled to mature on May 31, 2013. The amended revolving credit facility totals $110.0 million (including letters of credit of up to $25.0 million) and matures on September 30, 2013. The term loan under the credit facility was repaid in connection with the amendment.

Utilization of the credit facility at June 30, 2013 and December 31, 2012 follows:

	June 30, 2013	December 31, 2012
	(millions)	
Borrowings under the revolving credit facility	$ —	$ —
Term loan	—	83.2
Letters of credit	3.1	14.7
Available credit	76.9	87.1

The credit facility is secured by assets of USEC Inc. and its subsidiaries, excluding equity in, and assets of, subsidiaries created to carry out future commercial American Centrifuge activities. Borrowings under the credit facility are subject to limitations based on established percentages of eligible accounts receivable and USEC-owned inventory pledged as collateral to the lenders. The amended credit facility requires cash collateralization of letters of credit issued by the bank at 105%. Available credit reflects the levels of qualifying assets at the end of the previous month less any borrowings or letters of credit.

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

- the sum of (1) the greater of (a) the JPMorgan Chase Bank prime rate, (b) the federal funds rate plus ½ of 1%, or (c) an adjusted 1-month LIBO Rate (with a floor of 2.0%) plus 1% plus (2) a margin of 2.75%, or
- the sum of the adjusted LIBO Rate (with a floor of 2.0%) plus a margin of 4.5%.

For as long as we continued enrichment at the Paducah GDP, if our gross profit for any three consecutive months beginning June 2012 was a loss, then the margin on the revolving loans would have increased by 1.5% retroactive to the first day of such three-month period, and would have continued until enrichment ceased or for the remaining term of the credit facility.

The credit facility is available to finance working capital needs and general corporate purposes. The credit facility imposes limitations and restrictions on our ability to invest in the American Centrifuge project. Under the amended credit facility, we can invest our 20% share of the costs under the RD&D program (up to $75 million). However, (i) the amount of expenditures reimbursable to us under the RD&D program that have not yet been reimbursed may not exceed $50 million and (ii) the amount of expenditures reimbursable to us under the RD&D program for which DOE has not yet obligated funds may not exceed $20 million. Aggregate American Centrifuge project expenditures from and after June 1, 2012 may not exceed $375 million and the aggregate amount of American Centrifuge project expenditures from and after June 1, 2012 for which we are not entitled to reimbursement under the RD&D program may not exceed the lesser of $75 million or 20% of the costs under the RD&D program, subject to the following exceptions:

- If we demobilize the American Centrifuge project, we may pay the costs and expenses of such demobilization in accordance with a plan previously submitted to the agent for the lenders.
- If, as part of DOE's exercise of remedies under the RD&D program, we are required to transfer the American Centrifuge project or the RD&D program assets, in whole or in part, to DOE or its designee, we may spend as needed to maintain compliance with legal and regulatory requirements, but may not spend more than $5 million of proceeds of the revolving loans on such expenses.
- We may not spend any proceeds of revolving loans on American Centrifuge expenses if a default or event of default has occurred.
- From March 14, 2013, we may spend up to $750,000 on costs that are not allowable costs under the RD&D program.

The revolving credit facility contains various reserve provisions that reduce available borrowings under the facility periodically including a permanent availability block equal to $30.0 million. The other reserves under the revolving credit facility, such as availability reserves and borrowing base reserves, are customary for credit facilities of this type.

Subject to certain limited exceptions, we will be required at all times to prepay all amounts outstanding under the revolving credit agreement with the net proceeds of (1) the sale of inventory, the collection of receivables or any sale or transfer of assets of USEC Inc. and its subsidiaries; (2) the sale or transfer of equity of USEC Inc. or its subsidiaries; (3) the issuance of indebtedness of USEC Inc. or its subsidiaries; or (4) insurance proceeds from casualty events. In addition, certain proceeds, including from specified debt issuances and asset sales (including certain sales resulting from a demobilization of the American Centrifuge project), will permanently reduce the revolving loan commitments and prepay the term loan. The revolving credit facility must be fully prepaid prior to any redemption of the Company's Series B-1 preferred stock.

With certain exceptions, all funds of USEC Inc. and its subsidiaries will be subject to full cash dominion, meaning that they will be swept on a daily basis into an account with the administrative agent and will be used to pay outstanding loans before they are available to USEC for use in its operations.

The credit facility includes a requirement that we maintain a ratio of 2.0:1.0 of certain eligible collateral (less reserves) to the amount of the credit facility (the "collateral coverage ratio"). At our election, for any given monthly compliance period under the credit facility, our cash that is held in an account with the administrative agent may be included in the calculation of eligible collateral for purposes of meeting the collateral coverage ratio. Cash that is included at our election is then restricted and may not be withdrawn by us until the next monthly compliance certificate is submitted unless certain conditions for an earlier reduction are met. This provides us additional flexibility to protect the collateral coverage ratio from factors outside of our control that can affect the value of our eligible collateral from time to time, such as the timing of sales, the market value of inventory and the timing of shipments of low enriched uranium ("LEU") from Russia.

The credit facility also includes various other customary operating and financial covenants, including restrictions on the incurrence and prepayment of other indebtedness, granting of liens, sales of assets, making of investments, and payment of dividends or other distributions. Failure to satisfy the covenants would constitute an event of default under the credit facility.

Default under, or failure to comply with the Russian Contract, the Russian Supply Agreement, the 2002 DOE-USEC Agreement (other than the milestones related to deployment of the American Centrifuge project), the lease of the GDPs or any other material contract or agreement with DOE, or any exercise by DOE of its rights or remedies under the 2002 DOE-USEC Agreement, would also be considered to be an event of default under the credit facility if it would reasonably be expected to result in a material adverse effect on (1) our business, assets, operations or condition (taken as a whole); (2) our ability to perform any of our obligations under the credit facility; (3) the assets pledged as collateral under the credit facility; (4) the rights or remedies under the credit facility of the lenders or J.P. Morgan as administrative agent; or (5) the lien or lien priority with respect to the collateral of J.P. Morgan as administrative agent. Under the credit facility, the orderly shutdown of the Paducah GDP, a demobilization of the American Centrifuge project or the exercise by DOE of certain rights to require USEC to transfer the American Centrifuge project or all or any portion of property related to the American Centrifuge project to DOE or its designee, would not result in a material adverse effect.

In addition, our inability to maintain the continued listing of our common stock on the New York Stock Exchange or another national exchange could cause an event of default under our credit facility. Under the terms of our convertible notes, a "fundamental change" is triggered if USEC's shares of common stock are not listed for trading on any of the NYSE, the American Stock Exchange (now NYSE-MKT), the NASDAQ Global Market or the NASDAQ Global Select Market, and the holders of the notes can require USEC to repurchase the notes at par for cash. We have no assurance that we would be eligible for listing on an alternate exchange in light of our market capitalization, stockholders' deficit and net losses. In the event a fundamental change under the convertible notes is

triggered, we do not have adequate cash to repurchase the notes. A failure by us to offer to repurchase the notes or to repurchase the notes after the occurrence of a fundamental change is an event of default under the indenture governing the notes. The occurrence of a fundamental change under the convertible notes that permits the holders of the convertible notes to require a repurchase for cash is also an event of default under USEC's credit facility.

NYSE Listing Standards Notices

On May 8, 2012, we received notice from the New York Stock Exchange ("NYSE") that the average closing price of our common stock was below the NYSE's continued listing criteria relating to minimum share price. The NYSE listing requirements require that a company's common stock trade at a minimum average closing price of $1.00 over a consecutive 30 trading-day period. On July 1, 2013, we effectuated a reverse stock split in order to regain compliance with the NYSE continued listing criteria related to minimum share price. This action resulted in our closing share price exceeding $1.00 per share, and the condition will be deemed cured if the average closing price remains above the level for at least the following 30 trading days. Subject to the NYSE's rules, during the cure period, USEC's common stock will continue to be listed and trade on the NYSE, subject to its continued compliance with the NYSE's other applicable listing rules.

On April 30, 2013, we received notice from the NYSE that the decline in our total market capitalization has caused us to be out of compliance with another of the NYSE's continued listing standards. The NYSE listing requirements require that a company maintain an average market capitalization of not less than $50 million over a consecutive 30 trading-day period where the company's total stockholders' equity is less than $50 million. In accordance with the NYSE's rules, we submitted a plan advising the NYSE of definitive action we have taken, or are taking, that would bring us into conformity with the market capitalization listing standards within 18 months of receipt of the letter. On August 1, 2013, the NYSE accepted our plan of compliance and our common stock will continue to be listed on the NYSE during the 18-month cure period, subject to the compliance with other NYSE continued listing standards and continued periodic review by the NYSE of our progress with respect to our plan. Our plan outlines initiatives we must execute by quarter. These initiatives include the successful completion of American Centrifuge plant development milestones, as well as the successful execution of our Russian supply agreement and our potential balance sheet restructuring. The NYSE has notified us that if we do not achieve these financial and operational goals, the Company will be subject to NYSE trading suspension at the point the initiative or goal is not met.

In addition, the NYSE can at any time suspend trading in a security and delist the stock if it deems it necessary for the protection of investors. The NYSE can take accelerated listing action if our common stock trades at levels viewed to be "abnormally low" over a sustained period of time. We would also be subject to immediate suspension and de-listing from the NYSE if our average market capitalization is less than $15 million over a consecutive 30 trading-day period or if we were to file or announce an intent to file under any of the sections of the bankruptcy law. During July 2013, USEC's market capitalization fell below $15 million for several days. Even if we meet the numerical listing standards above, the NYSE reserves the right to assess the suitability of the continued listing of a company on a case-by-case basis whenever it deems it appropriate and will consider factors such as unsatisfactory financial conditions and/or operating results or inability to meet debt obligations or adequately finance operations.

Under the terms of our convertible notes, a "fundamental change" is triggered if our shares of common stock are not listed for trading on any of the NYSE, the American Stock Exchange (now NYSE-MKT), the NASDAQ Global Market or the NASDAQ Global Select Market, and the holders of the notes can require us to repurchase the notes at par for cash. We have no assurance that we would be eligible for listing on an alternate exchange in light of our market capitalization, stockholders' deficit and net losses. Our receipt of a NYSE continued listing standards notification described above did not trigger a fundamental change. In the event a fundamental change under the convertible notes is triggered, we do not have adequate cash to repurchase the notes. A failure by us to offer to repurchase the notes or to repurchase the notes after the occurrence of a fundamental change is an event of default under the indenture governing the notes. The occurrence of a fundamental change under the convertible notes that permits the holders of the convertible notes to require a repurchase for cash is also an event of default under our

credit facility. Accordingly, the exercise of remedies by holders of our convertible notes or lenders under our credit facility as a result of a delisting would have a material adverse effect on our liquidity and financial condition.

Off-Balance Sheet Arrangements

Other than the letters of credit issued under the credit facility, surety bonds, contractual commitments and the license agreement with DOE relating to the American Centrifuge technology disclosed in our 2012 Annual Report, there were no material off-balance sheet arrangements, obligations, or other relationships at June 30, 2013 or December 31, 2012.

New Accounting Standards Not Yet Implemented

Reference is made to "New Accounting Standards" 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, 2013, 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.

We have not entered into financial instruments for trading purposes. At June 30, 2013, our debt consisted of the 3.0% convertible senior notes with a balance sheet carrying value of $530.0 million. The fair value of the convertible notes, based on the trading price as of June 30, 2013, was $119.3 million.

The estimated fair value of our convertible preferred stock at June 30, 2013, including accrued paid-in-kind dividends declared payable July 1, 2013, was equal to the redemption value of $1,000 per share or $107.0 million.

Refer to "Liquidity and Capital Resources – Capital Structure and Financial Resources" in management's discussion and analysis of financial condition and results of operations for quantitative and qualitative disclosures relating to interest rate risk associated with any outstanding borrowings at variable interest rates under our credit facility.

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

Effectiveness of Our Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

USEC is subject to various 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.

On June 27, 2011, a complaint was filed in the United States District Court for the Southern District of Ohio, Eastern Division, against USEC by a former Portsmouth GDP employee claiming that USEC owes severance benefits to him and other similarly situated employees that have transitioned or will transition to the DOE D&D contractor. The plaintiff amended its complaint on August 31, 2011 and February 10, 2012, among other things, to limit the purported class of similarly situated employees to salaried employees at the Portsmouth site who transitioned to the D&D contractor and are allegedly eligible for or owed benefits. On October 11, 2012, the United States District Court granted USEC's motion to dismiss the complaint and dismissed Plaintiffs' motion for class certification as moot. The Plaintiffs filed an appeal on January 18, 2013 and on July 19, 2013, the U.S. Court of Appeals for the Sixth Circuit upheld the District Court decision and dismissed the Plaintiffs' appeal. The Plaintiffs have ninety days to seek review of the decision by the United States Supreme Court by filing a writ of certiorari. USEC has not accrued any amounts for this matter.

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

Investors should carefully consider the updated risk factors below and the other risk factors in Part I, Item 1A of our 2012 Annual Report on Form 10-K, in addition to the other information in our Annual Report and this Quarterly Report on Form 10-Q.

Our failure to maintain compliance with the listing requirements of the New York Stock Exchange (NYSE) could result in a delisting of our common stock, which could require us to repurchase our $530 million of convertible notes for cash, which we would not have adequate cash to do and would result in an event of default under our credit facility.

On May 8, 2012, we received notice from the New York Stock Exchange ("NYSE") that the average closing price of our common stock was below the NYSE's continued listing criteria relating to minimum share price. The NYSE listing requirements require that a company's common stock trade at a minimum average closing price of $1.00 over a consecutive 30 trading-day period. On July 1, 2013, we effectuated a reverse stock split in order to regain compliance with the NYSE continued listing criteria related to minimum share price. This action resulted in our closing share price exceeding $1.00 per share, and the condition will be deemed cured if the average closing price remains above the level for at least the following 30 trading days. However we have no assurance that our share price will remain above $1.00 per share.

On April 30, 2013, we received notice from the NYSE that the decline in our total market capitalization has caused us to be out of compliance with another of the NYSE's continued listing standards. The NYSE listing requirements require that a company maintain an average market capitalization of not less than $50 million over a consecutive 30 trading-day period where the company's total stockholders' equity is less than $50 million. In accordance with the NYSE's rules, we submitted a plan advising the NYSE of definitive action we have taken, or are taking, that would bring us into conformity with the market capitalization listing standards within 18 months of receipt of the letter. On August 1, 2013, the NYSE accepted our plan of compliance and our common stock will continue to be listed on the NYSE during the 18-month cure period, subject to the compliance with other NYSE continued listing standards and continued periodic review by the NYSE of USEC's progress with respect to its plan. Our plan outlines initiatives we must execute by quarter. These initiatives include the successful completion of American Centrifuge plant development milestones, as well as the successful execution of our Russian supply agreement and our potential balance sheet restructuring. We may not be successful in these initiatives or in

executing the plan to the NYSE's satisfaction. The NYSE has notified us that if we do not achieve these financial and operational goals, the Company will be subject to NYSE trading suspension at the point the initiative or goal is not met.

