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

FORM 10-Q

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

For the quarter ended June 30, 2011

OR

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

Commission file number 1-14287

USEC Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

As of July 29, 2011, there were 121,978,453 shares of Common Stock issued and outstanding.

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This quarterly report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2, contains "forward-looking statements" – that is, statements related to future events. In this context, forward-looking statements may address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "will" and other words of similar meaning. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For USEC, particular risks and uncertainties that could cause our actual future results to differ materially from those expressed in our forward-looking statements include, but are not limited to: risks related to the deployment of the American Centrifuge technology, including risks related to performance, cost, schedule and financing; our success in obtaining a loan guarantee from the U.S. Department of Energy ("DOE") for the American Centrifuge Plant, including our ability to address the technical and financial concerns raised by DOE and the timing of any loan guarantee; our ability to develop and consummate a structuring option acceptable to DOE or to develop and consummate a strategic alternative transaction, and the timing thereof; our ability to reach agreement with DOE on acceptable terms of a conditional commitment, including the timing of any decision and the determination of credit subsidy cost, and our ability to meet all required conditions to funding; our ability to obtain additional financing beyond the $2 billion of DOE loan guarantee funding for which we have applied, including our success in obtaining Japanese export credit agency financing of $1 billion; the impact of the demobilization of the American Centrifuge project and uncertainty regarding our ability to remobilize the project and the potential for termination of the project; our ability to meet the November 2011 financing milestone and other milestones under the June 2002 DOE-USEC Agreement; restrictions in our credit facility that may impact our operating and financial flexibility and spending on the American Centrifuge project; risks related to the completion of the remaining two phases of the three-phased strategic investment by Toshiba Corporation ("Toshiba") and Babcock & Wilcox Investment Company ("B&W"), including our ability to satisfy the significant closing conditions in the securities purchase agreement governing the transactions and our ability to close on the second phase of the transactions prior to the outside date of August 15, 2011 under the standstill agreement, and the impact of a failure to consummate the transactions on our business and prospects; certain restrictions that may be placed on our business as a result of the transactions with Toshiba and B&W; our ability to achieve the benefits of any strategic relationships with Toshiba and B&W; uncertainty regarding the cost of electric power used at our gaseous diffusion plant; the economics of extended Paducah plant operations, including our ability to negotiate an acceptable power arrangement and our ability to obtain a contract to enrich DOE's depleted uranium; our dependence on deliveries of LEU from Russia under the Russian Contract and on a single production facility; risks related to the implementing agreements needed for our new supply contract with TENEX to become effective; limitations on our ability to import the Russian LEU we buy under the new supply contract into the United States and other countries; our inability under many existing long-term contracts to directly pass on to customers increases in our costs; the decrease or elimination of duties charged on imports of foreign-produced low enriched uranium; pricing trends and demand in the uranium and enrichment markets and their impact on our profitability; movement and timing of customer orders; changes to, or termination of, our contracts with the U.S. government including uncertainty regarding the impacts on our business of the transition of government services performed by us at the former Portsmouth gaseous diffusion plant to the new decontamination and decommissioning contractor; limitations on our ability to compete for potential contracts with the U.S. government; changes in U.S. government priorities and the availability of government funding, including loan guarantees; the impact of government regulation 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 the recent natural disaster in Japan on the nuclear industry and on our business, results of operations and prospects; the impact of volatile financial market conditions on our business, liquidity, prospects, pension assets and credit and insurance facilities; uncertainty regarding the continued capitalization of certain assets related to the American Centrifuge Plant and the impact on our results of operations; 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, 2010 ("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. Readers are urged to carefully review and consider the various disclosures made in this report and in our other filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business. We do not undertake to update our forward-looking statements except as required by law.

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

	June 30, 2011	December 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	$ 340.2	$ 151.0
Accounts receivable, net	134.0	308.6
Inventories	1,717.2	1,522.5
Deferred income taxes	22.7	47.5
Deferred costs associated with deferred revenue	152.5	152.9
Other current assets	95.4	71.6
Total Current Assets	2,462.0	2,254.1
Property, Plant and Equipment, net	1,286.7	1,231.4
Other Long-Term Assets		
Deferred income taxes	219.5	204.5
Deposits for surety bonds	140.8	140.8
Deferred financing costs, net	11.6	10.6
Goodwill	6.8	6.8
Total Other Long-Term Assets	378.7	362.7
Total Assets	**$ 4,127.4**	**$ 3,848.2**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 141.9	$ 172.4
Payables under Russian Contract	145.2	201.2
Inventories owed to customers and suppliers	1,084.4	715.8
Deferred revenue and advances from customers	188.5	179.1
Credit facility term loan	85.0	-
Total Current Liabilities	1,645.0	1,268.5
Long-Term Debt	530.0	660.0
Convertible Preferred Stock	83.3	78.2
Other Long-Term Liabilities		
Depleted uranium disposition	135.3	125.4
Postretirement health and life benefit obligations	184.8	178.7
Pension benefit liabilities	145.8	145.4
Other liabilities	78.1	78.2
Total Other Long-Term Liabilities	544.0	527.7
Commitments and Contingencies (Note 13)		
Stockholders' Equity	1,325.1	1,313.8
Total Liabilities and Stockholders' Equity	**$ 4,127.4**	**$ 3,848.2**

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,	
	2011	**2010**	**2011**	**2010**
Revenue:				
Separative work units	$ 330.3	$ 331.0	$ 638.8	$ 597.6
Uranium	67.8	69.6	81.8	85.2
Contract services	56.3	59.1	114.3	121.6
Total revenue	454.4	459.7	834.9	804.4
Cost of sales:				
Separative work units and uranium	368.6	358.6	675.8	625.8
Contract services	52.6	57.0	112.0	107.8
Total cost of sales	421.2	415.6	787.8	733.6
Gross profit	33.2	44.1	47.1	70.8
Advanced technology costs	33.5	26.0	60.2	51.7
Selling, general and administrative	16.7	14.3	32.2	29.4
Other (income)	-	(10.3)	(3.7)	(20.0)
Operating income (loss)	(17.0)	14.1	(41.6)	9.7
Interest expense	0.1	0.1	0.1	0.1
Interest (income)	(0.1)	(0.1)	(0.3)	(0.2)
Income (loss) before income taxes	(17.0)	14.1	(41.4)	9.8
Provision (benefit) for income taxes	4.2	6.9	(3.6)	12.3
Net income (loss)	**$ (21.2)**	**$ 7.2**	**$ (37.8)**	**$ (2.5)**
Net income (loss) per share – basic	$ (.18)	$ .06	$ (.31)	$ (.02)
Net income (loss) per share – diluted	$ (.18)	$ .04	$ (.31)	$ (.02)
Weighted-average number of shares outstanding:				
Basic	121.1	112.9	120.3	112.3
Diluted	121.1	161.4	120.3	112.3

See notes to consolidated condensed financial statements.

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

	Six Months Ended June 30,	
	2011	**2010**
Cash Flows from Operating Activities		
Net (loss)	$ (37.8)	$ (2.5)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depreciation and amortization	30.2	19.5
Deferred income taxes	7.3	14.5
Other non-cash income on release of disposal obligation	(0.6)	(20.0)
Capitalized convertible preferred stock dividends paid-in-kind	5.1	-
Gain on extinguishment of convertible senior notes	(3.1)	-
Changes in operating assets and liabilities:		
Accounts receivable – decrease	174.6	70.3
Inventories, net – decrease	173.9	44.3
Payables under Russian Contract – increase (decrease)	(56.0)	53.8
Deferred revenue, net of deferred costs – increase	10.2	31.6
Accrued depleted uranium disposition – increase (decrease)	9.9	(40.6)
Accounts payable and other liabilities – (decrease)	(8.2)	(3.0)
Other, net	(19.9)	5.3
Net Cash Provided by Operating Activities	285.6	173.2
Cash Flows Used in Investing Activities		
Capital expenditures	(91.0)	(87.9)
Deposits for surety bonds – net decrease	-	3.0
Net Cash (Used in) Investing Activities	(91.0)	(84.9)
Cash Flows Used in Financing Activities		
Borrowings under revolving credit facility	-	38.2
Repayments under revolving credit facility	-	(38.2)
Payments for deferred financing costs	(3.7)	(9.6)
Common stock issued (purchased), net	(1.7)	(2.5)
Net Cash (Used in) Financing Activities	(5.4)	(12.1)
Net Increase	189.2	76.2
Cash and Cash Equivalents at Beginning of Period	151.0	131.3
Cash and Cash Equivalents at End of Period	**$ 340.2**	**$ 207.5**
Supplemental Cash Flow Information:		
Interest paid, net of amount capitalized	$ -	$ -
Income taxes paid, net of refunds	2.1	15.5

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, 2011 and 2010 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.

Operating results for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. 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, 2010.

New Accounting Standards

In May 2011, the Financial Accounting Standards Board ("FASB") amended its guidance on fair value measurements and related disclosures. The new guidance represents the converged guidance of the FASB and the International Accounting Standards Board and provides a consistent definition of fair value and common requirements for measurement and disclosure of fair value between GAAP and International Financial Reporting Standards ("IFRS"). The new guidance also changes some fair value measurement principles and enhances disclosure requirements related to activities in Level 3 of the fair value hierarchy. The provisions of this new guidance are effective for fiscal years and interim periods beginning after December 15, 2011 and are applied prospectively. This requirement will become effective for USEC beginning with the first quarter of 2012 and USEC is evaluating the impact of adopting this guidance on its financial statements.

In June 2011, the FASB amended its guidance on the presentation of comprehensive income. The new guidance requires companies to present the components of net income and other comprehensive income either in a single statement below net income or in a separate statement of comprehensive income immediately following the income statement. The new guidance does not change the items that must be reported in other comprehensive income or the requirement to report reclassifications of items from other comprehensive income to net income. The provisions of this new guidance are effective for fiscal years and interim periods beginning after December 15, 2011 and are applied retrospectively for all periods presented. This requirement will become effective for USEC beginning with the first quarter of 2012 and USEC is evaluating the impact of adopting this guidance on its financial statements.

2. ACCOUNTS RECEIVABLE

	June 30, 2011	December 31, 2010
	(millions)	
Accounts receivable (1):		
Utility customers:		
Trade receivables	$ 39.1	$ 249.1
Uranium loaned to customer (2)	41.2	-
Unbilled revenue (3)	0.3	0.4
	80.6	249.5
Contract services, primarily Department of Energy (4):		
Billed revenue	17.8	34.8
Unbilled revenue	35.6	24.3
	53.4	59.1
	$ 134.0	**$ 308.6**

(1) Accounts receivable are net of valuation allowances and allowances for doubtful accounts totaling $17.8 million at June 30, 2011 and $18.6 million at December 31, 2010.

(2) The loan period for the investment grade-rated utility customer ends in the third quarter of 2011.

(3) Unbilled revenue for utility customers represents price adjustments for past deliveries that are not yet billable under the applicable contracts.

(4) Billings for contract services related to the U.S. Department of Energy ("DOE") are 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.

3. 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 used in the production of LEU under this formula is referred to as its uranium component.

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

Components of inventories follow (in millions):

	June 30, 2011	December 31, 2010
Current assets:		
Separative work units	$ 914.2	$ 947.4
Uranium	790.5	562.5
Materials and supplies	12.5	12.6
	1,717.2	1,522.5
Current liabilities:		
Inventories owed to customers and suppliers	(1,084.4)	(715.8)
Inventories, net	**$ 632.8**	**$ 806.7**

Inventories Owed to Customers and Suppliers

Inventories owed to customers and suppliers relate primarily to 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. Balances can be positive or negative at the discretion of the fabricator. Fabricators have other inventory supplies and, where a fabricator has elected to order less material from USEC than USEC is required to deliver to its customers at the fabricator, the fabricator will use these other inventories to satisfy USEC's customer order obligations on USEC's behalf. In such cases, the transfer of title of LEU from USEC to the customer results in quantities of SWU and uranium owed by USEC to the fabricator. The amounts of SWU and uranium owed to fabricators are satisfied as future bulk deliveries of LEU are made.

Uranium Provided by Customers and Suppliers

USEC held uranium with estimated fair values of approximately $2.5 billion at June 30, 2011, and $3.3 billion at December 31, 2010, 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 16% decline in the uranium spot price indicator and an 11% decline in quantities. 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.

4. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2010	Capital Expenditures (Depreciation)	Transfers and Retirements	June 30, 2011
Construction work in progress	$ 1,126.3	$ 90.9	$ (16.7)	$ 1,200.5
Leasehold improvements	187.3	-	2.4	189.7
Machinery and equipment	269.1	0.7	0.9	270.7
	1,582.7	91.6	(13.4)	1,660.9
Accumulated depreciation and amortization	(351.3)	(26.7)	3.8	(374.2)
	$ 1,231.4	**$ 64.9**	**$ (9.6)**	**$ 1,286.7**

Capital expenditures include items in accounts payable and accrued liabilities at June 30, 2011 for which cash is paid in subsequent periods.

USEC is working to deploy the American Centrifuge technology at the American Centrifuge Plant ("ACP") in Piketon, Ohio. Capital expenditures related to the ACP, which is primarily included in the construction work in progress balance, totaled $1,213.9 million at June 30, 2011 and $1,143.8 million at December 31, 2010. Capitalized asset retirement obligations included in construction work in progress totaled $19.3 million at June 30, 2011 and December 31, 2010.

During the second quarter of 2011, USEC expensed $9.6 million of previously capitalized construction work in progress costs. This expense was charged to advanced technology costs on the consolidated statement of operations and relates to a number of centrifuge machines and the related capitalized interest allocated to the centrifuge machines. The centrifuge machines expensed are no longer considered to have future economic benefit because they were irreparably damaged during lead cascade operations. There is no machine technology, machine design or machine manufacturing issue associated with this expense.

In addition, USEC is currently evaluating the ongoing utility of a number of earlier AC100 centrifuge machines that may not be compatible with the current commercial plant design that were previously capitalized as part of construction work in progress. If it is determined that these centrifuge machines have no future economic benefit, then USEC would expense up to $100 million in a subsequent quarter. USEC is evaluating several potential uses of these machines and the related economics for each scenario, such as use in the commercial plant as a production line, use of certain parts or subassemblies as operating spares, and for operator training. The evaluation of these centrifuge machines is expected to be completed by the end of the fourth quarter of 2011.

5. DEFERRED REVENUE AND ADVANCES FROM CUSTOMERS

	June 30, 2011	December 31, 2010
	(millions)	
Deferred revenue	$ 158.5	$ 176.1
Advances from customers	30.0	3.0
	$ 188.5	**$ 179.1**
Deferred costs associated with deferred revenue	**$ 152.5**	**$ 152.9**

Advances from customers included $26.9 million as of June 30, 2011 and $1.2 million as of December 31, 2010 for services to be provided for DOE in our contract services segment. DOE funded this work through an arrangement whereby DOE transferred uranium to USEC which USEC immediately sold in the market.

6. PORTSMOUTH TRANSITION OF SERVICES

USEC ceased uranium enrichment operations at the Portsmouth GDP, located in Piketon, Ohio, in 2001. USEC's contract to maintain the facility for DOE in a state of "cold shutdown" expired on March 28, 2011. As previously reported, DOE awarded a contract for the decontamination and decommissioning ("D&D") of the Portsmouth site in August 2010 to a joint venture between Fluor Corp. and The Babcock & Wilcox Company. In connection with the expiration of the cold shutdown contract, USEC entered into an agreement with DOE in which USEC agreed to de-lease and return to DOE all remaining facilities at the Portsmouth site in Ohio except for those facilities leased for the ACP. In that agreement, DOE agreed to provide infrastructure services in support of the construction and operation of the ACP and to permit USEC's re-lease of certain facilities in the event they are needed to provide utility services to the ACP. The de-lease of these facilities will be completed when all relevant regulatory approvals have been obtained. This is anticipated to occur in the third quarter of 2011. However, if the full de-lease does not occur prior to September 30, 2011 the agreement will expire unless extended by mutual agreement of the parties. At the time of de-lease of the remaining facilities and their return to DOE, regulatory responsibility for the de-leased facilities will be transferred from the U.S. Nuclear Regulatory Commission ("NRC") to DOE. Until the facilities are de-leased, USEC will continue to operate such facilities and provide services to DOE and its contractors under cost reimbursement type contracts.

Employee Transition

Under the Worker Adjustment and Retraining Notification Act ("WARN Act"), notifications of potential mass layoffs are required to be issued by an employer 60 days in advance. Accordingly, in anticipation of the transition to the new D&D contractor, WARN Act notifications were provided on January 24, 2011 to USEC employees providing services under the DOE contract. An agreement was reached with the D&D contractor and the United Steel Workers ("USW") Local 5-689 allowing the transition from USEC of all Portsmouth workers represented by the USW to the D&D contractor on March 28, 2011. Under that agreement, no severance benefits were payable as a result of the transition. On March 8, 2011, WARN Act notifications were provided for members of the Security, Police, Fire Professionals of America ("SPFPA") Local 66. Negotiations continue between SPFPA and the D&D contractor to transition employees represented by SPFPA when the facilities are de-leased and returned to DOE. Salaried Portsmouth site workers needed to maintain the facilities returned to DOE, including most managers and supervisors, will transition to the D&D contractor upon de-lease of the facilities. Since these salaried employees have received, or are expected to receive, substantially equivalent offers of employment, they would not be eligible to receive severance benefits upon their transition to the D&D contractor. The potential severance liability associated with the transition of services at the Portsmouth site is currently estimated to be less than $2 million, but due to continued uncertainty no costs have been accrued for severance liability as of June 30, 2011.

Pension and Postretirement Benefit Costs

The cessation of certain U.S. government contract activities, the transfer of employees, and the pending transfer of certain other employees in Portsmouth triggered certain curtailment charges related to USEC's defined benefit pension plan and postretirement health and life benefit plan. Since a substantial number of employees were expected to be leaving USEC as a result of the transitioning of the government services work to the D&D contractor, USEC recognized approximately $0.4 million in cost of sales in December 2010 related to unamortized prior service costs based on the employee population at Portsmouth. USEC recognized an additional $5.1 million in cost of sales in 2011, including $1.9 million in the three months ended June 30, 2011, for curtailment charges related to the pension plan and postretirement benefit plan based on additional information and clarification on the timing and number of employees leaving USEC and refined actuarial estimates.

7. DEBT

Revolving Credit Facility and Term Loan due May 31, 2012

Utilization of the credit facility at June 30, 2011 and December 31, 2010 follows:

	June 30, 2011	December 31, 2010
	(millions)	
Borrowings under the revolving credit facility	$ -	$ -
Term loan	85.0	85.0
Letters of credit	7.3	17.3
Available credit	217.7	207.7

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. In addition to the $85.0 million term loan, the credit facility includes aggregate lender commitments under the revolving credit facility of $225.0 million, including up to $150.0 million in letters of credit. Borrowings under the credit facility are subject to limitations based on established percentages of qualifying assets such as eligible accounts receivable and inventory. The interest rate on the term loan as of June 30, 2011 was 9.5%.

On June 20, 2011, the credit facility agreement was amended to provide increased flexibility for continued investment in the American Centrifuge project. Before the amendment, the credit facility agreement permitted USEC to spend up to $165 million in the aggregate over the term of the credit facility on the American Centrifuge project, subject to certain limitations and exceptions. The amendment removes this spending restriction. The credit facility agreement, as amended, instead restricts spending on the American Centrifuge project if Availability (as defined in the credit facility agreement) falls below $100 million, as described below:

Requirement	Outcome
Availability ≥ $100 million	If not maintained, then the aggregate amount of spending on the American Centrifuge project (1) made in any calendar month shall not exceed $5 million and (2) made in the aggregate shall not exceed $25 million until the 60th consecutive day after minimum Availability is restored.

Availability was $216.9 million as of June 30, 2011 and $206.8 million as of December 31, 2010.

Convertible Senior Notes due 2014

Convertible senior notes amounted to $530.0 million as of June 30, 2011 and $575.0 million as of December 31, 2010. 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, 2011 or December 31, 2010.

In January 2011, USEC executed an exchange with a noteholder whereby USEC received convertible notes with a principal amount of $45 million in exchange for 6,952,500 shares of common stock and cash for accrued but unpaid interest on the convertible notes. In connection with this exchange, USEC recognized a gain on debt extinguishment of $3.1 million.

8. 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, 2011				December 31, 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Deferred compensation asset (a)	-	$ 2.3	-	$ 2.3	-	$ 1.8	-	$ 1.8
Liabilities:								
Deferred compensation obligation (a)	-	2.5	-	2.5	-	2.0	-	2.0
Convertible preferred stock (b)	-	-	83.3	83.3	-	-	78.2	78.2

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

(b) The 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 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 liquidation value of $1,000 per share.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Convertible preferred stock:				
Beginning balance	$ 80.7	$ -	$ 78.2	$ -
Less: paid-in-kind dividends payable, beginning balance	(2.5)	-	(2.4)	-
Issuances	2.5	-	4.9	-
Paid-in-kind dividends payable	2.6	-	2.6	-
Total gains or losses (realized/unrealized)	-	-	-	-
Ending balance	**$ 83.3**	**$ -**	**$ 83.3**	**$ -**

Other Financial Instruments

As of June 30, 2011 and December 31, 2010, the balance sheet carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and payables under the Russian Contract approximate fair value because of the short-term nature of the instruments.

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

	June 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Credit facility term loan, due May 31, 2012	$ 85.0	$ 85.4	$ 85.0	$ 85.6
3.0% convertible senior notes, due October 1, 2014	530.0	379.0	575.0	517.9

The estimated fair value of the term loan is based on the change in market value of an index of loans of similar credit quality based on published credit ratings. The estimated fair value of the convertible notes is based on the trading price as of the balance sheet date.

9. PENSION AND POSTRETIREMENT HEALTH AND LIFE BENEFITS

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

	Defined Benefit Pension Plans				Postretirement Health and Life Benefits Plans			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010	2011	2010	2011	2010
Service costs	$ 3.2	$ 4.9	$ 8.0	$ 9.7	$ 1.4	$ 1.3	$ 2.7	$ 2.5
Interest costs	12.5	12.2	25.1	24.4	3.1	2.9	6.1	5.9
Expected return on plan assets (gains)	(13.5)	(12.3)	(26.9)	(24.4)	(0.9)	(0.9)	(1.8)	(1.8)
Amortization of prior service costs (credits)	0.4	0.5	0.8	0.9	-	(2.1)	-	(4.2)
Amortization of actuarial losses	2.2	4.0	4.7	8.0	0.6	0.6	1.3	1.3
Curtailment losses	-	-	3.2	-	1.9	-	1.9	-
Net benefit costs	**$ 4.8**	**$ 9.3**	**$ 14.9**	**$ 18.6**	**$ 6.1**	**$ 1.8**	**$ 10.2**	**$ 3.7**

USEC expects total cash contributions to the plans in 2011 will be as follows: $14.6 million for the defined benefit pension plans and $4.8 million for the postretirement health and life benefit plans. Of those amounts, contributions made as of June 30, 2011 were $9.0 million and $3.2 million related to the defined benefit pension plans and postretirement health and life benefit plans, respectively.

The elimination of expected years of future service for certain employees at the Portsmouth site (see Note 6) in the actuarial calculation resulted in a curtailment loss of $3.2 million for the defined benefit pension plan in the first quarter of 2011. Similarly, a curtailment loss of $1.9 million for the postretirement health and life benefit plans was recognized in the second quarter of 2011 based on greater clarity of employee decisions regarding the plan offered by the new employer and further refinement of actuarial assumptions. The curtailment losses are included in cost of sales for the contract services segment.

10. STOCKHOLDERS' EQUITY

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

	Common Stock, Par Value $.10 per Share	Excess of Capital over Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2010	$ 12.3	$ 1,172.8	$ 329.9	$ (57.1)	$ (144.1)	$ 1,313.8
Amortization of actuarial losses and prior service costs (credits), net of income tax of $2.5 million	-	-	-	-	4.3	4.3
Net (loss)	-	-	(37.8)	-	-	(37.8)
Comprehensive (loss)						(33.5)
Common stock issued in exchange for convertible senior notes	0.7	40.5	-	-	-	41.2
Restricted and other common stock issued, net of amortization	-	(2.9)	-	6.5	-	3.6
Balance at June 30, 2011	**$ 13.0**	**$ 1,210.4**	**$ 292.1**	**$ (50.6)**	**$ (139.8)**	**$ 1,325.1**

Amortization of actuarial losses and prior service costs (credits), net of tax, are those related to pension and postretirement health and life benefits as presented on a pre-tax basis in Note 9.

11. STOCK-BASED COMPENSATION

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(millions)			
Total stock-based compensation costs:				
Restricted stock and restricted stock units	$ 2.1	$ 2.0	$ 4.4	$ 4.9
Stock options, performance awards and other	0.3	0.4	0.8	1.1
Less: costs capitalized as part of inventory	(0.1)	(0.1)	(0.4)	(0.2)
Expense included in selling, general and administrative and advanced technology costs	**$ 2.3**	**$ 2.3**	**$ 4.8**	**$ 5.8**
Total after-tax expense	**$ 1.5**	**$ 1.4**	**$ 3.1**	**$ 3.7**

There were no stock options exercised in the six months ended June 30, 2011. There were 22,876 stock options exercised in the six months ended June 30, 2010. Cash received from the exercise of the options was $0.1 million. The intrinsic value of the options exercised was less than $0.1 million.

Assumptions used in the Black-Scholes option pricing model to value option grants follow. There were no stock options granted in the three and six months ended June 30, 2011 or the three months ended June 30, 2010.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Risk-free interest rate	-	-	-	1.4%
Expected dividend yield	-	-	-	-
Expected volatility	-	-	-	72%
Expected option life	-	-	-	4 years
Weighted-average grant date fair value	-	-	-	$2.81
Options granted	0	0	0	766,050

As of June 30, 2011, there was $10.6 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested stock-based payments granted, of which $9.3 million relates to restricted shares and restricted stock units, and $1.3 million relates to stock options. That cost is expected to be recognized over a weighted-average period of 1.9 years.

Revised Long-Term Incentive Program

In February 2011, the Board of Directors approved a revised long-term incentive program under the 2009 Equity Incentive Plan for certain participating executives. The revised long-term incentive plan has three components: (1) time-based restricted stock that vests over three years, (2) performance-based restricted stock that, subject to being earned, vests over three years, and (3) a three-year performance-based cash incentive program.

The performance-based restricted stock vests over three years and is subject to being earned based on performance during 2011. Actual awards will be determined by performance during the period January 1, 2011 through December 31, 2011 against a performance goal relating to USEC's total shareholder return compared to the Russell 2000 total shareholder return (without dividends). This award is classified as equity and is valued at the award date using a Monte Carlo model. The target number of shares of restricted stock was calculated based on USEC's stock price on March 1, 2011. Award valuation factors associated with the underlying performance of USEC's stock price and shareholder returns over the term of the award include:

- Total stock return volatility based on historical volatility over one year using daily stock price observations,
- Risk-free interest rate reflecting the yield on the one-year Treasury bonds on grant date,
- Beta calculated using one year of daily returns and comparing the risk of the individual securities to the Russell 2000 Index, and
- For USEC and each of the companies in the Russell 2000 index, actual stock return from the beginning of the performance period through the grant date (January 1, 2011 – March 1, 2011) has been incorporated in the projection of the ultimate payout.

The new three-year performance-based cash incentive program includes a new overlapping three-year performance period each year. The first performance period runs from January 1, 2011 through December 31, 2013. Actual payout of awards will be determined by the performance of the Company during the performance period against two pre-determined performance goals. Cash awards earned will be granted following the completion of the performance period. This award is classified as a liability. The liability will be re-measured each reporting period based on the status of the performance against the performance goals.

12. NET INCOME PER SHARE

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in millions)			
Numerator:				
Net income (loss)	$ (21.2)	$ 7.2	$ (37.8)	$ (2.5)
Net interest expense on convertible notes and convertible preferred stock dividends (a)	(b)	-	(b)	(b)
Net income (loss) if-converted	**$ (21.2)**	**7.2**	**$ (37.8)**	**(2.5)**
Denominator:				
Weighted average common shares	122.8	114.9	122.1	114.3
Less: Weighted average unvested restricted stock	1.7	2.0	1.8	2.0
Denominator for basic calculation	**121.1**	**112.9**	**120.3**	**112.3**
Weighted average effect of dilutive securities:				
Stock compensation awards	(b)	0.4	(b)	(b)
Convertible preferred stock	(b)	-	(b)	-
Convertible notes	(b)	48.1	(b)	(b)
Denominator for diluted calculation	**121.1**	**161.4**	**120.3**	**112.3**
Net income (loss) per share – basic	**$ (.18)**	**$ .06**	**$ (.31)**	**$ (.02)**
Net income (loss) per share – diluted	**$ (.18)(b)**	**$ .04**	**$ (.31)(b)**	**$ (.02)(b)**

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

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

In the three months ended June 30, 2011, there was no net interest expense on convertible notes and the weighted average number of shares for stock compensation awards, convertible preferred stock and convertible notes was 0.1 million, 17.4 million and 44.3 million, respectively.

In the six months ended June 30, 2011, there was no net interest expense on convertible notes and the weighted average number of shares for stock compensation awards, convertible preferred stock and convertible notes was 3.1 million, 15.5 million and 44.6 million, respectively.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Options excluded from diluted earnings per share	2.2	1.8	2.2	2.6
Warrants excluded from diluted earnings per share	6.3	-	6.3	-
Exercise price of excluded options	$5.00 to $14.28	$5.86 to $16.90	$5.00 to $14.28	$5.00 to $16.90
Exercise price of excluded warrants	$7.50	-	$7.50	-

13. COMMITMENTS AND CONTINGENCIES

American Centrifuge Plant

Project Funding

USEC needs significant additional financing in order to complete the American Centrifuge Plant ("ACP"). USEC believes a loan guarantee under the DOE Loan Guarantee Program, which was established by the Energy Policy Act of 2005, is essential 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. In August 2009, DOE and USEC announced an agreement to delay a final review of USEC's loan guarantee application to provide additional time to address technical and financial concerns raised by DOE. In the following months, USEC focused on addressing DOE's concerns and, based on its progress in reducing program risks, submitted a comprehensive update to its application in July 2010. USEC has been working with DOE since October 2010 on the terms of a conditional commitment for a $2 billion loan guarantee. In April 2011, the DOE Loan Guarantee Program Office substantially completed the due diligence and negotiation stage of the application process, including a draft term sheet, and advanced the ACP application to the next phase for review in parallel by DOE's credit group and by the Office of Management and Budget ("OMB"), the Department of the Treasury and the National Economic Council ("NEC"). This review includes the establishment of an estimated range of credit subsidy cost. As discussed below, on June 30, 2011, USEC entered into a standstill agreement with Toshiba Corporation ("Toshiba") and Babcock & Wilcox Investment Company ("B&W") through August 15, 2011, to provide an additional limited period of time to complete this review process and obtain a decision from DOE on the conditional commitment. DOE has recently indicated that it believes that USEC needs to further improve its financial and project execution depth to achieve a manageable credit subsidy cost estimate and to proceed with the DOE loan guarantee. USEC is working with DOE and DOE's advisors on reviewing structuring options to address DOE's remaining concerns in order to move forward on the American Centrifuge Project and to obtain a conditional commitment and DOE loan guarantee. In addition, USEC has retained financial and other advisors to assist USEC in this review of structuring options and in reviewing and pursuing strategic alternatives.

In May 2010, Toshiba and B&W signed a securities purchase agreement to make a $200 million investment in USEC. Under the terms of the agreement, Toshiba and B&W will each invest $100 million over three phases, each of which is subject to specific closing conditions. In September 2010, the first closing of $75 million occurred. The second closing of the strategic investment by Toshiba and B&W of $50 million is conditioned on USEC having entered into a conditional commitment in an amount of not less than $2 billion for the American Centrifuge project with DOE. The securities purchase agreement provides that if the second closing did not occur by June 30, 2011, the agreement may be terminated by USEC or each of the investors (as to such investor's obligations). USEC did not receive a conditional commitment from DOE by June 30th and therefore did not close on the second phase of the strategic investment by that date. On June 30, 2011, USEC entered into a standstill agreement with Toshiba and B&W whereby each of the parties agreed not to exercise its right to terminate prior to August 15, 2011.

USEC is continuing discussions with Toshiba and B&W with respect to the status and timing of the DOE loan guarantee process and its impact on closing of the next phase of the Toshiba and B&W investment and on the current standstill agreement. However, USEC has no assurance that a structuring option to address DOE's remaining concerns or a strategic alternative transaction will be achieved or the timing thereof, that any extension or other modifications to the standstill agreement will be agreed, that the terms USEC has negotiated with the DOE Loan Guarantee Program Office will be approved or that the credit subsidy cost will be reasonable. After obtaining a conditional commitment, USEC will need to conclude final documentation and satisfy any technical, financial and other conditions to funding in order to close on financing. Funding under a DOE loan guarantee will only occur following conditional commitment, final documentation and satisfaction of conditions to funding, which are subject to uncertainty.

To complete the project, USEC will require additional capital beyond the $2 billion DOE loan guarantee, proceeds from the $200 million investment from Toshiba and B&W and internally generated cash flow.

USEC also continues discussions with Japanese export credit agencies regarding financing $1 billion of the cost of completing the ACP. However, USEC has no assurance that it will be successful in obtaining any or all of the financing it is seeking or that it will not need additional capital.

Milestones under the 2002 DOE-USEC Agreement

In 2002, USEC and DOE signed an agreement (such agreement, as amended, the "2002 DOE-USEC Agreement") in which USEC and DOE made long-term commitments directed at resolving issues related to the stability and security of the domestic uranium enrichment industry. The 2002 DOE-USEC Agreement contains specific project milestones relating to the ACP. In February 2011, USEC and DOE amended the 2002 DOE-USEC Agreement to revise the remaining four milestones relating to the financing and operation of the ACP. The amendment extended by one year to November 2011 the financing milestone that required that USEC secure firm financing commitment(s) for the construction of the commercial American Centrifuge Plant with an annual capacity of approximately 3.5 million SWU per year. The remaining three milestones were also adjusted by the February 2011 amendment. In addition, DOE and USEC agreed to discuss adjustment of the remaining three milestones as may be appropriate based on a revised deployment plan to be submitted to DOE by USEC by January 30, 2012 following the completion of the November 2011 financing milestone. In the February 2011 amendment to the 2002 DOE-USEC Agreement, DOE and USEC re-iterated their acknowledgment that USEC's obligations with respect to the ACP milestones under the 2002 DOE-USEC Agreement are not dependent on the issuance by DOE of a loan guarantee to USEC. However, USEC communicated to DOE that its ability to meet the remaining milestones is dependent on its obtaining a timely commitment and funding for a loan guarantee from DOE. USEC will also need additional financing commitments beyond a DOE loan guarantee to meet the November 2011 financing milestone.

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. DOE could also recommend that USEC be removed as the sole U.S. Executive Agent under the nonproliferation program between the United States and the Russian Federation known as "Megatons to Megawatts". As the U.S. Executive Agent, USEC signed a commercial agreement ("Russian Contract") in 1994 with a Russian government entity known as Techsnabexport ("TENEX") to implement the program. USEC currently purchases about one-half of its SWU supply from Russia under the Russian Contract. The 20-year Russian Contract expires at the end of 2013. Under the terms of a 1997 memorandum of agreement between USEC and the U.S. government, USEC can be terminated, or resign as the U.S. Executive Agent, or one or more additional executive agents may be named. If USEC were removed as the sole U.S. Executive Agent, it could reduce or terminate USEC's access to Russian LEU under the Megatons to Megawatts program in future years. However, under the 1997 memorandum of agreement, USEC has the right and obligation to pay for and take delivery of LEU that is to be delivered in the year of the date of termination and in the following year if USEC and TENEX have agreed on a price and quantity. 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.

USEC's right to continue operating the Paducah GDP under its lease with DOE is not subject to meeting the ACP milestones. In addition, the new Russian Supply Agreement described below is not subject to any of the remedies related to the ACP under the 2002 DOE-USEC Agreement.

Russian Supply Agreement

On March 23, 2011, USEC signed a new multi-year contract with TENEX for the 10-year supply of Russian LEU beginning in 2013. Under the terms of the new contract, the supply of LEU to USEC will begin in 2013 and increase until it reaches a level in 2015 that includes a quantity of SWU equal to approximately one-half the level currently supplied by TENEX to USEC under the Megatons to Megawatts program. TENEX and USEC also may mutually agree to increase the purchases and sales of SWU by certain additional optional quantities of SWU up to an amount beginning in 2015 equal to the amount USEC now purchases each year under the Megatons to Megawatts program. Unlike the Megatons to Megawatts program, the quantities supplied under the new contract will come from Russia's commercial enrichment activities rather than from downblending of excess Russian weapons material. As this new agreement is separate from the Megatons to Megawatts program, remedies provided to DOE under the 2002 DOE-USEC Agreement related to USEC's role under the Megatons to Megawatts program do not apply to the new purchase agreement. However, the LEU USEC obtains from TENEX under the new agreement will be subject to quotas and other restrictions applicable to commercial Russian LEU that do not apply to LEU supplied to USEC under the Megatons to Megawatts program.

