AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 29, 1998.
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

USEC INC.
(Exact name of registrant as specified in its charter)

DELAWARE	2819	
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(IRS Employer Identification Number)

2 DEMOCRACY CENTER
6903 ROCKLEDGE DRIVE
BETHESDA, MD 20817
(301) 564-3200
(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

HENRY Z SHELTON, JR.
VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
USEC INC.
2 DEMOCRACY CENTER
6903 ROCKLEDGE DRIVE
BETHESDA, MD 20817
(301) 564-3200
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

NEAL S. MCCOY, ESQ. MARCIA R. NIRENSTEIN, ESQ. SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP 1440 NEW YORK AVENUE, N.W. WASHINGTON, D.C. 20005	JEFFREY SMALL, ESQ. DAVIS POLK & WARDWELL 450 LEXINGTON AVENUE NEW YORK, NEW YORK 10017

APPROXIMATE DATE OF COMMENCEMENT OF THE PROPOSED SALE OF THE SECURITIES TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	NUMBER OF SHARES TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
Common stock, par value $.10 per share.....	110,000,000	$16.50	$1,815,000,000	$535,425

(1) Includes 10,000,000 shares which the U.S. Underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(a).

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

EXPLANATORY NOTE

This Registration Statement contains two forms of prospectus: one to be used in connection with an offering in the United States (the "U.S. Prospectus") and one to be used in connection with a concurrent international offering outside the United States (the "International Prospectus"). The U.S. Prospectus and the International Prospectus will be identical in all respects except for the front cover pages. The form of the U.S. Prospectus is included herein and the form of the front cover page of the International Prospectus follows the front cover page of the U.S. Prospectus.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS (SUBJECT TO COMPLETION)
ISSUED JUNE 29, 1998

100,000,000 Shares
USEC Inc.
COMMON STOCK

Of the 100,000,000 shares of common stock (the "Shares") offered hereby, 90,000,000 Shares are being offered initially in the United States by the U.S. Underwriters and 10,000,000 Shares are being offered initially outside the United States and to foreign persons by the International Underwriters. See "Underwriters." All of the 100,000,000 Shares of USEC Inc. (the "Company" or "USEC") offered hereby are being offered and sold by the United States Government (the "U.S. Government"), which is selling its entire interest in the Company. See "Selling Stockholder." The Company will not receive any of the proceeds from the sale of the Shares by the U.S. Government; however, the Company will receive the proceeds, if any, received as a result of the exercise of an over-allotment option granted by the Company to the U.S. Underwriters. Any proceeds received by the Company as a result of the exercise of the over-allotment option will be used to reduce indebtedness of the Company and for general corporate purposes. Prior to this offering, there has been no public market for the common stock of the Company (the "Common Stock"). It is currently estimated that the initial public offering price per Share will be between $13 1/2 and $16 1/2. See "Underwriters" for a discussion of the factors to be considered in determining the initial public offering price.

Application will be made to list the Shares on the New York Stock Exchange under the symbol "USU".

The Company's Certificate of Incorporation sets forth significant restrictions on foreign ownership of shares. See "Description of Capital Stock -- Foreign Ownership Restrictions."

SEE "RISK FACTORS" BEGINNING ON PAGE 12 FOR INFORMATION THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PRICE $ A SHARE

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO U.S. GOVERNMENT(2)
Per Share	$	$	$
Total(3)	$	$	$

- ---

(1) The Company, after the Privatization (as defined below), has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. The U.S. Government will not provide any indemnification to the Underwriters and the U.S. Government will have no liability under the Securities Act of 1933, as amended. See "USEC Formation and Privatization -- Certain Restrictions in Connection with the Privatization."

(2) Before deducting expenses estimated at $5.0 million to be paid out of the Company's account at the U.S. Department of Treasury (the "U.S. Treasury").

(3) The Company has granted the U.S. Underwriters an option, exercisable within 30 days of the date hereof, to purchase up to an aggregate of 10,000,000 additional shares of Common Stock at the price to public, less underwriting discounts and commissions, for the purpose of covering over-allotments, if any. If the over-allotment option is exercised in full, the total price to public, and underwriting discounts and commissions will be $ and $, respectively. The proceeds to U.S. Government will not change by any such exercise, but if the over-allotment option is exercised in full, the Company will receive proceeds in the amount of $. See "Underwriters."

MORGAN STANLEY DEAN WITTER MERRILL LYNCH & CO.
CO-GLOBAL
GLOBAL COORDINATOR COORDINATOR

J.P. MORGAN & CO.
FINANCIAL ADVISOR

The Shares are offered, subject to prior sale, when, as and if accepted by the Underwriters named herein, and subject to the approval of certain legal matters by Davis Polk & Wardwell, counsel for the Underwriters. It is expected that delivery of the Shares will be made on or about , 1998 at the office of Morgan Stanley & Co. Incorporated, New York, N.Y., against payment therefor in immediately available funds.

MORGAN STANLEY DEAN WITTER MERRILL LYNCH & CO.

M. R. BEAL & COMPANY

JANNEY MONTGOMERY SCOTT INC.

LEHMAN BROTHERS

PRUDENTIAL SECURITIES INCORPORATED

SALOMON SMITH BARNEY

, 1998

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

[ALTERNATE PAGE FOR INTERNATIONAL PROSPECTUS]

PROSPECTUS (Subject to Completion)
Issued June 29, 1998

100,000,000 Shares
USEC Inc.

COMMON STOCK

Of the 100,000,000 shares of common stock (the "Shares") offered hereby, 10,000,000 Shares are being offered initially outside the United States and to foreign persons by the International Underwriters and 90,000,000 Shares are being offered initially in the United States by the U.S. Underwriters. See "Underwriters." All of the 100,000,000 Shares of USEC Inc. (the "Company" or "USEC") offered hereby are being offered and sold by the United States Government (the "U.S. Government"), which is selling its entire interest in the Company. See "Selling Stockholder." The Company will not receive any of the proceeds from the sale of the Shares by the U.S. Government; however, the Company will receive the proceeds, if any, received as a result of the exercise of an over-allotment option granted by the Company to the U.S. Underwriters. Any proceeds received by the Company as a result of the exercise of the over-allotment option will be used to reduce indebtedness of the Company and for general corporate purposes. Prior to this offering, there has been no public market for the common stock of the Company (the "Common Stock"). It is currently estimated that the initial public offering price per Share will be between $13 1/2 and $16 1/2. See "Underwriters" for a discussion of the factors to be considered in determining the initial public offering price.

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MORGAN STANLEY DEAN WITTER
Global Coordinator

MERRILL LYNCH & CO.
Co-Global Coordinator

J.P. MORGAN & CO.
Financial Advisor

The Shares are offered, subject to prior sale, when, as and if accepted by the Underwriters named herein, and subject to the approval of certain legal matters by Davis Polk & Wardwell, counsel for the Underwriters. It is expected that delivery of the Shares will be made on or about , 1998 at the office of Morgan Stanley & Co. Incorporated, New York, N.Y., against payment therefor in immediately available funds.

MORGAN STANLEY DEAN WITTER

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M. R. BEAL & COMPANY

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LEHMAN BROTHERS

PRUDENTIAL-BACHE SECURITIES

SALOMON SMITH BARNEY INTERNATIONAL

, 1998

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Inside Cover Page includes: graphic of circle divided into four quadrants - first quadrant depicts an aerial view of the Gaseous Diffusion Plant in Paducah, Kentucky; second quadrant depicts an aerial view of the Gaseous Diffusion Plant in Portsmouth, Ohio; third quadrant depicts two individuals at a computer; fourth quadrant depicts a doorway with USEC logo. A small globe is centered in the middle of the four quadrants.

Text: USEC At-A-Glance

Business

The United States Enrichment Corporation (USEC), a global energy company, is the world leader in production and sales of uranium fuel enrichment services for commercial nuclear power plants.

Customers

Electric utilities in 14 countries, including the United States.

Headquarters

Bethesda, Maryland

Operations
Manages gaseous diffusion enrichment plants in Kentucky and Ohio, and is developing an advanced laser enrichment technology at facilities in California.

Serves as Executive Agent for U.S. government in implementing the "Megatons-to-Megawatts" agreement between the United States and Russia that provides for the conversion of highly enriched uranium from dismantled Soviet-era nuclear warheads into low enriched uranium for fuel to be used by USEC customers to generate electricity.

Personnel
USEC operations involve more than 5,000 people.

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Graphic left side: USEC logo.

Graphic upper left: depicts a city skyline.

Graphic upper right: circle divided into four quadrants. First quadrant depicts an aerial view of the Gaseous Diffusion Plant in Paducah, Kentucky: second quadrant depicts an aerial view of the Gaseous Diffusion Plant in Portsmouth, Ohio; third quadrant depicts two individuals at a computer; fourth quadrant depicts a doorway with USEC logo. A small globe is centered in the middle of the four quadrants.

Graphic lower left: depicts a control panel in a control room.

Graphic lower center: depicts an AVLIS laser.

Graphic lower right: depicts a truck with a man loading cylinders.

Text: Photos

Graphic: arrow pointing to the left.

Text: Far Left: All production activities at the gaseous diffusion plants are controlled and monitored from central control rooms.

Center: Full scale AVLIS laser components used in USEC's advanced uranium enrichment process.

Right: Cylinders of enriched uranium are loaded into protective overpacks for shipment.

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NO PERSON IS AUTHORIZED IN CONNECTION WITH ANY OFFERING MADE HEREBY (THE "OFFERING") TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE U.S. GOVERNMENT OR ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY TO ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION TO SUCH PERSON. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCE IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

CERTAIN PERSONS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS

THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SHARES. SPECIFICALLY, THE UNDERWRITERS MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, SHARES IN THE OPEN MARKET. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITERS."

UNTIL , 1998 (25 DAYS AFTER THE COMMENCEMENT OF THE OFFERING), ALL DEALERS EFFECTING TRANSACTIONS IN THE SHARES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

TABLE OF CONTENTS

The Company has applied to register the following trademarks: "USEC" and "A Global Energy Company." This Prospectus also includes product names and other trade names and trademarks of the Company and of other organizations.

THIS PROSPECTUS CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS. DISCUSSIONS CONTAINING SUCH FORWARD-LOOKING STATEMENTS MAY BE FOUND IN THE MATERIAL SET FORTH UNDER "RISK FACTORS," "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS" AND "BUSINESS," AS WELL AS WITHIN THIS PROSPECTUS GENERALLY. IN ADDITION, WHEN USED IN THIS PROSPECTUS, THE WORDS "BELIEVES," "INTENDS," "ANTICIPATES," "EXPECTS" AND WORDS OF SIMILAR IMPORT MAY CONSTITUTE "FORWARD-LOOKING STATEMENTS." BECAUSE SUCH STATEMENTS INVOLVE RISKS AND UNCERTAINTIES, ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED UNDER "RISK FACTORS."

FOR INVESTORS OUTSIDE THE UNITED STATES: NO ACTION HAS BEEN OR WILL BE TAKEN IN ANY JURISDICTION BY THE COMPANY, THE U.S. GOVERNMENT OR ANY UNDERWRITER THAT WOULD PERMIT A PUBLIC OFFERING OF THE SHARES OR POSSESSION OR DISTRIBUTION OF THIS PROSPECTUS IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED, OTHER THAN IN THE UNITED STATES. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES ARE REQUIRED BY THE COMPANY, THE U.S. GOVERNMENT AND THE UNDERWRITERS TO INFORM THEMSELVES ABOUT, AND TO OBSERVE ANY RESTRICTIONS AS TO, THE OFFERING OF THE SHARES AND THE DISTRIBUTION OF THIS PROSPECTUS.

UPON CONSUMMATION OF THE OFFERING (THE "PRIVATIZATION"), (I) THE U.S. GOVERNMENT SHALL NO LONGER HOLD ANY EQUITY INTEREST IN THE COMPANY, (II) THE COMPANY SHALL NOT BE AN AGENCY, INSTRUMENTALITY OR ESTABLISHMENT OF THE U.S. GOVERNMENT, A GOVERNMENT CORPORATION, OR A GOVERNMENT-CONTROLLED CORPORATION AND (III) ANY FINANCIAL OBLIGATIONS OF THE COMPANY SHALL NOT BE OBLIGATIONS OF, OR GUARANTEED AS TO PRINCIPAL OR INTEREST BY, THE U.S. GOVERNMENT. FOLLOWING CONSUMMATION OF THE OFFERING, THE COMPANY WILL CONTINUE TO ACT AS THE EXECUTIVE AGENT FOR THE U.S. GOVERNMENT IN CONNECTION WITH THE PURCHASE OF CERTAIN MATERIAL FROM THE RUSSIAN FEDERATION PURSUANT TO THE TERMS OF A MEMORANDUM OF AGREEMENT BETWEEN THE COMPANY AND THE U.S. DEPARTMENTS OF STATE AND ENERGY. SEE "BUSINESS -- RUSSIAN HEU CONTRACT."

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. Unless otherwise indicated or the context otherwise requires, references in this Prospectus to the "Company" and "USEC" mean, (i) at all times prior to the consummation of the Offering, United States Enrichment Corporation, the federally-chartered entity, and (ii) at all times thereafter, USEC Inc., a Delaware corporation, and its consolidated subsidiaries. References in this Prospectus to "Shares" are to the shares of common stock, par value $.10 per share (the "Common Stock"), of USEC Inc. being offered hereby. Unless the context otherwise requires, all Share data in the Prospectus assume no exercise of the U.S. Underwriters' over-allotment option. As used in this Prospectus, the terms "fiscal" or "fiscal year" refer to the Company's fiscal year which is the twelve-month period ending on June 30 of the designated year. Terms not defined in this Prospectus Summary are defined elsewhere in this Prospectus or in the Glossary.

THE COMPANY

OVERVIEW

USEC, a global energy company, is the world leader in the production and sale of uranium fuel enrichment services for commercial nuclear power plants. USEC currently has approximately a 75% share of the North American uranium enrichment market and a 40% share of the world market. Uranium enrichment is a

critical step in transforming natural uranium into fuel for nuclear reactors to produce electricity. USEC enriches uranium utilizing the gaseous diffusion process at two plants located in Paducah, Kentucky and near Portsmouth, Ohio. USEC's fiscal 1997 revenue and pre-tax income were $1.6 billion and $250.1 million, respectively. The Company's net income on a pro forma basis (primarily to reflect a provision for federal, state and local income taxes, and interest expense, and taxes other than income taxes) for fiscal 1997 was $133.2 million.

The Company supplies enriched uranium to approximately 60 customers for use in 176 nuclear reactors located in 14 countries throughout the world. Generally, the Company's contracts with its customers are "requirements" contracts pursuant to which the customer is obligated to purchase a specified percentage of its enriched uranium requirements from the Company. Consequently, the Company's annual sales are dependent upon the customers' requirements for enrichment services, which are driven by nuclear reactor refueling schedules, reactor maintenance schedules, customers' considerations of costs, and regulatory actions. Based on customers' estimates of their requirements, as of March 31, 1998, the Company had long-term requirements contracts with utilities to provide uranium enrichment services aggregating $3.2 billion through fiscal 2000 and $7.4 billion through fiscal 2009.

The Company began operations on July 1, 1993 (the "Transition Date") when the U.S. Government's uranium enrichment activities were transferred from the United States Department of Energy ("DOE") to the Company. Since the Transition Date, USEC has adopted a series of private-sector management practices which have enabled it to be more responsive to its customers and to market forces. Applying private sector principles has significantly improved the Company's competitive positioning by: (i) adding $4.3 billion in new contract commitments through fiscal 2009 during the period from the Transition Date through March 31, 1998 (consisting of $4.1 billion from extensions of contracts or new contracts with existing customers and $200.0 million from contracts with new customers); (ii) significantly reducing order fulfillment times; (iii) maintaining a strong safety record at the gaseous diffusion plants (the "GDPs") while increasing Company-wide focus on regulatory compliance; and (iv) obtaining certification for the GDPs from the U.S. Nuclear Regulatory Commission (the "NRC"). In addition, USEC has acquired a significant inventory of uranium from the U.S. Government.

RISK FACTORS

An investment in the Common Stock involves certain risks associated with the Company's business, including the following: (i) risks associated with enrichment operations; (ii) reliance on the nuclear utility industry and customer concentration; (iii) competition and the trend toward lower pricing; (iv) risks

associated with the contract between USEC and Techsnabexport Co. Ltd., a Russian government entity ("Tenex"), dated January 14, 1994 (the "Russian HEU Contract"); (v) dependence on sustained supply of electricity; (vi) risks related to Atomic Vapor Laser Isotope Separation ("AVLIS"); (vii) risks associated with international trade regulations; (viii) fluctuations in the Company's quarterly financial results due to cyclical demand; (ix) risks associated with NRC regulation; and (x) certain environmental risks.

For a fuller discussion of these and other risk factors affecting the Company and its businesses, see "Risk Factors."

STRATEGY

The Company's goal is to continue to be the world's leading supplier of uranium fuel enrichment services and to diversify over time into related strategic businesses that will contribute to the Company's growth and profitability. To achieve its goal, the Company intends to focus on the following:

Aggressively Pursue Sales Opportunities. The Company has implemented a strategy designed to increase sales to existing customers and to add new customers. Flexible contract terms have replaced standardized DOE contracts, and the Company has increased its attention to customer service, product quality and reliability.

Improve Operating Efficiencies. The Company plans to continue to improve operating efficiencies and productivity by implementing and monitoring a rigorous cost management program.

Commercialize AVLIS Technology. USEC plans to complete the development and commence commercialization of the next generation of uranium enrichment technology, AVLIS, which uses lasers to enrich uranium, and which should permit USEC to remain one of the lowest cost suppliers of uranium enrichment services and enhance its competitive position. Commercial deployment of AVLIS is anticipated in 2005.

Diversify Over the Longer Term. Over the longer term, the Company intends to diversify its business by pursuing selected growth opportunities that build upon the Company's core competencies, technology and customer relationships.

COMPETITIVE ADVANTAGES

Although the Company operates in a highly competitive environment, USEC believes that the following factors should enable it to compete effectively and continue as the world leader in the uranium enrichment market:

- Strong Financial Position. USEC's strong financial position results from a significant backlog of contracted services attributable to established customers and a pro forma balance sheet at March 31, 1998 with $550.0 million in debt (representing 32% of total capitalization, adjusted to include short-term debt). The Company has long-term requirements contracts with utilities to provide uranium enrichment services aggregating $3.2 billion through fiscal 2000 and $7.4 billion through fiscal 2009.

- Favorable Arrangements with the U.S. Government. The Company is the beneficiary of several favorable long-term arrangements with the U.S. Government, implemented in connection with USEC's Privatization. These arrangements, which will continue following the Privatization, include:

  - An advantageous lease providing for nominal rent payments for its production facilities with an open term renewal option;

  - Low-cost power purchase arrangements pursuant to which USEC purchases electricity (which represents up to 59% of the Company's production costs) at an average cost of less than 2 cents/kWh; and

  - The assumption by the U.S. Government of substantially all liabilities arising from the operation of the GDPs prior to the Privatization, including substantially all environmental liabilities.

- AVLIS. USEC has the exclusive commercial rights to the AVLIS technology developed by the U.S. Government and believes that it has a considerable lead-time advantage over others attempting to develop similar laser-based uranium enrichment technology.

- Ability to Complete Sales from Natural Uranium Inventory. USEC is positioned to supplement its uranium enrichment revenues through new sales of natural uranium. USEC's existing inventory contains a substantial amount of natural uranium, which has been supplemented by the transfer of additional uranium from the U.S. Government.

- Executive Agent Under a U.S./Russia Agreement. USEC is the Executive Agent for the United States under a government-to-government agreement between the United States and the Russian Federation. In this capacity, USEC purchases from Russia the separative work unit ("SWU") component of low-enriched uranium ("LEU") derived from highly enriched uranium ("HEU") recovered from dismantled nuclear weapons of the former Soviet Union. Although acting as U.S. Executive Agent may pose certain risks, the arrangement provides an important strategic opportunity for USEC to introduce additional uranium enrichment services from Russia to the global market on an orderly basis and in a competitive manner that ensures the reliability and continuity of supply to enrichment customers.

THE URANIUM ENRICHMENT MARKET

Demand for uranium enrichment services is a function of the number of nuclear reactors using enriched uranium fuel and their fuel requirements. Nuclear power accounts for 19% of the domestic and 17% of the world-wide production of electricity. As of March 31, 1998, there were 108 utilities operating 378 nuclear power reactors that use enriched uranium for fuel, including 105 reactors in the United States.

The world demand for enrichment services is anticipated to be relatively stable or increase slightly over the next 10 to 15 years. USEC believes that the nuclear power market in the U.S. and Western Europe may decline slightly over the next 10 to 15 years, counter-balanced by an increase in the Asian market during the same period. The Company anticipates that decreases in demand from reactors that cease operations during this period will be offset by increases in demand from new reactors expected to come on-line, as well as by increased utilization at existing reactors. Globally, uranium enrichment is provided by four major suppliers, including USEC.

HISTORY OF USEC

USEC was established by the Energy Policy Act of 1992 (the "Energy Policy Act") as a wholly-owned government corporation to take over DOE's uranium enrichment operation. This transfer to a government-owned corporation was intended to enable USEC to operate like a private sector business in preparation for its eventual privatization.

In April 1996, the USEC Privatization Act (the "Privatization Act") was enacted, which provided the mechanics for the Privatization, clarified the relationship between USEC and the U.S. Government following the Privatization and addressed certain other matters. By facilitating the transfer of the uranium enrichment business to the private sector, the U.S. Government sought to position the Company as a viable competitor in the global market for uranium enrichment services. On July 25, 1997, in accordance with the Energy Policy Act, President Clinton approved the implementation of the Privatization.

After the Privatization, the U.S. Government will not own any Shares of the Company, and the Company will not be an agency or instrumentality of the U.S. Government.

* * *

The Company's principal office is located at 2 Democracy Center, 6903 Rockledge Drive, Bethesda, MD 20817, and its telephone number is (301) 564-3200.

RECENT DEVELOPMENTS

The Company expects its revenue for the fiscal year ending June 30, 1998 to be approximately $1.4 billion and net income for fiscal 1998 to be in the range of $145.0 to $155.0 million. Gross profit for fiscal 1998 will be lower, as expected, with gross margins stable in the range of 24% to 26%. Lower revenue during fiscal 1998 had been anticipated and is attributable to the timing of

customer orders and resulting lower SWU volumes. Net income reflects a special charge of approximately $47.0 million reflecting certain severance and transition assistance benefits to be paid to GDP workers in connection with workforce reductions and costs related to the Privatization.

The Company's revenue and operating results can fluctuate significantly from quarter-to-quarter and year-to-year. Customer requirements and, in turn, SWU sale volumes are determined by refueling schedules for nuclear reactors, which generally range from 12 to 24 months, and are affected by, among other things, the seasonal nature of electricity demand, the timing of reactor maintenance and reactors beginning or terminating operations. The Company's cost of sales has been, and will continue to be, adversely affected by amounts paid to purchase SWU under the Russian HEU Contract at prices which are substantially higher than its marginal production cost at the GDPs. In addition, as the volume of Russian SWU purchases has increased, the Company has operated the GDPs at lower production levels resulting in higher unit production costs. Pursuant to the Russian HEU Contract, Russian SWU purchases will peak in calendar year 1999 at 5.5 million SWU per year and are expected to remain at that level thereafter. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

THE OFFERING

Common Stock offered by the U.S. Government	
U.S. Offering	90,000,000 Shares
International Offering	10,000,000 Shares
Total	100,000,000 Shares(1)
Common Stock to be outstanding after the Offering	100,000,000 Shares(1)
Use of Proceeds	The Company will not receive any proceeds from the sale of the Shares, assuming the U.S. Underwriters' over-allotment option is not exercised. If the U.S. Underwriters' over-allotment option is exercised, the Company will be required pursuant to the provisions of the Credit Facility (as defined below) to use $75.0 million of the proceeds to reduce indebtedness; any remaining balance of proceeds from the exercise of the over-allotment option will be used for general corporate purposes.
Dividends	The Company intends to pay cash dividends on the outstanding Shares at an initial annual rate of $1.10 per Share. The initial quarterly dividend is anticipated to be $.275 per Share, to be paid in the quarter ending December 31, 1998, subject to the Company's earnings, financial condition and cash requirements at the time such payment is considered. See "Risk Factors," "Dividends and Dividend Policy," "USEC Formation and

Privatization" and "Description of Capital Stock."

Proposed New York Stock Exchange symbol..... "USU"

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(1) Assumes the U.S. Underwriters' over-allotment option is not exercised. See "Underwriters."

SUMMARY FINANCIAL AND OPERATING INFORMATION

Set forth below are summary financial and operating data of the Company for the fiscal years ended June 30, 1994, 1995, 1996 and 1997 and the nine months ended March 31, 1997 and 1998. This information should be read in conjunction with the audited financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Prospectus. See also "Selected Financial Data" and "Pro Forma Financial Information."

	YEARS ENDED JUNE 30,					NINE MONTHS ENDED MARCH 31,		
	ACTUAL				PRO FORMA	ACTUAL		PRO FORMA
	1994	1995	1996	1997	1997(1)	1997	1998	1998(1)
					(UNAUDITED)		(UNAUDITED)	
	(MILLIONS, EXCEPT PER SHARE DATA)							
STATEMENT OF INCOME DATA								
Revenue	$1,403.3	$1,610.7	$1,412.8	$1,577.8	$1,577.8	$1,124.4	$1,056.7	$1,056.7
Cost of sales	983.3	1,088.1	973.0	1,162.3	1,162.3	833.4	792.2	792.2
Gross profit	420.0	522.6	439.8	415.5	415.5	291.0	264.5	264.5
Other operating expenses:								
Project development costs	44.9	49.0	103.6	141.5	141.5	107.5	103.0	103.0
Selling, general and administrative	21.4	27.6	36.0	31.8	31.8	25.7	24.8	24.8
Other (income) expense, net	3.3	(1.5)	(3.9)	(7.9)	27.4	(4.3)	(5.3)	21.8
Income before income taxes	350.4	447.5	304.1	250.1	214.8	162.1	142.0	114.9
Provision for income taxes	--	--	--	--	81.6	--	--	43.7
Net income	$ 350.4	$ 447.5	$ 304.1	$ 250.1	$ 133.2	$ 162.1	$ 142.0	$ 71.2
Net income per share -- basic					$ 1.33			$ .71
Average Shares outstanding					100.0			100.0
OPERATING DATA								
SWU sold(2)	11.8	13.8	11.8	13.5	13.5	9.7	8.8	8.8
SWU produced	10.4	13.6	10.6	10.3	10.3	7.7	6.6	6.6
SWU purchased(3)	.7	1.2	2.0	3.1	3.1	2.4	3.8	3.8
Power used (MWh)	25.3	32.6	25.7	27.4	27.4	20.5	16.0	16.0
Power costs as a percent of production costs	55%	58%	55%	59%	59%	59%	53%	53%
Net cash provided by operating activities	$ 626.8	$ 540.2	$ 119.7	$ 356.1	$ 239.2	$ 314.5	$ 199.1	$ 128.3
Net cash used in investing activities -- capital expenditures	$ 48.6	$ 27.5	$ 15.6	$ 25.8	$ 25.8	$ 15.9	$ 20.5	$ 20.5
Cash outlays for major overhaul projects(4)	$ 4.4	$ 12.2	$ 15.8	$ 14.3	$ 14.3	$ 11.5	$ 8.3	$ 8.3
Net cash (provided) used in financing activities	$ (22.6)	$ 20.7	$ 206.1(5)	$ 194.3(5)	$1,353.9(6)	$ 194.3(5)	$ 180.0	$1,339.6(6)
Dividends and transfers to U.S. Government	$ 30.0	$ 55.0	$ 206.1(5)	$ 194.3(5)	$1,903.9(6)	$ 194.3(5)	$ 120.0	$1,829.6(6)

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(1) Gives effect to (i) the Offering, (ii) the merger of USEC into a state-chartered corporation and the resulting loss of USEC's exemption from federal, state and local income taxes, and (iii) increases in other expense, net, resulting from interest expense on $550.0 million of borrowings expected to be incurred simultaneously with the consummation of the Offering, as if such transactions had occurred at the beginning of the period. See "Pro Forma Financial Information -- Pro Forma Statements of Income."

(2) The standard unit measure for uranium enrichment services in the industry is

the separative work unit or SWU. See "Industry Overview -- The Enrichment Process -- SWU."

(3) Principally SWU purchased under the Russian HEU Contract.

(4) Represents cash payments against accrued liabilities for major overhaul projects. The Company includes costs for major overhaul projects in production costs.

(5) Includes uranium purchased at a cost of $86.1 million in fiscal 1996 and $74.3 million in fiscal 1997 under the Russian HEU Contract and transferred to DOE as a return of capital. All dividends to the U.S. Government have been paid in cash.

(6) On the Privatization Date, the Company will declare and pay to the U.S. Treasury a dividend in the aggregate amount of (i) the remaining balance of cash held in the Company's account at the U.S. Treasury as of the Privatization Date and (ii) $500.0 million of the $550.0 million in borrowings made at consummation of the Offering (collectively, the "Exit Dividend"). The Company will retain $50.0 million in cash from the $550.0 million in borrowings. As of March 31, 1998, the amount of the pro forma Exit Dividend would have been $1,709.6 million.

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	AS OF JUNE 30,				AS OF MARCH 31,	
					ACTUAL	PRO FORMA
	1994	1995	1996	1997	1998	1998
					(UNAUDITED)	
BALANCE SHEET DATA						
Cash held at U.S. Treasury	$ 735.0	$1,227.0	$1,125.0	$1,261.0	$1,259.6	$ 50.0(1)
Inventories:						
Current assets:						
SWU	$ 500.6	$ 517.7	$ 586.8	$ 573.8	$ 656.2	$ 801.1
Uranium(2)	158.6	165.5	150.3	131.5	164.8	164.8
Materials and supplies	17.0	19.8	15.7	12.4	25.8	25.8
Long-term assets -- uranium	103.6	115.5	199.7	103.6	103.6	453.2
Inventories, net	$ 779.8	$ 818.5	$ 952.5	$ 821.3	$ 950.4	$1,444.9
Total assets	$2,798.9	$3,216.8	$3,356.0	$3,456.6	$3,138.0	$2,425.4
Long-term obligations(3)	191.4	383.2	427.4	451.8	511.8	277.2
Stockholder's equity	1,545.0	1,937.5	2,121.6	2,091.3	2,099.2	1,166.8(4)

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(1) Gives effect to (i) the $50.0 million the Company will pay to DOE prior to the Privatization for assuming responsibility for disposal of a certain amount of depleted UF(6) generated by the Company after the Privatization Date, (ii) the $550.0 million in borrowings made at consummation of the Offering, (iii) payment of the Exit Dividend to the U.S. Treasury, and (iv) the Company's retention of $50.0 million in cash from the $550.0 million in borrowings.

(2) Excludes uranium provided by and owed to customers.

(3) Long-term obligations include accrued liabilities for depleted UF(6) disposition costs in the amounts of $93.0 million, $212.4 million, $303.0 million, $336.4 million and $384.6 million at June 30, 1994, 1995, 1996 and 1997, and March 31, 1998, respectively.

The pro forma amount of $277.2 million at March 31, 1998, includes $150.0 million representing the long-term portion of borrowings of $550.0 million at consummation of the Offering, and has been reduced by $384.6 million to give effect to the transfer of responsibility to DOE for the disposition of depleted UF(6) generated by the Company since July 1, 1993, up to the Privatization Date.

The Company will be required pursuant to the provisions of the Credit Facility to use $75.0 million of the net proceeds, if any, from the exercise of the over-allotment option to reduce indebtedness.

(4) After giving effect to the Exit Dividend, the transfers of uranium from DOE, the transfer of responsibility to DOE for the disposition of depleted UF(6) generated by the Company since July 1, 1993 up to the Privatization Date, and other adjustments. See "Pro Forma Financial Information -- Pro Forma Balance Sheet."

RISK FACTORS

In addition to the other information contained in this Prospectus, the following factors should be carefully considered in evaluating an investment in the Shares.

RISKS ASSOCIATED WITH ENRICHMENT OPERATIONS

Use of Chemicals in Enrichment. The Company's operations at the GDPs involve processes that utilize a large number of different chemicals in significant quantities, many of which are toxic. The primary chemical used by the Company is uranium hexafluoride (UF(6)), which is solid under normal conditions, but becomes a gas when heated as part of the Company's enrichment processes. If UF(6), the chemical gas form of uranium processed by the Company, is released into the atmosphere, it reacts with water vapor in the air to create hydrofluoric acid, a highly toxic compound, and uranium, a heavy metal. The primary risk posed by such releases is to humans or animals in close proximity to the releases. In particular, the hydrofluoric acid is highly corrosive and can cause injury if inhaled or if it comes into contact with skin for a prolonged period, and the uranium if ingested can cause kidney damage. The Company follows strict procedures and precautions in the handling, storage and transportation of the materials used in its operations, and there have been no significant releases into the environment in the Company's history. Nevertheless, if an accident were to occur, its severity could be significantly affected by the volume of the release and the speed of corrective action taken by GDP personnel, as well as other factors beyond the Company's control, such as weather and wind conditions.

Dependence on Large Production Facilities. The Company's operations are subject to those risks inherent in operating large scale production facilities. Significant or extended unscheduled downtime at either GDP due to: (i) equipment breakdowns; (ii) power interruptions; (iii) regulatory enforcement actions; (iv) hazards inherent in operating a large scale industrial facility such as labor disruptions; or (v) interruptions caused by potential natural or other disasters, including earthquake activity in the vicinity of the Paducah GDP, could materially adversely affect the Company's operations and financial condition. In particular, as process equipment goes offline, it becomes less cost efficient to produce each SWU. See "Business -- GDPs/Operations" and "Business -- Employees." Further, in the event of an extended reduction in, or suspension of, operations at the Portsmouth GDP, the Company would be unable to fulfill customer orders solely from the Paducah GDP. In the event of a suspension of operations at the Paducah GDP, the Company could fulfill some, but not all, of the customer orders solely from the Portsmouth GDP. The Company's current and planned insurance policies provide coverage against some, but not all, of its operating risks.

Contractual Commitment to Operate the GDPs. The Company has entered into an agreement with the U.S. Treasury (the "Treasury Agreement") pursuant to which the Company has committed to operate both of the GDPs until January 1, 2005, subject only to limited exceptions, including events beyond the Company's control such as fires, floods and other acts of God, maintenance of certain financial ratios, a significant reduction in the worldwide demand for SWU, a significant reduction in the average price for SWU, or a significant decrease in

operating margins, among others. See "USEC Formation and Privatization -- Certain Continuing Arrangements Involving the U.S. Government After Privatization." The Company has committed to purchase 5.5 million SWU under the Russian HEU Contract in each of the years 1999, 2000 and 2001, expects to purchase 5.5 million SWU in each of the years following 2001, and could begin enrichment operations at an AVLIS facility in 2004. There can be no assurance that the commitment to continue operations at both GDPs will not adversely affect the Company's financial performance if the supply of SWU from sources other than the GDPs increases, or if demand for SWU, SWU prices, or operating margins decrease by less than the amount set forth under the exceptions to the commitment which would otherwise permit the Company to reduce operations at the GDPs.

RELIANCE ON NUCLEAR UTILITY INDUSTRY; CUSTOMER CONCENTRATION

The Company's future prospects in the uranium enrichment business are tied directly to the nuclear utility industry world-wide. Events affecting reactors under contract with the Company or events affecting the industry as a whole, such as business decisions concerning reactors or reactor operations, regulatory actions or changes in regulations by nuclear regulatory bodies, accidents or civic opposition to nuclear operations, could have a material adverse effect on the Company to the extent such events result in the reduction or elimination

of requirements, the suspension or reduction of nuclear reactor operations or cancellation of new nuclear reactor construction.

Domestically, the NRC has temporarily suspended operations at certain reactors due to safety concerns at those reactors over the past year. In addition, business decisions by particular utilities that take into account economic factors, such as the price and availability of alternate fossil fuels, the need for a reactor's generating capacity and the cost of scheduled and unscheduled maintenance and repairs, have resulted in suspended operations or early shutdowns of some reactors and could result in additional suspensions or early shutdowns.

In fiscal 1997, the Company's 10 largest customers represented 50% of revenue and its three largest customers represented 21% of revenue. Nearly all contracts with the Company's utility customers are "requirements" contracts, and a termination or reduction of the nuclear fuel needs of any of the Company's major customers could have an adverse effect on the Company's financial performance. Further, the inability of a major customer to make timely payments could also have an adverse effect on the Company's financial performance. See "Business -- Customer Contracts and Pricing."

COMPETITION; CURRENCY EXCHANGE RATES; TREND TOWARD LOWER PRICING

Competition. The uranium enrichment industry is highly competitive. The Company competes with three other major producers: Tenex, a Russian government entity; Eurodif/Cogema ("Eurodif"), a consortium controlled by the French government; and Urenco, a consortium of the British and Dutch governments and private German corporations. See "Industry Overview -- Market for Enrichment Services" and "Business -- Competition." The Company's competitors may have greater financial resources (including access to below-market financing terms) and receive other types of support from their respective governmental owners which enable such producers to be less cost sensitive. In addition, decisions by foreign producers may be influenced by political and economic policy considerations rather than prevailing market conditions. Further, purchasers in certain areas (particularly Europe and the countries comprising the former Soviet Union) may favor their local producers, due to government influence or national loyalties.

Currency Exchange Rates. The Company's marketing efforts can also be affected by changes in currency exchange rates. Because the Company's costs and contracts are denominated in U.S. dollars, a strong dollar, as has been the case

in 1997 and 1998, raises the price of the Company's enrichment services in foreign currencies and weakens the Company's competitive position. Thus, a strengthening of the U.S. dollar against the currencies in which its competitors' costs are denominated could result in the Company lowering its prices to remain competitive, thereby negatively impacting profitability.

Trend Toward Lower Pricing. The Company's profitability over time can be significantly affected by changes in the market price of SWU, which is influenced by numerous factors beyond the Company's control, including such factors as industry overcapacity, excess inventory at customer facilities, global demand, new technologies and production costs of other enrichment suppliers. While there are only a handful of enrichment suppliers, there is an excess of production capacity, and certain suppliers have announced plans to expand their capacities. See "Industry Overview -- Market for Enrichment Services." Overcapacity, coupled with sales of buyer-held inventory, and exports of enriched uranium from the countries comprising the former Soviet Union over the last several years have resulted in significant downward pressure on prices. Accordingly, new contracts have significantly lower prices per SWU and have substantially shorter terms than previous DOE contracts, and the Company anticipates that a trend toward somewhat lower prices will continue as the Company competes for new business. There can be no assurance that the Company's financial performance will not be adversely affected by that trend. See "Business -- Sales and Marketing" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

RISKS ASSOCIATED WITH PURCHASES UNDER THE RUSSIAN HEU CONTRACT

In January 1994, USEC entered into a 20-year contract with Tenex (the "Russian HEU Contract"). See "Business -- Russian HEU Contract." Pursuant to the Russian HEU Contract, the Company has ordered 4.4 million SWU, representing 33% of the Company's fiscal 1997 sales, for delivery in calendar 1998, and has committed to order 5.5 million SWU, representing 41% of the Company's fiscal 1997 sales, for delivery in

each of calendar years 1999 through 2001. The Company expects to purchase 5.5 million SWU in each of the years following 2001 during the remaining term of the Russian HEU Contract. As the volume of Russian SWU purchases has increased, the Company has operated the GDPs at lower production levels resulting in higher unit production costs.

The Company's objective is to manage its production and inventory levels taking into account anticipated purchases under the Russian HEU Contract in a manner that most efficiently meets customer demand for enrichment services. A limited number of deliveries by Tenex have been delayed, but they have not disrupted the Company's ability to fill customer orders because of USEC's existing inventory. However, an unanticipated significant delay in deliveries of Russian SWU, or deliveries of SWU not meeting commercial specifications, could require unplanned adjustments to production levels at the GDPs, and adversely impact profitability.

The mechanism for establishing prices for SWU purchases under the Russian HEU Contract through 2001 has been set, and the prices are expected to be substantially higher than the Company's marginal cost of producing SWU at the GDPs. Consequently, although the Company presently can resell the Russian SWU for more than it is paying for the SWU, such sales are less profitable than sales of SWU produced at the GDPs. The effect of this pricing structure will become more pronounced if market prices for SWU decline further, and there can be no assurance that the price the Company pays for the Russian SWU will not exceed the price at which it can resell the material.

Under the terms of a memorandum of agreement (the "Executive Agent MOA") between the Company and the U.S. Department of State and DOE, the Company can be terminated, or resign, as the U.S. Executive Agent, or additional executive agents may be named. In either event, any new executive agent could represent a

significant new competitor that could adversely affect the Company's market share and profitability.