In addition, the NYSE can at any time suspend trading in a security and delist the stock if it deems it necessary for the protection of investors. The NYSE can take accelerated listing action if our common stock trades at levels viewed to be "abnormally low" over a sustained period of time. We would also be subject to immediate suspension and de-listing from the NYSE if our average market capitalization is less than $15 million over a consecutive 30 trading-day period or if we were to file or announce an intent to file under any of the sections of the bankruptcy law. During July 2013, our market capitalization fell below $15 million for several days. Even if we meet the numerical listing standards above, the NYSE reserves the right to assess the suitability of the continued listing of a company on a case-by-case basis whenever it deems it appropriate and will consider factors such as unsatisfactory financial conditions and/or operating results or inability to meet debt obligations or adequately finance operations.

A delisting of our common stock by the NYSE and the failure of our common stock to be listed on another national exchange could have significant adverse consequences. A delisting would likely have a negative effect on the price of our common stock and would impair stockholders' ability to sell or purchase our common stock. As of June 30, 2013, we had $530 million of convertible notes outstanding. Under the terms of our convertible notes, a "fundamental change" is triggered if our shares of common stock are not listed for trading on any of the NYSE, the American Stock Exchange (now NYSE-MKT), the NASDAQ Global Market or the NASDAQ Global Select Market, and the holders of the notes can require USEC to repurchase the notes at par for cash. We have no assurance that we would be eligible for listing on an alternate exchange in light of our market capitalization, stockholders' deficit and net losses. Our receipt of a NYSE continued listing standards notification described above did not trigger a fundamental change. In the event a fundamental change under the convertible notes is triggered, we do not have adequate cash to repurchase the notes. A failure by us to offer to repurchase the notes or to repurchase the notes after the occurrence of a fundamental change is an event of default under the indenture governing the notes. The occurrence of a fundamental change under the convertible notes that permits the holders of the convertible notes to require a repurchase for cash is an event of default under our credit facility. Accordingly, the exercise of remedies by holders of our convertible notes or lenders under our credit facility as a result of a delisting would have a material adverse effect on our liquidity and financial condition and could require us to file for bankruptcy protection.

Ceasing enrichment at the Paducah GDP could result in significant transition costs and other adverse impacts that could have a material adverse effect on our business and prospects.

We ceased enrichment at the Paducah gaseous diffusion plant ("GDP") commencing in May 2013 and are working to reach an agreement with DOE regarding the transition of the Paducah GDP and de-lease of the site back to DOE. Ceasing enrichment at the Paducah GDP could have a material adverse effect on our business and prospects. Under the lease, DOE has the obligation for decontamination and decommissioning of the Paducah plant. Nevertheless, we could incur significant costs in connection with the Paducah transition that could put demands on our liquidity and negatively impact our results of operations, including:

- *Lease turnover costs*. We expect to incur significant costs in connection with the return of leased facilities to DOE. During the six months ended June 30, 2013 we incurred site expenses, including lease turnover activities, of $20.1 million. As of June 30, 2013, we have accrued current liabilities for lease turnover costs related to the Paducah GDP totaling approximately $43.8 million. Lease turnover costs are costs incurred in returning the GDP to DOE in accordance with the lease, including removing nuclear material as required and removing USEC-generated waste. Our actual lease turnover costs could be greater than anticipated, which could result in additional demands on our liquidity and could negatively impact our results of operations.
- *Severance Costs*. We also expect to incur significant severance costs in connection with ceasing enrichment at the Paducah GDP. During the six months ended June 30, 2013, we accrued $2.1 million of severance costs related to an initial workforce reduction of approximately 160 employees that is

anticipated to be completed by August 19, 2013. Additional layoffs may occur in stages during 2013 and/or 2014 depending on business needs to manage inventory, fulfill customer orders, meet regulatory requirements and transition the site back to DOE in a safe and orderly manner. We currently estimate that we could incur total employee related severance costs of approximately $25 to $30 million for all Paducah GDP workers (including the $2.1 million special charge for the 160 employees described above) in the event of a full termination of activities at the site without a transfer of employees to another employer.

- *Pension and Postretirement benefit costs*. We are engaged in discussions with the Pension Benefit Guaranty Corporation ("PBGC") regarding their assertion that the Portsmouth site transition is a cessation of operations that triggers liability under Employee Retirement Income Security Act of 1974, as amended ("ERISA"), Section 4062(e). We are also in discussions with the PBGC regarding the cessation of enrichment at the Paducah GDP and related transition of employees as part of future reductions in force. Given the significant number of current active employees at Paducah, the amount of any potential liability related to such a transition could be more significant than the preliminary PBGC calculation of the potential ERISA Section 4062(e) liability in connection with the Portsmouth site transition of approximately $130 million. See the Risk Factor in Part I, Item 1A of our Annual Report on Form 10-K "*Our defined benefit pension plans are underfunded and we could be required to place an amount in escrow or purchase a bond with respect to such underfunding that could adversely affect our liquidity."*

- *Other transition costs*. In addition, other activities that will increase our cost of sales as we transition after ceasing enrichment include inventory management and disposition, ongoing regulatory compliance, utility requirements for operations, security, and other site management activities related to transition of leased areas and infrastructure. For a period of time we will still need to lease certain areas used for ongoing operations such as shipping and handling, inventory management and site services, including deliveries to customers of our inventory of LEU, return or relocation of unused inventories owned by USEC or by customers and others with accounts at USEC, and receipt of Russian material through 2013 under the Russian Contract, or beyond under the Russian Supply Agreement. We are currently evaluating the most cost effective manner of conducting operations at the Paducah GDP to minimize ongoing costs and are in discussions with DOE regarding the timing of our de-lease of facilities at the Paducah GDP. However, we may not be able to reach an agreement with DOE on favorable terms or in the timeframe needed and could have greater than anticipated transition expenses. In addition, we have no assurance that DOE would accept the areas that we wish to de-lease on a schedule that would be cost efficient or meet our timing for deliveries of inventories to customers, fabricators and others.

Ceasing enrichment at the Paducah GDP could also have significant impacts on our existing business, including:

- We expect there to be a transition period of several years, until the American Centrifuge Plant ("ACP") is in commercial operations, during which we are no longer enriching uranium but are making sales from our existing inventory, from our future purchases under the supply agreement entered into with Russia in March 2011 for the supply of commercial Russian LEU (the "Russian Supply Agreement") and from other potential sources of supply. We have an objective of minimizing the period of transition until we have a new source of domestic U.S. enrichment production. However, we do not currently have a definitive timeline for the ACP deployment to provide this source of production and the economics of the American Centrifuge project and the Russian Supply Agreement are increasingly challenged as a result of current enrichment market conditions. Absent a definitive timeline for the ACP deployment, ceasing enrichment at Paducah could adversely affect our efforts to pursue the American Centrifuge project, to implement the Russian Supply Agreement or to pursue other options, and could threaten our overall viability.

- Ceasing enrichment at Paducah could also adversely affect our relationships with a variety of stakeholders, including customers. Customers could ask us to provide adequate assurances of performance under existing contracts that could adversely affect our business. Customers may also not be

willing to modify existing contracts, some of which may need to be revised to permit acceptance of LEU from our anticipated supply sources during the transition period. Ceasing enrichment at Paducah could also adversely affect our ability to enter into new contracts with customers, including our ability to contract for the output of the American Centrifuge Plant and for the material we purchase under the Russian Supply Agreement. We maintain substantial inventories of SWU from our production and from deliveries under the commercial agreement with the Russian entity TENEX to implement the Megatons to Megawatts program that we carefully monitor to ensure we can meet our commitments. Our ability to maintain inventories and to make deliveries needed to monetize these inventories in order to meet our liquidity requirements could be adversely affected if we lost our right to lease the portions of the Paducah GDP where the inventories are held and could not find alternative space where inventories could be kept and delivered.

- We also have no assurance that we will be able to continue to lease portions of the Paducah GDP. Under the 2002 DOE-USEC Agreement, DOE can transition operations of Paducah from USEC operation to ensure the continuity of domestic enrichment operations and the fulfillment of supply contracts in the event we cease enrichment operations at Paducah prior to six months before USEC has the permanent addition of 3.5 million SWU per year of new capacity installed based on advanced enrichment technology. We are in discussions with DOE regarding an agreement related to the transition of the Paducah GDP and while we believe that maintaining USEC's access to the Paducah GDP would be the best course of action to permit the fulfillment of supply contracts, there can be no assurance that DOE will not seek to exercise this right in a manner that will result in adverse impacts to us, including interfering with our deliveries to customers and our ability to maintain their inventories at Paducah, interfering with our ability to sell and deliver our inventory and impacting our ability to make sales.

All of these factors could have a significant adverse effect on our results of operations and financial condition.

Current enrichment market conditions are increasingly challenging the economics of the American Centrifuge project and our ability to finance the project and we could demobilize or terminate the project, which could have a material adverse effect on our business and prospects.

We are in the process of developing an updated plan for the financing and commercialization of the American Centrifuge project. Factors that can affect this plan and the economics of the project include key variables related to project cost, schedule, market demand and market prices for low enriched uranium, financing costs and other financing terms. There is an oversupply of nuclear fuel available for sale in the market as a result of the March 2011 earthquake and tsunami in Japan that resulted in more than 50 reactors in Japan and Germany being off-line. This oversupply has increased over time as only two of 50 reactors in Japan have been restarted to date and has resulted in significant downward pressure on market prices for low enriched uranium ("LEU"). In addition, low prices for competing fuels, such as natural gas in the United States, could slow the need for new base load nuclear power capacity or hasten the retirement of some older nuclear plants in the United States, which can impact supply and demand for LEU and market prices. Based on current market conditions, we see limited uncommitted demand for LEU relative to supply prior to the end of the decade, which could continue to adversely affect market prices. We have also experienced cost pressures due to delays in deployment of the project that are impacting the project economics.

We expect to need at least $4 billion of capital in order to complete the American Centrifuge Plant ("ACP"). While a portion of that capital could include cash generated by the project during startup and additional capital contributions from USEC, the majority of the capital will need to come from third parties. We have applied for a $2 billion loan guarantee under the DOE Loan Guarantee Program, which was established by the Energy Policy Act of 2005 and we have also had discussions with Japanese export credit agencies regarding financing up to $1 billion of the cost of completing the ACP, with such potential financing predicated on our receiving a DOE loan guarantee. We currently anticipate the remaining sources for capital to include cash generated by the project during startup, our available cash flow from operations and additional third-party capital. We are uncertain regarding the amount of internally generated cash flow from operations that we will have available to finance the project in light of the delays in deployment of the project and potential requirements for our internally generated cash flow to satisfy our

pension and postretirement benefits and other obligations. The amount of capital that we are able to contribute to the project going forward will also impact our share of the ultimate ownership of the project, which will likely be reduced as a result of raising equity and other capital to deploy the project.

In order to successfully raise this capital, we need to develop and validate a viable business plan that supports loan repayment and provides potential investors with an attractive return on investment based on the project's risk profile. The economics of the American Centrifuge project are increasingly challenged under current enrichment market conditions, as described above, which have continued to decline during 2013. We have no assurances that we will be successful in obtaining this financing and that market conditions and the delays and cost increases we have experienced will not adversely affect these efforts. Given the current enrichment market conditions and the challenges these conditions present for obtaining the capital necessary for ACP commercialization, we are evaluating and pursuing the feasibility of alternatives and the actions necessary to proceed with the commercial deployment of the American Centrifuge technology including the availability of additional government support. We have no assurance that we will be successful in achieving any of these measures, including obtaining additional government support that may be necessary to successful commercial deployment, or the timing thereof. Therefore, we continue to evaluate our options concerning the American Centrifuge project including our ability to continue the project prior to or upon completion of the current research, development and demonstration ("RD&D") program, further demobilization of or delays in the commercial deployment of the project, and termination of the project. We could make a decision at any time and any such actions may have a material adverse impact on our ability to deploy the American Centrifuge technology, on our liquidity and on the long-term viability of our enrichment business.

We also face the potential that there is a gap in time between when the RD&D program is completed in December 2013 and when we have financing or financing commitments in place to complete the ACP. Despite the technical progress being made by the RD&D program, if financing is not in place at the end of the RD&D program, we could demobilize or terminate the project in order to preserve our liquidity.

Actions we may take with respect to the American Centrifuge project could have significant adverse consequences on our business. A demobilization or termination of the American Centrifuge project could raise doubt about the long-term viability of our enrichment business and could result in actions by third parties that could give rise to events that individually, or in the aggregate, impose significant demands on our liquidity. For example, the Pension Benefit Guaranty Corporation could take the position that a demobilization of the American Centrifuge project, either alone or taken together with actions related to the transition of the Paducah gaseous diffusion plant, create potential liabilities under the Employee Retirement Income Security Act of 1974, as amended, Section 4062(e). See the Risk Factor in Part I, Item 1A of our Annual Report on Form 10-K, "*Our defined benefit pension plans are underfunded and we could be required to place an amount in escrow or purchase a bond with respect to such underfunding that could adversely affect our liquidity*." The NYSE could also view a demobilization or termination of the American Centrifuge project negatively in its continued periodic review of our progress in executing initiatives identified by us in our plan submitted to the NYSE, and could take adverse action as described in the risk factor above "*Our failure to maintain compliance with the listing requirements of the New York Stock Exchange (NYSE) could result in a delisting of our common stock, which could require us to repurchase our $530 million of convertible notes for cash, which we would not have adequate cash to do and would result in an event of default under our credit facility."* A demobilization or termination of the American Centrifuge project could also result in actions by vendors, customers, creditors and other third parties in response to our actions or based on their view of our financial strength and future business prospects. In addition, we could incur significant costs in connection with a demobilization or termination of the American Centrifuge project that could put significant demands on our liquidity. We currently estimate that we could incur total employee related severance and benefit costs of approximately $14.5 million for all American Centrifuge workers in the event of a full demobilization of the project. In addition, we currently estimate ongoing contractual commitments at June 30, 2013 of approximately $37.5 million. Depending on the length of the demobilization period, we would also incur significant costs related to the execution of the demobilization in addition to the costs described above. Our actual costs could be greater than these estimates. These actions could give rise to events that individually, or in the aggregate, impose significant demands on our liquidity and that could require us to file for bankruptcy protection.

We are dependent on U.S. government actions, commitments and relationships, that are subject to uncertainties.