Deliveries under the new supply contract are expected to continue through 2022. USEC will purchase the SWU component of the LEU and deliver natural uranium to TENEX for the LEU's uranium component. The pricing terms for SWU under the contract are based on a mix of market-related price points and other factors.

The new supply contract between TENEX and USEC was approved by the Russian State Atomic Energy Corporation ("Rosatom") on May 11, 2011. The effectiveness of the new contract is subject to completion of administrative arrangements between the U.S. and Russian governments under the agreement for cooperation in nuclear energy between the United States and the Russian Federation which, among other things, provides the framework for the return to Russia of natural uranium delivered by USEC to TENEX.

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 or financial condition.

In June 2011, a complaint was filed in Federal court against USEC by a current Portsmouth GDP employee claiming that USEC owes or will owe severance benefits to him and other similarly situated employees that have transitioned or will transition to the DOE decommissioning and decontamination contractor. USEC believes it has meritorious defenses against the suit and has not accrued any amounts for this matter. An estimate of the possible loss or range of loss from the litigation cannot be made because, among other things, (i) the plaintiff has failed to state the amount of damages sought, (ii) the plaintiff purports to represent a class of claimants the size and composition of which remains unknown and (iii) the certification of the class is uncertain. As disclosed in its Annual Report on Form 10-K for the year ended December 31, 2010, USEC's severance liability could have been up to $25 million if severance was required to be paid to all employees ceasing employment with USEC as a result of the transition to the DOE D&D contractor. In such an event, DOE would have owed a portion of this amount, estimated at $18.5 million. As employees have transitioned or are currently expected to transition, the potential severance liability associated with the transition of services at the Portsmouth site is currently estimated to be less than $2 million, but due to continued uncertainty no costs have been accrued for severance liability as of June 30, 2011. This $2 million estimate is an estimate of potential severance liability associated with the transition of services at the Portsmouth site and is not an estimate of the possible loss or range of loss from the litigation which cannot be made at this time for the reasons listed above.

14. 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 includes work performed for DOE and DOE contractors at the Portsmouth site and the Paducah GDP as well as nuclear energy services and technologies provided by NAC International Inc. Gross profit is USEC's measure for segment reporting. Intersegment sales between the reportable segments were less than $0.1 million in each period presented below and have been eliminated in consolidation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(millions)			
Revenue				
LEU segment:				
Separative work units	$ 330.3	$ 331.0	$ 638.8	$ 597.6
Uranium	67.8	69.6	81.8	85.2
	398.1	400.6	720.6	682.8
Contract services segment	56.3	59.1	114.3	121.6
	$ 454.4	**$ 459.7**	**$ 834.9**	**$ 804.4**
Segment Gross Profit				
LEU segment	$ 29.5	$ 42.0	$ 44.8	$ 57.0
Contract services segment	3.7	2.1	2.3	13.8
Gross profit	33.2	44.1	47.1	70.8
Advanced technology costs	33.5	26.0	60.2	51.7
Selling, general and administrative	16.7	14.3	32.2	29.4
Other (income)	-	(10.3)	(3.7)	(20.0)
Operating income (loss)	(17.0)	14.1	(41.6)	9.7
Interest expense (income), net	-	-	(0.2)	(0.1)
Income (loss) before income taxes	**$ (17.0)**	**$ 14.1**	**$ (41.4)**	**$ 9.8**

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 IA of the annual report on Form 10-K for the year ended December 31, 2010.

Overview

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

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

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

We produce or acquire LEU from two principal sources. We produce about half of our supply of LEU at the Paducah GDP in Paducah, Kentucky, and we acquire the other portion under a contract with Russia (the "Russian Contract") under the Megatons to Megawatts program. 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.

Our View of the Business Today

Nuclear power is an essential component of the world's electricity generation mix. A global fleet of approximately 440 nuclear reactors provide about 15% of the world's electricity. The United States has the largest number of reactors with 104 operating units that provide approximately 20% of the nation's electricity. The World Nuclear Association reports that more than 60 reactors are currently under construction. In China, two dozen new units are being built and another 50 reactors are in the planning stage.

In March 2011, a massive earthquake and tsunami struck northern Japan that caused serious damage to a multi-unit nuclear power station at Fukushima. The plant operator has said at least four of the reactors will be permanently closed due to damage and radiation at the plant. As of June 30, 2011, more than half of Japan's nuclear reactors remain out of service for inspections or awaiting government approval to restart. Following the event at Fukushima, some European governments have taken actions to limit the use of nuclear power in their nations. Although these actions will have a near-term impact on the market for our product, we believe the longer term effect is unclear and subject to changes in countries' energy strategies. Risk and uncertainties related to the effects of the events in Japan are described in Part II, Item 1A, "Risk Factors."

Reactors in Japan typically undergo maintenance or refueling outages every 12 to 13 months, and we are closely monitoring the return to service of those reactors that have been offline since the March 2011 earthquake. Although the approximately 50 reactors in Japan not damaged by the earthquake will be subject to governmental inspection and local government restart approval, we believe Japan requires the carbon-free, base load electricity that these units generate to meet industrial, business and residential demand. USEC has long been a leading supplier of LEU to Japan. Over the last three years, sales to Japan have accounted for approximately 10% to 15% of our revenue. We had already delivered the LEU to fuel fabricators expected to be used in 2011 for refueling of reactors by our utility customers most directly affected by the earthquake. Our backlog during the years 2012-2013 includes sales to customers most directly affected by the earthquake of approximately $20 million. As of June 30, 2011, estimated future revenue from Japanese utilities under contracts in our backlog during the period 2012 through 2020 is expected to be approximately 20% of the total backlog for that period.

In reaction to the nuclear event in Japan, Germany shut down seven older reactors and the coalition government in Germany voted to phase out nuclear power over the next decade. Although Germany has pledged to reduce its carbon footprint, this action will require an increase in coal and gas fired generating stations and imports of electricity from other nations. It will also require an increase in solar and wind power generation and a significant increase in energy efficiency. USEC does not serve any of the German reactors, but our European competitors that serve the German reactors will now have excess nuclear fuel available to sell that may negatively affect nuclear fuel prices. There was not an immediate change to the published price indicators for SWU in March, but the spot price indicators have moved slightly lower since then and the long-term price indicators have remained stable.

Looking longer term, the impact of the Fukushima event is unclear. We see continued growth in the number of nuclear power reactors internationally, but that growth may be at a slower pace than previously anticipated. The approximately 60 reactors currently under construction will likely be finished, adding at least 6 million SWU of annual demand. China has outlined an ambitious schedule for building new reactors that is unlikely to be significantly reduced, although a transition to the inherently safer generation III reactors in China may lengthen plant construction timelines. The economic fundamentals for building additional uranium enrichment capacity are still in place: the successful Megatons to Megawatts program will come to an end in 2013, the gaseous diffusion plants operating in the United States and France will be closed over the next several years and new reactors will be built to meet growing demand for electricity. Importantly, the centrifuge enrichment technology employed by the nuclear fuel industry is a modular technology that allows for incremental expansion. The industry participants have been entering into contract terms of a decade or longer with utility customers, assuring that uranium enrichment capacity expansion is tied directly to existing reactors or ones under construction.

Our production facility in Paducah, Kentucky is leased from the U.S. government and was built in the 1950s for defense purposes. Although the plant is operating at its highest efficiency in 30 years, the technology uses significant amounts of electric power that is increasingly putting us at a competitive disadvantage compared to our foreign-owned competitors who operate gas centrifuge plants. We continue planning to extend the operation of the plant beyond May 2012. We will base our decision to extend operations upon economic considerations and the ability of the plant to operate profitably which will depend on market conditions for enrichment and uranium, power prices and a depleted uranium re-enrichment program with DOE. In the past, the Paducah GDP has been needed to meet market demand for SWU, but the Fukushima event and subsequent responses has reduced the near-term demand in the market. Because approximately 70% of our cost of production is electricity, we are sharply focused on the price we pay for power at Paducah. We are in the final year of a power supply contract with the Tennessee Valley Authority that expires May 31, 2012 and we are evaluating additional power purchases from TVA and other sources as well as possible modifications to our obligations under our current contract with TVA. In addition, we have proposed a program to DOE to re-enrich a portion of DOE's stored depleted uranium. Such a program would reduce DOE's costs of ultimately disposing of the depleted uranium and would create a valuable asset, natural uranium, that could help fund DOE's cleanup programs, while providing production load to our enrichment operations at the Paducah GDP. In research released in June 2011, the Government Accountability Office ("GAO") estimated the value of DOE's depleted uranium to the government was $4.2 billion. Legislation requiring DOE to enter into such a program is being considered by Congress, but enactment of such legislation and timing is uncertain. Without the depleted uranium re-enrichment program and competitive power pricing beyond May 2012, extension of Paducah GDP operations may not be economic. Risk and uncertainties in this regard are described in Part I, Item 1A, of our 2010 annual report on Form 10-K in the risk factor "*It may not be economic to extend Paducah GDP operations beyond May 2012, which could affect our ability to meet customer orders and pose a significant risk to, or could significantly limit, our continued operations.*"

In March 2011, we announced a multi-year commercial contract with a Russian government entity known as TENEX that provides for continued access to Russian LEU after the Megatons to Megawatts program concludes. This will provide us with continued access to an important part of our existing LEU supply mix through 2022 for our customers as we continue to deploy the American Centrifuge Plant ("ACP"). By supplementing our domestic capacity at Paducah with continued access to Russian LEU, we seek to maintain our market position as we transition to the ACP. Pricing under the new agreement is determined using a formula that combines a mix of market-related price points and other factors. The new contract between USEC and TENEX was approved by the Russian State Atomic Energy Corporation on May 11, 2011. Subject to the effectiveness of the new supply contract, which is conditioned upon completion of administrative arrangements between the U.S. and Russian governments, USEC and TENEX have agreed to conduct a feasibility study to explore the possible deployment of an enrichment plant in the United States employing Russian centrifuge technology. Any decision to proceed with such a project would depend on the results of the feasibility study and would be subject to further agreement between the two parties and their respective governments. If a decision to proceed with such a project is made in the future, we would not expect to deploy such a project until after completion of the American Centrifuge project.

The 104 reactors in the United States and more than 300 reactors around the world will need fuel for many years. We are deploying the ACP as a more cost competitive technology to replace our existing gaseous diffusion technology to meet existing demands. Construction of the ACP began in 2007 after issuance of a construction and operating license by the U.S. Nuclear Regulatory Commission ("NRC"). Our plan is to expand the facility over time so that it can eventually replace the capacity of the Paducah GDP. We have invested over $2 billion in the American Centrifuge project but need significant additional financing to complete the plant. In 2008, we applied for a $2 billion loan guarantee from DOE for construction of the ACP. We significantly demobilized construction and machine manufacturing activities in 2009 due to delays in obtaining financing through DOE's Loan Guarantee Program. However, we have continued limited manufacturing, assembling and operating of centrifuge machines in the lead cascade test and demonstration program and ongoing development efforts. We have production-ready AC100 machines operating in the lead cascade and we are building additional centrifuge machines to accumulate machine hours that will provide further assurance of performance, reliability and plant availability. We believe in the American Centrifuge technology and have been working with DOE since October 2010 on the terms of a conditional commitment for a $2 billion loan guarantee for the American Centrifuge project. In April 2011, the DOE Loan Guarantee Program Office substantially completed the due diligence and negotiation stage of the application process, including a draft term sheet, and advanced the ACP application to the next phase for review in parallel by DOE's credit group and by the Office of Management and Budget, the Department of the Treasury and the National Economic Council. DOE has recently indicated that it believes that USEC needs to further improve its financial and project execution depth to achieve a manageable credit subsidy cost estimate and to proceed with the DOE loan guarantee. We are working with DOE and DOE's advisors on reviewing structuring options to address DOE's remaining concerns in order to move forward on the American Centrifuge Project and to obtain a conditional commitment and DOE loan guarantee. For additional details, refer to "American Centrifuge Plant Update" below.

One area of industry focus coming out of the events at Fukushima has been the amount of used nuclear fuel stored underwater in pools at nuclear facilities around the world. In the United States alone, there are many tens of thousands of spent fuel assemblies being stored in large pools in protected areas at the power plants. The federal government had focused on Yucca Mountain as the nation's used fuel repository site and Congress confirmed DOE's selection of the site in 2002. However, now DOE is seeking to halt the repository by requesting to withdraw a license application with the NRC. The future of the repository is highly uncertain. Regulators in the United States have continued to assert the safety of both wet and dry storage of used nuclear fuel; however, in this operating environment, plant operators may increasingly turn to dry cask storage technology to off-load older and cooler nuclear fuel assemblies from their spent fuel pools. This may increase near-term demand for dry cask storage systems. NAC International Inc. ("NAC"), a wholly owned USEC subsidiary, has a full range of dry cask storage systems, including the MAGNASTOR® System, the highest capacity system currently being delivered to customers.

NAC competes with two companies in the United States and has a market share that is roughly 30% of installed, multi-purpose canister concrete storage systems. We estimate the accessible and uncommitted global market over the next 10 years for used fuel storage systems to be roughly $1.5 billion, and this market could increase if utilities' used fuel storage plans are revised to transfer more fuel stored in pools into dry storage casks to reduce pool heat loads.

NAC is well prepared to support the market if there is expanded interest from utilities seeking to proactively move additional used fuel out of storage pools or if there are regulatory-driven mandates. Revenue for NAC is reported by the Company as part of the contract services segment and as services at the former Portsmouth plant wind down going forward, NAC's operations will account for a majority of revenue in the contract services segment.

We ceased uranium enrichment operations at the Portsmouth GDP, located in Piketon, Ohio, in 2001. Over the past decade, we maintained the Portsmouth site under contract with DOE. As part of our contract to maintain the facility in a state of "cold shutdown", we were directed during 2009 and 2010 to accelerate preparation for decontamination and decommissioning ("D&D") of the facility. As previously reported, DOE awarded a contract for the D&D of the Portsmouth site in August 2010 to a joint venture between Fluor Corp. and The Babcock & Wilcox Company. Our contract to maintain the facility in a state of cold shutdown expired in March 2011. We entered into an agreement with DOE to de-lease and return to DOE all remaining facilities at the Portsmouth site except for those facilities leased for the ACP. The de-lease of these facilities is currently anticipated to occur in the third quarter of 2011. Until the facilities are de-leased, USEC will continue to provide services to DOE and its contractors under cost reimbursement type contracts. With the transition of Piketon site services to the new D&D contractor, revenue for our contract services segment will decrease significantly going forward compared to prior periods. For additional details, refer to the "Contract Services Segment" section below.

USEC remains focused on our stated goals for 2011:

- To negotiate and close on a $2 billion DOE loan guarantee and other financing necessary to complete the ACP, as discussed in "American Centrifuge Plant Update" and "Liquidity and Capital Resources";
- To pursue new power purchase contracts and other arrangements to support Paducah operations during the transition to the ACP; and
- To successfully manage the transition of our cold shutdown work at the Portsmouth site and enhance the opportunities of our NAC International subsidiary.

American Centrifuge Plant Update

We are at a critical point regarding continued funding for the American Centrifuge project. To continue our current pace of spending and maintain our current investment in the ACP, we need to obtain a conditional commitment for the loan guarantee from DOE and close on the $50 million second phase of the strategic investment by Toshiba Corporation ("Toshiba") and Babcock & Wilcox Investment Company ("B&W"), an affiliate of The Babcock & Wilcox Company. The second closing of the strategic investment by Toshiba and B&W is conditioned on our obtaining a conditional commitment for a loan guarantee of not less than $2 billion from DOE. The securities purchase agreement governing the transaction provided that it may be terminated by us or each of the investors (as to such investor's obligations) if the second closing did not occur by June 30, 2011. We did not receive a conditional commitment from DOE by June 30th and therefore did not close on the second phase of the strategic investment by that date. On June 30, 2011, we entered into a standstill agreement with Toshiba and B&W pursuant to which each party agreed not to exercise its right to terminate the securities purchase agreement prior to August 15, 2011. Our ability to continue spending will be subject to our cash flow from operations and liquidity. Without a conditional commitment, we likely would have to further demobilize and reduce investment in the project.

We have been working with DOE since October 2010 on the terms of a conditional commitment for a $2 billion loan guarantee for the American Centrifuge project. In April 2011, the DOE Loan Guarantee Program Office substantially completed the due diligence and negotiation stage of the application process, including a draft term sheet, and advanced the ACP application to the next phase for review in parallel by DOE's credit group and by OMB, the Department of the Treasury and National Economic Council. This review includes the establishment of an estimated range of credit subsidy cost. Credit subsidy cost is charged by the U.S. government to cover the risk of estimated shortfalls in loan repayments. It represents the net present value of the estimated long-term cost to the U.S. government of the loan guarantee. As discussed above, on June 30, 2011, we entered into a standstill agreement with Toshiba and B&W through August 15, 2011, to provide an additional limited period of time to complete this review process and obtain a decision from DOE on the conditional commitment. DOE has recently indicated that it believes that USEC needs to further improve its financial and project execution depth to achieve a manageable credit subsidy cost estimate and to proceed with the DOE loan guarantee. We are working with DOE and DOE's advisors on reviewing structuring options to address DOE's remaining concerns in order to move forward on the American Centrifuge Project and to obtain a conditional commitment and DOE loan guarantee. In addition, USEC has retained financial and other advisors to assist USEC in this review of structuring options and in reviewing and pursuing strategic alternatives.

In parallel, we are continuing discussions with Toshiba and B&W with respect to the status and timing of the DOE loan guarantee process and its impact on closing of the next phase of the Toshiba and B&W investment and on the current standstill agreement. However, we have no assurance that a structuring option to address DOE's remaining concerns or a strategic alternative transaction will be achieved or the timing thereof, that any extension or other modifications to the standstill agreement will be agreed, that the terms we have negotiated with the DOE Loan Guarantee Program Office will be approved or that the credit subsidy cost will be reasonable. After obtaining a conditional commitment, we will need to conclude final documentation and satisfy any technical, financial and other conditions to funding in order to close on financing. Funding under a DOE loan guarantee will only occur following conditional commitment, final documentation and satisfaction of conditions to funding, which are subject to uncertainty.

In support of our DOE loan guarantee application, we continue to operate a lead cascade test and demonstration program with AC100 commercial plant machines at the Piketon, Ohio plant. On May 20, 2011, we submitted to the NRC a request to extend our operating license for the lead cascade which was scheduled to expire on August 23, 2011. On July 15, 2011, the NRC concluded that our application was complete, but deferred conducting a review of our application unless we request to continue lead cascade operations beyond the summer of 2012. Under applicable law, our license will not expire pending NRC's review of a complete application. Our suppliers are building components and we are assembling machines for the lead cascade program, demonstrating machine manufacturing capability and sustaining key infrastructure for remobilization. By increasing the number of operating machine hours we provide additional assurance of performance, reliability and plant availability.

On June 11, 2011, during a routine monthly maintenance action, an electrical fault in the plant support systems caused a power interruption that eventually led to the failure of some of the machines in the Lead Cascade. There were no injuries and there was no release of radiation or contamination as a result of this event even though most of the machines were operating on uranium gas at the time. The cost of these damaged machines was included in the $9.6 million expensed in the second quarter of previously capitalized construction work in progress costs. A thorough analysis of the event was completed and has been provided to DOE. The June event was not related to machine technology, machine design or machine manufacture. All of the available centrifuges have returned to operation in the lead cascade test and demonstration program, and additional centrifuges will be added over the next several months.

Effective May 1, 2011, we launched with B&W a joint company for the manufacture and assembly of AC100 centrifuge machines. The joint company, known as American Centrifuge Manufacturing, consolidates the authority and accountability for centrifuge machine manufacturing and assembly in one business unit which assumes contractual accountability over the family of centrifuge parts manufacturers. With this consolidation, the entire manufacturing program can be managed centrally for cost efficiency, lean manufacturing, and application of consistent standards of high quality across the entire machine manufacturing base.

In recent months, as part of our effort to reduce or mitigate project risks, certain key suppliers and sub-suppliers conducted production runs in their facilities for a period of time to successfully demonstrate production of machine components and assembly at a sustained production rate that we expect to reach during high-volume machine manufacturing. The production demonstration was also intended to provide suppliers with experience that would facilitate a transition to fixed-price contracts.

Fluor Corporation is the primary engineering supplier for the commercial plant and will perform certain construction activities. Other commercial plant work will be performed by other contractors, with USEC performing construction management for those activities.

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 31% of revenue from our LEU segment in 2010. Our agreements with electric utilities are primarily long-term, fixed-commitment contracts under which our customers are obligated to purchase a specified quantity of SWU from us or long-term requirements contracts under which our customers are obligated to purchase a percentage of their SWU requirements from us. Under requirements contracts, a customer only makes purchases when its reactor has requirements for additional fuel. Our agreements for uranium sales are generally shorter-term, fixed-commitment contracts.

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

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

Customer orders that are related to their requirements for enrichment may be delayed due to outages, changes in refueling schedules or delays in the initial startup of a reactor. In order to respond to these customer-driven changes as well as to enhance our liquidity and manage our working capital in light of anticipated sales and inventory levels, we work periodically with customers regarding the timing of their orders, including advancement. In addition, rather than selling material into the limited spot market for enrichment, USEC advanced orders from 2011 into 2010 and orders from 2012 into 2011, and based on our outlook for demand, we anticipate continuing to work with customers to advance orders in the near term. If customers agree to advance orders without delivery, a sale is recorded as deferred revenue. Alternatively, if customers agree to advance orders and delivery, revenue would be recorded in an earlier than originally anticipated period. The advancement of orders will have the effect of accelerating our receipt of cash from such advanced sales, although the amount of cash we receive from such sales may be reduced as a result of the terms mutually agreed with customers in connection with advancement. This will have the effect of reducing backlog and revenues in future years if we do not replace these orders with additional sales. Looking a few years out, we expect an increase in uncommitted demand that could provide the opportunity to make additional near-term sales in those years to supplement our backlog and thus decrease the need to advance orders in the future. Our ability to advance orders depends on the willingness of our customers to agree to advancement on terms that we find acceptable.

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

	June 30, 2011	December 31, 2010	June 30, 2010
Long-term SWU price indicator ($/SWU)	$ 158.00	$ 158.00	$ 160.00
UF_6:			
Long-term price composite ($/KgU)	193.67	190.07	168.27
Spot price indicator ($/KgU)	145.50	173.00	116.00

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

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. The proportion of uranium sales to SWU sales comprising the deferred revenue balance has declined as uranium sales are declining.

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, an increase or decrease in production or purchase costs will have an effect on inventory costs and cost of sales over current and future periods.

We produce about one-half of our SWU supply at the Paducah GDP. Production costs consist principally of electric power, labor and benefits, long-term depleted uranium disposition cost estimates, materials, depreciation and amortization, and maintenance and repairs. The quantity of uranium that is added to uranium inventory from underfeeding is accounted for as a byproduct of the enrichment process. Production costs are allocated to the uranium added to inventory based on the net realizable value of the uranium, and the remainder of production costs is allocated to SWU inventory costs.

The gaseous diffusion process uses significant amounts of electric power to enrich uranium. Costs for electric power are approximately 70% of production costs at the Paducah GDP. We purchase most of the electric power for the Paducah GDP under a power purchase agreement with TVA that expires May 31, 2012. The base price under the TVA power contract increases moderately based on a fixed, annual schedule, and is subject to a fuel cost adjustment provision to reflect changes in TVA's fuel costs, purchased-power costs, and related costs. The impact of the fuel cost adjustment has imposed an average increase over base contract prices of about 13% in first six months of 2011, 10% in 2010, 6% in 2009, and 15% in 2008. The average fuel cost adjustment in the first six months of 2011 was significantly affected by TVA's temporary power generating capacity losses during April and May which were caused by severe tornado and thunderstorm damage, necessitating the purchase of significant volumes of higher cost replacement power. Fuel cost adjustments in a given period are based in part on TVA's estimates as well as revisions of estimates for electric power delivered in prior periods. The impact of future fuel cost adjustments, which are substantially influenced by coal, gas and purchased-power prices and hydroelectric power availability, is uncertain and our cost of power could fluctuate in the future above or below the agreed increases in the base energy price. We expect the fuel cost adjustment to continue to cause our purchase cost to remain above base contract prices, but the magnitude and the impact is uncertain given volatile energy prices and electricity demand.

Under the terms of our contract with TVA, beginning September 1, 2010, we began to buy 1,650 megawatts instead of the 2,000 megawatts we had been purchasing in non-summer months since 2007. This reduction was included in the contract to provide a transition for the TVA power system for our planned transition to production at the ACP in Ohio. In addition, as a result of flood conditions near the Paducah plant, we coordinated with TVA to ramp down power purchases to summer operation levels earlier than planned. In the summer months (June – August), we supplement the 300 megawatts we buy under the TVA contract with additional power purchased at market-based prices. We have contracted for supplemental summer power for 2011 at attractive market-based prices that are low by historical standards. We continue to evaluate our TVA load profile and production requirements through the end of the contract period with a goal of optimizing power purchases and decreasing our exposure to TVA fuel cost volatility. As part of our planning for continued operations of the Paducah GDP, we are evaluating possible sources of power for delivery after May 31, 2012, including negotiations with TVA and discussions with potential alternate sources of electricity.

We store depleted uranium generated from our operations at the Paducah GDP and the Portsmouth site and accrue estimated costs for its future disposition. Under federal law, we have the option to send our depleted uranium to DOE for disposition, but are continuing to explore a number of competitive alternatives. DOE has constructed new facilities at Paducah and Portsmouth to process large quantities of depleted uranium owned by DOE. Test operations at the facilities have been authorized by DOE. If we were to dispose of our depleted uranium with DOE, we would be required to reimburse DOE for the related costs of disposing of our depleted uranium, including our pro rata share of DOE's capital costs. Processing DOE's depleted uranium is expected to take about 25 years. The method and timing of the disposal of our depleted uranium has not been determined. DOE has taken from USEC the disposal obligation for specific quantities of depleted uranium in past years, most recently through a cooperative agreement signed in March 2010 that provided for pro-rata cost sharing support for the funding of certain American Centrifuge activities in 2010. Our long-term liability for depleted uranium disposition is dependent upon the volume of depleted uranium that we generate, projected methods of disposition and estimated disposition costs. Our estimates of processing, transportation and disposal costs are based primarily on estimated cost data obtained from DOE without consideration given to contingencies or reserves. The NRC requires that we guarantee the disposition of our depleted uranium with financial assurance. Our estimate of the unit disposition cost for accrual purposes is approximately 30% less than the unit disposition cost for financial assurance purposes, which includes contingencies and other potential costs as required by the NRC. Our estimated cost and accrued liability as well as financial assurance we provide for the disposition of depleted uranium are subject to change as additional information becomes available.

We purchase about one-half of our SWU supply under the Russian Contract. We have agreed to purchase approximately 5.5 million SWU each calendar year for the remaining term of the Russian Contract through 2013. Prices are determined using a discount from an index of international and U.S. price points, including both long-term and spot prices as well as other pricing elements. The pricing methodology, which includes a multi-year retrospective view of market-based price points, is intended to enhance the stability of pricing and minimize the disruptive effect of short-term market price swings. The price per SWU under the Russian Contract for 2011 is 3% higher compared to 2010.

Contract Services Segment

Revenue from Contract Services

We perform services and earn revenue from contract work through our subsidiary NAC and from contract work for DOE and DOE contractors at the Paducah GDP and the Portsmouth site. USEC ceased uranium enrichment operations at the Portsmouth GDP, located in Piketon, Ohio, in 2001. Over the past decade, we maintained the Portsmouth site under contract with DOE. As part of our contract to maintain the facility in a state of "cold shutdown", we were directed during 2009 and 2010 to accelerate preparation for decontamination and decommissioning ("D&D") of the facility. As previously reported, DOE awarded a contract for the D&D of the Portsmouth site in August 2010 to a new contractor. Revenue from Portsmouth's government contract services activities, primarily related to the cold shutdown work, comprised approximately 80% of the total revenue for the contract services segment in 2010. The cold shutdown contract expired on March 28, 2011. As Portsmouth site services are transferred to the new contractor, revenue from our contract services segment will decrease significantly going forward compared to prior periods. See "– Portsmouth Facility Update" below.

DOE funded a portion of the work under the cold shutdown contract through an arrangement whereby DOE transferred uranium to us which we immediately sold. We completed six competitive sales of uranium between the fourth quarter of 2009 and the first quarter of 2011. Our receipt of the uranium is not considered a purchase by us and no revenue or cost of sales is recorded upon its sale. This is because we have no significant risks or rewards of ownership and no potential profit or loss related to the uranium sale. The value of the contract work is based on the cash proceeds from the uranium sales less our selling and handling costs. The net cash proceeds from the uranium sales were recorded as deferred revenue, and revenue is recognized in our contract services segment as services are provided.

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.

Contract Services Receivables

Payment for our contract work performed for DOE is subject to DOE funding availability and Congressional appropriations. In addition, 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, 2004, 2005, 2006, 2007, 2008 and 2009. DCAA historically has not completed their audits of our Incurred Cost Submissions in a timely manner. The only completed Incurred Cost Submission audit was for the period ended June 30, 2002. 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. There is the potential for additional revenue to be recognized related to our valuation allowances pending the outcome of audits and DOE reviews. However, because these periods have not been audited, uncertainty exists and we have not yet recognized this additional revenue.

Our consolidated balance sheet includes receivables from DOE or DOE contractors of $70.8 million as of June 30, 2011. Of the $70.8 million, $39.0 million are unbilled receivables where revenue has been previously recorded. Past due receivables from DOE or DOE contractors declined from $10.9 million at December 31, 2010 to $7.4 million at June 30, 2011.

Employee Transition

Under the Worker Adjustment and Retraining Notification Act ("WARN Act"), notifications of potential mass layoffs are required to be issued by an employer 60 days in advance. Accordingly, in anticipation of the transition to the new D&D contractor, WARN Act notifications were provided on January 24, 2011 to USEC employees providing services under the DOE contract. An agreement was reached with the D&D contractor and the United Steel Workers ("USW") Local 5-689 allowing the transition from USEC of all Portsmouth workers represented by the USW to the D&D contractor on March 28, 2011. Under that agreement, no severance benefits were payable as a result of the transition. On March 8, 2011, WARN Act notifications were provided for members of the Security, Police, Fire Professionals of America ("SPFPA") Local 66. Negotiations continue between SPFPA and the D&D contractor to transition employees represented by SPFPA when the facilities are de-leased and returned to DOE. Salaried Portsmouth site workers needed to maintain the facilities returned to DOE, including most managers and supervisors, will transition to the D&D contractor upon de-lease of the facilities. The target date previously reported as June 15, 2011 for full facility de-lease is now expected to occur in the third quarter of 2011 and will be mutually agreed to with DOE and the D&D contractor based on the duration of the NRC review and approval process. Since these salaried employees have received, or are expected to receive, substantially equivalent offers of employment, they would not be eligible to receive severance benefits upon their transition to the D&D contractor. The potential severance liability associated with the transition of services at the Portsmouth site is currently estimated to be less than $2 million, but due to continued uncertainty no costs have been accrued for severance liability as of June 30, 2011.

A summary of our employees by location follows:

Location		No. of Employees	
		June 30, 2011	Dec. 31, 2010
Paducah GDP	Paducah, KY	1,188	1,185
Portsmouth site	Piketon, OH	620	1,157
American Centrifuge	Primarily Oak Ridge, TN and Piketon, OH	454	453
NAC	Primarily Norcross, GA	65	60
Headquarters	Bethesda, MD	95	94
	Total Employees	**2,422**	**2,949**

The USW and SPFPA represented 31% of our employees at June 30, 2011 and 43% of our employees at December 31, 2010.

Pension and Postretirement Benefit Costs

The cessation of certain U.S. government contract activities, the transfer of employees, and the pending transfer of certain other employees in Portsmouth triggered certain curtailment charges related to USEC's defined benefit pension plan and postretirement health and life benefit plans. Since a substantial number of employees were expected to be leaving USEC as a result of the transitioning of our government services work to the D&D contractor, we recognized approximately $0.4 million in our cost of sales in December 2010 related to unamortized prior service costs based on our employee population at Portsmouth. USEC recognized an additional $5.1 million in cost of sales in 2011, including $1.9 million in the three months ended June 30, 2011, for curtailment charges related to the pension plan and postretirement benefit plans based on additional information and clarification on the timing and number of employees leaving USEC and refined actuarial estimates. Our curtailment charges for both the pension and postretirement health and life benefit plans reflect expected terminations for all employees transitioning at the Portsmouth site to the D&D contractor. We do not expect any additional one-time curtailment charges as a result of these employee transitions, absent a significant change in circumstances.

Portsmouth Facility Update

We lease portions of the former Portsmouth GDP from DOE. On September 30, 2010, we de-leased and returned to DOE three large process buildings and certain other Portsmouth GDP facilities. In connection with the expiration of the cold shutdown contract, we entered into an agreement with DOE regarding the full de-lease of all remaining facilities at the Portsmouth site in Ohio other than those leased for the ACP. In that agreement, DOE agreed to provide infrastructure services in support of our construction and operation of the ACP and to permit our re-lease of certain facilities in the event they are needed to provide utility services to the ACP. The de-lease of these facilities will be completed when all relevant regulatory approvals have been obtained, which is anticipated to occur in the third quarter of 2011. However, in the event the full de-lease does not occur prior to September 30, 2011 the agreement will expire unless extended by mutual agreement of the parties. At the time of de-lease of the facilities and their return to DOE, regulatory responsibility for the de-leased facilities will be transferred from the NRC to DOE. Until the facilities are de-leased, we will continue to operate such facilities and provide services to DOE and its contractors under cost reimbursement type contracts.

Under the lease agreement, ownership of plant and equipment that we leave behind transfers to DOE as well as responsibility for D&D. The turnover requirements of the lease require us to remove certain uranium and USEC-generated waste, and we accrue amounts to cover these expected costs as part of our lease turnover cost estimate. In connection with the return of facilities, DOE has agreed to accept ownership of certain low-level radioactive waste. Under the agreement, we will pay DOE its cost of disposing of such wastes which was estimated to be $7.8 million.

We also have inventories of nuclear material and equipment remaining at Portsmouth. We have agreed with DOE to swap this material for material of like value located at the Paducah GDP. During 2010, we charged approximately $1.5 million to cost of sales for inventory deemed impaired due to the estimated costs exceeding the benefits required to move certain material to another USEC location.

Estimated Contract Closeout Costs to be Billed to DOE

Contract closeout related costs, as defined by applicable federal acquisition regulations and government cost accounting standards, are anticipated to be billed to DOE and recorded as revenue when contract close-out occurs. Our current estimate for these billable costs is in the range of $40 million to $50 million without considering ongoing cost reimbursable work being performed. These contract closeout costs to be billed to DOE include DOE's share of our defined benefit pension plan, our postretirement health and life benefit plan, potential severance, remaining CAS-based net book value of assets transferred, remaining owed contract fees and other miscellaneous costs. The actual amounts are subject to a number of factors and therefore subject to significant uncertainty including uncertainty concerning the amount that may be reimbursable under contracts with DOE.

Advanced Technology Costs

American Centrifuge

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

Expenditures related to American Centrifuge technology for the six months ended June 30, 2011 and 2010 as well as cumulative expenditures as of June 30, 2011, follow (in millions):

	Six Months Ended June 30,		Cumulative as of June 30,
	2011	2010	2011
Amount expensed (A)	$ 59.5	$ 50.7	$ 826.9
Amount capitalized (B)	70.8	63.6	1,249.0
Total ACP expenditures, including accruals (C)	**$ 130.3**	**$ 114.3**	**$ 2,075.9**

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

(B) Amounts capitalized as part of property, plant and equipment total $1,213.9 million as of June 30, 2011, including capitalized interest of $101.1 million. Prepayments to suppliers for services not yet performed totaled $35.1 million as of June 30, 2011.

(C) Total ACP expenditures are all American Centrifuge costs including, but not limited to, demonstration facility, licensing activities, commercial plant facility, program management, interest related costs and accrued asset retirement obligations capitalized. This includes $8.7 million of accruals at June 30, 2011.

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

Deferred financing costs, net, includes approximately $5.1 million for costs related to the ACP project, such as loan guarantee application fees paid to DOE and third-party costs. Deferred financing costs related to the DOE Loan Guarantee Program will be amortized over the life of the loan or, if USEC does not receive a loan, charged to expense.