ELECTRICITY

The GDPs require substantial amounts of electricity (approximately 27.4 million MWhs in fiscal 1997) to enrich uranium, representing up to 59% of the Company's production costs. See "Business -- Power." In light of the GDPs' power requirements, an unanticipated interruption to their power supply, including natural or other disasters affecting the generating or transmission facilities which significantly reduces the supply of electricity to the GDPs or an emergency curtailment of electricity, could have a material adverse effect on the Company to the extent it has to curtail operations for any length of time. In addition, to the extent that USEC does not have advance notice of a curtailment of power, the equipment could require significant additional maintenance and result in less efficient operations while being restored.

The Company purchases firm and non-firm power to meet its production needs. The Company's production costs would increase to the extent that the market prices of non-firm power, which represented 37% of the Company's fiscal 1997 power needs, were to rise. In addition, the prices that USEC pays for firm power could increase if there were additional regulatory costs or unanticipated equipment failures at the power plants supplying the firm power to the GDPs. The low-cost power purchase agreements pursuant to which the Company currently purchases firm power expire in 2005. At that time, the contracts are subject to renegotiation, and the price the Company pays for firm power could increase significantly. See "Business -- Power."

Upon termination of the power contracts, the Company is responsible for its pro rata share of costs of future decommissioning, shutdown and demolition activities for three coal-fired generating plants. Estimated costs are accrued over the contract period, and the accrued liability amounted to $15.2 million and $12.1 million at June 30, 1997 and 1996, respectively. There can be no assurance that the Company's pro rata share of total costs for such decommissioning and shutdown activities will not exceed the amounts accrued by the Company.

AVLIS

New Technology. There are a number of risks associated with the development and commercialization of AVLIS, a new laser-based uranium enrichment technology (see "Business -- Advanced Laser-Based Technology"), and any of these could have a material adverse effect on the Company's financial or competitive position. Additional equipment demonstration and testing activities are necessary before the Company will be in a position to finalize its decision to construct a full-scale commercial facility. The Company could encounter unanticipated delays or expenditures at this stage. If the Company determines not to proceed with AVLIS deployment, the Company would pursue other options for enrichment services such as GDP upgrades or exploring other new technologies, which could have a material adverse effect on the Company's financial or competitive position. In addition, the Company could incur certain additional costs in connection with terminating the AVLIS project, including payments to certain contractors. In the event the Company determines to deploy AVLIS, no assurance can be given that an AVLIS plant could be completed as scheduled or that a full-scale facility will operate at its design capacity.

Based on preliminary design drawings and assumptions regarding the suitability of available sites, AVLIS development and deployment was estimated in September 1997 to cost approximately $2.2 billion from fiscal 1998 through fiscal 2005. The Company periodically re-evaluates its AVLIS estimated costs and currently believes this estimate could vary by up to 20%. If the Company determines to deploy AVLIS, there can be no assurance that development costs or construction costs associated with AVLIS would not be higher than anticipated.

NRC Licensing of AVLIS. The NRC will have regulatory authority over the AVLIS plant and will have to issue a construction and operating license before construction can begin. The NRC will need to develop guidelines for its review of the facility. The development of the guidelines, or the nature and extent of any third-party intervention in the licensing process, could delay or otherwise affect licensing, which, in turn, could delay the commencement of construction. In addition, the NRC would likely require that the Company obtain commercial nuclear liability insurance as a condition to obtaining an NRC license since a commercial AVLIS facility will not be indemnified under the Price-Anderson Amendments Act of 1988 (the "Price-Anderson Act"). There can be no assurance as to the availability, terms or coverage of insurance.

Financing. The Company will require significant financing to achieve commercial deployment of AVLIS. There can be no assurance that financing will be available when required, and the Company cannot predict the cost of or the terms on which such financing would be available.

Intellectual Property. The Company relies on a combination of patent laws, confidentiality procedures and contractual provisions to protect its proprietary information and intellectual property rights related to the AVLIS technology. The Company has received a letter from a third party setting forth such third party's belief that AVLIS will use certain of such third party's technology. See "Business -- Advanced Laser-Based Technology -- Intellectual Property." In addition, the Company is aware of patents issued to third parties which cover certain technology used in laser-based products; the Company or its licensors may be required to obtain a license to one or more of such patents. There can be no assurance that third party infringement claims will not be brought against the Company in the future, that the Company would not have to pay damages or would not be enjoined in the event any such claims were successful, or that the Company would be able to obtain necessary licenses to certain technology. In the event of such a successful claim of infringement, the Company believes that it can re-engineer the affected apparatus, system or method or obtain any necessary licenses from third parties. However, in the event the Company were unable to successfully re-engineer or obtain from third parties any required licenses at a reasonable cost or at all, a successful claim of infringement could have a material adverse effect on the Company.

INTERNATIONAL TRADE REGULATIONS

The U.S. Department of Commerce and the governments of European countries have imposed duties and other trade restrictions on the quantity of enriched uranium sourced from the countries comprising the Commonwealth of Independent States ("CIS"). While Japan has not imposed formal trade restrictions on CIS-sourced enriched uranium, the general difficulty of Russian products penetrating the Japanese market

has effectively precluded sales into this market by Tenex. Changes in existing trade laws, regulations or relationships could enable Tenex to compete in markets formerly closed to it; increased access by Tenex to these markets could adversely affect the Company's market share and profitability. See "Business -- Foreign Trade Matters."

FLUCTUATIONS IN FINANCIAL RESULTS

The Company's financial results fluctuate due to cyclical demand. Deliveries of enriched uranium are determined by customers' reactor refueling schedules which are affected by, among other things, the seasonal nature of electricity demand and the operating availability of the reactor. Utilities try to schedule the shutdown of their reactors for refueling to coincide with periods of low demand, typically during the spring and fall. For efficiency reasons, utilities also attempt to run their reactors for periods of 12 months, 18 months, or in some cases, up to 24 months between refuelings. This variability produces fluctuations in the Company's revenues and earnings quarter-to-quarter, and in some cases, year-to-year related to the timing of

sales of SWU. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Quarterly Financial Information."

NRC REGULATION

The GDPs are certified and regulated extensively by the NRC. The Company is subject to an NRC-approved compliance plan (the "Compliance Plan") which requires, among other things, seismic upgrading of two main process buildings at the Paducah GDP. Although the DOE has compensated the Company for expenditures necessary to comply with the Compliance Plan (subject to a maximum amount) by transferring uranium, the Company will nevertheless need to make cash payments for such expenditures. There can be no assurance that expenditures required by the Company to fully comply with the Compliance Plan will not exceed the value of uranium provided by the DOE.

The term of the initial NRC certification expires on December 31, 1998, and the NRC will evaluate the GDPs in connection with the renewal of such certification. In addition, the Privatization Act precludes the NRC from issuing or renewing a license or certificate of compliance if the NRC determines that (i) USEC is owned, controlled or dominated by an alien, a foreign corporation or a foreign government or (ii) the issuance of such a certificate or license would be inimical to the common defense or security of the United States or the maintenance of a reliable and economical domestic source of enrichment services. The NRC has established certain requirements as a result of this statutory directive, including a requirement relating to the financial viability of the Company providing enrichment services. If the NRC were to find that the Company did not comply with the foregoing requirements, it may refuse to issue or renew the Company's certificates, impose certain material conditions, or take other action, which may adversely affect the Company's financial condition. See "Business -- Regulatory Oversight."

ENVIRONMENTAL MATTERS

The Company's operations are, and after the Privatization, will continue to be, subject to numerous federal, state and local laws and regulations relating to the protection of health, safety and the environment, including those regulating the emission and discharge into the environment of materials (including radioactive materials). Pursuant to such laws and regulations, the Company is required to hold multiple permits in connection with its operations. The Company has filed for but not yet received permits required for the operation of certain air sources at the GDPs. In addition, certain permits held by the Company require periodic renewal or review of their conditions, and the Company cannot predict whether it will be able to renew such permits or whether material changes in permit conditions will be imposed. Failure to obtain permits or meet any conditions contained therein, or the imposition of additional conditions could have a material adverse effect on the Company's results of operations or financial condition.

The Company incurs substantial costs for matters relating to compliance with environmental laws and regulations including the handling, treatment and disposal of hazardous, low-level radioactive and mixed wastes generated as a result of its operations. Operating costs relating to such environmental compliance

amounted to approximately $24.9 million and $30.4 million for fiscal years 1997 and 1996, respectively, and capital expenditures relating to environmental matters amounted to approximately $1.8 million and $3.5 million for fiscal years 1997 and 1996, respectively. The Company currently estimates that operating costs and capital expenditures for compliance with environmental requirements (exclusive of costs for future disposition of depleted UF(6)) will remain at about the same levels in fiscal years 1998 and 1999. Costs accrued for the future treatment and disposal of depleted UF(6) were approximately $72.0 million in fiscal year 1997, which accrual will be eliminated as of the Privatization. The Company expects that costs relating to the future treatment and disposal of

depleted UF(6) produced from its operations will be lower in each of fiscal years 1998 and 1999. Due to the possibility of unanticipated events or regulatory developments, however, the amount and timing of future environmental expenditures could vary substantially from those currently anticipated.

The GDPs were operated by DOE and its predecessor agencies for approximately 40 years prior to the Transition Date. As a result of such operation of the GDPs, there are contamination and other potential environmental liabilities. The Company's continued operations may also result in contamination and other potential environmental liabilities. The Paducah GDP has been designated as a Superfund site, and both GDPs are undergoing investigations under the Resource Conservation and Recovery Act ("RCRA"). Although the Privatization Act provides that the U.S. Government remains generally responsible for environmental liabilities arising from operation of the GDPs before the Privatization, the Company is liable for environmental liabilities arising from the Company's operations after the Privatization. See "Business -- Environmental."

NATURAL URANIUM SALES

The Company anticipates supplementing its revenues from uranium enrichment services through sales of natural uranium in its inventory and natural uranium transferred to it by the DOE. The quantity of material that USEC will be able to sell in any given year and the revenue generated therefrom will be dependent on market conditions (including any sales by the U.S. Government out of its inventory) and prices at the time, as well as statutory and contractual restrictions on the volume of such sales. While the Company does not anticipate making significant natural uranium sales until after fiscal 2000, there can be no assurance that the Company will be able to sell such natural uranium at anticipated prices and quantities. The failure to complete sales of natural uranium as anticipated could have an adverse effect on the Company's financial condition. See "Business -- Natural Uranium and HEU from DOE."

FOREIGN OWNERSHIP RESTRICTIONS

The Company's Certificate of Incorporation (the "Charter") sets forth certain restrictions on foreign ownership of securities of the Company, including a provision prohibiting foreign persons (as defined in the Charter) from collectively having beneficial ownership of more than 10% of such voting securities. The Charter also contains certain enforcement mechanisms with respect to the foreign ownership restrictions, including suspension of voting rights, redemption of such Shares and/or the refusal to recognize the transfer of Shares on the record books of the Company. See "Description of Capital Stock -- Foreign Ownership Restrictions."

ANTI-TAKEOVER PROVISIONS

Under the Privatization Act, no person may acquire, directly or indirectly, beneficial ownership of more than 10% of USEC's voting securities for a three-year period after consummation of the Privatization. The By-Laws establish certain advance notice requirements for the nomination of directors as well as for other stockholder proposals. The Company is also subject to Section 203 of the Delaware General Corporation Law ("DGCL"), which could have the effect of delaying or preventing a change in control of the Company. To the extent that these provisions discourage takeover attempts, they could deprive stockholders of opportunities to realize takeover premiums for their Shares or could depress the market price of the Shares. See "Description of Capital Stock."

YEAR 2000 COMPLIANCE

The Company has been upgrading its date-sensitive software and systems in order to ensure that all software and systems used in its operations will continue to operate without disruption because of Year 2000 issues. However, there can be no assurance that such program will identify and cure all software

problems, or that entities on whom the Company relies for certain services integral to its business, such as the power supply, will successfully address all of their software and systems problems in order to operate without disruption in 2000. There can be no assurance that software or system failures or miscalculations causing disruptions of operations or the inability to process transactions will not occur because of the transition from 1999 to 2000.

ABSENCE OF PRIOR PUBLIC TRADING MARKET; POSSIBLE VOLATILITY OF STOCK PRICE

Prior to the Offering, there has been no public market for the Shares, and there can be no assurance that an active trading market will develop or be sustained after the Offering, or that purchasers of Shares will be able to resell their Shares at prices equal to or greater than the offering price. The offering price will be determined by negotiations among the Company, the U.S. Treasury and the Underwriters and may not be indicative of the prices that may prevail after the Offering. For a discussion of the factors considered in determining the offering price, see "Underwriters." Furthermore, the market price of the Shares may be highly volatile. Factors such as announcements of fluctuations in the Company's or its competitors' operating results, events in the nuclear energy industry, and general market conditions for stocks in comparable industries, such as the utility industry, could have a significant impact on the future price of the Shares.

USEC FORMATION AND PRIVATIZATION

BACKGROUND

The U.S. Government's uranium enrichment enterprise was created in the 1950s to supply enriched uranium for nuclear weapons produced by the United States and later for reactor fuel for the U.S. Navy's nuclear submarines and ships. With the passage of the Private Ownership of Nuclear Materials Act and the birth of the commercial nuclear industry in the early 1960s, all phases of the nuclear fuel cycle in the United States except uranium enrichment became privately-owned.

USEC was established in 1992 by the Energy Policy Act as a wholly-owned government corporation to take over the U.S. Government's uranium enrichment operation, as the first step toward Privatization. After a period of transition, USEC began commercial operations on July 1, 1993. In April 1996, the Privatization Act was enacted, which provided for the mechanics of the Privatization, clarified the relationship between USEC and the U.S. Government following the Privatization and addressed certain other matters. On July 25, 1997, in accordance with the Energy Policy Act, President Clinton approved implementation of the Privatization.

In connection with the creation of the Company, the U.S. Treasury was issued all of the shares of capital stock of the Company. Upon completion of the Offering, the U.S. Government will no longer own any Shares of the Company, and the Company will not be an agency or instrumentality of the U.S. Government. After the Privatization, the Company will be subject to federal, state and local taxes and, in certain circumstances, could be subject to foreign taxes.

DIVIDEND HISTORY

As a government corporation, the Company has been required to pay as annual dividends to the U.S. Treasury all net revenues (as defined in the Energy Policy Act) remaining at the end of a fiscal year which are not required for its operating expenses or business expenses or investments related to carrying out its purposes. See "Dividends and Dividend Policy." As of March 31, 1998, the Company has paid $445.0 million in annual dividends and had an accumulated cash balance held at the U.S. Treasury of $1,259.6 million. On the Privatization Date, the Company will declare and pay the Exit Dividend to the U.S. Treasury.

TRANSFER OF DISPOSITION LIABILITY

In accordance with the Privatization Act, on the Privatization Date, USEC will transfer to the U.S. Government responsibility for the disposition of depleted UF(6) generated by the Company from the Transition Date to the Privatization Date, for which the Company had accrued a liability of $384.6 million at March 31, 1998.

HOLDING COMPANY STRUCTURE

Immediately prior to the Offering, USEC, the federally-chartered entity, will be merged into and become a Delaware-chartered corporation (the "Merger"). The Merger is being effected solely to convert USEC from a federally-chartered entity to a state-chartered entity. The state-chartered entity will succeed to all of USEC's business and operations. Immediately thereafter, the Delaware-chartered USEC will merge with a wholly-owned subsidiary of USEC Inc. such that USEC Inc. will become the parent holding company of USEC (the "Holding Company Merger"). The Shares being offered to the public pursuant to this Prospectus are the Shares of USEC Inc., the Delaware-chartered holding company. The Company believes that a holding company structure provides greater flexibility for future operations and would be more tax efficient.

CERTAIN RESTRICTIONS IN CONNECTION WITH THE PRIVATIZATION

Certain Privatization-Related Claims. The Privatization Act expressly withdraws any stated or implied consent for the U.S. Government, or any of its agents or officers, to be sued with respect to any claim arising from any action taken by any agent or officer of the United States in connection with the Privatization. Such withdrawal of consent to be sued would apply to actions and proceedings brought against the

U.S. Government or any of its agents or officers (under federal or state securities laws or otherwise) with respect to this Prospectus or the Offering. Accordingly, purchasers of the Shares will have no recourse against the U.S. Government for any losses or damages suffered in connection with the Offering. The Privatization Act also provides that no officer, director, employee, or agent of the Company will be liable in any civil proceeding relating to actions taken in connection with the Privatization if such person was acting within the scope of his or her employment, provided that this limitation does not apply to claims under federal or state securities laws.

Ten-Percent Ownership Limit. In connection with the Privatization Act, the Charter provides that no person may acquire, directly or indirectly, beneficial ownership of more than 10% of USEC's voting securities for a three-year period after consummation of the Privatization. See "Description of Capital Stock -- General."

Foreign Ownership Restrictions. In order to implement statutory requirements and to address certain conditions for maintaining NRC certification of the GDPs, the Company's Charter contains certain restrictions on the ownership of Shares by foreign persons. The Company's Charter, among other things, (i) prohibits foreign persons from collectively having beneficial ownership of more than 10% of the voting securities of the Company, (ii) prohibits persons having a significant commercial relationship with a foreign enrichment provider, as well as foreign enrichment providers and their affiliates, from beneficially owning any securities of the Company and (iii) contains certain enforcement mechanisms with respect to the foreign ownership restrictions, including information requirements, suspension of voting rights and/or the refusal to recognize the transfer on the record books of the Company, and redemption provisions. See "Description of Capital Stock -- Foreign Ownership Restrictions."

CERTAIN CONTINUING ARRANGEMENTS INVOLVING THE U.S. GOVERNMENT AFTER PRIVATIZATION

Set forth below is a brief summary of certain of the more significant arrangements between the U.S. Government and the Company which will continue to exist after the Privatization. These arrangements are described in more detail under the "Business" section of this Prospectus.

The Government Oversight Committee. In connection with the Privatization, the U.S. Government has established an enrichment oversight committee (the "Oversight Committee") which monitors and coordinates U.S. Government efforts with respect to the post-Privatization USEC in furtherance of (i) the full implementation of the government-to-government agreement relating to the disposition of Russian HEU, (ii) the application of statutory, regulatory and contractual restrictions on foreign ownership, control or influence of USEC, (iii) the development and implementation of U.S. Government policy regarding uranium enrichment and related technologies, processes and data, and (iv) the collection and dissemination of information within the U.S. Government relevant to the foregoing objectives. The Company has entered into a memorandum of agreement with DOE which establishes annual and quarterly reporting requirements for the Company in support of the Oversight Committee's purposes.

Executive Agent Memorandum of Agreement. USEC has been designated as the Executive Agent of the United States under a government-to-government agreement between the United States and the Russian Federation to purchase approximately 92 million SWU derived from 500 metric tons of HEU recovered from nuclear weapons of the former Soviet Union for use in commercial electricity production. Under the Executive Agent MOA, the Company can be terminated, or resign, as the U.S. Executive Agent upon 30-days notice; however, the Company would nonetheless have the right and the obligation to purchase SWU that is to be delivered during the calendar year of the date of termination and the following calendar year. See "Risk Factors -- Risks Associated with Purchases Under the Russian HEU Contract" and "Business -- Russian HEU Contract."

Liabilities Memorandum of Agreement. The Privatization Act allocates the responsibility for certain liabilities between the Company and the U.S. Government, generally providing that liabilities arising from operations of the Company after the Privatization are liabilities of the Company, and liabilities attributable to operations of the Company and the predecessor government agencies prior to the Privatization remain liabilities of the U.S. Government. The one exception to this general allocation relates to certain liabilities of

the Company arising from operations between the Transition Date and the Privatization Date that the Company will retain pursuant to a memorandum of agreement (the "Liabilities MOA") between the Company and the Office of Management and Budget ("OMB"). Under the Liabilities MOA, the Company has assumed certain liabilities, which were estimated to total $67.6 million at March 31, 1998, relating to pension and post-retirement health benefits, obligations for shutdown and demolition costs under the power purchase agreements and waste disposal costs, which are included as liabilities on the Company's balance sheet at March 31, 1998.

Lease Agreement For Production Facilities. The Company leases the GDPs from DOE under a lease agreement (the "Lease Agreement") for nominal rent, with options for indefinite extensions. The Company also provides services to DOE for environmental restoration, waste management and other activities at the GDPs for which it is currently reimbursed at cost. See "Business -- Lease Agreement."

Treasury Agreement Regarding Ownership and Operation of the GDPs. The Company has entered into the Treasury Agreement, pursuant to which the Company has made the following commitments, among others: (a) to abide by the Privatization Act provisions, including the provision which prohibits the sale of more than 10% of the outstanding voting stock to any one person for a three-year period after the Privatization; (b) not to sell or transfer all or substantially all of the uranium enrichment assets or operations of the Company during the three-year period after the Privatization; (c) to the extent commercially practicable, to (i) take steps reasonably calculated in good faith to ensure that workforce reductions at the GDPs through fiscal year 2000 are

conducted in a manner consistent with the Company's strategic plan, do not exceed 500 employees, and are effected in substantially equal parts in each of fiscal years 1999 and 2000, (ii) in each of fiscal years 1999 and 2000, seek to achieve such workforce reductions through a program of voluntary separation before instituting a program of involuntary separation, and (iii) with respect to such workforce reductions, provide benefits and take other measures to minimize workforce disruptions that are no less favorable to the workforce than would have been the case prior to the Privatization and that are in accordance with an agreement between the Company and DOE concerning worker assistance; and (d) to continue operation of the GDPs until at least January 1, 2005, subject to the following exceptions: (i) the occurrence of any event beyond the reasonable control of USEC, such as fires, floods, or acts of God, that prevents the continued operation of a plant by USEC; (ii) if the Operating Margin (as defined below) of USEC is less than 10% in a twelve consecutive month period; (iii) if the long-term corporate credit rating of USEC is, or is reasonably expected in the next twelve months to be, downgraded below an investment grade rating; (iv) if the Operating Interest Coverage Ratio (as defined below) of USEC is less than 2.5x in a twelve consecutive month period; (v) if there is a decrease in annual worldwide demand for SWU to less than 28 million SWU; or (vi) if there is a decrease in the average price for long-term firm contract delivery of SWU to less than $80 per SWU (in 1998 dollars). Operating Margin is defined in the Treasury Agreement to mean (x) earnings plus interest and taxes divided by (y) total revenue; Operating Interest Coverage Ratio is defined to mean (x) earnings plus interest and taxes divided by (y) gross interest expense. See "Risk Factors -- Risks Associated with Enrichment Operations."

Electricity Memorandum of Agreement. The Company has entered into a memorandum of agreement (the "Electricity MOA") with DOE pursuant to which DOE transferred the benefits of its power purchase agreements with Electric Energy, Inc. ("EEI") and Ohio Valley Electric Corporation ("OVEC") to USEC, although DOE remains the named purchaser under such power purchase agreements. See "Business -- Power."

Certain Transfers from DOE. Under the Privatization Act, DOE is required to transfer to the Company, at no cost, up to 50 metric tons of HEU (representing 3.4 million SWU and 5,000 metric tons of natural uranium) and up to 7,000 metric tons of natural uranium. The Company received the 7,000 metric tons of natural uranium in April 1998, and expects to receive the 50 metric tons of HEU over the period September 1998 to September 2003. In May 1998, the Company also received an additional 3,800 metric tons of natural uranium and 45 metric tons of LEU (representing 280,000 SWU and 453 metric tons of natural uranium) to settle DOE's liabilities for certain nuclear safety upgrade costs and to satisfy certain remaining obligations of DOE to the Company. See "Business -- Natural Uranium and HEU from DOE."

Agreement Regarding AVLIS Research. AVLIS research, development and demonstration is conducted at Lawrence Livermore National Laboratory ("LLNL") in Livermore, California under DOE's management and operations contract with the University of California. Inventions that result from the AVLIS research and development effort funded by the Company will be owned by the Company. See "Business -- Advanced Laser-Based Technology."

Depleted UF(6) Memorandum of Agreement. The Company has entered into a Memorandum of Agreement (the "Depleted UF(6) MOA") with DOE pursuant to which title to depleted UF(6) generated by USEC before the Privatization will be transferred to DOE on the Privatization Date in accordance with the Privatization Act.

DOE Agreement Regarding Depleted UF(6) Disposal. The Company has entered into an agreement with DOE pursuant to which USEC will pay DOE $50.0 million from its account at the U.S. Treasury prior to the Privatization in consideration for a commitment by DOE to assume responsibility for a certain amount of depleted UF(6) generated by the Company after the Privatization Date over the period from the Privatization Date up to 2005.

DOE Agreement Regarding Certain Worker Benefits. Pursuant to an agreement between the Company and DOE, up to an additional $20.0 million of the Company's pre-Privatization funds will be used to provide certain GDP worker transition assistance benefits related to any GDP workforce reductions occurring after the Privatization. These assistance benefits would be in addition to workers' pre-existing severance benefits. The use of this $20.0 million from the Company's pre-Privatization funds would not impact the Company's retention of $50.0 million in cash from the borrowings under the Credit Facility.

USE OF PROCEEDS

The Company will not receive any proceeds from the sale by the U.S. Government of the Shares in the Offering except for the proceeds, if any, resulting from the U.S. Underwriters' exercise of their over-allotment option. The estimated net proceeds to the U.S. Government from the Offering will be $1.45 billion (based upon an assumed initial public offering price of $15.00 per Share, the midpoint of the range set forth on the cover page of this Prospectus and after deducting estimated underwriting commissions and expenses). The expenses of the Offering, estimated at $5.0 million, will be paid out of USEC's account at the U.S. Treasury. If the U.S. Underwriters exercise their over-allotment option in full, the net proceeds to the Company will be $145.5 million. The Company will be required pursuant to the provisions of the Credit Facility to use $75.0 million of the net proceeds from the exercise of the over-allotment option to reduce indebtedness; any remaining balance of proceeds from the exercise of the over-allotment option will be used for general corporate purposes.

DIVIDENDS AND DIVIDEND POLICY

During fiscal years 1994, 1995, 1996, 1997 and the nine months ended March 31, 1998, pursuant to the provisions of the Energy Policy Act, the Company paid dividends to the U.S. Treasury of $30.0 million, $55.0 million, $120.0 million, $120.0 million, and $120.0 million, respectively. In fiscal 1997, USEC transferred to DOE uranium purchased at a cost of $160.4 million under the Russian HEU Contract. In addition, at the closing of the Offering, the Company will pay the U.S. Treasury the Exit Dividend. Upon the consummation of the Offering, neither the Energy Policy Act nor the Privatization Act will govern the Company's payment of dividends, as the Company will become a Delaware-chartered corporation. The Company intends to pay annual cash dividends on outstanding Shares at an initial rate of $1.10 per Share. The initial quarterly dividend is anticipated to be $.275 per Share, payable in the quarter ended December 31, 1998, subject to the Company's earnings, financial condition and cash requirements at the time such payment is considered. Any declaration of dividends will be subject to the discretion of the Board of Directors of the Company and to certain limitations under the DGCL. The timing, amount and form of dividends, if any, will depend, among other things, on the Company's results of operations, financial condition, cash requirements and other factors deemed relevant by the Board of Directors at that time.

DILUTION

The sale of the 100,000,000 Shares pursuant to the Offering will not result in any change to the Company's net tangible pro forma book value per Share. The following table compares the offering price per Share (based upon an assumed initial public offering price of $15.00 per Share, the midpoint of the range set forth on the cover page of this Prospectus) with net tangible pro forma book value per Share:

Offering price per Share.....	$15.00(1)

Net tangible pro forma book value per Share as of March 31, 1998(2)	$11.67(3)
Excess of offering price over net tangible pro forma book value per Share	$ 3.33

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(1) Before deducting underwriting discounts and commissions and expenses of the Offering.

(2) After giving effect to the Exit Dividend, the transfers of uranium from DOE, the transfer of responsibility to DOE for the disposition of depleted UF(6) generated by the Company since July 1, 1993 up to the Privatization Date, and other adjustments. See "Pro Forma Financial Information -- Pro Forma Balance Sheet."

(3) Represents the amount of total tangible assets less total liabilities, divided by the 100,000,000 Shares issued and outstanding immediately following the Privatization. The number of Shares issued and outstanding assumes the U.S. Underwriters' over-allotment option is not exercised.

CAPITALIZATION

The following table sets forth the actual and as adjusted cash and capitalization of the Company as of March 31, 1998, after giving effect to a combination of short- and long-term borrowings of $550.0 million at consummation of the Offering (the "Borrowing"), the Exit Dividend, the transfers of uranium from DOE, the transfer of responsibility to DOE for the disposition of depleted UF(6) generated by the Company since July 1, 1993 up to the Privatization Date, and other adjustments. See "Pro Forma Financial Information -- Pro Forma Balance Sheet."

	AS OF MARCH 31, 1998	
	ACTUAL	AS ADJUSTED
	(MILLIONS, EXCEPT PER SHARE DATA)	
Cash	$1,259.6	$ 50.0
Short-term debt	$ --	$ 400.0(1)
Long-term debt	--	$ 150.0(1)
Stockholder's equity:		
Preferred stock, par value $1.00 per share, 25,000,000 shares authorized; no shares issued	--	--
Common stock, par value $.10 per share, 250,000,000 shares authorized; 100,000,000 Shares issued and outstanding(2)	10.0	10.0
Excess of capital over par value	1,040.1	1,156.8
Retained earnings	1,049.1	--
Total stockholder's equity	2,099.2	1,166.8
Total capitalization	$2,099.2	$1,316.8

(1) Following the Privatization, the Company may refinance all or a portion of the borrowings with funds raised in the public or private securities markets. The Company will be required pursuant to the provisions of the

Credit Facility to use $75.0 million of the net proceeds, if any, from the exercise of the over-allotment option to reduce indebtedness.

(2) The number of Shares issued and outstanding assumes the U.S. Underwriters' over-allotment option is not exercised.

SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the Financial Statements, and notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Prospectus.

Selected financial data as of and for the fiscal years ended June 30, 1994, 1995, 1996 and 1997 have been derived from the audited Financial Statements of the Company included elsewhere in this Prospectus and have been audited by Arthur Andersen LLP, independent public accountants, whose report thereon is also included elsewhere in this Prospectus.

The Statement of Income Data for the nine months ending March 31, 1998, and balance sheet data as of March 31, 1998, have been derived from the Company's unaudited financial statements that have been prepared on the same basis as the audited Financial Statements and, in the opinion of management, contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of operations for such periods. The results are not necessarily indicative of the results of operations expected for the full year.

SELECTED FINANCIAL DATA
(MILLIONS)

	YEARS ENDED JUNE 30,				NINE MONTHS ENDED MARCH 31,	
	1994	1995	1996	1997	1997	1998
					(UNAUDITED)	
STATEMENT OF INCOME DATA						
Revenue:						
Domestic	$ 831.8	$1,001.9	$ 901.6	$ 950.8	$ 680.9	$ 646.0
Foreign	571.5	608.8	511.2	627.0	443.5	410.7
	1,403.3	1,610.7	1,412.8	1,577.8	1,124.4	1,056.7
Cost of sales	983.3	1,088.1	973.0	1,162.3	833.4	792.2
Gross profit	420.0	522.6	439.8	415.5	291.0	264.5
Other operating expenses:						
Project development costs	44.9	49.0	103.6	141.5	107.5	103.0
Selling, general and administrative	21.4	27.6	36.0	31.8	25.7	24.8
Other (income) expense, net	3.3	(1.5)	(3.9)	(7.9)	(4.3)	(5.3)
Net income	$ 350.4	$ 447.5	$ 304.1	$ 250.1	$ 162.1	$ 142.0
OPERATING DATA						
SWU Sold	11.8	13.8	11.8	13.5	9.7	8.8
SWU Produced	10.4	13.6	10.6	10.3	7.7	6.6
SWU Purchased(1)	.7	1.2	2.0	3.1	2.4	3.8
Power used (MWh)	25.3	32.6	25.7	27.4	20.5	16.0
Power costs as a percent of production costs	55%	58%	55%	59%	59%	53%
Net cash provided by operating activities	$ 626.8	$ 540.2	$ 119.7	$ 356.1	$ 314.5	$ 199.1
Net cash used in investing activities--capital expenditures	$ 48.6	$ 27.5	$ 15.6	$ 25.8	$ 15.9	$ 20.5
Cash outlays for major overhaul projects(2)	$ 4.4	$ 12.2	$ 15.8	$ 14.3	$ 11.5	$ 8.3
Net cash (provided) used in financing activities	$ (22.6)	$ 20.7	$ 206.1(3)	$ 194.3(3)	$ 194.3(3)	$ 180.0
Dividends and transfers to U.S. Government	$ 30.0	$ 55.0	$ 206.1(3)	$ 194.3(3)	$ 194.3(3)	$ 120.0

(1) Principally SWU purchased under the Russian HEU Contract.

(2) Represents cash payments against accrued liabilities for major overhaul projects. The Company includes costs for major overhaul projects in production costs.

(3) Includes uranium purchased at a cost of $86.1 million in fiscal 1996 and $74.3 million in fiscal 1997 under the Russian HEU Contract and transferred to DOE as a return of capital. All dividends to the U.S. Government have been paid in cash.

	AS OF JUNE 30,				AS OF MARCH 31,
	1994	1995	1996	1997	1998
					(UNAUDITED)
BALANCE SHEET DATA					
Cash held at U.S. Treasury	$ 735.0	$1,227.0	$1,125.0	$1,261.0	$1,259.6
Inventories:					
Current assets:					
SWU	$ 500.6	$ 517.7	$ 586.8	$ 573.8	$ 656.2
Uranium(1)	158.6	165.5	150.3	131.5	164.8
Materials and supplies	17.0	19.8	15.7	12.4	25.8
Long-term assets -- uranium	103.6	115.5	199.7	103.6	103.6
Inventories, net	$ 779.8	$ 818.5	$ 952.5	$ 821.3	$ 950.4
Total assets	$2,798.9	$3,216.8	$3,356.0	$3,456.6	$3,138.0
Long-term obligations(2)	191.4	383.2	427.4	451.8	511.8
Stockholder's equity	1,545.0	1,937.5	2,121.6	2,091.3	2,099.2

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(1) Excludes uranium provided by and owed to customers.

(2) Long-term obligations include accrued liabilities for depleted UF(6) disposition costs in the amounts of $93.0 million, $212.4 million, $303.0 million, $336.4 million and $384.6 million at June 30, 1994, 1995, 1996 and 1997, and March 31, 1998, respectively.

PRO FORMA FINANCIAL INFORMATION

The Pro Forma Statements of Income have been prepared as if the Offering, the Borrowing, and the Exit Dividend occurred at the beginning of the periods indicated. The Pro Forma Balance Sheet has been prepared as if the Offering, the Borrowing, the Exit Dividend, the transfers of uranium from DOE and the transfer of responsibility to DOE for the disposition of depleted UF(6) generated by the Company since July 1, 1993 up to the Privatization Date occurred on March 31, 1998. Pro Forma Financial Information is unaudited and is not necessarily indicative of the results that would have actually occurred if the transactions had been consummated at the dates indicated or results which may be attained in the future.

The pro forma adjustments and notes thereto are based upon available information and certain assumptions that management believes are reasonable. Pro Forma Financial Information should be read in conjunction with the audited Financial Statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Prospectus.

The pro forma share and per share information is based on 100,000,000 Shares issued and outstanding.

PRO FORMA STATEMENTS OF INCOME
(MILLIONS, EXCEPT PER SHARE DATA)

	YEAR ENDED JUNE 30, 1997			NINE MONTHS ENDED MARCH 31, 1998		
	ACTUAL	PRO FORMA ADJUSTMENTS	PRO FORMA	ACTUAL	PRO FORMA ADJUSTMENTS	PRO FORMA
			(UNAUDITED)			(UNAUDITED)
Revenue	$1,577.8	$ --	$1,577.8	$1,056.7	$ --	$1,056.7
Cost of sales	1,162.3	--	1,162.3	792.2	--	792.2
Gross profit	415.5	--	415.5	264.5	--	264.5
Other operating expenses:						
Project development costs	141.5	--	141.5	103.0	--	103.0
Selling, general and administrative	31.8	--	31.8	24.8	--	24.8
Other (income) expense, net	(7.9)	35.3(1)	27.4	(5.3)	27.1(1)	21.8
Income before income taxes	250.1	(35.3)	214.8	142.0	(27.1)	114.9
Provision for income taxes	--	81.6(2)	81.6	--	43.7(2)	43.7
Net income	$ 250.1	$(116.9)	$ 133.2	$ 142.0	$(70.8)	$ 71.2
Net income per share -- basic			$ 1.33			$ .71
Average Shares outstanding			100.0			100.0

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(1) The pro forma adjustment increasing other expense, net, reflects interest expense at weighted average interest rates of 6.4% for fiscal 1997 and 6.6% for the nine months ended March 31, 1998, on $550.0 million of debt to be incurred simultaneously with the consummation of the Offering. USEC's cash is held at the U.S. Treasury and does not earn interest, and there is no pro forma adjustment for interest income that may be earned on cash and cash equivalents.

(2) USEC is exempt from federal, state and local income taxes. Upon consummation of the Offering, the Company will no longer be exempt. The pro forma provision for income taxes reflects an assumed effective income tax rate of 38%. See Note 5 of the Notes to the Pro Forma Balance Sheet appearing elsewhere in this Prospectus.

PRO FORMA BALANCE SHEET (UNAUDITED)
(MILLIONS, EXCEPT PER SHARE DATA)

	AS OF MARCH 31, 1998		
	ACTUAL	PRO FORMA ADJUSTMENTS	PRO FORMA(1)
ASSETS			
Current Assets			
Cash held at U.S. Treasury	$1,259.6	$ 550.0(2) (50.0)(3) (1,709.6)(4)	$ 50.0
Accounts receivable -- customers	222.5	--	222.5
Receivables from DOE	134.5	(119.1)(5(i))	15.4
Inventories:			
Separative Work Units	656.2	144.9(5)	801.1
Uranium	164.8	--	164.8
Uranium provided by customers	321.4	--	321.4
Materials and supplies	25.8	--	25.8
Total Inventories	1,168.2	144.9	1,313.1
Payments for future deliveries under Russian HEU Contract	98.0	--	98.0
Other	30.9	--	30.9
Total Current Assets	2,913.7	(1,183.8)	1,729.9
Property, Plant and Equipment, net	120.7	--	120.7

Other Assets			
Deferred income taxes	--	71.6(6)	71.6
Prepaid asset	--	50.0(3)	50.0
Uranium inventories	103.6	349.6(5)	453.2
Total Other Assets	103.6	471.2	574.8
Total Assets	$3,138.0	$ (712.6)	$2,425.4
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current Liabilities			
Short-term debt	$ --	$ 400.0(2)	$ 400.0
Accounts payable and accrued liabilities	128.8	--	128.8
Payables to DOE	15.1	--	15.1
Uranium owed to customers	321.4	--	321.4
Payable to Russian Federation for purchases	61.7	--	61.7
Nuclear safety upgrade costs	--	54.4(5(i))	54.4
Total Current Liabilities	527.0	454.4	981.4
Long-term debt	--	150.0(2)	150.0
Other Liabilities			
Advances from customers	34.0	--	34.0
Depleted UF(6) disposition costs	384.6	(384.6)(7)	--
Other liabilities	93.2	--	93.2
Total Other Liabilities	511.8	(384.6)	127.2
Stockholder's Equity			
Preferred stock, par value $1.00 per share, 25,000,000 shares authorized, none issued	--	--	--
Common stock, par value $.10 per share, 250,000,000 shares authorized, 100,000,000 Shares issued and outstanding	10.0	--	10.0
Excess of capital over par value	1,040.1	(588.9)(4) 321.0(5) 384.6(7)	1,156.8
Retained earnings	1,049.1	(1,120.7)(4) 71.6(6)	--
Total Stockholder's Equity	2,099.2	(932.4)	1,166.8
Total Liabilities and Stockholder's Equity	$3,138.0	$ (712.6)	$2,425.4

NOTES TO PRO FORMA BALANCE SHEET

(1) The pro forma balance sheet has been prepared using historical costs for assets and liabilities.