We or our subsidiaries are party to a number of agreements and arrangements with the U.S. government that are important to our business, including leases for the Paducah GDP and the American Centrifuge facilities, the cooperative agreement with DOE for the RD&D program and the 2002 DOE-USEC Agreement. We are currently in discussions with DOE regarding an agreement related to the transition of the Paducah GDP and related termination of the lease for the Paducah GDP that is subject to uncertainties as described in the risk factor above "*Ceasing enrichment at the Paducah GDP could result in significant transition costs and other adverse impacts that could have a material adverse effect on our business and prospects*." We are also in ongoing discussions with DOE regarding continued progress on and incremental funding for the RD&D program. See the Risk Factors in Part I, Item 1A of our annual report on Form 10-K, including, "*Only a portion of the U.S. government funding for the cost-share research, development and demonstration program with DOE has been provided. A lack of approved funding for the balance of the RD&D program or delays in the budget process could adversely affect our ability to implement the RD&D program and our ability to commercialize the ACP technology*." We are also seeking support from DOE and the U.S. government for the American Centrifuge project as described in the risk factor above "*Current enrichment market conditions are challenging the economics of the American Centrifuge project and our ability to finance the project and we could demobilize or terminate the project, which could have a material adverse effect on our business and prospects*."

The outcome of these discussions are dependent on the continued support of DOE and the U.S. government, including considerations related to national security, non-proliferation, and energy policy, which are all uncertain and subject to change. These discussions can be adversely impacted by limitations on available funding to DOE in light of federal budget constraints and spending cuts. Many of these factors are outside of our control. Deterioration in our relationship with DOE or other U.S. agencies and the U.S. government could impair or impede our ability to successfully implement these agreements, which could adversely affect our results of operations. We are in the process of trying to resolve claims under the Contract Disputes Act for unpaid receivables from DOE as described in "*We may not be successful in collecting amounts due to us from DOE related to U.S. government contracts work at Portsmouth, including amounts related to contract closeout*," which could adversely affect these relationships.

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

(c) Second Quarter 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	—	—	—	—
May 1 – May 31	10,280	$9.13	—	—
June 1 – June 30	40	8.53	—	—
Total	**10,320**	**$9.12**	—	—

(1) Number of shares adjusted for the 1-for-25 reverse stock split effective July 1, 2013.

These purchases were not made pursuant to a publicly announced repurchase plan or program. Represents 10,320 shares of common stock surrendered to USEC to pay withholding taxes on shares of restricted stock under the Company's equity incentive plan.

Item 3. ***Defaults Upon Senior Securities***

As permitted by the certificate of designation of the Series B-1 12.75% convertible preferred stock, par value $1.00 per share, our board of directors has the discretion to declare or not to declare any quarterly dividends for the Series B-1 preferred. Dividends on the Series B-1 preferred are payable quarterly (on January 1, April 1, July 1 and October 1), at our election, in cash or in additional shares of Series B-1 preferred. We are currently restricted under our credit facility from paying cash dividends. Our board of directors did not declare dividends on the Series B-1 preferred on the regular quarterly dividend payment dates from January 1, 2012 through July 1, 2013 and the aggregate arrearage is $21.1 million. We have determined to defer declaring any dividends at this time due to our net losses reported for the years ended December 31, 2011 and 2012 and stockholders' deficit. In accordance with the terms of the certificate of designation for the Series B-1 preferred, dividends not declared are added to the liquidation preference for the Series B-1 preferred. As of June 30, 2013, there were 85,903 shares of Series B-1 preferred outstanding with an aggregate liquidation preference of $103.7 million ($107.0 million as of July 1, 2013 after taking into account the July 1, 2013 accrued dividend).

Item 5. ***Other Information***

Pursuant to the lease agreement dated July 1, 1993 between our subsidiary United States Enrichment Corporation ("Enrichment") and the U.S. Department of Energy ("DOE") (the "Lease Agreement"), we lease the Paducah gaseous diffusion plant located in Paducah, Kentucky (the "Paducah GDP"), areas and related personal property, which are owned by the U.S. government (the "GDP Lease"). We also lease the gas centrifuge enrichment plant facilities at Piketon, Ohio for the American Centrifuge plant, areas and related personal property from DOE pursuant to an amendment to the Lease Agreement dated December 7, 2006 (the "GCEP Lease"). The GCEP Lease is subleased to American Centrifuge Operating, LLC.

On August 1, 2013, through our Enrichment subsidiary, we provided notice of termination of the Lease Agreement with respect to the Paducah GDP. Under the terms of the GDP Lease, we can terminate the lease prior to its expiration in June 2016 upon two-years' notice. Also, as our needs change, we can de-lease portions of the property under lease upon 60-days' notice with DOE's consent, which cannot be unreasonably withheld. We have provided a preliminary plan to meet lease turnover requirements to DOE and are in discussions with DOE regarding the transition of the Paducah GDP. We expect to complete the return of the leased premises and to terminate the GDP Lease as early as July 2014. If we and DOE are unable to agree on a schedule for termination prior to August 1, 2015, we plan to retain a small portion of the leased premises necessary for our business needs until August 1, 2015, at which time the GDP Lease will terminate and any remaining portion of the leased premises and personal property will be returned to DOE. Additional information regarding the GDP Lease can be found in "Part I, Items 1 and 2. Business and Properties-Paducah Gaseous Diffusion Plant" of our annual report on Form 10-K.

We have previously provided DOE various notices regarding our plans for the return of leased premises and personal property at the Paducah GDP and have been engaged in discussions with DOE regarding the transition of the Paducah GDP. We ceased enrichment at the Paducah GDP following the completion of a one-year, multi-party depleted uranium enrichment program in May 2013. In September 2012, we provided DOE with a non-binding notice of potential return of certain leased premises and property at the Paducah GDP. By letter dated May 30, 2013, we provided notice to DOE under the 2002 DOE-USEC Agreement that we would cease enrichment at the Paducah GDP at the conclusion of the agreements related to the depleted uranium enrichment program on May 31, 2013.

The GCEP Lease is not terminated by this notice or the future termination of the GDP Lease. Under the GCEP Lease, we have the option, with DOE's consent, to expand the leased property to meet our needs until the earlier of September 30, 2013 or the expiration or termination of the GDP Lease.

USEC Inc. or our subsidiaries are also a party to a number of other agreements or arrangements with the U.S. government, as described in our Annual Report on Form 10-K.

Item 6. ***Exhibits***

The exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference as part of this report and such Exhibit Index is incorporated herein by reference. The accompanying Exhibit Index identifies each management contract or compensatory plan or arrangement required to be filed as an exhibit to this report.

SIGNATURES

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.

Date: August 6, 2013

By: /s/ John C. Barpoulis

John C. Barpoulis

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

EXHIBIT INDEX

Exhibit No.	Description
3.1	Certificate of Incorporation of USEC Inc., as amended. (a)
3.2	Amended and Restated Bylaws of USEC Inc., dated May 6, 2013, incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on May 6, 2013.
10.1	Amendment No. 001 dated April 22, 2013 to the Enriched Product Transitional Supply Contract dated March 23, 2011 between United States Enrichment Corporation and Joint Stock Company "Techsnabexport." (Certain information has been omitted and filed separately pursuant to a request for confidential treatment under Rule 24b-2). (a)
10.2	Amendment No. 004 dated March 29, 2013 to the Cooperative Agreement (the "Cooperative Agreement") dated June 12, 2012 between the U.S. Department of Energy and USEC Inc. and American Centrifuge Demonstration, LLC concerning the American Centrifuge Cascade Demonstration Test Program. (a)
10.3	Amendment No. 005 dated June 13, 2013 to the Cooperative Agreement. (Certain information has been omitted and filed separately pursuant to a request for confidential treatment under Rule 24b-2). (a)
10.4	Amendatory Agreement (Supplement No. 10) dated May 20, 2013, to the Power Contract between Tennessee Valley Authority and United States Enrichment Corporation, dated July 11, 2000 (the "TVA Power Contract"). (Certain information has been omitted and filed separately pursuant to a request for confidential treatment under Rule 24b-2). (a)
10.5	Supplement No. 11 dated May 30, 2013 to the TVA Power Contract. (a)
10.6	Summary Sheet for 2013 Non-Employee / Non-Investor Director Compensation (a)(b)
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).
32.1	Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350.
101	Consolidated condensed financial statements from the quarterly report on Form 10-Q for the quarter ended June 30, 2013, furnished in interactive data file (XBRL) format.

(a) Filed herewith

(b) Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(b) of this report.

EXHIBIT 3.1

CERTIFICATE OF INCORPORATION

OF

USEC INC.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

be deemed solely to grant discretionary authority to the directors and shall not be deemed to provide to any constituency the right to be considered.

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

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

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

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

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

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

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

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

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

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

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

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

D. Suspension of Voting Rights; Refusal to Transfer. If any person, including a Proposed Transferee, from whom information is requested should fail to respond to the Corporation's request pursuant to Section C of this Article ELEVENTH or if the Corporation shall conclude that the ownership of, or the exercise of any rights of ownership with respect to, securities of the Corporation by any person, including a Proposed Transferee, could result in any inconsistency with, or violation of, the Statutory Acquisition Restriction or the Foreign Ownership Restrictions, the Corporation may (i) refuse to permit the transfer of securities of the Corporation to such Proposed Transferee; and/or (ii) suspend or limit voting rights associated with stock ownership by such person or Proposed Transferee if the Board of Directors in good faith believes that the exercise of such voting rights would result in any inconsistency with, or violation of, the Statutory Acquisition Restriction or the Foreign

Ownership Restrictions. If the Board of Directors determines that the foregoing measures are not sufficient to ensure compliance with the Statutory Acquisition Restriction or the Foreign Ownership Restrictions, the Corporation may take such action as may be authorized under this Article ELEVENTH. Any action by the Corporation pursuant to the foregoing with respect to the Statutory Acquisition Restriction or the Foreign Ownership Restrictions may remain in effect for as long as the Corporation determines is necessary to comply with the Statutory Acquisition Restriction or the Foreign Ownership Restrictions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

/s/ Lynn Buckley
Lynn Buckley
Sole Incorporator

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

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

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

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

"ELEVENTH: Foreign Ownership

A. [Reserved]

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

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

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

D. Suspension of Voting Rights; Refusal to Transfer. If any person, including a Proposed Transferee, from whom information is requested pursuant to Section C of this Article ELEVENTH should fail to respond to such request, or if the Corporation shall conclude that the ownership of, the acquisition of an interest in, or the exercise of any rights of ownership with respect to, securities of the Corporation by any person, including a Proposed Transferee, could constitute or result in any Adverse Regulatory Occurrence, then (i) the Board of Directors may, from time to time in its sole discretion, resolve that neither any record owner nor any beneficial owner of securities held by a person may be Transferred to a Proposed Transferee; and/or (ii) the Board of Directors may, in its sole discretion, resolve that such person, either alone or together with its Related Persons, as of any record date for the determination of holders of securities entitled to vote on any matter, shall not be entitled to vote or cause the voting of all or such portion as the Board of Directors shall determine of the securities of the Corporation

owned beneficially or of record by such person or its Related Persons, in person or by proxy or through any voting agreement or other arrangement, (A) on any matter submitted to a vote of such holders or (B) on specified matters as from time to time determined by the Board of Directors. The Corporation may disregard any votes purported to be cast in excess of or otherwise in violation of the restrictions or limitations set forth in sub-section (ii) of Section D of this Article ELEVENTH. Any action by the Board of Directors pursuant to this Article ELEVENTH may remain in effect for as long as the Board of Directors determines such action is necessary to prevent or remedy any Adverse Regulatory Occurrence. Notwithstanding the foregoing, the Board of Directors may, from time to time in its sole discretion, (1) resolve to release any restriction on Transfer set forth herein from any number of securities, on terms and conditions and in ratios and numbers to be fixed by the Board of Directors in its sole discretion, and (2) resolve to release any of the securities of the Corporation from any of the limitations or restrictions on voting set forth in sub-section (ii) of Section D of this Article ELEVENTH.

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

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

G. [Reserved]

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

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

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

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

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

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

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

In connection with any exchange effected pursuant to Section H of this Article ELEVENTH, authority is hereby expressly granted to the Board of Directors, subject to this Certificate of Incorporation and the DGCL, to fix the designations,

preferences, and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of any securities of the Corporation issued in exchange for any issued and outstanding securities of the Corporation held or beneficially owned by a foreign person or Contravening Person.

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

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

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

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

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

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

“Foreign Competitor” shall mean a Foreign Enrichment Provider or a person Affiliated with a Foreign Enrichment Provider in such a manner as to constitute a Foreign Ownership Review Event.

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

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

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

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

“Related Person” shall mean with respect to any person:

(1) any Affiliate of such person;

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

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

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

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

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

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

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

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

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

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

USEC INC.

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

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

USEC Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), in accordance with the provisions of Section 242 thereof, DOES HERBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of the Corporation duly called and held on March 13, 2013, resolutions were duly adopted setting forth a proposed amendment to the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing such amendment to be submitted to the stockholders of the Corporation for approval at its next annual meeting of stockholders. The resolution setting forth the proposed amendment is as follows:

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

"A. The total number of shares of stock of all classes that the Corporation shall have authority to issue is 50,000,000 shares. The authorized capital stock is divided into 25,000,000 shares of preferred stock, each having a par value of $1.00 (such shares, the "Preferred Stock") and 25,000,000 shares of common stock, each having a par value of $.10 (the "Common Stock").

Upon the filing of the Certificate of Amendment amending paragraph A of Article FOURTH of the Certificate of Incorporation (the "Effective Time"), each share of Common Stock issued and outstanding immediately prior to the Effective Time (the "Old Common Stock") shall be automatically and without any action on the part of the holder or holders thereof reclassified into a different number of shares of Common Stock (the "New Common Stock") such that each ten to thirty shares of Old Common Stock shall, at the Effective Time, be automatically reclassified into one share of New Common Stock, the exact ratio within the foregoing range to be determined by the Board of Directors prior to the Effective Time and publicly announced by the Corporation. The Corporation shall not issue fractions of shares of Common Stock in connection with such reclassification. Stockholders who but for this sentence would own, as a result of such reclassification, a fractional interest in a share of New Common Stock immediately following the Effective Time, shall instead be entitled to receive, with respect to and in lieu of such fractional interest, cash from the Corporation representing the fair market value of such fraction shares at the election of the Board of Directors either as determined by the Board of Directors or as provided below. If the Board of Directors so elects, the Corporation shall arrange for the disposition of fractional interests by those otherwise entitled thereto by the mechanism of having (x) the transfer agent of the Corporation aggregate such fractional interests, (y) the shares resulting from the aggregation sold and (z) the net proceeds received from the sale allocated and distributed among the holders of the fractional interests as their respective interests appear. Each certificate that, prior to the Effective Time, represented shares of Old Common Stock shall, from and after the Effective Time, represent that number of whole shares of New Common Stock into which the shares of Old Common Stock represented by such certificate shall have been reclassified."

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

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

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by its duly authorized officer this 1st day of July, 2013.

USEC Inc.