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

During the second quarter of 2011, we expensed $9.6 million of previously capitalized construction work in progress costs. This expense was charged to advanced technology costs on the consolidated statement of operations and relates to a number of centrifuge machines and the related capitalized interest allocated to the centrifuge machines. The centrifuge machines expensed are no longer considered to have future economic benefit because they were irreparably damaged during lead cascade operations. There is no machine technology, machine design or machine manufacturing issue associated with this expense.

In addition, we are currently evaluating the ongoing utility of a number of earlier AC100 centrifuge machines that may not be compatible with the current commercial plant design that were previously capitalized as part of construction work in progress. If we determine that these centrifuge machines have no future economic benefit, then we would expense up to $100 million in a subsequent quarter. We are evaluating several potential uses of these machines and the related economics for each scenario, such as use in the commercial plant as a production line, use of certain parts or subassemblies as operating spares, and for operator training. The evaluation of these centrifuge machines is expected to be completed by the end of the fourth quarter of 2011.

We significantly demobilized and reduced construction and machine manufacturing activities in the American Centrifuge project beginning in August 2009 due to uncertainty regarding project funding. However, we continue limited manufacturing, assembling and operating of centrifuge machines in the lead cascade test program and ongoing development efforts. We believe that future cash flows from the ACP will exceed our capital investment. Since we believe our capital investment is fully recoverable, except as described above, no impairment for costs previously capitalized is anticipated at this time. We will continue to evaluate this assessment as conditions change.

For a discussion regarding financing for the American Centrifuge project, see "Management's Discussion and Analysis – Liquidity and Capital Resources." Risks and uncertainties related to the financing, construction and deployment of the American Centrifuge Plant are described in Item 1A, "Risk Factors" of this report and our 2010 Annual Report on Form 10-K.

MAGNASTOR®

Advanced technology costs also include research and development efforts undertaken by NAC, relating primarily to its new generation MAGNASTOR dual-purpose concrete dry storage system for spent fuel. In February 2009, the MAGNASTOR System was added to the NRC's list of dry storage casks approved for use under a general license. MAGNASTOR has among the largest storage capacities of any cask system approved to date. NAC continues to seek license amendments for the expanded use of the technology and submitted a license application to the NRC for certification of the MAGNASTOR transportation cask system, the MAGNATRAN™, in January 2011.

Results of Operations – Three and Six Months Ended June 30, 2011 and 2010

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 work performed for DOE and its contractors at Portsmouth and Paducah as well as nuclear energy services and technologies provided by NAC. Intersegment sales between our reportable segments were less than $0.1 million in each period presented below and have been eliminated in consolidation.

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

	Three Months Ended June 30,			
	2011	2010	Change	%
LEU segment				
Revenue:				
SWU revenue	$ 330.3	$ 331.0	$ (0.7)	-
Uranium revenue	67.8	69.6	(1.8)	(3)%
Total	398.1	400.6	(2.5)	(1)%
Cost of sales	368.6	358.6	(10.0)	(3)%
Gross profit	$ 29.5	$ 42.0	$ (12.5)	(30)%
Contract services segment				
Revenue	$ 56.3	$ 59.1	$ (2.8)	(5)%
Cost of sales	52.6	57.0	4.4	8%
Gross profit	$ 3.7	$ 2.1	$ 1.6	76%
Total				
Revenue	$ 454.4	$ 459.7	$ (5.3)	(1)%
Cost of sales	421.2	415.6	(5.6)	(1)%
Gross profit	$ 33.2	$ 44.1	$ (10.9)	(25)%

	Six Months Ended June 30,			
	2011	2010	Change	%
LEU segment				
Revenue:				
SWU revenue	$ 638.8	$ 597.6	$ 41.2	7%
Uranium revenue	81.8	85.2	(3.4)	(4)%
Total	720.6	682.8	37.8	6%
Cost of sales	675.8	625.8	(50.0)	(8)%
Gross profit	$ 44.8	$ 57.0	$ (12.2)	(21)%
Contract services segment				
Revenue	$ 114.3	$ 121.6	$ (7.3)	(6)%
Cost of sales	112.0	107.8	(4.2)	(4)%
Gross profit	$ 2.3	$ 13.8	$ (11.5)	(83)%
Total				
Revenue	$ 834.9	$ 804.4	$ 30.5	4%
Cost of sales	787.8	733.6	(54.2)	(7)%
Gross profit	$ 47.1	$ 70.8	$ (23.7)	(33)%

Revenue

The volume of SWU sales declined 1% in the three months and increased 3% in the six months ended June 30, 2011, compared to the corresponding periods in 2010, reflecting the variability in timing of utility customer orders. The average price billed to customers for sales of SWU increased 1% in the three-month period and 3% in the six-month period, reflecting the particular contracts under which SWU were sold during the periods as well as the general trend of higher prices under contracts signed in recent years.

The volume of uranium sold declined 27% in the three months and 29% in the six months ended June 30, 2011, compared to the corresponding periods in 2010, reflecting declines in uranium inventory available for sale. The average price increased 35% in the three months and 36% in the six months reflecting the particular price mix of contracts under which uranium was sold.

Revenue from the contract services segment declined $2.8 million in the three months and $7.3 million in the six months ended June 30, 2011, compared to the corresponding periods in 2010. Contract service revenues at Portsmouth and Paducah declined $10.7 million in the three-month period and $18.0 million in the six-month period. These declines reflect reduced site services at Portsmouth as work is transferred to the new D&D contractor as well as fee recognition on certain contracts in the first quarter of 2010. Revenues by NAC increased $7.9 million in the three-month period and $10.7 million in the six-month period primarily as result of increased sales of dry cask storage systems.

Cost of Sales

Cost of sales for the LEU segment increased $10.0 million in the three months ended June 30, 2011, compared to the corresponding period in 2010, primarily due to higher unit costs, partially offset by lower uranium sales volumes. Cost of sales for the LEU segment increased $50.0 million in the six months ended June 30, 2011, compared to the corresponding period in 2010, primarily due to higher unit costs and higher SWU sales volumes, partially offset by lower uranium sales volumes.

Cost of sales per SWU was 10% higher in the three months and 9% higher in the six months ended June 30, 2011 compared to the corresponding periods in 2010. In the second quarter of 2010, cost of sales and other long-term liabilities were reduced by $7.8 million due to a change in estimate of our share of future demolition and severance costs for a power plant that was built to supply power to the Paducah GDP. Excluding the effect of this change in estimate in the prior period, cost of sales per SWU was 7% higher in both the three- and six-month periods of 2011 compared to the corresponding periods in 2010.

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

Production costs declined $38.0 million (or 18%) in the three months and $50.2 million (or 11%) in the six months ended June 30, 2011, compared to the corresponding periods in 2010, as production volume declined to more closely match anticipated sales for the year. Production volume declined 25% and 20% in the three- and six-month periods, respectively, and the unit production cost increased 9% and 10%. Under our power contract with the Tennessee Valley Authority, beginning September 1, 2010, the power that we purchase from TVA during the non-summer months (September – May) was reduced from 2,000 megawatts to 1,650 megawatts. As a result, megawatt hours purchased declined 27% in the three-month period and 21% in the six-month period. The average cost per megawatt hour increased 3% in the three-month period and 7% in the six-month period. The higher prices reflect higher TVA fuel cost adjustments as well as the fixed, annual increase in the TVA contract price. In the three months ended June 30, 2011, the effect of higher prices under the TVA contract was partially offset by supplemental power purchases at low market-based prices.

We purchase approximately 5.5 million SWU per year under the Russian Contract. Purchase costs for the SWU component of LEU under the Russian Contract declined $43.1 million in the six months ended June 30, 2011 compared to the corresponding period in 2010, reflecting decreased volume due to the timing of deliveries partially offset by a 3% increase in the market-based unit purchase cost.

Cost of sales in the three and six months ended June 30, 2011 for the contract services segment reflect curtailment charges of $1.9 million and $5.1 million, respectively, for the retirement benefit plans in connection with the transition of USEC employees to a new contractor following the expiration of the cold shutdown contract on March 28, 2011 (refer to the "Contract Services Segment" section above for details). Cost of sales for the contract services segment declined $4.4 million in the three months ended June 30, 2011, compared to the corresponding period in 2010, reflecting reduced contract services work at Portsmouth, partially offset by increased sales by NAC and the curtailment charge. Cost of sales for the contract services segment increased $4.2 million in the six months ended June 30, 2011, compared to the corresponding period in 2010, reflecting increased sales by NAC and the curtailment charge, partially offset by reduced contract services work at Portsmouth.

Gross Profit

Gross profit declined $10.9 million in the three months ended June 30, 2011 compared to the corresponding period in 2010. Our gross profit margin was 7.3% in the three months ended June 30, 2011 compared to 9.6% in the corresponding period in 2010. Gross profit for the LEU segment declined $12.5 million in the three-month period due to higher unit costs, partially offset by higher average selling prices for SWU and uranium.

Gross profit for the contract services segment increased $1.6 million in the three months ended June 30, 2011, compared to the corresponding period in 2010, reflecting increased profit for NAC and partially offset by a $1.9 million retirement benefit plan curtailment charge in the current period in connection with the transition of USEC employees to a new contractor following the expiration of the cold shutdown contract on March 28, 2011.

Gross profit declined $23.7 million in the six months ended June 30, 2011 compared to the corresponding period in 2010. Our gross profit margin was 5.6% in the six months ended June 30, 2011 compared to 8.8% in the corresponding period in 2010. Gross profit for the LEU segment declined $12.2 million in the six-month period due to higher unit costs, partially offset by higher average selling prices for SWU and uranium.

Gross profit for the contract services segment declined $11.5 million in the six months ended June 30, 2011, compared to the corresponding period in 2010, reflecting fee recognition on certain contracts in the prior period as well as $5.1 million in retirement benefit plan curtailment charges in the current period, partially offset by increased profit for NAC.

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,			
	2011	**2010**	**Change**	**%**
Gross profit	$ 33.2	$ 44.1	$ (10.9)	(25)%
Advanced technology costs	33.5	26.0	(7.5)	(29)%
Selling, general and administrative	16.7	14.3	(2.4)	(17)%
Other (income)	-	(10.3)	(10.3)	-
Operating income (loss)	(17.0)	14.1	(31.1)	(221)%
Interest expense	0.1	0.1	-	-
Interest (income)	(0.1)	(0.1)	-	-
Income (loss) before income taxes	(17.0)	14.1	(31.1)	(221)%
Provision for income taxes	4.2	6.9	2.7	39%
Net income (loss)	**$ (21.2)**	**$ 7.2**	**$ (28.4)**	(394)%

	Six Months Ended June 30,			
	2011	**2010**	**Change**	**%**
Gross profit	$ 47.1	$ 70.8	$ (23.7)	(33)%
Advanced technology costs	60.2	51.7	(8.5)	(16)%
Selling, general and administrative	32.2	29.4	(2.8)	(10)%
Other (income)	(3.7)	(20.0)	(16.3)	(82)%
Operating income (loss)	(41.6)	9.7	(51.3)	(529)%
Interest expense	0.1	0.1	-	-
Interest (income)	(0.3)	(0.2)	0.1	50%
Income (loss) before income taxes	(41.4)	9.8	(51.2)	(522)%
Provision (benefit) for income taxes	(3.6)	12.3	15.9	129%
Net (loss)	**$ (37.8)**	**$ (2.5)**	**$ (35.3)**	(1412)%

Advanced Technology Costs

Advanced technology costs increased $7.5 million in the three months and $8.5 million in the six months ended June 30, 2011, compared to the corresponding periods in 2010. In the second quarter of 2011, we expensed $9.6 million of previously capitalized construction work in progress costs relating to a number of centrifuge machines and associated capitalized interest costs. The centrifuge machines expensed are no longer considered to have future economic benefit because they were irreparably damaged during lead cascade operations. Advanced technology costs include expenses by NAC to develop and expand its MAGNASTOR storage and transportation technology of $0.7 million in the six months ended June 30, 2011 and $1.0 million in the corresponding period of 2010.

Selling, General and Administrative

Selling, general and administrative expenses increased $2.4 million in the three months ended June 30, 2011 compared to the corresponding period in 2010, reflecting an increase of $1.1 million in salary, employee benefit and other compensation costs, an increase of $0.3 million in consulting costs and a favorable lease adjustment of $0.5 million in the second quarter of 2010. Selling, general and administrative expenses increased $2.8 million in the six months ended June 30, 2011 compared to the corresponding period in 2010, reflecting an increase of $1.4 million in salary, employee benefit and other compensation costs, an increase of $0.2 million in consulting costs and a favorable lease adjustment of $0.5 million in the second quarter of 2010.

Other (Income)

In January 2011, we executed an exchange with a noteholder whereby USEC received convertible notes with a principal amount of $45 million in exchange for 6,952,500 shares of common stock and cash for accrued but unpaid interest on the convertible notes. In connection with this exchange, we recognized a gain on debt extinguishment of $3.1 million in the first quarter of 2011.

In March 2010, we reached a cooperative agreement with DOE to provide for pro-rata cost sharing support for continued funding of American Centrifuge activities with a total cost of $90 million. DOE made $45 million available by taking the disposal obligation for a specific quantity of depleted uranium from USEC, which released encumbered funds for investment in the American Centrifuge technology that we had otherwise committed to future depleted uranium disposition obligations. The program was completed in January 2011 when we made the final qualifying expenditures of $1.2 million. DOE's contribution on a 50% pro rata basis, or $0.6 million, was recognized as other income in the first quarter of 2011. In the six months ended June 30, 2010, we made qualifying American Centrifuge expenditures of $40.0 million. DOE's contribution on a 50% pro rata basis, or $20.0 million, was recognized as other income in the six months ended June 30, 2010.

Interest Expense and Interest Income

Interest expense was unchanged compared to the corresponding periods in 2010 at $0.1 million in the three and six months ended June 30, 2011. Interest costs capitalized increased from $12.9 million in the six months ended June 30, 2010 to $21.6 million in the six months ended June 30, 2011, reflecting the convertible preferred stock issued in September 2010 and credit facility term loan funded in October 2010.

Interest income was unchanged in the three months and increased $0.1 million in the six months ended June 30, 2011, compared to the corresponding periods in 2010, reflecting higher average cash balances.

Provision (Benefit) for Income Taxes

The provision (benefit) for income taxes was $4.2 million in the three months and $(3.6) million in the six months ended June 30, 2011. The decrease in the provision (benefit) for income taxes compared to the three months ended March 31, 2011 is primarily due to a decrease in the expected 2011 loss before taxes and an increase in non-deductible paid-in kind dividends associated with the investment by Toshiba and B&W in the second half of 2011. The first and second quarter 2011 income tax provisions include a $0.3 million benefit for the reversal of previously accrued amounts associated with liabilities for unrecognized benefits.

Excluding the reversal of previously accrued amounts associated with liabilities for unrecognized benefits, the overall effective rate for 2011 is expected to result in a benefit for income taxes of 8% compared to a provision for income taxes of 72% for 2010. This difference between 2010 and 2011 primarily results from 2010 having income before income taxes and 2011 having an expected loss before income taxes. If 2011 was expected to have income levels comparable to 2010, the 2011 effective income tax rate would be approximately 60%. The difference between the federal statutory rate of 35% and the 2011 effective income tax rate of 8% is primarily due to the low level of 2011 expected loss. In addition, the 2010 provision for income taxes included a one-time charge of $6.5 million related to the change in tax treatment of Medicare Part D reimbursements as a result of the Patient Protection and Affordable Care Act as modified by the Reconciliation Act of 2010 (collectively referred to as "the Healthcare Act") signed into law at the end of March 2010. The charge was due to a reduction in our deferred tax asset as a result of a change to the tax treatment of Medicare Part D reimbursements. The 2011 effective income tax rate decrease is also impacted by lower estimated federal research credits in 2011 compared to 2010.

Net (Loss)

Net income declined $28.4 million in the three months and $35.3 million in the six months ended June 30, 2011 compared to the corresponding periods in 2010, primarily due to the after-tax effects of the declines in LEU segment profits and other income. Additional factors affecting the six-month period include the after-tax effects of the declines in contract services profits, partially offset by the tax provision charge of $6.5 million in the prior period related to the effect of changes in tax laws on our deferred tax assets.

2011 Outlook Update

USEC is providing a mid-year update to our 2011 financial guidance. We expect revenue for the full year to be $1.7 billion, unchanged from our initial guidance. Within that total revenue, we expect SWU revenue to be slightly below $1.4 billion and uranium revenue to be $150 million. Our projection for SWU volume sold has declined by 3% from earlier guidance but we continue to see a 3% increase in the average price billed to customers. The contract services segment, which includes the close-out of work for DOE at the former Portsmouth Gaseous Diffusion Plant, is now expected to have revenue of approximately $200 million or $50 million more than our initial guidance. The higher revenue reflects additional services provided by USEC as the decontamination and decommissioning project at Portsmouth is handed over to a DOE contractor and additional sales of dry storage systems by our subsidiary, NAC International.

On the cost side of the LEU segment, electric power continues to be the largest cost component at approximately 70% of the cost of SWU production. Under the terms of our contract with TVA, we are buying less electricity in 2011 than in 2010. We also coordinated with TVA to ramp down power purchases to our summer operations level earlier than planned due to flooding in the Tennessee Valley. The resulting reduction in power purchases will lower our cost of sales, partially offset by higher than expected fuel cost adjustments paid to TVA. We continue to evaluate our TVA load profile and production requirements through the end of our power supply contract with a goal of optimizing power purchases and decreasing our exposure to TVA fuel cost volatility. We produce approximately half of our SWU supply and purchase half from Russia under the Megatons to Megawatts program. The purchase price paid to Russia in 2011 is 3% higher than in 2010, but the average inventory cost reflects the impact of an 8% increase in purchase cost in 2010 compared to 2009.

Over the past several years, the year-over-year increase in the cost of electricity and purchase price of SWU from Russia has been greater than the increase in our average price billed to customers, which has tightened gross margins. However, based on lower production costs in 2011 and slightly higher average prices billed to customers than anticipated in our prior guidance, we now anticipate our gross profit margin for 2011 will be approximately 6%, an improvement over our initial guidance of 4% to 5%. Based on this revised guidance, we expect the gross profit for 2011 to be approximately $100 million.

Below the gross profit line, we expect our selling, general and administrative expense to be approximately $60 million. The amount of spending related to the American Centrifuge project continues to be a function of our progress toward a conditional commitment and timely financial closing on a DOE loan guarantee and related funding. We expect total spending, both capitalized and expensed, to be approximately $145 million through August 31, 2011. As previously disclosed, our spending on the American Centrifuge in 2011 has been incrementally allocated as we continue to evaluate our spending plan and our path toward a DOE loan guarantee commitment. Spending on the project has a significant effect on net income and cash flow, and because the spending level continues to be uncertain, USEC is not providing guidance on net income or cash flow at this time. Taking into account spending on the project to date and our anticipated gross profit margin, we expect to report a net loss each quarter in 2011. We do, however, expect our current enrichment operations to generate positive cash flow from operations.

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

- Changes to the electric power fuel cost adjustment or changes to our power purchases from our current projection;
- Closing out contract services work at Portsmouth and recognition of estimated contract closeout costs to be recovered from DOE as well as amounts previously billed and owed;
- Movement and timing of customer orders;
- Actions by DOE regarding financing of the American Centrifuge and supporting its continued development;
- Ongoing review and evaluation of the value of capitalized costs that are part of ACP construction that could be charged to expense;
- Changes to SWU and uranium price indicators, and changes in inflation that can affect the price of SWU billed to customers; and
- The timing of recognition of previously deferred revenue.

Liquidity and Capital Resources

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

We believe our sales backlog in our LEU segment is a source of stability for our liquidity position. Since 2006, we have included in our SWU contracts pricing indices that are intended to correlate with our sources for enrichment supply. Although sales prices under many of our SWU contracts are adjusted in part based on changes in market prices for SWU and electric power, the impact of market volatility in these indices is generally mitigated through the use of market price averages over time. Additionally, changes in the power price component of sales prices are intended to mitigate the effects of changes in our power costs.

Customer orders that are related to their requirements for enrichment may be delayed due to outages, changes in refueling schedules or delays in the initial startup of a reactor. In order to respond to these customer-driven changes as well as to enhance our liquidity and manage our working capital in light of anticipated sales and inventory levels, we work periodically with customers regarding the timing of their orders, including advancement. In addition, rather than selling material into the limited spot market for enrichment, USEC advanced orders from 2011 into 2010 and orders from 2012 into 2011, and based on our outlook for demand, we anticipate continuing to work with customers to advance orders in the near term. The advancement of orders has the effect of accelerating our receipt of cash from such advanced sales, although the amount of cash we receive from such sales may be reduced as a result of the terms mutually agreed with customers in connection with advancement. This will have the effect of reducing backlog and revenues in future years if we do not replace these orders with additional sales. Looking a few years out, we expect an increase in uncommitted demand that could provide the opportunity to make additional near-term sales in those years to supplement our backlog and thus decrease the need to advance orders in the future. Our ability to advance orders depends on the willingness of our customers to agree to advancement on terms that we find acceptable.

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

We expect our cash balance, internally generated cash from our LEU operations and services provided by our contract services segment, and available borrowings under our revolving credit facility will provide sufficient cash to meet our needs for at least 12 months. This assumes the renewal of the revolving credit portion of the credit facility and the repayment of the term loan portion of the credit facility at maturity. The credit facility matures on May 31, 2012. However, as described below, this does not include continuing at our current level of spending on the ACP. To continue our current pace of spending and maintain our current investment in the ACP, we must obtain additional capital in the third quarter of 2011. Additional funds may be necessary sooner than we currently anticipate if we are not successful in our efforts to conserve cash or in the event we are required to fund unanticipated payments to suppliers, increases in financial assurance, any shortfall in our estimated levels of operating cash flow or available borrowings under the revolving credit facility, or to meet other unanticipated expenses. If necessary, we will further reduce our anticipated spending on the American Centrifuge project, providing additional flexibility to address unanticipated cash requirements, however, this will likely have a significant adverse impact on the project.

We need significant additional financing to complete construction of the American Centrifuge Plant and we have already reduced the scope of project activities until we have that financing. We expected to fund continued spending on the ACP through the closing on a DOE loan guarantee, using the proceeds from the first two phases of the investment from Toshiba and B&W and through our cash flow from existing operations. However, we have reached a critical point regarding continued funding for the American Centrifuge project. We need to obtain a conditional commitment for the loan guarantee from DOE and close on the $50 million second phase of the strategic investment by Toshiba and B&W in order to maintain the current project spending level. Our ability to continue spending will be subject to our cash flow from operations and liquidity. Without a conditional commitment, we likely would have to further demobilize the project and reduce investment, which would have a material adverse impact on the project.

We have been working with DOE since October 2010 on the terms of a conditional commitment for a $2 billion loan guarantee for the American Centrifuge project. In April 2011, the DOE Loan Guarantee Program Office substantially completed the due diligence and negotiation stage of the application process, including a draft term sheet, and advanced the ACP application to the next phase for review in parallel by DOE's credit group and by OMB, the Department of the Treasury and NEC. This review includes the establishment of an estimated range of credit subsidy cost. As discussed below, on June 30, 2011, USEC entered into a standstill agreement with Toshiba and B&W through August 15, 2011, to provide an additional limited period of time to complete this review process and obtain a decision from DOE on the conditional commitment. DOE has recently indicated that it believes that USEC needs to further improve its financial and project execution depth to achieve a manageable credit subsidy cost estimate and to proceed with the DOE loan guarantee. We are working with DOE and DOE's advisors on reviewing structuring options to address DOE's remaining concerns in order to move forward on the American Centrifuge Project and to obtain a conditional commitment and DOE loan guarantee. In addition, we have retained financial and other advisors to assist USEC in this review of structuring options and in reviewing and pursuing strategic alternatives.

In May 2010, Toshiba and B&W signed a securities purchase agreement to make a $200 million investment in USEC. Under the terms of the agreement, Toshiba and B&W each agreed to invest $100 million in USEC over three phases, each of which is subject to specific closing conditions. Closing for the first phase occurred in September 2010 and USEC received $75 million. Closing on the second phase of $50 million is subject to closing conditions, including obtaining a conditional commitment for a $2 billion loan guarantee from DOE. Closing on the third phase of $75 million is subject to additional closing conditions, including closing on a $2 billion loan guarantee. For their investment, the companies received convertible preferred stock as well as warrants to purchase shares of common stock, which are exercisable in the future. The securities purchase agreement provided that if the second closing did not occur by June 30, 2011, the agreement may be terminated by USEC or each of the investors (as to such investor's obligations). USEC did not receive a conditional commitment from DOE by June 30th and therefore did not close on the second phase of the strategic investment by that date. On June 30, 2011, USEC entered into a standstill agreement with Toshiba and B&W whereby each of the parties agreed not to exercise its right to terminate prior to August 15, 2011.

USEC is continuing discussions with Toshiba and B&W with respect to the status and timing of the DOE loan guarantee process and its impact on closing of the next phase of the Toshiba and B&W investment and on the current standstill agreement. However, USEC has no assurance that a structuring option to address DOE's remaining concerns or a strategic alternative transaction will be achieved or the timing thereof, that any extension or other modifications to the standstill agreement will be agreed, that the terms USEC has negotiated with the DOE Loan Guarantee Program Office will be approved or that the credit subsidy cost will be reasonable. After obtaining a conditional commitment, USEC will need to conclude final documentation and satisfy any technical, financial and other conditions to funding in order to close on financing. Funding under a DOE loan guarantee will only occur following conditional commitment, final documentation and satisfaction of conditions to funding, which are subject to uncertainty.

To complete the project, we will require additional funding beyond the $2 billion DOE loan guarantee, proceeds from the investment from Toshiba and B&W, and internally generated cash flow. In order to obtain a DOE loan guarantee, we will need to demonstrate that sufficient capital is available to complete the project. We initiated in 2010, and continue to have discussions with Japanese export credit agencies regarding financing $1 billion of the cost of building the plant. However, we have no assurance that they will provide the financing needed and on what terms or that we will not need additional capital.

In August 2010, we announced our estimated cost of approximately $2.8 billion to complete the American Centrifuge project from the point of closing on financing. The $2.8 billion estimate is a go-forward cost estimate and does not include our investment to date, spending up to closing on financing needed to complete the plant, overall project contingency, financing costs or financial assurance. This estimate included AC100 machine manufacturing and assembly, engineering, procurement and construction ("EPC") costs and related balance-of-plant work, start-up and initial operations, and project management. We have been working with our suppliers to update the scope, cost and schedule to build the ACP and we continue to work with our suppliers to refine our estimates and seek reductions in the project cost. Since August 2010, plant design has matured and financial closing continues to be delayed. As a result of more mature plant design, potential changes in material costs and continuing uncertainty with respect to the timing of financial closing, we expect this go-forward cost estimate to increase but we will continue to work with our suppliers to limit any potential increase. Prices from our suppliers are valid for only limited periods of time and until we have clarity on the timing for closing on a DOE loan guarantee, we will be unable to provide a reasonably static estimate of go-forward costs. In addition, to the extent we are forced to further demobilize the ACP as a result of continued delays, our estimated costs for the project will also increase for remobilization and other costs.

In addition, we are currently evaluating the appropriate level for the overall project contingency taking into account the level of risk given the maturity of the project and pending discussions with DOE regarding obtaining a loan guarantee. We are also evaluating the financing costs and financial assurance required for the project, which will be affected by, among other things, the overall financing plan for the project, the amount of the credit subsidy cost for any DOE loan guarantee, and the amount and sources of the additional financing we need to complete the project.

We are seeking to fund the costs to complete the American Centrifuge project and additional amounts that are needed to cover overall project contingency, financing costs and financial assurance through a combination of the $2 billion of DOE loan guarantee funding for which we have applied, the proceeds from the third phase of the investment from Toshiba and B&W of $75 million, additional funding from Japanese export credit agencies of $1 billion or from other third parties, cash on hand and prospective cash flow from existing USEC operations, and prospective reinvested project cash generated during construction. However, we may need to identify additional sources of capital. Many of these sources of capital are inter-related. For example, the third phase of investment from Toshiba and B&W is contingent upon the closing of a DOE loan guarantee and in order to close on a DOE loan guarantee we will need to demonstrate that all sources of capital needed to complete the project are available. We have no assurance that we will be successful in raising this capital.

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

	Six Months Ended June 30,	
	2011	2010
Net Cash Provided by Operating Activities	$ 285.6	$ 173.2
Net Cash (Used in) Investing Activities	(91.0)	(84.9)
Net Cash (Used in) Financing Activities	(5.4)	(12.1)
Net Increase in Cash and Cash Equivalents	**$ 189.2**	**$ 76.2**

Operating Activities

The decline in accounts receivable provided cash of $174.6 million in the six months ended June 30, 2011. The decrease resulted from above-average sales in the fourth quarter of 2010 due to the timing of customer orders and deliveries. Net inventories declined $173.9 million in the six-month period, providing monetization of inventory produced in the prior year. Payables under the Russian Contract declined $56.0 million due to the timing of deliveries, representing a significant use of cash flow in the six months ended June 30, 2011.

Investing Activities

Capital expenditures were $91.0 million in the six months ended June 30, 2011, compared with $87.9 million in the corresponding period in 2010. Capital expenditures during these periods are principally associated with the American Centrifuge Plant, including prepayments made to suppliers for services not yet performed.

Financing Activities

Borrowings and repayments under the revolving credit facility were each less than $0.1 million in the six months ended June 30, 2011.

There were 123.0 million shares of common stock outstanding at June 30, 2011, compared with 115.2 million at December 31, 2010, an increase of 7.8 million shares (or 7%). In January 2011, we executed an exchange with a noteholder whereby we received convertible notes with a principal amount of $45 million in exchange for 6,952,500 shares of common stock and cash for accrued but unpaid interest on the convertible notes.

Working Capital

	June 30, 2011	December 31, 2010
	(millions)	
Cash and cash equivalents	$ 340.2	$ 151.0
Accounts receivable, net	134.0	308.6
Inventories, net	632.8	806.7
Credit facility term loan, current	(85.0)	-
Other current assets and liabilities, net	(205.0)	(280.7)
Working capital	**$ 817.0**	**$ 985.6**

The credit facility term loan of $85.0 million matures May 31, 2012 and is included in current liabilities as of June 30, 2011 and long-term debt as of December 31, 2010.

Capital Structure and Financial Resources

At June 30, 2011, our debt consisted of a term loan of $85.0 million due May 31, 2012 under our credit facility and $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. We may, from time to time, agree to exchange a portion of our convertible notes for shares of our common stock prior to their maturity in privately negotiated transactions. We will evaluate any such transactions in light of then existing market conditions, taking into account our stock price as it relates to the conversion ratio and any potential interest cost savings. The amounts involved, individually or in the aggregate, may be material. We are restricted under our credit facility from repurchasing the notes for cash.

In January 2011, USEC executed an exchange with a noteholder whereby USEC received convertible notes with a principal amount of $45 million in exchange for 6,952,500 shares of common stock and cash for accrued but unpaid interest on the convertible notes. In connection with this exchange USEC recognized a gain on debt extinguishment of $3.1 million in the first quarter of 2011.

Our debt to total capitalization ratio was 35% at June 30, 2011 and 36% at December 31, 2010, including convertible preferred stock of $83.3 million which is classified as a liability.

Our $310 million syndicated bank credit facility provides for the $85 million term loan and a revolving credit facility of $225 million. The term loan was issued with an original issue discount of 2% and bears interest, at our election, at either:

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

The interest rate for the term loan was 9.5% as of June 30, 2011, which equals the floor plus 7.5%.

Utilization of our credit facility at June 30, 2011 and December 31, 2010 follows (in millions):

	June 30, 2011	December 31, 2010
Borrowings under the revolving credit facility	$ -	$ -
Term loan due May 31, 2012	85.0	85.0
Letters of credit	7.3	17.3
Available credit	217.7	207.7

Borrowings under the credit facilities are subject to limitations based on established percentages of qualifying assets pledged as collateral to the lenders, such as eligible accounts receivable and USEC-owned inventory. 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 revolving credit facility, at our election, is either:

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

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

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

On June 20, 2011, the credit facility agreement was amended to provide increased flexibility for continued investment in the American Centrifuge project. Before the amendment, the credit facility agreement permitted USEC to spend up to $165 million in the aggregate over the term of the credit facility on the American Centrifuge project, subject to certain limitations and exceptions. The amendment removes this spending restriction. The credit facility agreement, as amended, instead restricts spending on the American Centrifuge project if Availability falls below $100 million, as described below:

Requirement	Outcome
Availability ≥ $100 million	If not maintained, then the aggregate amount of spending on the American Centrifuge project (1) made in any calendar month shall not exceed $5 million and (2) made in the aggregate shall not exceed $25 million until the 60th consecutive day after minimum Availability is restored.

"Availability" means, the lesser of (i) aggregate lender commitments and (ii) the sum of eligible receivables and eligible inventory, subject to caps, less the sum of (x) outstanding loan balances and accrued interest, fees and expenses, and (y) letters of credit issued, except to the extent cash collateral has been posted to support the letters of credit. Aggregate lender commitments include both commitments of the revolving lenders and the outstanding principal amount of the term loan.

Availability was $216.9 million as of June 30, 2011 and $206.8 million as of December 31, 2010. We expect to have borrowings under the credit facility in the latter half of 2011.

The remaining restrictions in the credit facility on spending on the American Centrifuge project continue to not restrict the investment of proceeds of grants and certain other financial accommodations (excluding proceeds from the issuance of debt or equity by the borrowers) that may be received from DOE or other third parties that are specifically designated for investment in the American Centrifuge project.

Under the terms of the credit facility, borrowings under the revolving credit facility are subject to limitations based on Availability. The amendment changes two restrictive provisions as follows:

Previous Requirement	New Requirement	Outcome
Availability ≥ greater of 10% of aggregate lender commitments or $32.5 million	Availability ≥ the sum of (a) greater of (i) 10% of aggregate lender commitments or (ii) $32.5 million plus (b) $17.5 million	If not met at any time, an event of default is triggered.
Availability ≥ $75.0 million`	Availability ≥ $100.0 million	If not met at any time, fixed charge ratio required to be 1.00 to 1.00 until the 90th consecutive day Availability is restored.

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

The revolving credit facility contains various reserve provisions that reduce available borrowings under the facility periodically or restrict the use of borrowings if certain requirements are not met. As of June 30, 2011 and December 31, 2010, we had met all of the reserve provision requirements by a large margin.

The credit facility includes various customary operating and financial covenants, including restrictions on the incurrence and prepayment of other indebtedness, granting of liens, sales of assets, making of investments, maintenance of a minimum amount of collateral, and payment of dividends or other distributions. As of June 30, 2011 and December 31, 2010, we were in compliance with all of the various customary operating and financial covenants. In addition, our credit facility prohibits our payment of cash dividends or distributions to holders of our common stock. Complying with these covenants may limit our flexibility to successfully execute our business strategy. Failure to satisfy the covenants would constitute an event of default under the credit facility.

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

Deferred Financing Costs

Financing costs are generally deferred and amortized over the life of the instrument. A summary of deferred financing costs for the six months ended June 30, 2011 follows (in millions):

	December 31, 2010	Additions	Amortization	June 30, 2011
Other current assets:				
Bank credit facilities	**$ 7.4**	**$ 0.5**	**$ (2.6)**	**$ 5.3**
Deferred financing costs (long-term):				
Convertible notes	$ 8.1	$ -	$ (1.6)	$ 6.5
ACP project	2.5	2.6	-	5.1
Deferred financing costs	**$ 10.6**	**$ 2.6**	**$ (1.6)**	**$ 11.6**

Off-Balance Sheet Arrangements

Other than the letters of credit issued under the credit facility, and the surety bonds, contractual commitments and the license agreement with DOE relating to the American Centrifuge technology disclosed in our 2010 Annual Report, there were no material off-balance sheet arrangements, obligations, or other relationships at June 30, 2011 or December 31, 2010.

Contractual Obligations Update

On March 23, 2011, we signed a multi-year contract with TENEX for the 10-year supply of Russian LEU beginning in 2013 through 2022. The new contract was approved by the Russian State Atomic Energy Corporation ("Rosatom") on May 11, 2011. The effectiveness of the new commercial contract between TENEX and USEC is subject to completion of administrative arrangements between the U.S. and Russian governments under the agreement for cooperation in nuclear energy between the United States and the Russian Federation. The pricing terms for SWU under the contract are based on a mix of market-related price points and other factors. The contract provides USEC the option to increase or decrease the amount of the firm commitment SWU to be purchased for a given year by up to a total of plus or minus 5%. For years 2015 through 2019, in addition to its option to decrease the amount of any firm commitment SWU to be purchased during such year by up to 5%, USEC will have the option to defer up to an additional 5% of the amount of the firm commitment SWU to be purchased in such year and instead purchase the deferred amount in years 2020 through 2022. TENEX and USEC also may mutually agree to increase the purchases and sales of SWU by certain additional optional quantities of SWU. USEC's purchase commitment under the contract during the ten-year period is estimated to be approximately $2.8 billion excluding contractual options to increase or decrease volumes. Actual amounts will also vary based on changes in the price points and other pricing elements.