(2) The pro forma adjustment increasing cash by $550.0 million, short-term debt by $400.0 million, and long-term debt by $150.0 million reflects borrowings at consummation of the Offering. Immediately before the Privatization, the Company expects to enter into a loan agreement consistent with the terms of a draft commitment letter (the "Commitment Letter") which sets forth terms of a new credit facility (the "Credit Facility"). Based on the Commitment Letter, it is anticipated that the Credit Facility will be comprised of three tranches. Tranche A will consist of a 364-day revolving credit facility for $400.0 million. Tranche B will be a 364-day revolving credit facility for $150.0 million which is convertible, at the Company's option, into a one-year term loan. Simultaneous with the Privatization, the Company plans to borrow $550.0 million under Tranche A and Tranche B, transfer $500.0 million of such proceeds to the U.S. Treasury and retain $50.0 million in cash from the $550.0 million of borrowings. The third tranche, Tranche C, will be a five-year revolving credit facility for $150.0 million for working capital and general corporate purposes. Indebtedness outstanding under the Credit Facility will bear interest at a rate equal to, at the Company's option (i) the London Interbank Offered Rate ("LIBOR") plus an "Applicable Eurodollar Margin," or (ii) the Base Rate (as defined in the Commitment Letter). The Applicable Eurodollar Margin will be based on the Company's credit rating as reflected on a pricing grid attached to the Commitment Letter. The Company will also incur certain fees in connection with borrowings, as set forth in the Commitment Letter. The Company expects to enter into the Credit Facility on terms commensurate with it having an investment grade credit rating.

The Credit Facility will require the Company to comply with certain financial covenants, including a minimum net worth and a debt to total capitalization ratio, as well as other customary conditions and covenants, including certain limitations on borrowings by subsidiaries. The failure to satisfy any of the covenants would constitute an event of default under the Credit Facility. The Credit Facility will also include other customary events of default, including without limitation, nonpayment, misrepresentation in a material respect, cross-default to other indebtedness, bankruptcy, Employee Retirement Income Security Act of 1974, as amended ("ERISA"), judgments and change of control.

On a pro forma basis, as adjusted for the $550.0 million of indebtedness under the Credit Facility and other Privatization transactions, the Company's total debt-to-capitalization ratio was 32%, as adjusted to include short-term debt, at March 31, 1998. Following the Privatization, the Company may refinance all or a portion of the borrowings under the Credit Facility with funds raised in the public or private securities markets. If the over-allotment option granted to the U.S. Underwriters is exercised, the Company will be required pursuant to the provisions of the Credit Facility to use $75.0 million of the net proceeds from the exercise of the over-allotment option to reduce outstanding indebtedness; any remaining balance of proceeds from the exercise of the over-allotment option will be used for general corporate purposes.

The Credit Facility will be subject to certain terms and conditions, including without limitation, negotiation, execution and delivery of definitive financing agreements, in each case containing terms and conditions, representations and warranties, covenants, indemnifications, events of default and conditions to lending. There can be no assurance as to whether the Credit Facility will be entered into or as to whether the Credit Facility will contain the terms and conditions described above, and such may contain terms and conditions more favorable or less favorable to the Company than set forth above.

(3) The pro forma adjustment increasing prepaid assets assumes that a cash payment of $50.0 million to DOE, pursuant to an agreement with DOE, had occurred as of March 31, 1998. Under the agreement, DOE committed to assume responsibility for disposal of a certain amount of depleted UF(6) generated by the Company from its operations at the GDPs over the period from the Privatization Date to 2005. The prepaid asset will be amortized as a charge against production cost over the six-year period.

(4) The pro forma adjustment reducing cash and stockholder's equity by $1,709.6 million reflects the payment of the Exit Dividend of the Company's cash balance, which includes the $550.0 million in borrowings under the Credit Facility, to the U.S. Treasury at consummation of the Offering, except for $50.0 million to be retained by the Company for working capital purposes. The amount of the Exit

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Dividend in excess of the Company's retained earnings has been recorded as a reduction of excess of capital over par value.

Pursuant to an agreement between the Company and DOE, up to an additional $20.0 million of the Company's pre-Privatization funds will be used to provide certain GDP worker transition assistance benefits related to any GDP workforce reductions occurring after the Privatization. These assistance benefits would be in addition to workers' pre-existing severance benefits. The use of this $20.0 million from the Company's pre-Privatization funds would not impact the Company's retention of $50.0 million in cash from the borrowings under the Credit Facility.

(5) The pro forma adjustments increasing inventories assume that transfers of SWU and uranium from DOE to USEC pursuant to provisions of the Energy Policy Act, the Privatization Act and Memoranda of Agreement with DOE had occurred,

resulting in an increase of $321.0 million to stockholder's equity for the contribution to USEC's capital:

	SEPARATIVE WORK UNITS	URANIUM	TOTAL
Transfer of 45 metric tons of LEU(i).....	$ 14.0	$ 11.3	$ 25.3
Transfer of 3,800 metric tons of uranium(i).....	--	95.0	95.0
Transfer of .8 metric tons of HEU(i).....	17.1	5.3	22.4
Transfer of 7,000 metric tons of uranium(ii).....	--	175.0	175.0
Transfer of 50 metric tons of HEU(iii)...	113.8	63.0	176.8
	$144.9	$349.6	$494.5

(i) Represents transfers of 45 metric tons of LEU, 3,800 metric tons of uranium, and .8 metric tons of HEU in May and June 1998, based on DOE's historical costs, to complete DOE's reimbursement to USEC for nuclear safety upgrade costs, the settlement of the remaining transition obligation of $19.6 million, and settlement of other receivables. Nuclear safety upgrade cost reimbursements are set at $220.0 million under the settlement of the reimbursement obligation. The transfers as of March 31, 1998 are assumed to reduce receivables from DOE by $119.1 million and result in an accrued liability of $54.4 million representing the estimated completion costs for nuclear safety upgrades to be funded by the Company.

(ii) Represents 7,000 metric tons of natural uranium at $175.0 million, based on DOE's historical costs, transferred from DOE to USEC in April 1998 under the Privatization Act.

(iii) In April 1998, pursuant to the Privatization Act, DOE and the Company signed a Memorandum of Agreement under which DOE is scheduled to transfer 50 metric tons of HEU metal and oxide to the Company in installments over the period September 1998 to September 2003. The pro forma adjustments increase SWU inventories by $113.8 million (3.4 million SWU) and increase uranium inventories by $63.0 million (5,000 metric tons of uranium) based on the Company's estimate of net realizable value which is lower than DOE's historical cost. Because USEC will receive the 50 metric tons of HEU in metal and oxide form, a significant factor affecting net realizable value is the Company's estimate of future processing and blending costs required to be incurred to downblend and convert the HEU metal and oxide into a form suitable for sale to the Company's utility customers.

(6) The Company will transition to taxable status upon the Privatization. The Energy Policy Act does not specify how the Company would determine the tax bases of its assets and liabilities. However, the Company believes future tax consequences of temporary differences between the carrying amounts for financial reporting purposes and the Company's estimate of the tax bases of its assets and liabilities would result in deferred income tax benefits of $71.6 million, primarily due to the accrual of certain liabilities that will be deducted for income tax purposes in future years and temporary differences from the capitalization of inventory costs.

The Company expects that a deferred income tax benefit will be recorded in connection with its transition to taxable status as a nonrecurring reduction to the provision for income taxes following the Offering. The

deferred tax benefit arising from the Company's transition to taxable status is not reflected in pro forma net income for the year ended June 30, 1997, or the nine months ended March 31, 1998.

(7) Under the Privatization Act and the Depleted UF(6) MOA, responsibility for the disposition of depleted UF(6) generated by the Company from the Transition Date to the Privatization Date is transferred to DOE. The pro forma adjustment of $384.6 million reducing the accrued liability for depleted UF(6) disposition costs assumes the transfer as of March 31, 1998, with a corresponding increase to stockholder's equity.

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 financial statements and notes thereto appearing elsewhere in this Prospectus.

OVERVIEW

USEC, a global energy company, is the world leader in the production and sale of uranium fuel enrichment services for commercial nuclear power plants, with approximately 75% of the North America market and 40% of the world market. Uranium enrichment is a critical step in transforming natural uranium into fuel for nuclear reactors to produce electricity. Based on customers' estimates of their requirements, at March 31, 1998, the Company had long-term requirements contracts with utilities to provide uranium enrichment services aggregating $3.2 billion through fiscal 2000 and $7.4 billion through fiscal 2009.

The Company is the Executive Agent of the U.S. Government under a government-to-government agreement to purchase SWU recovered from dismantled nuclear weapons from the former Soviet Union for use in commercial electricity production. As the leading U.S. provider of enrichment services, the Company believes that it is best positioned to act as U.S. Executive Agent under the Russian HEU Contract because it can introduce SWU from Russian HEU in a manner that is not disruptive to an orderly market and ensures the reliability and continuity of supply to enrichment customers. The Company's cost of sales has been, and will continue to be, adversely affected by amounts paid to purchase SWU under the Russian HEU Contract at prices which are substantially higher than its marginal production cost at the GDPs. In addition, as the volume of Russian SWU purchases has increased, the Company has operated the GDPs at lower production levels resulting in higher unit production costs. Pursuant to the Russian HEU Contract, Russian SWU purchases will peak in calendar year 1999 at 5.5 million SWU per year and are expected to remain at that level thereafter.

The Company's agreements with electric utilities are generally long-term requirements contracts under which customers are obligated to purchase a specified percentage of their requirements for uranium enrichment services. Customers, however, are not obligated to make purchases or payments if they do not have any requirements. The stated term of contracts transferred by DOE to the Company on the Transition Date is 30 years, although future purchase obligations thereunder may be terminated by, among other things, giving 10 years' notice, although the Company has allowed shorter notice periods. The terms of newer contracts entered into by the Company since the Transition Date range from 3 to 11 years and do not typically provide for advance termination rights. The Company believes that the trend for contracts with shorter terms will continue, with the newer contracts generally containing terms in the range of 3 to 7 years.

The Company's revenue and operating results can fluctuate significantly from quarter-to-quarter, and in some cases, year-to-year. Customer requirements are determined by refueling schedules for nuclear reactors, which generally

range from 12 to 18 months (or in some cases up to 24 months), and are in turn affected by, among other things, the seasonal nature of electricity demand, reactor maintenance, and reactors beginning or terminating operations. 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 fall refueling, spring refueling or for 18-month cycles alternating between both seasons. In addition, USEC provides customers a window ranging from 10 to 30 days to take delivery of ordered product. The timing of larger orders for initial core requirements for new nuclear reactors also can affect operating results. Refueling orders are large, typically averaging $14.0 million per customer order for the Company's uranium enrichment services. The Company plans its cash outlays for power and other production costs, a significant portion of which is fixed in the short term, on the basis of meeting customer orders and achieving revenue targets for the year. As a result, a relatively small change in the timing of customer orders may cause earnings and cash flow results to be substantially above or below expectations. Notwithstanding this variability, the Company has significant backlog based on customers' estimates of their requirements for uranium enrichment services.

USEC was established by the Energy Policy Act as a wholly-owned government corporation to take over the U.S. Government's uranium enrichment operation as the first step toward Privatization and began

operations in 1993. Since the Transition Date, USEC has adopted a series of private sector management practices. The financial statements of the Company, which are discussed below, are not necessarily indicative of the results of operations and financial position in the future or what the results of operations and financial position would have been had the Company been a private sector stand-alone entity during the periods presented.

Revenue. Substantially all of the Company's revenue is derived from the sale of uranium enrichment services, denominated in SWU. Although customers may buy enriched uranium product without having to supply uranium, virtually all of the Company's contracts are for enriching uranium provided by customers. Because orders for enrichment to refuel customer reactors occur once in 12, 18 or 24 months, the percentage of revenue attributable to any customer or group of customers from a particular geographic region can vary significantly quarter-by-quarter or year-by-year. However, customer requirements and orders over the longer term are more predictable. The Company estimates that about two-thirds of the nuclear reactors under contract operate on refueling cycles of 18 months or less, and the remaining one-third operate on refueling cycles greater than 18 months.

Revenue could be negatively impacted by NRC actions suspending operations at domestic reactors under contract with the Company. In addition, business decisions by utilities that take into account economic factors, such as the price and availability of alternate fossil fuels, the need for generating capacity and the cost of maintenance could result in suspended operations or early shutdowns of some reactors under contract with the Company.

The Company's financial performance over time can also be significantly affected by changes in the market price for SWU. SWU prices have been declining reflecting the trend toward lower prices and shorter contracts in the highly competitive uranium enrichment market. The Company believes that its willingness to provide flexible contract terms has been instrumental in its ability to successfully compete for and capture open demand. The Company also believes that the advent of shorter contract terms is an industry-wide phenomenon; utilities have been experiencing rapid changes in their industry and have been less willing to enter into extended obligations. This trend toward shorter contract terms requires that the Company, as well as its competitors, pursue new sales with greater frequency. The general effect of this is to increase the level of competition among uranium enrichment suppliers for new SWU commitments. See "Risk Factors -- Competition; Currency Exchange Rates; Trend Toward Lower Pricing."

The Company's enrichment contracts are denominated in U.S. dollars, and while the Company's revenue is not directly affected by changes in the foreign exchange rate of the U.S. dollar, the Company may have a competitive price disadvantage or advantage depending upon the strength or weakness of the U.S. dollar. This is because the Company's primary competitors' costs are in the major European currencies. From January 1, 1996 to March 31, 1998, the U.S. dollar appreciated 26% versus the French franc and 14% versus the basket of currencies used by Urenco. This has allowed the European competitors to price international sales lower than the Company while retaining the same value of local funds. For contracts for new commitments, USEC has had to adjust its prices by a comparable factor to be competitive.

Cost of Sales. Cost of sales is based on the quantity of SWU sold during the period and is dependent upon production costs at the GDPs and SWU purchase costs (the latter mainly under the Russian HEU Contract). Production costs at the GDPs for fiscal 1997 include purchased electric power (59% of production costs, of which 37% represents non-firm power and 63% represents firm power), labor and benefits (25% of production costs), depleted UF(6) disposition costs (8% of production costs), materials, major overhauls, maintenance and repairs, and other costs (8% of production costs). Since the Company uses the monthly moving average inventory cost method, an increase or decrease in production or purchase costs would have an effect on cost of sales over several periods. The Company's purchases of SWU under the Russian HEU Contract are recorded at acquisition cost plus related shipping costs.

Under its electric power supply arrangements, the Company purchases a significant portion of its electric power at or below market rates based on long-term contracts with dedicated power generating facilities. In fiscal 1997, the Company's average price of electricity was $19.22 per MWh. Power costs vary seasonally with rates being higher during winter and summer and as a function of the extremity of the weather and also vary

temporally as a function of demand during peak and off-peak times. The Company continuously seeks to minimize its power costs through efficient use of low-cost power and opportunistic purchases of non-firm power and by maintaining sufficient production capacity so that production output is increased when low-cost power is available either in off-peak periods or through the availability of non-firm power. The Company schedules its power consumption and SWU production in advance, in order to maximize efficient power usage and to ensure SWU inventories are available to meet customer demand.

The Company utilizes approximately 4,300 workers at the GDPs who are employed by Lockheed Martin Utility Services, Inc. ("LMUS"), a subsidiary of Lockheed Martin Corporation ("Lockheed Martin"). Under an operations and maintenance contract with the Company (the "LMUS Contract"), LMUS provides labor, services, and materials and supplies to operate and maintain the GDPs, for which the Company funds LMUS for its actual costs and pays contracted fees. The LMUS Contract expires on October 1, 2000. If LMUS meets certain specified operating and safety criteria and demonstrates cost savings that exceed certain targets, LMUS can earn an annual incentive fee. On average, LMUS has earned 25% to 50% of the total potential incentive fees available under the contract, reflecting positive achievements in safety and customer deliveries offset by less-than-targeted achievement in production capability.

The Company accrues estimated costs for the future disposition of depleted UF(6) generated as a result of its operations. Costs are dependent upon the volume of depleted UF(6) generated and estimated conversion and disposal costs. The Company stores depleted UF(6) at the GDPs and continues to evaluate various proposals for its disposition. Pursuant to the Privatization Act and the Depleted UF(6) MOA, all liabilities arising out of the disposal of depleted UF(6) generated by USEC through the Privatization Date are the responsibility of DOE.

The Company leases the GDPs and process-related machinery and equipment at attractive, below-market terms from DOE. Upon termination of the Lease Agreement, USEC is responsible for certain lease turnover activities at the GDPs. Lease turnover costs are accrued over the estimated term of the Lease Agreement which is estimated to extend until 2005. Pursuant to the Energy Policy Act and the Privatization Act, with certain exceptions the U.S. Government is responsible for all environmental liabilities, including the decontamination and decommissioning of the GDPs at the end of their operating lives, associated with the operation of the GDPs prior to the Privatization Date.

The Company expects to incur additional production costs of $14.8 million per year subsequent to the Privatization for taxes other than income taxes and commercial property insurance premiums.

As Executive Agent under the Russian HEU Contract, the Company has committed to purchase SWU in the amount of $376.2 million in calendar 1998. In each of calendar years 1999 to 2001, the Company has committed to purchase SWU in the amount of $475.8 million, subject to certain purchase price adjustments for U.S. inflation. Under an amendment to the Russian HEU Contract in November 1996, SWU quantities and a mechanism for establishing prices for SWU purchases under the Russian HEU Contract through 2001 have been set. As of March 31, 1998, the Company has committed to purchase SWU derived from HEU through 2001 as follows:

CALENDAR YEAR	SWU	DERIVED FROM METRIC TONS OF HEU	AMOUNT
	(MILLIONS)		(MILLIONS)
Nine Months Ended December 31, 1998	4.4	24	$376.2
1999	5.5	30	475.8
2000	5.5	30	475.8
2001	5.5	30	475.8

The Russian HEU Contract has a 20-year term; the Company expects its purchases after 2001 to remain at the 5.5 million SWU per year level.

The Company pays for the SWU delivered under the Russian HEU Contract within 60 days after delivery. In order to facilitate and support the Russian Federation's implementation of the contract, however, the Company made advance payments to Tenex of $60 million in calendar 1994 and $100 million in each of calendar years 1995 and 1996. The Company credits advance payments, up to $50 million per year, against

half of the SWU value in each delivery and makes cash payments for the remaining portion. As of March 31, 1998, $162.0 million of the $260.0 million in advance payments had been credited against SWU purchased. From inception of the Russian HEU Contract to March 31, 1998, the Company purchased 6.5 million SWU derived from 35 metric tons of HEU at an aggregate cost of $556.5 million, including related shipping charges. At March 31, 1998, the Company had $98.0 million in credits remaining to be applied against future purchases of SWU as follows: $48.0 million to be applied in calendar 1998, and $50.0 million in calendar 1999.

Project Development Costs. The Company is managing the development and engineering necessary to commercialize AVLIS, including activities relating to: (i) NRC licensing, (ii) uranium feed and product technology, (iii) AVLIS demonstration facilities, and (iv) development and design of plant production facilities. The Company anticipates AVLIS project development spending to continue in fiscal 1998 at about the same level as fiscal 1997. AVLIS project development costs are charged against income as incurred. USEC intends to

capitalize AVLIS development costs associated with facilities and equipment designed for commercial production activities.

In addition, the Company has been evaluating a potential new advanced enrichment technology called "SILEX" and plans to continue evaluating the SILEX technology during fiscal 1999.

The Energy Policy Act limits predeployment expenditures by the Company for AVLIS or alternative uranium enrichment technologies to $364.0 million prior to the Privatization. The Energy & Water Development Appropriations Act, enacted in October 1997, authorized DOE to spend an additional $60.0 million to conduct AVLIS development activities. The Company expects its funding available under the Energy Policy Act and DOE's funding available under the 1997 legislation will allow for continuation of AVLIS development activities until approximately July 31, 1998. Following the Privatization, there would no longer exist any statutory restriction on the Company's ability to fund AVLIS. For financial accounting and reporting purposes, costs incurred by DOE with respect to AVLIS development activities, although not considered predeployment expenditures under the Energy Policy Act, are included and reported as project development costs and charged against income in the Company's financial statements with a corresponding contribution to capital.

Selling, General and Administrative. Selling, general and administrative expenses include salaries and related overhead for corporate personnel, legal and consulting fees and other administrative costs. Expenses reflect the corporate management staff necessary for the Company's operations and legal and other consulting fees associated with the Privatization. Subsequent to the Offering, the Company expects to incur additional costs for certain contracts for administrative services at commercial rather than governmental rates. In addition, the Company will incur the costs of being a publicly-traded corporation.

Other Income and Expense. The Company earns fees pursuant to its delivery optimization program under which enriched uranium is shipped in advance of customer orders to fabricators in fulfillment of scheduled customer requirements for enrichment services. Interest expense is accrued on advance payments received from customers until the time future deliveries of enrichment services to such customers are completed. Since the Company is a U.S. Government corporation, its cash balance is held by the U.S. Treasury and does not earn interest.

Income Taxes. The Company is exempt from federal, state and local income taxes. Subsequent to the Privatization, the Company will be subject to income taxes and expects its combined federal and state effective income tax rate will be approximately 38%.

RESULTS OF OPERATIONS

The following table sets forth certain items included in the Company's Statements of Income as a percentage of total revenue for the periods indicated:

	FISCAL YEARS ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
Revenue					
Domestic	62%	64%	60%	61%	61%
Asia	30	31	31	27	32
Europe and other	8	5	9	12	7
Total revenue	100%	100%	100%	100%	100%
Cost of sales	68	69	74	74	75

Gross profit	32	31	26	26	25
Other operating expenses					
Project development costs	3	7	9	10	10
Selling, general, and administrative	1	2	2	2	2
Other (income) expense, net	--	--	(1)	--	--
Net income(1)	28%	22%	16%	14%	13%

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(1) USEC is exempt from federal, state and local income taxes. Upon consummation of the Offering, the Company will no longer be exempt from such taxes.

QUARTERLY FINANCIAL INFORMATION

The following tables set forth unaudited quarterly financial data for each of the past 11 quarters ending with March 31, 1998. Operating results for any quarter are not necessarily indicative of results for any future period:

	FOR THE THREE MONTHS ENDED							
	SEPTEMBER 30, 1995	DECEMBER 31, 1995	MARCH 31, 1996	JUNE 30, 1996	SEPTEMBER 30, 1996	DECEMBER 31, 1996	MARCH 31, 1997	JUNE 30, 1997
	(MILLIONS)							
	(UNAUDITED)							
Revenue	$227.2	$453.4	$311.2	$421.0	$422.9	$485.1	$216.4	$453.4
Cost of sales	139.9	315.4	224.4	293.3	307.9	364.2	161.3	328.9
Gross profit	87.3	138.0	86.8	127.7	115.0	120.9	55.1	124.5
Project development costs	13.6	22.1	30.2	37.7	35.7	39.2	32.6	34.0
Selling, general and administrative	10.2	8.3	8.7	8.8	8.6	8.6	8.5	6.1
Other (income) expense, net	(.5)	(1.4)	(.8)	(1.2)	(2.3)	(.9)	(1.1)	(3.6)
Net income	$ 64.0	$109.0	$ 48.7	$ 82.4	$ 73.0	$ 74.0	$ 15.1	$ 88.0

	FOR THE THREE MONTHS ENDED		
	SEPTEMBER 30, 1997	DECEMBER 31, 1997	MARCH 31, 1998
	(MILLIONS)		
	(UNAUDITED)		
Revenue	$440.4	$322.3	$294.0
Cost of sales	342.1	235.7	214.4
Gross profit	98.3	86.6	79.6
Project development costs	32.2	35.4	35.4
Selling, general and administrative	8.1	8.9	7.8
Other (income) expense, net	(2.0)	.6	(3.9)
Net income	$ 60.0	$ 41.7	$ 40.3

RECENT DEVELOPMENTS

The Company expects its revenue for the fiscal year ending June 30, 1998 to be approximately $1.4 billion and net income for fiscal 1998 to be in the range of $145.0 to $155.0 million. Gross profit for fiscal 1998 will be lower, as expected, with gross margins stable in the range of 24% to 26%. Lower revenue during fiscal 1998 had been anticipated and is attributable to the timing of customer orders and resulting lower SWU volumes. Net income reflects a special charge of approximately $47.0 million reflecting certain severance and transition assistance benefits to be paid to GDP workers in connection with workforce reductions and costs related to the Privatization.

The Company's revenue and operating results can fluctuate significantly from quarter-to-quarter and year-to-year. Customer requirements and, in turn, SWU sale volumes are determined by refueling schedules for nuclear reactors, which generally range from 12 to 24 months, and are affected by, among other things, the seasonal nature of electricity demand, the timing of reactor maintenance and reactors beginning or terminating operations. The Company's cost of sales has been, and will continue to be, adversely affected by amounts paid

to purchase SWU under the Russian HEU Contract at prices which are substantially higher than its marginal production cost at the GDPs. In addition, as the volume of Russian SWU purchases has increased, the Company has operated the GDPs at lower production levels resulting in higher unit production costs. Pursuant to the Russian HEU Contract, Russian SWU purchases will peak in calendar year 1999 at 5.5 million SWU per year and are expected to remain at that level thereafter.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED MARCH 31, 1997 AND 1998

Revenue. The Company's revenue amounted to $1,056.7 million for the nine months ended March 31, 1998, a decline of $67.7 million (or 6%) from revenue of $1,124.4 million for the corresponding period in fiscal 1997. The decline in revenue was attributable primarily to changes in the timing of customer nuclear reactor refuelings causing a 9% decline in sales of SWU compared with the corresponding period in fiscal 1997. Average SWU prices billed to customers increased approximately 1% compared with the corresponding period of fiscal 1997, notwithstanding the overall trend toward lower prices for contracts negotiated since the Transition Date ("New Contracts") in the highly competitive uranium enrichment market.

Revenue from domestic customers declined $34.9 million or 5%, revenue from customers in Asia increased $36.2 million or 12%, and revenue from customers in Europe and other areas declined $69.0 million or 49%. Changes in the geographic mix of revenue in the first nine months of fiscal 1998 resulted primarily from changes in the timing of customer orders. Sales of uranium to electric utility customers increased to $35.2 million compared with $22.3 million in the corresponding period in fiscal 1997.

Cost of Sales. Cost of sales amounted to $792.2 million for the nine months ended March 31, 1998, a decline of $41.2 million (or 5%) from $833.4 million for the corresponding period in fiscal 1997. The decline in cost of sales was attributable to the 9% decline in sales of SWU from the timing of customer orders, partially offset by the effects of lower production volume and higher unit costs at the GDPs and an increase in purchased SWU under the Russian HEU Contract. As a percentage of revenue, cost of sales amounted to 75% for the nine months ended March 31, 1998, compared with 74% for the corresponding period in fiscal 1997.

In the nine months ended March 31, 1998 and 1997, SWU unit production costs were adversely affected by lower production facility capability, and the Company incurred additional costs because uneconomic overfeeding of uranium was necessary at the Portsmouth GDP to compensate for the production lost due to the unavailability of cells in order to insure that customer requirements would be met. See "Industry Overview -- The Enrichment Process -- Overfeeding/Underfeeding."

Electric power costs amounted to $316.7 million (representing 53% of production costs) for the nine months ended March 31, 1998, compared with $400.3 million (representing 59% of production costs) in the corresponding period in fiscal 1997, a decline of $83.6 million (or 21%). The decline reflected lower power consumption resulting from lower SWU production and improved power utilization efficiency.

Costs for labor and benefits amounted to $177.9 million for the nine months ended March 31, 1998, an increase of $5.4 million (or 3%) from $172.5 million for the corresponding period in fiscal 1997. The increase reflected general inflation.

Costs for the future disposition of depleted UF(6) amounted to $45.2 million for the nine months ended March 31, 1998, a decline of $14.8 million (or 25%) from $60.0 million for the corresponding period in fiscal 1997. The decline resulted from lower SWU production overall and, at the Paducah GDP, more efficient operations and economic underfeeding of uranium which in turn resulted in a significant reduction in the generation of depleted UF(6). At March 31, 1998, the Company had accrued a total liability of $384.6 million for the future disposal of depleted UF(6).

SWU purchased under the Russian HEU Contract and other purchase contracts represented 37% of the combined produced and purchased supply mix, compared with 24% for the corresponding period in fiscal 1997. Unit costs of SWU purchased under the Russian HEU Contract are substantially higher than the Company's marginal cost of production. See "Business -- Russian HEU Contract."

Gross Profit. Gross profit amounted to $264.5 million for the nine months ended March 31, 1998, a decline of $26.5 million (or 9%) from $291.0 million for the corresponding period in fiscal 1997. As a percentage of revenue, gross profit amounted to 25% for the nine months ended March 31, 1998, compared with 26% for the corresponding period in fiscal 1997. The decline in gross profit resulted from lower sales of SWU from the timing of customer orders, lower production volume and higher unit costs at the GDPs, and an increase in purchased SWU under the Russian HEU Contract.

Project Development Costs. Project development costs, primarily for the AVLIS project, amounted to $103.0 million for the nine months ended March 31, 1998, a decline of $4.5 million (or 4%) from $107.5 million for the corresponding period in fiscal 1997. As a percentage of revenue, project development costs amounted to 10% for the nine months ended March 31, 1998, the same as for the corresponding period in fiscal 1997. Engineering and development costs for the future commercialization of the AVLIS uranium enrichment process in the fiscal 1998 period primarily reflected continuing demonstration of plant-scale components with emphasis shifting toward integrated operation of the laser and separator systems to verify enrichment production economics. Project development costs also included costs incurred in the evaluation of the SILEX advanced enrichment technology.

The Company expects its project development costs for fiscal 1998 to continue at about the same rate of spending as during the nine months ended March 31, 1998.

Selling, General and Administrative Expenses. Selling, general and administrative expenses amounted to $24.8 million for the nine months ended March 31, 1998, a decline of $.9 million (or 4%) from $25.7 million for the corresponding period in fiscal 1997. As a percentage of revenue, selling, general and administrative expenses amounted to 2.3% for the nine months ended March 31, 1998, the same as for the corresponding period in fiscal year 1997.

Other Income. Other income, net of expenses, amounted to $5.3 million for the nine months ended March 31, 1998, an increase of $1.0 million (or 23%) from $4.3 million for the corresponding period in fiscal 1997. The increase reflected additional fees earned on delivery optimization distribution programs.

Net Income. Net income amounted to $142.0 million for the nine months ended March 31, 1998, a decline of $20.1 million (or 12%) from $162.1 million for the corresponding period in fiscal 1997. As a percentage of revenue, net income amounted to 13% for the nine months ended March 31, 1998, compared with 14% for the corresponding period in fiscal 1997. The decline resulted primarily from lower sales of SWU from the timing of customer orders and lower gross profit margins.

RESULTS OF OPERATIONS -- FISCAL YEARS ENDED JUNE 30, 1996 AND 1997

Revenue. Revenue amounted to $1,577.8 million in fiscal 1997, an increase of $165.0 million (or 12%) from revenue of $1,412.8 million in fiscal 1996. The increase in revenue for fiscal 1997 resulted principally from: (i) the timing of customer nuclear reactor refuelings; (ii) sales to new customers; and (iii) increased sales to existing customers. Sales of SWU increased 14% in fiscal 1997 following a decline of 14% in fiscal 1996. During fiscal 1997, the Company provided enrichment services for 110 reactors as compared with 101 in fiscal 1996. Revenue for fiscal 1997 included first time sales of SWU by the Company for five reactors under Utility Services Contracts entered into in earlier years and first time sales for four reactors under New Contracts signed by the Company. Average SWU prices billed to customers declined 1.1% and 2.9% in fiscal

years 1997 and 1996, respectively, reflecting the pricing trend in New Contracts.

Revenue in fiscal 1997 increased from fiscal 1996 in all geographic areas in which the Company markets enrichment services. Domestic revenue increased $49.2 million or 5%, Asian revenue increased $46.2 million or 10%, and European and other revenue increased $69.6 million, almost double the fiscal 1996 level. In addition to changes in the timing of customer orders, revenue benefitted from initial sales by the Company for

six reactors in the United States, one in Asia, and two in Europe. Revenue in fiscal 1997 was somewhat affected by the slowdown of refueling orders for certain reactors in the United States that, for a substantial portion of the fiscal year, had suspended operations pursuant to NRC safety directives or extended outages.

Cost of Sales. Cost of sales amounted to $1,162.3 million in fiscal 1997, an increase of $189.3 million (or 19%) from $973.0 million in fiscal 1996. As a percentage of revenue, cost of sales amounted to 74% and 69% for fiscal years 1997 and 1996, respectively. The increase in cost of sales in fiscal 1997 was attributable mainly to the 14% increase in sales of SWU, higher unit production costs at the GDPs and increased purchases under the Russian HEU Contract. SWU production costs were higher due to unplanned equipment downtime and increased preventive maintenance activities.

SWU production and related unit production costs in fiscal 1996 were adversely affected by lower gaseous diffusion production capability and increased maintenance activities reflecting efforts to restore GDP production to desired levels. Additional costs were incurred in fiscal 1997 as the Company utilized some of its own uranium feed in the enrichment process at the Portsmouth GDP to partially mitigate the lower production capability. In fiscal 1996, production capability at the Paducah GDP was adversely affected by a reduction in electric power from the power supplier in response to an extended period of extremely hot weather.

Electric power costs amounted to $530.4 million (representing 59% of production costs) in fiscal year 1997, compared with $486.9 million (representing 55% of production costs) in fiscal year 1996, an increase of $43.5 million (or 9%). The increase in fiscal 1997 reflects increased power consumption and, at the Portsmouth GDP, a significant decline in power utilization efficiency along with higher demand charges for firm power. Power utilization efficiency or SWU production compared with the amount of electric power consumed was adversely affected by production equipment difficulties.

Costs for labor and benefits amounted to $230.1 million in fiscal 1997, an increase of $20.2 million (or 10%) from $209.9 million in fiscal 1996. The increase in costs for labor and benefits in 1997 reflects general inflation and higher employment levels.

Costs for the future disposition of depleted UF(6) amounted to $72.0 million in fiscal 1997, a decline of $18.6 million (or 21%) from $90.6 million in fiscal 1996. Costs were lower in fiscal 1997 as the estimated future disposal rate per kilogram of depleted UF(6) was reduced as a result of revised estimates based on new proposals from potential disposal companies.

Increased SWU purchases under the Russian HEU Contract and other purchase contracts also contributed to the higher costs of sales in fiscal 1997. Purchased SWU represented 23% of the combined produced and purchased supply mix in fiscal 1997, compared with 16% in fiscal 1996. Unit costs of SWU purchased under the Russian HEU Contract are substantially higher than the Company's marginal cost of production. The Company purchased SWU derived from HEU, as follows: 1.8 million SWU at a cost of $157.3 million and 1.7 million SWU at a cost of $144.1 million for the fiscal years 1997 and 1996, respectively. In September 1996, in accordance with the Privatization Act, the Company and Tenex

amended the Russian HEU Contract to eliminate the Company's obligation to purchase the natural uranium component after calendar year 1996.

Gross Profit. Gross profit amounted to $415.5 million in fiscal 1997, a decline of $24.3 million (or 6%) from $439.8 million in fiscal 1996. As a percentage of revenue, gross profit amounted to 26% and 31% for fiscal years 1997 and 1996, respectively. Although revenue increased in fiscal 1997, gross profit was adversely affected by higher unit production costs at the GDPs caused mainly by unplanned equipment downtime and increased preventive maintenance activities and increased purchases of SWU under the Russian HEU Contract. Gross profit in fiscal years 1997 and 1996 was also adversely affected by declines in average prices billed to customers.

Project Development Costs. Project development costs, primarily for the AVLIS project, amounted to $141.5 million in fiscal 1997, an increase of $37.9 million (or 37%) from $103.6 million in fiscal 1996. As a percentage of revenue, project development costs amounted to 9% and 7% for fiscal years 1997 and 1996, respectively. The increase reflects planned engineering and development spending for the future commerciali-

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zation of the AVLIS uranium enrichment process and, in fiscal 1997, initial costs incurred in the evaluation of SILEX. Increased AVLIS spending was attributable to the demonstration of laser and separator systems and preliminary plant design.

Selling, General and Administrative Expenses. Selling, general and administrative expenses amounted to $31.8 million in fiscal 1997, a decline of $4.2 million (or 12%) from $36.0 million in fiscal 1996. As a percentage of revenue, selling, general and administrative expenses amounted to 2.0% and 2.5% in fiscal years 1997 and 1996, respectively. The decline in fiscal 1997 resulted from a reduction in expenses associated with Privatization activities and lower consulting and other fees.

Other Income. Other income, net of expenses, amounted to $7.9 million in fiscal 1997, an increase of $4.0 million (or 103%) from $3.9 million in fiscal 1996. The increase in fiscal 1997 was attributable to interest earned on payments under the Russian HEU Contract to be applied against future SWU deliveries and fees earned on delivery optimization and other customer-oriented distribution programs.

Net Income. Net income amounted to $250.1 million in fiscal 1997, a decline of $54.0 million (or 18%) from $304.1 million in fiscal 1996. As a percentage of revenue, net income amounted to 16% and 22% for fiscal years 1997 and 1996, respectively. The decline in fiscal year 1997 resulted primarily from an increase of $37.9 million in AVLIS development spending and a lower gross profit margin on sales of SWU.

RESULTS OF OPERATIONS -- FISCAL YEARS ENDED JUNE 30, 1995 AND 1996

Revenue. Revenue amounted to $1,412.8 million in fiscal 1996, a decline of $197.9 million (or 12%) from record revenue of $1,610.7 million in fiscal 1995. The decline in revenue in fiscal 1996 resulted principally from the timing of customer nuclear reactor refuelings. Sales of SWU declined 14% in fiscal 1996, and 101 reactors had refueling orders compared with 114 in fiscal 1995. Average SWU prices billed to customers declined 2.9% and 1.2% in fiscal years 1996 and 1995, respectively, reflecting the adverse pricing trend in New Contracts in the highly competitive uranium enrichment market.

In fiscal 1996, revenue from domestic customers declined 10%, revenue from customers in Asia declined 9% and revenue from customers in Europe and other areas declined 43%, reflecting changes in the timing of customer orders.

Cost of Sales. Cost of sales amounted to $973.0 million in fiscal 1996, a decline of $115.1 million (or 11%) from $1,088.1 million in fiscal 1995. As a

percentage of revenue, cost of sales amounted to 69% and 68% for fiscal years 1996 and 1995, respectively. The reduction in cost of sales in fiscal 1996 was attributable to the 14% decline in sales of SWU, partly offset by higher unit production costs.

SWU production and related unit production costs in fiscal 1996 were adversely affected by lower gaseous diffusion production capability and increased maintenance activities reflecting efforts to restore GDP production to desired levels. Additional costs were incurred in fiscal 1996 as the Company utilized some of its own uranium feed in the enrichment process at the Portsmouth GDP to partially mitigate the lower production capability. In fiscal 1996, production capability at the Paducah GDP was limited by a reduction in electric power from the power supplier in response to an extended period of extremely hot weather, and the Company subsequently encountered delays recovering production capability.

Electric power costs amounted to $486.9 million (representing 55% of production costs) in fiscal year 1996, compared with $587.6 million (representing 58% of production costs) in fiscal year 1995, a decline of $100.7 million (or 17%). Electric power costs declined in fiscal 1996 as power consumption decreased with lower production, partly offset by higher demand charges for firm power at the Portsmouth GDP. High power utilization efficiency was maintained at both GDPs in fiscal years 1996 and 1995.

Costs for labor and benefits amounted to $209.9 million in fiscal 1996, an increase of $5.0 million (or 2%) from $204.9 million in fiscal 1995. The increase reflects general inflation.

Costs for the future disposition of depleted UF(6) amounted to $90.6 million in fiscal 1996, a decrease of $28.8 million (or 24%) from $119.4 million in fiscal 1995. As a percentage of revenue, costs for the future disposition of depleted UF(6) amounted to 6% and 7% for fiscal years 1996 and 1995, respectively. The decline

in fiscal 1996 reflected lower production. Costs are dependent upon the volume of depleted UF(6) generated based on production levels.

SWU purchased under the Russian HEU Contract represented 16% of the combined produced and purchased supply mix, compared with 8% in fiscal 1995. Unit costs of SWU purchased under the Russian HEU Contract are substantially higher than the Company's marginal cost of production. The Company purchased SWU derived from HEU as follows: 1.7 million SWU at a cost of $144.1 million and 0.3 million SWU at a cost of $22.7 million for the years ended June 30, 1996 and 1995, respectively.

Gross Profit. Gross profit amounted to $439.8 million in fiscal 1996, a decline of $82.8 million (or 16%) from $522.6 million in fiscal 1995. As a percentage of revenue, gross profit amounted to 31% and 32% for fiscal years 1996 and 1995, respectively. The decline in gross profit in fiscal 1996 was principally attributable to lower revenue, increased unit production costs at the GDPs and lower production levels. Gross profit in fiscal years 1996 and 1995 was also affected by declines in average prices billed to customers.

Project Development Costs. Project development costs, primarily for the AVLIS project, amounted to $103.6 million in fiscal 1996, an increase of $54.6 million (or 111%) from $49.0 million in fiscal 1995. As a percentage of revenue, project development costs amounted to 7% and 3% for fiscal years 1996 and 1995, respectively. The increase in fiscal 1996 reflects planned engineering and development spending for the future commercialization of the AVLIS uranium enrichment process.