By: /s/ Peter B. Saba
Name: Peter B. Saba
Title: Senior Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary

CERTIFICATE OF DESIGNATIONS
OF
SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
OF
USEC INC.
(Pursuant to Section 151 of the
Delaware General Corporation Law)

_____

USEC Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation (the "Board of Directors" or the "Board") as required by Section 151 of the General Corporation Law at a meeting duly called and held on Thursday, September 29, 2011.

RESOLVED, that pursuant to the authority expressly granted to and vested in the Board in accordance with the provisions of the Certificate of Incorporation of the Corporation, as amended, the Board hereby creates a series of Preferred Stock, par value $1.00 per share (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, powers and preferences, and qualifications, limitations and restrictions thereof as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 250,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any class or series of stock of this Corporation ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value $.10 per share (the "Common Stock"), of the Corporation, and of any other stock ranking junior to the Series A Preferred Stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1.00 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section 2 immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is

prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than sixty (60) days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. Except as otherwise required by law, the holders of shares of Series A Preferred Stock shall not be entitled to vote on any matter submitted to the vote of stockholders.

Section 4. Certain Restrictions.

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

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

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

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

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

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

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, as amended, or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation, dissolution or winding up of the Corporation, voluntary or otherwise no distribution shall be made (i) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of Series A Preferred Stock shall have received an amount per share (the “Series A Liquidation Preference”) equal to $1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of Common Stock, or (ii) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by

reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (i) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that are outstanding immediately prior to such event.

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

(C) Neither the merger or consolidation of the Corporation into or with another corporation nor the merger or consolidation of any other corporation into or with the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 6.

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

Section 8. No Redemption. The Series A Preferred Stock shall not be redeemable by the Corporation.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, junior to all series of any other class of the Corporation's Preferred Stock, except to the extent that any such other series specifically provides that it shall rank on a parity with or junior to the Series A Preferred Stock.

Section 10. Amendment. At any time shares of Series A Preferred Stock are outstanding, the Certificate of Incorporation of the Corporation, as amended, shall not be further amended in any manner that would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting separately as a single class.

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

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IN WITNESS WHEREOF, this Certificate of Designation is executed on behalf of the Corporation by the undersigned authorized officer this 29th day of September, 2011.

USEC INC.

By: /s/ Peter B. Saba
Name: Peter B. Saba
Title: Senior Vice President, General Counsel and Secretary

CERTIFICATE OF DESIGNATION OF
SERIES B-1 12.75% CONVERTIBLE PREFERRED STOCK
of
USEC INC.
Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

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

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

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

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

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

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

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

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

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

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

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

(f) "Automatic Redemption Adjustment" shall mean, for purposes of determining the Aggregate Outstanding Value, the Permitted Holder Outstanding Value, the Original Issue Value and the Permitted Holder Original Issue Value, that if an Automatic Redemption has been effected prior to the date of determining such values, (1) the aggregate amount of the Liquidation Preference, as of the date of redemption, of a Permitted Holder's Series B Preferred Stock (excluding shares issued as a Dividend) redeemed in connection with the Automatic Redemption shall be added to such Permitted Holder's Aggregate Outstanding Value and Permitted Holder Outstanding Value and (2) the aggregate amount of the Liquidation Preference, as of the date of redemption, of such Permitted Holder's Series B Preferred Stock (excluding shares issued as a Dividend) redeemed in connection with the Automatic Redemption shall be added to such Permitted Holder's Original Issue Value and Permitted Holder Original Issue Value; provided, however, that, if at any time after any Automatic Redemption, such Permitted Holder's

Deemed Holder Percentage is less than 8%, then such adjustment to the Aggregate Outstanding Value, the Permitted Holder Outstanding Value, the Original Issue Value and the Permitted Holder Original Issue Value shall not be made.

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

(h) "Base Price" shall mean for any date, the price determined by the first of the following clauses that applies: (1) if the Ordinary Common Stock is then listed or quoted on the New York Stock Exchange, The NASDAQ Stock Market or the American Stock Exchange (each an "Approved Market"), the arithmetic average of the daily volume weighted average prices per share of the Ordinary Common Stock for each of the 20 consecutive Trading Days immediately preceding (but not including) such date, as reported for the regular trading session (including any extensions thereof) on the primary Approved Market on which the Ordinary Common Stock is then listed or quoted (without regard to pre-open or after hours trading outside of such regular trading session on such Trading Day), as reported by Bloomberg Financial L.P. (or any successor thereof) using the HP function (or any equivalent thereof); (2) if the Ordinary Common Stock has not been listed or quoted on an Approved Market for a minimum of 20 consecutive Trading Days immediately preceding (but not including) such date and if prices for the Ordinary Common Stock are then quoted on the OTC Bulletin Board, the arithmetic average of the daily volume weighted average prices per share of the Ordinary Common Stock for each of the 20 consecutive Trading Days immediately preceding (but not including) such date, as quoted for the regular trading session on the OTC Bulletin Board; (3) if the Ordinary Common Stock has not been listed or quoted on the OTC Bulletin Board for a minimum of 20 consecutive Trading Days immediately preceding (but not including) such date and if prices for the Ordinary Common Stock are then reported in the "Pink Sheets" published by the National Quotation Bureau Incorporated (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Ordinary Common Stock so reported; or (4) in all other cases, the fair market value of a share of Ordinary Common Stock as determined by the Board of Directors acting reasonably and in good faith; provided that if the Series B-1 12.75% Preferred Stock is converting into Series C Preferred Stock, the Base Price, as calculated above, shall be multiplied by one thousand (1,000).

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

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

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

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

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

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

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

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

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

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

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

(iii) where the issued and outstanding capital stock having voting power to vote generally to elect a majority of the Board of Directors outstanding immediately prior to such transaction is converted into or exchanged for such voting stock of the

surviving or transferee Person constituting a majority of the outstanding shares of such voting stock of such surviving or transferee Person (immediately after giving effect to such issuance).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 5. Dividends.

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

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

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

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

Section 6. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Series B-1 12.75% Preferred Stock shall be entitled to receive on par with each share of Parity Stock ranking equally with Series B-1 12.75% Preferred Stock in the distribution of assets upon any liquidation, dissolution or winding up of the Corporation for each share of Series B-1 12.75% Preferred Stock, out of the assets of the Corporation or proceeds thereof available for distribution to stockholders of the Corporation, and after satisfaction of all

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

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

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

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

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

(b) Conversion Election Procedures. Within 40 Business Days of a Closing Deadline Failure, the Corporation shall, with respect to the outstanding shares of Series B-1 12.75% Preferred Stock held by all Permitted Holders that made a Conversion Election, convert such shares (i) if the Charter Amendment Approval has been obtained and subject to the making of any filing or receipt of any approval from any Regulatory Body in order not to adversely affect the Permits or regulatory status of the Corporation or its Subsidiaries, into Class B Common Stock, or (ii) if the Charter Amendment Approval has not been obtained or such regulatory approvals cannot be obtained, into Series C Preferred Stock, in either case into the number of shares of the Class B Common Stock or Series C Preferred Stock, as applicable, equal to the product of (A) the quotient of (1) the Liquidation Preference plus an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding, such date of conversion, and (2) the Base Price for such conversion date and (B) the Factor. Any outstanding shares of Series B-1 12.75% Preferred Stock not converted pursuant to this Section 7(b) as a result of the limitations set forth in Section 7(d) shall remain outstanding until the earlier of (x) the date on which the Share Issuance Approval is obtained (on which date any then outstanding shares of Series B-1 12.75% Preferred Stock held by all Permitted Holders that made a Conversion Election shall be converted pursuant to this Section 7(b) using the Base Price for such conversion date) and (y) such time the outstanding shares of Series B-1 12.75% Preferred Stock are redeemed pursuant to Section 7(g).

(c) Sale Election Procedures.

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

Preferred Stock held by such Permitted Holder shall be converted and sold (the “Sale Plan”) or (y) sell pursuant to such other method as shall be mutually agreed upon between the Corporation and the Permitted Holder. The Sale Plan shall, inter alia:

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

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

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

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

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

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

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

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

(g) Automatic Redemption. If a Closing Deadline Failure occurs and shares of Series B-1 12.75% Preferred Stock remain outstanding on the later of (i) December 31, 2012 or (ii) the one-year anniversary of such Closing Deadline Failure, the Corporation shall, subject to the provisions of the DGCL, redeem all outstanding shares of Series B-1 12.75% Preferred Stock for, at the Corporation's sole discretion, cash or SWU Consideration in an amount equal to (i) the product of (A) the

Liquidation Preference of such shares plus an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding, the date of redemption and (B) the Factor.

(h) Determination of Factor.

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

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

Section 8. Other Conversion.

(a) Conversion by the Corporation.

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

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

(b) Conversion by the Permitted Holders.

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

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

(c) Automatic Conversion and Redemption. On December 31, 2016, all outstanding shares of Series B-1 12.75% Preferred Stock shall be automatically converted, without any action on the part of the holder and subject to the Conversion Cap, into the number of shares of Class B Common Stock equal to the quotient of (i) the Liquidation Preference plus an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding, such date of conversion and (ii) the Base Price for December 31, 2016. Shares of Series B-1 12.75% Preferred Stock not converted as a result of the foregoing limitation shall remain outstanding except as provided herein. If shares of Series B-1 12.75% Preferred Stock remain outstanding on February 28, 2017 due to the Conversion Cap, the Corporation shall, subject to the provisions of the DGCL, redeem all outstanding shares of Series B-1 12.75% Preferred Stock for cash in an amount equal to the Liquidation Preference of such shares plus an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding, the date of redemption. If the Corporation fails to pay such redemption amount by March 15, 2017, the Conversion Cap shall no longer apply and all outstanding shares of Series B-1 12.75% Preferred Stock shall be automatically converted, without any action on the part of the holder, into the number of shares of Class B Common Stock equal to the quotient of (A) the Liquidation Preference plus an amount per share equal to accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B-1 12.75% Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding, such date of conversion and (B) the Base Price for March 15, 2017. In the event of any automatic conversion or redemption pursuant to this Section 8(c), the conversion or redemption shall be deemed to have been effected at the time that the event triggering such automatic conversion or redemption occurred.

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

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

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

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

Section 9. Voting Rights.

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

(b) Election of Directors.

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

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

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

(4) Term. Subject to the provisions of this Section 9(b), each Initial Preferred Director or the Preferred Director, as applicable, shall serve until the next annual meeting of the stockholders of the Corporation and until his or her successor is elected and qualified in accordance with this Section 9(b) and the Bylaws, unless any such Initial Preferred Director or the Preferred Director, as applicable, is earlier removed in accordance with the Bylaws, resigns or is otherwise unable to serve; provided, however, that only the holders of a majority of the outstanding shares of the Series B Preferred Stock may remove any such Initial Preferred Director or the Preferred Director, as applicable, without cause at any time and the holders of a majority of the voting power of the outstanding shares of the capital stock of the Corporation entitled to vote on the matter may remove any such Initial Preferred Director or the Preferred Director, as applicable, with cause at any time. Subject to the provisions of this Section 9(b), in the event any Initial Preferred Director or the Preferred Director, as applicable, is removed, resigns or is unable to serve as a member of the Board of Directors, the holders of a majority of the outstanding shares of Series B Preferred Stock, voting together as a separate class to the exclusion of the holders of Common Stock and any other series of Preferred Stock, shall have the right to fill such vacancy. Each Initial Preferred Director or the Preferred Director, as applicable, may only be elected to the Board of Directors by the holders of the Series B Preferred Stock in accordance with this Section 9(b), and any such Initial Preferred Director's or the Preferred Director's seat, as applicable, shall otherwise remain vacant.

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

the number shares of Series B Preferred Stock outstanding is greater than 10% of all of the shares of Series B Preferred Stock issued to the Permitted Holders, in each case excluding shares issued as a Dividend.

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

(2) Dividends, Repurchase and Redemption.

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

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

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

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

Section 10. Reorganization Events.

(a) In the event of:

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

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

in each case in which holders of Ordinary Common Stock would be entitled to receive cash, securities or other property for their shares of Ordinary Common Stock (any such event specified in this Section 10(a), a “Reorganization Event”), the outstanding shares of Series B Preferred Stock shall be deemed for the purposes of this Section 10 only to be converted into the number of shares of Ordinary Common Stock equal to the quotient of (x) the Liquidation Preference plus an amount per share equal to the accrued but unpaid Dividends not previously added to the Liquidation Preference on such shares of Series B Preferred Stock from and including the immediately preceding Dividend Payment Date to, but excluding the date of conversion and (y) the Base Price for the date of effectiveness of such Reorganization Event and each such share shall, (A) become convertible into securities and other property receivable in such Reorganization Event by and in the same relative amounts as a holder of Ordinary Common Stock other than securities issued or other property distributed by such holder or its Affiliates if such Reorganization Event is entered into with such holder or its Affiliates; provided, however, that if such consideration consists, in whole or in part, of shares of capital stock of, or other equity interests in, the Corporation or any other Person, then the designation and the powers, preferences and relative, participating, optional and other rights and the qualifications,

limitations and restrictions of such shares of capital stock or other equity interests may differ only to the extent that the then existing designation and powers, preferences and relative, participating, optional and other rights and the qualifications, limitations and restrictions of the Ordinary Common Stock and Series B Preferred Stock differ as provided in this Certificate of Designation or the Certificate of Designation for the Series B-2 11.5% Preferred Stock (including, without limitation, with respect to the voting rights and conversion provisions thereof) or, at the Corporation's sole discretion, (B) be redeemed by the Corporation for a cash price equal to 105% of the fair value of the consideration that would have otherwise been received under subsection (A), as determined by the Board of Directors acting reasonably and in good faith (such cash, securities and other property, the "Exchange Property").

(b) Subject to the restrictions set forth in Section 10(a), in the event that holders of the shares of the Ordinary Common Stock have the opportunity to elect the form of Exchange Property to be received in such transaction, the Exchange Property that holders of the Series B Preferred Stock shall be entitled to receive shall be determined by the holders of a majority of the outstanding shares of Series B Preferred Stock.

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

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

Section 11. Restrictions.

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

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

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

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

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

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

"THIS SECURITY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR AS MAY BE HELD BY A PERSON DEEMED AN "AFFILIATE" (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE ISSUER OF THIS SECURITY, AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN

THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN A TRANSACTION NOT INVOLVING A PUBLIC OFFERING, (II) PURSUANT TO ANY OTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, INCLUDING RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (III) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (IV) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL NOTIFY ANY SUBSEQUENT PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE. THIS SECURITY MAY ONLY BE TRANSFERRED IN ACCORDANCE WITH THE TERMS OF THE CERTIFICATE OF DESIGNATION OF SERIES B-1 CONVERTIBLE PREFERRED STOCK OF USEC INC. (THE "COMPANY"), AS AMENDED.