New Accounting Standards Not Yet Implemented

In May 2011, the Financial Accounting Standards Board ("FASB") amended its guidance on fair value measurements and related disclosures. The new guidance represents the converged guidance of the FASB and the International Accounting Standards Board, providing a consistent definition of fair value and common requirements for measurement and disclosure of fair value between GAAP and International Financial Reporting Standards ("IFRS"). The new guidance also changes some fair value measurement principles and enhances disclosure requirements related to activities in Level 3 of the fair value hierarchy. The provisions of this new guidance are effective for fiscal years and interim periods beginning after December 15, 2011 and are applied prospectively. This requirement will become effective for USEC beginning with the first quarter of 2012 and we are evaluating the impact of adopting this guidance on our financial statements.

In June 2011, the FASB amended its guidance on the presentation of comprehensive income. The new guidance requires companies to present the components of net income and other comprehensive income either in a single statement below net income or in a separate statement of comprehensive income immediately following the income statement. The new guidance does not change the items that must be reported in other comprehensive income or the requirement to report reclassifications of items from other comprehensive income to net income. The provisions of this new guidance are effective for fiscal years and interim periods beginning after December 15, 2011 and are applied retrospectively for all periods presented. This requirement will become effective for USEC beginning with the first quarter of 2012 and we are evaluating the impact of adopting this guidance on our financial statements.

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

At June 30, 2011, 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, 2011, our debt consisted of the 3.0% convertible senior notes with a balance sheet carrying value of $530.0 million and a credit facility term loan of $85.0 million. The fair value of the convertible notes, based on the trading price as of June 30, 2011, was $379.0 million. The fair value of the term loan as of June 30, 2011, using the change in market value of an index of loans of similar credit quality based on published credit ratings, was $85.4 million.

The estimated fair value of our convertible preferred stock at June 30, 2011, including accrued paid-in-kind dividends declared payable July 1, 2011, was equal to the liquidation value of $1,000 per share or $83.3 million.

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

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

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

Effectiveness of Our Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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.

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 2010 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 business, results of operations and prospects could be materially and adversely affected by the effects of the March 11, 2011 earthquake and tsunami in Japan.

The recent earthquake and tsunami in Japan caused significant damage to a multi-unit nuclear power station at Fukushima, including, as announced by the plant operator, The Tokyo Electric Power Company of Japan, Inc. ("TEPCO"), the permanent closure of at least four reactors due to the damage and radiation at the plant. Japan has categorized the severity level of the Fukushima nuclear crisis at the maximum level 7 on the International Nuclear Event Scale ("INES"), which is the level of the Chernobyl, Ukraine accident in 1986. It is too early to know the long term impact of the recent events in Japan, however, the events have created significant uncertainty and our business, results of operations and prospects could be materially and adversely affected.

We have long been a leading supplier of low enriched uranium ("LEU") to Japan. Over the last three years, sales to Japan have accounted for approximately 10% to 15% of our revenue. TEPCO has historically been one of our customers. We had already delivered the LEU to fuel fabricators expected to be used in 2011 for refueling of reactors by utility customers most directly affected by the earthquake. However, our backlog during the years 2012-2013 includes sales to customers most directly affected by the earthquake of approximately $20 million. These sales could be affected and there may be additional sales affected as the situation develops. As of June 30, 2011, estimated future revenue from Japanese utilities under contracts in our backlog during the period 2012 through 2020 is expected to be approximately 20% of the total backlog for that period. In addition, as of June 30, 2011, more than half of Japan's nuclear reactors remained out of service for inspections or awaiting government approval to restart. The shutdown of the Japanese reactors and the shutdown of reactors in other countries due to safety or other concerns raised by the Japanese disaster could have an impact on near term supply and demand for LEU. If other suppliers have near term deliveries that are cancelled or delayed due to shutdown reactors or delays in reactor refuelings, they could seek to sell that excess supply in the market. This could adversely affect our success in selling our LEU and have an adverse effect on our cash flow and results of operations in future years.

The recent events in Japan could have an adverse impact on our ability to successfully finance and deploy the American Centrifuge project. We are seeking to finance the American Centrifuge project through a combination of a $2 billion DOE loan guarantee, the remaining two phases of the strategic investment by Toshiba Corporation and Babcock & Wilcox Investment Company, Japanese export credit agencies ("ECAs") financing of $1 billion, and internally generated cash flow. In addition to the potential impact on cash flow discussed above, the Japanese crisis could have an adverse impact on our success in obtaining third party financing in the timeframe needed. We are in discussions with DOE regarding the terms of a loan guarantee conditional commitment, however, this process has taken longer than anticipated and additional delays due to political or other concerns regarding nuclear power in light of recent events could adversely affect our ability to successfully deploy the ACP. While we are continuing our discussions with Japanese ECAs regarding financing $1 billion of the cost of completing the ACP, these discussions could also be adversely affected by the recent events if the Japanese ECAs are unable to devote the necessary time or resources to be able to make a financing commitment in the timeframe needed. We also have no assurance that the Japanese ECAs will not shift their priorities in the future or otherwise be unable to provide financing in the amount we need. If our ability to obtain Japanese ECA financing is adversely affected, this would also adversely affect our ability to obtain a DOE loan guarantee and complete the American Centrifuge project.

The recent events in Japan could also have a material and adverse impact on the nuclear energy industry in the long term. The disaster could harm the public's perception of nuclear power and could raise public opposition to the planned future construction of nuclear plants. Some countries may delay or abandon deployment of nuclear power as a result of the disaster in Japan. In the wake of the disaster, the Chinese government suspended approval of new nuclear projects and stated that it will conduct safety inspections of all plants under construction, but emphasized that China's long-term nuclear development plans have not changed. Other governments have announced plans to review or delay decisions to review new nuclear projects.

In the immediate aftermath of the nuclear emergency, Germany shut down seven older reactors and its government voted to phase out nuclear power over the next decade. Although USEC does not serve any of the German reactors, our European competitors that serve the German reactors will now have excess nuclear fuel available to sell that may negatively affect nuclear fuel prices. In addition, Italy has renewed its moratorium on nuclear power and other European Union countries are reviewing their future plans for nuclear power. Countries have begun new safety evaluations of their plants and how well they operate in situations involving earthquakes and other natural disasters and other situations involving the loss of power. Demand for nuclear fuel could be negatively affected by such actions, which could have a material adverse effect on our results of operations and prospects. If deliveries under requirements contracts included in our backlog are significantly delayed, modified or canceled, or if our backlog of contracts is otherwise negatively affected, our future revenues and earnings may be materially and adversely impacted.

Any resulting increased public opposition to nuclear power could lead to political opposition and could slow the pace of global licensing and construction of new or planned nuclear power facilities or negatively impact existing facilities' efforts to extend their operating licenses. The events could also result in additional permitting requirements and burdensome regulations that increase costs or have other negative impacts. As events at the Japanese nuclear facilities continue to develop, they could raise concerns regarding potential risks associated with certain reactor designs or nuclear power production. The disaster in Japan has also raised concerns regarding how to deal with used fuel, which could result in additional burdensome regulations or costs to the nuclear industry which could potentially impact demand for LEU. These events could adversely affect our business, results of operations and prospects.

The supply agreement we have entered into with Joint Stock Company Techsnabexport ("TENEX") for the supply by TENEX of commercial Russian LEU is subject to conditions to effectiveness that are outside of our control.

On March 23, 2011 we entered into an agreement with TENEX for the supply by TENEX of commercial Russian LEU to USEC over a 10-year period commencing in 2013. The 20-year Russian Contract implementing the Megatons to Megawatts program is scheduled to expire at the end of 2013 and the new supply contract will provide us with continued access to Russian LEU, which currently constitutes about one half of our supply source. The supply contract was approved by the Russian State Atomic Energy Corporation ("Rosatom") on May 11, 2011. However, the purchase, sales and delivery obligations of the parties are subject to conclusion by the U.S. and Russian governments of certain implementing agreements under the U.S.-Russian Agreement for Cooperation in Nuclear Energy, which, among other things, provide the framework under which natural uranium supplied by us to TENEX can be returned from the United States to Russia. While the supply agreement provides some flexibility in the timing of obtaining these approvals and the first deliveries under the agreement are not until 2013, we have no assurance that these implementing agreements will be obtained in a timely manner or at all. If the implementing agreements are not obtained or waived by the parties, we will not be able to achieve the anticipated benefits from the supply contract.

Subject to the effectiveness of the supply contract, TENEX and USEC 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. However, we cannot give any assurance that we will proceed with such a project. As part of the feasibility study, Rosatom, TENEX and USEC will review international agreements, government approvals, licensing, financing, market demand, and commercial arrangements. Any decision to proceed with such a project would depend on the results of the feasibility study and would be subject to further agreement between the parties and their respective governments, the timing and prospects of which are significantly uncertain. If a decision to proceed with such a project is made in the future, we would not expect to deploy such a project until after completion of the American Centrifuge project.

We also may not achieve the anticipated benefits from the supply contract with TENEX because of restrictions on U.S. imports of LEU and other uranium products produced in the Russian Federation. These imports (other than LEU imported under the Russian Contract under the Megatons to Megawatts program) are subject to quotas imposed under legislation enacted into law in September 2008 and under the 1992 Russian Suspension Agreement, as amended. Under the supply contract, we have the right to use a portion of the import quotas to support our sales in the United States of SWU purchased under the supply contract beginning in 2014. These quotas are subject to timely completion of the Megatons to Megawatts program by the end of 2013. Further, prior to the expiration of the quotas at the end of 2020, we will not be able to import for consumption in the United States LEU delivered to us under the supply contract in excess of the portion of the quotas available to us or that is not subject to the quotas (e.g., for use in initial fuel cores for any U.S. nuclear reactors entering service for the first time). The LEU that we cannot sell for consumption in the United States will have to be sold for consumption by utilities outside the United States. We have no assurance that we will be successful in our efforts to sell this LEU in the United States or outside of the United States.

Additional delays in our obtaining a conditional commitment for a loan guarantee from DOE and other financing needed for the project could severely jeopardize the American Centrifuge project and could require us to further demobilize or terminate the project.

We have been working with DOE since October 2010 on the terms of a conditional commitment for a $2 billion loan guarantee. In April 2011, the DOE Loan Guarantee Program Office substantially completed the due diligence and negotiation stage of the application process, including a draft term sheet, and advanced the ACP application to the next phase for review in parallel by DOE's credit group and by the Office of Management and Budget, the Department of the Treasury and the National Economic Council. This review includes the establishment of an estimated range of credit subsidy cost. As noted above, DOE has recently indicated that it believes that USEC needs to further improve its financial and project execution depth to achieve a manageable credit subsidy cost estimate and to proceed with the DOE loan guarantee. We are working with DOE and DOE's advisors on reviewing structuring options to address DOE's remaining concerns in order to move forward on the American Centrifuge Project and to obtain a conditional commitment and DOE loan guarantee. In addition, USEC is working with its financial and other advisors in this review of structuring options and in reviewing and pursuing strategic alternatives. However, we have no assurance that a structuring option to address DOE's remaining concerns or a strategic alternative transaction will be achieved or the timing thereof, that the terms we have negotiated with the DOE Loan Guarantee Program Office will be approved or that the credit subsidy cost will be reasonable. A high credit subsidy cost could result in a potential capital shortfall which would require new sources of capital to close, which could be difficult to obtain and result in additional delays. We also continue discussions with Japanese ECAs for additional funding of $1 billion of the cost of completing the American Centrifuge plant.

To continue our current pace of spending and maintain our current investment in the ACP, we need to obtain a conditional commitment for the loan guarantee from DOE and close on the $50 million second phase of the strategic investment by Toshiba and B&W. The second closing of the strategic investment by Toshiba and B&W is conditioned on our obtaining a conditional commitment for a loan guarantee of not less than $2 billion from DOE. The securities purchase agreement governing the transaction provided that it may be terminated by us or each of the investors (as to such investor's obligations) if the second closing did not occur by June 30, 2011. We did not receive a conditional commitment from DOE by June 30th and therefore did not close on the second phase of the strategic investment by that date. On June 30, 2011, we entered into a standstill agreement with Toshiba and B&W pursuant to which each party agreed not to exercise its right to terminate the securities purchase agreement prior to August 15, 2011. We are continuing discussions with Toshiba and B&W with respect to the status and timing of the DOE loan guarantee process and its impact on closing of the next phase of the Toshiba and B&W investment and on the current standstill agreement, which expires on August 15, 2011.We have no assurance that we will be able to reach any further agreement with either Toshiba or B&W concerning such matters. In the event that either Toshiba or B&W were to terminate the securities purchase agreement, that could have a significant adverse impact on our business and prospects. Our loan guarantee application includes the $200 million investment as part of the sources of funds for the American Centrifuge project. If the remaining two phases of the investment are not consummated, this would adversely affect our ability to obtain a loan guarantee. In addition, our ability to obtain Japanese ECA financing is highly dependent on the strategic investment by Toshiba. If our ability to obtain Japanese ECA financing is adversely affected, this would also adversely affect our ability to obtain a DOE loan guarantee and complete the American Centrifuge project.

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

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

(c) Second Quarter 2011 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	2,669	$4.30	-	-
June 1 – June 30	-	-	-	-
Total	**2,669**	**$4.30**	**-**	**-**

(1) These purchases were not made pursuant to a publicly announced repurchase plan or program. Represents 2,669 shares of common stock surrendered to USEC to pay withholding taxes on shares of restricted stock under the Company's equity incentive plan.

Item 6. ***Exhibits***

10.1	Summary Sheet for 2011 Non-Employee / Non-Investor Director Compensation.
10.2	Amendment dated as of April 28, 2011 by and among Toshiba America Nuclear Energy Corporation, Babcock & Wilcox Investment Company, and USEC Inc. to the Investor Rights Agreement dated as of September 2, 2010 by and among USEC Inc., Toshiba Corporation, and Babcock & Wilcox Investment Company.
10.3	Amendment No. 2 dated as of May 19, 2011 by and among Toshiba America Nuclear Energy Corporation, Babcock & Wilcox Investment Company, and USEC Inc. to the Investor Rights Agreement dated as of September 2, 2010 by and among USEC Inc., Toshiba Corporation, and Babcock & Wilcox Investment Company.
10.4	Amendment No. 3 dated as of June 7, 2011 by and among Toshiba America Nuclear Energy Corporation, Babcock & Wilcox Investment Company, and USEC Inc. to the Investor Rights Agreement dated as of September 2, 2010 by and among USEC Inc., Toshiba Corporation, and Babcock & Wilcox Investment Company.
10.5	Amendment No. 4 dated as of June 30, 2011 by and among Toshiba America Nuclear Energy Corporation, Babcock & Wilcox Investment Company, and USEC Inc. to the Investor Rights Agreement dated as of September 2, 2010 by and among USEC Inc., Toshiba Corporation, and Babcock & Wilcox Investment Company.
10.6	First Amendment to Limited Liability Company Agreement of American Centrifuge Manufacturing, LLC, dated as of April 29, 2011, by American Centrifuge Holdings, LLC and Babcock & Wilcox Technical Services Group, Inc.
10.7	Equipment Supply Agreement dated May 1, 2011 between American Centrifuge Enrichment, LLC and American Centrifuge Manufacturing, LLC (Certain information has been omitted and filed separately pursuant to a request for confidential treatment under Rule 24b-2).
10.8	First Amendment to Third Amended and Restated Credit Agreement, dated as of June 20, 2011, among USEC Inc., United States Enrichment Corporation, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative and collateral agent, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on June 21, 2011 (Commission file number 1-14287).
10.9	Standstill Agreement dated as of June 30, 2011 by and among Toshiba America Nuclear Energy Corporation, Babcock & Wilcox Investment Company and USEC Inc., incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on June 30, 2011 (Commission file number 1-14287).
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.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURE

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

USEC Inc.

August 4, 2011

By: /s/ John C. Barpoulis

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

EXHIBIT INDEX

Exhibit No.	Description
10.1	Summary Sheet for 2011 Non-Employee / Non-Investor Director Compensation.
10.2	Amendment dated as of April 28, 2011 by and among Toshiba America Nuclear Energy Corporation, Babcock & Wilcox Investment Company, and USEC Inc. to the Investor Rights Agreement dated as of September 2, 2010 by and among USEC Inc., Toshiba Corporation, and Babcock & Wilcox Investment Company.
10.3	Amendment No. 2 dated as of May 19, 2011 by and among Toshiba America Nuclear Energy Corporation, Babcock & Wilcox Investment Company, and USEC Inc. to the Investor Rights Agreement dated as of September 2, 2010 by and among USEC Inc., Toshiba Corporation, and Babcock & Wilcox Investment Company.
10.4	Amendment No. 3 dated as of June 7, 2011 by and among Toshiba America Nuclear Energy Corporation, Babcock & Wilcox Investment Company, and USEC Inc. to the Investor Rights Agreement dated as of September 2, 2010 by and among USEC Inc., Toshiba Corporation, and Babcock & Wilcox Investment Company.
10.5	Amendment No. 4 dated as of June 30, 2011 by and among Toshiba America Nuclear Energy Corporation, Babcock & Wilcox Investment Company, and USEC Inc. to the Investor Rights Agreement dated as of September 2, 2010 by and among USEC Inc., Toshiba Corporation, and Babcock & Wilcox Investment Company.
10.6	First Amendment to Limited Liability Company Agreement of American Centrifuge Manufacturing, LLC, dated as of April 29, 2011, by American Centrifuge Holdings, LLC and Babcock & Wilcox Technical Services Group, Inc.
10.7	Equipment Supply Agreement dated May 1, 2011 between American Centrifuge Enrichment, LLC and American Centrifuge Manufacturing, LLC (Certain information has been omitted and filed separately pursuant to a request for confidential treatment under Rule 24b-2).
10.8	First Amendment to Third Amended and Restated Credit Agreement, dated as of June 20, 2011, among USEC Inc., United States Enrichment Corporation, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative and collateral agent, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on June 21, 2011 (Commission file number 1-14287).
10.9	Standstill Agreement dated as of June 30, 2011 by and among Toshiba America Nuclear Energy Corporation, Babcock & Wilcox Investment Company and USEC Inc., incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on June 30, 2011 (Commission file number 1-14287).
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.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

EXHIBIT 10.1

SUMMARY SHEET FOR 2011 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 2011 annual meeting of shareholders held on April 28, 2011:

Annual Retainer	$200,000 paid at the beginning of the service year. $80,000 of the retainer is paid in cash and $120,000 of the retainer is paid in the form of restricted stock units, although a director may elect to receive a greater proportion of the retainer in restricted stock units. Restricted stock units vest 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 of the Board. $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 at the beginning of the service year, although a director may elect to receive their chairman fee in restricted stock units.
Incentive Restricted Stock Unit Awards	If a director chooses to receive restricted stock units as payment for the part of the annual retainer or chairman fees that they are otherwise entitled to receive in cash, he or she will receive an incentive payment of restricted stock units equal to 20% of the portion of the annual retainer and chairman fees that the director elects to take in restricted stock units in lieu of cash. These incentive restricted stock units will vest 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 are granted at the time the annual retainer is paid.

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 10.2

AMENDMENT

This AMENDMENT ("Amendment"), dated as of April 28, 2011, is entered into by and among Toshiba America Nuclear Energy Corporation ("TANE"), Babcock & Wilcox Investment Company ("B&W") and USEC Inc. ("USEC") (each a "Party" and collectively hereinafter referred to as the Parties").

WHEREAS, on or about September 2, 2010, Toshiba Corporation ("Toshiba"), B&W and USEC entered that certain Investor Rights Agreement (the "Agreement");

WHEREAS, on or about September 2, 2010, Toshiba assigned all of its rights in the Agreement to TANE;

WHEREAS, pursuant to Section 4.1(a) of the Agreement, USEC is required to take certain actions if the Second Closing has not occurred prior to April 30, 2011; and

WHEREAS, the Parties each recognize that the Second Closing is not likely to occur prior to April 30, 2011; and

WHEREAS, the Parties are each prepared to provide USEC with a limited additional period of time to satisfy the requirements of Section 4.1(a) if Second Closing does not occur prior to April 30, 2011;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants contained herein, the Parties hereby agree:

1. TANE, B&W, and USEC each hereby agree that the reference to "Filing Date" in Section 4.1(a) of the Agreement shall be replaced by "May 20, 2011" so that the amended Section 4.1(a) shall read, in its entirety, as follows:

   (a) The Company shall, no later than May 20, 2011, file with the SEC a Shelf Registration Statement (the "**Initial Shelf**") relating to the offer and sale of the Registrable Securities by the Investors from time to time to permit the sale of Registrable Securities by the Investors pursuant to the Orderly Sale Arrangement set forth in Section 9 of the SPA and, thereafter, shall use its best efforts to cause the Initial Shelf to be declared effective under the Securities Act no later than ninety (90) calendar days following the date first filed with the SEC. None of the Company's securityholders (other than the Investors) shall have the right to include any Securities of the Company on the Initial Shelf.

2. Except as expressly amended hereby, the Agreement shall remain unchanged and, as amended hereby, the Agreement shall remain in full force and effect. Upon the effectiveness of this Amendment, all references to the Agreement shall be to the Agreement as amended hereby.

3. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed thereto in the Agreement.

4. This Amendment shall first become effective upon the delivery by each Party to each other Party of a duly executed counterpart hereof, which delivery shall be effected pursuant to the notice provisions of the Agreement. This Amendment may be signed in counterparts

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have executed this Amendment through their duly authorized representative as of the date first written above.

Toshiba America Nuclear Energy Corporation

By: /s/ Akio Shioiri

Name: Akio Shioiri

Title: President & CEO

Babcock & Wilcox Investment Company

By: /s/ M. P. Salomone

Name: M. P. Salomone

Title: Sr VP & COO

USEC Inc.

By: /s/ John C. Barpoulis

Name: John C. Barpoulis

Title: SVP & CFO

EXHIBIT 10.3

AMENDMENT No.2

This AMENDMENT NO.2 ("Amendment No.2"), dated as of May 19, 2011, is entered into by and among Toshiba America Nuclear Energy Corporation ("TANE"), Babcock & Wilcox Investment Company ("B&W") and USEC Inc. ("USEC") (each a "Party" and collectively hereinafter referred to as the Parties").

WHEREAS, on or about September 2, 2010, Toshiba Corporation ("Toshiba"), B&W and USEC entered that certain Investor Rights Agreement (the "Agreement");

WHEREAS, on or about September 2, 2010, Toshiba assigned all of its rights in the Agreement to TANE;

WHEREAS, pursuant to Section 4.1(a) of the Agreement, USEC is required to take certain actions if the Second Closing has not occurred prior to April 30, 2011; and

WHEREAS, the Parties each recognize that the Second Closing is not likely to occur prior to April 30, 2011; and

WHEREAS, the Parties have signed Amendment (together with the Agreement, the "Original Agreement") to the Agreement as of April 28, 2011, to provide USEC with limited additional period of time, i.e. until May 20, 2011, to satisfy the requirements of Section 4.1(a) if Second Closing does not occur prior to April 30, 2011;

WHEREAS, the Parties are willing to further provide USEC with limited additional time to satisfy the requirements of Section 4.1(a) as mentioned above

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants contained herein, the Parties hereby agree:

1. TANE, B&W, and USEC each hereby agree that the reference to "Filing Date" in Section 4.1(a) of the Original Agreement, shall be replaced by "June 10, 2011" so that the amended Section 4.1(a) shall read, in its entirety, as follows:

   (a) The Company shall, no later than June 10, 2011, file with the SEC a Shelf Registration Statement (the "**Initial Shelf**") relating to the offer and sale of the Registrable Securities by the Investors from time to time to permit the sale of Registrable Securities by the Investors pursuant to the Orderly Sale Arrangement set forth in Section 9 of the SPA and, thereafter, shall use its best efforts to cause the Initial Shelf to be declared effective under the Securities Act no later than ninety (90) calendar days following the date first filed with the SEC. None of the Company's securityholders (other than the Investors) shall have the right to include any Securities of the Company on the Initial Shelf.

2. Except as expressly amended hereby, the Original Agreement shall remain unchanged and, as amended hereby, the Original Agreement shall remain in full force and effect. Upon the effectiveness of this Amendment No.2, all references to the Agreement shall be to the Original Agreement as amended hereby.

3. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed thereto in the Original Agreement.

4. This Amendment No.2 shall first become effective upon the delivery by each Party to each other Party of a duly executed counterpart hereof, which delivery shall be effected pursuant to the notice provisions of the Original Agreement. This Amendment No.2 may be signed in counterparts.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Amendment No.2 through their duly authorized representatives as of the date first written above.

Toshiba America Nuclear Energy Corporation

By: /s/ Akio Shioiri
Name: Akio Shioiri
Title: President and CEO

Babcock & Wilcox Investment Company

By: /s/ M. P. Salomone
Name: M.P. Salomone
Title: Sr. VP and COO

USEC Inc.

By: /s/ John C. Barpoulis
Name: John C. Barpoulis
Title: Senior Vice President & Chief Financial Officer

EXHIBIT 10.4

AMENDMENT No. 3

This AMENDMENT NO.3 ("Amendment No. 3"), dated as of June 7, 2011, is entered into by and among Toshiba America Nuclear Energy Corporation ("TANE"), Babcock & Wilcox Investment Company ("B&W") and USEC Inc. ("USEC") (each a "Party" and collectively hereinafter referred to as the "Parties").

WHEREAS, on or about September 2, 2010, Toshiba Corporation ("Toshiba"), B&W and USEC entered into that certain Investor Rights Agreement (the "Agreement");

WHEREAS, on or about September 2, 2010, Toshiba assigned all of its rights in the Agreement to TANE;

WHEREAS, pursuant to Section 4.1(a) of the Agreement, USEC was required to take certain actions if the Second Closing had not occurred prior to April 30, 2011;

WHEREAS, the Parties previously entered into an Amendment dated April 28, 2011 and an Amendment No. 2 dated May 19, 2011 (such amendments, together with the Agreement, the "Original Agreement") to amend Section 4.1(a) of the Agreement to provide USEC with a limited additional period of time (i.e., until June 10, 2011) to satisfy the requirements of Section 4.1(a);

WHEREAS, the Parties each recognize that the Second Closing is not likely to occur prior to June 10, 2011; and

WHEREAS, the Parties are willing to further provide USEC with limited additional time to satisfy the requirements of Section 4.1(a) as referenced above;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants contained herein, the Parties hereby agree:

1. TANE, B&W, and USEC each hereby agree that the reference to "Filing Date" in Section 4.1(a) of the Original Agreement, shall be replaced by "July 1, 2011" so that the amended Section 4.1(a) shall read, in its entirety, as follows:

   (a) The Company shall, no later than July 1, 2011, file with the SEC a Shelf Registration Statement (the "**Initial Shelf**") relating to the offer and sale of the Registrable Securities by the Investors from time to time to permit the sale of Registrable Securities by the Investors pursuant to the Orderly Sale Arrangement set forth in Section 9 of the SPA and, thereafter, shall use its best efforts to cause the Initial Shelf to be declared effective under the Securities Act no later than ninety (90) calendar days following the date first filed with the SEC. None of the Company's securityholders (other than the Investors) shall have the right to include any Securities of the Company on the Initial Shelf.

2. Notwithstanding anything in any of the Transaction Documents to the contrary, including without limitation Section 9.2 of the Securities Purchase Agreement dated May 25, 2010, by and among USEC, B&W and TANE (as assignee), neither B&W nor TANE shall have any obligation to take any actions or make any efforts (commercially reasonable or otherwise) related to selling any shares of Common Stock or entering into a Sales Plan (as defined in the Certificates of Designation) prior to the date that the Initial Shelf is declared effective under the Securities Act or during the pendency of the period that B&W or TANE agrees not to sell any shares of Common Stock pursuant to Section 4.7 of the Original Agreement.

3. Except as expressly amended hereby, the Original Agreement shall remain unchanged and, as amended hereby, the Original Agreement shall remain in full force and effect. Upon the effectiveness of this Amendment No.3, all references to the Agreement shall be to the Original Agreement as amended hereby. Nothing herein shall be deemed to modify or limit in any respect any rights or remedies of TANE or B&W under any provision of the Original Agreement other than Section 4.1(a), or under any provision of any other agreement entered into between the Parties, whether in connection with the Original Agreement or otherwise.

4. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed thereto in the Original Agreement.

5. This Amendment No. 3 shall first become effective upon the delivery by each Party to each other Party of a duly executed counterpart hereof, which delivery shall be effected pursuant to the notice provisions of the Original Agreement. This Amendment No. 3 may be signed in counterparts.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 3 through their duly authorized representatives as of the date first written above.

Toshiba America Nuclear Energy Corporation

By: /s/ Akio Shioiri
Name: Akio Shioiri
Title: President and CEO

Babcock & Wilcox Investment Company

By: /s/ M.P. Salomone
Name: M.P. Salomone
Title: Sr. VP and COO

USEC Inc.

By: /s/ John C. Barpoulis
Name: John C. Barpoulis
Title: Senior Vice President & Chief Financial Officer

EXHIBIT 10.5

AMENDMENT No. 4

This AMENDMENT NO. 4 ("Amendment No. 4"), dated as of June 30, 2011, is entered into by and among Toshiba America Nuclear Energy Corporation ("TANE"), Babcock & Wilcox Investment Company ("B&W") and USEC Inc. ("USEC") (each a "Party" and collectively hereinafter referred to as the "Parties").

WHEREAS, on or about September 2, 2010, Toshiba Corporation ("Toshiba"), B&W and USEC entered into that certain Investor Rights Agreement (the "Agreement");

WHEREAS, on or about September 2, 2010, Toshiba assigned all of its rights in the Agreement to TANE;

WHEREAS, pursuant to Section 4.1(a) of the Agreement, USEC was required to take certain actions if the Second Closing had not occurred prior to April 30, 2011;

WHEREAS, the Parties previously entered into an Amendment dated April 28, 2011, an Amendment No. 2 dated May 19, 2011, and an Amendment No. 3 dated June 7, 2011 (such amendments, together with the Agreement, the "Original Agreement") to amend Section 4.1(a) of the Agreement to provide USEC with a limited additional period of time (i.e., until July 1, 2011) to satisfy the requirements of Section 4.1(a);

WHEREAS, the Parties each recognize that the Second Closing is not likely to occur prior to July 1, 2011; and

WHEREAS, the Parties are willing to further provide USEC with limited additional time to satisfy the requirements of Section 4.1(a) as referenced above;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants contained herein, the Parties hereby agree:

1. TANE, B&W, and USEC each hereby agree that the reference to "Filing Date" in Section 4.1(a) of the Original Agreement, shall be replaced by **"August 15, 2011"** so that the amended Section 4.1(a) shall read, in its entirety, as follows:

   (a) The Company shall, no later than **August 15, 2011**, file with the SEC a Shelf Registration Statement (the "**Initial Shelf**") relating to the offer and sale of the Registrable Securities by the Investors from time to time to permit the sale of Registrable Securities by the Investors pursuant to the Orderly Sale Arrangement set forth in Section 9 of the SPA and, thereafter, shall use its best efforts to cause the Initial Shelf to be declared effective under the Securities Act no later than ninety (90) calendar days following the date first filed with the SEC. None of the Company's securityholders (other than the Investors) shall have the right to include any Securities of the Company on the Initial Shelf.

2. Notwithstanding anything in any of the Transaction Documents to the contrary, including without limitation Section 9.2 of the Securities Purchase Agreement dated as of May 25, 2010, by and among USEC, B&W and TANE (as assignee), neither B&W nor TANE shall have any obligation to take any actions or make any efforts (commercially reasonable or otherwise) related to selling any shares of Common Stock or entering into a Sales Plan (as defined in the Certificates of Designation) prior to the date that the Initial Shelf is declared effective under the Securities Act or during the pendency of the period that B&W or TANE agrees not to sell any shares of Common Stock pursuant to Section 4.7 of the Original Agreement.

3. Except as expressly amended hereby, the Original Agreement shall remain unchanged and, as amended hereby, the Original Agreement shall remain in full force and effect. Upon the effectiveness of this Amendment No. 4, all references to the Agreement shall be to the Original Agreement as amended hereby. Nothing herein shall be deemed to modify or limit in any respect any rights or remedies of TANE or B&W under any provision of the Original Agreement other than Section 4.1(a), or under any provision of any other agreement entered into between the Parties, whether in connection with the Original Agreement or otherwise.

4. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed thereto in the Original Agreement.

5. This Amendment No. 4 shall first become effective upon the delivery by each Party to each other Party of a duly executed counterpart hereof, which delivery shall be effected pursuant to the notice provisions of the Original Agreement. This Amendment No. 4 may be signed in counterparts.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 4 through their duly authorized representatives as of the date first written above.

Toshiba America Nuclear Energy Corporation

By: /s/ Akio Shioiri
Name: Akio Shioiri
Title: President and CEO

Babcock & Wilcox Investment Company

By: /s/ M.P. Salomone
Name: M.P. Salomone
Title: Sr. VP and COO

USEC Inc.

By: /s/ John C. Barpoulis
Name: John C. Barpoulis
Title: Senior Vice President & Chief Financial Officer

EXHIBIT 10.6

FIRST AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT

This FIRST AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT (" First Amendment"), dated as of April 29, 2011, is entered into by American Centrifuge Holdings, LLC, a Delaware limited liability company ("Holdings"), and Babcock & Wilcox Technical Services Group, Inc., a Delaware corporation, ("B&W TSG" and, together with Holdings, the "Members" and individually as a "Member").

WHEREAS, on or about September 2, 2010, Holdings and B&W TSG executed a the Limited Liability Company Agreement of American Centrifuge Manufacturing, LLC (the "Agreement") to establish American Centrifuge Manufacturing, LLC (the "Company");

WHEREAS, the conditions to effectiveness of the Agreement have not yet occurred;

WHEREAS, among other things, the Members desire to amend the conditions to effectiveness of the Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants contained herein, the Members hereby agree to modify the Agreement as follows:

1. Section 1.1(u) of the Agreement is hereby deleted and replaced in its entirety with the following:

   "Fee Agreement" means that certain Fee Agreement between the Company and B&W TSG effective as of the Effective Date.

2. Section 1.1(z) of the Agreement is hereby deleted and replaced in its entirety with the following:

   "LTSA" means that certain Long Term Supply Agreement to be entered into between the Company and ACE.

3. Section 2.6 of the Agreement is hereby deleted and replaced in its entirety with the following:

   Term. The term of the Company commenced on the date the Certificate of Formation was filed with the Secretary of State of the State of Delaware, and shall continue indefinitely. This Agreement will become effective (the " Effective Date") upon the latest to occur of (i) May 1, 2011; and (ii) the execution and delivery of the ESA and the Guaranty.

4. Section 4.3 of the Agreement is hereby amended by adding at the end of Section 4.3 the following:

   (e) Notwithstanding the foregoing, each Member hereby consents to the other Member pledging and/or granting a security interest in its Membership Interests to an instrumentality or agency of the U.S. and/or Japanese government, and/or one or more financial institutions providing financing for the construction of the ACP (or any future uranium enrichment facility utilizing American Centrifuge machines) or an agent of any of the foregoing, and, in connection therewith, each Member hereby waives delivery of the opinion required pursuant to Section 4.3(d)(vii) of this Agreement.

5. Section 4.8 of the Agreement is hereby amended by adding at the end of Section 4.8 the following:

   or (d) substantially all of the ESA has been suspended by ACE for 6 months or more or (e) an event of Force Majeure (as defined in the ESA) excusing performance of substantially all of the ESA has occurred and continued for 12 months or more.

6. A new Section 4.13 of the Agreement is hereby added as follows:

   Automatic Transfer. Until (i) the initial drawdown of funds by, or the other issuance of credit to, ACE under binding agreements among ACE and third parties (which may include the U.S. government) that obligate such parties to lend to ACE funds for the construction of the ACP, and (ii) the execution and the delivery of the ESA, the Guaranty and the LTSA shall each have occurred, then either Party may by notice to the other Party effect an automatic transfer hereunder (and automatically if each of the foregoing shall not have occurred on or before the Third Closing Termination Date,[1] unless otherwise agreed by the Members) then B&W TSG's Membership Interests shall, without further action of, and at no cost to, the Members, automatically transfer to Holdings, free and clear of all liens and other encumbrances and B&W TSG shall deliver an officer's certificate to Holdings to that effect and representing and warranting that B&W TSG is the holder of good and clear title to the Membership Interests being transferred. Each Member agrees to cooperate and to take all actions and execute all documents reasonably necessary or appropriate to reflect the transfer of B&W TSG's Membership Interests to Holdings.