Selling, General and Administrative Expenses. Selling, general and administrative expenses amounted to $36.0 million in fiscal 1996, an increase of $8.4 million (or 30%) from $27.6 million in fiscal 1995. As a percentage of

revenue, selling, general and administrative expenses amounted to 2.5% and 1.7% in fiscal years 1996 and 1995, respectively. The increase in fiscal 1996 reflects increased expenses associated with Privatization activities and the planned increase in corporate staff necessary for operations.

Other Income. Other income, net of expenses, amounted to $3.9 million in fiscal 1996, an increase of $2.4 million (or 160%) from $1.5 million in fiscal 1995. The increase in fiscal 1996 was attributable to fees earned on delivery optimization and other customer-oriented distribution programs established in fiscal 1995.

Net Income. Net income amounted to $304.1 million in fiscal 1996, a decline of $143.4 million (or 32%) from $447.5 million in fiscal 1995. As a percentage of revenue, net income amounted to 22% and 28% for fiscal years 1996 and 1995, respectively. The decline in fiscal 1996 resulted primarily from an increase of $54.6 million in AVLIS development spending, lower revenue, and a lower gross profit margin on sales of SWU.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Cash Flow. The Company's principal source of liquidity has been cash flow provided by operating activities. Net cash flows provided by operating activities amounted to $199.1 million for the nine months ended March 31, 1998, compared with $314.5 million for the corresponding period in fiscal 1997. Cash flow from operating activities for the nine months ended March 31, 1998, was reduced by an increase of $129.1 million in inventories and the decline of $20.1 million in net income. Cash flow was increased by $45.9 million as DOE funded a portion of AVLIS project development costs which were charged against the Company's net income for financial accounting and reporting purposes and by an increase of $51.5 million in payables to the Russian Federation for purchases of SWU.

Cash flow from operating activities for the nine months ended March 31, 1997, had been increased by a reduction of $223.9 million in customer trade receivables from changes in the timing of customer collections and a cash payment of $29.4 million received from DOE for reimbursable regulatory compliance activities. Cash flow was reduced by a payment of $100.0 million in December 1996 under the Russian HEU Contract for future deliveries of SWU in calendar years 1998 and 1999, and an increase of $53.0 million in inventories.

Net cash flows provided by operating activities amounted to $356.1 million in fiscal 1997, a significant increase over $119.7 million in fiscal 1996. The increase resulted primarily from a reduction of $97.6 million in customer trade receivables in fiscal 1997 from changes in the timing of customer collections and the collection

of $29.4 million from DOE for reimbursable regulatory compliance activities, partially offset by the decline of $54.0 million in net income.

Net cash flows provided by operating activities amounted to $119.7 million in fiscal 1996 compared with $540.2 million in fiscal 1995. The reduction resulted principally from the decline of $143.4 million in net income in fiscal 1996, the payment of $100.0 million in fiscal 1996 under the Russian HEU Contract as credits for future purchases of SWU, an increase of $84.3 million in customer trade receivables in fiscal 1996 relating to the timing of customer orders, and higher cash outlays for reimbursable costs relating to regulatory compliance activities.

As a supplementary activity in support of the Russian HEU Contract, the Company paid $100.0 million to Tenex in each of fiscal years 1997 and 1996 and $15.0 million in fiscal year 1995 as credits for future deliveries of SWU under the Russian HEU Contract.

Capital expenditures relating primarily to GDP improvements amounted to

$20.5 million and cash outlays for major overhaul projects amounted to $8.3 million for the nine months ended March 31, 1998, compared with $15.9 million and $11.5 million, respectively, for the corresponding period in fiscal 1997. Capital expenditures in the fiscal 1998 period consist principally of replacement equipment and upgrades to the steam plant and cooling towers. The Company expects its GDP-related capital expenditures will amount to $34.0 million in fiscal 1998.

Capital expenditures relating primarily to GDP improvements amounted to $25.8 million, $15.6 million and $27.5 million and cash outlays for major overhaul projects amounted to $14.3 million, $15.8 million and $12.2 million in fiscal years 1997, 1996 and 1995, respectively. Capital expenditures during the three-year period consisted principally of upgrades to the steam plant and cooling towers, improvements to the enriched product withdrawal facilities, process inventory control systems, cylinder storage facilities and purchases of capital equipment.

In October 1997, pursuant to the Energy & Water Development Appropriations Act, the Company transferred $60.0 million to DOE to conduct certain development and demonstration of AVLIS technology. For financial accounting and reporting purposes, the payment of $60.0 million is reported as a return of capital to the U.S. Government. In the Company's financial statements, costs of $45.9 million for the nine months ended March 31, 1998 incurred by DOE with respect to AVLIS development activities are reported as project development costs with a corresponding contribution to capital.

Dividends paid to the U.S. Treasury amounted to $120.0 million in the nine months ended March 31, 1998, and in each of the fiscal years 1997 and 1996 and amounted to $55.0 million in fiscal 1995. Pursuant to the Privatization Act, in December 1996, the Company transferred to DOE the natural uranium component of LEU from HEU purchased under the Russian HEU Contract at a cost of $86.1 million in fiscal 1996 and $74.3 million in fiscal 1997. As a result of the transfer, the total purchase cost of $160.4 million, including related shipping charges, was recorded as a return of capital.

The Company's working capital, adjusted to exclude cash held at the U.S. Treasury and to include inventories and advances under the Russian HEU Contract reported as non-current assets, amounted to $1,170.6 million and $1,230.7 million at June 30, 1997 and March 31, 1998, with the inventory components of working capital representing 70% and 77%, respectively.

The table below sets forth the Company's working capital as adjusted, as of June 30, 1997 and March 31, 1998.

	AS OF JUNE 30, 1997	AS OF MARCH 31, 1998
Inventories, net	$ 821.3	$ 950.4
Advances under the Russian HEU Contract	129.6	98.0
Accounts receivable and payable and other, net	219.7	182.3
Working capital, as adjusted	$1,170.6	$1,230.7

AVLIS Project Expenditures. AVLIS deployment is estimated to cost approximately $2.2 billion from fiscal 1998 through fiscal 2005, of which $550 million is expected to be spent during the "performance demonstration, design and licensing phase" and $1.65 billion during the "procurement, construction and

startup phase." The Company periodically re-evaluates its AVLIS estimated costs and currently believes this estimate could vary by up to 20%. The Company spent $101.7 million for AVLIS activities in the nine months ended March 31, 1998 and expects to spend $34.6 million for the three months ended June 30, 1998 and $160.0 million in fiscal 1999.

Actual AVLIS expenditures may vary from this estimate because of changes in such factors as: business conditions, regulatory requirements and the timing of NRC licensing, costs of construction labor and materials, the market for uranium enrichment services, and the Company's cost of capital.

Capital Structure and Financial Resources. The Company expects that its cash on hand, internally generated funds from operating activities, and available financing sources including borrowings under the revolving credit arrangements (described below), will be sufficient to meet its obligations as they become due and to fund operating requirements of the GDPs, purchases of SWU under the Russian HEU Contract, capital expenditures and discretionary investments, and AVLIS expenditures in the near term.

The Company has not undertaken any borrowings to fund its activities, except for borrowings of $550.0 million upon consummation of the Offering. As a result, the Company had no indebtedness at any time during fiscal years 1995, 1996 and 1997, nor were any arrangements established with lenders to provide for the future financing of the Company. Immediately before the Privatization, the Company expects to enter into a loan agreement consistent with the terms of a draft commitment letter (the "Commitment Letter") which sets forth terms of a new credit facility (the "Credit Facility"). Based on the Commitment Letter, it is anticipated that the Credit Facility will be comprised of three tranches. Tranche A will consist of a 364-day revolving credit facility for $400.0 million. Tranche B will be a 364-day revolving credit facility for $150.0 million which is convertible, at the Company's option, into a one-year term loan. Simultaneous with the Privatization, the Company plans to borrow $550.0 million under Tranche A and Tranche B. The third tranche, Tranche C, will be a five-year revolving credit facility for $150.0 million for working capital and general corporate purposes. Indebtedness outstanding under the Credit Facility will bear interest at a rate equal to, at the Company's option (i) the London Interbank Offered Rate ("LIBOR") plus an "Applicable Eurodollar Margin," or (ii) the Base Rate (as defined in the Commitment Letter). The Applicable Eurodollar Margin will be based on the Company's credit rating as reflected on a pricing grid attached to the Commitment Letter. The Company will also incur certain fees in connection with borrowings, as set forth in the Commitment Letter. The Company expects to enter into the Credit Facility on terms commensurate with it having an investment grade credit rating.

The Credit Facility will require the Company to comply with certain financial covenants, including a minimum net worth and a debt to total capitalization ratio, as well as other customary conditions and covenants, including certain limitations on borrowings by subsidiaries. The failure to satisfy any of the covenants would constitute an event of default under the Credit Facility. The Credit Facility will also include other customary events of default, including without limitation, nonpayment, misrepresentation in a material respect, cross-default to other indebtedness, bankruptcy, ERISA, judgments and change of control.

On a pro forma basis, as adjusted for the $550.0 million of indebtedness under the Credit Facility and other Privatization transactions, the Company's total debt-to-capitalization ratio was 32%, as adjusted to include short-term debt, at March 31, 1998. Following the Privatization, the Company may refinance all or a portion of the borrowings under the Credit Facility with funds raised in the public or private securities markets. If the over-allotment option granted to the U.S. Underwriters is exercised, the Company will be required pursuant to the provisions of the Credit Facility to use $75.0 million of the net proceeds from the exercise of the over-allotment option to reduce outstanding indebtedness; any remaining balance of proceeds from the exercise of the over-allotment option will be used for general corporate purposes.

The Credit Facility will be subject to certain terms and conditions, including without limitation, negotiation, execution and delivery of definitive

financing agreements, in each case containing terms and conditions, representations and warranties, covenants, indemnifications, events of default and conditions to

lending. There can be no assurance as to whether the Credit Facility will be entered into or as to whether the Credit Facility will contain the terms and conditions described above, and such may contain terms and conditions more favorable or less favorable to the Company than set forth above.

The Company's cash balance in its account at the U.S. Treasury will be utilized to pay certain expenses relating to the Privatization. On the Privatization Date, the Company will declare and pay to the U.S. Treasury the Exit Dividend in the aggregate amount of (i) the remaining balance of cash held in USEC's account at the U.S. Treasury as of the Privatization Date and (ii) $500.0 million of the $550.0 million in borrowings under the Credit Facility. The Company will retain $50.0 million in cash from the $550.0 million in borrowings under the Credit Facility.

ENVIRONMENTAL MATTERS

In addition to costs for the future disposition of depleted UF(6), the Company incurs operating costs and capital expenditures for matters relating to compliance with environmental laws and regulations, including the handling, treatment and disposal of hazardous, low-level radioactive and mixed wastes generated as a result of its operations. Operating costs relating to such environmental compliance amounted to approximately $24.9 million, $30.4 million and $30.0 million for fiscal years 1997, 1996 and 1995, respectively, and capital expenditures relating to environmental matters amounted to approximately $1.8 million, $3.5 million and $6.6 million for fiscal years 1997, 1996 and 1995, respectively. In fiscal years 1998 and 1999, the Company expects its operating costs and capital expenditures for compliance with environmental laws and regulations, including the handling, treatment and disposal of hazardous, low-level radioactive and mixed wastes (exclusive of costs for future disposition of depleted UF(6)) to remain at about the same levels as in fiscal years 1997 and 1996. Costs accrued for the future treatment and disposal of depleted UF(6) were $72.0 million in fiscal year 1997, which accrual will be eliminated as of the Privatization. The Company expects that costs relating to the future treatment and disposal of depleted UF(6) produced from its operations will be lower in each of fiscal years 1998 and 1999.

The Company has entered into an agreement with DOE pursuant to which the Company will pay DOE $50.0 million from its account at the U.S. Treasury prior to the Privatization in consideration for a commitment by DOE to assume responsibility for a certain amount of depleted UF(6) generated by the Company after the Privatization Date over the period from the Privatization Date up to 2005.

Environmental liabilities associated with the operation of the GDPs prior to the Privatization Date are the responsibility of DOE or the U.S. Government, except for liabilities relating to certain identified wastes stored at the GDPs as of the Privatization Date that were generated after the Transition Date, including liabilities relating to the disposal of such waste after the Privatization Date. Environmental liabilities associated with the decontamination and decommissioning of the GDPs are generally the responsibility of DOE, except for additional costs, if any, as a result of USEC's operations.

IMPACT OF YEAR 2000 ISSUE

As a result of certain computer programs and systems using two rather than four digits to define the applicable year, certain of the Company's activities with date-sensitive software and systems may not recognize the year 2000. This could potentially result in system failures or miscalculations causing disruptions of operations or an inability to process transactions.

The Company has been upgrading software programs and systems affected by the year 2000 issues and believes that with modifications to existing software and systems and migration to new software and systems, the year 2000 issues can be substantially mitigated. The Company is in the process of implementing the necessary modifications which are expected to be completed by April 1999. The Company expects its incremental costs for software modifications and systems upgrades to resolve the year 2000 issues will range from $10.0 million to $13.0 million. Pursuant to the Company's financial accounting and reporting policies, purchased hardware and software costs are capitalized, and implementation costs, including consultants' fees, are charged against income as incurred.

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CHANGING PRICES AND INFLATION

The GDPs require substantial amounts of electricity (approximately 27.4 million MWhs in fiscal 1997) to enrich uranium, representing up to 59% of the Company's production costs. The Company purchases firm and non-firm power to meet its production needs. The Company's production costs would increase to the extent that the market prices of non-firm power, which represented 37% of the Company's fiscal 1997 power needs, were to rise. In addition, the prices that USEC pays for firm power could increase if there were additional regulatory costs or unanticipated equipment failures at the power plants supplying the firm power to the GDPs.

The New Contracts generally provide for prices that are subject to adjustment for inflation. In recent years, inflation has not had a significant impact on the Company's operations. Unless inflation increases substantially, it is not expected to have a material effect.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," in February 1998, SFAS No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits," and, in June 1998, SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." The Company adopted SFAS Nos. 130, 131, 132 and 133 with respect to its financial statements for fiscal 1997, and adoption of the standards did not have a material effect on its financial statements.

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INDUSTRY OVERVIEW

THE ENRICHMENT PROCESS

Overview. As found in nature, uranium consists of three isotopes, the two principal ones being uranium-235 (U(235)) and uranium-238 (U(238)). U(238) is the more abundant but is not fissionable. U(235) is the fissionable isotope, but its concentration in natural uranium is only about .711% by weight. Light water nuclear reactors, which are operated by most nuclear utilities in the world today, require low enriched uranium fuel, or LEU, with a U(235) concentration in the range of 3% to 5% by weight. Uranium enrichment is the process by which the concentration of U(235) is increased to that level.

Two existing commercial technologies are currently used to enrich uranium for nuclear power plants -- the gaseous diffusion process and the gas centrifuge process. The gaseous diffusion process involves the passage of UF(6) in a gaseous form through a series of filters (or porous barrier) such that the UF(6) is continuously enriched in U(235) as it moves through the process. Because U(235) is lighter, it passes through the barrier more readily than does U(238), resulting in a gaseous uranium that is enriched in U(235), the fissionable

isotope. The gaseous diffusion process is power-intensive, requiring significant amounts of electricity to push the UF(6) through the filters. See "Business -- Power." The other enrichment process, gas centrifuge, is significantly less power intensive than the gaseous diffusion process and employs rapidly spinning cylinders containing UF(6) to separate the fissionable U(235) isotope from the non-fissionable U(238).

The fundamental building block of the gaseous diffusion process is known as a stage, consisting of a compressor, a converter, a control valve and associated piping. The compressors, which are driven by large electric motors, are used to circulate the process gas and maintain flow. The converters contain porous tubes known as barrier through which the process gas is diffused. Stages are grouped together in series to form an operating unit called a cell. A cell is the smallest group of stages that can be removed from service for maintenance. Gaseous diffusion plants are designed so that cells can be taken off line with little or no interruption in the process. In each converter, the portion of the process gas that passes through the barrier is slightly enriched in U(235) and is fed to the next higher stage. The gas, which has not passed through the barrier, is depleted in U(235) to the same degree. It is recycled back to the next lower stage. Because the velocity difference between the two isotopes of uranium is very small, hundreds of successive stages are required for enrichment. A gaseous diffusion plant configured to produce material with a U(235) concentration of 4% from material at .711% by weight U(235) would contain at least 1,200 stages in series. See "Business -- GDPs/Operations."

SWU. The standard of measure of effort or service in the uranium enrichment industry is separative work units or SWU. A SWU is the amount of work or effort that is required to transform a given amount of natural uranium feed stock (UF(6)) into two streams of uranium, one enriched in the U(235) isotope and the other depleted in the U(235) isotope. Prices for enrichment services are based upon SWU, and the enrichment capacity of suppliers and the enrichment requirements of nuclear utilities are also denominated in SWU.

Overfeeding/Underfeeding. SWU (and the related electricity required for enrichment) and natural uranium are, to a certain extent, interchangeable in the process to create enriched uranium. The Company can feed (i) more natural uranium into the enrichment process, a mode of operation called "overfeeding," or (ii) less uranium into the enrichment process, a mode of operation called "underfeeding." Overfeeding is economical if the sum of the value of the additional natural uranium and the cost of disposing of the additional depleted UF(6) generated is lower than the cost of the electricity used to produce the additional enriched uranium. Underfeeding is economical if the cost of the additional electricity required is lower than the savings from the use of less natural uranium and its related disposal costs. Underfeeding serves to stockpile the inventory of natural uranium which, if not needed for production, can be sold.

THE NUCLEAR FUEL CYCLE

Electric utilities with light water nuclear reactors require fissionable uranium because it is the act of fission which releases the necessary heat required to produce steam for the turbines which generate electricity. The provision of uranium enrichment services (i.e., the process by which the concentration of the fissionable

isotope U(235) in natural uranium is increased to levels suitable for commercial use) is one vital step in the nuclear fuel cycle as depicted in the diagram below. Utilities typically obtain natural uranium as uranium ore concentrate from a mining and milling company or other natural uranium supplier. Utilities arrange to have the uranium ore concentrate converted to uranium hexafluoride (UF(6)) at one of several converters located around the world. The UF(6) is delivered to an enrichment services provider, such as the Company, for enrichment in U(235). The enriched uranium is transported to a nuclear fuel fabricator to have the enriched UF(6) converted into uranium dioxide pellets for

fabrication into fuel elements suitable for use in nuclear reactors.

FLOW CHART Commercial Nuclear Fuel Cycle.

TEXT: Enrichment is one of a series of steps required to prepare naturally occurring uranium for use as nuclear fuel.

Picture of a mine/mill with text "Uranium Mines & Mills," arrow pointing to picture of buildings with text "U(3)O(8) Conversion to UF6", arrow pointing to circle with text in top half of circle "USEC - Only domestic source" with arrow pointing to picture of storage tanks with text "Depleted Uranium Stockpile (Tails)" and text in bottom half of circle "U-235 Enrichment" with arrow pointing to a building with text "Conversion to UO(2) & Fabrication of Fuel Assemblies," arrow pointing to reactor with text "Light Water Reactor," and arrow pointing to facility with text "Waste Storage/Disposal Facility."

MARKET FOR ENRICHMENT SERVICES

Supply Overview. There are currently four major uranium enrichment suppliers worldwide: USEC, Tenex, Eurodif and Urenco. Tenex is an entity of the Russian government. Eurodif is a multinational consortium controlled by the French government. Other participants in the consortium include the Spanish, Belgian, Italian and Iranian governments. Urenco is a consortium owned one-third by the British government, one-third by the Dutch government and one-third by two German utilities. Japan Nuclear Fuels Limited ("JNFL") and a Chinese state-owned enrichment supplier are smaller providers that primarily serve their respective domestic markets. See "Risk Factors -- Competition; Currency Exchange Rates; Trend Toward Lower Pricing."

In addition, a relatively small spot market exists for uranium enrichment services. The spot market developed in the mid-1980s as a result of utilities reselling enrichment services that they were required to purchase under take-or-pay contracts for reactors that were subsequently canceled or delayed and by SWU sales from the former Soviet Union. By the early 1990s, however, the spot market had declined in importance due to the elimination of utilities' excess inventories and the impact of trade restrictions and market practices in certain countries which have restricted sales from states of the former Soviet Union into these markets. In 1997, the spot market supplied less than 2% of the total world market for enrichment services.

Suppliers and Market Share. The following table sets forth certain information about the major SWU suppliers, including the Company's estimate of the SWU production capacity for each supplier. "Nameplate Capacity" refers to the designed capacity of the facilities operated by the suppliers. Supply for Tenex also

reflects trade restrictions and market practices limiting its ability to sell in the U.S., Western Europe and certain Asian countries.

FISCAL YEAR 1997 ESTIMATED ENRICHMENT CAPABILITIES
(IN MILLIONS)

SUPPLIER	NAMEPLATE CAPACITY(1) (SWU)	SUPPLY (SWU)	TECHNOLOGY
USEC			
Produced	18.7	10.3	Gaseous Diffusion
Purchased	--	3.1	Purchased
USEC Total	18.7	13.4	
Eurodif	11.0	7.5(2)	Gaseous Diffusion
Tenex	20.0	7.5	Gas Centrifuge

Urenco	3.8	3.8	Gas Centrifuge
Other(3)	1.5	1.5	Various
Total	55.0	33.7	

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Source: Company estimates derived from industry, trade and consulting publications

(1) Nameplate capacity refers to the designed capacity of the facilities operated by the respective supplier.
(2) Eurodif's production reflects its current economics: the relative SWU price versus the prevailing cost of power.
(3) This includes the spot market, JNFL and a Chinese state-owned facility.

The Company's estimate of the fiscal 1997 market share of the four major suppliers and the spot market in the five geographical market sectors is set forth in the following table.

FISCAL YEAR 1997 ESTIMATED WORLDWIDE MARKET SHARE

	NORTH AMERICA(1)	ASIA	W. EUROPE	E. EUROPE	OTHER(2)	FY97 WORLD MARKET SHARE
USEC	75%(3)	68%	10%	0%	0%	40%(3)
Eurodif	12	14	49	2	28	23
Tenex	5 (4)	5	16	96	28	22 (4)
Urenco	7	6	24	2	0	11
Spot/Other(5)	2	8	2	0	45	4
Total(6)	100%	100%	100%	100%	100%	100%

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Source: Company estimates derived from industry, trade and consulting publications

(1) Includes: U.S. and Mexico.
(2) Includes: Argentina, Brazil, China, India, Iran, Pakistan, South Africa, North Korea and Turkey.
(3) Includes approximately 4.5% North American and 1.5% world market share for Russian matched sales. See "Business -- Foreign Trade Matters."
(4) Excludes Russian matched sales in the U.S. See "Business -- Foreign Trade Matters."
(5) Includes the spot market, JNFL and a Chinese state-owned facility.
(6) Percentages may not sum to 100% due to rounding.

Eurodif operates a single gaseous diffusion plant and is part of a closely interlocked French nuclear infrastructure; it purchases nearly all of its power from Electricite de France ("EdF") and sells about 60% of its annual SWU output to EdF.

The Tenex facilities consist of a number of early-generation gas centrifuge plants. Although Tenex's centrifuge plants are older and therefore less efficient than those of Urenco, USEC believes that Tenex has the lowest overall production costs of the major suppliers. Tenex benefits from (i) low power requirements (a characteristic of centrifuge technology), (ii) moderate manpower costs (a result of its low wage rate, notwithstanding its high labor and overhead levels) and (iii) minimal capital charges. Despite Tenex's favorable cost structure, it operates at less than maximum capacity because trade and political restrictions

limit its ability to access the United States, Western European and certain

Asian markets. In addition, the Company believes that Tenex's production capacity is further constrained by its current equipment conditions.

Urenco has a favorable competitive cost position, influenced significantly by its use of the gas centrifuge. Although Urenco's production capacity is currently 3.8 million SWU, it continues to add capacity and make systematic improvements to its centrifuge designs, thereby increasing efficiency and output. These changes serve to incrementally improve Urenco's cost position and increase capacity, which is expected to increase to approximately 5 million SWU by 2000. Urenco is also currently in the testing phase of its latest centrifuge technology, which could be deployed in the 2000 to 2001 time frame.

Additional Supply Sources. In addition to the primary uranium enrichment suppliers, other sources of enriched uranium exist. The principal source is LEU derived from HEU obtained from dismantled United States and Russian nuclear weapons and military stockpiles. As the Executive Agent to the U.S. Government under the government-to-government agreement between the United States and the Russian Federation, USEC purchases the uranium enrichment component of HEU recovered from dismantled Russian nuclear weapons. USEC has also received transfers of HEU from the U.S. Government. Russia has significant supplies of HEU from dismantled weapons and military stockpiles, and its future disposition plans are unknown. According to an HEU disposition plan issued by the DOE in 1996, the U.S. Government has approximately 35 to 40 metric tons of excess HEU which the U.S. Government could blend down into LEU and introduce into the market in the 2001 to 2011 time frame. With respect to any U.S. Government sales of this material, such future sales would be subject to the provisions of the Privatization Act applicable to such sales.

Enrichment capacity can also be added through increases in existing capacities of suppliers or by the construction of new facilities or development of new processes. As discussed above, Urenco has plans to expand its output and is also currently testing a more advanced centrifuge. Both JNFL and the Chinese Government have been pursuing capacity expansion programs through incremental construction and the acquisition of centrifuge technology which in total is not expected to exceed a capacity of 2.1 million SWU per year.

Demand Overview. According to the Nuclear Energy Institute, an industry organization, nuclear power represents approximately 19% of the domestic and 17% of the worldwide utility electricity production. The demand for uranium enrichment services is a function of the total number of light water nuclear reactors using enriched uranium fuel and their total fuel requirements. As of March 31, 1998, there were 108 utilities operating 378 nuclear reactors that use enriched uranium for fuel in 28 countries. This includes 44 utilities operating 105 nuclear reactors in the United States.

Substantial increases or decreases in total SWU demand occur only as new reactors are brought on line or when others cease operations. Based on the relatively low operating costs of nuclear reactors, most utilities run their nuclear reactors at maximum output to meet their base-load requirements. Because of this base-load nature of nuclear operations, declines in electricity consumption have a relatively modest impact on the fuel needs of operating reactors. As a result, over the long term, utility demand for SWU is generally stable.

Deliveries of enriched uranium to customers are determined by reactor refueling schedules which are affected by, among other things, the seasonal nature of electricity demand and the operating availability of the reactor. Utilities try to schedule the shutdown of their reactors for refueling to coincide with periods of low demand, typically spring and fall. For efficiency reasons, utilities also attempt to run their reactors for periods of 12 months, 18 months, or in some cases, up to 24 months between refuelings. Thus some reactors are scheduled for fall refuelings, some for spring refuelings, and some are scheduled for 18-month cycles which alternate between the two seasons.

LEU may only be exported to utilities in those countries that have a nuclear agreement for cooperation in effect with the United States. Since not all countries are parties to such agreements with the United States, certain markets are not currently available to the Company. See "Business -- Foreign

Trade Matters."

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Current and Future Demand. The Company estimates that the worldwide demand for enrichment services in fiscal 1997 was 33.7 million SWU. The following table shows the breakdown of demand by region.

FISCAL YEAR 1997 ESTIMATED DEMAND BY REGION

REGION	SWU DEMAND (IN MILLIONS)
North America	11.2
Western Europe	11.1
Asia (Japan, South Korea and Taiwan)	5.9
Eastern Europe and former Soviet countries	5.0
Other(1)	0.5
Total	33.7

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Source: Based on Company estimates.

(1) "Other" includes: Argentina, Brazil, China, India, Iran, Pakistan, South Africa, North Korea and Turkey.

Worldwide growth in nuclear reactors largely depends on the anticipated long-term growth in electric power consumption and the availability and costs of alternative fuel sources, mainly fossil fuels. For the next five years, the Company anticipates that global enrichment demand will average approximately 36 million SWU per year. While the worldwide demand for SWU is expected to increase slightly, demand in the Asian market (Japan, South Korea and Taiwan) is expected to increase significantly from approximately 5.9 million SWU in fiscal 1997 to approximately 9 million SWU by fiscal 2009, most of which increase is expected to occur after 2002. This is based on the anticipated addition of 18 new reactors in Japan and South Korea which are anticipated to result in an increase in nuclear generating capacity of 37% by 2010 in those countries. The Company believes that the nuclear power market in the U.S. and Western Europe has peaked and will likely decline slightly over the next 10 to 15 years as poorer performing and older reactors reach the end of their economic lives.

The average age of the 105 operating U.S. nuclear reactors, as well as of the reactors comprising USEC's United States customer base, is 18 years. Nuclear reactors are licensed by the NRC for 40 years. Three United States utilities have recently announced initiatives to secure a license extension on certain nuclear units, and others are expected to take similar initiatives. Utilities base decisions regarding continued operation of reactors primarily on issues of licensing and economics.

Open Demand. The potential open demand in any year consists only of that part of requirements not already contracted for by utilities. All major suppliers have substantial forward commitments. Accordingly, the Company estimates that, at March 31, 1998, worldwide open demand through fiscal 1999 is minimal. The Company believes that open demand will increase to approximately 6.5 million SWU in fiscal 2001 as commitments under existing contracts begin to expire and new reactors begin operation.

As a practical matter, open demand is generally not equally available to all suppliers. In certain markets, government involvement in, and ownership of,

utility and enrichment facilities requires purchases from native suppliers. This occurs in France, as well as in Japan, where utilities are contractually committed to purchase 100% of JNFL's output. This amounted to approximately 11% of the Japanese utilities' requirements in fiscal 1997.

Pricing. Uranium enrichment services are priced based upon SWU. Customers specify the assay of the enriched uranium product they desire (i.e., percent of U(235) in the product), as well as the transaction "tails assay" (i.e., the percentage of U(235) in the depleted UF(6)). This yields a specific number of SWU for which the customer is charged. SWU generally can be viewed as fungible in that SWU produced by all enrichers are delivered pursuant to established industry specifications. Accordingly, enrichment service providers attempt to distinguish themselves by price, reliability of supply and customer service rather than by product variation.

Customers generally purchase SWU under long-term requirements contracts, although the length of such contracts has been declining in recent years. The price per SWU that a producer charges is a reflection of a combination of factors including, among other things, the producer's cost of operations and market supply and demand. The contract defines the SWU price and a range of tails assays set as provided in the contract. The aggregate amount that a customer pays is a function of the per SWU price and the number of SWU required. The number of SWU required is a function of the operation of the reactor and the tails assay selected by the customer.

BUSINESS

OVERVIEW

USEC, a global energy company, is the world leader in the production and sale of uranium fuel enrichment services for commercial nuclear power plants. USEC currently has approximately a 75% share of the North American uranium enrichment market and a 40% share of the world market. Uranium enrichment is a critical step in transforming natural uranium into fuel for nuclear reactors to produce electricity. USEC enriches uranium utilizing the gaseous diffusion process at two plants located in Paducah, Kentucky and near Portsmouth, Ohio. USEC's fiscal 1997 revenue and pre-tax income were $1.6 billion and $250.1 million, respectively. The Company's net income on a pro forma basis (primarily to reflect provision for federal, state and local income taxes, and interest expense, and taxes other than income taxes) for fiscal 1997 was $133.2 million.

The Company supplies enriched uranium to approximately 60 customers for use in 176 nuclear reactors located in 14 countries throughout the world. Generally, the Company's contracts with its customers are "requirements" contracts pursuant to which the customer is obligated to purchase a specified percentage of its enriched uranium requirements from the Company. Consequently, the Company's annual sales are dependent upon the customers' requirements for the Company's services, which are driven by nuclear reactor refueling schedules, reactor maintenance schedules, customers' considerations of costs, and regulatory actions. Based on customers' estimates of their requirements, as of March 31, 1998, the Company had long-term requirements contracts with utilities to provide uranium enrichment services aggregating approximately $3.2 billion through fiscal year 2000 and $7.4 billion through fiscal year 2009. As of March 31, 1997, the Company had long-term requirements contracts to provide uranium enrichment services aggregating approximately $3.6 billion through fiscal year 1999 and $8.6 billion through fiscal year 2008.

The Company began operations on the Transition Date when the U.S. Government's uranium enrichment activities were transferred from DOE to the Company. Since the Transition Date, USEC has adopted a series of private-sector

management practices which have enabled it to be more responsive to its customers and to market forces. Applying private sector principles has significantly improved the Company's competitive positioning by: (i) adding $4.3 billion in new contract commitments through fiscal 2009 during the period from the Transition Date through March 31, 1998 (consisting of $4.1 billion from extensions of contracts or new contracts with existing customers and $200.0 million from contracts with new customers); (ii) significantly reducing order fulfillment times; (iii) maintaining a strong safety record at the GDPs while increasing Company-wide focus on regulatory compliance; and (iv) obtaining certification for the GDPs from the NRC. In addition, USEC has acquired a significant inventory of uranium from the U.S. Government.

STRATEGY

The Company's goal is to continue to be the world's leading supplier of uranium fuel enrichment services and to diversify over time into related strategic businesses that will contribute to the Company's growth and profitability. To achieve its goal, the Company intends to focus on the following:

Aggressively Pursue Sales Opportunities. The Company has implemented a strategy designed to increase sales to existing customers, many of whom currently buy less than 100% of their requirements from the Company (typically 70%) and to add new customers. Flexible contract terms have replaced standardized DOE contracts, and the Company has increased its attention to customer service, product quality and reliability. Management has implemented a variety of private-sector marketing principles which emphasize responsiveness to the needs of individual customers. In addition, USEC is committed to capitalizing on its reputation as a reliable and timely supplier and to delivering superior customer service. The Company has actively worked to reduce delivery times and has implemented an electronic order service system to facilitate management of customer orders and tracking of inventory.

Improve Operating Efficiencies. The Company plans to continue to improve operating efficiencies by implementing a rigorous cost management program. A cornerstone of this program is USEC's commitment to continually investigate opportunities to purchase low-cost power and to seek the most efficient use of non-firm

power to minimize the cost of power per SWU produced. The Company has also adopted cost containment goals intended to be achieved through improved power utilization, increased SWU production per labor hour, and other material and service cost reductions. USEC is committed to containing operating costs while ensuring continued compliance with health, safety and environmental standards.

Commercialize AVLIS Technology. USEC plans to complete the development and commence commercialization of the next generation of uranium enrichment technology, AVLIS, which uses lasers to enrich uranium, and which should permit USEC to remain one of the lowest cost suppliers of uranium enrichment services and enhance its competitive position. The Company believes that it will be able to deploy a full-scale AVLIS facility in 2005. In addition, it is possible that the AVLIS technology may have applications in the medical, precision tool and semiconductor industries which the Company may elect to explore either on its own or through licensing arrangements. As AVLIS is being brought on line for production, the GDP facilities and AVLIS are expected to operate simultaneously. By 2006, AVLIS is expected to be able to displace some or all of the production of the GDPs; however, the Company will evaluate issues such as market demand and other supply sources at that time prior to making any decisions with respect to the GDPs.

Diversify Over the Longer Term. The Company intends to diversify its business over time into related strategic businesses that will contribute to the Company's growth and profitability. This strategy could, among other things, result in the Company becoming involved in other phases of the nuclear fuel

cycle that draw on its knowledge of the nuclear industry thereby allowing the Company to become a leader in the global nuclear energy market. Although the Company as a government corporation has not identified any acquisitions or strategic alliances, it intends to pursue appropriate opportunities which, among other criteria, are expected to: (i) offer a favorable balance with respect to market potential and manageable market entry risk; (ii) broaden USEC's operating base beyond its core business in ways that allow for the leveraging of its core competencies; (iii) diversify risk by being counter-cyclical to existing business; (iv) earn returns in excess of certain financial benchmarks including USEC's cost of capital; and (v) be accretive to earnings within a reasonable period of time.

COMPETITIVE ADVANTAGES

Although the Company operates in a highly competitive environment, USEC believes that the following factors should enable it to compete effectively and continue as the world leader in the uranium enrichment market:

- Strong Financial Position. USEC's strong financial position results from a significant backlog of contracted services attributable to established customers and a pro forma balance sheet at March 31, 1998 with $550.0 million in debt (representing 32% of total capitalization, adjusted to include short-term debt). The Company has long-term requirements contracts with utilities to provide uranium enrichment services aggregating approximately $3.2 billion through fiscal 2000 and $7.4 billion through fiscal 2009.

- Favorable Arrangements with the U.S. Government. The Company is the beneficiary of several favorable long-term arrangements with the U.S. Government, implemented in connection with the Privatization. These arrangements, which will continue following the Privatization, include:

  - An advantageous lease providing for nominal rent payments for its production facilities with an open term renewal option;

  - Low-cost power purchase arrangements pursuant to which USEC purchases electricity (which represents up to 59% of the Company's production costs) at an average cost of less than 2 cents/kWh; and

  - The assumption by the U.S. Government of substantially all liabilities arising from the operation of the GDPs prior to the Privatization, including substantially all environmental liabilities.

- AVLIS. USEC has the exclusive commercial rights to the AVLIS technology developed by the U.S. Government and believes that it has a considerable lead-time advantage over others attempting to develop similar laser-based uranium enrichment technology. The Company believes this new technology has the potential to offer significant cost advantages over both gaseous diffusion and centrifuge

technology. The Company estimates that AVLIS will use only 5% to 10% of the power currently required of gaseous diffusion, will require significantly less capital investment than new centrifuge plants of similar capacity and will operate at levels requiring about 20% to 30% less natural uranium to produce comparable amounts of enriched uranium.

- Ability to Complete Sales from Natural Uranium Inventory. USEC is positioned to supplement its uranium enrichment revenues through new sales of natural uranium. USEC's existing inventory contains a substantial amount of natural uranium, which has been supplemented by the transfer of additional uranium from the U.S. Government. See "Business -- Natural Uranium and HEU from DOE."

- Executive Agent Under an U.S./Russia Agreement. USEC is the Executive

Agent for the United States under a government-to-government agreement between the United States and the Russian Federation. In this capacity, USEC purchases from Russia the SWU component of LEU derived from HEU recovered from dismantled nuclear weapons of the former Soviet Union. Although acting as U.S. Executive Agent may pose certain risks, the arrangement provides an important strategic opportunity for USEC to introduce additional uranium enrichment services from Russia to the global market on an orderly basis and in a competitive manner that ensures the reliability and continuity of supply to enrichment customers. See "Business -- Russian HEU Contract."

SALES AND MARKETING

One of the Company's top priorities has been to obtain additional commitments from existing customers and to add new customers. In pursuing this priority, the Company has initiated a flexible approach to both pricing and service, including shortening customer order lead times and introducing systems to manage natural uranium provided by customers, while implementing a variety of initiatives designed to improve customer service.

The Company has contracts with 64 nuclear utility customers operating 273 nuclear reactors located in 14 countries. USEC provides enrichment services to 176 of these reactors. Domestic customer purchases accounted for 60% of the Company's fiscal 1997 revenue and foreign customers represented 40%. The proportion of annual revenue generated from domestic and foreign customers is expected to remain relatively constant through the end of the decade.

Following the Transition Date, the Company established a Sales and Marketing unit as a part of its strategy to grow its core business. This unit now includes 18 professionals working in three groups. The first group includes persons responsible for direct sales and is organized into two teams covering the North American and international markets, respectively. The sales executives negotiate contracts and work to establish ongoing positive relationships with their assigned customers. The second group focuses on customer service and revenue accounting. The third group develops and sustains USEC's competitive differentiation in the marketplace with the goal of ensuring that the Company maintains its market position in pricing, customer value-added service and market share.

As a part of its marketing strategy, the Company endeavors to differentiate its services from those of its competitors. In this regard, the Company believes that in making their purchasing decisions, utilities consider the price of enrichment services to be the most significant factor; however, issues of reliability, product quality and customer service are also important. The Company believes that it offers competitive prices and that it delivers superior customer service. In addition, the Company has a strong reputation as a reliable long-term supplier of enrichment services. See "Business -- Competition." Consequently, the Company's marketing strategy includes efforts to educate utilities to associate the combination of these positive features - competitive pricing, customer service, reliability - with the "USEC" name. USEC believes that this name "branding" strategy will help differentiate its services from those of its competitors and enhance its position as the industry leader.

No one customer accounted for more than 10% of fiscal 1997 revenue. The Company's 10 largest customers collectively accounted for 50% of its fiscal 1997 revenue and included Arizona Public Service Company, Carolina Power and Light Company, Commonwealth Edison Company, Empresa Nacional Del Uranio, S.A. (Spain), Houston Lighting & Power Company, The Kansai Electric Power Company,

Incorporated (Japan), Korea Electric Power Corporation, PECO Energy Company, Tennessee Valley Authority and Tokyo Electric Power Company, Inc.