THIS SECURITY IS SUBJECT TO THE RESTRICTIONS (INCLUDING THE VOTING AND TRANSFER RESTRICTIONS) SET FORTH IN ARTICLES FOURTH AND ELEVENTH OF USEC INC.'S CERTIFICATE OF INCORPORATION, AS AMENDED.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE OBLIGATIONS AND RESTRICTIONS (INCLUDING RESTRICTIONS ON TRANSFER, CONVERSION AND REDEMPTION) STATED IN, AND ARE TRANSFERABLE ONLY IN ACCORDANCE WITH, THE PROVISIONS OF SECTION 9 OF THE SECURITIES PURCHASE AGREEMENT BY AND AMONG THE COMPANY, TOSHIBA CORPORATION ("TOSHIBA") AND BABCOCK & WILCOX INVESTMENT COMPANY ("B&W"), DATED AS OF MAY 25, 2010.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE OBLIGATIONS AND RESTRICTIONS (INCLUDING RESTRICTIONS ON THE DISPOSITION OF SECURITIES) STATED IN THE PROVISIONS OF SECTION 4.7 OF THE INVESTOR RIGHTS AGREEMENT BY AND AMONG THE COMPANY, TOSHIBA AND B&W, DATED AS OF SEPTEMBER 2, 2010."

Section 15. Written Consent. Any action as to which a class vote of the holders of Preferred Stock, or the holders of Preferred Stock and Class B Common Stock voting together, is required pursuant to the terms of this Certificate of Designation or the Securities Purchase Agreement may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation.

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

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

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

USEC INC.

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

Attest:

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

CERTIFICATE OF DESIGNATION OF
SERIES C CONVERTIBLE PARTICIPATING PREFERRED STOCK
of
USEC INC.
Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 5. Voting Rights.

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

(b) Election of Directors.

(1) Effective at the time no Series B Preferred Stock shall be outstanding, the number of directors constituting the Board of Directors shall be increased by two Persons and the holders of a majority of the voting power of the outstanding Class B Common Stock and Series C Preferred Stock, voting together as a separate class to the exclusion of the holders of any other Common Stock and any other series of Preferred Stock, shall be entitled to elect two Qualified Directors to the Board of Directors (each such director, an “Initial Investor Director”) until the earliest to occur of (i) a Closing Deadline Failure as a result of a Permitted Holder Material Breach at a time when the Securities Purchase Agreement is terminable pursuant to

Sections 10.2(d) and 10.3(d) thereof, (ii) a Change of Control or (iii) such time as the Permitted Holders' Aggregate Outstanding Value is equal to or less than (x) prior to or on December 31, 2016, 75% of the Original Issue Value or, (y) after December 31, 2016, 50% of the Original Issue Value, whereupon at any such time (A) the right of the holders of a majority of the voting power of the outstanding Series B Preferred Stock to elect the Initial Investor Directors shall cease, (B) the term of office of the Initial Investor Directors shall immediately and automatically terminate, (C) the Initial Investor Directors will no longer be qualified to serve and (D) the number of directors constituting the Board of Directors shall be immediately and automatically reduced by two Persons.

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

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

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

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

(e) Notwithstanding Section 5(a), the vote or consent of the holders of at least a majority of the outstanding shares of Series C Preferred Stock, voting together as a separate class to the exclusion of the holders of the Common Stock and any other series

of Preferred Stock then outstanding and entitled to vote thereon, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating any amendment, alteration or repeal of the Certificate of Incorporation or this Certificate of Designation (by merger, consolidation or otherwise) so as to adversely affect the powers, preferences and relative participating, optional and other rights of Series C Preferred Stock.

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

Section 7. Liquidation Rights.

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

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

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

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

Section 9. Equal Status. Except as expressly provided in this Certificate of Designation, shares of Ordinary Common Stock and Series C Preferred Stock shall have the same rights, powers, preferences and restrictions and rank equally, share ratably and be identical in all respect as to all matters. In any merger, consolidation, reorganization or other business combination, the consideration received per share by the holders of the Ordinary Common Stock and per 1/1000 of a share of Series C Preferred Stock in such merger, consolidation, reorganization or other business combination shall be identical; provided, however, that if such consideration consists, in whole or in part, of shares of capital stock of, or other equity interests in, the Corporation or any other corporation, partnership, limited liability company or other entity, then the designation and the powers, preferences and relative, participating, optional and other rights and the qualifications, limitations and restrictions of such shares of capital stock or other equity interests may differ to the extent that the designation and the powers, preferences and relative, participating, optional and other rights and the qualifications, limitations and restrictions of the Ordinary Common Stock and the Series C Preferred Stock differ as provided herein or in the Certificate of Incorporation (including, without limitation, with respect to the

voting rights and conversion provisions hereof) if and to the extent necessary due to regulatory requirements or restrictions applicable to the entity surviving such merger, consolidation, reorganization or other business combination that are similar in nature to those applicable to the Corporation; and provided, further, that if the holders of the Ordinary Common Stock or Series C Preferred Stock are granted the right to elect to receive one of two or more alternative forms of consideration, the foregoing provision shall be deemed satisfied if holders of the other class or series are granted identical election rights, subject to the preceding proviso.

Section 10. Automatic Conversion.

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

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

Section 11. Restrictions.

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

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

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

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

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

"THIS SECURITY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR AS MAY BE HELD BY A

PERSON DEEMED AN "AFFILIATE" (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE ISSUER OF THIS SECURITY, AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN A TRANSACTION NOT INVOLVING A PUBLIC OFFERING, (II) PURSUANT TO ANY OTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, INCLUDING RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (III) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (IV) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL NOTIFY ANY SUBSEQUENT PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE. THIS SECURITY MAY ONLY BE TRANSFERRED IN ACCORDANCE WITH THE TERMS OF THE CERTIFICATE OF DESIGNATION OF SERIES C CONVERTIBLE PARTICIPATING PREFERRED STOCK OF USEC INC. (THE "COMPANY"), AS AMENDED.

THIS SECURITY IS SUBJECT TO THE RESTRICTIONS (INCLUDING THE VOTING AND TRANSFER RESTRICTIONS) SET FORTH IN ARTICLES FOURTH AND ELEVENTH OF USEC INC.'S CERTIFICATE OF INCORPORATION, AS AMENDED.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE OBLIGATIONS AND RESTRICTIONS (INCLUDING RESTRICTIONS ON TRANSFER, CONVERSION AND REDEMPTION) STATED IN, AND ARE TRANSFERABLE ONLY IN ACCORDANCE WITH, THE PROVISIONS OF SECTION 9 OF THE SECURITIES PURCHASE AGREEMENT BY AND AMONG THE COMPANY, TOSHIBA CORPORATION ("TOSHIBA") AND BABCOCK & WILCOX INVESTMENT COMPANY ("B&W"), DATED AS OF MAY 25, 2010.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE OBLIGATIONS AND RESTRICTIONS (INCLUDING RESTRICTIONS ON THE DISPOSITION OF SECURITIES) STATED IN THE PROVISIONS OF SECTION 4.7 OF THE INVESTOR RIGHTS AGREEMENT BY AND AMONG THE COMPANY, TOSHIBA AND B&W, DATED AS OF SEPTEMBER 2, 2010."

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

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

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

[THIS SPACE LEFT BLANK INTENTIONALLY]

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

USEC INC.

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

Attest:

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

Confidential information has been omitted in places marked "***" and has been filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to this omitted information.**

TENEX Contract No. 08843672/110033-051
USEC Contract No. EC-SC01-11-UE-03127
Amendment No. 001

AMENDMENT No. 001, signed as of April 22, 2013, to the Enriched Product Transitional Supply Contract, TENEX Contract No. 08843672/110033-051, USEC Contract No. EC-SC01-11-UE-03127, entered into on March 23, 2011 (the "Contract") by and between United States Enrichment Corporation ("USEC") and Joint Stock Company "Techsnabexport" ("TENEX"). USEC and TENEX are referred to herein individually as a "Party" and collectively as the "Parties". Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Contract.

SECTION 1. Pursuant to Section 20.04 of the Contract, USEC and TENEX hereby agree as follows:

1. Item (i) of Paragraph B-2 of the Contract is hereby replaced with the following:
   "(i) The name and address of the consignee, the First Destination State (as defined in Article 21), the port and facility in the First Destination State to which the EUP will be transported, and if known, the origin and the Obligation Code or other flag of the Natural Uranium to be Delivered (if the latter information is not known, it shall be promptly supplied by USEC when it is provided to USEC − which should be prior to Delivery of the Related Natural Uranium to TENEX − by the third party(ies) providing such Natural Uranium to USEC);"

2. The following language shall be added at the end of Paragraph E1-1(a) of the Contract:
"In particular, Form F1-1 in Appendix F1 shall be completed and provided for each 30B Cylinder of Enriched Product as the CQQ for the Enriched Product, and Form F1-2 in Appendix F1 shall be completed and provided for each Sample Container of Enriched Product as the CQQ for the Enriched Product. These CQQ forms shall accompany the 30B Cylinder or Sample Container to which they relate. Form F1-3 shall be completed separately and provided to USEC as a summary of the Delivery of Enriched Product, and is not part of the CQQ. TENEX shall ensure that the information reported for Enriched Product on each form envisaged by Appendix F is consistent with the information reported on any other form related to such Enriched Product so that there are no conflicts between the various pieces of reported information regarding the Enriched Product. In the event of a conflict between the CQQ for Enriched Product and the Form F1-3 for such Enriched Product, the CQQ shall govern."Business Confidential Proprietary Information

3. The following forms, which are now included in Appendix F1 of the Contract, are hereby replaced with the corresponding forms in Exhibit 1 of this Amendment No. 001:
   a. F1-1 "Certificate of Quality and Quantity for Enriched Product in Product Cylinders";

and

b. F1-2 “Certificate of Quality and Quantity for Enriched Product in P-10 Sample Containers”.

4. The following forms, which are now included in Appendix G1 of the Contract, are hereby replaced with the corresponding forms in Exhibit 2 of this Amendment No. 001:
   a. G1-1 “Delivery Receipt Format for Delivery of Enriched Product in Product Cylinders”;
   b. G1-2 “Delivery Receipt Format for Delivery of Enriched Product in
   c. Sample Containers”; and
   d. G1-3 “Delivery Receipt Format for delivery of Empty Cylinders”.
5. The following new forms, which are included in Exhibit 3 of this Amendment No. 001, are hereby added to Appendix F1 and Appendix G1, respectively:
   a. F1-3 “Delivery Summary” ; and
   b. G1-5 “Delivery Receipt Format for Delivery of Empty Sample Containers type P-10 in drums”.
6. *****
7. *****

SECTION 2. Except as amended hereby, the Contract shall remain unchanged and in full force and effect.

SECTION 3. This Amendment No. 001 may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment No. 001 as of the date first written above.

UNITED STATES ENRICHMENT CORPORATION	JOINT STOCK COMPANY "TECHSNABEXPORT"
By: /s/ Philip G. Sewell	By: /s/ Felix V. Abolenin
Name:	Name: Felix V. Abolenin
Position:	Position: Acting Deputy General Director

Exhibit 1

F1-1 Certificate of Quality and Quantity for Enriched Product in Product Cylinders

Joint Stock Company "Techsnabexport" ÎÀÎ «Òåõñíàáýêñïîðò»	**Certificate of Quality and Quantity** Ñåðòèôèêàò êà÷åñòâà è êîëè÷åñòâà **For Enriched Product in 30B cylinder** Íà Îáîãàùåííûé Ïðîäóêò â êîíòåéíåðå òèïà 30Â **Document 1.1** Äîêóìåíò 1.1	**Shipment No.** Îòïðàâêà [1] **Lot No.** Ïàðòèÿ [1]

BUYER: ÏÎÊÓÏÀÒÅËÜ:	**CONTRACT No**. 08843672/110033-051D, **EC-SC01-11-UE-03127** ÊÎÍÒÐÀÊÒ [1] 08843672/110033-051D, EC-SC01-11-UE-03127
30B cylinder No. Êîíòåéíåð 30Â [1] **Valve/Plug seal Nos.** [11] ïëîìá íà âåíòèëå è çàãëóøêå	**P-10 sample container (tube) Nos.** ***(for reference only)*** Ïðîáîîòáîðíèêè òèïà P-10 [11] (óïëûêî äëÿ ññûëêè)
PSP / ×åõîë **No.** **Seal /** Îòòèñê ïëîìáû **Nos.**	

	30B container êîíòåéíåð 30Â
30B cylinder gross weight (full), kg Âåñ áðóòòî (çàïîëíåííûé), êã	
30B cylinder tare weight (empty), kg Âåñ òàðû (ïóñòîé) , êã	
EUP net weight, kg (N) Âåñ íåòòî,êã	
Weight of U contained in EUP, kg (M) Âåñ ñîäåðæàùåãîñÿ óðàíà, êã **M = N* F * A/100**	

Isotopic composition Èçîòîïíûé ñîñòàâ	**ASTM C 996 specification value** Òðåáîâàíèÿ ñïåöèôèêàöèè ASTM C 996	**Analyzed value** Âåëè÷èíà ïî àíàëèçó
U-235		
U-232		
U-234		
U-236		

Uranium Hexafluoride Content (A) Ñîäåðæàíèå ãåêñàôòîðèäà óðàíà		

Vapor pressure in the filled 30B container Äàâëåíèå ïàðîâ â êîíòåéíåðå, çàïîëíåííîì UF6		

Impurity elements / Ýëåìåíòû ïðèìåñè		
Boron		
Silicon		
Technetium-99		

Total content of hydrocarbon, chlorocarbon and partially substituted halohydro-carbon Ñóììàðíîå ñîäåðæàíèå óãëåâîäîðîâ, õëîðóãëåâîäîðîâ è ÷àñòè÷íî çàìåùåííûõ âîäîðîäñîäåðæàùèõ		

EUP meets the Specification ASTM Ñ 996 for Enriched Commercial Grade UF6. EUP has been produced from uranium in accordance with the requirements of ASTM C 787. EUP is not derived from highly enriched uranium or produced from reprocessed uranium.

ÎÓÏ ñîîòâåòñòâóåò ñïåöèôèêàöèè ASTM Ñ 996 íà Îáîãàùåííûé Êîììåð÷åñêèé UF6. ÎÓÏ áûë ïðîèçâåäåí èç óðàíà â ñîîòâåòñòâèè ñ òðåáîâàíèÿìè ñïåöèôèêàöèè ASTM C 787. ÎÓÏ íå áûë ïðîèçâåäåí èç âûñîêîîáîãàùåííîãî óðàíà èëè ðåãåíåðèðîâàííîãî óðàíà.