   In such event, and notwithstanding any other provision of this Article IV: (i) B&W TSG shall not be entitled to any consideration in connection with such transfer including, but not limited to, the break-up fee described in Section 4.12; (ii) Holdings shall cause the Company to timely pay to B&W TSG or its affiliates all amounts due as of the date of such automatic transfer under the Fee Agreement, any seconding agreement or any other contract with B&W TSG or its affiliates to which the Company is a party; and (iii) the Company shall indemnify and hold harmless B&W TSG from all costs, expenses or liabilities of the Company incurred from or after the date of such transfer.

7. Section 5.8 of the Agreement is hereby amending by adding at the end thereof the following:

   The Members intend that the Fee will be treated as a payment made for services by a Person who is not a Member pursuant to Code Section 707(a). If, for any reason, any portion of the Fee is not so treated, notwithstanding any provision of this Agreement to the contrary, an amount of Company gross income equal to such portion of the Fee shall be allocated to the payee(s) of the Fee prior to the allocations otherwise specified in Section 5.4.

8. Clause 1 of Section 7.1(e) of the Agreement is hereby deleted and replaced in its entirety with the following:

1. The execution, modification or termination of any agreement between the Company and a Member or an affiliate of a Member other than execution or termination of seconding agreements for supply of Member personnel utilizing the seconding agreement approved by the Members;

9. Section 9.1(f) of the Agreement is hereby deleted and replaced in its entirety with the following:

[Reserved]

10. Section 9.5 of the Agreement is hereby deleted in its entirety.

11. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed thereto in the Agreement.

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[1] Capitalized terms used in §4.13 and not otherwise defined in this Agreement shall have the meanings ascribed thereto in that certain Securities Purchase Agreement among USEC Inc., Toshiba Corporation and Babcock & Wilcox Investment Company dated as of May 25, 2010.

IN WITNESS WHEREOF, the Members have executed this First Amendment through their duly authorized representatives as of the date first written above.

American Centrifuge Holdings, LLC	Babcock & Wilcox Technical Services Group, Inc.
By: /s/ Philip Sewell	By: /s/ Stanley R. Cochran
Name: Philip Sewell	Name: Stanley R. Cochran
Title: Senior Vice President	Title: President

EXHIBIT 10.7

Confidential treatment has been requested for the redacted portions. The confidential redacted portions have been filed separately with the Securities and Exchange Commission.

American Centrifuge Enrichment, LLC

Equipment Supply Agreement

CONTRACT NUMBER: **812531**

CONTRACTOR: **American Centrifuge Manufacturing, LLC**

DATE: **May 1, 2011**

IN WITNESS WHEREOF, the Parties have caused this Contract to be signed by their duly authorized officers as of the date set forth above.

AMERICAN CENTRIFUGE ENRICHMENT, LLC	AMERICAN CENTRIFUGE MANUFACTURING, LLC
By: /s/ Philip G. Sewell	By: /s/ Carl R. Durham
Name: Philip G. Sewell	Name: Carl R. Durham
Title: Senior Vice President	Title: President & General Manager

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CONTRACT

BETWEEN

AMERICAN CENTRIFUGE ENRICHMENT, LLC

AND

AMERICAN CENTRIFUGE MANUFACTURING, LLC

In consideration of the mutual commitments hereinafter set forth, American Centrifuge Enrichment, LLC, a Delaware limited liability company (the "Owner"), and American Centrifuge Manufacturing, LLC, a Delaware limited liability company ("Contractor") (the Owner and Contractor being referred to herein individually as a "Party" and together, as the "Parties") hereby agree to the following Contract (as defined below in Section 1.19).

1 DEFINITIONS

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

1.1 "ACO" means American Centrifuge Operating, LLC, a Delaware limited liability company.

1.2 "ACP Facility" or "ACP" means the American Centrifuge Plant facility located in Piketon, Ohio, being constructed by Owner.

1.3 "AEA" shall mean the Atomic Energy Act of 1954, as amended.

1.4 "Allowable Costs" shall have the meaning ascribed to it in Section 7.1.

1.5 "B&W" means The Babcock & Wilcox Company and all of its subsidiaries or other affiliates other than the Contractor.

1.6 "B&W Y-12" means Babcock & Wilcox Technical Services Y-12, LLC.

1.7 "Baseline Delivery Schedule" means the base line delivery schedule as set forth in Exhibit B.

1.8 "Buffer" shall have the meaning ascribed to it in Section 11.1.

1.9 "Business Days" shall mean any day other than Saturday, Sunday or a day which is a holiday for employees of ACO at the ACP Facility.

1.10 "BWCR" means Babcock & Wilcox Technical Services Clinch River, LLC.

1.11 "BWCR Contract" means that certain Centrifuge Commercial Plant Manufacturing Contract Purchase Agreement (Contract No. 723886), dated as of June 25, 2007 between BWXT Services, Inc. and United States Enrichment Corporation, Inc.

1.12 "Ceiling Cost" means *****% of the Target Cost, as adjusted, plus $*****.

1.13 "Centrifuge Machines" means fully assembled and completed uranium enrichment centrifuge machines manufactured and assembled in accordance with the Specifications.

1.14 "Change Costs" shall have the meaning ascribed to it in Section 22.4.

1.15 "Claims" shall have the meaning ascribed to it in Section 20.1.

1.16 "Classified Information" shall have the meaning ascribed to it in Section 37.1(a).

1.17 "Commencement Date" means the date as agreed to by the Parties in accordance with Section 3 to commence commercial manufacturing.

1.18 "Conflict Of Interest" means that, because of other activities or relationships with other persons (including, without limitation, competitors of the Owner) Contractor is unable or potentially unable to render impartial assistance or advice to the Owner, or Contractor's objectivity in performing under this Contract is or might be otherwise impaired.

1.19 "Contract" means the contractual agreement between the Owner and Contractor which includes (a) the terms and conditions herein, including the Exhibits attached hereto; (b) any supplements to the terms and conditions herein agreed by the Parties; (c) any item descriptions, Specifications or Drawings attached hereto; (d) any changes and modifications made pursuant to Article 22; and (e) any Technical Directions made pursuant to Article 21.

1.20 "Contract Price" means the total price for the Deliverables and Services and includes, without limitation, the Allowable Costs, the Fixed Fee and Incentive Fee, as applicable, and all applicable Federal, State and local taxes and duties except for those set forth in Section 10.1.

1.21 "Contractor" means American Centrifuge Manufacturing, LLC.

1.22 "Contractor Background Technology" shall have the meaning ascribed to it in Section 36.3.

1.23 "Contractor Developed Design Technology" shall have the meaning ascribed to it in Section 36.1.

1.24 "Contractor Developed Manufacturing Technology" shall have the meaning ascribed to it in Section 36.2.

1.25 “Corporation” means the United States Enrichment Corporation.

1.26 “Costs” shall have the meaning ascribed to it in Section 20.1.

1.27 “DEAR” shall have the meaning ascribed to it in Section 37.1(b).

1.28 “Default” shall have the meaning ascribed to it in Section 24.3.

1.29 “Deliverables” means the tangible product or products that result from the Services including, without limitation, the Centrifuge Machines and Materials as more fully described in the Statement of Work.

1.30 “Delivery Point” means (a) with respect to Centrifuge Machines and Spares, the location within the ACP designated in the Statement of Work or such other location designated in the SOW as agreed to by the Contractor and Owner; and (b) with respect to all other Deliverables, at the ACP at a location designated by Owner in writing.

1.31 “Dispute” shall have the meaning ascribed to it in Section 23.1.

1.32 “DOE” means the United States Department of Energy.

1.33 “DOL” means the United States Department of Labor.

1.34 “Drawings” means any and all drawings, sketches, or maps referenced in this Contract and also any supplementary drawings, sketches or maps as the Owner’s Representative may issue from time to time in accordance with this Contract.

1.35 “Earned Value” shall have the meaning given in and shall be calculated as set forth in Exhibit C.

1.36 “Effective Date” shall mean the date of the closing by Owner on a loan guaranteed by DOE under the Title XVII of the Energy Policy Act of 2005.

1.37 “Excluded Causes” shall have the meaning ascribed to it in Section 17.2(c).

1.38 “Export Controlled Information” or “ECI” shall have the meaning ascribed to it in Section 37.5(a).

1.39 “Final Decision” shall have the meaning ascribed to it in Section 23.1.

1.40 “Final Decision Notice” shall have the meaning ascribed to it in Section 23.1.

1.41 “Financing Agreements” means any and all loan agreements, note purchase agreements, notes, bonds, guarantees, indentures, security agreements, pledge agreements, registration or disclosure statements, subordination agreements, mortgages, deeds of trust, participation agreements and other documents relating to interim and long-term financing provided by the Lenders for the construction, operation and maintenance of the ACP Facility and any refinancing thereof including any and all modifications, supplements, extensions, renewals and replacements of any such financing or refinancing.

1.42 “Fixed Fee” shall have the meaning ascribed to it in Section 8.1.

1.43 “FOCI” shall have the meaning ascribed to it in Section 37.1(b).

1.44 “Force Majeure” shall have the meaning ascribed to it in Section 24.3.

1.45 “Fundamental Failure” shall have the meaning ascribed to it in Section 12.1(a).

1.46 “Fundamental Failure Proposal” shall have the meaning ascribed to it in Section 12.1(b).

1.47 “Furnished Property” shall have the meaning ascribed to it in Section 27.1.

1.48 “G&A Costs” shall mean the indirect general and administrative costs to be included in Allowable Costs as set forth in Section 7.1(c).

1.49 “GCEP Lease” shall have the meaning ascribed to it in Section 40.1.

1.50 “Incentive Fee” shall have the meaning ascribed to it in Section 8.3(a).

1.51 “Lender(s)” means any entity or entities (including, but not limited to, the Federal Financing Bank) providing debt or lease financing or refinancing under the Financing Agreements in connection with the construction, operation, maintenance or permanent financing for the ACP or any guarantor or insurer thereof (including, but not limited to, the DOE), and their permitted successors and assigns, including any agent or trustee thereof.

1.52 “LD Threshold” shall have the meaning ascribed to it in Section 11.9(b).

1.53 “Liquidated Damages” shall mean the damages described in Article 11.

1.54 “LTSA” means that certain Long Term Supply Agreement to be executed by Owner and Contractor.

1.55 “Major Suppliers” means Alliant Techsystems Inc., Major Tool and Machine Inc. and Curtiss-Wright Electro-Mechanical Corp.

1.56 “Materials” means any materials, components, supplies or goods required to be furnished by Contractor in the performance of Work under the Contract.

1.57 “NRC” means the United States Nuclear Regulatory Commission.

1.58 "Nuclear Incident" shall have the meaning ascribed to it in 42 U.S.C. §2014(q), as it may be amended or renumbered.

1.59 "Nuclear Safety, Safeguards and Security Requirements" shall have the meaning ascribed to it in Section 42.1.

1.60 "Oak Ridge Facility" means the American Centrifuge Technology and Manufacturing Center located in Oak Ridge Tennessee.

1.61 "Owner" means American Centrifuge Enrichment, LLC.

1.62 "Owner Representative" means the Owner's Procurement Director or, to the extent written notice has been provided to Contractor in accordance with Article 45, his/her designee.

1.63 "Owner Technology" shall have the meaning ascribed to it in Section 36.5.

1.64 "Owner's Facilities" shall have the meaning ascribed to it in Section 37.2.

1.65 "Party" or "Parties" shall have the meaning ascribed to it in the Preamble.

1.66 "Prime Rate" means the base rate on corporate loans in the United States posted by seventy percent (70%) of the nation's largest banks, as published in the Wall Street Journal.

1.67 "Professional Efforts" shall have the meaning ascribed to it in Section 17.1(d).

1.68 "Proprietary Information" shall have the meaning ascribed to it in Section 35.2.

1.69 "Public Liability" shall have the meaning ascribed to it in 42 U.S.C. §2014(w).

1.70 "Recipient" shall have the meaning ascribed to it in Section 35.2.

1.71 "Repair" means an activity that restores a Centrifuge Machine, component or subassembly to its design condition.

1.72 "Rules" shall have the meaning ascribed to it in Section 23.3.

1.73 "Section 211" shall have the meaning ascribed to it in Section 5.1.

1.74 "Senior Management Review Period" shall have the meaning ascribed to it in Section 23.2.

1.75 "Services" means the work described in the Statement of Work to be provided and/or performed by the Contractor.

1.76 "Spares" means ***** assembled Centrifuge Machines to be delivered as specified in the Statement of Work.

1.77 "Specifications" means all the terms and stipulations contained in the document entitled "Specifications" and includes those portions known as "specific contract requirements" and such Specifications amendments, revisions, deductions or additions as may be provided in accordance with the terms of this Contract, from time to time, by the Owner's Representative, pertaining to the quantities and qualities of the Deliverables to be furnished under this Contract. The Specifications will be included or incorporated by reference in the SOW.

1.78 "Stage I Contract" means the contract entered into between USEC and ACM dated May 1, 2011 for the initial manufacture of centrifuge machines immediately prior to the commencement of the Contract.

1.79 "Statement of Work" or "SOW" means the description of the Work to be performed by Contractor pursuant to this Contract attached as Exhibit A and hereby incorporated into the Contract.

1.80 "Strategic Supplier Agreements" are those subcontracts or agreements with the Major Suppliers assigned or transferred to the Contractor by USEC Inc. or any subsidiary or affiliate of USEC Inc.

1.81 "Subcontractor Liquidated Damages" shall have the meaning ascribed to it in Section 11.9(a).

1.82 "Target Cost" as used in this Contract, means the estimated cost of performing the Statement of Work as mutually agreed to by the Parties in accordance with Section 3.1.

1.83 "Taxes" shall have the meaning ascribed to it in Section 10.2.

1.84 "Technical Direction" shall have the meaning ascribed to it in Section 21.3(a).

1.85 "Technical Representative" means the Person appointed by Owner in accordance with Section 21.3(d).

1.86 "UCNI" means Unclassified Controlled Nuclear Information as defined in Section 148 of the AEA.

1.87 "USEC" means USEC Inc.

1.88 "Work" means the Services, Deliverables and Materials.

1.89 "Work Breakdown Structure" or "WBS" shall have the meaning ascribed to it in Exhibit C.

2 PURPOSE AND SCOPE; STATEMENT OF WORK

2.1 The Work to be performed by Contractor during this Contract is specified in SOW. In general, the SOW for this Contract includes the manufacture, assembly and delivery of Centrifuge Machines to the ACP. The quantity of Centrifuge Machines to be manufactured, assembled and delivered will be the number of Centrifuge Machines necessary to complete the Owner's ACP and the Spares as specified in the SOW.

Contractor shall not commence work until it receives a notice to proceed from the Owner. Upon receipt of the notice to proceed, Contractor will promptly commence work in accordance with the SOW. Owner may revise the quantity of Centrifuge Machines to be delivered, the Specifications and requirements contained in the SOW and/or the Baseline Delivery Schedule or other terms contained in the SOW by written modification issued in accordance with Article 22.

2 . 2 General Requirements. Except as specifically stated in the SOW, the Contractor shall furnish all personnel, Materials, equipment, facilities and services necessary to perform the Statement of Work. Unless otherwise agreed to in writing by Owner, only U.S. origin Materials or Materials that have no restrictions on the use of such Materials will be incorporated into the Centrifuge Machines or other Deliverables under the Contract. In addition, as specified in the SOW the Contractor shall:

(a) Maintain a quality program consistent with and meeting applicable requirements of the Owner's quality assurance program and the NRC license to build and operate the ACP Facility.

(b) Establish and implement material resource planning and supply chain management systems that timely support production of reliable Centrifuge Machines.

(c) Maintain a safety conscious work culture that promotes safety as a priority over cost, schedule, manufacturing or any other considerations. The Contractor shall comply with all applicable state and federal occupational health and safety requirements.

(d) Maintain an effective security program that maintains compliance with all applicable NRC and DOE security and classification requirements and regulations. The NRC and/or the DOE will be the regulatory authority for security compliance for machine manufacturing operations.

(e) Maintain an effective regulatory compliance program that is responsive to all regulatory requirements, questions and directions throughout the term of the Contract.

(f) Propose a project control system for the Owner's approval, and upon receiving such approval, maintain, use and report to the Owner the results from such project control system that accurately reflects the project status relative to cost and schedule performance. Elements of the project control system shall include:

(i) A Work Breakdown Structure (WBS) as defined in Exhibit C that provides the basis for all project control system components, including estimating, budgeting, scheduling, performing, and management;

(ii) Cost estimating methodologies that are consistent with industry standards;

(iii) Unclassified project schedules that integrate with the WBS. The project schedules shall have Target Cost time phased into the schedule on a monthly basis and shall include cost detail to at least level 3 of the approved WBS. Activity logic links shall depict all work scope constraints and decision points and shall be integrated into a total project network schedule. The project schedule shall clearly depict critical path activities and milestones;

(iv) A capability to process Owner or Contractor proposed or directed changes timely and identify the impact on technical, schedule, and cost elements of the Contract;

(v) Variance analysis, explanation and justification for differences between planned and actual performance against the cost and schedule baseline on a monthly basis;

(vi) Commercially accepted performance analysis techniques utilizing earned-value methods. Documentation of performance metrics (i.e., quantities) are preferred for all technical work scopes, however it is recognized that some elements (e.g., project management) may use a level of effort technique; and

(vii) Defined and mutually agreed earning rules for each level 3 project within the WBS for recording work completion and calculation of Earned Value.

(g) Coordinate and subcontract with other contractors to assure Centrifuge Machines are assembled and delivered in accordance with the Baseline Delivery Schedule.

(h) Implement a qualification test program (as necessary for those items not yet qualified) with support from the Owner for:

(i) manufacturing process qualification;

(ii) product qualification;

(iii) product acceptance; and

(iv) disposition of non-conforming parts.

(i) Establish and maintain a configuration control program for the design, specifications, manufacturing processes, quality requirements and all other attributes necessary to deliver Centrifuge Machines in accordance with the Drawings and Specifications.

(j) Establish and implement a risk management program that is designed to identify potential cost and schedule issues and develop plans that will mitigate or eliminate problems. The Contractor risk management program will provide input for the Owner's risk management program.

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

(l) Develop a transportation plan using Contractor supplied shipping containers that ensures timely delivery of all Centrifuge Machines to the Delivery Point.

3 FINALIZING TARGET COST AND CEILING COST

3.1 Establishment of Target Cost. The Target Cost shall be set as mutually agreed between Owner and Contractor based on an agreed date to commence commercial manufacturing (the "Commencement Date") and included in the Contract by a written modification to this Contract executed by both Parties. The Target Cost shall be the agreed to estimate of costs to manufacture and deliver a total of 11,520 Centrifuge Machines plus the Spares less the sum of the costs incurred to manufacture and deliver any Centrifuge Machines to USEC between May 1, 2011 and the Commencement Date. In the event the Contractor is not authorized to proceed with Work within thirty (30) days after the Commencement Date, the Target Cost will be adjusted by mutual agreement to decrease the Target Cost by the amount of costs incurred to manufacture and deliver to USEC Centrifuge Machines after the Commencement Date and to make such other mutually agreed to equitable adjustments as may result directly from such delay. *****

3.2 Establishment of Ceiling Cost. Upon finalization of the Target Cost, the Ceiling Cost will be established at an amount equal to *****% of the Target Cost plus $*****. In no event shall the total payments by Owner under this Contract be greater than the Ceiling Cost plus fee payable at the Ceiling Cost as calculated in accordance with Article 8.

4 PERIOD OF PERFORMANCE

The period of performance under this Contract shall be from the Effective Date until the Centrifuge Machines and Spares specified in the SOW are delivered in accordance with the SOW and the completion of any applicable warranty period.

5 EMPLOYEE PROTECTION

5.1 Section 211 of the Energy Reorganization Act of 1974, as amended ("Section 211"), or 10 C.F.R. Section 70.7 of the NRC regulations (applicable to item/services provided in support the Owner's centrifuge lead cascade or production facility) or 10 C.F.R. Part 708 of the DOE regulations (applicable to item/services provided in support of the Owner's centrifuge demonstration project), implementing Section 211, as applicable applies to the performance of Work under this Contract. Contractor acknowledges its obligation to comply with the requirements of Section 211, 10 C.F.R. Section 10.7 of the NRC regulations or 10 C.F.R. Part 708 of the DOE regulations implementing Section 211. Contractor shall maintain a safety conscious work environment in accordance with NRC guidelines and institute programs, policies and procedures as needed to ensure the maintenance of a safety conscious work environment.

5.2 In the event that an employee of Contractor, or an employee of any subcontractor, files a complaint with the DOL alleging that Contractor, or any of its subcontractors, violated the requirements of Section 211 with respect to such employee while he or she was performing Services in connection with this Contract, Contractor shall promptly notify the Owner's Representative of the filing of such complaint, and shall keep the Owner's Representative apprised of the status of the complaint itself and all material developments in any DOL or judicial proceedings related to the complaint.

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

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

5.5 Contractor shall notify the Owner's Representative if any Contractor employee is subject to an NRC or DOE order or enforcement action. The Owner reserves the right to determine that the employee may not be used in the performance of this Contract.

6 SUBCONTRACTS AND CONSULTANTS

6.1 Contractor shall ensure that all subcontracts placed under the Contract (and all lower-tier subcontracts) include at least (a) the same requirements as to quality, performance and protection of information and property as are imposed on Contractor by the Contract; (b) compliance with any requirements imposed by applicable law and regulation; (c) the same requirements to maintain the confidentiality of the Owner's Proprietary Information, and provide and protect the intellectual property rights of the Owner as are imposed on contractor by the Contract; and (d) any other provisions in this Contract required to be included in such subcontracts including, but not limited to, Article 46 (Financing) and the following Articles if applicable: Article 37 (Security of Classified Information and Controlled Areas), Article 14 (Standards of Performance), Article 35 (Confidentiality), Article 36 (Intellectual Property), Article 42 (Compliance With Nuclear Safety and Safeguards and Security Requirements) unless otherwise agreed to by Contractor and Owner.

6.2 The Contractor further agrees to pass the requirements imposed by this Article 6 to its subcontractors by including a provision similar to this Article 6 in all subcontracts for the performance of Services in connection with the Contract.

6.3 Subcontractor Conflicts of Interest. Contractor shall ensure that subcontracts include protection against Conflicts of Interest acceptable to the Owner. If required by the Owner, Contractor shall cause subcontractors to execute agreements with the Owner for the protection of the Owner's Proprietary Information, prior to engaging subcontractors in work under the Contract.

7 ALLOWABLE COST

7.1 Allowable Costs. Owner shall reimburse Contractor for Allowable Costs as provided in this Article 7. For the purpose of reimbursing allowable costs, the term "Allowable Costs" includes only:

(a) Those recorded costs that, at the time of the request for reimbursement, the Contractor has paid by cash, check, or other form of actual payment for items or services purchased directly for the Contract;

(b) Costs incurred, but not necessarily paid, for:

(i) Materials, equipment and services purchased directly for this Contract and associated financing payments to subcontractors, provided payments determined due will be made:

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

(B) Ordinarily within sixty (60) days of the submission of the Contractor's payment request to the Owner;

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

(iii) Direct labor based on actual hours worked under this Contract at an effective hourly rate and other costs incurred for such direct labor hours pursuant to a secondment or loaned employee agreement;

(iv) Direct travel for persons seconded to the Contractor by one of the Members of the Contractor in accordance with the Member's travel policies;

(v) Other direct in-house costs; and

(vi) G&A Costs as set forth in Section 7.1(c).

(c) G&A Costs. Subject to Article 24 (Termination and Suspension of this Contract), Contractor shall be paid a total of $***** as payment for G&A Costs as set forth in Exhibit D for the manufacture of machines after June 30, 2011 which may be decreased by the amount paid by Owner to Contractor as determined in Exhibit D as G&A Costs to reflect any extension of the manufacturing performance under the Stage I Contract for periods after June 30, 2011. Payments of G&A Costs pursuant to this Section 7.1(c) shall be the only payments of G&A Costs that Contractor or any affiliate of BWCR shall be entitled for indirect general and administrative costs related to the manufacture of machines under this Contract after June 30, 2011; provided, however, that the foregoing limitation on the payment of G&A Costs shall not apply to (x) fixed price subcontracts with affiliates of Contractor approved by the Owner or (y) charges for indirect general and administrative costs under contracts for staffing augmentation provided by B&W provided that such staff augmentation contracts are approved by Owner.

7.2 Audit. At any time or times before final payment and for a period of 6 months after final payment, Owner (including Owner's representatives and representatives of Owner's Lenders) has the right to audit the Contractor's invoices or vouchers and statements of cost. Owner may perform the audit using its own personnel or may use an independent auditor of Owner's choice. Any payment may be:

(a) Reduced by amounts found by Owner not to constitute Allowable Costs; or

(b) Adjusted for prior overpayments or underpayments.

Owner's audit rights shall be limited to review of any costs invoiced by Contractor to Owner under this Contract including any supporting information in the possession of Contractor or Contractor's subcontractors and/or suppliers or which Contractor may reasonably acquire or obtain sufficient to verify the invoiced costs are appropriate and allowable under the Contract. For contracts that are subject to government audit, Owner's audit right shall be limited to verifying that rates and costs have been approved by the cognizant government auditor, their systems accurately record costs and that the hours and quantities charged are appropriate. Additionally, at Owner's request and expense, Contractor agrees that for contracts that are subject to government audit, Contractor will provide an independent certified accounting firm selected by and representing Owner access to examine records and other evidence sufficient to demonstrate costs claimed to have been incurred in performance of this Contract have been properly accounted for, allocated and invoiced in accordance with generally accepted accounting principles and, if applicable, the federal government's cost accounting standards. For costs that are fixed price or charged at a fixed rate pursuant to this Contract or the applicable subcontract, Owner's audit rights shall not extend to the costs or charges that are included in the fixed cost or fixed rate.

7.3 Final Payment.

(a) Upon submission of a final invoice submitted in accordance with the Contract and the Contractor's compliance with all terms of this Contract, the Owner shall promptly pay any balance of Allowable Costs and that part of the fee (if any) not previously paid.

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

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

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

(A) Specified claims stated in exact amounts or in estimated amounts when the exact amounts are not known and that are not included in the amount reimbursed by Owner;

(B) Claims (including reasonable incidental expenses and attorney fees) based upon liabilities of the Contractor to third parties or

to Owner arising out of the performance of this Contract where such claims are not known to the Contractor on the date of the execution of the release. Contractor shall give notice of such claims in writing to the Owner promptly, and in all events within thirty (30) days, after Contractor becomes aware of such claim; provided, however, that any failure to give timely notice of such a claim shall not preclude Contractor's right to payment for such claims as required pursuant to this Contract except to the extent Owner is prejudiced by such failure or delay. For avoidance of doubt, any payment of claims or costs after the final payment shall be included in the total Allowable Costs.

7.4 Contractor Release. At Contractor's request, after the period of performance of the Contract has expired, final payment has been made and expiration of Owner's audit rights under Section 7.2, Owner shall provide a release discharging the Contractor, its officers, agents, and employees from all liabilities, obligations, and claims arising out of or under this Contract, except --

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

(b) Claims (including reasonable incidental expenses and attorney fees) based upon liabilities of the Owner to third parties or Contractor arising out of the performance of this Contract where such claims are not known to the Owner on the date of the execution of the release. Owner shall give notice of such claims in writing to the Contractor promptly, and in all events within thirty (30) days, after Owner becomes aware of such claim; provided, however, that any failure to give timely notice of such a claim shall not preclude Owner's right to payment for such claims as required pursuant to this Contract except to the extent Contractor is prejudiced by such failure or delay.

7.5 Ceiling Cost. In no event shall the Owner be liable for and shall not be required to pay for Allowable Costs in excess of the Ceiling Cost.

8 FEE

8.1 Fixed Fee. The Owner shall pay the Contractor for performing all Work under this Contract a fixed fee equal to $***** (the "Fixed Fee") for the manufacture of Centrifuge Machines during the period after June 30, 2011 in accordance with Exhibit E. The total Fixed Fee to be paid under this Contract shall be decreased by the amounts as determined in Exhibit E to reflect the extension of the period of performance after July 1, 2011 of the Stage I Contract.

8.2 Billing of Fixed Fee.

(a) The Fixed Fee will be invoiced by the Contractor and paid by Owner as provided in Exhibit E.

(b) For the avoidance of doubt, the total amount of fixed fees (including the Fixed Fee payable pursuant to this Contract) paid by Owner or an affiliate of Owner (including but not limited to the amount paid by USEC) to Contractor under this Contract, the Stage I Contract and the BWCR Contract for the manufacture of machines and for all facilitization work after January 1, 2011 shall in no event exceed $*****.

8.3 Incentive Fee.

(a) In addition to paying the Fixed Fee as provided in Section 8.1, Owner shall pay to Contractor an incentive fee that shall be at risk (the "Incentive Fee"). Subject to Article 24 (Termination and Suspension of this Contract), the Incentive Fee shall equal $***** if the Contractor performs the Work in the SOW in accordance with the Contract and the total Allowable Costs equals the Target Cost.

(b) The Incentive Fee shall be:

(i) increased by ***** for every dollar that the total Allowable Cost for performing all the SOW in accordance with the Contract are less than the Target Cost; or

(ii) decreased by: (A) ***** for every dollar that the total Allowable Cost exceeds the Target Cost; plus (B) an additional ***** for every dollar that the total Allowable Cost exceeds *****% of the Target Cost. There shall be no maximum fee that may be earned under the Contract.

(c) Provisional billing of Incentive Fee. The Incentive Fee will be provisionally invoiced by the Contractor based on Earned Value in accordance with Exhibit F. For avoidance of doubt, any payment of Incentive Fee shall not be final until the end of the Contract final close out of all costs and claims.

8.4 Value Engineering. A design change or modification initiated by the Owner resulting in a reduction in the cost of manufacturing Centrifuge Machines shall be applied 100% toward reducing the Target Cost of any Centrifuges Machines or Spares to be produced with such change or modification by the amount of the savings realized from the change after taking into account any increased costs for implementing the change. A design change or modification initiated by Contractor and accepted by Owner resulting in a reduction in the cost of manufacturing Centrifuge Machines shall be shared equally by Owner and Contractor. In the case of such a change or modification initiated by Contractor the sharing shall be implemented by approval of the change without reducing the Target Cost by the amount of the savings realized from the change after taking into account any increased costs for implementing the change.

9 PAYMENT

9.1 Upon the submission of an invoice that complies with the requirements of Section 9.3 and subject to acceptance by the Owner of the Work covered thereby, the Owner shall pay the Contractor, for such Work to the extent that Contractor has not been previously paid therefor. Unless otherwise specifically provided elsewhere in this Contract, Contractor shall submit invoices as the Work progresses but no more than monthly.

9.2 Invoices shall be submitted to the attention of the Owner's accounts payable group at the address shown on the face of the Contract or electronically to the location(s) provided by Owner.

9.3 Invoices must include:

(a) Contractor's name and address;

(b) Invoice date;

(c) Contract number and line item number;

(d) Description, quantity, unit of measure, unit price and extended price of Work delivered;

(e) If applicable, shipping number and date of shipment including the bill of lading number and weight of shipment if shipped other than F.O.B. Destination;

(f) Terms of any prompt payment discount offered;

(g) Name, title and mailing address of the person or office to whom payment is to be sent;

(h) Name, title, phone number and mailing address of the person or office to be notified in event of an unacceptable invoice;

(i) Any information or document required by the other requirements of this Contract;

(j) All sales and use taxes which must be paid by Contractor (i.e., those taxes that the Owner does not pay directly to a State or Commonwealth on its direct payment permits); and

(k) Any additional information or supporting documentation within the possession of Contractor or Contractor's subcontractors and/or suppliers, or which Contractor may reasonably acquire or obtain, that is required to be provided to the Lenders under the Financing Agreements.

To the extent that the Lenders require additional information or supporting documentation pursuant to Section 9.3(k) that is not in the possession of Contractor, Owner and Contractor agree to negotiate in good faith to amend this Section 9.3 to address any of the Lenders requirements.

9.4 If any invoice is determined to be unacceptable, the Owner shall notify Contractor of the defect within a reasonable time after receipt of the invoice by the Owner's accounts payable group. Notwithstanding anything herein to the contrary, Owner shall promptly pay all undisputed portions of any invoice as provided pursuant to this Contract.

9.5 Payment shall be by wire transfer to:

*****

Mailing address:

American Centrifuge Manufacturing, LLC
6903 Rockledge Dr., Ste 400
Bethesda, MD 20817

9.6 Upon the timely submission of invoices and supporting documentation to Owner, Owner shall timely pay all undisputed amounts due to Contractor within thirty (30) days of receipt of the invoice.

9.7 Contractor may invoice for costs incurred, paid or which will become payable by the Contractor within sixty (60) days of the submission of the invoice that have not been previously invoiced or paid provided, however, Contractor may not invoice in total more than the amounts set forth in the Cash Flow Schedule attached as Exhibit H hereto (which shall be amended by the Parties from time to time to the extent of any revisions to the Ceiling Cost hereunder). Contractor shall provide with each invoice a reconciliation of costs incurred and paid since the prior invoice and the amounts paid by Owner as of the date of the invoice. Contractor shall also provide supporting information and documentation as prescribed in Section 9.3.

9.8 Untimely payment of Contractor invoices shall result in late fee equal to an annual rate of ***** prorated on any balance not paid within thirty (30) days of the Owner's receipt of an acceptable invoice provided however, that no such late fee shall be due on any amounts for costs invoiced but not due for payment by Contractor prior to the receipt of payment.

10 TAXES

10.1 Sales and Use Tax. Unless separately stated elsewhere in this Contract, any sales or use taxes applicable to Work performed or tangible personal property provided in Ohio shall be paid, to the extent practicable, by the Owner directly to the State of Ohio on a direct payment permit. Contractor agrees that the prices, fees, charges (including expenses for which Contractor seeks reimbursement to or other consideration) to be paid by the Owner under the Contract shall not include any such Ohio sales and use taxes. All other sales or use taxes (other than the State of Ohio) shall be paid by Contractor and billed to the Owner unless the Owner provides exemption certificates stating the statutory reason for claiming the exemption. Contractor shall use its commercially reasonable efforts to qualify for applicable sales and use tax exemptions applicable to Contractor in performing the Contract in order to reduce the Allowable Costs charged to Owner.

10.2 Prices and Charges Include Taxes. Except for sales and use taxes paid by the Owner pursuant to Section 10.1, Contractor agrees that the price charged for fixed price Work, and the amounts charged for labor and costs for the Work includes all applicable federal, state and local taxes, duties and governmental charges ("Taxes") Contractor incurred under this Contract other than those that Contractor is legally obliged to charge to, and collect from, the Owner. Those Taxes that Contractor is obliged to charge to, and collect from, the Owner shall be listed separately on any invoice for the Work to which such Taxes are attributable. Contractor shall take any steps reasonably requested by the Owner to lawfully minimize the Owner's liability for Taxes.

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

10.4 Disclosure. The Owner and Contractor (and each employee, representative, or other agent of the Owner or Contractor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to the Owner or Contractor relating to such tax treatment and tax structure.

11 LIQUIDATED DAMAGES AND BUFFER

Provisions for Liquidated Damages are based on Contractor providing Centrifuge Machines at the ACP Facility in accordance with the Baseline Delivery Schedule attached hereto as Exhibit B. Damages assessed pursuant to this clause will accrue as set forth below:

11.1 Contractor may deliver Centrifuge Machines in advance of the Baseline Delivery Schedule of up to an equivalent to the next ***** of required delivery of Centrifuge Machines as provided in Exhibit B to create a "Buffer." The Centrifuge Machines delivered to establish this Buffer shall be purchased and paid for by Owner when delivered to Owner by Contractor as provided in this Contract. It is understood that the Centrifuge Machines provided to establish and maintain this Buffer are for the benefit of the Contractor and Owner for purposes of mitigating supply disruptions and the potential assessment of Liquidated Damages. Consequently, Contractor's failure at any time to maintain said Buffer shall not be cause for the assessment of Liquidated Damage liability pursuant to this Article 11.

11.2 In the event that the Contractor fails to deliver the required quantity of assembled Centrifuge Machines for between one and one-half and four consecutive Business Days, the Contractor shall be assessed Liquidated Damages in the amount of $***** per business day per Centrifuge Machine.

11.3 In the event that the Contractor fails to deliver the required quantity of assembled Centrifuge Machines for greater than four consecutive Business Days, the Contractor shall be assessed Liquidated Damages in the amount of $***** per business day per Centrifuge Machine.

11.4 The maximum liability of Contractor for Liquidated Damages during any six (6) month period shall be the greater of $***** on liquidated damages under Section 11.5; provided, however, in the event this limitation precludes payment of any Liquidated Damages during the term of the Contract, the amount of Liquidated Damages that would have been due in the absence of this Section 11.4 will become due and payable by the Contractor upon the expiration or termination of the Contract, subject to the limitation in Section 11.5.

11.5 Except as provided in Section 11.9, the maximum liability of Contractor for Liquidated Damages during this Contract, shall be $***** in the aggregate under this Contract. The Liquidated Damages as set forth herein shall be Owner's sole and exclusive remedy for delay damages.