CUSTOMER CONTRACTS AND PRICING

Overview. In excess of 95% of enrichment services are provided by primary suppliers selling directly to utilities under multi-year contracts. While some of these contracts are for fixed quantities, the vast majority are "requirements" contracts. Under a requirements contract, enrichment services are provided as and when needed. The amount of enrichment services actually purchased, therefore, depends on a number of factors including the capacity and performance of the reactor. Under this type of contract, the supplier receives the benefit of increases and assumes the risk of reductions in demand. Transactions are small in number but large in size, with a typical contract exceeding $50 million in value. Purchasing strategies tend to differ by utility size, region of the world and the relative value placed upon reliability, price and flexibility. There is an emerging trend among utilities to divide their purchases among several shorter-term contracts and stagger their renegotiations, thereby giving themselves maximum flexibility to respond to the market.

The Company currently provides enrichment services to customers under two types of requirements contracts: (i) the "Utility Services Contracts," which are the uniform contracts that were transferred to the Company by DOE on the Transition Date, and (ii) New Contracts, which are (A) contracts negotiated or renegotiated by the Company with existing and new customers since the Transition Date which have been tailored to meet the particular needs of individual customers and (B) certain Utility Services Contracts which have been substantially amended since the Transition Date. A majority of USEC's customers have transitioned from their older Utility Service Contract or equivalent contract to New Contracts.

CUSTOMERS AND REVENUE BY CONTRACT TYPE

	UTILITY SERVICES CONTRACTS	NEW CONTRACTS
Number of utility customers	50	10
FY 1995 Revenue	80%	20%
Number of utility customers	39	25
FY 1996 Revenue	58%	42%
Number of utility customers	34	30
FY 1997 Revenue	46%	54%
Number of utility customers	29	35
Nine months ended March 31, 1998 Revenue	47%	53%

Utility Services Contracts. As originally executed by DOE and the customers in 1984, the Utility Services Contracts have a term of 30 years. Pursuant to the terms of these contracts, a customer may terminate its future purchase obligation without penalty if it provides 10 years' prior notice of such termination and may terminate on shorter notice by incurring a substantial termination fee.

Twenty-one customers with Utility Services Contracts are not obligated to purchase from USEC in at least one of the fiscal years 1999 through 2002 pursuant to their exercise of termination rights prior to the Transition Date.

To avoid anticipated terminations and facilitate new contract discussions, the Company has waived the 10-year notice provision for each year from fiscal 2003 through 2008, inclusive. Accordingly, the Utility Service Contract customers who have not already exercised the termination right or who have not already made firm commitments for these years can now terminate commitments to the Company in any of fiscal 2003 through 2008 by giving notice no later than October 1, 1998.

As of March 31, 1998, 17 customers with Utility Services Contracts are not obligated to purchase from USEC in at least one of the years 2003 through 2008 pursuant to their exercise of termination rights. Furthermore, the Company expects that, unless the advance notice requirement is again waived in fiscal 1999,

most or all of the remaining customers with Utility Services Contracts who have not yet exercised these rights will exercise such rights with respect to the fiscal 2003 to 2008 period prior to October 1, 1998.

The Company believes that regardless of whether they have exercised their termination rights, many of these customers have not yet made any decisions regarding purchases for fiscal 2003 through 2008, in part because of the long-term nature of these requirements. The Company intends to vigorously pursue contracts with such customers.

Under certain situations, the Utility Services Contracts provide customers with the flexibility to vary the percentage of their annual purchase commitments. Specifically, if the customer has agreed to purchase 70% or more of its annual requirements from the Company, then it may vary its commitment between 70% and 100% with five-years' notice to the Company. The Company has waived the five-year notice requirement for customers that committed to purchase 70% or more of their requirements from the Company in fiscal 1999 as long as they respond by April 1, 1998 and in fiscal 2000, 2001 and 2002, as long as they respond by October 1, 1998.

New Contracts. The Company's New Contracts are also primarily requirements contracts. The New Contracts have been individually negotiated with each utility. This has allowed the Company to tailor the economic, legal and operational terms in response to specific customer needs. The terms of the New Contracts have been in the range of 3 to 11 years and such contracts typically do not contain advance termination provisions. Terms contained in the New Contracts include establishment of accounts for customer-owned natural and enriched uranium, allocation of financial responsibility for taxes and future regulatory charges, limitation of liability for damages, and protection against liability to third parties arising from nuclear incidents. Additionally, consistent with the Company's goal of providing maximum flexibility to customers, many New Contracts contain options, tailored to each customer's particular needs, that permit customers to increase and decrease the percentage of requirements purchased from USEC in specific years.

The Company believes that its willingness to provide flexible contract terms has been instrumental in its ability to successfully compete for and capture open demand. The Company also believes that the advent of shorter contract terms is an industry-wide phenomenon: utilities have been experiencing rapid changes in their industry and have been less willing to enter into extended obligations. This trend toward shorter contract terms requires that the Company, as well as its competitors, pursue new sales with greater frequency. The general effect of this is to increase the level of competition among uranium enrichment suppliers for new SWU commitments. See "Risk Factors -- Competition; Currency Exchange Rates; Trend Toward Lower Pricing."

Calculation of "Backlog". Under both types of contracts, customers are required to provide non-binding estimates of their SWU requirements to the Company to facilitate the Company's ability to forecast production requirements and revenue. The dollar amount of the SWU that the Company's customers are anticipated to purchase pursuant to the foregoing calculation is referred to in this Prospectus as the Company's "backlog" or as the aggregate dollar amount of enrichment services that the Company expects to sell pursuant to its multi-year requirements contracts with utilities. Because the Company expects that most of the customers with Utility Services Contracts will exercise their right to terminate commitments in years 2003 through 2008, the Company has not relied on their estimates of expected purchases in such years in calculating the backlog.

Pricing. Uranium enrichment services are priced based upon SWU. Historically, the U.S. Government established a uniform price under long-term SWU contracts that was required by law to be based upon a recovery of the U.S. Government's costs in producing SWU and was subject to annual adjustment.

The base price of the Utility Services Contracts transferred to the Company on the Transition Date was $125 per SWU (the "Base Price"). The Company has not increased the price under contracts transferred from DOE, and as of March 31, 1998 the price remained $125 per SWU. The Company's Base Price is generally applicable to 70% of requirements purchased by customers under Utility Services Contracts. This Base Price may be adjusted upward or downward by the Company with 180 days' notice so long as it does not exceed a ceiling charge established under a formula in the Utilities Services Contracts.

Currently, although SWU is essentially a commodity product, there are no standard indices in the long-term SWU market and contracts are entered into on a confidential basis. New SWU prices under long-term contracts are influenced by supply and demand dynamics in the market. Prices for uranium enrichment services under the New Contracts are negotiated. They are influenced by the volume and timing of the customer's open SWU commitments, perceptions of future market prices and the variety of options and operational flexibility required. New Contracts provide for prices that are significantly lower than the current Base Price under the Utility Services Contracts, reflecting current market conditions. See "Risk Factors -- Competition; Currency Exchange Rates; Trend Toward Lower Pricing," "Management's Discussion and Analysis of Financial Condition and Results of Operations." New Contracts generally provide that prices are subject to adjustment for inflation and, subject to certain limitations, for cost increases incurred by the Company resulting from changes in regulatory requirements.

The spot market is driven by excess customer inventories, often brokered through an independent trader and sold to utilities with open demand not under contract. The average spot market price was approximately $79 per SWU in calendar 1986. By the spring of 1990, the full sales effect of utilities' excess inventory and SWU from the former Soviet Union entering into the spot market pushed the spot market price to a low of $49 per SWU. The average spot market price was approximately $91 per SWU in 1997. In 1997, the spot market supplied less than 2% of the total world market for enrichment services.

RUSSIAN HEU CONTRACT

Overview. The Company has been designated by the U.S. Government to act as its Executive Agent in connection with a government-to-government agreement between the United States and the Russian Federation relating to the acquisition of LEU derived from HEU recovered from dismantled nuclear weapons from the former Soviet Union. In January 1994, the Company signed the Russian HEU Contract with Tenex, Executive Agent for Minatom, which, in turn, is the Executive Agent for the Russian Federation. Under the contract, USEC expects to purchase up to approximately 92 million SWU contained in LEU over a 20 year period according to a specified schedule. The LEU will be derived from up to 500 metric tons of HEU being blended down in Russia to a level suitable for commercial power reactor fuel.

In April 1997, the Company entered into the Executive Agent MOA with the United States Department of State and DOE whereby the Company has agreed to continue to serve as the U.S. Executive Agent following the Privatization. Under the terms of the government-to-government agreement and the Executive Agent MOA, the Company can be terminated, or resign, as U.S. Executive Agent upon the provision of 30 days' notice. In the event of termination or resignation, the Company would have the right and the obligation to purchase SWU that is to be delivered during the calendar year of the date of termination and the following calendar year. The Executive Agent MOA also provides that the U.S. Government can appoint alternate or additional Executive Agents to carry out the

government-to-government agreement.

SWU Component of Russian LEU from HEU. USEC ordered 3.3 million SWU in calendar 1997, of which 3.2 million SWU had been delivered as of March 31, 1998, and 4.4 million SWU were ordered for calendar 1998. USEC has committed to order up to 5.5 million SWU in each of the calendar years 1999, 2000 and 2001. The quantities and the mechanism for establishing prices for SWU purchases under the Russian HEU Contract through 2001 have been set, although prices for SWU delivered in 1999, 2000 and 2001 are subject to price adjustments based on U.S. inflation. The contract provides that the parties will meet in 2000 and may at that time agree on quantities and prices for the five years beginning in 2002. The Company expects to purchase 5.5 million SWU in each of the years following 2001 during the remaining term of the Russian HEU Contract.

The price the Company is currently paying for the Russian SWU is substantially higher than the Company's marginal cost of producing SWU at the GDPs. See "Risk Factors -- Risks Associated with Purchases Under the Russian HEU Contract." Consequently, although the Company presently can resell the Russian SWU for more than the Company is paying, such sales are less profitable than sales of SWU produced at the GDPs. Nevertheless, as the only U.S. provider of enrichment services today and as a result of its strong technical capability, backlog and financial position, the Company believes that it is uniquely

positioned to act as U.S. Executive Agent under the Russian HEU Contract. The Company believes it can best integrate this additional supply of enrichment services into the market in a manner that minimizes market disruption and ensures the reliability and continuity of economic supply to electric utilities.

USEC pays for the SWU delivered under the Russian HEU Contract within 60 days after delivery. In order to facilitate and support the Russian Federation's implementation of the contract, however, the Company made advance payments to Tenex of $60 million in calendar 1994 and $100 million in each of calendar years 1995 and 1996. USEC credits advance payments, up to $50 million per year, against half of the SWU value in each delivery received and makes cash payments for the remaining portion. As of March 31, 1998, $162.0 million of the $260.0 million in advance payments had been credited against the 6.5 million SWU purchased. From inception of the Russian HEU Contract to March 31, 1998, the Company purchased 6.5 million SWU derived from 35 metric tons of HEU at an aggregate cost of $556.5 million, including related shipping charges.

Natural Uranium Component of Russian HEU. Although the Russian HEU Contract as originally executed in 1994 obligated USEC to purchase the natural uranium component of LEU deliveries, USEC and Tenex amended the contract in 1996 in accordance with the Privatization Act to provide that with respect to all LEU deliveries under the contract after January 1, 1997 USEC would transfer the natural uranium component of such deliveries to Tenex. Consequently, since January 1997, USEC has purchased (and has committed to purchase in the future) only the SWU component of LEU delivered by Tenex under the contract. With respect to deliveries in calendar years 1995 and 1996, as directed by the Privatization Act, USEC purchased both the SWU and natural uranium components and transferred the natural uranium component to DOE in December 1996.

NATURAL URANIUM AND HEU FROM DOE

Under the Privatization Act, DOE is required to transfer to the Company, at no cost, up to 50 metric tons of HEU and up to 7,000 metric tons of natural uranium from DOE's stockpile subject to certain restrictions. See "Pro Forma Financial Information -- Pro Forma Balance Sheet." The 50 metric tons of HEU represents 3.4 million SWU and 5,000 metric tons of natural uranium. The Company is responsible for costs related to the blending of the HEU into LEU, as well as certain transportation, safeguards and security costs. The Company received the 7,000 metric tons of natural uranium in April 1998 and anticipates receiving the 50 metric tons of HEU over the period September 1998 to September 2003. The Privatization Act places certain limits on the ability of the Company to deliver

this material for commercial use in the United States. In particular, the Company may not deliver for use in the United States (i) more than 10% of the uranium in any calendar year, or (ii) more than 800,000 SWU contained in LEU in any calendar year.

In May 1998, the Company also received an additional 3,800 metric tons of natural uranium and 45 metric tons of LEU to settle DOE's liabilities for nuclear safety upgrade costs and to satisfy certain other remaining obligations of DOE to the Company. The 45 metric tons of LEU represent 280,000 SWU and 453 metric tons of natural uranium. The Company may not deliver such uranium for commercial use in the United States over less than a four-year period.

The following chart sets forth USEC's SWU and natural uranium inventory, together with transfers that USEC has already or expects to receive from the U.S. Government.

USEC SWU AND URANIUM INVENTORY AND EXPECTED TRANSFERS

	SEPARATIVE WORK UNITS	URANIUM AS UF(6)
	(THOUSANDS)	(METRIC TONS)
Inventories at March 31, 1998	7,944	12,145
Transfer of 45 metric tons of LEU	280	453
Transfer of 3,800 metric tons of uranium	--	3,800
Transfer of .8 metric tons of HEU	342	211
Transfer of 7,000 metric tons of uranium	--	7,000
Transfer of 50 metric tons of HEU	3,400	5,000
	11,966	28,609

The average annual price in the spot market for a kilogram of uranium as UF(6), based on month-end data, was $37.10 in 1997, $46.71 in 1996, $35.59 in 1995, $29.66 in 1994, and $30.59 in 1993.

Depending on customer requirements and other factors, the Company expects to retain the equivalent of approximately 5,000 metric tons of natural uranium to meet ongoing operational requirements, and would anticipate, over time, selling the remaining inventory. USEC plans to sell this natural uranium gradually, as uranium or together with SWU in the form of enriched uranium product, through 2005. The Company intends to manage its sales of natural uranium so as to not significantly affect the U.S. natural uranium market. See "Risk Factors -- Natural Uranium Sales."

GDPS/OPERATIONS

The Company's GDPs at Paducah and Portsmouth are among the largest industrial facilities in the world. The process buildings at the two GDPs have a total floor area of approximately 330 acres and a ground coverage of about 167 acres. The GDPs are designed so that cells or groups of equipment can be taken off line with little or no interruption in the process. In fiscal years 1995, 1996 and 1997, the GDPs produced 13.6 million SWU, 10.6 million SWU, and 10.3 million SWU, respectively, based on operating tails assays. The Company's operations at the GDPs involve certain risks which are described in "Risk Factors -- Risks Associated with Enrichment Operations."

Paducah. The Paducah GDP is located in McCracken County in western Kentucky. The total site covers 750 acres and consists of four process buildings. The plant has been in continuous operation since September 1952. Between 1971 and 1982, the plant underwent extensive improvements.

Paducah has been certified by the NRC to produce low enriched uranium up to 2.75% U(235) and has a design capacity of 11.3 million SWU per year. Uranium enriched at the Paducah GDP is shipped to the Portsmouth GDP for further enrichment. The Company may seek approval to operate Paducah to produce enriched uranium up to 5% U(235), which would provide the Company with additional operating flexibility to meet customer requirements. In order to ship enriched uranium to fuel fabricators from this facility, certain modifications to the shipping and handling facilities at the Paducah GDP would be required.

The Paducah GDP is located near the New Madrid fault line. The Company has obtained a commitment for property and business interruption insurance, including earthquake coverage, which will become effective upon completion of the Privatization. The coverage limit under this all-risk policy will be less than the total insurable value of the plants and is subject to a $5 million deductible.

Portsmouth. The Portsmouth GDP is located in Pike County in south central Ohio. The plant site covers 640 acres and consists of three process buildings. It was completed in 1956 and has been in continuous

65

operation since that time. As at the Paducah GDP, the Portsmouth GDP was substantially renovated between 1971 and 1983.

Portsmouth was originally designed and constructed to produce HEU for the United States Nuclear Weapons and Naval Reactors program. Because of a change in military requirements, the HEU production equipment was taken out of service. The plant has been certified by the NRC to produce product enriched to a maximum of 10% U(235). The design capacity of the production equipment is 7.4 million SWU per year.

Capital Improvements. The GDPs are approximately 45 years old. In 1983, DOE completed the Cascade Improvement Program ("CIP") and the Cascade Uprating Program ("CUP"), substantially upgrading the GDPs. CIP incorporated the most recent advances in gaseous diffusion technology, primarily by installing an improved barrier in most sections of the plants. At a cost of approximately $700 million, this program increased the capacity of the GDPs from 12.5 million to approximately 16.5 million SWU per year and reduced per unit power consumption without additional operating costs. The CUP increased the power handling capacity of the two-plant complex from 4,500 megawatts to 5,300 megawatts (5,190 megawatts excluding the high assay portion of the Portsmouth GDP) by installing motors with larger power ratings and improving the design capacity of the electrical systems and cooling towers. At a cost of approximately $260 million, this program increased the design capacity of the plants to a total of approximately 18.7 million SWU per year. Together, CIP and CUP increased the separative capacity of the two GDPs by approximately 50% (Paducah from 7.3 to 11.3 million SWU per year and Portsmouth from 5.2 to 7.4 million SWU per year), thereby enabling the GDPs to more efficiently utilize power resources.

The Company is continuously performing maintenance work on and upgrading the facilities. The Company spent $25.8 million for capital expenditures, primarily relating to GDP improvements, in fiscal 1997. The Company expects its GDP-related capital expenditures to be approximately $15 to $35 million each year through fiscal 2000. Planned capital and major maintenance expenditures are expected to be sufficient to maintain the operability of the plants at least through 2005.

Equipment and Parts. The process equipment at the GDPs has historically had low failure rates. Failed components (such as compressors, coolers, motors and valves) are removed from the process and repaired or rebuilt on site at each of the GDPs. Common industrial components, such as the breakers, condensers and transformers in the electrical system, are procured as needed. In light of the fact that the GDPs were initially constructed in the 1950s, some components and systems may no longer be produced, and spares for such parts may not be readily

available. In these situations, replacement components or systems are identified, tested, and procured from existing commercial sources, or the plants' technical and fabrication capabilities are utilized to design and build replacements. Another source of replacement equipment has been DOE's Oak Ridge, Tennessee enrichment facility which has been shut down. Large quantities of components have been relocated from Oak Ridge to the GDPs.

The GDPs currently use freon as the primary process coolant. The production of freon in the United States was terminated as of December 31, 1995. In order to ensure that the Company continues to have enough freon to meet its needs, the Company is actively working to reduce leakage of freon at the GDPs, with a goal to reduce losses by about 40% over the next five years. Freon leaks from pipe joints, sight glasses and tubes. Leakage from the GDPs is at about a 6% rate, resulting in leakage of approximately 700,000 pounds of freon per year. The Company has a strategic reserve of 2.8 million pounds of freon. The Company believes that its efforts to reduce freon losses and its strategic inventory of freon should be adequate to allow the GDPs to continue to utilize freon through at least the year 2001. A program is underway to identify and validate an alternative coolant to be used once the freon inventory is depleted.

Cell Availability. In order to utilize power most efficiently, the Company seeks to maintain 90% or more of its large production cells on line. Since the Transition Date, the Paducah GDP has generally operated with 85% to 97% of the large production cells in operation. Reductions in cell availability are typically short term and result from equipment failures and planned maintenance. For the nine months ended March 31, 1998, performance was 93% of total capacity. Since the Transition Date, the Portsmouth GDP has generally operated in the range of 65% to 92% of the large production cells in operation. For the nine months ended March 31, 1998, the plant was operating at 71% of planned capacity due to equipment failures and increased

maintenance requirements. The ability to return cells to service quickly at Portsmouth has been less successful than at Paducah. Cell availability rates have been better at the Paducah GDP than the Portsmouth GDP in part due to the greater availability of larger cells at the Paducah GDP. Because both GDPs produce approximately the same amount of enriched uranium, the Portsmouth GDP, with fewer large cells, is required to work harder. This mode of operation necessarily results in more maintenance requirements for the cells at the Portsmouth GDP. Management has initiated a program designed to improve both the availability and reliability of the cells at Portsmouth.

Cost Management/Efficiency Improvement. Following the Transition Date, USEC formalized a program to focus on the cost of production at the GDPs with a view towards containing such costs to the extent practicable. The result of this effort was the adoption of certain cost containment goals. Such goals are now set forth in USEC's strategic plan through fiscal 2005. These cost containment goals set certain targets to be achieved through a combination of cost containment measures, productivity improvements in power utilization and increased SWU production per labor hour.

Cost reduction efforts are focused in several areas of the production operation. Since power costs constitute 53% to 59% of total production costs, efforts are continuously ongoing to identify potential cost reductions in this area. Power cost savings are achieved by maximizing the efficient utilization of power at the GDPs and prudent non-firm power purchases. Other areas targeted for cost reduction include major maintenance, capital projects, depleted UF(6) disposal and contaminated waste disposal.

Purchasing and Materials Management. The purchasing and materials units are responsible for the acquisition of all supplies, materials and services for USEC headquarters and the GDPs. These units are generally organized with a central procurement function and local purchasing and materials management functions at the sites. In addition, the GDPs use an automated purchasing and materials management system which is integrated with receiving, inventory control,

accounts payable and the general ledger system. This automated system helped to facilitate a number of improvements at the GDPs, including the use of systems contracts; blanket purchase agreements; electronic data interchange with customers, vendors and others with whom the Company or LMUS does business; and activity based costing inventory analysis. In addition, more cost effective methods of inventory control are being implemented. As a result of these organizational and technological advancements, the Company has achieved cost reductions in materials and services as well as inventory reductions.

Preventive Maintenance Program. To help ensure reliable and safe operations, the GDPs utilize an extensive preventive maintenance program. Among the program's objectives are to ensure that safety systems are maintained in a condition adequate for the protection of the public and plant workers, as well as to extend the life of plant equipment and prevent premature failures. Comprehensive preventive maintenance systems are in place to ensure continued compliance with health, safety and environmental standards.

LMUS Contract. Before USEC was formed, the GDPs were administered through a management and operations contract between DOE and Martin Marietta Energy Systems, Inc. (a predecessor of Lockheed Martin Energy Systems, Inc. ("LMES")), with DOE providing the funding and oversight of the contractor's operations. Effective October 1, 1995, this contract arrangement was changed to an operations and maintenance ("O&M") contract with LMUS, a subsidiary of Lockheed Martin, pursuant to which USEC manages the GDPs and LMUS operates and maintains the GDPs (the "LMUS Contract"). Under the LMUS Contract, LMUS provides the labor, services, materials and supplies required to operate and maintain the GDPs, other than the required natural uranium and power. The Company funds LMUS for its costs, subject to strict budget controls and various caps on liability. The LMUS Contract contains a specific statement of work typical of commercial O&M contracts as well as additional financial controls and incentives. Under the LMUS Contract, the contractor is paid a base fee and has the ability to earn incentive fees by demonstrated improvements in production capability, regulatory performance, cost reduction, safety and customer responsiveness. There is also a provision for an independent additional one-time bonus at the end of the initial three-year contract.

The LMUS Contract expires on October 1, 2000. The LMUS Contract may be terminated by the Company without penalty upon six months' notice.

Under the LMUS Contract, USEC is responsible for and accrues for its pro rata share of pension and other post-retirement health and life insurance costs relating to LMUS employee benefit plans. Post-retirement benefits are provided to LMUS employees under LMES-sponsored employee benefit plans with LMUS participating as an affiliated employer.

LEASE AGREEMENT

The Lease Agreement, which commenced on July 1, 1993, had an initial term of 6 years. The Company has the right to extend the Lease Agreement indefinitely, with respect to either or both GDPs, for successive renewal periods. In June 1997, the Company renewed the Lease Agreement for both GDPs for an additional five year term expiring on June 30, 2004. The Company may terminate the Lease Agreement, with respect to one or both GDPs, by providing two years' prior notice to DOE. The Company leases most, but not all, of the buildings and facilities at the GDP sites. The Company may increase or decrease the property under the Lease Agreement to meet its changing requirements. Within the contiguous tracts, certain buildings, facilities and areas related to environmental restoration and waste management have been retained by DOE and are not leased to the Company.

Lease Agreement payments include a base rent representing DOE's costs in administering the Lease Agreement, including costs relating to the electric power contracts, and costs relating to DOE's regulatory oversight of the GDPs. The Company expects that the cost of the Lease Agreement will be $3.2 million in

fiscal 1998.

The Lease Agreement permits DOE to store personal property, including certain hazardous materials, at the GDPs. The Lease Agreement also permits DOE to bring additional hazardous materials to the GDPs with the Company's express and specific written consent and as long as it does not significantly interfere with Company operations, and makes DOE solely responsible for the care and maintenance of DOE's personal property, any costs of its removal or disposal and for the decontamination and decommissioning of such personal property except to the extent such liability arises out of the Company's negligence or willful misconduct.

At termination of the Lease Agreement, the Company may leave the property in "as is" condition, but must remove all waste generated by the Company which is subject to offsite removal and must place the GDPs in a safe shutdown condition. Upon termination of the Lease Agreement, DOE is responsible for the costs of all decontamination and decommissioning of the GDPs. If removal of any USEC capital improvements increases DOE's decontamination and decommissioning costs, the Company is required to pay such increases. Title to capital improvements not removed by the Company will automatically be transferred to DOE at the end of the Lease Agreement term. The Company anticipates accruing $5.6 million per year for lease turnover costs in each of fiscal 1998 and 1999.

DOE is required under the Lease Agreement to indemnify the Company for certain costs and expenses, including: (i) certain environmental liabilities attributable to operations prior to the Transition Date; (ii) certain employee pension, welfare and other benefits or liabilities incurred or accrued prior to the Transition Date; and (iii) costs or expenses relating to actions taken or not taken prior to the Transition Date pursuant to contracts transferred to the Company on the Transition Date. In addition, under the Lease Agreement DOE is required to indemnify the Company for costs and expenses related to claims asserted against or incurred by the Company arising out of DOE's operation, occupation or use of the GDPs after the Transition Date. DOE activities at the GDPs since the Transition Date have been focused primarily on environmental restoration and waste management and management of depleted UF(6). DOE is required to indemnify the Company against claims for public liability (i) arising out of or in connection with activities under the Lease Agreement, including transportation and (ii) arising out of or resulting from a nuclear incident or precautionary evacuation. DOE's obligations are capped at the $8.96 billion statutory limit set forth in the Price-Anderson Act for each nuclear incident or precautionary evacuation occurring inside the United States.

POWER

Overview. The GDPs require substantial amounts of electric power. Costs for electricity are the Company's largest operating cost, representing 53% to 59% of the Company's production costs. A substantial portion of the electricity for the GDPs is supplied under contracts at average prices below 2c/kWh. Historically, USEC has purchased approximately two-thirds of its requirements under firm contracts, and the remaining one-third as non-firm energy.

At recent electricity rates, average production cost per SWU is lowest when the GDPs are operated at a production level of approximately 13 million SWU per year. At this production level, the plants require approximately 33 million megawatt hours of electric energy per year or an average power level of 3,700 megawatts. On average, during the first nine months of fiscal 1998 and during fiscal years 1997, 1996 and 1995, the GDPs were run at capacities that required 1,084, 1,400, 1,455 and 1,845 megawatts respectively, at Portsmouth and approximately 1,345, 1,725, 1,480 and 1,875 megawatts respectively, at Paducah. Operation of both GDPs at full capacity requires approximately 5,200 megawatts, which is equivalent to the approximate annual electricity consumption of the States of Connecticut or Arkansas. However, USEC anticipates that its energy consumption will decrease as its supply mix changes.

In the 1950s, a number of utilities formed two corporations to supply power to the GDPs -- EEI to serve Paducah and OVEC to serve Portsmouth. Pursuant to power purchase agreements between DOE and OVEC and EEI, each of which extends through calendar 2005, most of the electricity produced at the two power plants owned by OVEC and one such plant owned by EEI serves the GDPs. DOE transferred the benefits of these power purchase arrangements to USEC by the Electricity MOA. The Company also has an agreement with the Tennessee Valley Authority ("TVA") for the purchase of non-firm power for Paducah.

The Company has initiated a number of programs to reduce its power costs, including programs designed to (i) increase the efficiency of power utilization (i.e., the number of SWU produced per MWh of electric energy), (ii) manage the use of existing power resources to minimize cost per MWh, and (iii) pursue additional sources of economical power. At Paducah, the Company places considerable reliance on non-firm power, which historically has been more economical than firm power. Since non-firm power prices and reliability of supply vary with the time of year, time of day and weather conditions, the ability to adjust Paducah's electrical load in response to availability and price changes is an essential element in managing power costs. Therefore, Paducah operates equipment which facilitates the rapid changes of load on its enrichment equipment permitting corresponding rapid changes in electric load. This allows Paducah to swing as much as 400 MW of electrical load in one to two hours, providing prompt response to changes in the price of non-firm power. Decisions to purchase non-firm power are based upon production needs, anticipated power costs and production cost targets (dollar per SWU criteria).

Power Purchase Agreements. Pursuant to the EEI power purchase agreement, EEI is obligated to provide two types of firm power: "permanent Joppa power" and "firm additional power." Permanent Joppa power refers to the power that USEC receives from EEI's Joppa, Illinois plant. EEI is obligated to provide, and USEC through DOE, is obligated to purchase, a specified percentage (currently 60%) of that plant's annual capacity. USEC is obligated (i) to pay the demand charge, reflecting the pro rata share of operating costs, depreciation, interest charges, taxes and return on owner's capital, for the specified percentage regardless of whether USEC takes any energy and (ii) to pay an energy charge, which covers the pro rata share of the cost of fuel, for the energy USEC does take. If additional transmission facilities are required to deliver energy from non-EEI sources, USEC must pay 75% of these costs. In addition, USEC is obligated to pay any unamortized costs of additional or modified transmission facilities if it terminates the agreement. Either party may, on an annual basis, reduce its respective obligation by up to 10% of Joppa plant capacity with notice on or before the prior September 1. In addition, each party may reduce its obligation by a greater amount or terminate its obligation in its entirety with five years' notice.

Firm additional power refers to power that is supplied by the utility owners of EEI when permanent Joppa power is insufficient to meet the minimum power requirements of the Paducah GDP. The rate for firm additional power is EEI's cost plus a fee of up to $1.00 per MWh. EEI has discretion over when the permanent Joppa power will be made available to USEC during the year. As a result, EEI typically supplies

USEC with the more costly firm additional power during the peak demand periods of winter and summer, while supplying USEC with the permanent Joppa power during the low demand periods of spring and fall. Either party may cancel its commitment with respect to firm additional power by providing three years' written notice.

Under the OVEC power purchase agreement, OVEC must make available to USEC (through DOE) the net available capacity of its generating plants, less transmission losses and reserve capacity. The cost of permanent power consists of an energy charge, which covers the cost of fuel, and a demand charge, which reflects capital and operating costs, debt service, taxes and a return on owner's capital. In addition, USEC is required to pay the costs of additional

and replacement facilities. In the event USEC purchases less than OVEC's net available capacity, then USEC must pay the demand charge but not the energy charge. USEC may reduce its purchase obligation by up to 300 MW per six-month period by giving 60-months' notice and may also terminate the agreement upon three years' notice. If USEC needs power from sources other than OVEC's two power plants, OVEC is obligated to use its best efforts to obtain such power. This power may come from OVEC sponsoring companies or other sources and will be charged at OVEC's cost plus a fee of $1.00 per MWh. OVEC does not have the right to terminate the agreement or reduce its obligation.

At current production levels at the Portsmouth GDP, the Company does not need all of the power that it is obligated to purchase from OVEC, and, consequently, negotiates to reduce its purchases of the power from OVEC as agreed upon by the parties from time to time. The negotiation involves the reduction of the demand component of the OVEC power charge to USEC. USEC is not obligated to pay the energy component of power that is not utilized. The prices for such sales have generally been below the price at which USEC is obligated to purchase the power from OVEC.

Arrangements with DOE. While DOE remains the "named" purchaser under the power purchase agreements with EEI and OVEC, under the Electricity MOA, DOE must make available to USEC the power that it receives under the agreements. DOE must take all actions requested by USEC that are consistent with the terms of the power purchase agreements, including giving its consent to any modification, assignment or termination of the power purchase agreements requested by USEC, except for those which would either extend the term of an agreement or be inconsistent with DOE orders concerning procedures for contracting for utility services. DOE may not agree to any amendment, assignment or termination or otherwise exercise any rights or consent to any action of EEI or OVEC without the consent of USEC except in specified circumstances, such as an emergency.

Under the terms of the Lease Agreement, USEC must provide power purchased from EEI or OVEC to DOE for DOE's continuing environmental restoration and waste management operations at the Paducah and Portsmouth sites, and DOE must reimburse USEC for that power.

USEC is responsible for all costs associated with the power purchase agreements after the Transition Date, including its pro rata share of post-retirement obligations, and USEC and DOE are required to share the costs for the decommissioning, shut-down, demolition and closing of OVEC's power plants and the costs for the demolition and shutdown of EEI's power plant. With respect to OVEC these costs are allocated on the basis of the relative amount of energy consumed by OVEC, DOE and USEC subsequent to October 14, 1992, and with respect to EEI these costs are allocated on the basis of the relative amount of energy consumed by EEI, DOE and USEC over the life of the power purchase agreement.

ADVANCED LASER-BASED TECHNOLOGY

AVLIS. USEC plans to complete the development of and commence commercialization of AVLIS, the next generation of uranium enrichment technology, with the goal of remaining one of the lowest cost suppliers of uranium enrichment service and enhancing its competitive position. Commercial deployment of AVLIS is anticipated in 2005.

The AVLIS technology involves processing a uranium metal alloy feedstock, through the use of lasers and an enriched uranium collection system. The lasers selectively ionize the U(235) atoms, which become attracted to charged collector plates. The end product of this process is an enriched uranium metal alloy rather

than a UF(6) gas (which is the end product of the gaseous diffusion process). Under AVLIS, a large percentage of the U(235) atoms can be selectively ionized and separated from the U(238) atoms in one pass -- as compared to the gaseous

diffusion or centrifuge processes where isotope selectivity is several orders of magnitude less and requires many more repetitions to achieve the desired enrichment. Based on engineering studies and demonstrated systems performance capability, the Company believes that an AVLIS facility would use 5% to 10% of the power currently used by the GDPs to produce each SWU, require significantly less capital investment than new centrifuge plants, and use about 20% to 30% less natural uranium to produce comparable amounts of enriched uranium. In addition, the ability to use modular architecture in designing a laser-based system allows for flexible deployment, enabling capacity to be added as market demand so warrants.

AVLIS Deployment. Since 1973 the U.S. Government has spent more than $1.7 billion on research and development, technology development and demonstration activities related to AVLIS, including $325.0 million by USEC for pre-deployment activities from the time that the USEC Board determined in July 1994 to proceed with AVLIS through March 31, 1998. AVLIS deployment is expected to be accomplished in two phases and was estimated in September 1997 to cost approximately $2.2 billion from fiscal 1998 through fiscal 2005. The Company periodically re-evaluates its AVLIS estimated costs and currently believes this estimate could vary by up to 20%. The first phase, "performance demonstration, design and licensing," began in fiscal 1996 and extends through fiscal 2001. The estimated cost of the first phase is approximately $550.0 million for fiscal 1998 through fiscal 2001. During this phase, the Company expects to (i) demonstrate the plant-like performance of the feed production, enrichment and product conversion processes by the end of 1999, (ii) complete the final design and detailed cost estimate for an AVLIS facility, and (iii) obtain NRC licensing and other regulatory approvals for the construction and operation of the AVLIS facility. The Company expects that the site selection process for the AVLIS facility will occur after the Privatization. Once the first phase is successfully completed, the Company will initiate the second phase.

The second phase, "procurement, construction and startup," is expected to begin in fiscal 2001 and end in fiscal 2005 with the deployment of AVLIS. The estimated cost to complete this phase is approximately $1.65 billion. During this phase, the Company expects to (i) procure the equipment for and begin construction of the AVLIS facility, (ii) develop plant operation procedures and train plant engineers and supervisors, (iii) startup the AVLIS facility and train operations and maintenance staff, and (iv) conduct final testing and perform system activation and integration. The Company currently anticipates operation of the AVLIS plant at an 8.7 million SWU capacity.

USEC has made certain significant strides toward its goal of deploying AVLIS, including the following: USEC has entered into an agreement with DOE pursuant to which USEC received royalty-free rights to the AVLIS technology for uranium enrichment and the ability to utilize DOE's AVLIS facilities at LLNL. Second, a USEC-managed group was established to help implement the AVLIS project. Third, a plant-like demonstration project was initiated which included an independent assessment of the state of development of the AVLIS enrichment process which resulted in clear identification of components and systems requiring priority attention. USEC has activated and expanded the LLNL demonstration facility to simulate a one-line enrichment plant and achieved positive performance demonstration levels in laser and separator systems. Demonstration of plant-like enrichment capability is scheduled to occur in calendar 1998. Fourth, the Company has entered into joint development agreements with Cameco Corporation ("Cameco") for AVLIS feed conversion services and General Electric Company ("GE") for AVLIS product conversion services. See "Risk Factors -- AVLIS."

The Company is using LLNL to provide scientific and engineering expertise in the performance verification and design areas. The Company has retained Bechtel Group, Inc. to perform architect engineering, engineering systems, and control systems services. Allied Signal Corporation is providing operations and maintenance technicians for operation of the demonstration facility at LLNL. BWX Technologies (formerly Babcock and Wilcox Naval Nuclear Fuels Division) is providing separator engineering and licensing services. All of the foregoing activities are being and will continue to be managed by the Company.

Ownership of Property Relating to AVLIS. In April 1995, the Company entered

into an agreement with DOE (the "AVLIS Transfer Agreement") providing for, among other things, the transfer to USEC by DOE

of its intellectual and physical property pertaining to the AVLIS technology. DOE has agreed that, upon the completion of the Offering, those patents will be assigned to USEC subject only to certain rights of the U.S. Government to use the patents (as well as certain other AVLIS-related intellectual property) for governmental purposes. Under the agreement, the Company is not obligated to pay DOE any royalties for its own use of AVLIS, or to pay any portion of royalties received from licensing AVLIS to third parties for enrichment of uranium or other materials for use in facilities for generating electricity.

Under the AVLIS Transfer Agreement, DOE conducts AVLIS research, development and demonstration at LLNL as requested by the Company. The Company reimburses DOE for its costs in conducting AVLIS work, and the Company is liable for any incremental increase in DOE's costs of decontamination and decommissioning the AVLIS facilities at LLNL as a result of the work performed for the Company. The AVLIS research and development work is performed primarily by the University of California under DOE's management and operations contract for LLNL. Inventions that result from this research and development effort will be owned by the Company.

Nuclear Fuel Cycle Issues. Because AVLIS requires a metallic form of uranium for processing rather than UF(6), new industrial capabilities will be required to prepare the feed for enrichment and to convert the enriched product to a form suitable for fabrication as fuel. The Company has entered into joint development agreements with Cameco for AVLIS feed conversion services and GE for AVLIS product conversion services. Under such agreements, if USEC elects not to proceed from the demonstration phase to the deployment phase, but Cameco or GE, as the case may be, elects to proceed, or if the agreement is terminated under certain circumstances, USEC must reimburse Cameco or GE, as the case may be, for costs and expenses incurred by them in accordance with the project budget and plans, and Cameco or GE, as the case may be, must transfer certain rights in technology and intellectual property developed in the course of the project to USEC. In the event USEC determines not to deploy AVLIS, these agreements together provide for a maximum cost reimbursement to GE and Cameco of $9.0 million prior to such decision, subject to certain provisions for any cost overruns. As of March 31, 1998, the Company's liability, in the event of termination, to both GE and Cameco was $1.8 million. The Company's potential liability under these agreements increases over time as GE and Cameco costs increase.

If USEC proceeds with AVLIS deployment but elects to do so without entering into an agreement with Cameco for feed conversion services or with GE for product conversion services, USEC is obligated to pay Cameco or GE, as the case may be, certain annual royalty payments. Any payments to Cameco would be based on the amount of uranium used by USEC in the AVLIS feedstock. In such event, these payments are estimated to total approximately $5 million per year for ten years but would not exceed $50 million in the aggregate. Payments to GE would include a fixed payment of $5 million plus an annual royalty of $1 million until certain GE patents related to the product conversion expire.