Date/Äàòà

Signature/Ïîäïèñü

Title /Äîëæíîñòü

F1-2 Certificate of Quality and Quantity for Enriched Product in P-10 Sample Containers

Joint Stock Company "Techsnabexport" ÎÀÎ «Òåõñíàáýêñïîðò»	**Certificate of Quality and Quantity** Ñåðòèôèêàò êà÷åñòâà è êîëè÷åñòâà **For Enriched Product** **in P-10 Sample Container (Tube)** Íà Îáîãàùåííûé Ïðîäóêò â ïðîáíîòàáîðíèêå (òðóáêå)òèïà Ð-10 **Document 1.2** Äîêóìåíò 1.2	

BUYER: ÏÎÊÓÏÀÒÅËÜ:	CONTRACT No. **08843672/110033-051D, EC-SC01-11-UE-03127** ÊÎÍÒÐÀÊÒ ¹ 08843672/110033-051D, EC-SC01-11-UE-03127
30B Cylinder No. Êîíòåéíåð 30Â ¹ ***(for reference only)*** *(òîëüêî äëÿ èíôîðìàöèè)*	**P-10 tube No. No.** P-10 òðóáêà ¹ ¹ **Seal No**. Ïëîìáà ¹
Shipment /Íîìåð **No.** **Lot /**Ïàðòèÿ **No.**	**Transport drum No.** Òðàíñïîðòíûé ÿùèê ¹ **Seal /**Îòòèñê ïëîìáû **No.**

	P-10 tube No. Ð-10 òðóáêà ¹	**P-10 tube No.** Ð-10 òðóáêà ¹
Gross weight (full) kg Âåñ áðóòòî (çàïîëíåííûé), êã		
Gross weight (empty) kg Âåñ áðóòòî (ïóñòîé) , êã		
Net weight (N) kg Âåñ íåòòî, êã		
Weight contained U (M) kg Âåñ ñîäåðæàùåãîñÿ óðàíà, êã **M = N* F * A/100**		
Isotopic composition Èçîòîïíûé ñîñòàâ	**ASTM C 996** **specification value** Òðåáîâàíèÿ ñîãëàñíî ñïåöèôèêàöèè ASTM C 996	**Analysed value** Ðåçóëüòàòû àíàëèçà
U-235		
U-232		
U-234		
U-236		
Uranium Hexafluoride Content (A) Ñîäåðæàíèå ãåêñàôòîðèäà óðàíà		
Impurity elements / Ýëåìåíòû ïðèìåñè		
Boron		
Silicon		
Technetium-99		
Total content of hydrocarbon, chlorocarbon and partially substituted halohydro-carbon Ñóììàðíîå ñîäåðæàíèå óãëåâîäîðîäà, õëîðóãëåâîäîðîäà è ÷àñòè÷íî çàìåùåííûõ âîäîðîäóãëåâîäîðîäà		

EUP meets the Specification ASTM Ñ 996 for Enriched Commercial Grade UF6. EUP has been produced from uranium in accordance with the requirements of ASTM C 787. EUP is not derived from highly enriched uranium or produced from reprocessed uranium.
ÎÓÏ ñîîòâåòñòâóåò ñïåöèôèêàöèè ASTM Ñ 996 íà Îáîãàùåííûé Êîììåð÷åñêèé UF6. ÎÓÏ áûë ïðîèçâåäåí èç óðàíà â ñîîòâåòñòâèè ñ òðåáîâàíèÿìè ñïåöèôèêàöèè ASTM C 787. ÎÓÏ íå áûë ïðîèçâåäåí èç âûñîêîîáîãàùåííîãî óðàíà èëè ðåãåíåðèðîâàííîãî óðàíà.

Date/Äàòà
Signature/Ïîäïèñü
Title /Äîëæíîñòü

Exhibit 2

G1-1 Delivery Receipt Format for Delivery of Enriched Product in Product Cylinders

Joint Stock Company TECHSNABEXPORT SUPPLIER OAO «ÒÅÕÑÍÀÁÝÊÑÏÎÐÒ» ÏÎÑÒÀÂÙÈÊ	**Document 2.1.** Äîêóìåíò 2.1. **Delivery Receipt** Êâèòàíöèÿ ïîëó÷åíèÿ **30Â Cylinders** **Filled with Enriched Product in PSPs** Êîíòåéíåðû òèïà 30Â Çàïîëíåííûå Îáîãàùåííûì Ïðîäóêòîì â ÷åõëàõ	**Contract** **No. 08843672/110033-051D,** **[1] EC-SC01-11-UE-03127** Êîíòðàêò No. 08843672/110033-051D, [1] EC-SC01-11-UE-03127 **Enriched Product Lot No** Ïàðòèÿ Îáîãàùåííîãî Ïðîäóêòà No

Consignor:
Îòïðàâèòåëü: _____
Consignee:
Ïîëó÷àòåëü: _____
Point of Destination:
Ïóíêò íàçíà÷åíèÿ: _____

No.	**PSP's Number** Íîìåð çàùèòíîãî ÷åõëà	**30Â Cylinder Number** Íîìåð êîíòåéíåðà 30Â	**Sample Container Number** Íîìåð ïðîáíîòáîðíèêà (for reference only)	**Sample Container Number** Íîìåð ïðîáíîòáîðíèêà (for reference only)	**Remarks** Ïðèìå÷àíèÿ

The above listed 30Â Cylinders filled with Enriched Uranium Hexafluoride (Enriched Product) in PSPs have been received in good condition, judged by the appearance, with the exception of remarks, noted above, and were properly marked and sealed at the time of Delivery.
Ïåðå÷èñëåííûå âûøå Êîíòåéíåðû òèïà 30Â, çàïîëíåííûå Îáîãàùåííûì Ãåêñàôòîðèäîì Óðàíà (Îáîãàùåííûì Ïðîäóêòîì), â ÷åõëàõ ïîëó÷åíû â õîðîøåì, ñóäîâ ïî âíåøíåì îñìîòðå, çà èñêëþ÷åíèåì çàìå÷àíèé, ñôîðìóëèðîâàííûõ âûøå, è áûëè äîñòàâëåíû îáðàçîì ïðîìàðêèðîâàíû è ïîëîìáèðîâàíû â ìîìåíò ïîñòàâêè.

Point of Delivery: on board of vessel, St. Petersburg Ïóíêò Ïîñòàâêè: íà áîðòó ñóäíà, Ñàíêò-Ïåòåðáóðã	
Vessel: Ñóäíî:	**Signed on behalf of Seller:** Ïîäïèñàíî çà Ïðîäàâöà:
Date of Delivery: Äàòà Ïîñòàâêè:	**Signed on behalf of Buyer:** Ïîäïèñàíî çà Ïîêóïàòåëÿ:

After signing the Delivery Receipt one copy shall be sent to Joint Stock Company Techsnabexport.
Ïîñëå ïîäïèñàíèÿ Êâèòàíöèè ïîëó÷åíèÿ îäíà êîïèÿ äîêóìà áûòü íàïðàâëåíà â ÎÀÎ «Òåõñíàáýêñïîðò».

G1-2 Delivery Receipt Format for Delivery of Enriched Product

Joint Stock Company TECHSNABEXPORT SUPPLIER OAO «ÒÅÕÑÍÀÁÝÊÑÏÎÐÒ» ÏÎÑÒÀÂÙÈÊ	**Document 2.2.** Äîêóìåíò 2.2. **Delivery Receipt** Êâèòàíöèÿ ïîëó÷åíèÿ **Sample Containers Filled with Enriched Product in drums** Ïðîáíîòàíîðíèêè Çàïîëíåííûå Îáîãàùåííûì Ïðîäóêòîì â áî÷îíêàõ	**Contract No. 08843672/110033-051D, [1] EC-SC01-11-UE-03127** Êîíòðàêò No. 08843672/110033-051D, [1] EC-SC01-11-UE-03127 **Enriched Product Lot No** Ïàðòèÿ Îáîãàùåííîãî Ïðîäóêòà No

Consignor:
Îòïðàâèòåëü: _____
Consignee:
Ïîëó÷àòåëü: _____
Point of Destination:
Ïóíêò íàçíà÷åíèÿ: _____

No.	**Drum Number** Íîìåð áî÷îíêà **(for reference only)**	**30Â Cylinder Number** Íîìåð êîíòåéíåðà 30Â **(for reference only)**	**Sample Container Number** Íîìåð ïðîáíîòáîðíèêà	**Sample Container Number** Íîìåð ïðîáíîòáîðíèêà	**Remarks** Ïðèìå÷àíèÿ

The above listed Sample Containers filled with Enriched Uranium Hexafluoride (Enriched Product) in drums have been received in good condition, judged by the appearance, with the exception of remarks, noted above, and were properly marked and sealed at the time of Delivery.
Ïåðå÷èñëåííûå âûøå Ïðîáíîòáîðíèêè, çàïîëíåííûå Îáîãàùåííûì Ãåêñàôòîðèäîì Óðàíà (Îáîãàùåííûì Ïðîäóêòîì), â áî÷îíêàõ ïîëó÷åíû â õîðîøåì, ñóäÿ ïî âíåøíåìó ïðèçíàêàì, ñîîòâåòñòâóþùèìè çàÿâëåííûì òðåáîâàíèÿì, ñôîðìóëèðîâàííûì âûøå, è áûëè äîñòàâëåíû íàðàçîì ïðîìàðêèðîâàíû è îïëîìáèðîâàíû â ìîìåíò ïîñòàâêè.

Point of Delivery: on board of vessel, St. Petersburg
Ïóíêò Ïîñòàâêè: íà áîðòó ñóäíà, Ñàíêò-Ïåòåðáóðã

Vessel:
Ñóäíî:

Date of Delivery:
Äàòà Ïîñòàâêè:

Signed on behalf of Seller:
Ïîäïèñàíî çà Ïðîäàâöà:

Signed on behalf of Buyer:
Ïîäïèñàíî çà Ïîêóïàòåëÿ:

After signing the Delivery Receipt one copy shall be sent to Joint Stock Company Techsnabexport.
Ïîñëå ïîäïèñàíèÿ Êâèòàíöèè ïîëó÷åíèÿ ïîäíà êîïèÿ äîëæíà áûòü íàïðàâëåíà â ÎÀÎ «Òåõñíàáýêñïîðò».

Exhibit 3

G1-5 Delivery Receipt Format for Delivery of Empty Sample Containers type P-10 in drums

BUYER ÏÎÊÓÏÀÒÅËÜ	**Document 2.4.** Äîêóìåíò 2.4. **Delivery Receipt** Êâèòàíöèÿ ïîëó÷åíèÿ **Empty Sample Containers type P-10 in drums** Ïóñòûå Ïðîáíîòáîðíèêè òèïà Ð-10 â áî÷îíêàõ	**Contract** **No. 08843672/110033-051D,** **[1] EC-SC01-11-UE-03127** Êîíòðàêò No. 08843672/110033-051D, [1] EC-SC01-11-UE-03127

Consignor:
Ãðóçîîòïðàâèòåëü:

Consignee:
Âðóçîïîëó÷àòåëü:

No.	Drum No. Áî÷îíîê [1]	Sample Container No. Ïðîáíîòáîðíèê [1]

No.	Drum No. Áî÷îíîê [1]	Sample Container No. Ïðîáíîòáîðíèê [1]

The above listed drums containing Empty Sample Containers type P-10 have been received in good condition, judged by the appearance, and were properly marked and sealed at the time of delivery.
Ïåðå÷èñëåííûå âûøå áî÷îíêè, ñîäåðæàùèå Ïóñòûå Ïðîáíîòáîðíèêè òèïà Ð-10, ïîëó÷åíû â õîðîøåì, ñóäÿ ïî âíåøíåìó âèäó, è áûëè äîëæíûì îáðàçîì ïðîìàðêèðîâàíû è ïîëîìáèðîâàíû â ìîìåíò ïîñòóïëåíèÿ.

Point of Delivery: Ïóíêò Ïîñòàâêè: **Date of Delivery:** Äàòà Ïîñòàâêè:	**Signed on behalf of Seller:** Ïîäïèñàíî çà Ïðîäàâöà: **Signed on behalf of Buyer:** Ïîäïèñàíî çà Ïîêóïàòåëÿ:

After taking responsibility, one copy is returned to Buyer.
Ïîñëå ïðèíÿòèÿ îòâåòñòâåííîñòè îäíà êîïèÿ íàïðàâëÿåòñÿ Ïîêóïàòåëþ.

G1-3 Delivery Receipt Format for delivery of Empty Cylinders

BUYER ÏÎÊÓÏÀÒÅË Ü	**Document 2.3.** Äîêóìåíò 2.3. **Delivery Receipt** Êâèòàíöèÿ ïîëó÷åíèÿ **PSPs containing Clean 30B cylinders** Çàùèòíûå ×åõëû, ñîäåðæàùèå ×èñòûå Êîíòåéíåðû òèïà 30Â	**Contract** **No. 08843672/110033-051D,** **[1] EC-SC01-11-UE-03127** Êîíòðàêò No. 08843672/110033-051D, [1] EC-SC01-11-UE-03127

Consignor:
Ãðóçîîòïðàâèòåëü:

Consignee:
Ãðóçîïîëó÷àòåëü:

No.	**PSP No.** Çàùèòíûé ×åõîë [1]	**30B cylinder No.** Êîíòåéíåð 30Â [1]	**Remarks** Ïðèì÷àíèÿ

The above listed PSPs containing Clean 30B Containers have been received in good condition, judged by the appearance, with the exception of remarks, noted above, and were properly marked and sealed at the time of Delivery.
Ïåðå÷èñëåííûå âûøå Çàùèòíûå ×åõëû, ñîäåðæàùèå ×èñòûå Êîíòåéíåðû 30Â, ïîëó÷åíû â õîðîøåì, ñóäîì ïî âíåøíèì ïðèçíàêàì, ñîîòâåòñòâóþùèõ çàìå÷àíèÿì çàìå÷àíèé, ñîîòâåòñòâóþùèõ âûøå, è áûëè äîëæíûì îáðàçîì ïðîìàðêèðîâàíû è îïëîìáèðîâàíû â ìîìåíò ïîñòàâêè.

Point of Delivery: Ïóíêò Ïîñòàâêè: **Date of Delivery:** Äàòà Ïîñòàâêè:	**Signed on behalf of Seller:** Ïîäïèñàíî çà Ïðîäàâöà: **Signed on behalf of Buyer:** Ïîäïèñàíî çà Ïîêóïàòåëÿ:

After taking responsibility, one copy is returned to Buyer.
Ïîñëå ïðèíÿòèÿ îòâåòñòâåííîñòè îäíà êîïèÿ íàïðàâëÿåòñÿ Ïîêóïàòåëþ.