11.6 For purposes of determining Liquidated Damages under this clause, delivery shall be defined as delivery of assembled Centrifuge Machines at the Delivery Point in accordance with or in advance of the Baseline Delivery Schedule and in compliance with the Specifications.

11.7 Contractor shall not be assessed Liquidated Damages when the delay in delivery is due to a Force Majeure.

11.8 Recognizing that Owner's facility will not be in a position to install Centrifuge Machines provided by Contractor in accordance with the Baseline Delivery Schedule prior to ***** the parties acknowledge that Owner shall not be harmed by Contractor's failure to provide the requisite number of Centrifuge Machines prior to this date. Accordingly, Contractor shall not be liable for Liquidated Damages prior to ***** provided that the requisite total cumulative number of Centrifuge Machines as required by the Baseline Delivery Schedule as of such date is available for Owner installation on or before *****. Liquidated Damages with respect to any Centrifuge Machines required by the Baseline Delivery Schedule to be available for Owner installation on or before ***** and not so available on ***** shall begin to be assessed Liquidated Damages as if they were due to be delivered on *****.

11.9 Subcontractor Liquidated Damages.

(a) In the event Contractor collects liquidated damages, fees or receives any discount or other reduction price or cost or credit from any subcontractor for failure to timely deliver any materials or components which are incorporated into the Centrifuge Machines or other Deliverables under this Contract (hereinafter "Subcontractor Liquidated Damages"), then the amount of such Subcontractor Liquidated Damages shall be remitted to Owner and Owner shall credit the amount remitted:

(i) first, against any Liquidated Damages owed by Contractor under this Article 11 resulting from such failure to timely deliver by the subcontractor;

(ii) second, against any increase in cost incurred by Contractor as a result of the failure of the subcontractor to timely deliver any materials or components to Contractor (and in such event, any such costs shall be disregarded for purposes of determining if the Target Cost has been exceeded under Section 8.3); and

(iii) third, against any future Liquidated Damages that may be owed by Contractor at a later date under this Article 11.

(b) At such time as the amounts remitted to Owner pursuant to clauses (i) and (iii) of Section 11.9(a) together with any Liquidated Damages paid to Owner by Contractor pursuant to Sections 11.2 or 11.3 equal or exceed $***** in the aggregate (the "LD Threshold"), Contractor shall have no further obligation to pay Owner for Liquidated Damages; provided, however, that Contractor shall continue to be obligated to remit Subcontractor Liquidated Damages received by Contractor from any subcontractor to Owner pursuant to Section 11.9(c).

(c) From and after such time as the LD Threshold is met, any Subcontractor Liquidated Damages received by Contractor from any subcontractor shall be remitted to Owner; provided, however that Owner shall credit any amount so remitted against any increase in cost incurred by Contractor as a result of the failure of the subcontractor to timely deliver any materials or components to Contractor (and in such event, any such costs shall be disregarded for purposes of determining if the Target Cost has been exceeded under Section 8.3). Any amount of Subcontractor Liquidated Damages remaining after the credits set forth in the preceding sentence shall be retained by the Owner.

12 STRATEGIC SUPPLIER AGREEMENTS

12.1 Fundamental Failure by Major Supplier.

(a) Notwithstanding anything in this Contract to the contrary, a Force Majeure shall include, and Contractor's performance under this Contract shall be excused to the extent caused by, a Major Supplier terminating its contract with Contractor without cause, abandoning performance of its Strategic Supplier Agreement, or constructively abandoning performance of such Strategic Supplier Agreement as evidenced by the Major Supplier's continuous and material failure to perform the essential tasks under its Strategic Supplier Agreement with Contractor (each a "Fundamental Failure") and such Fundamental Failure is beyond the control of Contractor; provided that (i) Contractor uses all reasonable efforts to continue to perform and remedy the circumstances; and (ii) any payments, guarantees, bonds or other assurances provided by the Major Supplier will, at Owner's option (A) be used by Contractor to offset and mitigate any adverse impact to Owner, or (B) be paid to Owner.

(b) Contractor shall use reasonable efforts to keep Owner informed of any circumstances that may result in a Fundamental Failure. Contractor shall use commercially reasonable efforts to avoid a Fundamental Failure or mitigate the impact of a Fundamental Failure including, but not limited to, replacing the supplier. Contractor and Owner shall cooperate in addressing any issues that may result in a Fundamental Failure and in remedying and mitigating any Fundamental Failure. Promptly after a Fundamental Failure has occurred, Contractor shall provide Owner with written notice thereof. Within thirty (30) days after such notice, Contractor will provide a written proposal to Owner (a "Fundamental Failure Proposal") of such terms under which the Contractor is prepared to continue to perform under the Contract and any equitable adjustment to the Target Cost that Contractor believes is necessary to remedy such Fundamental Failure. Owner and Contractor shall negotiate in good faith in an effort to reach mutually agreeable terms under which Contractor would continue to perform under this Contract, including any requested equitable adjustment to the Target Cost, Baseline Delivery Schedule or other changes to the terms of this Contract.

13 CONTRACTOR AND OWNER REPRESENTATIONS

13.1 Contractor's Representations. The Contractor hereby makes the following representations to the Owner:

(a) The Contractor is a limited liability company with equity interests owned by American Centrifuge Holdings, LLC (an affiliate of Owner) and Babcock & Wilcox Technical Services Group, Inc. The business of the Contractor is providing the Work called for by this Contract. The Contractor is not acting as an agent for any other person or entity in providing such Work;

(b) The Contractor has all power and authority required to execute, deliver and perform this Contract, and the Contractor has or will obtain sufficient staff and other resources to carry out its duties hereunder in a prompt, efficient and diligent manner;

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

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

(e) The Contractor has or will obtain, maintain and comply with all licenses and permits necessary to be held or obtained by the Contractor to legally and validly execute, deliver and perform this Contract;

(f) The Contractor has the right to make all disclosures to, and assignments of intellectual property rights to, the Owner as required under this Contract; and

(g) The Contractor has no Conflict of Interest including, but not limited to, Contractor does not perform any work for and will not undertake any work for any of ROSATOM, Joint Stock company "Techsnabexport," Areva SA, URENCO Limited or GE-Hitachi Global Laser Enrichment LLC or any of their affiliates.

13.2 Owner's Representations. The Owner hereby makes the following representations to the Contractor:

(a) The Owner is a limited liability company organized under the laws of Delaware;

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

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

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

(e) Owner (itself or through an affiliate) has or will obtain, maintain and comply with all licenses and permits necessary to be held or obtained by Owner to legally and validly execute, deliver and perform this Contract; and

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

13.3 Condition. Each Party acknowledges that the it has relied on the truth, accuracy and completeness of the foregoing representations in entering into this Contract and thus such truth, accuracy and completeness shall be deemed a condition to any right of payment or performance by each Party under this Contract, except to the extent that any such inaccuracies or incompleteness are not, in the aggregate, material.

14 STANDARDS OF PERFORMANCE

Contractor's standard of performance under this Contract shall be as set forth in Section 17.1.

15 DELIVERY

15.1 The Contractor shall deliver the Deliverables and perform all Work in accordance with the terms specified elsewhere in this Contract.

15.2 UNLESS OTHERWISE STATED IN THIS CONTRACT, TIME SHALL BE DEEMED OF THE ESSENCE FOR DELIVERY OF DELIVERABLES AND PERFORMANCE OF THE WORK. If the Contractor becomes aware of difficulty in providing the Work, the Contractor shall timely notify the Owner's Representative, in writing, giving pertinent details of the difficulty. This notification shall not change any delivery schedule.

15.3 The Contractor shall wrap, pack, crate, load, enclose and brace the Deliverables on the carrier in a good, workmanlike manner and in accordance with applicable law and regulation, and any Specifications (or in the absence of such Specifications, applicable trade practices in the U.S. industry).

16 INSPECTION AND REJECTION OF DELIVERABLES

16.1 Technical Representative. The Technical Representative shall be responsible for acceptance of all Deliverables submitted, and all Services performed, under this Contract based on the requirements of this Contract. Acceptance of Deliverables shall occur at the Delivery Point and will be documented in accordance with Owner's quality control process. It is understood that the sole criteria for determining the acceptability of Deliverables and Services shall be Contractor's documented conformance with the terms, conditions, Specifications and requirements expressly set forth in this Contract. Notwithstanding anything herein to the contrary, for purposes of this Contract Owner shall be deemed to have accepted any Deliverable in accordance with the terms of this Contract twenty-four (24) hours after the delivery of such Deliverable unless Owner shall have rejected such Deliverable in accordance with Section 16.2 prior to the expiration of such twenty-four (24) hour period.

16.2 Rejection. Pursuant to the provisions set forth in Article 21, the Technical Representative, by notice to Contractor, may reject a Deliverable or Service if the Technical Representative determines that such Deliverable or Service does not conform to the requirements of this Contract. Contractor shall have fifteen (15) days after receiving written notice of rejection to provide a cure schedule and, unless otherwise agreed, such cure shall be completed on an expedited basis after Contractor's receipt of such notice. If the Contractor disagrees with such notice of rejection, Contractor shall notify Technical Representative and Contractor and Technical Representative shall meet promptly (and in all cases, no more than five (5) days after Contractor's notice) to discuss and attempt to resolve such disagreement. If Contractor and Technical Representative are unable to resolve such issue, such matter shall be resolved in accordance with the provisions of Article 23 hereof; provided, however, that Contractor shall perform such cure without delay pending resolution of such dispute, subject to compensation or other adjustment, if any, as may be determined in accordance with Article 23 hereof.

17 WARRANTIES

17.1 Basic Warranties. Contractor warrants to the Owner that:

(a) Contractor shall extend its Professional Efforts to provide Deliverables that conform to the Specifications.

(b) Contractor shall perform all of the Work pursuant to this Contract using its Professional Efforts consistent with the Specifications.

(c) Contractor will keep the Work free of all liens, security interests or encumbrances, other than those created or agreed to by the Owner.

(d) As used herein "Professional Efforts" shall mean performance in a proper workmanlike and careful manner, in accordance with the standards of quality and care typical within the industry at the time of performance for similar work.

17.2 Determination of Responsibility for Centrifuge Machines and Components. The parties hereby acknowledge that, due to the nature of Centrifuge Machines designed by Owner and manufactured by Contractor pursuant to this Agreement, it may be difficult to ascertain the root cause of potential operational issues and the resultant impact of same on warranty obligations as specified in Section 17.1 hereof. Accordingly, the Parties agree that the Repair or replacement of failed or defective Centrifuge Machines or components of a Centrifuge Machine shall be handled as follows:

(a) The Statement of Work includes Spares, which are intended to be used to replace failed or defective Centrifuge Machines.

(b) In the event of a failure of a Centrifuge Machines or component for any cause other than an Excluded Cause (see (c) below) during the warranty term for such Centrifuge Machine or component, Contractor shall promptly (but in no event later than (i) ten (10) days after receiving notice of such failure if such notice is provided prior to the delivery of the 11,500th Centrifuge Machine, (ii) sixty (60) days after receiving notice of such failure if such notice is provided subsequent to the delivery of the 11,500th Centrifuge Machine, and (iii) if notice of such failure is provided during or within one month after the occurrence of a Force Majeure event or a suspension of the Contract pursuant to Article 24 which adversely affects Contractor's ability to replace the applicable Centrifuge Machine or component, as soon as reasonably practicable after such Force Majeure event has ended or the suspension of the Contract has been lifted) replace the Centrifuge Machine or component. In the case of Centrifuge Machines, until such time as all Spares have been used to replace Centrifuge Machines, the use of a newly delivered Centrifuge Machine as a replacement for a failed or defective Centrifuge Machine shall be counted as one of the Spares. In the case of defective components, the Contractor shall promptly replace the defective component(s) with additional components manufactured and delivered to ACP by Contractor.

(c) "Excluded Causes" shall mean (i) any failures that are the result of a Force Majeure; (ii) any failures that are caused by the failure of Owner to store or handle the Centrifuge Machines in accordance with the guidelines mutually agreed upon by Owner and Contractor and set forth in a written Memorandum of Understanding; (iii) changes or modifications to parts supplied by Contractor (other than mutually agreed items as defined in Article 17.4 below); or (iv) any failures that result from a design defect.

(d) To the extent, any Centrifuge Machines, components or spare parts are required to Repair or replace equipment not covered by warranty (including replacing Spares used to replace such machines), such additional Centrifuge Machines, components or spare parts shall be ordered by Owner and provided by Contractor in accordance with the terms of the LTSA and shall be governed exclusively by the terms of such LTSA.

(e) The cost of any replacement Centrifuge Machines, in excess of the Spares, or components or parts used to Repair or replace equipment covered by warranty, will be paid by Contractor and will not be included as Allowable Cost.

17.3 Investigations. Owner, in its sole discretion, may decide whether to investigate the cause of any failures that occur to determine the cause of the failure and appropriate corrective actions to prevent future failures. In the event that Owner decides to investigate a failure, Contractor shall participate and cooperate with Owner in performing any such investigation and shall provide any information and take any such other action as may be reasonably necessary or required, which are not inconsistent with the provisions of this Contract. In the event Owner does not investigate a failure, Contractor may, at its own expense, investigate any failure provided it does not interfere with the construction, operation or maintenance of the ACP Facility. In the event Contractor decides to investigate a failure, Owner shall cooperate with Contractor in performing any such investigation and shall provide such information, and take such other actions as may be reasonably necessary or required, which are not inconsistent with the provisions of this Contract and which do not involve the assumption of obligations by Owner.

17.4 Warranty Term and Remedy.

(a) The warranties applicable to Centrifuge Machines and components shall be effective until one (1) year after the date of the first introduction of UF6 gas into such Centrifuge Machine. Any replacement Centrifuge Machine or part shall be warranted for one (1) year after the date of the first introduction of UF6 gas into the Centrifuge Machine containing the replacement or the replacement Centrifuge Machine. Notwithstanding the foregoing, in no event

shall the warranty period for any Centrifuge Machine, component or replacement provided under this Contract extend past the date which is one year after the delivery of the last Centrifuge Machine required pursuant to the SOW of this Contract.

(b) For all other Deliverables, the warranties set forth herein shall be effective for a period of one (1) year beginning upon delivery at the Delivery Point. Any Deliverable which does not conform with the warranty set forth herein, shall, within a reasonable period of time after notification to, or discovery by, Contractor of the defect, be Repaired, reworked, or replaced by Contractor. If Contractor is unable to, or does not timely, perform such Repair, rework, or replacement then the Owner may accomplish the Repair, rework, or replacement and Contractor shall reimburse the Owner for the reasonable costs of same.

(c) Any Services which do not conform to the warranty obligations set forth herein shall be reperformed by Contractor at Contractor's expense within a reasonable time from date of the notice to Contractor of the applicable deficiency. For avoidance of doubt, such cost shall not be an Allowable Cost under the Contract. If Contractor is unable to, or does not timely, reperform such Services then the Owner may accomplish the Repair, rework, or replacement and Contractor shall reimburse the Owner for the reasonable costs of same.

(d) It is recognized that ACP will operate 24/7, 365 days a year and that prompt Repairs of Centrifuge Machines must be made prior to being able to determine if the Repair work is under warranty. Once Centrifuge Machines are installed, to the extent possible Repairs will be made without removing the Centrifuge Machine. For Repair work that is performed on Centrifuge Machines in place after they have been installed, Contractor authorizes Owner to perform any required warranty work at Contractor's expense provided, that the Repairs are performed in accordance with Repair procedures approved or mutually agreed to in writing by Contractor. Costs of such warranty work performed by Owner shall be reimbursed based on the fixed rates set forth in Exhibit I. Contractor may observe any disassembly or Repair work performed by Owner which may be subject to Contractor's warranty obligations.

(e) Contractor shall not, as a matter of course, perform work that requires its workers to obtain radiation worker training. In the event that Contractor has warranty obligations with respect to contaminated components or Centrifuge Machines that have been removed from the process building, and is unable to perform such warranty work then at Contractor's option:

(i) Contractor shall replace the Centrifuge Machine; or

(ii) Contractor shall authorize Owner to perform the required warranty work at Contractor's expense in accordance with the provisions of Section 17.4(d) above.

(f) In the event that Owner is authorized to Repair a component or Centrifuge Machine pursuant to Section 17.4(d) or Section 17.4(e) Contractor agrees that that the warranty term applicable to such Repaired Centrifuge Machine, as stated elsewhere in this Article 17, remains in full force and effect.

(g) Recognizing that there are situations whereby Owner may desire to modify, retrofit and/or upgrade a Centrifuge Machine subsequent to delivery by Contractor and prior to the expiration of the warranty term applicable to such Centrifuge Machine, the following provisions shall apply:

(i) If Owner desires to modify, retrofit and/or upgrade a Centrifuge Machine to address an operational, performance or other issue during the applicable warranty term for such Centrifuge Machine (and such modifications, retrofits and/or upgrades are not subject to Contractor's warranty obligations under this Contract), Contractor agrees that the component(s) delivered by Contractor to Owner for such modifications, retrofits and/or upgrades will be subject to the warranty provisions of this Article 17 and Owner agrees that, except as provided in Section 17.4(g)(ii) below any remaining warranty applicable to the other components of such Centrifuge Machine is no longer in force or effect and is void.

(ii) Notwithstanding the limitations and conditions set forth in this Section 17.4(g), the Parties agree that certain Centrifuge Machine components can be replaced by Owner during the term of the warranty provided for in this Section 17.4 without impacting the integrity of the Centrifuge Machine assembly or voiding the warranty obligations of Contractor. As such, Owner may replace the following items without impacting the warranty term of a particular Centrifuge Machine, provided, that Owner only uses components provided by Contractor and Contractor has previously approved, in writing, the procedures to be used by Owner in making the replacement: the Machine Drive Unit (MDU), the Machine Instrument Package (MIP), diffusion pump and any other Centrifuge Machine components located outside of the casing of the Centrifuge Machine assembly that are mutually agreed upon by Owner and Contractor (Contractor not to unreasonably withhold any such agreement).

(iii) Any other modifications, retrofits, upgrades or other changes to an assembled Centrifuge Machine by Owner, not covered in Section 17.4(d), Section 17.4(e) or this Section 17.4(g), shall void the warranty applicable to such Centrifuge Machine and Contractor shall have no further warranty obligations with respect to such Centrifuge Machine under this Contract or otherwise, unless such actions are previously approved by Contractor in writing.

(h) If Contractor disputes responsibility for correction, Contractor shall nevertheless proceed in accordance with any reasonable written request issued by the Owner under this Article 17 to Repair, rework, or replace the Deliverable or reperform the Services, and Owner shall reimburse Contractor for the incremental costs incurred for such Repair, rework or replacement. The costs reimbursed by Owner will be provisionally included as Allowable Costs until the dispute is resolved. In the event it is later determined that the Deliverable or Services did not conform to the terms of the warranty herein, the Contract shall be equitably adjusted to reimburse Owner for such additional costs incurred by Owner with respect to such Repair, rework or replacement and upon such reimbursement such costs shall be deducted from Allowable Costs. In rendering a determination of responsibility under this Article 17 the Parties agree that the basis for determining a Deliverable or Service to be non-conforming must be based on conclusive evidence (agreed to by Owner and Contactor) that the non-conformance is the responsibility of Contractor and that there were no other contributing factors involved in the failure or non-conformance of the Deliverable or Service. The Parties agree to collaborate and exercise good faith in the objective evaluation and assessment of potential warranty issues for purposes of determining responsibility pursuant to this Article 17.

(i) In order for the applicable warranty remedy to apply, a written claim must be made by the Owner within ninety (90) days from the date the defect is detected by the Owner. If such written claim is provided after the expiration date of the applicable warranty period, Owner must provide reasonable evidence that the defect was detected by the Owner prior to the expiration of the applicable warranty period.

17.5 Warranty Disclaimer and Exclusive Remedy for Breach of Warranty.

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

LIABILITY, OR OTHERWISE, SHALL BE LIMITED TO THE REMEDIES SPECIFIED IN THIS ARTICLE 17.

17.6 Other Warranties. In addition to the warranties provided herein, Contractor shall assign to the Owner all manufacturer's warranties for equipment or items purchased by Contractor provided such equipment or items are Owner-funded and become the property of the Owner pursuant to the terms of this Contract.

17.7 Force Majeure. Notwithstanding anything to the contrary herein, Force Majeure shall excuse Contractor's failure to meet its warranty obligations hereunder.

18 LIMITATION OF LIABILITY

Notwithstanding any other provision of this Contract, except for liabilities under Article 35 (Confidentiality), neither Party (including subcontractors of Contractor or customers and other contractors of the Owner) shall be liable to the other Party whether arising under contract, tort (including negligence), strict liability, or otherwise, for any for loss of anticipated profits, loss of revenue by reason of plant or other facility shutdown, non-operation, claims of Owner's customers, claims of Owner's contractors (including subcontractors, vendors or suppliers) other than ACM, cost of money, loss of use of capital or revenue, or for any punitive, special, indirect, incidental or consequential loss or damage of any nature, arising at any time or from any cause whatsoever, including without limitation, third party claims or claims for damages to equipment or property caused by failures of other equipment or property. Nothing herein shall be deemed to limit the liability of the DOE under the Price-Anderson Act, as amended, nuclear indemnity agreement extended to Contractor under Article 40.

19 TITLE AND RISK OF LOSS

19.1 Unless this Contract specifically provides otherwise, title and risk of loss to all Deliverables shall remain with the Contractor until, and shall pass to the Owner upon, delivery and acceptance of the Deliverables at the Delivery Point. If Deliverables are to be delivered by common carrier, delivery shall be made F.O.B. Destination at the Delivery Point. In the event that Owner requests delivery other than at the Delivery Point, the Contractor shall arrange for delivery of the Deliverables to the destination requested by the Owner at the Owner's cost. Rejected Deliverables shall be disposed of in accordance with Section 19.3(b).

19.2 Title to Work. In the event of termination of this Contract, the Owner shall be deemed to acquire title to all Work performed by the Contractor hereunder at the Owner's expense, upon the Owner's payment therefore.

19.3 Contractor Risk of Loss.

(a) Notwithstanding the foregoing and prior to acceptance in accordance with Section 16.1 of the completed Deliverables by the Owner, Contractor shall bear the risk of loss of, or damage to, the Deliverables.

(b) Title to and risk of loss of defective Deliverables that are returned for replacement shall revert to the Contractor upon notice of the defect. Contractor shall provide Owner with instructions on the disposition of the Deliverables within ninety (90) days of receiving Owner's notice of the defect. If the Contractor fails to furnish timely disposition instructions, the Owner may dispose of the defective Deliverables for the Contractor's account in a reasonable manner.

19.4 Disclaimer. The fact that the Owner takes title to the Deliverable or to any equipment, Materials or thing under this Article 19, shall not be considered acceptance of such Deliverable, equipment, Material or thing nor limit or affect the Owner's right to require correction or replacement of defective or nonconforming Deliverable, equipment, Material or thing or relieve the Contractor of any obligation under this Contract.

19.5 Security Interest. Contractor hereby agrees to grant Owner a purchase money security interest in any Materials, equipment and other items purchased by the Contractor at the Owner's expense and for which Owner has made any payment. At the Owner's request, Contractor agrees to execute a UCC-1 financing statement or any other documents or filings and any amendments or continuations to perfect the Owner's security interest in such Materials, equipment and other items.

20 INDEMNIFICATION AND INSURANCE

20.1 Except with respect to (a) a Public Liability; (b) any other damage to or loss or impairment of the property, equipment, facilities or business (including the economic value of such property, equipment, facilities or business) of the Owner arising out of or resulting from, directly or indirectly, a Nuclear Incident in any way related to the manufacturing work and services being performed by Contractor under this Contract; and (c) any third party liabilities or claims referenced in Section 20.2, Contractor shall indemnify, save harmless and defend the Owner and its directors, officers, employees, contractors or agents from and against any and all liabilities, claims, penalties, forfeitures or suits (collectively, "Claims") and the costs and expenses incident thereto (including cost of defense, settlement and reasonable attorneys' fees) (collectively, "Costs"), which they or any of them may hereafter incur, become responsible for or pay out as a result of death or bodily injuries to any person, destruction or damage to any property, contamination of or adverse effects on the environment, or any violation of laws, regulations or orders, caused by or arising out of, in whole or in part, Contractor's performance of, or failure to perform, under this Contract. Notwithstanding the foregoing, the financial obligation of Contractor under this Article 20 shall be reduced to the extent such Claims or Costs arise from the negligence, strict liability or fault of the Owner, its directors, officers, employees, agents or contractors (other than Contractor or Contractor's subcontractors or suppliers), which negligence, strict liability or fault shall be determined on a comparative negligence basis. For clarity, the parties understand and agree that this indemnification, save harmless and defense obligation does not extend to any Claims by the Owner or its directors, officers, employees, agents or contractors for damage to or loss or impairment of the property equipment, facilities or business (including the economic value of such property, equipment, facilities or business) of the Owner or its directors, officers, employees, agents or contractors that result either directly or indirectly from a nuclear incident as that term is defined and understood in the AEA, regardless of whether the Claims are caused, in whole or in part, by the negligence, strict liability or other fault of Contractor and that the Owner hereby releases Contractor from and against any such Claims.

20.2 Owner shall defend indemnify, hold harmless and release the Contractor, its owners, and their respective directors, officers, employees, contractors and agents, for (a) third party liabilities for physical injury or death or damage to property to the extent caused by a defect in the design of the Centrifuge Machine furnished by or on behalf of Owner; (b) any claims of third parties for intellectual property infringement with respect to the design of the Centrifuge Machine furnished by or on behalf of Owner; (c) any claims arising from a Nuclear Incident other than Public Liability indemnified under the Price-Anderson Act, as amended or any claims covered by workman compensation or insurance carried by or required to be carried by the Contractor under this Article.

20.3 Required Insurance. During the term hereof, Contractor shall maintain the following kinds and amounts of insurance to cover bodily injury (including

death) and property damage suffered or (in the case of liability insurance) caused by Contractor or its employees, if any, in connection with the performance of the Work:

(a) Workers Compensation. As required by applicable law.

(b) Employers Liability. $1 million per occurrence.

(c) General Liability. $1 million per occurrence for both bodily injury and property damage.

(d) Automobile Liability. $1 million combined single limit.

(e) Excess Liability. $10 million covering items (b), (c) and (d).

(f) "All risk" property insurance covering Contractor's facilities and their contents, naming Owner and Contractor as loss payees as their interests may appear.

20.4 Workers Compensation for personnel seconded to Contractor will be provided by the employer of the personnel.

20.5 Contractor shall ensure that the insurance carrier provides the Owner thirty (30) days written notice prior to cancellation in coverage terms. Contractor shall provide written evidence of all liability policies required under this Article by providing Certificates of Insurance. Contractor shall, upon award of this Contract and prior to the commencement of any work at or on a Owner Facility, provide the Owner with Certificates of Insurance for all liability policies required under this Article or a written certification that all required insurance has been obtained. This certification shall apply to Contractor and all subcontractors working at or on an Owner Facility. Contractor and its subcontractors shall maintain copies of all required certificates of insurance at the site of work when Work is being performed at or on an Owner Facility.

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

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

21 CONTRACT MANAGEMENT

21.1 Owner's Representative. Unless otherwise stated in this Contract or otherwise specified in writing by the Owner, any action that may be taken by the Owner in this Contract may only be taken by the Owner's Representative (such action shall bind the Owner unless it violates applicable law or governmental regulations). In addition to the foregoing authority, the Owner's Representative may also take any action expressly reserved for the Technical Representative (as described in Section 21.2), if any, and may override any decision of the Technical Representative. All actions taken by the Owner's Representative shall bind the Owner unless such actions violate applicable law or governmental regulations. In such event, Contractor will not be obligated to comply with Owner's Representative's direction and will, within a reasonable period of time after discovery of the violation, provide corresponding notice to Owner. The Owner's Representative may replace the Technical Representative and shall provide written notice thereof to the Contractor.

21.2 Technical Representative. The Technical Representative, if one is designated elsewhere in this Contract, shall be authorized to provide Technical Direction as defined in Section 21.3 relating to the performance of the Contractor's obligations under this Contract. All actions taken by the Technical Representative prior to his or her replacement hereunder shall bind the Owner unless such action violates applicable law or governmental regulations. In such event, Contractor will not be obligated to comply with Technical Representative's direction and will, within a reasonable period of time after discovery of the violation, provide corresponding notice to Owner. If no Technical Representative is designated in this Contract, all actions shall be taken by the Owner's Representative.

21.3 Technical Direction.

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

(b) All Technical Direction must be within the scope of this Contract and Technical Direction shall be issued in writing by the Technical Representative or the Owner's Representative. Any Technical Direction issued pursuant to this subsection (b) shall not result in any additional payment to the Contractor. The Technical Representative does not have the authority to, and may not, issue any Technical Direction that: (i) requires additional services outside of the scope of this Contract; (ii) alters the design or configuration of Centrifuge Machines or other Deliverables; (iii) alters any written performance schedule included in the Contract or agreed to by the Owner's Representative; (iv) changes the terms of this Contract; or (v) interferes with the Contractor's right to perform its obligations in accordance with this Contract.

(c) The Contractor shall proceed promptly to perform any Technical Direction issued by the Technical Representative in the manner prescribed by and within the Technical Representative's authority. If, in the opinion of the Contractor, any Technical Direction violates Section 21.3(b), the Contractor shall: (i) notify the Owner's Representative in writing promptly after receipt of any such Technical Direction; (ii) request in writing that the Owner modify this Contract accordingly; and (iii) unless otherwise directed by the Owner's Representative, continue performance of this Contract without complying with the Technical Direction in question, pending a decision by the Owner. Upon receiving any such notification from the Contractor, the Owner's Representative shall: (A) advise the Contractor in writing as soon as possible after receipt of the Contractor's letter that the Technical Direction is within the scope of this Contract and does not constitute a change; or (B) advise the Contractor in writing within a reasonable time that the Owner shall modify this Contract in

accordance with Article 22 (Contract Modifications). Any disagreement between the Owner and the Contractor regarding the Owner's Representative's determination of whether a Technical Direction is within the scope of this Contract or whether, or in what amount, to allow for an equitable adjustment, shall be resolved in accordance with Article 23 (Dispute Resolution).

(d) Technical Representative. The Owner's Technical Representative, with overall responsibility for coordinating work under this Contract shall be appointed by Owner by providing notice to Contractor within ten (10) days of the Effective Date pursuant to Article 45. The Owner may change the Technical Representative by providing notice pursuant to Article 45.

21.4 Operational Authority.

(a) Design Changes. Owner shall retain technical authority over the design and configuration of the Centrifuge Machines. Owner may, from time to time, determine to alter the design of the Centrifuge Machines to improve performance or to reduce production costs or for another reason. Contractor shall have the right to submit, from time to time, to Owner suggested design changes that improve Centrifuge Machine manufacturability, improve performance or reliability or reduces manufacturing, operation or maintenance costs and Owner agrees to consider such design suggestions expeditiously and in good faith.

(b) Any design modification approved by Owner, shall be made by modification to this Contract as provided in Article 22.

(c) Contractor Approvals. Owner agrees that Contractor shall have the right to make non-critical procedure changes and approve major and minor deviations as set forth in Statement of Work, Section 6.12. Notwithstanding anything to the contrary, Contractor shall not have the authority to approve any matters that impact the safety basis of ACP's NRC licenses or performance features.

22 CONTRACT MODIFICATIONS

22.1 The Target Cost shall only be increased or decreased in the event (a) the Owner issues a change in accordance with Section 22.2; or (b) any equitable adjustment is authorized under any other part of this Article 22 or any other Section of this Contract. Equitable adjustments in the Ceiling Cost, or Target Cost, may be made only by written modification of the Contract mutually agreed to by the Parties.

22.2 Owner may at any time by written order and without advance notice or notice to any sureties, make unilateral changes within the general scope of this Contract with respect to any one or more of the following: (a) design, quality requirements, Drawings or Specifications; (b) method of shipment or packing; (c) place of delivery; or (d) reasonable and achievable schedule or quantity changes. If any such modification referenced in this Section 22.2 results in a change in the projected cost of, or the time required for, performance of this Contract, Owner shall make an equitable adjustment (including adjustments that decrease the costs) to the Target Cost, Ceiling Cost delivery schedule or other affected Contract terms; provided, that the Contractor has requested an equitable adjustment within thirty (30) days from receipt of the written order and prior to final payment under this Contract. With respect to any change pursuant to this Section 22.2, Owner and Contractor shall (x) each analyze and assess the effect of such change promptly after the relevant data with respect to such change is reasonably available, and then (y) negotiate in good faith any equitable adjustment to the Target Cost, the Ceiling Cost, the delivery schedule, and such other affected terms of this Contract as may be appropriate.

22.3 Contractor shall also be entitled to an equitable adjustment to the Target Cost, Ceiling Cost and, if necessary, the delivery schedule or other terms of this Contract in the event of a change due to: (a) Work commencing more than thirty (30) days after the Commencement Date; (b) any delays, additional costs, or other modification as a result of Lender action or requirements of Financing Agreements; or (c) any change in (i) laws, (ii) regulation, (iii) government regulations; or (iv) DOE or NRC guidelines, in each case which changes the requirements on the Contractor in the performance of the Contract. Contractor and Owner shall negotiate in good faith the terms of any such change or equitable adjustment.

22.4 In the event Owner issues a directed change pursuant to Section 22.2 or in the event Contractor is entitled to an equitable adjustment to the Target Cost or Ceiling Cost due to a change under Section 22.3, then costs incurred as a result of such change ("Change Costs"):

(a) will be considered to be costs incurred directly for this Contract under Section 7 and shall be provisionally reimbursed as Allowable Costs provided the costs are otherwise allowable under Section 7; and

(b) until the Target Cost and Ceiling Cost are modified by written agreement to address the change, such Change Costs (i) shall not be considered Allowable Costs for purposes of calculating Incentive Fee under Section 8.3 or determining if the Ceiling Cost has been exceeded, and (ii) shall not be subject to any invoice limitations contained in Exhibit H.

22.5 Owner may also request Contractor to provide a proposal to Owner regarding a potential change. The request shall be in writing with a description of the proposed change and a request for Contractor to analyze the impact of such proposed change on the cost, quantity, design, quality requirements and delivery schedule applicable to this Contract. Contractor will respond in a timely manner to such request with at least a preliminary response being available to Owner within five (5) Business Days. Further, Contractor at any time may request a change by providing a written request to Owner with a description of the proposed change and an analysis of the impact of such proposed change on the cost, quantity, design, quality requirements and delivery schedule applicable to this Contract and its proposal regarding the proposed change. No such proposed change will become effective until issued in writing by Owner pursuant to Section 22.2 (if permissible under such section) or a written modification is executed by the Parties.

22.6 A dispute involving any equitable adjustment shall be resolved pursuant to Article 23 but, if the change is made pursuant to Section 22.2, not excuse the Contractor from performing the Contract, as modified.

22.7 In the event of a change under Section 22.2 or Section 22.3, in addition to requesting an equitable adjustment as provided in those sections, Contractor may submit a separate proposal to Owner to adjust the Fixed Fee or Incentive Fee amount or method of calculation. Owner shall in good faith consider such proposal and in Owner's sole discretion may agree, reject or make a counter proposal to Contractor's proposal. Any adjustment of the Fee or Incentive Fee amount or method of calculation shall be made only by written modification of the Contract mutually agreed to by the Parties. Any actions, decisions or other matters related or arising under this Section 22.7 shall in no event be subject to Dispute Resolution under Article 23 and in no event shall either Party be entitled to any equitable adjustment or to make any claim in any forum related to any Party's exercise of its rights or its discretion under this Section 22.7.

23 DISPUTE RESOLUTION

23.1 Mutual Agreement. Any controversy or claim (a "Dispute") between the Parties arising out of or relating to this Contract, or the breach, termination or validity hereof that is not resolved by mutual agreement shall be decided by Owner's Representative within ten (10) Business Days of the date

either Party shall refer such dispute to the Owner's Representative. Owner's Representative shall, in writing, notify the Contractor of its final decision ("Final Decision") and designate such notice as the "Final Decision Notice." In the event the Contractor disagrees with the Owner's Representative's Final Decision, the Contractor shall notify the Owner's Representative of its disagreement within thirty (30) days after receipt of the Final Decision Notice; otherwise, the Final Decision shall be final and no action shall lie against the Owner arising out of said Dispute.

23.2 Elevation of Discussions. In the event the Contractor notifies the Owner's Representative of its disagreement with the Final Decision within the time period in Section 23.1, the Contractor may elevate the Dispute to members of the senior management of each of the Parties. If the senior management of the Parties is unable to resolve the Dispute within ten (10) Business Days (the "Senior Management Review Period") after referral thereto the Final Decision by Owner's Representative shall be final subject to Section 23.3. By mutual agreement in writing the Parties may extend the Senior Management Review Period and/or agree to utilize mediation or other alternative dispute resolution.