Pursuant to the AVLIS Transfer Agreement and the management and operating contract between DOE and the University of California (which operates LLNL for DOE), DOE is required to indemnify the University of California and the Company under the Price-Anderson Act against public nuclear liability which arises out of or in connection with research, development and demonstration activities at LLNL. The Energy Policy Act provides, however, that new uranium enrichment facilities will not be eligible for indemnification by DOE or the NRC under the Price-Anderson Act. The Company believes that it should be able to obtain commercially available nuclear liability insurance for all facilities needed to enrich and process uranium by AVLIS. See "Risk Factors -- AVLIS."

Additional Potential Applications of AVLIS Technology. In addition to

uranium enrichment, the Company is exploring strategic opportunities for other commercial uses of the AVLIS technology, such as the separation of other isotopes for nuclear power, medical and industrial applications and for machinery, drilling and coating applications. In connection with pursuing all or any of these technologies, the Company may determine to explore the feasibility of pursuing new business opportunities and may license the technology to others. Under the terms of the AVLIS Transfer Agreement, the Company must pay to DOE a portion of the royalties received by the Company for licensing to third parties applications of AVLIS (other than enrichment of uranium and other materials used in the generation of electricity).

Intellectual Property. The Company holds a large number of patents covering the AVLIS technology and relies on the patent laws, confidentiality procedures and contractual provisions to protect its proprietary information and intellectual property rights related to AVLIS. In the 1970s, a company which was at that time working on laser isotope separation filed a number of patent applications certain of which were issued and are currently in effect, and three of which will still be in effect in 2005. That company has advised USEC of its belief that AVLIS will use the company's technology. In addition, the Company is aware of patents issued to third parties which cover certain technology used in laser-based products. The Company believes that the systems planned to be employed by the Company in an AVLIS plant will not infringe on any issued patents held by third parties, or that the Company will be able to obtain necessary licenses or take other actions to otherwise avoid infringement. There are also 12 classified patent applications held by the above-mentioned company resulting from its work on laser isotope separation. If national security considerations ever allow these applications to be declassified and issued, these additional patents would be enforceable for 17 years from the date of issuance. The Company believes that declassification of these patent applications is unlikely. In addition, if these applications were declassified and patents issued and the holder thereof were able to make a successful claim of infringement, the Company believes that it would be able to obtain licenses to such patents or re-engineer the affected apparatus, system or method. See "Risk Factors -- AVLIS."

SILEX. USEC continues to keep abreast of alternative uranium enrichment technologies. In late 1996, USEC entered into an exclusive agreement to explore another advanced laser-based enrichment technology, called SILEX. The SILEX process has been under development in Australia since 1992 by Silex Systems Limited, an Australian company, at the facilities of the Australian Nuclear Science and Technology Organization. In fiscal 1997, USEC acquired the rights to the commercial utilization of the SILEX process. USEC is currently evaluating whether the SILEX technology has the potential to be deployable as an economic source of enrichment production in the early 21st century. Through March 31, 1998, the Company has spent $9.1 million on SILEX development activities.

COMPETITION

The highly competitive global uranium enrichment industry has four major producers -- USEC; Tenex, a Russian government entity; Eurodif, a consortium controlled by the French government; and Urenco, a consortium of British and Dutch governments and private German corporations. There are also smaller suppliers in China and Japan that primarily serve only a portion of their respective domestic markets. While there are only a handful of primary suppliers, there is an excess of production capacity as well as an additional supply of enriched uranium from the dismantlement of nuclear weapons in the former Soviet Union and the United States which is available for commercial use. See "Industry Overview -- Market for Enrichment Services." Most of this excess capacity is held by Tenex, which is subject to certain trade restrictions. See "Business -- Foreign Trade Matters." USEC also holds significant excess capacity. All of the Company's competitors are owned or controlled by foreign governments which may make business decisions based on factors other than economic considerations. See "Risk Factors -- Competition; Currency Exchange Rates; Trend Toward Lower Pricing."

Tenex, Urenco and JNFL use centrifuge technology which requires a higher initial capital investment but has lower ongoing operating costs than current gaseous diffusion technology. Urenco and JNFL have both announced expansion plans, which together could increase capacity by 2.0 million SWU after the year 2000. Eurodif and JNFL have previously announced that they are exploring new enrichment technologies.

The Company believes that it is well positioned to compete successfully in the industry. Global enrichment suppliers compete primarily in terms of price, and to a lesser degree on reliability of supply and customer service. The Company believes that its prices are competitive. See "Risk Factors -- Competition; Currency Exchange Rates; Trend Toward Lower Pricing" and "Business -- Strategy." Further, the Company is committed to delivering superior customer service. The Company believes that customers are attracted to its reputation as a reliable long-term supplier of enriched uranium, and the Company intends to continue strengthening this reputation.

REGULATORY OVERSIGHT

NRC. Pursuant to the Atomic Energy Act ("AEA"), the GDPs are regulated by the NRC. The NRC issued Certificates of Compliance to USEC for the operation of the GDPs in November 1996. After an interim period to allow an orderly transition from DOE oversight to NRC oversight, the Certificates of Compliance became effective and the NRC began regulatory oversight of USEC operations at the plants on March 3, 1997. The NRC found the Paducah and Portsmouth GDPs to be generally in compliance with NRC regulations but exceptions were noted in certain Compliance Plans, which set forth binding commitments for actions and schedules to achieve full compliance. The Lease Agreement obligates DOE to reimburse USEC for the costs associated with bringing the GDPs into compliance with the requirements of initial Certification. To settle this reimbursement, DOE has transferred to the Company uranium and LEU in the aggregate amount of $220 million, and thus the Company is now fully responsible for these costs. The transfers of 45 metric tons of LEU, 3,800 metric tons of uranium and .8 metric tons of HEU complete DOE's reimbursement to USEC for nuclear safety upgrade costs, the settlement of a remaining transition obligation and the settlement of other receivables. The transfers as of March 31, 1998 result in an accrued liability of $54.4 million representing the estimated completion costs for nuclear safety upgrades to be funded by the Company.

The Compliance Plan requires Paducah to complete seismic upgrading of two main process buildings to reduce the risk of release of radioactive and hazardous material (UF(6)) in the event of an earthquake. On March 20, 1998, the NRC issued direction for USEC to complete this upgrade project by June 30, 1999, which is anticipated to cost $23.0 million. USEC is also required to complete seismic upgrades on certain equipment at the Paducah GDP by September 30, 1998. The Compliance Plan also requires Paducah to update a DOE analysis to determine what the appropriate earthquake level should be for the evaluation of plant equipment and structures. Depending on the results of this updated seismic hazard and the application of the NRC's backfit requirements, additional seismic upgrades to the process buildings and other site structures and components may need to be implemented.

In accordance with the Compliance Plans, USEC submitted for NRC review DOE-prepared Safety Analysis Report ("SAR") updates. In addition, USEC is required to prepare and submit to the NRC an update of the facility and process descriptions contained in the current application. Depending on the results of the NRC review of the SAR updates and the facility and process description updates, USEC will be required to implement a number of changes to the plants and operations.

The NRC has the authority to issue Notices of Violation ("NOVs") for violations of the AEA, NRC regulations, or conditions of a certificate, Compliance Plan, or Order and to impose civil penalties for certain violations

of NRC regulations. The Company has received NOVs for violation of these regulations and certificate conditions, none of which exceeded $100,000. From time to time, the Company has received and may receive proposed notices of violations from the NRC. The Company does not expect that any proposed notices that it has received as of the date hereof will have a material adverse effect on the Company's financial position. In each case, USEC took prompt corrective action to bring the facilities back into compliance with NRC regulations and identified long-term improvements as well.

In accordance with NRC regulations, USEC pays an hourly fee ($125/hr in fiscal year 1998) to the NRC for NRC man-hours associated with Certificate-related reviews and inspections. Additionally, regulations require the payment of an annual NRC-assessed fee. For fiscal year 1998, the NRC assessed such fee at $2.6 million for the Portsmouth GDP and $2.6 million for the Paducah GDP.

Maintaining the certificates is conditioned upon adherence to Compliance Plans. The term of the initial NRC certification expires December 31, 1998. Subsequent certifications will be for periods of up to five years. In addition, the NRC must approve any transfer of the certificates. The Privatization Act prohibits the issuance of a license or certificate of compliance to the Company or its successor if the NRC determines that: (i) the Company is owned, controlled or dominated by an alien, a foreign corporation or a foreign government; (ii) the issuance of such a license or certificate of compliance would be inimical to the common defense and security of the United States; or (iii) the issuance of such a license or certificate of compliance would be

inimical to the maintenance of a reliable and economical domestic source of enrichment services. See "Risk Factors -- NRC Regulation."

DOE retains certain regulatory responsibility for those portions of the GDPs which are leased to USEC that contain HEU material. DOE will regulate the HEU material activities that occur in the leased areas until all of the HEU material has been blended down, all cylinders that contain HEU material are cleaned, and the associated areas are brought under NRC regulation. These activities are scheduled to be completed by January 1999.

OSHA. The Company's operations are also subject to laws and regulations governing worker health and safety. Through March 31, 1998, the Company had spent $27.0 million to address potential Occupational Safety and Health Act ("OSHA") non-compliances identified by DOE at the Transition Date. Interim actions have been taken to reduce any immediate health and safety risks associated with these potential non-compliances. The Company estimates that cash outlays aggregating $6.5 million from March 31, 1998 through 2000 will be required to address the remaining potential non-compliances. DOE has paid the Company the $35.0 million required by the Lease Agreement for modifications of the GDPs necessitated by OSHA standards in effect on the Transition Date.

ENVIRONMENTAL

Overview. The GDPs were operated by DOE and its predecessor agencies for approximately 40 years prior to the Transition Date. As a result of such operation of the GDPs, there are contamination and other potential environmental liabilities. The Paducah GDP has been designated as a Superfund site, and both GDPs are undergoing investigations under RCRA. However, the Privatization Act provides that the U.S. Government or DOE remains responsible for all liabilities arising from operation of the GDPs before the Privatization Date except for liabilities relating to certain identified wastes stored at the GDPs as of the Privatization Date that were generated after the Transition Date, including liabilities relating to the disposal of such waste after the Privatization Date. In addition, the Privatization Act and the Lease Agreement provide that DOE remains responsible for decontamination and decommissioning of the GDPs. Under the AVLIS Transfer Agreement, DOE is generally responsible for the decontamination and decommissioning (except for additional costs, if any, as a

result of USEC's operations) and any liability attributable to or arising out of DOE's ownership or operation of the LLNL, including, without limitation, those relating to pollution or contamination or any environmental claim (except for those resulting from the negligence or misconduct of USEC). USEC, however, retains liability for, and agrees to reimburse DOE for any liability attributable to actions taken by USEC or its agents, employees or contractors with respect to operation, occupation or use of, or activities at, LLNL or the AVLIS facility after April 27, 1995.

The Lease Agreement generally requires DOE to indemnify the Company for all costs and expenses arising out of DOE's operation of the GDPs for matters relating to (i) pollution or contamination from DOE's operations prior to the Transition Date; (ii) environmental claims for which DOE has assumed liability; (iii) liability as a result of the Company's status as a permittee, holder, signatory, operator, assignee or successor, to the extent such liability arises from DOE's operation prior to the Transition Date; and (iv) liability arising from polychlorinated biphenyls ("PCBs"), asbestos and certain other contaminants, except to the extent any such material has been introduced by the Company. In addition, the Lease Agreement requires DOE to indemnify and reimburse the Company for all costs and expenses arising from DOE's activities (which have been focused primarily on environmental restoration, waste management and management of depleted UF(6)) at the GDPs after the Transition Date and requires the Company to indemnify and reimburse DOE for all costs and expenses arising from the Company's operations at the GDPs after the Transition Date. See "Business -- Lease Agreement." The Privatization Act generally provides that liabilities attributable to the operations of the Company prior to the Privatization remain liabilities of the U.S. Government. To the extent an issue arises as to whether liability resulted from pre- or post-Privatization Date operations or releases of substances, USEC would seek to apply customary methods of establishing and allocating liability. USEC would negotiate in good faith with the U.S. Government and would evaluate a variety of factors in recommending each party's pro rata share of responsibility, such as the nature of the contaminant, the history of use, and the length of respective operations.

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The Company's operations are, and after the Privatization Date will continue to be, subject to numerous federal, state and local laws and regulations relating to the protection of health, safety and the environment, including those regulating the emission and discharge into the environment of materials (including radioactive materials). The Company is required to hold multiple permits under these laws and regulations. Environmental compliance is a high priority with the Company. The Company has established an internal environmental regulatory policy and oversight group that reports directly to senior management and has created incentives in the operating contract with LMUS predicated on compliance with environmental requirements.

In addition to costs for the future disposition of depleted UF(6), the Company incurs operating costs and capital expenditures for matters relating to compliance with environmental laws and regulations, including handling, treatment and disposal of hazardous, low-level radioactive and mixed wastes generated as a result of its operations. Operating costs relating to environmental matters amounted to approximately $24.9 million, $30.4 million and $30.0 million for fiscal years 1997, 1996 and 1995, respectively, and capital expenditures relating to environmental matters amounted to approximately $1.8 million, $3.5 million and $6.6 million for fiscal years 1997, 1996 and 1995, respectively. In fiscal years 1998 and 1999, the Company expects its operating costs and capital expenditures for compliance with environmental laws and regulations, including the handling, treatment and disposal of hazardous, low-level radioactive and mixed wastes to remain at about the same levels as in fiscal years 1997 and 1996 (exclusive of costs for future disposition of depleted UF(6)).

The ultimate costs under environmental, health and safety laws and the time period during which such costs are likely to be incurred are difficult to predict and can be significantly affected by changes in existing law. However,

the Company currently believes that environmental capital expenditures and costs will not have a material adverse effect on its financial condition, results of operation or liquidity.

Low-Level Radioactive Waste. The Company's operations generate low-level radioactive waste which is currently either stored on-site or shipped off-site for disposal at a commercial facility. Additionally, the Privatization Act requires DOE to accept for disposal, upon the Company's request, all low-level radioactive waste generated by the Company as a result of its operations at the GDPs. The Company is required to reimburse DOE for this service in an amount equal to DOE's cost, but in no event greater than the amount which would be charged for such service by commercial, state, regional or interstate compact entities.

Mixed Waste. The Company also generates mixed waste, which is waste having both a hazardous and radioactive component. The Company has contracted for and is shipping most of its mixed wastes offsite for treatment and disposal. Because of limited treatment and disposal capacity, however, some mixed wastes generated by the Company since the Transition Date are being temporarily stored at DOE's permitted storage facilities at the GDPs. Although RCRA and its Kentucky and Ohio counterparts generally require the Company to dispose of such wastes within certain time periods, the Company has entered into consent orders with the States of Kentucky and Ohio which permit the continued storage of mixed wastes generated by the Company at DOE-permitted storage facilities at the GDPs and provide for a schedule for sending such wastes to offsite treatment and disposal facilities, generally by the year 2000. The Company believes that it will treat or dispose of all of its historically generated mixed wastes within the time periods set forth in the consent orders (generally by the year 2000). However, there can be no assurance that the Company will be able to meet these deadlines due to a number of factors, including the amount of time required for the Company to determine the character of the wastes, the limited availability of treatment capacity, and whether the Company's waste streams can meet the treatability criteria established by treatment facilities. If the Company cannot meet the schedules, it may be required to request extensions and continued approval of the storage of mixed waste at the GDPs. There can be no assurance that such extension or approval will be given, in which case, the Company may be subject to enforcement action, including fines and penalties.

Uranium Hexafluoride Tails. The Company's operations generate depleted UF(6) as a result of its operations at the GDPs, which is currently being stored at the GDPs. Since the Transition Date, the Company has generated significant quantities of depleted UF(6). The Privatization Act and the depleted UF(6) MOA provide that all liabilities arising out of the disposal of depleted UF(6) generated before the Privatization Date will become direct liabilities of DOE. Depleted UF(6) generated after the Privatization Date will be the responsibility of the Company.

The Company will continue to generate depleted UF(6) as a result of its operations at the GDPs after the Privatization Date. The Privatization Act requires DOE, upon the Company's request, to accept for disposal such depleted UF(6), if it is determined to be a low-level radioactive waste, and also requires the Company to reimburse DOE for this service in an amount equal to its cost. Costs accrued for the future treatment and disposal of depleted UF(6) were $72.0 million in fiscal year 1997, which accrual will be eliminated as of the Privatization. The Company expects that costs relating to the future treatment and disposal of depleted UF(6) produced from its operations will be lower in each of fiscal years 1998 and 1999. If, as discussed below, depleted UF(6) were also regulated as a hazardous waste, the Company estimates that it would incur additional costs to construct and permit storage facilities, as well as additional operating costs. In addition, because there are presently no commercially available treatment facilities in the United States to convert depleted UF(6) into a form suitable for disposal, there can be no assurance that the Company's accruals for the disposal of depleted UF(6) will be adequate or that the increased cost of treatment, storage or disposal will not adversely

affect the Company's results of operations or financial position in the event that UF(6) were regulated as a hazardous waste.

The Company has entered into an agreement with DOE pursuant to which USEC will pay DOE $50.0 million from its account at the U.S. Treasury prior to the Privatization in consideration for a commitment by DOE to assume responsibility for a certain amount of depleted UF(6) generated by the Company after the Privatization Date over the period from the Privatization Date up to 2005.

The State of Ohio issued a Notice of Violation in September 1993 to DOE which alleged DOE violated the State's hazardous waste regulations in its failure to determine whether depleted UF(6) stored at Portsmouth constituted a hazardous waste. DOE has recently signed a consent order with the State of Ohio which permits it to continue to manage depleted UF(6) for ten years while evaluating alternative management options. The Commonwealth of Kentucky has made a similar oral inquiry to the Company. The Company believes, and DOE and NRC have also both taken the position, that depleted UF(6) is a source material and therefore not a hazardous waste subject to RCRA. Although neither Kentucky nor Ohio has taken any further action relating to this matter, there can be no assurance that the EPA or Kentucky or Ohio will agree with the position taken by DOE and NRC, and if not, the storage of UF(6) at the GDPs could constitute a violation of RCRA.

Contamination of the GDPs. Under the federal Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA"), and similar state laws, the owner or operator of real property may be jointly and severally liable for the costs of removal or remediation of certain hazardous or toxic substances on or under such property, regardless of whether the owner or operator knew of, or was responsible for, the presence of such materials. The Paducah GDP, including the leased premises, has been designated on the National Priorities List, more commonly known as a Superfund site under CERCLA. However, the Privatization Act makes DOE or the U.S. Government responsible for any liability in connection with contamination occurring prior to the Privatization. In addition, the Lease Agreement requires DOE to indemnify the Company for all such cleanup costs attributable to operations prior to the Transition Date.

The GDPs are currently undergoing investigations under RCRA. In connection with such investigations, DOE has identified a number of areas of potential contamination that may require remediation. Some of these areas are located within the leased premises and some of these areas have been and will continue to be used by the Company after the Privatization Date. The Company has not determined whether or to what extent such continued use may contribute to the contamination of these units. Pursuant to the Privatization Act, the Company would be liable for contamination, if any, attributable to the Company's operations after the Privatization Date, and such costs would not be subject to reimbursement by DOE.

PCBs. The federal Toxic Substances Control Act ("TSCA") regulates, among other things, the manufacture, use, storage and disposal of PCBs. Both GDPs contain significant amounts of equipment which have leaked PCB-contaminated oils or which have become contaminated by such oils or store PCB wastes in violation of TSCA. Pursuant to the Lease Agreement, however, DOE has agreed to reimburse and indemnify the Company for any damages incurred by the Company resulting from PCBs or PCB releases from existing equipment, except to the extent any PCBs have been introduced to the GDPs by the Company.

DOE has operated the GDPs pursuant to a Federal Facility Compliance Agreement ("FFCA") with EPA in which EPA has agreed not to sue DOE and any of its contractors for alleged violations of TSCA resulting from the PCB-contaminated equipment so long as DOE adheres to certain procedures. Pursuant to the FFCA, DOE has undertaken substantial capital improvements to protect the environment from PCB contamination and to reduce the exposure of workers to PCBs. However, no assurance can be given that private parties which are not bound by the FFCA may not seek to enjoin the use of PCBs at the GDPs in

violation of TSCA. The Company believes that such a lawsuit is unlikely and that it would have defenses in the event of such a lawsuit, including a lawsuit seeking suspension of plant operations.

Wastewater. The Company and DOE share wastewater discharge facilities at both GDPs that intermingle their respective wastewaters in such a way that it may not always be possible to determine the origin of discharges that do not comply with the plants' discharge permits. As a result, the Company may be fined for violation of its permit as a result of DOE's operations. Although it may not always be possible to establish that noncomplying discharges originated from DOE operations, pursuant to the Lease Agreement DOE has agreed to indemnify and reimburse the Company for any liability incurred by the Company as a result of DOE's contribution to an alleged violation of permit limits.

Air Emissions. The Company has filed an application for a permit under Title V of the Clean Air Act relating to its air emissions. This application includes, among other things sources covered by appeals of conditions in 52 air permits recently proposed by the State of Ohio. The Company's application is currently pending and it is not known when the permit will be issued. The permit, when issued, may contain new or additional conditions or emissions standards that may adversely affect the Company's operations.

Transportation. Transportation of natural uranium and enriched uranium product to and from the GDPs is the responsibility of the Company's customers in all but a few cases. The Company transports uranium between the two GDPs by rail and by truck and is responsible for transportation of the Russian LEU from St. Petersburg, Russia. The uranium material is packaged in cylinders which are placed in protective overpacks and shipped on container ships and carried by trucks using special trailers.

FOREIGN TRADE MATTERS

Imports from Russia. In 1991, U.S. producers of uranium and uranium workers filed a petition with the U.S. Department of Commerce ("Commerce") alleging that uranium from countries of the then-Soviet Union was being dumped (i.e., sold at unfair prices) in the United States. In the antidumping investigation that followed, Commerce rendered a preliminary determination that uranium imported from Russia and several other former Soviet republics was being dumped in the United States at average dumping margins of 115%. Thus, those imports were exposed to the risk of high U.S. antidumping duties if the investigation proceeded to a conclusion and if the U.S. International Trade Commission also determined that those imports were causing or threatening material injury to the U.S. industry. The investigations of Russia, Kazakstan, Kyrgyztan, Tajikistan and Uzbekistan were suspended as a result of "suspension agreements" between Commerce and the respective governments.

In addition, the Russian suspension agreement provides that, while all of the HEU, or LEU derived from the HEU, purchased from Russia pursuant to the Russian HEU Contract could enter the United States, the associated natural uranium could not be resold in the United States. The Privatization Act supersedes this provision by allowing sales and deliveries of the associated natural uranium in the United States subject to annual quantitative limitations.

In 1994, the Russian suspension agreement was modified (the "Modified Suspension Agreement") to allow, subject to quotas, imports of Russian uranium and SWU if they were "matched" in equal parts with newly-produced United States uranium and/or SWU in a sale to an end-user in the United States. While quotas for matched natural uranium exist until 2004, the SWU matching quota expires on October 3, 1998. Unless that deadline is extended or the Modified Suspension Agreement is otherwise amended, no imports of SWU from the Russian Federation (other than those associated with the Russian HEU Contract) will be allowed after that date until at least 2004.

The Modified Suspension Agreement is scheduled to be reviewed by Commerce

in August 1999, under legislation that requires periodic reviews of antidumping orders and suspension agreements, to determine whether conditions that gave rise to them still exist. It is unclear at present how, if at all, such a "sunset review" might affect the Modified Suspension Agreement. If the Modified Suspension Agreement were terminated and not replaced by another agreement that met the conditions of the U.S. anti-dumping law, then it is likely that the previously-suspended antidumping investigation would resume. If so, and if Commerce and the International Trade Commission issued affirmative final determinations, imports of uranium from Russia would be subject to antidumping duties, which could be very high, and could increase the price USEC pays for SWU under the Russian HEU Contract. In addition, expiration of the Modified Suspension Agreement in 2004 or an earlier modification or termination could affect the level of imports to the United States of SWU from the Russian Federation. The effect of such changes on the operations of the Company, if any, is uncertain.

Imports from Other CIS Countries. Imports of uranium from Kazakstan, Kyrgyzstan and Uzbekistan are currently subject to antidumping suspension agreements as well. Under the terms of these agreements, imports of uranium from these countries are subject to certain quantitative restrictions. Under the Kazakstan and Uzbekistan suspension agreements, natural uranium that is enriched in a third country prior to importation to the U.S. is considered to originate from those countries, and is, therefore, subject to the quotas established in the suspension agreements. The suspension agreements provide that the quantitative restrictions contained therein are to remain in force until 2004. The modification or termination of the suspension agreements prior to that date, if any, could affect the level of imports to the U.S. of uranium from those countries, and the level of imports to the U.S. of LEU enriched from such uranium in third countries. The effect of such changes on the operations of the Company, if any, is uncertain.

The suspension agreements covering imports of uranium from Kazakstan, Kyrgyzstan and Uzbekistan also could be revised or terminated by future legislation or at the discretion of Commerce under certain circumstances. If an agreement were terminated with respect to any one or more of these countries, then the previously-suspended antidumping investigation would very probably resume with respect to that country or countries. If Commerce and the International Trade Commission issued affirmative final determinations, then antidumping duties would be imposed on imports of uranium from that country or those countries. A revision of the existing suspension agreement or imposition of an antidumping order on imports of uranium from Kazakstan, Kyrgyzstan and Uzbekistan could severely limit or preclude entirely sales in the United States of uranium from those countries.

Imports of uranium from Ukraine, other than HEU, are currently subject to an antidumping order under which the U.S. Customs Service imposes a cash deposit requirement on such imports. The antidumping order is likely to remain in force at least until 1999. The order will be the subject of a "sunset review" to determine whether conditions that gave rise to the order still exist, in 1999 or 2000. The cash deposit requirement is currently 129.29% ad valorem, but could increase or decrease in subsequent years. Changes in the level of the cash deposit requirement, if any, could affect the level of imports of uranium from Ukraine. The effect of such changes on the operations of the Company, if any, is uncertain.

Agreements for Cooperation. USEC exports to utilities located in countries comprising the European Union ("EU") take place within the framework of an agreement (the "EURATOM Agreement") for cooperation between the United States and the European Atomic Energy Community ("EURATOM"), which permits USEC to export LEU to the EU for as long as the EURATOM Agreement is in effect.

The Company exports to utilities in other countries under similar agreements for cooperation. If such agreements for cooperation lapse, terminate or are amended such that the Company could not make sales or deliver products to such jurisdictions, it could have a material adverse effect on the Company.

LITIGATION

The Company 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, management does not believe that the outcome of any of these legal matters will have a material adverse effect on the Company's results of operations or financial position.

PROPERTIES

In addition to the two GDPs, see "Business -- GDPs/Operations" and "Business -- Lease Agreement," the Company leases its corporate headquarters office space in Bethesda, Maryland under a lease expiring on November 30, 2008. The Company also leases an office in the District of Columbia.

EMPLOYEES

As of March 31, 1998, the Company employed 169 people including 147 at Company headquarters in Bethesda, Maryland, 9 at LLNL and 13 at the GDPs. The Company believes that its relationship with its employees is good.

As of March 31, 1998, LMUS employed 4,300 people at the GDPs: 2,250 at the Portsmouth GDP, 1,800 at the Paducah GDP and 250 at LMUS Administrative Headquarters. In addition, the Company directs the activities of several contractors which employ 700 people at LLNL. See "Business -- GDPs/Operations." The average years of service for the employees at the GDPs is 13 years. Two labor unions, the Oil, Chemical and Atomic Workers International Union ("OCAW") and the International Union of United Plant Guard Workers of America ("UPGWA"), represent 1,180 LMUS employees at Portsmouth (1,020 OCAW and 160 UPGWA) and 870 LMUS employees at Paducah (830 OCAW and 40 UPGWA).

The Privatization Act provides that if the Company terminates or changes the operating contractor at the GDPs, all pension plan assets and liabilities relating to accrued benefits of the operating contractor's pension plan must be transferred to a pension plan sponsored by the new contractor or the Company or to a joint labor-management plan. The Privatization Act provides further that any employer at a GDP (including the Company or any replacement contractors it retains) must abide by the terms of any unexpired collective bargaining agreement covering employees at the GDPs and in effect on the Privatization Date, until the expiration or termination of such agreement. If the Company replaces its operating contractor, the new employer will be required to offer employment to non-management employees of the predecessor contractor to the extent that their jobs still exist or they are qualified for new jobs. In addition, the Privatization Act requires that certain eligible employees of the operating contractor at the GDPs continue to receive post-retirement health benefits at substantially the same level of coverage as the level of benefits to which eligible retirees were generally entitled as of the Privatization, and requires the Company to fund such costs for the portion of time an employee continues to work after the Transition Date.

The Privatization Act requires that Company employees who were covered under certain U.S. Government retirement plans or health benefit plans as of the Privatization (currently approximately 20 employees) elect (i) with respect to pension benefits, to retain their coverage under the applicable government plan or participate in a USEC plan (in which case the employee may receive or transfer to the Company plan the retirement benefit payable to a terminated employee under the government plan) and (ii) with respect to health benefits, to retain their coverage under the applicable government plan or participate in a USEC plan. The Company is required to fund the retirement and health benefits (including government/administrative costs) for the employees who elect to remain in government plans for the period they are Company employees.

Paducah Facility. All hourly rated LMUS employees, excluding guards and salaried employees, are represented by the OCAW, Local 3-550. The current collective bargaining agreement expires on July 31, 2001. All hourly paid LMUS security employees, excluding clerical employees, lieutenants, professional

employees, and supervisors, are represented by the UPGWA, Local 111. The current collective bargaining agreement expires on March 1, 2002.

Portsmouth Facility. All hourly rated LMUS security employees (excluding shift commanders, the plant protection force section manager, captains, salaried employees, office clerical employees, professional employees, supervisors and all other persons employed by LMUS at the facility) are represented by the UPGWA, Amalgamated Local 66. The current collective bargaining agreement expires August 4, 2002. The collective bargaining agreement with OCAW, Local 3-689, which represents all hourly employees, excluding security and salaried personnel, expires on May 2, 2000. As of February 28, 1998, the Portsmouth GDP has over 3,300 written grievances pending pursuant to the collective bargaining agreements between LMUS and the OCAW and the UPGWA.

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MANAGEMENT

BOARD OF DIRECTORS

The Board of Directors of USEC Inc. (the "Pre-Privatization Board") consists of four members, all of whom are also members of the Board of Directors of United States Enrichment Corporation. Effective as of the Privatization, the members of the Pre-Privatization Board will resign and a new seven-member Board will be appointed (the "Post-Privatization Board"). Information with respect to the Pre-Privatization Board and the Post-Privatization Board is set forth below:

The Pre-Privatization Board

NAME	AGE AT MARCH 31, 1998	
William J. Rainer, Chairman.....	51	Private Investor
Christopher M. Coburn.....	41	Vice President and General Manager of Battelle Memorial Institute
Margaret Hornbeck Greene.....	46	Vice President and General Counsel of BellSouth Telecommunications, Inc.
Kneeland Youngblood, M.D.....	42	Physician/Investor

William J. Rainer is a private investor. He was Co-Founder and former Managing Director of Greenwich Capital Markets, Inc., which specializes in government securities trading. Previously, he held several domestic and international senior management and marketing positions with Kidder, Peabody & Co., Inc.

Christopher M. Coburn is a vice president and general manager of Battelle Memorial Institute. He leads Battelle's NASA Market Sector, as well as a unit that facilitates the commercialization of technology from public to private organizations.

Margaret Hornbeck Greene is Vice President and General Counsel of BellSouth Telecommunications, Inc. in Atlanta. She served for one year as Secretary of the Cabinet for Kentucky Governor Paul Patton. She was previously President of South Central Bell Company's Kentucky Division. She served as associate solicitor in the Department of Energy's Office of Special Counsel.

Kneeland C. Youngblood, M.D. is General Partner of Pharos Capital Partners, a private equity fund focused in healthcare and service companies. He serves on the Board of the Teacher Retirement System of Texas; The American Advantage Funds (a mutual fund company managed by AMR Investments, an investment affiliate of American Airlines); Starwood Financial Trust, a publicly traded real estate investment trust; and is a member of the Council on Foreign Relations.

In addition to the above-named directors, the Board of United States

Enrichment Corporation, the federally-chartered corporation, includes a fifth member, Charles William Burton. Mr. Burton is an attorney and Of Counsel to the international law firm of Jones, Day, Reavis & Pogue in Dallas and Austin, Texas. He represents companies in the energy and natural resources industry and is a member of the National Petroleum Council. He is a former policy and staff director for the Chief of Staff to President Clinton.

The Post-Privatization Board

The Post-Privatization Board will initially consist of seven members, which will include six "independent directors" (within the meaning of the regulations of the New York Stock Exchange). As of the Privatization Date, the directors of the Company will be as follows:

NAME	AGE AT MARCH 31, 1998	PRINCIPAL OCCUPATION
James R. Mellor, Chairman.....	67	Retired Chairman and Chief Executive Officer, General Dynamics Corporation
Joyce F. Brown, Ph.D.	51	President of the Fashion Institute of Technology of the State University of New York
Frank V. Cahouet.....	65	Chairman, President and Chief Executive Officer of Mellon Bank Corporation
John R. Hall.....	65	Retired Chairman and Chief Executive Officer of Ashland, Inc.
Dan T. Moore, III.....	58	President of Dan T. Moore Company, Inc.
William H. Timbers, Jr.	48	President and Chief Executive Officer of USEC
William H. White.....	43	President and Chief Executive Officer of WEDGE Group Incorporated

James R. Mellor served as Chairman and Chief Executive Officer of General Dynamics Corporation from 1994 to 1997, and served as President and Chief Executive Officer from 1993 to 1994. He was previously General Dynamics' President and Chief Operating Officer. He also serves on the Board of Directors of Bergen Brunswig Corporation, Computer Sciences Corporation, General Dynamics Corporation, Pinkertons Inc. and United States Surgical Corporation.

Joyce F. Brown is the President of the Fashion Institute of Technology of the State University of New York. From 1994 to 1997 Ms. Brown was a professor of graduate studies at the City University of New York, where she previously held several Vice Chancellor positions. From 1993 to 1994 she served as the Deputy Mayor for Public and Community Affairs in the Office of the Mayor of the City of New York. Ms. Brown also serves on the Board of Directors of Transderm Laboratories Corporation and Unity Mutual Life Insurance Company.

Frank V. Cahouet has been Chairman and Chief Executive Officer of Mellon Bank Corporation since 1987 and President since 1990. Mr. Cahouet is also a director of Avery Dennison Corporation, Saint-Gobain Corporation, and Allegheny Teledyne Incorporated.

John R. Hall served as Chairman of the Board of Directors of Ashland, Inc. from 1981 to 1997, and served as Chief Executive Officer from 1981 to 1996. He has been Chairman of the Board of Directors of Arch Coal, Inc. since 1997. Mr. Hall is also a director of Banc One Corporation, The Canada Life Assurance Company, CSX Corporation, Humana Inc., LaRoche Industries, Inc., Reynolds Metals Company and UCAR International Inc.

Dan T. Moore, III has been the founder, owner and President since 1969 of Dan T. Moore Company, Inc., a developer of a number of advanced materials companies and technologies. Mr. Moore has also been Chairman of the Board of

Directors of the Advanced Ceramics Corporation since 1993. He also serves on the Board of Directors of the Hawk Corporation, Invacare Corporation, and the Cleveland Clinic Foundation.

William H. Timbers, Jr. has been President and Chief Executive Officer of the Company since 1994. He was appointed USEC Transition Manager in March 1993 by President Clinton. Prior to this appointment, Mr. Timbers was President of The Timbers Corporation, an investment banking firm based in Stamford,

Connecticut, from 1991 to 1993. Before that, he was a Managing Director of the investment banking firm of Smith Barney, Harris Upham & Co., Inc. in New York and San Francisco.

William H. White has been President and Chief Executive Officer of WEDGE Group Incorporated since 1997. Mr. White founded and has been the Chairman of the Board of Directors of Frontera Resources Corporation and its predecessor, a privately held international energy company, since 1995, and served as President and Chief Executive Officer from 1995 to 1996. From 1993 to 1995, he served as Deputy Secretary and Chief Operating Officer of the United States Department of Energy. Mr. White also serves on the Board of Directors of Edge Petroleum Corporation.

COMMITTEES

The Board of Directors of USEC will initially have an Audit Committee and a Regulatory Affairs Committee. The Audit Committee will be responsible for reviewing the Company's accounting processes, financial controls and reporting systems, as well as the selection of the Company's independent auditors and the scope of the audits to be conducted. The Regulatory Affairs Committee will be responsible for regulatory matters and compliance. The Audit Committee will consist entirely of independent directors. The Post-Privatization Board will determine whether the Board should have any additional committees.

COMPENSATION OF DIRECTORS

Following the Privatization, each non-employee director will receive an annual retainer of $20,000 for Board of Directors service.

EXECUTIVE OFFICERS

The Company's executive officers, and their ages as of March 31, 1998, are as follows:

NAME	AGE	POSITION
William H. Timbers, Jr.	48	President and Chief Executive Officer
George P. Rifakes	64	Executive Vice President, Operations
Henry Z Shelton, Jr.	54	Vice President and Chief Financial Officer
Robert J. Moore	40	Vice President, General Counsel and Secretary
J. William Bennett	51	Vice President, Advanced Technology
Richard O. Kingdon	43	Vice President, Marketing and Sales
James H. Miller	49	Vice President, Production
Philip G. Sewell	51	Vice President, Corporate Development and International Trade
Darryl A. Simon	41	Vice President, Human Resources and Administration
Charles B. Yulish	61	Vice President, Corporate Communications

Officers serve at the pleasure of the Board of Directors.

William H. Timbers, Jr. -- See above.

George P. Rifakes has been Executive Vice President, Operations of the Company since 1993. Prior to joining the Company, Mr. Rifakes was Vice President of Commonwealth Edison Company in Chicago, Illinois, where he was employed since 1957 with responsibilities in corporate planning, purchasing, fuel, economic analysis, and least-cost planning and marketing. He also served as President of the Cotter Corporation, a wholly-owned uranium subsidiary of Commonwealth Edison, from 1976 to 1992.

Henry Z Shelton, Jr. has been Vice President, Finance and Chief Financial Officer of the Company since 1993. From 1989 to 1993, Mr. Shelton served as a Board member and Vice President, Finance for Sun International Exploration and Production Company, a subsidiary of the Sun Company, Inc., headquartered in London, England. Previously, Mr. Shelton worked for the Sun Company organization for 23 years.

Robert J. Moore has been General Counsel and Secretary of the Company since 1993 and Vice President, General Counsel and Secretary since 1994. Prior to joining USEC, Mr. Moore was appointed to numerous senior legal and policy positions, serving as Director of the California Governor's Office in Washington, D.C. and as General Counsel to two Presidential and Congressional Commissions.

J. William Bennett has been Vice President, Advanced Technology since 1994. From 1993 to 1994 he served as Vice President, Production of the Company. Immediately before joining the Company, he served as Director of DOE's Office of Uranium Enrichment Operations. Prior to that, he was Director of DOE's Office of Geologic Repositories and Director of DOE's Office of Light Water Reactor Technology. Mr. Bennett has served in the United States Government for 30 years in various positions of increasing responsibility.

Richard O. Kingdon has been Vice President, Marketing and Sales of the Company since 1993. Prior to joining the Company, Mr. Kingdon was Director, Strategic Planning, at Otis Elevator Company, a division of the United Technologies Corporation. From 1990 to 1993, he was Director, Sales and Marketing, for the Otis United Kingdom operation. Prior to 1990, Mr. Kingdon was a Manager in the consulting firm of Bain & Company.

James H. Miller has been Vice President, Production of the Company since 1995. Before joining the Company, Mr. Miller was President of ABB Environmental Systems, Inc. From 1993 to 1994 he served as President of U.C. Operating Services, a joint venture between Louisville Gas & Electric and Baltimore Gas & Electric Company. From 1986 to 1993 he worked for ABB Resource Recovery Systems, serving as President from 1990 to 1993.

Philip G. Sewell has been Vice President, Corporate Development and International Trade since April 1998, and Vice President, Corporate Development of the Company since 1993. From 1988 to 1993, Mr. Sewell served as Deputy Assistant Secretary of DOE responsible for the overall management of the uranium enrichment program. Mr. Sewell has served in the United States Government for 28 years in various positions of increasing responsibility.

Darryl A. Simon joined USEC as Vice President, Human Resources and Administration in August 1997. Prior to this appointment, Mr. Simon spent seven years with ManorCare Health Services based in Gaithersburg, Maryland, most recently serving as Vice President, Human Resources Planning and Leadership Development. Prior to ManorCare, he held assignments of increasing responsibility within various industries and organizations.