Delivery Summary
Сводная Ведомость по Поставке

JSC "UEIP" for export through the Ekaterinburg customs under Contract № 08843672/110033-051D, No. EC-SC01-11-UE-03127 of March 23, 2011 with United States Enrichment Corporation (USEC) (U.S.A.)
ОАО "УЭХК" для экспорта через Екатеринбургскую таможню по Контракту № 08843672/110033-051D , No. EC-SC01-11-UE-03127 от 23.03.2011с Обогатительной Корпорацией США (ЮСЕК)(США)
Delivery to (*Name and address designated by Customer*)
Поставка в адрес (*Наименование и адрес по указанию Заказчика*)

Uranium, enriched in uranium 235, in the form of hexafluoride , in solid condition. Уран, обогащенный ураном 235, в форме гексафторида, в твердом состоянии.
30B type cylinders in PSPs. Контейнеры 30В в защитных чехлах.
P10 type sample bottles in drums. Пробоотборники Р10 в бочонках.
Weighing of cylinders was conducted by JSC "UEIP" on "Metler Toledo" scales. Взвешивание контейнеров производилось ОАО "УЭХК" на весах "Metler Toledo".

№	№ Cylinder overpack № чехла контейнера	№ cylinder № контейнера	Cylinder mass , kg Масса контейнера , кг	UF6 in cylinder, kg UF6 в контейнере , кг	U in cylinder, kg U в контейнере, кг	Feed in cylinder, kg Сырье в контейнере, кг	SWU in cylinder EPP в контейнере	Weight: Gross of cylinder without overpack, kg Вес. Брутто контейнера без чехла, кг	Weight: Gross of cylinder with overpack, kg Вес. Брутто контейнера с чехлом, кг	№ sample bottle № пробоотборника	UF6 in sample bottle, kg UF6 в пробоотборнике, кг	U in sample bottle, kg U в пробоотборнике , кг	Feed in sample bottle, kg Сырье в пробоотборнике, кг	SWU in sample bottle, kg EPP в пробоотборнике, кг	№ sample bottle № пробоотборника	UF6 in sample bottle, kg UF6 в пробоотборнике , кг	U in sample bottle, kg U в пробоотборнике , кг	Feed in sample bottle, kg Сырье в пробоотборнике , кг	SWU in sample bottle, kg EPP в пробоотборнике , кг	№ sample bottle drum № бочонка пробоотборника	Overpack Gross weight, kg Вес Брутто Чехла, кг	U Total, kg Всего U , кг	EUP Assay Обогащение ОУП
Lot партия																							
1																							
2																							
3																							
4																							
5																							
6																							
7																							
8																							
9																							
10																							
11																							
12																							
13																							
14																							
15																							
16																							
17																							
Total Итого																							

EXHIBIT 10.2

DE-NE0000530
Amendment 004

AMENDMENT NO. 004
TO
COOPERATIVE AGREEMENT DE-NE0000530 BETWEEN
DEPARTMENT OF ENERGY ("DOE"),
USEC INC. ("USEC"),
AND
AMERICAN CENTRIFUGE DEMONSTRATION, LLC ("ACD")
(collectively, the "Agreement")

The purpose of the amendment is to revise the DOE Award Administrator/Contracting Officer and the DOE Program Manager identified in Article 4 - Agreement Administrators.

Accordingly,

1. The DOE Award Administrator/Contracting Officer identified in Article 4.01 is revised as follows:

DOE Award Administrator/Contracting Officer:
Karen Shears, Contracting Officer
U.S. Department of Energy, Oak Ridge Office
200 Administration Road
FM-742
Oak Ridge, TN 37830
Telephone: 865-241-6411
Email: shearsks@oro.doe.gov

2. The DOE Program Manager identified in Article 4.02 is revised as follows:

DOE Program Manager:
David Henderson
U.S. Department of Energy
Office of Nuclear Energy
1000 Independence Ave. SW, Washington, DC 20585
Telephone: (202) 586-5338
Email: david.henderson@hq.doe.gov

3. All other terms and conditions of the Agreement remain the same.

Acknowledgement of Authorized Recipient Representatives

/s/ Philip G. Sewell 3/26/13
Philip G. Sewell Date
Senior Vice President
USEC Inc.

/s/ Paul Sullivan 3/29/13
Paul Sullivan Date
Project Manager
American Centrifuge Demonstration, LLC

Signature of Department of Energy Contracting Officer

/s/ Matthew L. Parker 3/27/13
Matthew L. Parker Date
Contracting Officer
U.S. Department of Energy

EXHIBIT 10.3

Confidential information has been omitted in places marked "***" and has been filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to this omitted information.**

EXHIBIT A
CONFIDENTIAL TREATMENT
DE-NE0000530
Amendment 005

AMENDMENT NO. 005
TO
COOPERATIVE AGREEMENT DE-NE0000530 BETWEEN
DEPARTMENT OF ENERGY ("DOE"),
USEC INC. ("USEC"),
AND
AMERICAN CENTRIFUGE DEMONSTRATION, LLC ("ACD")
(collectively, the "Agreement")

1. Line 9 of the Opening Page is deleted in its entirety and replaced with the following:

Funds Obligated This Action: $20,000,000

2. Line 10 of the Opening Page is deleted in its entirety and replaced with the following:

Funds Obligated Prior Actions: $133,390,184 (comprised of $87,670,184 equal to up to 39,200 MT DUF6 accepted by DOE (original agreement), plus $45,720,000 funding provided by DOE under GFY 2013 continuing resolution (Amendment No. 001) plus $44,378,055 in agreed to value equal to ***** SWU transferred to USEC Inc. as the SWU Component of ***** KgU Enriched Uranium Product (EUP) via EUP Transfer** EUP Transfer is defined in Attachment H - EUP Transfer Provisions.* (Amendment 003)).

**EUP Transfer is defined in Attachment H - EUP Transfer Provisions.

3. Line 11 of the Opening Page is deleted in its entirety and replaced with the following:
Total Government Funds Obligated: $197,768,239 (comprised of $87,670,184 equal to up to 39,200 MT DUF6 accepted by DOE (original agreement), plus $45,720,000 funding provided by DOE under GFY 2013 continuing resolution (Amendment No. 001), plus $44,378,055 equal to ***** SWU as the SWU Component of ***** KgU EUP transferred to USEC Inc. (Amendment No. 003), plus $20,000,000 (Amendment 005).

4. Section 8.01 of the Agreement is deleted in its entirety and replaced with the following:
8.01: The maximum amount of liability assumed from the Recipient by DOE, which is made available through DOE assumption of Depleted Uranium Hexafluoride (DUF6) title and liability, shall be as set forth in the table below. For each of the periods set forth below, the Recipient is prohibited from incurring costs for which DOE reimbursement will be sought in excess of the following amounts; provided, however, that unutilized funds made available in any period may be made available to reimburse costs incurred in any subsequent period at DOE's discretion.

Award Period	DOE Method of Cost Share	Maximum DOE Incremental Amount of Cost Share Dollars
Budget Period 1 Funding Period 1 6/1/12-7/31/12	DOE assumption of 11,813 MT of DUF6 liability -	$26,410,272 (in the form of DUF6 liability assumed by DOE)
Budget Period 1 Funding Period 2 8/1/12-11/30/12	DOE assumption of up to 27,387 MT of DUF6 liability	$61,259,912 (in the form of DUF6 liability assumed by DOE)
Total for Budget Period 1	DOE assumption of up to 39,200 MT of DUF6 liability	$87,670,184 (in the form of DUF6 liability assumed by DOE)
Budget Period 2 Funding Period 1 12/1/12-3/12/13	Appropriated Funding	$45,720,000
Budget Period 2 Funding Period 2 3/13/13-6/15/13	DOE transfer to USEC Inc. of ***** KgU EUP containing ***** SWU as the SWU Component and approximately 408,833.614 KgU as the Feed Component with Recipient to return approximately 408,833.614 KgU Feed Component to DOE as set forth in Attachment H.	$44,378,055 (agreed value of ***** SWU transferred as a component of the EUP transferred to USEC Inc.)
Budget Period 2 Funding Period 3 6/16/13-7/31/13 Estimated Government Cost Share	Appropriated Funding	$20,000,000
Budget Period 2 Funding Period 4 8/1/13-9/30/13 Estimated Government Cost Share	To be determined by DOE based upon the availability of appropriations or other sources of consideration	TBD
Budget Period 2 Funding Period 5 10/1/13-12/31/13 Estimated Government Cost Share	To be determined by DOE based upon the availability of appropriations or other sources of consideration	TBD
Total Estimated Government Cost Share for Budget Period 2		$192,329,816

Budget Period 1 is divided into two funding periods. DOE will accept title to DUF6 for the initial period (6/1/12-7/31/12) after award of this Agreement to allow the Recipient to begin work on approved activities. Upon satisfying the conditions set forth in this Article 8.01 below, the Contracting Officer will issue written authorization allowing the Recipient to incur costs during the remainder of Budget Period 1 and DOE shall assume the remainder of the DUF6 liability to be assumed for Budget Period 1. As of the execution date of Amendment No. 001, the Parties acknowledge and agree that the Contracting Officer

issued the necessary written authorization required by the preceding sentence on 7/31/12. DOE cost share for Budget Period 1 will be fulfilled through DOE's assuming title and liability for up to 39,200 MT of Depleted Uranium Hexafluoride (DUF6), which the parties agree will be treated as the Government providing $87,670,184 in cost share contributions (80% of the total estimated cost of the agreement for Budget Period 1).

Among other requirements set forth elsewhere in this Agreement, DOE will not assume liability from the Recipient incurred beyond 7/31/12 unless (a) the Equipment Contract (Contract No. DE-NE0000488) has been executed and title to the Transferred Property (as defined therein) has been transferred to DOE and (b) the Recipient provides a revised application for financial assistance under this award to DOE no later than 7/24/12 that includes: (1) cost, schedule, Performance Indicator/Milestone detailed estimate (to Work Breakdown Structure level 3) for the Project; (2) a report detailing ACD's efforts to implement a governance structure demonstrating capability to provide overall management of the project (see Article 6.02) and demonstrating that the ACD has submitted to the Nuclear Regulatory Commission (NRC) a complete package requesting a Foreign Ownership, Control or Influence (FOCI) determination in a form acceptable to the NRC; and (3) a revised Attachment B that includes proposed Technical Milestone dates. As of the execution date of Amendment No. 001, the Parties acknowledge and agree that Recipient has met the requirement in the preceding sentence.

DOE will not issue written authorization permitting incurrence of costs under this Agreement during Budget Period 2 unless the Recipient submits the following to DOE no later than 9/21/12: (1) documentation evidencing the existence of ACD with, subject to obtaining necessary regulatory approvals, the governance structure referenced in Article 6.02; and (2) revised cost, schedule, Performance Indicator/Milestone detailed estimate (to Work Breakdown Structure level 3) for the American Centrifuge Cascade Demonstration Test Program. Execution of this Amendment No. 001 acknowledges that the requirements of the preceding sentence have been met and written authorization to incur costs under this Agreement during Budget Period 2 was provided by the Contracting Officer.

Budget Period 2 is divided into multiple funding periods. For Budget Period 2, Funding Period 1, DOE has provided up to $45,720,000 for the Government Cost Share. For Budget Period 2, Funding Period 2 (3/13/13-6/15/13), DOE has provided $44,378,055 in Government Cost Share (80% of the total estimated cost of the agreement for Budget Period 2, Funding Period 2). This Cost Share was met via the agreed upon value of the SWU Component (***** SWU) of the EUP transferred to USEC Inc. in accordance with the provisions of Attachment H. For Budget Period 2, Funding Period 3, DOE will provide up to $20,000,000 for the Government Cost Share.

At DOE's discretion, and subject to requirements elsewhere in this agreement and the availability of appropriations or other sources of consideration, DOE may provide funding for future funding periods through further amendment(s) of this Agreement. DOE will not authorize continuation of the Project or provide Cost Share funding to reimburse costs incurred by the Recipient under this Agreement for future funding periods unless the Recipient has successfully met all milestones and provided to DOE all deliverables scheduled for performance or delivery before the end of Budget Period 2 Funding Period 3 as set forth in Attachment B Project Scope - Amendment #2 and demonstrates to DOE's satisfaction evidence of sufficient progress toward Recipient's ability to successfully meet the milestones scheduled to be completed during future funding periods. In the event DOE provides Additional Funding (above the “Current Funding” provided by Amendment NO. 005 to this Agreement), DOE and Recipient shall amend this Agreement to reflect such Additional Funding.

DOE will not assume liability or otherwise reimburse costs incurred by the Recipient under this Agreement above the Current Funding without first issuing written authorization permitting the Recipient to incur costs under this Agreement above the Current Funding. Notwithstanding the above, there is no requirement for written authorization permitting the Recipient to incur costs under this Agreement constituting the Government Cost Share up to the Total Government Funds Obligated.

In addition to other available remedies, in the event the conditions in this Section 8.01 for the continued funding of the program are not met, the Contracting Officer may suspend or terminate this award without recourse through corrective action by Recipient. In the case of such a suspension or termination, costs shall be addressed as set forth in 10 CFR § 600.24.

5. In accordance with Section 8.01 of the Agreement, the Recipient is authorized to expend unutilized funds from the previous Funding Period during Funding Period 3.

6. All other terms and conditions of the Agreement remain the same.

/s/ Karen S. Shears
Karen S. Shears
Contracting Officer
U.S. Department of Energy

6/13/13
Date

/s/ Philip G. Sewell
Philip G. Sewell
Senior Vice President
USEC Inc.

6-12-13
Date

/s/ Paul Sullivan
Paul Sullivan
Project Manager
American Centrifuge Demonstration, LLC

6/12/2013
Date

EXHIBIT 10.4

Confidential information has been omitted in places marked "***" and has been filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to this omitted information.**

AMENDATORY AGREEMENT
Between
TENNESSEE VALLEY AUTHORITY
And
UNITED STATES ENRICHMENT CORPORATION

Date: May 20, 2013 TV-05356W, Supp. No. 10

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 (USEC), a corporation created and existing under the laws of the State of Delaware;

W I T N E S S E T H:

WHEREAS, USEC has been purchasing power from TVA under Power Contract TV-05356W, dated July 11, 2000, as amended (Power Contract), for the operation of the USEC uranium enrichment facilities near Paducah, Kentucky that USEC leases from the United States Department of Energy (DOE); and

WHEREAS, USEC and TVA wish to extend the term of the Power Contract in order to facilitate potential additional power supply which will be used to enrich nuclear material for non-TVA consumers of nuclear fuel; and

WHEREAS, the parties also wish to provide a one-time option to replace USEC's Letter of Credit with a cash deposit to fulfill its performance assurance obligations during the remaining term of the Power Contract;

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the provisions of the TVA Act, the parties mutually agree as follows:

SECTION 1 - DEFINITIONS

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

SECTION 2 - EXTENSION OF THE POWER CONTRACT

Effective as of the date first written above (Effective Date), section 2.1 of the Power Contract is hereby replaced with the following:

"This Contract shall become effective as of the date first above written and shall continue in effect through December 31, 2013; provided, however, that:

(a) Subject to subsection (b) below, this Contract may be terminated by either Party upon completion of all transactions for Additional Energy entered into pursuant to section 2.2(e) of this Contract. It is expressly recognized and agreed that a Party seeking to terminate this Contract in accordance with the preceding sentence, prior to December 31, 2013, shall provide 30 days' written notice prior to termination and that this Contract shall not terminate prior to September 30, 2013.