23.3 Referral to Arbitration. In the event Contractor notifies Owner's Representative within ten (10) days of the end of the Senior Management Review period of its disagreement then the Dispute shall be finally settled by binding arbitration in accordance with the American Arbitration Association Rules (the "Rules") as in effect on the Effective Date of this Contract, as modified by this Section, and by three arbitrators appointed in accordance with the Rules; provided that such arbitrators shall have at least ten (10) years of experience in construction or manufacturing litigation and shall have no affiliation with either of the Parties or their affiliates during the previous five (5) years (other than acting as an arbitrator or mediator). The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. §1 et seq., and shall be held at a neutral site in Washington D.C.

23.4 Hearings and Award. To the extent feasible (as determined by the arbitrators), all hearings shall be held within ninety (90) days following the appointment of the arbitrators. At a time designated by the arbitrators, each Party shall simultaneously submit to the arbitrators and exchange with the other Party its final proposal for damages and/or any other applicable remedy. In no event shall the arbitrators award damages inconsistent with any of the terms and conditions of this Contract. Absent (a) a determination by the arbitrators that extraordinary circumstances require additional time; or (b) agreement of the Parties, the arbitrators shall issue the final award no later than thirty (30) days after completion of the hearings. Judgment on any award may be entered in any court having jurisdiction thereof.

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

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

24 TERMINATION AND SUSPENSION OF THIS CONTRACT

24.1 Termination or Suspension. The Owner may terminate this Contract, in whole or in part, (a) subject to Section 24.5 at the Owner's convenience, upon 10 days written notice to Contractor; or (b) if Contractor Defaults and, fails to cure such Default within thirty (30) days (unless extended in writing by the Owner) after receiving written notice from the Owner's Representative specifying the Default. The Owner may suspend this Contract, in whole or in part, at the Owner's convenience with five (5) days advance notice.

24.2 The Contractor may terminate this Contract if Owner Defaults provided that Owner has not cured such Default within the applicable cure period, if one is provided, or if none is provided, within thirty (30) days (unless extended in writing by Contractor) after written notice of the breach from the Contractor.

24.3 Definition of Default. "Default" includes: (a) either Party is adjudged bankrupt or insolvent; (b) either Party makes a general assignment for the benefit of its creditors; (c) a trustee or receiver is appointed for either Party or any of its property; (d) either Party files a cure petition to take advantage of any debtor's act or to reorganize under the bankruptcy or similar laws; (e) provided that Owner is in compliance with the payment terms of this Contract, Contractor fails to make prompt payments to subcontractors or suppliers for labor, materials or equipment except to the extent of any dispute between Contractor and such subcontractor or supplier being pursued by Contractor in good faith; (f) except to the extent caused by Force Majeure, Contractor fails to make progress in the Work so as to endanger performance of this Contract; (g) either Party breaches any material warranty or representation made under this Contract and fails to remedy same in accordance with the terms of this Contract; (h) Owner fails to make a timely payment of amounts owed and due to be paid to Contractor (other than amounts subject to dispute under Article 23) and Owner fails to cure such breach within thirty (30) days after written notice of such breach from Contractor; or (i) either Party breaches any other term of this Contract and such breach has or could reasonably have a material adverse effect on the performance of this Contract. Force Majeure shall excuse a Default by Contractor under item (f) or (i) above if the Party claiming Force Majeure gives notice to the other Party's Representative promptly of the effect of such Force Majeure on performance of this Contract and the likely duration thereof, if reasonably known, and keeps the other Party's Representative informed of any changes in such circumstances, including when such Force Majeure ends; provided, the Party claiming Force Majeure uses all reasonable efforts to continue to perform this Contract, to remedy the circumstances constituting the Force Majeure and to mitigate the adverse effects of such Force Majeure on performance of this Contract. "Force Majeure" means (x) a Fundamental Failure; or (y) an unforeseeable occurrence beyond the reasonable control of Contractor and without its fault or negligence such as acts of God or the public enemy, acts of the U.S. Government in its sovereign capacity, fires, floods, earthquakes, epidemics, quarantine restrictions, strikes, unforeseeable delays of common carriers and unusually severe weather.

24.4 Contractor's Obligations Upon Termination or Suspension.

(a) Upon receipt of the Owner's notice of termination or suspension of this Contract, in whole or in part, Contractor shall (i) cease work on the terminated or suspended portions of this Contract as directed in such notice, and shall not incur additional obligations in connection with the terminated or suspended portions of this Contract, until, in the event of suspension, the Owner's Representative notifies Contractor that the suspension has been lifted and that Contractor may resume work; (ii) continue to perform those portions of this Contract that are not terminated or suspended; (iii) terminate and/or assign to the Owner or to an affiliate (if so directed by the Owner's Representative), contractor or a supplier of the Owner (at the Owner's discretion) all of Contractor's right, title and interest in subcontracts and purchase orders relating to the terminated or suspended portion of this Contract; (iv) take actions necessary to protect, preserve all Work and Deliverables and all materials and information (regardless of form) acquired or produced for performance of this Contract; (v) (in the case of a termination of this Contract) promptly, following payment in full to Contractor of all amounts due hereunder, transfer title to and possession of all Work and information (regardless of form) acquired or produced for performance of this Contract to the Owner or an affiliate, contractor or a supplier of the Owner (as determined by the Owner's Representative); and (vi) in the case of termination for convenience under subsection (a)(i) above, provide supporting cost data as requested by the Owner and permit Owner's auditor access to all records within Contractor's custody or control (other than with respect to fixed fee on lump sum aspects of this Contract) and shall use its commercially reasonable efforts to allow such auditor access to its subcontractor's records to verify such cost data in order to facilitate the determination of the appropriate compensation due to Contractor, all in accordance with and subject to the limitations set forth in Section 7.2.

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

24.5 The Owner's Obligations Upon Termination or Suspension. Upon the Owner's termination of this Contract, the Owner shall pay Contractor all incurred costs (including costs Contractor is obligated to pay as a result of such termination such as costs incurred as a result of compliance with the WARN Act or other legal and regulatory requirements) plus the portion of the Fixed Fee for the period until the termination date plus the pro rata Incentive Fee based on the Earned Value as of the date of the termination notice. If the Contract is terminated for Default, Contractor shall be responsible for all costs incurred by Owner as a result of such Default including, but not limited to, (a) costs to reprocure the remaining Centrifuge Machines and Spares, and (b) increased costs for performance of the remaining Work under the Contract. Owner shall have the right to offset any amounts owed by Contractor to Owner against any amounts owed to the Contractor and an overage shall be repaid by Contractor within thirty (30) days of receipt of notice of such amount, including appropriate supporting documentation. In the event the Contract is suspended, such suspension shall be considered a change and subject to an equitable adjustment as provided in Article 22 (Contract Modifications). For the avoidance of doubt, other than to the extent set forth in the Guaranty of even date herewith provided by The Babcock & Wilcox Company to Owner, no member, shareholder or owner of Contractor shall have any liability to Owner for any costs related to any termination of this Contract irrespective of the reason for such termination.

24.6 Other Remedies. Nothing in this Article 24 shall be deemed to limit any other remedy that either Party may have under this Contract or applicable law in the event of termination or suspension of the Contract.

25 APPLICABLE LAW

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

26 COMPLIANCE WITH LAWS

26.1 The Contractor shall comply with all applicable federal, state and local laws, rules, regulations, orders, codes and standards in performing this Contract. The cost of such compliance shall be an Allowable Cost.

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

27 FURNISHED PROPERTY

27.1 The Owner (either directly or through an affiliate) may provide to the Contractor property owned or controlled by the Owner (or an affiliate of Owner) ("Furnished Property"). Furnished Property shall be used only for the performance of the Work unless Owner shall consent in writing to such other use.

27.2 Title to Furnished Property shall not pass to Contractor. Other than with respect of Furnished Property acquired for a price of less than $5,000 per unit, the Owner shall clearly mark (if not so marked) all Furnished Property to show that it is Furnished Property. The Contractor, as part of the Work, shall (a) provide approved storage facilities for Furnished Property; and (b) unload, provide receipts for, and store all such Furnished Property. If such items are already in storage, the Contractor shall take custody of them when directed by the Owner or its designee. The Contractor shall check, account and care for, and protect such items in accordance with good commercial practice and in the same manner as if such items were to be furnished by the Contractor under this Contract.

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

27.4 At the Owner's Representative's request and/or upon completion or term of this Contract, other than with respect of Furnished Property acquired for a price of less than $5,000 per unit, the Contractor shall submit in a form acceptable to the Owner's Representative, inventory lists of Furnished Property and shall deliver or make such other disposal of Furnished Property as may be directed by the Owner's Representative.

28 NON WAIVER OR DEFAULT

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

29 SURVIVAL

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

30 HEADINGS

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

31 CONTRACTOR STATUS

31.1 The Contractor is an independent contractor.

31.2 Nothing herein contained or implied shall at any time be so construed as to create the relationship of employer and employee, partnership, principal and agent, or joint venture between the Owner and Contractor or its subcontractors or between the Owner and any of Contractor's personnel or its subcontractor's personnel. The Owner shall not have any obligation under local, state or federal laws regarding pay, benefits, taxes or other labor matters relating to personnel of Contractor or its subcontractors and the total commitment and liability of the Owner in regard to payment for Work is to pay for Work performed, pursuant to the payment provisions of this Contract. Neither Party has any authority whatsoever, express or implied, to assume or create any obligation on behalf of or in the name of, the other Party with respect to third parties.

31.3 Without limiting (a) the Owner's right to provide Technical Direction as set forth in the Article 21 (Contract Management); or (b) any requirement in this Contract regarding subcontractors and consultants, the Owner shall have no right to control or direct the details, means or methods by which the Contractor performs this Contract.

32 THIRD PARTY BENEFICIARIES

Except as provided in Articles 38 and 40, nothing in this Contract shall be interpreted as creating any right of enforcement of any provision herein by any person or entity that is not a Party to this Contract.

33 SEVERABILITY

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

34 PRECEDENCE

Except as otherwise provided herein, any inconsistencies in this Contract shall be resolved in accordance with the following descending order of precedence: (a) the terms and conditions herein (i.e., Articles 1 through 51), (b) the Statement of Work, (c) the Exhibits, (d) the Specifications and (e) the Drawings.

35 CONFIDENTIALITY

35.1 Any Proprietary Information exchanged between the Parties during the performance of this Contract, including the terms of the Contract itself, shall be kept confidential and protected in accordance with this Article 35.

35.2 "Proprietary Information" of a Party means all information disclosed by the Party or any person acting on behalf of the Party (including contractors of the Party) to the other Party ("Recipient") except Proprietary Information of a Party does not include information that Recipient establishes by substantial evidence: (a) is or has become generally available to the public other than by a disclosure by Recipient; (b) was possessed by Recipient prior to its acquisition hereunder as evidenced by pre-existing, written records; (c) is hereafter received by Recipient from a third party who has the right to disclose such information to the Recipient without any restrictions and without a breach of an obligation of confidentiality; or (d) has been independently developed by Recipient or by Recipient's employees or third parties that have not had access to the Proprietary Information in the possession of Recipient.

35.3 Each Recipient shall not: (a) use the disclosing Party's Proprietary Information for any purpose other than to perform the Contract; or (b) except as provided in this Contract, disclose, provide access to, release or disseminate, by any means the disclosing Party's Proprietary Information to any person or entity without the prior written consent of the disclosing Party except to those of Recipient's employees, employees of any agent, parent, affiliate or subsidiary, professional advisors (for example, lawyers, bankers, financial consultants, and accountants), or creditors or guarantors who (i) have a bona fide need to know the Proprietary Information; (ii) are advised of the proprietary nature of the information; and (iii) except where such creditors or guarantors are U.S. government agencies, are bound, through a written agreement, to the terms of this Contract or by a legally enforceable code of professional responsibility to protect the confidentiality of the Proprietary Information.

35.4 Each Recipient shall use reasonable efforts to protect the disclosing Party's Proprietary Information from any use or disclosure that is not permitted by this Contract, but in no event shall those efforts be less than the efforts employed by the Recipient (including, without limitation, the adoption of security procedures and physical security measures) to protect its own proprietary information of a similar nature.

35.5 Contractor understands that it may be necessary for the Owner to provide information, including this Contract, information under this Contract and other information protected under this Article 35 to the U.S. Government, Lenders, prospective investors and other person in connection with and solely for the purpose of obtaining financing and funds for the ACP Facility. Contractor agrees and consents to such disclosure of information provided such persons have agreed to protect the confidentiality of the information or are under statutory or legally enforceable code of professional responsibility to protect such information. In any case where additional disclosure of terms of this Contract are sought by a Party, permission to do so shall not be unreasonably withheld provided the prospective recipients have agreed to protect the confidentiality of the information or are under statutory or legally enforceable code of professional responsibility to protect such information.

36 INTELLECTUAL PROPERTY

36.1 All inventions; discoveries; improvements; documents; drawings, including the Drawings, if applicable; designs; specifications, including the Specifications, if applicable; notebooks; tracings; photographs; negatives; reports; findings; recommendations; data and memoranda of every description, including material maintained in any form or medium, concepts, ideas, methods, methodologies, procedures, processes, know-how and techniques (including without limitation, function, process, system and data models); templates; the generalized features of the structure, sequence and organization of software, user interfaces and screen designs; general purpose consulting and software tools, utilities and routines; and logic, coherence and methods of operation or systems (whether or not patentable, or copyrightable that are conceived or first actually reduced to practice or first prepared by Contractor, its personnel or its subcontractor(s), in the performance of the Work related to design of centrifuge components or the Deliverables (collectively, "Contractor Developed Design Technology") shall be the property of the Owner and treated by Contractor and its subcontractor as confidential Owner's Proprietary Information. Unless directed by the Owner otherwise, Contractor may maintain a reasonable number of copies of Contractor Developed Design Technology for archival purposes only. All retained copies shall be marked as confidential and protected from disclosure to third persons in accordance with the provisions of Article 35

(Confidentiality) for so long as Contractor retains such copies. Owner acknowledges that Contractor intends to perform work at the Oak Ridge Facility other than the Work defined herein. Such work shall be on a non-interference basis and Contractor may utilize Contractor Developed Manufacturing Technology. The Owner shall acquire all of Contractor's right, title and interest in and to all Contractor Developed Design Technology by written assignment or as a work for hire. Contractor hereby assigns all its right, title and interest in such Contractor Developed Design Technology to the Owner, and Contractor shall execute any documents and otherwise assist in obtaining, maintaining, or enforcing the Owner's intellectual property rights in and to Contractor's Developed Design Technology, as the Owner may reasonably require to preserve the Owner's rights therein. No additional compensation shall be paid to Contractor for, or as result of, providing such assistance. To the extent Contractor Background Technology is incorporated into Contractor Developed Design Technology, Contractor hereby grants to the Owner a fully-paid, world-wide, non-exclusive, irrevocable, transferable, perpetual license to make, have made, use, sell, offer to sell, reproduce, prepare derivative works, perform and/or display publicly, and sublicense such Contractor Background Technology to the extent necessary for the Owner to exercise its rights of ownership in Contractor Developed Design Technology. No additional compensation shall be paid to Contractor for, or as result of, such license.

36.2 All inventions; discoveries; improvements; documents; drawings, including the Drawings, if applicable; designs;, specifications, including the Specifications, if applicable; notebooks; tracings; photographs; negatives; reports; findings; recommendations; data and memoranda of every description, including material maintained in any form or medium, concepts, ideas, methods, methodologies, procedures, processes, know-how and techniques (including without limitation, function, process, system and data models); templates; the generalized features of the structure, sequence and organization of software, user interfaces and screen designs; general purpose consulting and software tools, utilities and routines; and logic, coherence and methods of operation or systems (whether or not patentable, or copyrightable that are conceived or first actually reduced to practice or first prepared by Contractor, its personnel or its subcontractor(s), in the performance of the Work related to manufacturing of centrifuge components or the Deliverables (collectively, "Contractor Developed Manufacturing Technology") shall be the property of the Contractor. Other than as provided in Section 36.6, nothing in this agreement shall be construed as expressly or implicitly granting a license to Owner of any Contractor Developed Manufacturing Technology, including without limitation intellectual property rights, except for the limited purpose of acceptance and use of Deliverables under this Contract.

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

36.4 Even if used in connection with the performance of the Work, Contractor Background Technology shall remain the property of Contractor and the Owner shall acquire no right or interest in such property, except for the license provided in Sections 36.1 and 36.6. Similarly, property of the Owner (including, without limitation, the Owner Technology (as defined below) and any equipment, material, hardware and software of the Owner) shall remain the property of the Owner and Contractor shall acquire no right or interest in such property except as provided in Section 36.7.

36.5 The term "Owner Technology" means all inventions; discoveries; improvements; documents; drawings (including the Drawings); designs; specifications (including the Specifications); notebooks; tracings; photographs; negatives; reports; findings; recommendations; data and memoranda of every description, including material maintained in any form or medium; concepts; ideas; methods; methodologies; procedures; processes; know-how and techniques (including without limitation, function, process, system and data models); templates; the generalized features of the structure, sequence and organization of software, user interfaces and screen designs; general purpose consulting and software tools, utilities and routines; and logic, coherence and methods of operation or systems (whether or not patentable, or copyrightable) owned by, or licensed to the Owner or to which the Owner otherwise has rights to use or possess. Nothing in this agreement shall be construed as expressly or implicitly granting a license to Contractor of any Owner Technology, including without limitation intellectual property rights, except for the limited purpose of performing its Work under this Contract.

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

36.7 The Owner will provide the Contractor with the necessary licenses for the use of the design and other intellectual property held, or to be held, by the Owner regarding the design of the Centrifuge Machines that is required by the Contractor to perform its obligations under this Contract. The Owner has the right to modify the design of the Centrifuge Machines to be delivered under this Contract from time to time and such modifications will be addressed through the Contract modification process under Article 22.

37 SECURITY OF CLASSIFIED INFORMATION AND CONTROLLED AREAS

37.1 Classified Information Access.

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

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

37.2 Site Access. Certain facilities furnished by Owner (or an affiliate of Owner) and the ACP Facility (the "Owner's Facilities") are each enclosed by a

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

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

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

37.5 Export Controlled Information.

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

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

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

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

(e) Unless specifically and expressly approved in writing by the Owner, Contractor shall not disclose any ECI or information that may contain ECI provided or furnished by the Owner for any purpose to any individual who is not a U.S. citizen or to any non-U.S. person or entity (including any non-U.S. employee, supplier or contractor). For purposes of this Article 37, a person or entity is considered to be non-U.S. if it is incorporated, organized or created under the laws of a foreign country, or is foreign owned, controlled or influenced as defined in applicable regulations and guidelines. This restriction applies to written and oral information and guidance which may be provided by the Owner and applies to any information provided by any contractor, or subcontractor to the Owner or any other person acting on behalf of the Owner. Prior to disclosing any ECI to any person, Contractor shall include this Article 37 in a contract or agreement with the recipient.

37.6 Unclassified Controlled Nuclear Information.

The Specifications/Drawings/Statement of Work referenced in this Contract and attached hereto contains UCNI. Only authorized individuals can have access to UCNI documents. An authorized individual is someone working for or with the United States government, the Owner, or its contractors requiring access to specific UCNI in the performance of official duties. The information shall be controlled and handled according to the instructions set forth below:

(a) Handle UCNI material in such a way it will not be available to anyone to whom you are not deliberately transmitting it. An authorized individual shall maintain control over all UCNI to prevent unauthorized access. Physical control shall be maintained over documents in use to prevent unauthorized disclosure. In a controlled or guarded area, unlocked files, desks, or similar containers are adequate protection. In an uncontrolled or unguarded area, a locked drawer or desk, a locked repository or a locked room is adequate.

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

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

(d) When the Specifications, Drawings, and/or Statement of Work are no longer required by the Contractor, destroy it in a manner that will assure sufficient complete destruction to prevent its retrieval. Refer to DOE Manual 471.1 or 10 C.F.R. 1017 for additional criteria.

(e) This Section 37.6 shall be included in all subcontracts for performance of work under the Contract that require use of the above referenced Specifications, Drawings, and/or Statement of Work.

38 WAIVER FOR CLAIMS DUE TO NUCLEAR INCIDENTS

Certain of the Owner's contracts with its customers require the Owner to seek from its suppliers a waiver of any claim against the Owner's customers for loss, damage or loss of use of, property resulting from a nuclear incident (as defined in Section 11 of the AEA) at the Owner's Facilities. To the extent necessary for Owner's compliance with the foregoing requirement, Contractor hereby waives any such claims it may now or hereafter have against any and all of the Owner's customers (but not against the Owner) resulting from a nuclear incident at the Owner's Facilities to the extent such customers have also waived such claims against Contractor. Contractor shall include this Article 38 in any subcontract entered into by Contractor in connection with this Contract and shall require that this Article 38 be included in all lower tier subcontracts.

39 MISCELLANEOUS

39.1 This Contract shall inure to the benefit of the Parties and their respective successors and permitted assigns.

39.2 Except for the remedies set forth in Articles 11 and 17, the remedies provided to a Party under this Contract in the event of a Default or breach of this Contract are not exclusive. The remedies set forth in Articles 11 and 17 with respect to delay damages and warranty claims, respectively, are exclusive.

39.3 Contractor shall avoid damaging existing buildings, equipment and vegetation on the Owner's Facilities. If Contractor's negligent or intentional actions or omissions cause damage to any Owner property, Contractor shall replace or repair the damage at no expense to the Owner.

40 PRICE-ANDERSON INDEMNIFICATION

40.1 Authority. This Article 40 is incorporated into this Contract pursuant to the Lease agreement (the "GCEP Lease") between the Corporation and DOE and the sublease with ACO for the ACP.

40.2 Definitions. The definitions set out in the AEA shall apply to this Article 40.

40.3 Financial Protection. The Corporation shall obtain and maintain, at its expense, financial protection to cover Public Liability, as described in Section 40.4(b) in such amount and of such type as is commercially available at commercially reasonable rates, terms and conditions, provided that in the event the NRC grants a license for a uranium enrichment facility not located on federally-owned property, the amount is no more than the amount required by the NRC for the other facility.

40.4 Indemnification. The following indemnification from the DOE is included in the GCEP Lease and is applicable to this Contract:

(a) To the extent that the Corporation and other persons indemnified are not compensated by any financial protection required by Section 40.3, the DOE will indemnify the Corporation and other persons indemnified up to the full amount authorized by Section 170 of the AEA against (i) claims for Public Liability as described in Section 40.4(b); and (ii) such legal costs of the Corporation and other persons indemnified as are approved by the DOE. Nothing herein shall be deemed to require the Corporation to indemnify the Contractor or any other person or entity for any of the claims or costs described above.

(b) The Public Liability referred to in Section 40.4(a) is Public Liability as defined in the AEA which (i) arises out of or in connection with the activities under the GCEP Lease, including transportation; and (ii) arises out of or results from a nuclear incident or precautionary evacuation, as those terms are defined in the AEA.

40.5 Waiver of Defenses.

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

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

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

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

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

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

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

(1) Negligence;

(2) Contributory negligence;

(3) Assumption of risk; or

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

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

(C) Any issue or defense based on any statute of limitations, if suit is instituted within three (3) years from the date on which the claimant first knew, or reasonably could have known, of his injury or damage and the cause thereof. The waiver of any such issue or defense shall be effective

regardless of whether such issue or defense may otherwise be deemed jurisdictional or relating to an element in the cause of action. The waiver shall be judicially enforceable in accordance with its terms by the claimant against the person indemnified.

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

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

(c) The waivers set forth above:

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

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

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

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

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

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

(vii) Shall be effective only with respect to those obligations set forth in this Article 40 and in insurance policies, contracts or other proof of financial protection; and

(viii) Shall not apply to, or prejudice the prosecution or defense of, any claim or portion of claim which is not within the protection afforded under (A) the limit of liability provisions under Subsection 170e. of the AEA, or (B) the terms of this Article 40 and the terms of insurance policies, contracts, or other proof of financial protection.

40.6 Notification and Litigation of Claims. The Contractor shall give immediate written notice to the Corporation, Owner and the DOE of any known action or claim filed or made against the Contractor or other person indemnified for Public Liability as defined in Section 40.4(b). Except as otherwise directed by the Corporation, Owner or the DOE, the Contractor shall furnish promptly to the Corporation, Owner and the DOE, copies of all pertinent papers received by the Contractor or filed with respect to such actions or claims. The Corporation, Owner and the DOE shall have the right to, and may collaborate with, the Contractor and any other person indemnified in the settlement or defense of any action or claim and the DOE shall have the right to (a) require the prior approval of the DOE for the payment of any claim that the DOE may be required to indemnify hereunder; and (b) appear through the Attorney General of the United States on behalf of the Contractor or other person indemnified in any action brought upon any claim that the DOE may be required to indemnify hereunder, take charge of such action, and settle or defend any such action. If the settlement or defense of any such action or claim is undertaken by the DOE, the Contractor or other person indemnified shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

40.7 Continuity of the DOE's Obligations. The obligations of the DOE under this Article 40 shall not be affected by any failure on the part of the Corporation, or Owner to fulfill its obligation under this GCEP Lease and shall be unaffected by the death, disability, or termination of the existence of the Corporation or Owner, or by the completion, termination or expiration of the GCEP Lease.

40.8 Effect of Other Clauses. The provisions of this Article 40 shall not be limited in any way by, and shall be interpreted without reference to, any other clause of the GCEP Lease or this Contract; provided, however, that this Article 40 shall be subject to any provisions that are or have been added to the GCEP Lease after its execution as required by applicable Federal law, including statutes, executive orders and regulations, to be included in Nuclear Hazards Indemnity Agreements.

40.9 Inclusion in Contracts. This Article 40 shall not be applicable to this Contract if the Contractor is subject to NRC financial protection requirements under Section 170b. of the AEA or NRC agreements of indemnification under Sections 170c. or k. of the AEA for the activities under the Contract.

41 OWNER RULES AND REGULATIONS

The Contractor and all Contractor employees shall comply with the applicable rules and regulations in force at the Owner's Facilities, to the extent Owner has provided Contractor with copies of or access to such rules and regulations or same are duly posted in the subject work areas, with respect to Work performed at Owner's Facilities. The Contractor shall include the substance of this Article 41 in all subcontracts for work at or on Owner's Facilities.

42 COMPLIANCE WITH NUCLEAR SAFETY AND SAFEGUARDS AND SECURITY REQUIREMENTS

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

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

42.3 In the event that DOE or NRC initiates an enforcement action against the Owner or ACO arising out of Contractor's failure to comply with any such

Nuclear Safety, Safeguards and Security Requirement, Contractor agrees to cooperate fully with the Owner and ACO in responding to such enforcement actions by providing all information, assistance, and documentation required by the Owner or ACO. The Parties agree to coordinate their legal and factual position in a timely manner so that all submittals are made in a timely manner, as determined by the ACO to DOE or NRC, as the case may be.

42.4 All costs incurred by Contractor in connection with the Owner's or ACO's response to an enforcement action in accordance with Section 42.3 shall be borne by Contractor and shall not be subject to reimbursement by the Owner under this Contract or otherwise. In addition, Contractor agrees to indemnify and hold the Owner and ACO harmless against any and all liabilities, claims, penalties, fines, forfeitures, losses, costs and expenses (including costs of defense, settlement and reasonable attorney's fees) that they or either of them may incur, become responsible for, or pay out, as a result of Contractor's failure to comply with any Nuclear Safety, Safeguards and Security Requirement, in accordance with Article 20 (Indemnification). Notwithstanding the foregoing, the financial obligation of Contractor under this Article 42 shall be reduced to the extent such liabilities, claims, penalties, fines forfeitures, losses, costs and expenses (including costs of defense, settlement and reasonable attorney's fees) arise from the negligence, or fault of the Owner, its directors, officers, employees, agents or contractors (other than Contractor or Contractor's subcontractors or suppliers), which negligence, or fault shall be determined on a comparative negligence basis.

43 CODE OF CONDUCT

The Contractor will assure that its employees and contractors follow a Code of Business Conduct that is in compliance with all applicable laws and regulations, including the Federal Acquisition Regulations and the Foreign Corrupt Practices Act. In performing work under this Contract, Contractor shall adhere to Owner's Supplier Code of Business Conduct (www.usec.com/corporategovernance.htm).

44 PREEXISTING CONDITIONS

The Owner agrees to reimburse the Contractor, and the Contractor shall not be held responsible, for any liability (including without limitation, a claim involving strict or absolute liability and any civil fine or penalty), expense, or remediation cost, which may be incurred by, imposed on, or asserted against the Contractor arising out of any condition, act, or failure to act related to performance of the work under this Contract which occurred before the Contractor assumed responsibility for such work on May 1, 2011. To the extent the acts or omissions of the Contractor cause or add to any liability, expense or remediation cost resulting from conditions in existence prior to the Effective Date, the Contractor shall be responsible in accordance with the terms and conditions of this Contract.

45 NOTICES

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

Contractor:

*****
American Centrifuge Manufacturing, LLC
400 Centrifuge Way
Oak Ridge, TN 37830

Owner: *****

American Centrifuge Enrichment, LLC
350 Centrifuge Way
Oak Ridge, TN 37830

With a copy to:

General Counsel
American Centrifuge Enrichment, LLC
6903 Rockledge Drive, Suite 400
Bethesda, MD 20817

***46* FINANCING**

46.1 The Owner may choose to finance certain Contract activities and the acquisition of equipment (including the Centrifuge Machines) with private or public financing. Contractor acknowledges that certain of the obligations placed upon the Owner by prospective Lenders may only be performed with the cooperation of the Contractor. Contractor agrees to reasonably cooperate with Owner in carrying out Owner's obligations under the Lender's Financing Agreements. Contractor may be required to execute and deliver to Lender, a consent and agreement and to provide such information, certificates, opinions and other documents as may be reasonably requested by Owner or Lender. At the request of Owner, Contractor shall permit the Lender's independent engineer to perform certain activities (including concurring in certain actions or consents to be taken or obtained by or from Owner hereunder) as may be required from time to time under the Financing Agreements and by the Lenders. Contractor shall cooperate and provide any information, take any action or execute any documents as may be reasonably required by Lenders (including Lender's independent engineer) or allowed under the Financing Agreements.

46.2 The Parties acknowledge that construction of the ACP Facility is being financed by non-recourse project financing, and that the Lenders require such financing to be secured by a first lien upon the ACP Facility and other assets of Owner (including all contract, intangible and similar rights of Owner), and that such Lenders will require a collateral assignment by Owner of this Contract and all rights and obligations of Owner hereunder. Accordingly, this Contract may be assigned by Owner to any or all of the Lenders and their successors and assigns without further consent of Contractor. The Contractor shall execute such consent and agreement or similar documents and provide such further assurances with respect to an assignment and provide such certificates with respect to this Contract and the transactions contemplated hereby, as the Lenders may reasonably request in connection with such financing. Contractor further agrees to provide such notices and consents as may be reasonably required by Lenders in order to protect their interests, including but not limited to providing Lenders the right to cure Owner Defaults under the Contract and to exercise any of Owner's rights and take any actions required of or permitted to be taken by Owner under the Contract.

46.3 The Parties recognize that the Owner may need to disclose Contractor Proprietary Information to affiliates and prospective assignees, (including but not limited to, Lenders, investors, their representatives and other parties). Accordingly, the Owner may disclose Contractor Proprietary Information to (a) such affiliates and prospective assignees, provided that the Owner takes reasonable precautions to protect the confidentiality of such Contractor Proprietary Information; or (b) to the extent required by law, including in connection with an offering of its securities or a sale of its business.

46.4 Subject to applicable law, Owner and Lenders, and their affiliates, agents and representatives (including but not limited to, Lender's independent engineer) shall have access upon reasonable notice at all times to Contractor's facilities and to subcontractor facilities to the same extent as Contractor. During any such visit to Contractor's or subcontractor's facilities, Owner, the Lenders, the Lenders' independent engineer and the Lenders' agents and representatives shall comply with all of the procedures applicable to such facilities, and Owner, the Lenders and their agents and representatives shall conduct such visit in such a manner as to cause minimum interference with Contractor's and subcontractor's activities. Contractor also shall cooperate with Owner in allowing other visitor's access to Contractor's facilities under conditions mutually agreeable to the Parties and in accordance with applicable law and Contractor's procedures. Upon request by Owner or the Lenders, Contractor shall promptly secure any approvals from DOE or other governmental authority required for access to Contractor's facilities pursuant to this Article 46.

47 AGENT FOR OWNER

The Owner has appointed the ACO as its contractor for purposes of constructing, maintaining and operating its ACP Facility. The Owner hereby appoints ACO to act on behalf of the Owner under this Contract.

48 ENTIRE AGREEMENT

The whole and entire agreement of the Parties with respect to the subject matter hereto, is set forth in this Contract and the Parties are not bound by any prior agreements, understandings or conditions other than as expressly set forth herein. THIS CONTRACT IS LIMITED TO THE TERMS AND CONDITIONS SPECIFIED HEREIN, ON THE FACE OF THE CONTRACT AND IN ANY ATTACHMENTS THERETO PROVIDED BY THE OWNER OR CONTRACTOR OR SPECIFICALLY AGREED TO BY THE OWNER AND CONTRACTOR IN WRITING. NEITHER PARTY AGREES TO ANY PROPOSED ADDITION, ALTERATION OR DELETION OF THESE TERMS. THIS CONTRACT CAN ONLY BE VARIED BY WRITTEN AGREEMENT SIGNED BY BOTH PARTIES. ANY ACKNOWLEDGEMENT OF THIS CONTRACT SIGNED OR SUBMITTED BY EITHER PARTY OR ANY OTHER STATEMENT OR WRITING OF EITHER PARTY SHALL NOT BE DEEMED TO ALTER, ADD TO, OR OTHERWISE AFFECT THESE TERMS ABSENT BOTH PARTY'S WRITTEN AGREEMENT.

49 ASSIGNMENT

49.1 Contractor may not assign this Contract without the consent of Owner. The rights and obligations of Contractor under this Contract are personal to Contractor and may not be delegated or subcontracted to any other entity, in whole or in part, without the prior written consent of Owner. Owner shall have the right to assign this Contract including all rights, benefits and obligations hereunder to any entity for financing purposes or otherwise to any affiliate of the Owner without Contractor's consent.

49.2 Owner acknowledges that Contractor is entering into this Contract with the understanding that Owner will be receiving third-party financing of at least $2 billion and that Owner will be the borrower of such funds under such financing arrangements. Accordingly, Owner agrees that if such financing arrangements are revised such that Owner is no longer the borrower of such funds, Owner shall negotiate in good faith with Contractor to either assign this Contract to such new borrower or provide or obtain for Contractor such other financial assurances as may be reasonably appropriate.

50 CERTIFICATE OF CONFORMANCE

The Contractor shall maintain a quality program meeting the applicable requirements of accepted industry regulations or standards such as, NQA-1; ISO 9000 series; ANSI Z540: 10 C.F.R. Part 50, Appendix B; or 10 C.F.R. Part 830.120 which is acceptable to the Corporation in accordance with the quality requirements set forth in this Contract (including the Specifications and Drawings) and perform all work under this Contract according to this program. The Corporation shall have the right to inspect the Contractor's work areas (including work areas of subcontractors) to ensure compliance with this program. The Contractor shall provide access by the Owner, or its designated representative, at all reasonable times to such work areas and to the Contractor's records or work performed under this Contract (including access to all procurement documents).

The Contractor agrees to tender for acceptance by the Owner only Deliverables that meet the requirements set forth in this Contract (including the SOW, if any) and that prior to tendering the Deliverables for acceptance, Contractor shall verify the Deliverables comply with the requirements set forth in this Contract.

(a) Any Certificate of Conformance submitted by the Contractor shall include the following information:

(i) Identification of the Deliverables for which the certificate applies;

(ii) Identification of the specific requirements of this Contract/SOW set forth in this Contract that the Deliverables meets (the requirements identified shall include any approved changes, waivers, or deviations applicable to the Deliverables); and

(iii) Identification of any specific requirements of the Contract/SOW set forth in this Contract which the Deliverables do not meet, together with an explanation and means of resolving the nonconformance.

(b) Any Certificate of Conformance submitted must be authenticated by the Contractor employee responsible for its quality assurance function and whose function and position is described in the Contractor's Quality Assurance Program.

(c) The procedures used for the preparation, review and approval of the certificate shall be as described in the Contractor's Quality Assurance Program.