Charles B. Yulish has been Vice President, Corporate Communications of the Company since 1995. Immediately before joining the Company, Mr. Yulish was Executive Vice President and Managing Director of E. Bruce Harrison Co. Prior to joining E. Bruce Harrison Co. in 1993, he served as partner of Holt, Ross and Yulish. Both companies are energy and environmental public relations firms.

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EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth information regarding the compensation of the Chief Executive Officer and the four most highly paid executive officers of the Company in fiscal 1997. Since its inception, the Company has not granted any stock awards or stock appreciation rights or made any long-term incentive plan awards or payouts.

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION YEAR	SALARY($)	BONUS($)	ALL OTHER COMPENSATION(1)
William H. Timbers, Jr. Chief Executive Officer	1997	$325,000	$25,000	$7,936
George P. Rifakes Executive Vice President	1997	$285,000	$25,000	$9,008
Henry Z Shelton, Jr. Vice President and Chief Financial Officer	1997	$245,000	$25,000	$7,323
Robert J. Moore Vice President, General Counsel and Secretary	1997	$211,000	$25,000	$9,198
James H. Miller Vice President, Production	1997	$200,000	$25,000	$5,637

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(1) Consists of the Company's 401(k) matching contributions of $6,200, $6,200, $6,200, $9,198 and $5,115 for Messrs. Timbers, Rifakes, Shelton, Moore and Miller, respectively, and life insurance premiums of $1,736, $2,808, $1,123 and $522 paid by the Company for Messrs. Timbers, Rifakes, Shelton and Miller, respectively.

STOCK OPTION PLANS

No stock option plans exist, or have existed in the Company's history.

PENSION PLAN TABLE

The Company maintains a tax-qualified defined benefit pension plan (the "Company's Retirement Plan") for employees not currently enrolled in either the Civil Service Retirement System or the Federal Employees' Retirement System ("FERS"). The following table provides examples of benefits for the Company's Retirement Plan at the normal retirement age of 65 payable as a life annuity. These benefits are not subject to deductions for Social Security.

YEARS OF PARTICIPATION AT AGE 65
ESTIMATED ANNUAL RETIREMENT BENEFITS

FINAL AVERAGE COMPENSATION	15	20	25	30	35
$ 50,000....	$ 9,375	$11,250	$13,125	$15,000	$16,875
$100,000....	18,750	22,500	26,250	30,000	33,750
$150,000....	28,125	33,750	39,375	45,000	50,625
$200,000....	30,000	36,000	42,000	48,000	54,000
$250,000....	30,000	36,000	42,000	48,000	54,000
$300,000....	30,000	36,000	42,000	48,000	54,000
$350,000....	30,000	36,000	42,000	48,000	54,000

Earnings are averaged over the five consecutive calendar years during which a participant's earnings were highest. Earnings include salary, overtime, bonuses and commission. Credited Service is based on the number

of plan years (January 1 through December 31) commencing January 1, 1994 during which a participant completes at least 1,000 hours of service.

As of March 31, 1998, the years of credited service under the Retirement Plan for Messrs. Timbers, Rifakes, Shelton and Miller were 4.3, 4.3, 4.3 and 2.3, respectively, and 4.8 under FERS for Mr. Moore.

SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN

The Company maintains a supplemental retirement plan (the "SERP") in which Mr. Timbers currently participates. Under the SERP, the participant is entitled to receive a total retirement benefit of 60% of final average salary, commencing at age 62. The value of the benefits from the SERP is offset by the benefits from the Retirement Plan and social security benefits.

EMPLOYMENT AND SEVERANCE AGREEMENTS

The Company is not a party to any employment or severance agreements.

SELLING STOCKHOLDER

The U.S. Government currently owns all of the issued and outstanding shares of Common Stock of the Company. No shares of Common Stock of the Company are held by any directors, officers or employees of the Company. All of the shares of the Company owned by the U.S. Government are being sold in the Offering. See "Description of Capital Stock -- General."

DESCRIPTION OF CAPITAL STOCK

GENERAL

In connection with the Offering, USEC, the federally-chartered corporation, will be merged with (and thereby become) a Delaware-chartered corporation immediately prior to the closing of the Offering. Under the Privatization Act, such Merger would be effected in accordance with, and have the effects of a merger under, the laws of the jurisdiction of incorporation of the surviving corporation (i.e. Delaware) and all rights and benefits provided under the Privatization Act to USEC would thereupon apply to the surviving corporation. Immediately thereafter, the Delaware-chartered USEC will merge with a wholly-owned subsidiary of USEC Inc., such that USEC Inc. will become the parent holding company of USEC. In the Merger, the outstanding shares of USEC currently owned by the U.S. Government will automatically be converted into 100,000,000 Shares of USEC (Delaware), which Shares will then be converted into Shares of USEC Inc. The Shares being offered in the Offering are the Shares of Common Stock of USEC Inc., the holding company. The Charter of USEC Inc. provides for authorized capital of 275,000,000 shares of capital stock, 250,000,000 of which shares are Common Stock, par value $0.10 per share and 25,000,000 of which shares are preferred stock, par value $1.00 per share. After completion of the Offering, a total of 100,000,000 Shares are expected to be issued and outstanding (110,000,000 Shares if the U.S. Underwriters' over-allotment option is exercised in full), and no shares of preferred stock will be issued and outstanding.

Under the Privatization Act, immediately following the consummation of this Offering, no person, directly or indirectly, may acquire beneficial ownership of

securities representing more than ten percent (10%) of the total votes of all outstanding voting securities of the Company for a period of three years. This restriction does not apply to any employee stock ownership plan of the Company, members of the underwriting syndicate purchasing Shares in stabilization transactions, or in the case of Shares beneficially held for others, to commercial banks, broker-dealers, or clearing agencies. In addition, the Privatization Act prohibits directors, officers, and employees of the Company from acquiring any securities, or any right to acquire any securities, of the Company on terms more favorable than those offered to the general public (i) in the Offering, (ii) pursuant to any agreement, arrangement or understanding entered into before the Privatization, or (iii) before the election of directors of the Company.

COMMON STOCK

Subject to the rights of holders of any preferred stock then outstanding, holders of Common Stock are entitled to receive such dividends out of assets legally available therefor as may from time to time be declared by the Board of Directors of the Company. Holders of Common Stock are entitled to one vote per share in the election of directors and on all matters on which the stockholders are entitled to vote. Holders of Common Stock do not have cumulative voting rights. In the event of liquidation, dissolution or winding up of the Company, holders of Common Stock would be entitled to share ratably in assets of the Company available for distribution to holders of Common Stock. All outstanding shares of Common Stock are fully paid and nonassessable. Holders of Common Stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of Common Stock are subject to and may be adversely affected by, the rights of holders of any shares of any series of preferred stock which the Company may designate and issue in the future.

Holders of shares of Common Stock are not liable to further calls or assessments by the Company or for any liabilities of the Company.

BankBoston, N.A. will act as transfer agent and registrar for the Shares.

PREFERRED STOCK

The Company's Charter authorizes its Board of Directors to provide for the issuance, from time to time, of classes or series of preferred stock, to establish the number of shares to be included in any such classes or series and to fix the designations, voting powers, preferences and rights of the shares of any such classes or series and any qualifications, limitations or restrictions thereof. Because the Board of Directors has the power to establish the preferences and rights of the shares of any such classes or series of preferred stock, it may afford holders of any preferred stock preferences, powers and rights (including voting rights), senior to the rights of holders of Common Stock, which could adversely affect the rights of holders of Common Stock. There are no shares of preferred stock of the Company currently outstanding, and none will be issued at the time USEC is merged with the subsidiary of USEC Inc.

CERTAIN CHARTER AND BY-LAW PROVISIONS

The By-Laws establish an advance notice procedure for the nomination, other than by or at the direction of the Board, of candidates for election as directors as well as for other stockholder proposals to be considered at annual meetings of stockholders. In general, notice must be received by the Company not less than 90 calendar days nor more than 120 days in advance of the date of the annual meeting and must contain certain specified information concerning the persons to be nominated or the matters to be brought before the meeting and concerning the stockholder submitting the proposal.

Section 203 of the DGCL generally restricts a corporation from entering into certain business combinations with an interested stockholder (defined as any person or entity that is the beneficial owner of at least 15% of a

corporation's voting stock or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time in the past three years) or its affiliates (as defined), unless (i) either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder is approved by the board of directors of the corporation prior to the date such person became an interested stockholder, (ii) the interested stockholder acquires 85% of the corporation's voting stock in the same transaction in which it becomes an interested stockholder, or (iii) the business combination is approved by the board of directors and by a vote of two-thirds of the outstanding voting stock not owned by the interested stockholder. Section 203 may render more difficult a change of control of the Company.

FOREIGN OWNERSHIP RESTRICTIONS

The Charter contains certain restrictions with respect to foreign ownership of the shares of Common Stock, including the Shares offered hereby. A summary of such provisions, which is qualified in its entirety by reference to the full text of such provisions in the Charter, is set forth below.

General Restrictions. Article 12 of the Charter prohibits the following: (i) the beneficial ownership of more than ten percent of the outstanding shares of Common Stock by or for the account of a Foreign Person (as defined below); (ii) the beneficial ownership of any shares of Common Stock by or for the account of a person having a significant commercial relationship with a foreign uranium enrichment provider, or a foreign competitor; (iii) the acquisition of control (direct or indirect) of the Company by a person or group in any transaction or series of transactions in which the arrangements for financing such person's or group's acquisition of the Company involve or will involve receipt of money from one or more foreign persons in an amount in excess of ten percent of the purchase price of the Company's securities purchased by such person or group whether such funds are to be used for temporary or permanent financing; or (iv) any ownership of, or exercise of, rights with respect to shares of Common Stock or other exercise or attempt to exercise control of the Company that the Board of Directors determines is inconsistent with or in violation of the regulations, rules or restrictions of a governmental entity or agency which exercises regulatory power over the Company, its business, operations or assets or could jeopardize the continued operations of the Company's facilities. The restrictions described in the foregoing sentence are referred to as the "Foreign Ownership Restrictions." "Foreign Person" is defined as: (i) an individual who is not a citizen of the United States; (ii) a partnership in which any general partner is a foreign person or the partner or partners having a majority interest in

partnership profits are foreign persons; (iii) a foreign government or representative thereof; (iv) a corporation, partnership, trust, company, association or other entity organized or incorporated under the laws of a jurisdiction outside of the United States; or (v) a corporation, partnership, trust, company, association or other entity that is controlled directly or indirectly by any one or more of the foregoing.

Information Request. If the Company has reason to believe that the ownership or proposed ownership of, or exercise of rights with respect to, securities of the Company by any person, including record holders, beneficial owners and any person presenting securities of the Company for transfer into its name may be inconsistent with, or in violation of the Foreign Ownership Restrictions, the Company may request of such person, and such person shall furnish promptly to the Company such information as the Company shall reasonably request to determine compliance with the Foreign Ownership Restrictions. Further, the Company may request any person that has filed a Schedule 13D or a Schedule 14D-1 with the Securities and Exchange Commission with respect to the Company's securities to provide to the Company such information as the Board of Directors may require to confirm that such person's plans or proposals as disclosed in such filing will not result in a violation of the Foreign Ownership

Restrictions.

Suspension of Voting Rights; Refusal to Transfer. If any person, including a proposed transferee, from whom information is requested should fail to respond to the Company or if the Company shall conclude that the ownership of, or the exercise of any rights of ownership with respect to, securities of the Company by any person could result in any inconsistency with, or violation of, the Foreign Ownership Restrictions, the Company may (i) refuse to permit the transfer of securities of the Company to such proposed transferee; and/or (ii) suspend or limit voting rights associated with stock ownership by such person, or proposed transferee, if the Board of Directors in good faith believes that the exercise of such voting rights would result in any inconsistency with, or violation of, the Foreign Ownership Restrictions.

Redemption/Exchange. In addition, any shares of Common Stock held or beneficially owned by a Foreign Person shall be subject to redemption or exchange by the Company by action of the Board of Directors, pursuant to Section 151 of the DGCL, or any other applicable provision of law, to the extent necessary in the judgment of the Board of Directors to comply with the Foreign Ownership Restrictions. The terms and conditions of such redemption shall be as follows: (i) the redemption price of the shares of Common Stock to be redeemed shall be equal to the fair market value of the shares of Common Stock to be redeemed, as determined by the Board of Directors in good faith unless the Board determines that the holder of such shares of Common Stock knew or should have known its ownership or beneficial ownership would constitute a violation of the Foreign Ownership Restrictions, in which case the redemption price shall be equal to the lower of (x) the fair market value of the shares of Common Stock to be redeemed and (y) such foreign person's purchase price for such shares of Common Stock; (ii) the redemption price of such shares of Common Stock may be paid in cash, securities or any combination thereof and the value of any securities constituting all, or any part of, the redemption price shall be determined by the Board; (iii) if less than all the shares of Common Stock held or beneficially owned by foreign persons are to be redeemed, the shares of Common Stock to be redeemed shall be selected in any manner determined by the Board of Directors to be fair and equitable; (iv) at least 30 days' written notice of the redemption date shall be given to the record holders of the shares of Common Stock selected to be redeemed (unless waived in writing by any such holder), provided that the redemption date may be the date on which written notice shall be given to record holders if the cash or redemption securities necessary to effect the redemption shall have been deposited in trust for the benefit of such record holders and subject to immediate withdrawal by them upon surrender of the stock certificates for their shares of Common Stock to be redeemed, duly endorsed in blank or accompanied by duly executed proper instruments of transfer; (v) from and after the redemption date, the shares of Common Stock to be redeemed shall cease to be regarded as outstanding and any and all rights attaching to such shares of Common Stock shall cease and terminate, and the holders thereof thenceforth shall be entitled only to receive the cash or securities payable upon redemption; and (vi) the redemption shall be subject to such other terms and conditions as the Board of Directors shall determine.

Additional Provisions. The Company may note on the certificates of its securities that the shares of Common Stock represented by such certificates are subject to the Foreign Ownership Restrictions. Where the same shares of Common Stock are held or beneficially owned by one or more persons, and any one of such

persons is a Foreign Person, then such shares of Common Stock shall be deemed to be held or beneficially owned by a Foreign Person. The Company is authorized to take any other action it may deem necessary or appropriate to ensure compliance with the Foreign Ownership Restrictions including, without limitation, suspending or limiting any and all rights of stock ownership which may violate or be inconsistent with the Foreign Ownership Restrictions. Further, the Company may exercise any and all appropriate remedies, at law or in equity in any court of competent jurisdiction, against any holder of its securities or rights with

respect thereto or any proposed transferee, with a view towards obtaining information or preventing or curing any situation which would cause any inconsistency with, or violation of, the Foreign Ownership Restrictions. The Board of Directors has the exclusive right to interpret all issues relating to the Foreign Ownership Restrictions and the determinations of the Board are final and binding. The Board may, at any time and from time to time, adopt such other or additional reasonable procedures as the Board may deem desirable or necessary to comply with the Foreign Ownership Restrictions. Any amendment to the Foreign Ownership Restrictions requires the affirmative vote of the majority of the members of the Board then in office as well as the affirmative vote of two-thirds of the outstanding voting stock.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Offering, 100,000,000 Shares of Common Stock are expected to be outstanding (110,000,000 Shares if the U.S. Underwriters' over-allotment option is exercised in full). All of these Shares sold in the Offering will be freely tradeable without restriction under the Securities Act.

Pursuant to the Company's policy, the officers and employees of USEC who participated in planning and implementing the Privatization are prohibited from acquiring any Shares for 30 days following the consummation of the Offering.

Prior to the Offering, there has been no market for the Common Stock. The Company cannot predict the effect, if any, that future sales of shares of Common Stock, or the availability of shares of Common Stock for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of Common Stock, or the perception that such sales could occur, could adversely affect prevailing market prices of the Common Stock.

CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES TO NON-U.S. STOCKHOLDERS

The following is a general discussion of certain United States federal income and estate tax consequences of the acquisition, ownership and disposition of shares of Common Stock by Non-U.S. Holders (as hereinafter defined) and does not apply to U.S. holders. For purposes of this discussion, a "Non-U.S. Holder" is any holder other than (i) a citizen or resident of the United States, (ii) a corporation, partnership, or other entity created or organized in the United States or under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate whose income is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and (b) one or more United States persons have the authority to control all substantial decisions of the trust.

This discussion does not address all aspects of United States federal income and estate taxation that may be relevant to Non-U.S. Holders in light of their particular circumstances and does not address any tax consequences arising under the laws of any state, local, or foreign jurisdiction. Furthermore, the following discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and administrative and judicial interpretations as of the date hereof, all of which are subject to change (possibly with retroactive effect), and is for general information only.

EACH PROSPECTIVE NON-U.S. HOLDER IS URGED TO CONSULT HIS OR HER OWN TAX ADVISER WITH RESPECT TO THE UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES OF ACQUIRING, OWNING, AND DISPOSING OF SHARES OF COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR OTHER TAXING JURISDICTION.

DIVIDENDS

In general, dividends paid to a Non-U.S. Holder will be subject to United States withholding tax at a 30% rate (or a lower rate prescribed by an applicable tax treaty) unless the Non-U.S. Holder files certain forms with the payor of the dividends and the dividends are either (i) effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States, or (ii) if a tax treaty applies, attributable to a United States permanent establishment maintained by the Non-U.S. Holder. Dividends effectively connected with such trade or business or attributable to such permanent establishment generally will be subject to United States federal income tax in the same manner as if the Non-U.S. Holder were a U.S. resident with respect to such effectively connected income. A Non-U.S. Holder that is a corporation and that receives effectively connected dividends may also be subject to an additional "branch profits tax," which is imposed, under certain circumstances, at a rate of 30% (or such lower rate as may be specified by an applicable treaty) of the non-U.S. corporation's effectively connected earnings and profits, subject to certain adjustments. To determine the applicability under an income tax treaty of lower withholding tax rates on dividends paid to Non-U.S. Holders, current U.S. Treasury regulations ("Current Regulations") presume that dividends paid to an address in a foreign country are paid to a resident of that country, absent knowledge to the contrary. However, recently issued U.S. Treasury regulations, which the Internal Revenue Service recently announced generally will become effective for payments made after December 31, 1999 ("Final Regulations"), condition reduced income tax treaty withholding tax rates on a Non-U.S. Holder (or, in the case of a Non-U.S. Holder that is a fiscally transparent entity, the owner or owners of such entity) providing certain documentation certifying that such Non-U.S. Holder (or such owner or owners) is a foreign person. Non-U.S. Holders should consult any applicable income tax treaties, which may provide for a lower rate of withholding or other rules different from those described above.

GAIN ON SALE OR OTHER DISPOSITION OF COMMON STOCK

A Non-U.S. Holder generally will not be subject to United States federal income or withholding tax on any gain recognized on a sale or other disposition of a share of Common Stock unless (i) the Company is or has been a "U.S. real property holding corporation," as defined in section 897(c)(2) of the Code, for United States federal income tax purposes (which the Company does not believe that it is or is likely to become) at any time during the shorter of the five-year period preceding the disposition or such Non-U.S. Holder's holding period and the Non-U.S. Holder disposing of the share owned, directly or constructively, more than five percent (5%) of the Common Stock; (ii) the gain is effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder or, if a tax treaty applies, attributable to a permanent establishment maintained within the United States by the Non-U.S. Holder; (iii) in the case of a Non-U.S. Holder who is an individual, holds the share as a capital asset and is present in the United States for 183 days or more in the taxable year of the disposition, and certain other tests are met; or (iv) the Non-U.S. Holder is subject to tax pursuant to United States federal income tax provisions applicable to certain United States expatriates.

ESTATE TAX

An individual Non-U.S. Holder who is treated as the owner of, or has made certain lifetime transfers of, an interest in the Common Stock will be required to include the value thereof in his or her gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

INFORMATION REPORTING AND BACKUP WITHHOLDING REQUIREMENTS

The Company must report annually to the Internal Revenue Service and to each Non-U.S. Holder the amount of dividends paid to, and the tax withheld with respect to, each Non-U.S. Holder, regardless of whether withholding tax was reduced by an applicable income tax treaty. Copies of these information returns may also be made available under the provisions of a specific income tax treaty or agreement to the tax authorities in the country in which the Non-U.S. Holder resides.

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Under the Current Regulations, United States backup withholding tax (which generally is imposed at the rate of 31% on certain payments to persons who fail to furnish certain information to the payor) generally will not apply to dividends paid on Common Stock to a Non-U.S. Holder at an address outside the United States. Dividends paid to a Non-U.S. Holder at an address within the United States may be subject to backup withholding if the Non-U.S. Holder fails to establish that he or she is entitled to an exemption or to provide a correct taxpayer identification number and other information to the payor.

Under the Current Regulations, the payment of the proceeds of the disposition of Common Stock by a Non-U.S. Holder to or through the United States office of a broker will be subject to information reporting and backup withholding at a rate of 31% unless the owner certifies its status as a Non-U.S. Holder under penalties of perjury or otherwise establishes an exemption. The payment of the proceeds of the disposition by a Non-U.S. Holder of Common Stock to or through a Non-U.S. office of a broker will generally not be subject to backup withholding and information reporting. However, in the case of proceeds from the disposition of Common Stock paid to or through a Non-U.S. office of a broker that is a United States person, a United States "controlled foreign corporation" for United States federal income tax purposes, or any other person 50% or more of whose gross income from all sources for a certain three-year period was effectively connected with a United States trade or business, information reporting (but not backup withholding) should generally apply unless the broker has documentary evidence in its files of the owner's status as a Non-U.S. Holder, or the Non-U.S. Holder otherwise establishes an exemption.

Under the Final Regulations, which the Internal Revenue Service recently announced generally will become effective for payments made after December 31, 1999, the payment of dividends or the payment of proceeds from the disposition of Common Stock to a Non-U.S. Holder will be subject to information reporting and backup withholding unless such recipient provides certain documentation as to its status as a Non-U.S. Holder or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder will be refunded (or credited against the Non-U.S. Holder's United States federal income tax liability, if any), provided that the required information is furnished to the Internal Revenue Service.

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UNDERWRITERS

Under the terms and subject to the conditions in an Underwriting Agreement dated the date hereof (the "Underwriting Agreement"), the U.S. Underwriters named below, for whom Morgan Stanley & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated, M. R. Beal & Company, Janney Montgomery Scott Inc., Lehman Brothers Inc., Prudential Securities Incorporated and Smith Barney Inc. are acting as U.S. Representatives, and the International Underwriters named below, for whom Morgan Stanley & Co. International Limited, Merrill Lynch International, M. R. Beal & Company, Janney Montgomery Scott Inc., Lehman Brothers International (Europe), Prudential-Bache Securities (U.K.) Inc. and Smith Barney Inc. are acting as International Representatives, have severally agreed to purchase, and the U.S. Government has agreed to sell to them, severally, the respective number of Shares set forth opposite the names of such Underwriters below:

NAME	NUMBER OF SHARES

U.S. Underwriters:	
Morgan Stanley & Co. Incorporated.....	
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
M. R. Beal & Company.....	
Janney Montgomery Scott Inc.....	
Lehman Brothers Inc.....	
Prudential Securities Incorporated.....	
Smith Barney Inc.....	
Subtotal.....	
International Underwriters:	
Morgan Stanley & Co. International Limited.....	
Merrill Lynch International.....	
M. R. Beal & Company.....	
Janney Montgomery Scott Inc.....	
Lehman Brothers International (Europe).....	
Prudential-Bache Securities (U.K.) Inc.....	
Smith Barney Inc.....	
Subtotal.....	
Total.....	100,000,000

The U.S. Underwriters and the International Underwriters, and the U.S. Representatives and the International Representatives, are collectively referred to as the "Underwriters" and the "Representatives," respectively. For purposes of the information set forth under this section, the term "Shares" refers to shares of common stock of United States Enrichment Corporation, a Delaware corporation, prior to the consummation of the Holding Company Merger, and shares of common stock of USEC Inc. immediately following consummation of the Holding Company Merger. The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the Shares offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The Underwriters are obligated to take and pay for all the Shares offered hereby (other than those covered by the U.S. Underwriters' over-allotment option described below) if any such Shares are taken.

Pursuant to the Agreement Between U.S. and International Underwriters, each U.S. Underwriter has represented and agreed that, with certain exceptions, (a) it is not purchasing any Shares (as defined below)

for the account of anyone other than a United States Person (as defined below) and (b) it has not offered or sold, and will not offer or sell, directly or indirectly, any Shares or distribute any prospectus relating to the Shares outside the United States or to anyone other than a United States Person. Pursuant to the Agreement Between U.S. and International Underwriters, each International Underwriter has represented and agreed that, with certain exceptions, (a) it is not purchasing any Shares for the account of any United States Person and (b) it has not offered or sold, and will not offer or sell, directly or indirectly, any Shares or distribute any prospectus relating to the Shares within the United States or to any United States Person. With respect to any Underwriter that is a U.S. Underwriter and an International Underwriter, the foregoing representations and agreements (i) made by it in its capacity as a U.S. Underwriter apply only to it in its capacity as a U.S. Underwriter, and (ii) made by it in its capacity as an International Underwriter apply only to it in its capacity as an International Underwriter. The foregoing limitations do not apply to stabilization transactions or to certain other transactions

specified in the Agreement Between U.S. and International Underwriters. As used herein, "United States Person" means any national or resident of the United States, or any corporation, pension, profit-sharing or other trust or other entity organized under the laws of the United States or of any political subdivision thereof (other than a branch located outside the United States of any United States Person), and includes any United States branch of a person who is otherwise not a United States Person.

Pursuant to the Agreement Between U.S. and International Underwriters, sales may be made between the U.S. Underwriters and International Underwriters of any number of Shares as may be mutually agreed. The per share price of any Shares so sold shall be the Price to Public set forth on the cover page hereof, in United States dollars, less an amount not greater than the per share amount of the concession to dealers set forth below.

Pursuant to the Agreement Between U.S. and International Underwriters, each International Underwriter has represented that it has not offered or sold, and has agreed not to offer or sell, any Shares, directly or indirectly, in any province or territory of Canada or to, or for the benefit of, any resident of any province or territory of Canada in contravention of the securities laws thereof and has represented that any offer or sale of Shares in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer or sale is made. Each International Underwriter has further agreed to send to any dealer who purchases from it any Shares a notice stating in substance that, by purchasing such Shares, such dealer represents and agrees that it has not offered or sold, and will not offer or sell, directly or indirectly, any of such Shares in any province or territory of Canada or to, or for the benefit of, any resident of any province or territory of Canada in contravention of the securities laws thereof and that any offer or sale of Shares in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer or sale is made, and that such dealer will deliver to any other dealer to whom it sells any of such Shares a notice containing the same statement as is contained in this sentence.

Pursuant to the Agreement Between U.S. and International Underwriters, each International Underwriter has represented and agreed that (a) it has not offered or sold and, prior to the date six months after the closing date for the sale of the Shares to the International Underwriters will not offer or sell, any Shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; (b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom; and (c) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the offering of the Shares to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, or is a person to whom the document may otherwise lawfully be issued or passed on.

Pursuant to the Agreement Between U.S. and International Underwriters, each International Underwriter has further represented and agreed that it has not offered or sold, and agrees not to offer or sell, directly or indirectly, in Japan or to or for the account of any resident thereof, any of the Shares acquired in connection

with the distribution contemplated hereby, except for offers or sales to Japanese International Underwriters or dealers and except pursuant to any exemption from the registration requirements of the Securities and Exchange Law and otherwise in compliance with applicable provisions of Japanese law. Each

International Underwriter has further agreed to send to any dealer who purchases from it any of the Shares a notice stating in substance that, by purchasing such Shares, such dealer represents and agrees that it has not offered or sold, and will not offer or sell, any of such Shares, directly or indirectly in Japan or to or for the account of any resident thereof except for offers or sales to Japanese International Underwriters or dealers and except pursuant to any exemption from the registration requirements of the Securities and Exchange Law and otherwise in compliance with applicable provisions of Japanese law, and that such dealer will send to any other dealer whom it sells any of such Shares a notice containing substantially the same statement as contained in this sentence.

The Underwriters initially propose to offer part of the Shares directly to the public at the Price to Public set forth on the cover page hereof and part to certain dealers at a price which represents a concession not in excess of $ a share under the public offering price. Any Underwriter may allow, and such dealers may reallow, a concession not in excess of $ a share to other Underwriters or to certain other dealers. After the initial Offering of the Shares, the offering price and other selling terms may from time to time be varied by the Representatives.

The Company has granted to the U.S. Underwriters an option, exercisable for 30 days from the date of this Prospectus, to purchase up to an aggregate of 10,000,000 additional shares of Common Stock at the public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The U.S. Underwriters may exercise such option solely for the purpose of covering over-allotments, if any, made in connection with the Offering of the Shares offered hereby. To the extent such option is exercised, each U.S. Underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of Common Stock as the number of Shares set forth next to such U.S. Underwriter's name in the preceding table bears to the total number of shares of Common Stock offered by the U.S. Underwriters hereby.

The Company has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 180 days after the date of this Prospectus, with certain limited exceptions, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any swap or other agreement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. This prohibition does not apply to shares of Common Stock issued or options to purchase Common Stock granted pursuant to employee or director benefit plans of the Company if such plans are adopted by the Company after the Privatization, provided that the total number of shares of Common Stock issued or issuable pursuant to options granted does not exceed 3% of the total number of shares of Common Stock outstanding immediately following the Offering, that the shares or options are issued at fair market value, and that the executive officers or directors receiving any such shares or options shall have agreed in writing to such lock-up provisions.

The Underwriters have informed the Company that they do not intend sales to discretionary accounts to exceed five percent of the total number of Shares of Common Stock offered by them.

Application will be made to list the Shares on the New York Stock Exchange under the symbol "USU". In order to meet the requirements for listing the Common Stock on the New York Stock Exchange, the Underwriters have undertaken to meet the New York Stock Exchange's minimum distribution, issuance and aggregate market value requirements.

In order to facilitate the Offering of the Shares, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of

the Shares. Specifically, the Underwriters may over-allot in connection with the Offering, creating a short position in the Shares for their own account. In addition, to

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stabilize the price of the Shares, the Underwriters may bid for, and purchase, Shares in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an Underwriter or a dealer for distributing the Shares in the Offering, if the syndicate repurchases previously distributed Shares in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Shares above independent market levels. The Underwriters are not required to engage in these activities, and may end any of these activities at any time.

The Company and the Underwriters have agreed to indemnify each other and certain other related parties against certain liabilities, including liabilities under the Securities Act. The U.S. Government will not provide any indemnification to the Underwriters and the U.S. Government will have no liability under the Securities Act. See "USEC Formation and Privatization -- Certain Restrictions in Connection with the Privatization."

PRICING OF OFFERING

Prior to this Offering, there has been no public market for the Common Stock of USEC Inc. The offering price will be determined by negotiation among the Company, USEC Inc., the U.S. Government and the U.S. Representatives. Among the factors to be considered in determining the offering price will be the Company's record of operations, the Company's current financial conditions and future prospects, the experience of its management, the economics of the industry in general, the impact on the value of the Shares of the restrictions on operations and ownership in the Privatization Act, the general condition of the equity securities market and the market prices of similar securities of companies considered comparable to the Company. The estimated offering price range set forth on the cover page of this Prospectus is subject to change as a result of market conditions and other factors.

LEGAL MATTERS

The validity of the Shares offered hereby will be passed upon for the Company by Skadden, Arps, Slate, Meagher & Flom LLP, Washington, D.C., special counsel for the Company, and for the Underwriters by Davis Polk & Wardwell, New York, New York.

EXPERTS

The financial statements of the Company as of June 30, 1996 and 1997 and for each of the three years in the period ended June 30, 1997, included in this Prospectus, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement (of which this Prospectus is a part and which term shall encompass any amendments thereto) on Form S-1 under the Securities Act with respect to the Shares offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto, certain portions of which are omitted in accordance with the rules and regulations of the Commission. The Registration Statement may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549; at its Midwest Regional Office, Citicorp Center, 500 West Madison

Street, Suite 1400, Chicago, Illinois 60661 and at its New York Regional Office, 7 World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can be obtained upon written request from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Commission also maintains a site on the World Wide Web at http:\\www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. For further information pertaining to the Company and the Shares offered hereby, reference is made to the Registration Statement, including the exhibits thereto and the financial statements, notes and schedules filed as part thereof.

Upon completion of the Offering, the Company will be subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, will file reports, proxy and information statements and other information with the Commission. Such reports, proxy and information statements and other information can be inspected and copied at the addresses set forth above.

Statements contained in this Prospectus as to the contents of any agreement, contract or other document are not necessarily complete, and in each instance reference is made to the copy of such agreement, contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference.

UNITED STATES ENRICHMENT CORPORATION

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of United States Enrichment Corporation:

We have audited the accompanying balance sheets of United States Enrichment Corporation, a wholly owned U.S. Government corporation, as of June 30, 1996 and 1997, and the related statements of income and cash flows for each of the three years in the period ended June 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Enrichment Corporation as of June 30, 1996 and 1997, and the results of its operations and its cash flows for each of the years in the three year period ended June 30, 1997, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Washington, D.C.,
May 18, 1998
(except with respect to Note 16
for which the date is June 29, 1998.)

UNITED STATES ENRICHMENT CORPORATION
BALANCE SHEETS
(MILLIONS, EXCEPT PER SHARE DATA)

	JUNE 30, 1996	JUNE 30, 1997	MARCH 31, 1998 (UNAUDITED)
ASSETS			
Current Assets			
Cash held at U.S. Treasury	$1,125.0	$1,261.0	$1,259.6
Accounts receivable -- customers	346.9	249.3	222.5
Receivables from Department of Energy	140.0	134.4	134.5
Inventories:			
Separative Work Units	586.8	573.8	656.2
Uranium	150.3	131.5	164.8
Uranium provided by customers	582.6	726.2	321.4
Materials and supplies	15.7	12.4	25.8
Total Inventories	1,335.4	1,443.9	1,168.2
Payments for future deliveries under Russian HEU Contract	78.1	79.6	98.0
Other	30.5	23.3	30.9
Total Current Assets	3,055.9	3,191.5	2,913.7
Property, Plant and Equipment, Net	100.4	111.5	120.7
Other Assets			
Uranium inventories	199.7	103.6	103.6
Payment for future deliveries under Russian HEU Contract	--	50.0	--
Total Assets	$3,356.0	$3,456.6	$3,138.0
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	$ 188.1	$ 159.7	$ 128.8
Payables to Department of Energy	17.5	17.4	15.1
Uranium owed to customers	582.6	726.2	321.4

Payable to Russian Federation for purchases.....	18.8	10.2	61.7
Total Current Liabilities.....	807.0	913.5	527.0
Other Liabilities			
Advances from customers.....	55.0	34.9	34.0
Depleted UF(6) disposition costs.....	303.0	336.4	384.6
Other liabilities.....	69.4	80.5	93.2
Total Other Liabilities.....	427.4	451.8	511.8
Commitments and Contingencies (Notes 5, 8 and 9)			
Stockholder's Equity			
Preferred stock, par value $1.00 per share, 25,000,000 shares authorized, none issued.....	--	--	--
Common stock, par value $.10 per share, 250,000,000 shares authorized, 100,000,000 shares issued and outstanding.....	10.0	10.0	10.0
Excess of capital over par value.....	1,214.6	1,054.2	1,040.1
Retained earnings.....	897.0	1,027.1	1,049.1
Total Stockholder's Equity.....	2,121.6	2,091.3	2,099.2
Total Liabilities and Stockholder's Equity.....	$3,356.0	$3,456.6	$3,138.0

See notes to financial statements.

UNITED STATES ENRICHMENT CORPORATION
STATEMENTS OF INCOME
(MILLIONS, EXCEPT PER SHARE DATA)

	YEARS ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
				(UNAUDITED)	
Revenue					
Domestic.....	$ 1,001.9	$ 901.6	$ 950.8	$ 680.9	$ 646.0
Asia.....	485.5	441.3	487.5	304.0	340.2
Europe and other.....	123.3	69.9	139.5	139.5	70.5
Total revenue.....	1,610.7	1,412.8	1,577.8	1,124.4	1,056.7
Cost of sales.....	1,088.1	973.0	1,162.3	833.4	792.2
Gross profit.....	522.6	439.8	415.5	291.0	264.5
Other operating expenses					
Project development costs.....	49.0	103.6	141.5	107.5	103.0
Selling, general and administrative.....	27.6	36.0	31.8	25.7	24.8
Other (income) expense, net.....	(1.5)	(3.9)	(7.9)	(4.3)	(5.3)
Net income.....	$ 447.5	$ 304.1	$ 250.1	$ 162.1	$ 142.0
Pro Forma Information (unaudited):					
Income before income taxes, as reported.....			$ 250.1		$ 142.0
Pro forma adjustment for interest expense.....			35.3		27.1
Pro forma income before income taxes.....			214.8		114.9
Pro forma provision for income taxes.....			81.6		43.7
Pro forma net income.....			$ 133.2		$ 71.2
Pro forma net income per share -- basic.....			$ 1.33		$ .71
Average Shares outstanding.....			100.0		100.0

See notes to financial statements.

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UNITED STATES ENRICHMENT CORPORATION
STATEMENTS OF CASH FLOWS
(MILLIONS)

	YEARS ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
				(UNAUDITED)	
Cash Flows from Operating Activities					
Net income	$ 447.5	$ 304.1	$ 250.1	$ 162.1	$ 142.0
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	13.3	13.7	14.6	11.4	11.3
Portion of AVLIS project development costs paid by Department of Energy	--	--	--	--	45.9
Depleted UF(6) disposition costs	119.4	90.6	72.0	60.0	45.2
Advances from customers -- increase (decrease)	16.6	(4.4)	(20.1)	(20.5)	(.9)
Changes in operating assets and liabilities:					
Accounts receivable -- (increase) decrease	(47.1)	(84.3)	97.6	223.9	26.8
Net receivables from Department of Energy -- (increase) decrease	(36.8)	(68.9)	5.5	2.1	(2.4)
Inventories -- (increase) decrease	(26.8)	(49.8)	(3.5)	(53.0)	(129.1)
Payments for future deliveries under Russian HEU Contract	(4.6)	(28.5)	(51.5)	(58.2)	31.6
Accounts payable and accrued liabilities -- increase (decrease)	28.7	(7.2)	(17.3)	(29.2)	(18.2)
Payable to Russian Federation -- increase (decrease)	46.3	(37.5)	1.4	4.9	51.5
Other	(16.3)	(8.1)	7.3	11.0	(4.6)
Net Cash Provided by Operating Activities	540.2	119.7	356.1	314.5	199.1
Cash Flows (Used) in Investing Activities					
Capital expenditures	(27.5)	(15.6)	(25.8)	(15.9)	(20.5)
Cash Flows from Financing Activities					
Dividends paid	(55.0)	(120.0)	(120.0)	(120.0)	(120.0)
Payments under Russian HEU Contract for purchase of natural uranium transferred to Department of Energy	--	(86.1)	(74.3)	(74.3)	--
Funds transferred (to) from Department of Energy	34.3	--	--	--	(60.0)
Net Cash Provided (Used) by Financing Activities	(20.7)	(206.1)	(194.3)	(194.3)	(180.0)
Net Increase (Decrease)	492.0	(102.0)	136.0	104.3	(1.4)
Cash Held at U.S. Treasury at Beginning of Period	735.0	1,227.0	1,125.0	1,125.0	1,261.0
Cash Held at U.S. Treasury at End of Period	$1,227.0	$1,125.0	$1,261.0	$1,229.3	$1,259.6
Supplemental schedule of non-cash financing activities					
Portion of AVLIS project development costs paid by Department of Energy and recorded as a contribution to capital	--	--	--	--	$ 45.9

See notes to financial statements.

UNITED STATES ENRICHMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

United States Enrichment Corporation (the Company or USEC) is a global energy company and the world's leading producer and marketer of uranium enrichment services. As a wholly-owned U.S. Government corporation established by the Energy Policy Act of 1992 (Energy Policy Act), all common stock issued and outstanding is held by the U.S. Treasury. USEC began operations July 1, 1993, and was created as an initial step in transferring the U.S. Government's uranium enrichment activities to the private sector. The Company provides uranium enrichment services to electric utilities operating nuclear reactors in 14 countries, including the United States. The Company has been designated by the U.S. Government as the Executive Agent under a government-to-government agreement and as such entered into an agreement with the executive agent for the Russian Federation (the Russian HEU Contract) under which the Company purchases Separative Work Units (SWU) derived from highly enriched uranium (HEU) recovered from dismantled nuclear weapons of the Russian Federation for use in commercial electricity production.