(b) Furthermore, the provisions of sections 2.5(f), 2.9, and 2.10 of this Contract shall continue in effect until USEC ceases to lease or operate the 161-kV switchyard facilities at the DOE-owned uranium enrichment facilities leased by USEC."

SECTION 3 - PERFORMANCE ASSURANCE OBLIGATIONS

It is recognized that (1) in accordance with the provisions of the Power Contract, TVA has determined that USEC presently has a CRR equal to a Below Investment Grade Rating, and (2) pursuant to Contract No. TV-05356W, Supp. No. 9, USEC has been providing Performance Assurance in the form of Weekly Prepayments and a Letter of Credit. From and after the Effective Date, the parties agree that USEC shall provide and maintain Performance Assurance as set out in this section 3.

3.1 Performance Assurance. It is understood and agreed that USEC is required to provide Performance Assurance as described in this section 3 until such time, if any, that USEC's CRR and corresponding Collateral Threshold are such that no Performance Assurance is due. Currently USEC provides such Performance Assurance in the form of Weekly Prepayments and a Letter of Credit. During the term of the Power Contract, USEC shall have the one time option, upon five (5) days notice to TVA, to replace the Letter of Credit with a cash deposit (Deposit). If exercised, it is acknowledged and understood that such replacement of the Letter of Credit with a Deposit is and shall be a contemporaneous exchange for new value given. Accordingly, from and after the Effective Date, USEC shall, subject to section 3.4, provide Performance Assurance in the form of Weekly Prepayments and either (i) a Letter of Credit or (ii) a Deposit. If USEC is providing a Letter of Credit, the following section 3.1.1 shall apply. If USEC is providing a Deposit in lieu of a Letter of Credit, section 3.1.2 shall apply, but in all cases USEC shall make the Weekly Prepayments described in section 3.3 in addition to the Letter of Credit or Deposit.

3.1.1 Letter of Credit. Unless and until USEC elects to provide a Deposit under section 3.1.2, USEC shall provide TVA an irrevocable Letter of Credit, in a form acceptable to TVA. It is recognized that as of the Effective Date, USEC has provided a Letter of Credit in the amount of *****, and this amount may be adjusted as determined by TVA in accordance with section 3.4 below to reflect changes in the price and usage of power. USEC 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 USEC, including, but not limited to, minimum bill obligations. Notwithstanding such Letter of Credit, USEC will remain obligated to make all payments as they become due under the Power Contract, together with all required Weekly Prepayments.

3.1.2 Deposit. By providing notice to TVA as set out in section 3.1 above, in lieu of the Letter of Credit under section 3.1.1, USEC may provide a Deposit to TVA in the amount of ***** or such different amount as determined by TVA in accordance with section 3.4 below to reflect changes in the price and usage of power. The Deposit may be utilized by TVA to cover any amount arising from TVA's supply of power after the Effective Date for which the Power Contract provides and for which payments are not made by USEC. Notwithstanding such Deposit, USEC shall remain obligated to make all payments as they become due under the Power Contract. Moreover, should there be any use of the Deposit by TVA, USEC shall, upon notice from TVA, pay the amount necessary to fully replenish the Deposit at the time of its next Weekly Prepayment.

3.2 Interest. If USEC provides a Deposit in lieu of a Letter of Credit,

(a) effective with the date of the Deposit, simple interest shall accrue on any Deposit held by TVA on USEC's account at TVA's long-term cost of borrowing and shall be added to the Deposit every six (6) months (April 30 and October 31).

(b) At any such time that USEC's CRR and corresponding Collateral Threshold are such that no Performance Assurance is due under Article IV of the Power Contract or at the end of the term of the Power Contract, or any extension thereof, and after receipt from USEC of any remaining payments due under the Power Contract, TVA shall return to USEC an amount equal to:

(i) the Deposit plus simple interest on the Deposit, at TVA's average long-term interest rate, less

(ii) any amounts for which the Power Contract provides and for which payments have not been made by USEC.

3.3 Weekly Prepayments. Notwithstanding the provisions of section 2.6 of the Power Contract, USEC shall pay TVA a designated sum of money per week in advance for power and energy used under the Power Contract (Weekly Prepayment). As of the Effective Date, USEC shall pay TVA a Weekly Prepayment in the amount of *****. Furthermore, notwithstanding any notice provided by TVA to the contrary prior to the Effective Date of this agreement, the Weekly Prepayment in the amount set forth above shall remain in effect until further notice is provided that an adjustment is needed in Performance Assurance as outlined in section 3.4 below.

Such Weekly Prepayments shall be received by TVA no later than 12 noon CST or CDT, whichever is currently effective, on each Friday and shall be made electronically through Federal Reserve Fedwire Funds Service to TVA's account with the U.S. Treasury ***** or through Automated 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. USEC 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 USEC of the overpayment and credit such amount to USEC's next Weekly Prepayment(s) until the overpayment is exhausted.

3.4 Adjustments to Performance Assurance. The Performance Assurance provided for in this agreement is based on the price and usage of power and energy taken by USEC and may be adjusted by TVA as provided in the Power Contract. If TVA determines that any adjustment is necessary, TVA will provide USEC with written notice of any increased or decreased amount of Performance Assurance required under the Power Contract. For so long as USEC is providing a Letter of Credit, when an adjustment is required in the amount of the Letter of Credit, by no later than the date specified by TVA in such written notice, which in no case shall be less than ten (10) days after such notice is given, USEC shall modify the Letter of Credit to reflect the adjusted amount stated in the notice. If USEC is providing a Deposit in lieu of Letter of Credit, then when an adjustment is required in the amount of the Deposit, by no later than

the date specified by TVA in such written notice, which in no case shall be less than five (5) days after such notice is given, USEC shall increase or decrease the Deposit to reflect the adjusted amount stated in the notice. Furthermore, when an adjustment is required in the amount of Weekly Prepayments, by no later than the date specified by TVA in such written notice, which in no case shall be less than five (5) days after such notice is given, USEC shall provide TVA with the amount of the adjusted Weekly Prepayment.

If at a point in the future USEC notifies TVA that no further usage of power and energy is anticipated, or will be taken by USEC under the Power Contract, then, upon completion of all transactions for Additional Energy, no further Weekly Prepayments will be required by USEC and TVA will be obligated to release the Letter of Credit or return the Deposit to USEC, as applicable, in each case within fifteen (15) days, less any amounts withheld, including but not limited to any amounts that may be owing or due under the Power Contract and any amounts deemed necessary to true-up the Fuel Cost Adjustment as outlined in Supp. No. 4, to the Power Contract, as amended by Supp. No. 6. It is recognized that in accordance with section 4.5 of the Power Contract, for so long as the Credit Risk, as determined by TVA, remains zero, no Performance Assurance would be required.

3.5 Early Payment Credits. Notwithstanding Section 2 of the Terms and Conditions set forth in Attachment 4 of the Power Contract, provided that USEC makes all Weekly Prepayments in full falling within that Billing Month on or before the Weekly Prepayment Due Dates, and USEC is not otherwise delinquent or in default under the Power Contract, then USEC 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.

3.6 Default. Failure to comply with any of the above provisions shall constitute an immediate default under this contract. Upon such default, TVA shall have the right to immediately discontinue the supply of power, upon five (5) days' written notice, to USEC.

3.7 Performance Assurance Obligation. It is acknowledged and understood that USEC's issuance to TVA of a Letter of Credit, the cash Deposit or other Performance Assurance in any form is a contemporaneous exchange for new value given, and among other things, is necessary to allow USEC to receive current and future power deliveries under the terms of the Power Contract.

Discontinuance of supply under this section 3 shall not relieve USEC of its liability for minimum monthly charges or payment of past due amounts. It is expressly recognized that in determining whether either party shall be entitled to terminate the Power Contract as provided in section 2 of this agreement, a discontinuance of supply in accordance with this section 3 shall not be considered a completion of any transaction for Additional Energy that has been entered into pursuant to section 2.2(e) of the Power Contract. It is further expressly recognized that the terms set out in this section 3 shall apply to any power made available to USEC as Additional Energy in accordance with section 2.2(e) of the Power Contract. TVA's election of any remedies under this agreement shall be without waiver of any other rights, including, without limitation, the right to damages for such default.

SECTION 4 - TERMINATION OF AGREEMENT

As of the Effective Date of this agreement, Supp. No. 9 to the Power Contract is hereby terminated.

SECTION 5 - 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/ Robert Van Namen_
Robert Van Namen
Senior Vice President and Chief Operating Officer

TENNESSEE VALLEY AUTHORITY

By _/s/ William D. Johnson_
William D. Johnson
President and Chief Executive Officer

EXHIBIT 10.5

Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401

May 30, 2013 TV-05356W, Supp. No. 11

Mr. Robert Van Namen
Senior Vice President and Chief Operating
Officer
United States Enrichment Corporation
6903 Rockledge Drive, Suite 400
Bethesda, Maryland 20817

FUEL COST ADJUSTMENT DISPUTE

Dear Mr. Van Namen:

This will confirm the understanding between the United States Enrichment Corporation (USEC) and the Tennessee Valley Authority (TVA) with regard to certain claims made by USEC regarding TVA's calculation of the Fuel Cost Adjustment (FCA) in accordance with Power Contract No. TV-05356W, Supp. No. 4, dated June 1, 2007, as amended by TV-05356W, Supp. No. 6 (hereinafter referred to as “Supplement 4”), for the period from July 1, 2011, through May 31, 2012. USEC and TVA agree as follows:

(a) In consideration of the execution of an agreement of even date herewith between TVA and USEC under which TVA agrees to sell and USEC agrees to buy specified amounts of power (Confirmation), USEC unconditionally and irrevocably RELEASES, SETTLES, and FOREVER DISCHARGES TVA, any affiliates of TVA, and TVA's respective present and former officers, directors, employees, servants, agents, representatives, contractors, successors assigns, and attorneys from any and all claims, causes of action, rights, demands, debts, or damages, including attorney's fees and costs, arising out of or in any way related to TVA's calculation of the FCA outlined in Supplement 4 for the period from July 1, 2011, through May 31, 2012.

(b) TVA makes no representations as to the value of any potential claims by USEC related to the calculation of the FCA as described in paragraph (a) above. The parties hereto expressly agree that they have not relied on any promise, representation, or statement not set forth herein.

(c) This agreement is a result of a compromise of a disputed claim and shall never at any time or for any purpose be considered an admission of liability or responsibility of TVA, which continues to deny such liability and disclaim such responsibility.

(d) This agreement contains the entire agreement among the parties hereto with regard to the matters set forth herein, shall supersede any prior written or oral agreements, and shall be binding upon and inure to the benefit of the parties hereto and the respective assigns and successors of each.

(e) All parties hereto participated equally in drafting this agreement and it shall not be construed against any party hereto.

(f) Each signatory below has full authority to execute this agreement on behalf of its respective party hereto. Each signatory to this agreement represents that he or she has read this agreement and has executed the agreement freely without duress of any kind.

(g) This agreement may be modified only by a subsequent written agreement signed by all parties hereto.

(h) This agreement shall be effective as of the date of the last signature hereon, subject to USEC and TVA's execution of the Confirmation referenced in paragraph (a) above and TVA's delivery of the same to USEC. Upon execution of the Confirmation, TVA shall deliver the Confirmation to USEC by sending a signed original in Adobe portable document format by electronic mail to OKeefeD@usec.com.

If this letter correctly reflects our understanding on this matter, please have a duly authorized representative sign and date both of the enclosed duplicate originals on behalf of USEC and return one fully executed duplicate original to TVA for our files.

Accepted and agreed to as of the
31st day of May, 2013.

TENNESSEE VALLEY AUTHORITY

By /s/ Jared Mitchem
Jared Mitchem
Senior Manager, Power Contracts

Accepted and agreed to as of the
31st day of May, 2013.

UNITED STATES ENRICHMENT CORPORATION

By /s/ Robert Van Namen
Robert Van Namen
Senior Vice President and Chief
Operating Officer

EXHIBIT 10.6

SUMMARY SHEET FOR 2013 NON-EMPLOYEE/NON-INVESTOR DIRECTOR COMPENSATION

The following table sets forth the compensation for USEC's non-employee/non-investor directors for the term commencing at the 2013 annual meeting of stockholders:

Annual Cash Retainer	Annual cash retainer of $80,000 paid in four installments on or after May 1, 2013, August 1, 2013, November 1, 2013 and February 1, 2014 (the "Installment Dates"). A director may elect to receive the retainer in restricted stock units in lieu of cash. Restricted stock units would be granted at the time of the annual grant of restricted stock units at the closing price of USU on the date that is seven days after the 2013 annual meeting of stockholders.
Annual Restricted Stock Unit Grant	Annual grant of 25,000 restricted stock units. Restricted stock units are granted on the date that is seven days after the 2013 annual meeting of stockholders and vest one year from the date of grant. However, vesting is accelerated upon (1) the director attaining eligibility for Retirement, (2) termination of the director's service by reason of death or disability, or (3) a change in control.
Chairman Fees	$100,000 annual fee for Chairman. $20,000 annual fee for Audit and Finance Committee chairman. $10,000 annual fee for Compensation Committee chairman. $7,500 annual fee for all other committees' chairman. Chairman fees are paid in cash in four installments on the Installment Dates, although a director may elect to receive their chairman fee in restricted stock units, which would be granted at the time of the annual grant of restricted stock units.
Incentive Restricted Stock Unit Awards	If a director chooses to receive restricted stock units as payment for 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 in equal annual installments over three years from the date of grant, however, vesting is accelerated upon (1) the director attaining eligibility for Retirement, (2) termination of the director's service by reason of death or disability, or (3) a change in control. Incentive restricted stock units would be granted at the time of the annual grant of restricted stock units at the closing price of USU on the date that is seven days after the 2013 annual meeting of stockholders.

All restricted stock units are granted pursuant to the USEC Inc. 2009 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. Settlement of restricted stock units is made in shares of USEC stock upon the director's retirement or other end of service. Retirement is defined in the USEC Inc. 2009 Equity Incentive Plan in the case of non-employee directors as termination of service on or after age 75. Restricted stock units carry the right to receive dividend equivalent restricted stock units to the extent dividends are paid by the Company.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, John K. Welch, certify that:

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

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

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

4. The registrant's other certifying officer(s) 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(s) 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 6, 2013

/s/ John K. Welch

John K. Welch

President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, John C. Barpoulis, certify that:

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

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

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

4. The registrant's other certifying officer(s) 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(s) 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 6, 2013

/s/ John C. Barpoulis

John C. Barpoulis

Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

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, 2013, 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 6, 2013

/s/ John K. Welch

John K. Welch
President and Chief Executive Officer

August 6, 2013

/s/ John C. Barpoulis

John C. Barpoulis
Senior Vice President and Chief Financial Officer