51 LIST OF EXHIBITS

The following exhibits are incorporated herein and made a part of this Contract:

Exhibit	Document Title
A	Statement of Work
B	Baseline Delivery Schedule
C	Work Breakdown Structure and Earned Value
D	G&A Costs
E	Fixed Fee
F	Incentive Fee
G	Reserved
H	Cash Flow Schedule
I	ACO Fixed Repair Rates

STATEMENT OF WORK

SOW No.: SOW-XXXX-XXXX

STATEMENT OF WORK FOR AMERICAN CENTRIFUGE MANUFACTURING, LLC (ACM) LLC ESA STAGE 2, Rev.0

American Centrifuge Enrichment, LLC
AMERICAN CENTRIFUGE PLANT

3930 U.S. Route 23 South, P.O. Box 628
Piketon, OH 45661

Type of Service:

*****

Preparer: Date:

ACE QA Manager: Date:
(NOT REQUIRED FOR AUGMENTED STAFF)

ACE STR Manager Approval: Date:

STATEMENT OF WORK
FOR
ACM LLC ESA STAGE 2

1.0 SCOPE

This Statement of Work (SOW) identifies tasks to be performed by American Centrifuge Manufacturing, LLC (hereafter "Contractor") under the "*Equipment Supply Agreement*" (ESA) dated May 1, 2011 between Contractor and American Centrifuge Enrichment, LLC. (hereafter Owner"). After receiving a notice to proceed under the ESA, the Contractor shall manufacture, assemble and deliver to the Owner's facility in Piketon, Ohio approximately ***** Centrifuge Machines (inclusive of Spares as defined at Section 1.74 of the ESA and less the cumulative number of Centrifuge Machines manufactured, assembled and delivered under the Equipment Supply Agreement between Contractor and USEC Inc. (the "Stage I ESA")) which meet the requirements and commitments contained within this SOW and the ACP NRC License Application and Supporting Documents (the "LA&SD").

1.1 OWNER POINTS OF CONTACT

General Points of Contact

POSITION	NAME	LOCATION	PHONE
Technical Representative	*****	*****	*****
Contract Administrator	*****	*****	*****
Project Controls	*****	*****	*****

Piketon Points of Contact

POSITION	NAME	LOCATION	PHONE
Quality Assurance	*****	*****	*****
Engineering	*****	*****	*****
Operations	*****	*****	*****
Security	*****	*****	*****

Oak Ridge Points of Contact

POSITION	NAME	LOCATION	PHONE
Quality Assurance	*****	*****	*****
Engineering	*****	*****	*****

1.2 Contractor shall optimize cost and manufacturing efficiencies, communication and coordination through structured relationships with its subcontractors and suppliers, bringing together the organizations, resources and processes to efficiently meet the Owner's schedule.

1.3 Contractor will manufacture and deliver Centrifuge Machines meeting requirements specified in Appendix A and in accordance with the Baseline Delivery Schedule in Exhibit B to the ESA.

1.4 Contractor shall develop and apply industry practices (Six Sigma, LEAN manufacturing, or equivalent) and manufacturing techniques that will attempt to:

- **1.4.1** Reduce acquisition and supportability costs.
- **1.4.2** Reduce manufacturing and repair cycle time.
- **1.4.3** Implement the manufacture of design changes as directed by Owner and in accordance with the ESA, and transition these changes to production.
- **1.4.4** Improve the quality, productivity, technological capability and practices of businesses, workers and suppliers.

1.5 Interim operations for Centrifuge Machine assembly will be conducted in the Centrifuge Test and Training Facility (CTTF) until operations can be transferred to the Recycle/Assembly (R/A) area in the ACP Facility in Piketon Ohio. It is anticipated that this transfer shall be accomplished by ***** and that, prior to transfer, the R/A assembly facility shall be fully tested and qualified by Owner and available for production use.

1.6 During the period ending *****, Contractor and Owner shall conduct technology transfer of the Machine Assembly function at the Piketon ACP facility in preparation for Contractor assuming full responsibility for Machine Assembly. During this period, Contractor shall observe and support the Machine Assembly function with the understanding that Contractor shall assume full responsibility for this function on *****.

2.0 REFERENCES

2.1 Contractor shall comply with those rules, procedures and policies that relate to the work being performed at Owner's Facilities.

2.2 Owner will provide Contractor with training requirements for work being performed at Owner's Facilities. Owner will also provide Contractor, for their use, access to procedures and policies that provide more detailed instruction on training required to perform work at Owner's Facilities.

3.0 TRAINING & QUALIFICATIONS

3.1 General

- **3.1.1** Contractor shall comply with Owner training requirements for site access and work at Owner's Facilities as specified in Section 3.2 (below).
- **3.1.2** Contractor shall be responsible for other personnel training necessary to ensure safe efficient production in compliance with applicable Federal, state and local laws and regulations.

3.1.3 When requested by the Owner, Contractor shall provide documented proof of training and qualifications. At the request of Contractor, Owner may, in its sole discretion approve a waiver.

3.2 At Owner's Piketon ACP Facility, each Contractor employee performing Work at such facility must have a Training Requirements Matrix (TRM) established with the Owner's training organization. The TRM establishes and tracks training requirements for the individuals work location and activities. The Owner will provide the Contractor access to monthly Training Status Reports for Contractor employees with established Piketon TRMs. Prior to the commencement of Work at Owner's Piketon ACP Facility, Owner shall provide training to Contractor employees and subcontractor employees that is required for such employees to have access to Owner's Facility provided that Contractor has identified the employees requiring access and made the employees available for such training prior to the date access is required. Contractor shall ensure that Contractor's employees and subcontractor's employees performing Work at the Owner's Piketon ACP Facility have the necessary training or shall ensure that appropriate work restrictions are in place.

4.0 CONTRACTOR EQUIPMENT REQUIREMENTS

4.1 General

4.1.1 Manufacturing/Assembly Equipment and Tooling/Material. Except for items provided by Owner, the Contractor shall procure, store, install, test and maintain manufacturing, tooling, testing and other specialized tools, equipment and material, required for the manufacture and assembly of the parts and machines. Owner will have title to all equipment, tooling, material, computer equipment, and peripherals procured by the Contractor that has been paid for by the Owner and as provided for in the ESA.

4.1.2 Contractor shall perform routine installation, testing, repair and preventative maintenance of equipment in accordance with equipment manufacturer's recommendations and reasonable commercial practice. Inspection and testing of centrifuge parts, assemblies and material shall be in accordance with the ESA and the Drawings, Specifications, procedures and other technical requirements as specified in Appendix A. Contractor is responsible for replacement of tooling and equipment needed for centrifuge parts and assemblies at the American Centrifuge Manufacturing Technology Manufacturing Center (ACMTMC) in Oak Ridge, TN. At Piketon, these activities shall be performed in accordance with *"Use and Access Agreement Between American Centrifuge Operations LLC and ACM"* and the *"Nonexclusive Use and Access Agreement Between American Centrifuge Operations LLC and ACM"* (the "Use and Access Agreements") and *"Facility Use Roles and Responsibilities for Centrifuge Assembly at Piketon",* which is maintained by the Owner's Piketon Operations Point of Contact, and Contractor shall be provided reasonable access thereto. At the Oak Ridge ACMTMC, these activities shall be performed in accordance with the *"Lease Agreement between USEC Inc. and ACM."* (the "Lease Agreement").

4.1.3 Contractor shall provide personal protective equipment (including personal radiological protective equipment) required for the activities covered by this SOW that complies with site environmental safety and health procedures and programs. Radiation dosimeters required for Contractor employees at the Piketon ACP Facility shall be provided by Owner.

4.1.4 Contractor shall provide computers and any peripherals needed to perform the Work (unless stated elsewhere in this SOW that Owner shall provide).

4.1.5 Contractor shall provide software for the management of production and the delivery of Centrifuge Machines, as well as other software associated with this effort. Contractor shall supply to the Owner, Certificates of Conformance pursuant to the requirements of the ESA and electronic Build Books as mutually agreed by Owner and Contractor.

4.2 Owner's Facilities

4.2.1 Contractor use of the Owner's Facilities shall be governed by the Lease Agreement (for the ACMTMC) and the Use and Access Agreements (for the ACP Piketon facility) which shall take precedence over any conflicting requirements contained herein.

4.2.2 Any civil, structural, or electrical physical modification made to any facility owned, leased or operated on behalf of Owner (the "Owner's Facilities"), other than those physical modifications implemented pursuant to the Stage I ESA or permitted pursuant to the Lease Agreement and the Use and Access Agreements, must be approved in writing by Owner. Any physical modification to the ACP Piketon facilities must have the approval of the Piketon Technical Services Manager (the design authority) prior to modifications to ensure compliance with NRC license requirements.

4.2.3 Owner shall maintain responsibility for all integrated system testing and test plans for the Owner's Facilities at Piketon.

4.2.4 Contractor shall comply with the requirements of the Fire Safety/ Emergency Management Program as contained in the TRM, and applicable NFPA Codes and Standards. Contractor shall ensure personnel are familiar with the requirements for welding, burning, and hot work activities, including the requirements for performing fire watch.

4.2.5 Any new Work activities which may increase the combustible loading within Owner's Facilities beyond that currently identified in the License application and supporting Fire Hazard Analysis must be approved by Owner.

5.0 OWNER SUPPLIED REQUIREMENTS

5.1 The ACMTMC, and all facilities included therein, will be provided for Contractor's use pursuant to the Lease Agreement. The ACMTMC is to be secured, maintained and operated by the Contractor in accordance with the Lease Agreement and the requirements set forth in this SOW.

5.2 At Owner's ACP Piketon facility, Owner will provide work areas (office areas, machine assembly work areas, etc.), telephone, utilities, physical security of facilities, required for receipt, storage, and control of parts and assembly of Centrifuge Machines as described in the Use and Access Agreements.

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5.3 Owner shall provide Contractor with copies of site procedures or electronic access to site procedures, applicable to Work performed by Contractor at the Owner's Facilities.

5.4 Owner will provide all manufacturing tooling, testing, and other specialized tools, equipment, and material required for assembly of Centrifuge Machines at the CTTF prior to transfer of machine assembly responsibility under Section 1.6 above.

5.5 Owner shall provide Contractor copies of and electronic access to all required technical design documents (Drawings, Specifications, quality requirements, etc.) governing the manufacture, inspection and acceptance of centrifuge components, assemblies and machines, and all applicable documents will be provided or referenced in Appendix A of this SOW.

5.6 Prior to providing access to any electronic or data systems provided by owner, Contractor personnel shall obtain the appropriate security clearance and must have the required training for access to such systems and information.

6.0 QUALITY REQUIREMENTS

6.1 Contractor shall permit Owner, and regulatory agencies (e.g., NRC, DOE, EPA, etc.), unrestricted access to both their and their subcontractor's facilities and to records related to items provided or services performed for Owner upon reasonable notification by Owner or as soon as reasonably possible upon notification by a Regulator and subject to compliance with applicable security clearance requirements. Contractor shall not be required to provide Owner with information that Owner is not entitled to under the terms of the ESA but will provide information to the NRC, the DOE, or other regulatory agency).

6.2 Contractor must be on and remain on the Owner's ACP Approved Supplier List (ASL). The Contractor shall implement and maintain an NQA-1 based Quality Assurance Program and any changes to Contractor's Quality Assurance Program Manual during the life of this ESA must be reported to Owner.

6.3 Contractor shall establish programs, processes, and procedures to ensure that equipment delivered to Owner meets the requirements as specified in Appendix A.

6.4 Contractor shall perform the Work in accordance with its Owner-approved QA/QC Program and with associated Contractor implementing procedures.

6.5 Owner may monitor Contractor work under this SOW at any site where such Work takes place. Such monitoring shall include, but not be limited to observing work activities, interviewing Contractor employees, and review of records.

6.6 Contractor shall ensure that any design changes proposed by Contractor have been evaluated, documented, and approved in writing by Owner pursuant the ESA before implementing such design changes. Contractor shall also ensure that Owner provided design changes are evaluated, documented and contractually authorized in writing pursuant to the ESA prior to proceeding with the implementation of such design changes. All substitutions of items specified by procurement or design documents require prior Owner approval.

6.7 Contractor must pass down all applicable technical and quality requirements specified in the ESA and the Drawings and Specifications as specified in Appendix A to any subtier supplier providing items or services. The Contractor shall, in accordance with their approved QA Program, control subtier suppliers providing these items or services and shall establish and maintain its own "Evaluated Suppliers List."

6.8 Receipt, in-process, and final inspections for QL-2 items shall be performed as specified in the ESA and the Drawings, and Specifications as specified in Appendix A by Contractor personnel who are qualified in accordance with NQA-1-2004 Requirement 2, which has been determined to be equivalent to NQA-1-1994, Supplement 2S-1.

6.9 In addition to the procurement and inspection requirements stated in Appendix A for QL-2 items, Contractor shall ensure that QL-2 items are marked as such and are segregated from QL-3 items.

6.10 Contractor shall provide a description of methods for collection, storage, and maintenance of records. Records are to be retained by Contractor per the requirements established in the Contractor's Quality Assurance Program and dispositioned as approved by Owner or as permitted under the Owner's QA Program.

6.11 Contractor shall review all documentation provided to Owner under this SOW to verify compliance with specification requirements.

6.12 Contractor shall identify, report, and recommend disposition of all nonconforming conditions associated with this SOW to Owner using Contractor's Non-Conformance and Waiver Procedures Approved by Owner. Dispositions that leave any remaining nonconformity for a Critical or Unreleased Major feature must be submitted to the Owner as prescribed in Contractor's Non-Conformance and Waiver Procedures. The Contractor shall identify the Quality Level associated with the nonconforming condition. Contractor will have a process in place for notifying Owner of any non-conformance in a Centrifuge Machine that is delivered to Owner for operation so that Owner may evaluate the nonconformance on operability and for potential compliance with applicable regulatory requirements and/or reportability to the NRC..

6.13 Contractor shall address discrepancies identified by the Owner prior to acceptance by the Owner in accordance with the terms of the ESA.

6.14 Contractor shall participate in Owner's Industry Experience/Lessons Learned (IE/LL) program for applicable NRC-regulated activities.

6.15 Contractor shall provide change control information needed to identify and resolve changes made to centrifuge parts, assemblies, and machines and any revisions made to configuration management programs.

7.0 DELIVERABLES AND MANUFACTURING REQUIREMENTS

Contractor shall procure, manufacture and assemble, and deliver centrifuge components, Centrifuge Machine subassemblies, and completed Centrifuge Machines in accordance with drawings, specifications and other design and assembly requirements as listed in Appendix A hereto and the Baseline Delivery Schedule set out in Exhibit B tot eh ESA. Work shall be performed, and costs shall be accumulated, recorded and reported under Work Breakdown Structure (WBS) *****, as follows:

7.1 *****

7.2 *****

7.3 *****

7.4 *****

7.5 *****

7.6 *****

7.7 *****

7.8 *****

7.9 *****

7.10 *****

7.11 *****

7.12 *****

8.0 CONTRACTOR POINTS OF CONTACT

POSITION	**NAME**	**LOCATION**	**PHONE**
Name	Position	Location	Phone
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****
*****	*****	*****	*****

9.0 SECURITY REQUIREMENTS

9.1 General

9.1.1 The USEC Director Regulatory and Quality Assurance will serve as the primary point of contact with the Cognizant Security Agency (CSA). Contractor's written communications to and from the CSA will be coordinated through the primary point of contact.

9.1.2 If the Contractor deems a particular CSA Security Directive is not feasible or possible to implement, Contractor will coordinate response to the CSA through the USEC Director Regulatory and Quality Assurance and the Corporate Security Director or their designee. Nothing in this provision shall be construed as permitting Contractor to fail to comply with applicable regulatory requirements.

9.1.3 Other than the Owner's Facilities at Piketon, OH, Contractor shall develop a security program for each site or subcontractor which must possess classified information.

9.1.4 Contractor shall ensure applicable CSA Security and Classified Information Systems Security Directives flow down to subcontractors (suppliers) who are authorized to possess classified information.

9.1.5 Contractor shall ensure that subcontractors dealing with Sensitive Unclassified Information (SUI) and material, such as Export Control Information (ECI), Unclassified Controlled Nuclear Information (UCNI), and Security Related Sensitive Information (SRSI) are trained and compliant with requirements for the safeguard and handling of such material.

9.1.6 Contractor shall develop a program to assist and monitor subcontractors (suppliers) internal security programs.

9.1.7 Contractor shall keep the USEC Corporate Security Director advised of the status and activities of the ACM Security Program.

9.1.8 Contractor shall comply with current USEC Security directives or procedures in effect at the time of the receipt of the Notice to Proceed under the ESA that supplement or enhance CSA Security Directives including the USEC Unclassified Information Identification and Protection Policy, USEC Identification and Control of Export Controlled Information (ECI), Identification and Control of Sensitive Unclassified Information (SUI), Identification and Control of Security Related Sensitive Information (SRSI) and Technical Surveillance and Countermeasures Program (TSCM). Any revisions to such documents shall be evaluated by Contractor for cost impact and feasibility prior to implementation.

9.1.9 Contractor shall support and participate in USEC or American Centrifuge Program (ACP) wide Security and Education initiatives such as the Classification and Derivative Classifier Education Program, ECI Program, and CI Education and Awareness Program.

9.1.10 The ACP Security Manager will provide general oversight to security activities conducted at facilities operating under the Owner's security program in the NRC license application. When required, Owner will provide training to Contractor personnel to ensure Contractor awareness of pertinent security requirements.

9.2 Owner Facilities

9.2.1 All Contractor activities at the Owner's Facilities will be performed in accordance with the Owner's security program and associated policies and procedures as specified in Appendix A.

9.2.2 The Owner will manage all facility access control systems, badging and physical security patrol/response activities for the ACP Piketon Facility.

9.2.3 Contractor shall ensure security measures taken for the protection of centrifuge parts and equipment at the Piketon ACP Facility is coordinated with the Owner's Fire Safety/Emergency Management Group.

10.0 SPECIAL PROVISIONS

10.1 Contractor shall comply with pertinent environmental and safety requirements, including applicable controls associated with radiological safety as specified in Appendix A for the introduction of hazardous materials onto Owner's Facilities.

10.2 Contractor shall provide technical assessments and recommendations for design and assembly improvements as requested and coordinated by Owner.

10.3 Contractor shall participate in the Owner's Integrated Product Team Program and assist the Owner in identifying and assessing manufacturing technology and development initiatives.

10.4 Contractor shall assess supplier manufacturing capabilities for affordability of various technologies and recommend and implement programs to improve the competitiveness and quality of the Contractor's supplier base.

10.5 Contractor shall notify Owner of events at Owner's Facilities which require reporting to a Regulator in accordance with ACD2-RG-044, Nuclear Regulatory Event Reporting within the applicable reporting time frame.

10.6 Contractor's classified and unclassified computer systems for network installation at Piketon shall comply with Owner requirements and Contractor shall ensure that Owner is apprised of any planned system installation or changes prior to implementation. Contractor's unclassified network and the Oak Ridge classified network will continue to follow currently approved cyber security plans.

10.7 Owner Facility

10.7.1 Contractor shall not make changes to communications infrastructure between buildings or within the facilities at the Piketon ACP Facility unless approved in advance by Owner or permitted pursuant to the terms of the Use and Access Agreements.

10.7.2 Contractor shall comply with the requirements of Owner's Emergency Plan and Emergency Plan Implementing Procedures provided to Contractor for the Piketon ACP Facility including participation in periodic drills and exercises at the Owner's Facility. Owner shall provide applicable employee training for Contractor personnel performing work on Owner's facilities and Contractor shall ensure personnel are familiar with local alarm signals, processes for notification of the emergency response organization, evacuation, personnel accountability reporting, and protective actions for severe weather.

10.7.3 Contractor shall ensure transient combustibles are controlled in accordance with Owner fire protection requirements as specified in Appendix A.

11.0 ACCEPTANCE OF SERVICES

11.1 Contractor shall verify and document that all Deliverables (including QA records and a Certificate of Conformance) have been received and that pertinent requirements have been satisfied as set forth in the ESA and the Drawings and Specifications as set forth in Appendix A. The Piketon Operations Point of Contact (or designee) will approve the completed electronic build book for each assembled Centrifuge Machine on behalf of the Technical Representative in accordance with the requirements set forth in the ESA.

11.2 Specifications and Acceptance Criteria. Contractor shall manufacture parts and assemblies and shall assemble and deliver Centrifuge Machines in accordance with the AC100 technical design documents set forth in **APPENDIX A (SPECIFICATIONS AND ACCEPTANCE DOCUMENTS).**

12.0 REPORTING REQUIREMENTS

Reporting requirements are specified in **APPENDIX B (STATUS AND PERFORMANCE REPORTING).**

APPENDIX A - SPECIFICATIONS AND ACCEPTANCE DOCUMENTS
(Provided as a separate, Classified Document)

The Specifications and Acceptance documents are listed in the separate classified document *****

APPENDIX B - STATUS AND PERFORMANCE REPORTING

1.0 MONTHLY PROGRAM PERFORMANCE REPORT.

The Contractor shall submit to Owner a Monthly Program Performance Report which provides the following information:

1.1 Monthly and cumulative BCWS, BCWP, ACWP, Schedule Variance, Cost Variance (CV), Schedule Performance Index (SPI), Cost Performance Index (CPI), Variance Explanations as required by established thresholds for each WBS Element described in **Section 7.0 (Deliverables and Manufacturing Requirements)**, as described below**.**

1.2 A statused Primavera schedule shall be provided as described below.

1.3 A Trend Log as described below.

1.4 Proposed baseline changes as described below.

2.0 MONTHLY PERFORMANCE REPORTING. The Monthly Program Performance Report shall consist of:

2.1 Monthly Schedule Performance. A monthly schedule status shall be reported each month, based on the WBS schedule, to show progress against the baseline. Monthly schedule status shall include:

2.1.1 Percentage of completion for each activity, including dates for completion of activities

2.1.2 Revised forecast dates to reflect project progress

2.1.3 Revised monthly ETC for the Program, in order to account for the remainder of the program schedule.

2.1.4 A Primavera report comparing Forecast vs. Baseline dates (see monthly report example)

2.2 Budgeted Cost of Work Performed (BCWP)/Earned Value calculation . Based on schedule activity budgets established in section 1.1 and the activity percent complete calculation in section 2.1.1 a monthly (BCWP) (Earned Value) calculation will be required for each WBS/WBS. The statused schedule shall serve as the supporting documentation for the BCWP calculation.

2.3 Actual Cost of Work Performed (ACWP). Suppliers should provide the monthly ACWP. Cost should include all markups and fee. Cost can be summarized at the WBS level. This ACWP calculation does not replace invoicing requirements discussed elsewhere in contract language.

2.4 Monthly Variance /Performance Indices Calculations. Based on the monthly BCWS established in 1.1, the BCWP calculation in 2.2 and the ACWP calculation in 2.c suppliers shall provide the following calculations:

2.4.1 Cost Variance: CV is the BCWP – ACWP

2.4.2 Cost Performance Index: CPI is the BCWP/ACWP

2.4.3 Schedule Variance: SV is the BCWP – BCWS

2.4.4 Schedule Performance Index: SPI is the BCWP/BCWS

2.5 Variance Narrative Explanations. A monthly SPI or CPI of less than .90 or more than 1.1 will require a variance explanation.

2.6 Monthly Trend Log. A monthly Trend Log will be utilized by the Contractor to identify, by WBS element, any potential cost, scope and schedule changes. The purpose of the Trend Log is for suppliers to communicate to Owner changes that have the potential for occurring. Entries in the Trend Log do not constitute changes to the cost, schedule or scope baseline.

2.7 Safety Statistics

2.7.1 Case rate

2.7.2 Recordable case rate

2.7.3 Lost time incident rate

2.8 Monthly Quality Statistics. A monthly summary of quality statistics will be submitted to the Owner in a rolling six-month format for comparison of the following data:

2.8.1 Number of NCRs Opened

2.8.2 Number of NCRs Closed

2.8.3 Average Age of NCRs

2.8.4 Number of Waivers Initiated

2.8.5 Average Time to Process a Waiver

2.8.6 Breakdown of NCR dispositions

2.8.7 Breakdown of Causes for Waivers

2.8.8 Adverse Trends (Thresholds to be determined based on cost impact of time and material)

3.0 BASELINE CHANGES

3.1 The Program Baseline as documented in the budget-loaded schedule will be managed under the Baseline Management and Change Control and Trend Procedure, ACP 10-222, Rev.1.

3.2 *Baseline Change Proposals/Trends* covering any element of the baseline (scope, schedule, cost estimates or time phasing, etc.) shall be submitted through the Site Technical Representative in accordance with the Baseline Management and Change Control and Trend Procedure, ACP 10-222, Rev.1.

3.3 Receipt by Owner of *Baseline Change Proposals/Trends* does not constitute acceptance by Owner. Owner approval of specific proposals shall be communicated in writing to the Contractor.

4.0 MONTHLY PROJECT REVIEWS

Owner shall conduct monthly Project Reviews with the Contractor to discuss schedule, cost and other details of performance. The Project Review will be held 1-3 days after the receipt of the Project Report.

ATTACHMENT 1 (Monthly Program Performance Report Format) to
APPENDIX C (STATUS AND PERFORMANCE REPORTING)

Monthly Project Performance Report
WBS Number: _____
Calendar Month: _____
Date of Report: XX/XX/XXXX (Day, Month, Year)

Work Scope Accomplished
2-5 bullets summarizing the monthly accomplishments for the scope included in this WBS

Current Month
BCWS
BCWP
ACWP
SV ($)
SV (%)
SPI
CV ($)
CV (%)
CPI

Monthly Variance Explanations (If <.9 or >1.1)

CPI:

SPI:

Cumulative
BCWS
BCWP
ACWP
SV ($)
SV (%)
SPI
CV ($)
CV (%)
CPI

Cumulative Variance Explanations (If <.9 or >1.1)

CPI:

SPI:

*****

ATTACHMENT 3 (WBS Metrics Backup Sheet) to
APPENDIX C (STATUS AND PERFORMANCE REPORTING)

WBS Metrics Backup Sheet

Report Date: _____

WBS Element: _____ WBS
Title: _____

	2011															
Monthly	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Total**	**2012**	**2013**	**2014**	**2015**	**Total**
BCWS																		
BCWP																		
ACWP																		
SV%																		
SV$																		
SPI																		
CV%																		
CV$																		
CPI																		

	2011															
Cumulative	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Total**	**2012**	**2013**	**2014**	**2015**	**Total**
BCWS																		
BCWP																		
ACWP																		
SV%																		
SV$																		
SPI																		
CV%																		
CV$																		
CPI																		

ATTACHMENT 4 (Contractor/Supplier Trend Log) to
APPENDIX C (STATUS AND PERFORMANCE REPORTING)

Contractor/Supplier Trend Log

Report Date: _____

Trend No.	Date Entered	WBS Number	Trend Title	Trend Description	Costs in '000 vs. Rebaseline 2011	2012	2013	2014	2015	2016	Total	Probability % 25/50/75/100	Notes

Exhibit B -- Schedule
ACM FACILITIZATION MILESTONES

1.0 *****

2.0 *****

3.0 *****

4.0 *****

5.0 *****

6.0 *****

11651

Month	Production/Delivery Schedules	
	ACM Oak Ridge Build Schedule Production Units Required	ACM Piketon Final Assembly Build Schedule Monthly
*****	*****	*****
*****	*****	*****
*****	*****	*****
*****	*****	*****
*****	*****	*****
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*****	*****	*****
*****	*****	*****
*****	*****	*****
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The 1.4, Machine Manufacturing and Assembly WBS has been established and is under change control. The Level 2 and 3 WBS is depicted in the diagram below:

*****

Earned Value Definitions

Actual Cost of Work Performed (ACWP). The actual costs which are reimbursable under the Contract as collected in the accounting book of record (The Unclassified USEC Oracle system for ACP).

Budget at Completion (BAC). The sum of all planned budget values required to accomplish the defined scope. These cost estimates are tied to the financial system through cost accounts. The planned budget values are organized in monthly groupings at WBS level 3 as Budgeted Cost of Work Scheduled (BCWS). The sum total of the BCWS is the Budget at Completion (BAC). For ACP project scope performed by Contractor, BAC is synonymous with Total Target Cost established under this ESA.

Baseline Change Proposal (BCP). Revisions to the approved Performance Measurement Baseline (PMB) require a formal change control process which will include a formal change to the contract. The formal process for making changes is known as a Baseline Change Proposal (BCP).

Budget. Budgets identify the specific resource requirements in dollars, hours, or other measurable units for the effective execution of the defined scope. Budgets are time-phased the way the work is to be performed and are assigned to scheduled segments of work during the planning of the project and are recorded as BCWS.

Budgeted Cost of Work Performed (**BCWP** or **Earned Value**). The amount of BCWS successfully completed. The value is calculated based on clearly established earning rules defined by completion of measurable deliverable products/services. The % complete of the applicable defined work scope is multiplied by the BCWS to determine BCWP.

Budgeted Cost of Work Scheduled (BCWS). The time-phased BAC is known as the Budgeted Cost of Work Scheduled (BCWS) and is displayed in monthly increments in the PMB for the entire project. For ACP project activities performed by Contractor, monthly **BCWS** and Monthly **Target Cost** are synonymous.

Cost Variance (CV). Cost variance is an earned value analysis technique that compares the direct costs incurred in the financial system and reimbursable under the Contract to the earned value during a given period of time for a given activity, WBS component, control account, or project. Cost Variance is calculated as: BCWP – ACWP.

Cost Performance Index (CPI). The Cost Performance Index is an earned value analysis measurement of cost efficiency. The CPI is calculated as BCWP/ACWP. Favorable is >1.0; Unfavorable is < 1.0.

Estimate at Completion (EAC). The Estimate at Completion is an earned value analysis technique that forecasts the expected total cost of a schedule activity, WBS Component, or total defined scope at completion. The EAC is not considered a component of the PMB and revisions to the EAC are not included in a BCP and do not require formal change to the contract. However, these revisions still require formal notification by Contractor and approval through the Trend process culminating in the monthly update to the EAC. The EAC provides Contractor's most recent cost estimate phased by month. It represents the cash flow the project expects to expend to execute the defined scope. The EAC differs from the baseline in that it incorporates all changes, such as increases in cost and schedule, whereas a change to the baseline occurs only with fundamental changes in assumptions such as scope or method of accomplishment. EAC is calculated as ACWP + ETC.

Earned Value (EV). Earned Value (also referred to as BCWP) is an objective measurement of work accomplished against the planned budget. It is used as a tool to measure cost and schedule variances during execution of the project. Calculation of EV is described in the BCWP definition.

Estimate to Complete (ETC). Estimate to Complete is an earned value analysis technique that determines the remaining expected costs to complete a schedule activity, WBS component, or defined scope. The ETC is the remaining cost component of EAC as described in the EAC definition.

Performance Measurement Baseline (PMB). The defined scope, schedule, and cost baseline are collectively known as the performance measurement baseline.

Schedule. The schedule baseline is comprised of activities that accomplish the defined scope, sequenced in a logical order and recorded in the PMB. The schedule baseline is a component of the Performance Measurement Baseline, and changes to the schedule baseline require formal change authorization. If the schedule change also changes defined scope or BAC, a formal change to the Contract is required. Schedule changes will change BCWS and the resulting Earned Value calculations.

Schedule Variance (SV). Schedule variance is an earned value analysis technique that compares the budgeted (planned) costs to the earned value during a given period of time. Schedule Variance is calculated as: BCWP – BCWS.

Scope. The Scope is described by the Statement of Work (SOW) included in the Contract. For Earned Value purposes, the scope is further broken down into discrete measurable time phased activities organized by the WBS and recorded in the PMB. When combined with cost estimates, this defined scope becomes BCWS.

Schedule Performance Index (SPI). The Schedule Performance Index is an earned value analysis measurement of schedule efficiency. The SPI is calculated as BCWP/BCWS. Favorable is >1.0; Unfavorable is < 1.0.

Trend. A Trend is the vehicle used to document changes in the project forecast for the purpose of incorporating those changes into the project EAC. Contractor is responsible for submitting projected changes to ETC/EAC using the trend process.

Work Breakdown Structure (WBS). The Work Breakdown Structure is a deliverable-oriented hierarchical structure that breaks Contractor Scope into activities that can be scheduled, estimated, monitored, and controlled. For Contractor scope, the WBS will be planned, reported and monitored as set forth in Exhibit C.

Exhibit D
G & A Payment Schedule

G&A Costs will be budgeted monthly on a pro rata basis of expected B&W seconded labor to be charged in each month. That is, the B&W seconded labor portion of the aggregate monthly BCWS recorded in the PMB. The monthly budgeted amounts for Stage 1 and Stage 2 combined must total *****. The G&A payments will be recorded as a separate cost element to facilitate tracking to the agreed fixed total amounts. The monthly payment schedule is shown in the following two tables.

Stage 1 Monthly G&A Payment Schedule

Month	Monthly G&A Payment
*****	*****
*****	*****
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Exhibit D
G & A Payment Schedule

Stage 2 Monthly G&A Payment Schedule

Month	Monthly G&A Payment	Month	Monthly G&A Payment
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Exhibit E
Fixed Fee Calculation and Payment

The Fixed Fee will be budgeted monthly on a pro rata basis of all Contractor work scheduled (BCWS) as a monthly target fixed fee. The monthly budgeted amounts starting *****. The Fixed Fee payments will be recorded as a separate cost element to facilitate tracking to the agreed fixed total amounts. The fixed fee will be paid as agreed in the fee agreement. The monthly payment schedule is shown in the following two tables.

Exhibit E
Fixed Fee Calculation and Payment

January 1, 2011 until completion of Stage 1
Monthly Fixed Fee Payment Schedule

Month	Monthly Fixed Fee Payment
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Exhibit E
Fixed Fee Calculation and Payment

Stage 2 Monthly Fixed Fee Payment Schedule

Month	Monthly Fixed Fee Payment	Month	Monthly Fixed Fee Payment
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Exhibit F
Incentive Fee Calculation and Payment

If Contractor performs all of the Scope described in the SOW as recorded in the PMB in accordance with the Contract and total Allowable Costs equal the Target Cost, then the Paid Incentive Fee shall equal the Target Incentive Fee. As specified in Section 8, the Target Incentive Fee is agreed to be *****. The at-risk Incentive Fee shall be:

(a) increased by ***** for every dollar that ACWP is less than BCWP; or

(b) decreased by ***** for every dollar that ACWP exceeds BCWP; plus decreased by an additional ***** for every dollar that the total ACWP exceeds (BCWP******).

Earned Value rules to demonstrate all Contractor Scope is performed is:

Total Contractor BCWP=BAC (SPI=1.0)

Earned Value rules to demonstrate Allowable Costs equal Target Cost is:

Total Contractor BCWP=ACWP (CPI=1.0; CV=0)

The Incentive Fee will be budgeted monthly on a pro rata basis of all Contractor work scheduled (BCWS) as a Monthly Target Incentive Fee. Once calculated and mutually agreed by Owner and Contractor, the monthly budgeted amounts will be recorded in the PMB as a separate WBS level 3 project. This Target Incentive Fee will be subject to accumulation of actual cost and forecast of ETC by Contractor. The incentive fee to be paid will be calculated based on the below formulas using the cumulative Cost Variance (CV_{cum}) as of the month being paid. Calculation formulas:

IF $CV_{cum} = 0$; then

$\text{Incentive Fee Earned}_{cum} = \text{Target Incentive Fee}_{cum}$

IF $CV_{cum} > 0$; then

$\text{Incentive Fee Earned}_{cum} = \text{Target Incentive Fee}_{cum} + (CV_{cum}******)$

IF $CV_{cum} < 0$ and $CV_{cum} =< (BCWP_{cum}******)$; then

$\text{Incentive Fee Earned}_{cum} = \text{Target Incentive Fee}_{cum} + (CV_{cum}******)$

IF $CV_{cum} < 0$ and $CV_{cum} > (BCWP_{cum}******)$; then

$\text{Incentive Fee Earned}_{cum} = \text{Target Incentive Fee}_{cum} + (CV_{cum}******) + ((CV_{cum}+(BCWP_{cum}******))******)$

Each monthly Incentive Fee payment amount will be the incremental amount required to bring the Incentive Fee paid_{cum} equal to the calculated value of $\text{Incentive Fee Earned}_{cum}$ as of that month.

Incentive Fee Earned during execution of the Contract is based on both schedule and cost performance using CV which compares ACWP to BCWP. At Contractor scope completion where the full scope of work is accomplished and schedule variance no longer applies (BCWS=BCWP=BAC), the final Incentive Fee Earned is based solely on cost performance.

Stage 2 Monthly Incentive Fee Estimated Payment Schedule*

Month	Monthly Fixed Fee Payment	Month	Monthly Fixed Fee Payment
*****	*****	*****	*****
*****	*****	*****	*****
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***Actual Stage 2 incentive fee will be paid based on earned value. These are the target values assuming CPI = 1.0.**

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, John K. Welch, certify that:

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

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

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

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

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

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

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

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

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

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

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

August 4, 2011

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

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, John C. Barpoulis, certify that:

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

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

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

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

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

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

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

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

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

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

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

August 4, 2011

/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, 2011, 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 4, 2011

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

August 4, 2011

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