The Company uses the gaseous diffusion process to enrich uranium, separating and concentrating the lighter uranium isotope U(235) from its slightly heavier counterpart U(238). The process relies on the slight difference in mass between the isotopes for separation. At the leased gaseous diffusion plants (GDPs) located near Portsmouth, Ohio, and in Paducah, Kentucky, the concentration of the isotope U(235) is raised from less than 1% to up to 5%. A substantial portion of the purchased power used by the GDPs is supplied under power contracts between the U.S. Department of Energy (DOE) and Ohio Valley Electric Corporation (OVEC) and Electric Energy, Inc. (EEI). Lockheed Martin Utility Services, Inc. (LMUS), a subsidiary of Lockheed Martin Corporation, operates the GDPs under the Company's direct supervision and management.

In November 1996, the Nuclear Regulatory Commission (NRC) granted initial certificates of compliance to the Company for operation of the GDPs. Regulatory authority over the operations of the GDPs was transferred from DOE to NRC in March 1997. The initial NRC certification expires December 31, 1998, and subsequent certification will be for periods of up to five years.

Customers typically deliver uranium to the enrichment facilities to be processed or enriched under enrichment contracts. Customers are billed for SWU used at the enrichment facilities to separate specific quantities of uranium containing .711% of U(235) into two components: enriched uranium having a higher percentage of U(235) and depleted UF(6) having a lower percentage of U(235).

The Company has exclusive commercial rights to deploy the U.S. Government's interest in the Atomic Vapor Laser Isotope Separation (AVLIS) technology, an advanced laser based enrichment process that is expected to significantly reduce production costs. USEC anticipates deploying an AVLIS plant by 2005.

2. USEC PRIVATIZATION

The Privatization Act directs the USEC Board of Directors, with the approval of the Secretary of the Treasury, with respect to certain matters, and in consultation with appropriate federal agencies with respect to certain other matters, to determine that the selected privatization transaction satisfies a number of criteria, and if so determined, to transfer the U.S. Government's interest in the Company to the private sector.

On January 15, 1998, the USEC Board of Directors announced that, as directed by President Clinton, they were initiating the process to sell the Company through a dual-path process of simultaneously pursuing a merger and acquisition transaction with a third party and an initial public offering of

common stock. The Privatization Act, among other things, also provides for: the transfer to DOE of the responsibility for the disposal of depleted UF(6) generated by USEC through the date of privatization; the allocation between the Company and the U.S. Government of liabilities and contingencies incurred through the date of privatization; the transfer to USEC from DOE of up to 50 metric tons of HEU and up to 7,000 metric tons of natural uranium from DOE's excess inventories; certain employee benefit protections for workers at the GDPs; certain

limitations on the ability of a person to acquire more than 10% of the Company's voting securities for a three-year period after consummation of privatization; and certain foreign ownership limitations. At March 31, 1998, the transfer of responsibility for disposal of depleted UF(6) to DOE and the transfers of uranium and HEU from DOE had not yet occurred and, accordingly, were not reflected in the Company's financial statements.

Pursuant to the Privatization Act, in December 1996, the Company transferred to DOE the natural uranium purchased under the Russian HEU Contract in calendar years 1995 and 1996.

Following privatization, the U.S. Government will continue to exercise oversight of USEC's activities affecting matters of national security and other interests of the U.S. Government, including its role as Executive Agent in connection with the Russian HEU Contract.

On the Privatization Date, the Company will declare and pay to the U.S. Treasury a dividend in the aggregate amount of (i) the remaining balance of cash held in the Company's account at the U.S. Treasury as of the Privatization Date and (ii) $500.0 million of the $550.0 million in borrowings made at consummation of the Offering. The Company will retain $50.0 million in cash from the $550.0 million in borrowings. The amount of the dividend in excess of the Company's retained earnings will be recorded as a reduction of excess of capital over par value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH HELD AT U.S. TREASURY

Cash consists of non-interest bearing funds on deposit with the U.S. Treasury.

INVENTORIES

Inventories of uranium and SWU are valued at the lower of cost or market. SWU inventory costs are determined using the monthly moving average cost method and are based on production costs at the GDPs and SWU purchase costs, mainly under the Russian HEU Contract. Production costs at the GDPs include purchased electric power, labor and benefits, depleted UF(6) disposition costs, materials, major overhauls, maintenance and repairs, and other costs. Purchased SWU is recorded at acquisition cost plus related shipping costs.

PROPERTY, PLANT AND EQUIPMENT

Construction work in progress is recorded at acquisition or construction cost. Upon being placed into service, costs are transferred to leasehold improvements or machinery and equipment at which time depreciation commences. Leasehold improvements and machinery and equipment are recorded at acquisition cost and depreciated on a straight line basis over the shorter of their useful lives which range from three to ten years or the GDP lease period which is estimated to extend through 2005. The Company leases the GDPs and process-related machinery and equipment from DOE. At the end of the lease term,

ownership and responsibility for decontamination and decommissioning of the Company's property, plant and equipment that the Company leaves at the GDPs transfers to DOE.

Property, plant and equipment at June 30 consists of the following (in millions):

	1996	1997
Construction work in progress	$ 12.0	$ 15.6
Leasehold improvements	14.7	17.2
Machinery and equipment	105.7	125.4
	132.4	158.2
Accumulated depreciation and amortization	(32.0)	(46.7)
Property, Plant and Equipment, Net	$100.4	$111.5

MAJOR OVERHAUL COSTS

Production costs are charged with a pro rata portion of the estimated future costs of scheduled major overhaul projects that are designed to maintain the productive capacity of the facilities. Costs include labor and benefits, materials, contract services and other related costs. Routine maintenance and repair expenses are charged to production costs as incurred.

REVENUE

Revenue is recognized at the time enriched uranium is shipped under the terms of long-term requirements contracts with domestic and foreign electric utility customers. Under the Company's delivery optimization and other customer oriented programs, the Company advance ships enriched uranium to nuclear fuel fabricators for scheduled or anticipated orders from utility customers. Revenue from sales of SWU under such programs is recognized as title to enriched uranium is transferred to customers. Under certain power-for-SWU barter contracts, the Company exchanges its enrichment services for electric power supplied to the GDPs. Revenue is recognized by the Company at the time enriched uranium is shipped with selling prices for SWU based on the fair market value of electric power received.

No customer accounted for more than 10% of revenue during the years ended June 30, 1995, 1996 or 1997. Revenue attributed to domestic and international customers follows:

	YEARS ENDED JUNE 30,		
	1995	1996	1997
Domestic	62%	64%	60%
Asia	30	31	31
Europe and other	8	5	9

100%	100%	100%

Under the terms of certain enrichment contracts, customers make partial or full payment in advance of delivery. Advances from customers are reported as liabilities, and, as customers take delivery, advances are recorded as revenue.

ENVIRONMENTAL COSTS

Environmental costs relating to operations are charged to production costs as incurred. Estimated future environmental costs, including depleted UF(6) disposition and waste disposal, resulting from operations where environmental assessments indicate that storage, treatment or disposal is probable and costs can be reasonably estimated, are accrued and charged to production costs.

PROJECT DEVELOPMENT COSTS

Project development costs relate principally to the AVLIS project. AVLIS development costs are charged to expense as incurred and include activities relating to the design and testing of process equipment and the design and preparation of the AVLIS demonstration facility. USEC will capitalize AVLIS development costs associated with facilities and equipment designed for commercial production activities.

OTHER INCOME

Other income consists principally of interest income and is reported net of interest expense of $2.4 million, $2.5 million and $1.6 million for the years ended June 30, 1995, 1996 and 1997, respectively.

INCOME TAXES

The Company is exempt from federal, state and local income taxes.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and costs and expenses during the periods presented such as, but not limited to, accrued costs for the disposition of depleted UF(6) and the operating lease period of the GDPs for accounting purposes. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts in the financial statements have been reclassified to conform with the current presentation.

INTERIM FINANCIAL RESULTS (UNAUDITED)

The financial statements as of March 31, 1998 and 1997, and for the nine months ending March 31, 1998 and 1997 and the notes thereto are unaudited. However, in the opinion of management, all adjustments (consisting only of normal accruals) necessary for a fair presentation of the financial statements have been included.

PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

Unaudited pro forma information for the year ended June 30, 1997, and the nine months ended March 31, 1998, reflects pro forma adjustments for interest expense on $550.0 million of debt to be incurred simultaneously with consummation of the Offering and a provision for income taxes, at an effective tax rate of 38%, as if the Company had been subject to federal, state and local income taxes.

The Company will transition to taxable status upon the Privatization. The Energy Policy Act does not specify how the Company would determine the tax bases of its assets and liabilities. However, the Company believes future tax consequences of temporary differences between the carrying amounts for financial reporting purposes and the Company's estimate of the tax bases of its assets and liabilities would result in deferred income tax benefits, primarily due to the accrual of certain liabilities that will be deducted for income tax purposes in future years and temporary differences from the capitalization of inventory costs.

The Company expects that a deferred income tax benefit will be recorded in connection with its transition to taxable status as a nonrecurring reduction to the provision for income taxes following the offering. The

deferred tax benefit arising from the Company's transition to taxable status is not reflected in pro forma net income for the year ended June 30, 1997, or the nine months ended March 31, 1998.

4. INVENTORIES

Inventories and related balance sheet accounts follow (in millions):

	JUNE 30,		MARCH 31,
	1996	1997	1998
			(UNAUDITED)
CURRENT ASSETS			
Separative Work Units	$ 586.8	$ 573.8	$ 656.2
Uranium	150.3	131.5	164.8
Uranium provided by customers	582.6	726.2	321.4
Materials and supplies	15.7	12.4	25.8
	1,335.4	1,443.9	1,168.2
LONG-TERM ASSETS			
Uranium	199.7	103.6	103.6
CURRENT LIABILITIES			
Uranium owed to customers	(582.6)	(726.2)	(321.4)
INVENTORIES, REDUCED BY URANIUM OWED TO CUSTOMERS	$ 952.5	$ 821.3	$ 950.4

Inventories included in current assets represent amounts required to meet working capital needs, preproduce enriched uranium and balance the natural uranium and electric power requirements of the GDPs, and include $149.2 million, $157.9 million, and $205.0 million at June 30, 1996 and 1997 and March 31, 1998, respectively, for enriched uranium held at fabricators and other locations and scheduled to be used to fill customer orders.

Uranium inventories reported as long-term assets represent quantities not expected to be used or consumed within one year of the balance sheet date and, at June 30, 1996, included uranium purchased at a cost of $96.1 million under the Russian HEU Contract which, pursuant to the USEC Privatization Act, was

transferred to DOE in December 1996.

Uranium provided by customers for enrichment purposes, for which title passes to the Company, is recorded at estimated fair value with a corresponding liability in the same amount representing uranium owed to customers. In addition to uranium provided by customers for which title passes to the Company in the amounts of $582.6 million, $726.2 million and $321.4 million included on the balance sheet at June 30, 1996 and 1997 and March 31, 1998, respectively, the Company also holds additional uranium provided by customers for enrichment purposes for which title does not pass to the Company (title remains with customers) in the amounts of $42.5 million, $110.5 million, and $711.3 million based on estimated fair value at June 30, 1996 and 1997 and March 31, 1998, respectively.

5. PURCHASE OF SEPARATIVE WORK UNITS UNDER RUSSIAN HEU CONTRACT

In January 1994, the Company signed the 20-year Russian HEU Contract with Techsnabexport Co., Ltd. (TENEX), the Executive Agent for the Russian Federation, under which the Company purchases SWU derived from up to 500 metric tons of HEU recovered from dismantled Soviet nuclear weapons. HEU is blended down in Russia and delivered to the Company, F.O.B. St. Petersburg, Russia, for sale and use in commercial nuclear reactors.

From inception of the Russian HEU Contract to March 31, 1998, the Company purchased 6.5 million SWU derived from 35 metric tons of HEU at an aggregate cost of $556.5 million, including related shipping charges, as follows:

	SWU	COST
	(MILLIONS)	
YEARS ENDED JUNE 30,		
1995	.3	$ 22.7
1996	1.7	144.1
1997	1.8	157.3
Nine Months Ended March 31, 1998	2.7	232.4
	6.5	$556.5

The Company has committed to purchase SWU in the amount of $376.2 million in calendar 1998. In each of calendar years 1999 to 2001, the Company has committed to purchase SWU in the amount of $475.8 million, subject to certain purchase price adjustments for U.S. inflation. As of March 31, 1998, the Company has committed to purchase SWU derived from HEU through 2001 as follows:

CALENDAR YEAR	SWU	DERIVED FROM METRIC TONS OF HEU	AMOUNT
	(MILLIONS)		(MILLIONS)
Nine Months Ended December 31, 1998	4.4	24	$ 376.2
1999	5.5	30	475.8
2000	5.5	30	475.8
2001	5.5	30	475.8

	$1,803.6

Orders and assay specifications have been placed for calendar years 1997 and 1998. Over the life of the Russian HEU Contract, the Company expects to purchase 92 million SWU derived from 500 metric tons of HEU. Assuming actual prices in effect at June 30, 1997, were to prevail over the remaining life of the contract, the cost of SWU purchased and expected to be purchased from TENEX would amount to approximately $8 billion.

As of June 30, 1997, the Company had made payments aggregating $260.0 million to TENEX as credits for future SWU deliveries. As of June 30, 1997, $130.4 million had been applied against purchases of SWU, and the remaining balance of $129.6 million is scheduled to be applied as follows: $29.6 million by December 31, 1997, and $50.0 million in each of calendar years 1998 and 1999.

Pursuant to the USEC Privatization Act, in December 1996, the Company transferred to DOE the natural uranium component of LEU from HEU purchased under the Russian HEU Contract in calendar years 1996 and 1995. As a result of the transfer, the aggregate purchase cost of $160.4 million as of December 31, 1996, including related shipping charges, was recorded as a return of capital. Beginning in calendar year 1997, the Company is no longer obligated to purchase the natural uranium component.

6. PROJECT DEVELOPMENT COSTS

AVLIS is a uranium enrichment process which uses lasers to separate uranium isotopes. The AVLIS process was developed under a contract with DOE by the Lawrence Livermore National Laboratory ("LLNL") located in Livermore, California. In July 1994, the Company's Board of Directors authorized management to begin taking steps that can lead to commercialization of the AVLIS technology.

In April 1995, the Company entered into an agreement with DOE (the "AVLIS Transfer Agreement") providing for, among other things, the transfer to the Company by DOE of its intellectual and physical

property pertaining to the AVLIS technology. Also under the AVLIS Transfer Agreement, DOE conducts AVLIS research, development and demonstration at LLNL as requested by the Company. The Company reimburses DOE for its costs in conducting AVLIS work, and the Company is liable for any incremental increase in DOE's costs of decontamination and decommissioning the AVLIS facilities at LLNL as a result of the work performed for the Company. The AVLIS research and development work is performed primarily by the University of California under DOE's management and operations contract for LLNL. Patents, technology, and other intellectual property that result from this research and development effort will be owned by the Company.

The Company has entered into joint development agreements with Cameco Corporation ("Cameco") for AVLIS feed conversion services and General Electric Company ("GE") for AVLIS product conversion services, both of which are necessary because AVLIS requires a metallic form of uranium for processing rather than UF(6). Both joint development agreements obligate USEC to reimburse costs and expenses incurred by its partners if USEC elects not to proceed to the deployment phase under certain circumstances. The Company's maximum predeployment liability under both of the agreements is $9.0 million, subject to certain provisions for cost overruns. The contracts also provide that if USEC proceeds with AVLIS deployment but elects to do so without entering into agreements with Cameco and GE, USEC must pay certain royalty payments. In such event, in the case of Cameco, these payments would not exceed $50.0 million in the aggregate. In the case of GE, the payment would include a fixed payment of

$5.0 million plus an annual royalty of $1.0 million until certain GE patents related to the product conversion expire.

Project development costs relating to AVLIS activities amounted to $48.6 million, $102.0 million and $133.7 million for the years ended June 30, 1995, 1996 and 1997, respectively, and were charged to expense as incurred.

In October 1997, pursuant to the Energy & Water Development Appropriations Act of 1998, the Company paid $60.0 million to DOE who assumed the responsibility to fund certain AVLIS project development activities. For financial accounting and reporting purposes, the payment of $60.0 million is reported as a return of capital to the U.S. Government.

The Energy Policy Act limits predeployment expenditures by the Company for AVLIS or alternative uranium enrichment technologies to $364.0 million prior to privatization. The Energy & Water Development Appropriations Act of 1998, enacted in October 1997, authorized DOE to spend an additional $60.0 million to conduct AVLIS development activities. The amount of $364.0 million applicable to predeployment spending by the Company under the Energy Policy Act remains in effect. The Company expects its funding available under the Energy Policy Act and DOE's funding available under the 1997 legislation will allow for continuation of AVLIS development activities until July 31, 1998. For financial accounting and reporting purposes, costs incurred by DOE with respect to AVLIS development activities, although not considered predeployment expenditures under the Energy Policy Act, are included and reported as project development costs and charged against income in the Company's financial statements with a corresponding contribution to capital.

During the year ended June 30, 1997, the Company began to evaluate SILEX, a potential new advanced enrichment technology to separate U(235) from U(238). The Company plans to continue evaluating SILEX technology during fiscal 1999.

7. ENVIRONMENTAL MATTERS

Environmental compliance costs include the handling, treatment and disposal of hazardous substances and wastes. Pursuant to the Privatization Act, all environmental liabilities associated with the operation of the GDPs prior to July 1, 1993, are the responsibility of DOE, and with certain limited exceptions DOE is responsible for decontamination and decommissioning of the GDPs at the end of their operating lives. Except

for certain liabilities relating to disposal of certain wastes generated after July 1, 1993, all environmental liabilities of the Company through the date of privatization will remain obligations of the U.S. Government.

DEPLETED UF(6)

Depleted UF(6) is stored in cylinders at the GDPs as a solid. The Company accrues estimated costs for the future disposition of depleted UF(6) quantities generated since July 1, 1993, based upon estimates for transportation, conversion and disposition. The accrued liability amounted to $303.0 million and $336.4 million at June 30, 1996 and 1997, respectively. Pursuant to the USEC Privatization Act, all liabilities arising out of the disposal of depleted UF(6) generated by USEC through the date of privatization are the responsibility of DOE.

OTHER ENVIRONMENTAL MATTERS

USEC's operations generate hazardous, low-level radioactive and mixed wastes. The storage, treatment, and disposal of wastes are regulated by federal and state laws. The Company utilizes offsite treatment and disposal facilities

and stores waste at the GDPs pursuant to permits, orders and agreements with DOE and various state agencies.

The accrued liability for the treatment and disposal of stored wastes generated by USEC's operations included in other liabilities amounted to $11.9 million and $7.7 million as of June 30, 1996 and 1997, respectively. All liabilities related to the disposal of stored wastes generated prior to July 1, 1993, are the responsibility of DOE.

NUCLEAR INDEMNIFICATION

Pursuant to the Energy Policy Act and under the terms of the lease agreement with DOE, the Company is indemnified by DOE under the Price-Anderson Act for third-party liability claims arising from nuclear incidents with respect to activities at the GDPs, including transportation of uranium to and from the GDPs.

8. LEGAL PROCEEDINGS

In 1995, 15 of the Company's customers filed four substantially similar lawsuits in the U.S. Court of Federal Claims challenging the Company's prices under their Utility Services Contracts. Five of the 15 customers thereafter negotiated new contracts with the Company and withdrew from the litigation. In August 1996, the trial court granted the United States' motion for summary judgment dismissing one of the suits; in July 1997, the Court of Appeals for the Federal Circuit affirmed that decision. In December 1997, the trial court granted the United States' motions to dismiss the remaining suits; the plaintiffs did not seek to appeal those decisions.

9. COMMITMENTS AND CONTINGENCIES

POWER COMMITMENTS

Under the terms of the GDP lease, the Company purchases electric power at amounts equivalent to actual cost incurred under DOE's power contracts with OVEC and EEI which extend through December 2005. The Company has the right to have DOE terminate the power contracts with notice ranging from three

to five years and is obligated to make minimum annual payments for demand charges, whether or not it takes delivery of power, estimated as follows (in millions):

YEARS ENDED JUNE 30,	
1999	$122.7
2000	119.8
2001	121.3
2002	99.5
2003	42.2
	$505.5

Under the power contracts with DOE, in July 1993 the Company assumed responsibility for DOE's guarantee of OVEC's senior secured notes with a remaining balance of $63.1 million at March 31, 1998, for expenditures related

to compliance with the Clean Air Act Amendments of 1990, including facilities for fuel switching and the installation of continuous emission monitors. The minimum demand charges under the OVEC contract include annual debt service of $10.5 million to fully amortize the notes by the scheduled maturity in December 2005.

Upon termination of the power contracts, the Company is responsible for its pro rata share of costs of future decommissioning and shutdown activities at dedicated coal-fired power generating facilities owned and operated by OVEC and EEI. Estimated costs are accrued over the contract period, and the accrued liability included in other liabilities amounted to $12.1 million and $15.2 million at June 30, 1996 and 1997, respectively.

LEASE COMMITMENTS

Total costs incurred under the GDP lease and leases for office space and equipment aggregated $12.2 million, $18.7 million, and $23.2 million for the years ended June 30, 1995, 1996 and 1997, respectively, and include costs relating to DOE's regulatory oversight of the GDPs. In March 1997, the NRC assumed regulatory oversight.

The cost of the GDP lease with DOE is estimated at $3.2 million for the year ending June 30, 1998. The Company has the right to extend the lease indefinitely at its sole option, and the Company may terminate the lease in its entirety or with respect to one of the GDPs at any time upon two years' notice. Upon termination of the lease, the Company is responsible for certain lease turnover activities at the GDPs, including documentation of the condition of the GDPs and termination of facility operations. Lease turnover costs are accrued and charged to production costs over the lease period, which is estimated to extend through 2005, and the accrued liability included in other liabilities amounted to $12.0 million and $17.6 million at June 30, 1996 and 1997, respectively.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

Financial instruments are reported on the balance sheets and consist of cash, accounts receivable and payable, certain accrued liabilities, and obligations relating to SWU purchased. The carrying amounts of financial instruments and obligations approximate fair value.

Trade receivables result from sales of SWU to electric utility customers located primarily in the United States, Asia and Europe. Credit risk could result from the possibility of a utility customer failing to perform according to the terms of a long-term requirements contract. Extension of credit is based on an evaluation of each customer's financial condition. The Company regularly monitors credit risk exposure and takes steps to

mitigate the likelihood of such exposure resulting in a loss. Based on experience and outlook, an allowance for bad debts has not been established for customer trade receivables.

11. STOCKHOLDER'S EQUITY

Changes in stockholder's equity follow (in millions):

COMMON STOCK	EXCESS OF CAPITAL OVER PAR VALUE	RETAINED EARNINGS	TOTAL STOCKHOLDER'S EQUITY

Balance at July 1, 1994	$10.0	$1,214.6	320.4	$1,545.0
Dividend paid to U.S. Treasury	--	--	(55.0)	(55.0)
Net income	--	--	447.5	447.5
Balance at June 30, 1995	10.0	1,214.6	712.9	1,937.5
Dividend paid to U.S. Treasury	--	--	(120.0)	(120.0)
Net income	--	--	304.1	304.1
Balance at June 30, 1996	10.0	1,214.6	897.0	2,121.6
Dividend paid to U.S. Treasury	--	--	(120.0)	(120.0)
Transfer to DOE of uranium purchased under the Russian HEU Contract	--	(160.4)	--	(160.4)
Net income	--	--	250.1	250.1
Balance at June 30, 1997	10.0	1,054.2	1,027.1	2,091.3
Dividend paid to U.S. Treasury	--	--	(120.0)	(120.0)
Funds transferred to DOE	--	(60.0)	--	(60.0)
Portion of AVLIS costs paid by DOE	--	45.9	--	45.9
Net income	--	--	142.0	142.0
Balance at March 31, 1998 (Unaudited)	$10.0	$1,040.1	$1,049.1	$2,099.2

The Energy Policy Act required that the Company issue capital stock to the U.S. Government, held on its behalf by the Secretary of the Treasury. Since assets and liabilities were transferred between agencies of the U.S. Government (DOE and USEC) pursuant to a Determination Order, they were recorded at DOE's historical cost. On July 1, 1993, 30,000,000 shares of common stock, par value $100 per share, were issued to the U.S. Treasury. In connection with the Privatization of the Company, the par value of the common stock was changed to $.10 per share, and an aggregate of 100,000,000 shares will be issued and outstanding.

Pursuant to the USEC Privatization Act, in December 1996, the Company transferred to DOE the natural uranium component of LEU from HEU purchased under the Russian HEU Contract in calendar years 1995 and 1996. As a result of the transfer, the purchase cost of $160.4 million, including related shipping charges, was recorded as a return of capital.

12. EMPLOYEE BENEFIT PLANS

Effective January 1994, a non-contributory defined benefit pension plan was established by the Company to provide retirement benefits to its employees based on salary and years of service. Certain employees who transferred from other government agencies elected to continue participation in the federal retirement programs. Pension costs, including costs for the Company's 401(k) plan, amounted to $1.0 million for each of the years ended June 30, 1995, 1996 and 1997. At June 30, 1997, based on an assumed discount rate of 7.75%, an assumed compensation rate of 5.25% and an assumed rate of return on plan assets of 8%, the actuarial value of projected benefit obligations was $.7 million, none of which was vested, the fair value of plan assets was $.6 million, and the amount of unfunded accrued pension costs included in current liabilities was $.1 million.

13. OPERATIONS AND MAINTENANCE CONTRACT

Under an operations and maintenance contract with the Company (the "LMUS Contract"), LMUS provides labor, services, and materials and supplies to operate and maintain the GDPs, for which the Company funds LMUS for its actual costs and pays contracted fees. The LMUS Contract expires on October 1, 2000. If LMUS meets certain specified operating and safety criteria and demonstrates cost savings that exceed certain targets, LMUS can earn an annual incentive fee.

Under the operations and maintenance contract, USEC is responsible for and accrues for its pro rata share of pension and other postretirement health and

life insurance costs relating to LMUS employee benefit plans. All costs related to years of service prior to July 1, 1993, are the responsibility of DOE. The Company's responsibility for funding its pro rata share of LMUS pension and other postretirement benefit costs is determined based on actuarial estimates and amounted to $22.1 million, $21.8 million and $20.8 million for the years ended June 30, 1995, 1996 and 1997, respectively.

14. TRANSACTIONS WITH THE DEPARTMENT OF ENERGY

Services are provided to DOE by the Company for environmental restoration, waste management and other activities based on actual costs incurred at the GDPs. Reimbursements by DOE to the Company for actual costs incurred amounted to $88.0 million, $68.5 million, and $53.4 million for the years ended June 30, 1995, 1996 and 1997, respectively. Amounts receivable from DOE for actual costs incurred for services amounted to $16.7 million and $10.0 million at June 30, 1996 and 1997, respectively.

Under the GDP lease, DOE paid $29.4 million to the Company during the fiscal year ended June 30, 1997, including the amount of $15.3 million receivable at June 30, 1996, for reimbursement of costs associated with modifications to bring the GDPs into compliance with standards of the Occupational Safety and Health Administration.

Receivables from DOE in the amount of $88.4 million and $104.8 million at June 30, 1996 and 1997, respectively, relate to costs associated with modifications to bring the GDPs into compliance with NRC certification standards and nuclear safeguard requirements incurred by the Company and reimbursable by DOE. The reimbursement is being satisfied by the transfer from DOE of 13 metric tons of HEU for blending into the GDP production stream, which is scheduled to be completed by July 1998 and transfers, completed in May 1998, of natural uranium and LEU from DOE. Transfers of uranium and LEU from DOE are recorded at DOE's historical cost. As of March 31, 1998, the Company estimates its remaining cash outlays for completion of such upgrades amounts to $54.4 million, the reimbursement for which was completed by the transfers of uranium and LEU in May 1998.

Receivables from DOE at June 30, 1996 and 1997, include the balance of $19.6 million representing amounts receivable from DOE relating to the Determination Order, dated July 1, 1993, payment of which was satisfied by the transfers of uranium and LEU in May 1998.

15. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes the Company's quarterly results of operations (in millions):

	SEPT. 30	DEC. 31	MARCH 31	JUNE 30	TOTAL
Year Ended June 30, 1997					
Revenue(a)	$422.9	$485.1	$216.4	$453.4	$1,577.8
Cost of sales	307.9	364.2	161.3	328.9	1,162.3
Gross profit	115.0	120.9	55.1	124.5	415.5
Project development costs(b)	35.7	39.2	32.6	34.0	141.5
Selling, general and administrative	8.6	8.6	8.5	6.1	31.8
Other (income) expense, net	(2.3)	(.9)	(1.1)	(3.6)	(7.9)
Net income(c)	$ 73.0	$ 74.0	$ 15.1	$ 88.0	$ 250.1
Year Ended June 30, 1996					
Revenue(a)	$227.2	$453.4	$311.2	$421.0	$1,412.8
Costs of sales	139.9	315.4	224.4	293.3	973.0

Gross profit	87.3	138.0	86.8	127.7	439.8
Project development costs(b)	13.6	22.1	30.2	37.7	103.6
Selling, general and administrative	10.2	8.3	8.7	8.8	36.0
Other (income) expense, net	(.5)	(1.4)	(.8)	(1.2)	(3.9)
Net income(c)	$ 64.0	$109.0	$ 48.7	$ 82.4	$ 304.1

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(a) The Company's revenue and financial performance are substantially influenced by the timing of customer nuclear reactor refuelings that are affected by, among other things, the seasonal nature of electricity demand and production. The timing of customer reactor fuel reloads, which generally occur every 12 to 24 months, tends to be fairly predictable over the long run, but may vary quarter-to-quarter and can affect financial comparisons. Utilities typically schedule the shutdown of their reactors for refueling during low demand periods of spring and fall to reduce costs associated with reactor downtime. The Company estimates that about two-thirds of the nuclear reactors under contract operate on refueling cycles of 18 months or less, and the remaining one-third operate on refueling cycles greater than 18 months.

(b) Project development costs primarily represent planned development and engineering spending for the future commercialization of AVLIS uranium enrichment process.

(c) The Company is exempt from federal, state and local income taxes.

16. SUBSEQUENT EVENT

INITIAL PUBLIC OFFERING

On June 29, 1998, the Company's Board of Directors approved the filing of a registration statement with the Securities and Exchange Commission for the sale of the Company's common stock in connection with an initial public offering. All the shares are being offered by the U.S. Government, the selling shareholder, which is selling its entire interest in the Company. The Company will not receive any proceeds from the sale of the Shares, assuming the U.S. Underwriters' over-allotment option is not exercised. If the U.S. Underwriters' over-allotment option is exercised, the Company will be required to use $75.0 million of the proceeds to reduce indebtedness; any remaining balance of proceeds from the exercise of the over-allotment option will be used for general corporate purposes.

In connection with the Privatization of the Company, the par value of the common stock was changed to $.10 per share, and an aggregate of 100,000,000 shares will be issued and outstanding. The financial statements include the effect of this change.

GLOSSARY

Set forth below is a glossary of certain terms used in this Prospectus.

Assay. The weight percent of U(235).

AVLIS. Atomic Vapor Laser Isotope Separation. A next-generation enrichment technology that uses finely tuned lasers to enrich metallic uranium vapor.

Base Price. The standard method of pricing under the Utility Service Contracts, which is subject to a ceiling price cap.

CIP. Cascade Improvement Program. The program conducted from 1971 until 1983 which incorporated the most recent advances in gaseous diffusion technology at the GDPs and increased the total SWU capacity.

CUP. Cascade Uprating Program. The program conducted from 1974 to 1983 which increased the power handling capacity of the GDPs and improved the capacity of the cooling towers at the GDPs.

CERCLA. The Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. 9601 et seq.).

CIS. The Commonwealth of Independent States.

Commerce. The United States Department of Commerce.

Common Stock. The common stock, par value $.10 per share, of USEC Inc.

Compliance Plan. The plan by which USEC seeks NRC approval and certification of the GDPs pursuant to the Privatization Act.

Depleted UF(6). Uranium hexafluoride that contains a lower concentration than the natural concentration (0.711%) of the U(235) isotope. Depleted UF(6) is also referred to as "tails."

DGCL. The Delaware General Corporation Law.

DOE. The United States Department of Energy.

EEI. Electric Energy, Inc. A company which supplies electrical power to the Paducah GDP.

Energy Policy Act. The Energy Policy Act of 1992 (Public Law 102-486).

Enriched Uranium Product (EUP). Uranium with a concentration of U(235) in excess of 0.711% (i.e., natural uranium plus SWU value).

Enrichment. The step in the nuclear fuel cycle that increases the concentration of U(235) relative to U(238) in order to make uranium usable as a fuel for nuclear power reactors.

EPA. The United States Environmental Protection Agency.

Eurodif. A multinational consortium controlled by the French government that provides uranium enrichment services.

Executive Agent MOA. The Memorandum of Agreement Between the United States Acting By and Through the United States Department of State, and the United States Department of Energy and the United States Enrichment Corporation, for USEC to Serve as the United States Government's Executive Agent Under the Agreement Between the United States and the Russian Federation Concerning the Disposition of Highly Enriched Uranium Extracted from Nuclear Weapons dated April 18, 1997 and to become effective on the Privatization Date.

FFCA. A Federal Facility Compliance Agreement between DOE and EPA in which EPA agreed not to sue DOE or any of its contractors for alleged PCB related TSCA violations so long as DOE adhered to certain procedures.

Gas Centrifuge. A uranium enrichment process which uses rapidly spinning cylinders containing UF(6) to separate the fissionable U(235) isotope from the non-fissionable U(238) isotope.

Gaseous Diffusion. An uranium enrichment process using uranium hexaflouride, which is heated to a gas and passed repeatedly through porous barrier to separate the U(235) and U(238) isotopes. The gas that diffuses through the barrier becomes increasingly more concentrated (i.e., enriched) in the fissionable U(235), while the remainder becomes less concentrated in U(235) (i.e., depleted).

GDPs. Two gaseous diffusion plants, located in Kentucky and Ohio, at which USEC enriches uranium.

GWe. A gigawatt.

HEU. Highly Enriched Uranium. Uranium enriched to an assay in excess of 20%. For military applications, this enrichment level may exceed 90%.

International Offering. The offering of Shares outside the United States and to foreign persons.

Isotope. One or more nuclides of the same element having the same atomic number but a different mass number (i.e., the same number of protons but a different number of neutrons).

JNFL. Japan Nuclear Fuels Limited.

Lease Agreement. Lease Agreement dated as of July 1, 1993 between USEC and DOE pursuant to which USEC leases the GDPs from DOE, including any exhibits thereto.

LLNL. Lawrence Livermore National Laboratory. The lab, operated by the University of California, which researches, develops and demonstrates the AVLIS technology for DOE and USEC.

LMUS. Lockheed Martin Utility Services, Inc., a subsidiary of Lockheed Martin Corporation that operates the GDPs under contract for USEC.

LMUS Contract. The operations and maintenance contract with LMUS, effective October 1, 1995, by which LMUS operates and maintains the GDPs under USEC's management and supervision.

LEU. Low-Enriched Uranium. Uranium enriched to an assay of less than 20%. LEU typically has a 3 to 5% assay when used as fuel for light-water nuclear reactors.

Light-Water Nuclear Reactor. A type of nuclear reactor that uses ordinary water as the primary coolant and moderator and enriched uranium as fuel.

M&A. The merger and acquisition market.

Merger. The merger of USEC, the federally-chartered entity, into and with a Delaware state-chartered entity whereby the state-chartered entity will succeed to all of USEC's business and operations.

Modified Suspension Agreement. The agreement between the U.S. Commerce Department and the Russian Government which limits Russian exports of uranium and suspended an investigation of Russian uranium-dumping practices.

MWh. A megawatt hour.

Natural Uranium. Uranium with the concentration level of the U(235) isotope as found in nature (0.711%). As used in this registration statement, the term refers to unenriched UF(6).

New Contracts. Uranium enrichment contracts negotiated by USEC with utility customers after the Transition Date.

Nuclear Fuel Cycle. The multiple steps that convert uranium ore as it is extracted from the earth to nuclear fuel for use in power plants. Uranium enrichment is one step in the nuclear fuel cycle.

NRC. The United States Nuclear Regulatory Commission. The agency responsible for the regulation of commercial nuclear facilities in the United States.

O&M. An Operations and Maintenance type contract whereby a contractor operates and maintains the GDPs and USEC manages the GDPs.

OCAW. The Oil, Chemical and Atomic Workers International Union.

Operating Income. Gross margin less selling, general and administrative but before project development costs.

OSHA. The Occupational Safety and Health Administration of the U.S. Department of Labor.

OVEC. Ohio Valley Electric Corporation. A company that supplies electric power to the Portsmouth GDP.

PCBs. Polychlorinated biphenyls. A substance which is regulated under the Toxic Substances Control Act.

Price-Anderson Act. Section 170d of the Atomic Energy Act of 1954 that governs claims for public liability with respect to nuclear incidents and under which the U.S. Government provides liability coverage (up to $8.96 billion) arising from certain nuclear incidents.

Privatization. The transfer of 100% of USEC's ownership to private investors.

Privatization Act. The USEC Privatization Act (Chapter 1, Title 3 of Public Law 104-134).

Privatization Date. The date on which 100% of USEC's ownership is transferred to private investors.

RCRA. The Resource Conservation and Recovery Act (42 U.S.C. 6901 et seq.).

Russian HEU Contract. The "Initial Implementing Contract for the Agreement Between the United States and the Russian Federation Concerning the Disposition of Highly Enriched Uranium Extracted from Nuclear Weapons" dated January 14, 1994 among USEC, Executive Agent for the United States Government, Tenex, as Executive Agent of the Russian Federation, and URANSERVIS.

Securities Act. The Securities Act of 1933, as amended.

Shares. The 100,000,000 shares of Common Stock of USEC Inc. offered hereby.

SWU. Separative Work Unit. The standard measure of the effort required to increase the concentration of the fissionable U(235) isotope relative to the U(238) isotope.

Tails. Uranium hexafluoride that contains a lower concentration than the natural concentration (0.711%) of the U(235) isotope.

Tenex. Techsnabexport Co. Ltd., Executive Agent for Russian Federation under the Russian HEU Contract, is the Russian governmental agency which provides uranium enrichment services.

Transition Date. July 1, 1993, the date USEC took over operation of the U.S. Government's uranium enrichment operations.

TSCA. The Toxic Substances Control Act (15 U.S.C. 2600 et seq.).

TVA. The Tennessee Valley Authority, which supplies some non-firm electric power to the Paducah GDP.

U(235). The fissionable isotope found in natural uranium.

U(238). The non-fissionable isotope found in natural uranium.

UPGWA. The International Union United Plant Guard Workers of America.

Uranium. A fairly abundant metallic element. Approximately 993 of every 1,000 uranium atoms are U(238). The remaining seven atoms are U(235) (0.711%), which can be made to split, or fission, and generate heat energy.

UF(6). Uranium hexafluoride. The chemical form of uranium used for enrichment in the GDPs.

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Urenco. A consortium of the British and Dutch governments and private German corporations which provides uranium enrichment services.

U.S. Government. The United States Government.

USEC Legislation. Refers to both the Energy Policy Act and the Privatization Act.

U.S. Offering. The offering of Shares in the United States.

U.S. Treasury. The United States Department of Treasury.

Utility Services Contracts. The standard requirements-type contracts developed in the early 1980s and used by DOE in the sale of uranium enrichment services.

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Graphic: aerial view of the Gaseous Diffusion Plant in Portsmouth, Ohio

Text: USEC Gaseous Diffusion Plant Portsmouth, Ohio

Graphic: aerial view of the Gaseous Diffusion Plant in Paducah, Kentucky

Text: USEC Gaseous Diffusion Plant Paducah, Kentucky

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[USEC LOGO]

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the estimated expenses of the issuance and distribution of the Common Stock being registered, other than underwriting discounts and commissions, to be paid out of the Company's account at the U.S. Treasury:

SEC registration fee	$ 535,425
NASD filing fee	30,500
NYSE fee	550,000
Printing and engraving fees	900,000
Legal fees and expenses	1,800,000

Accounting fees and expenses	400,000
Blue Sky fees and expenses	10,000
Transfer agent and registrar fees	300,000
Miscellaneous	484,075
Total	$5,010,000*

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* Estimated

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Company's By-Laws incorporate substantially the provisions of the General Corporation Law of the State of Delaware (the "DGCL") in providing for indemnification of directors and officers against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that such person is or was an officer or director of the Company. In addition, the Company is authorized to indemnify employees and agents of the Company and may enter into indemnification agreements with its directors and officers providing mandatory indemnification to them to the maximum extent permissible under Delaware law.

The Company's Certificate of Incorporation provides that the Company shall indemnify (including indemnification for expenses incurred in defending or otherwise participating in any proceeding) its directors and officers to the fullest extent authorized or permitted by the DGCL, as it may be amended, and that such right to indemnification shall continue as to a person who has ceased to be a director or officer of the Company and shall inure to the benefit of his or her heirs, executors and administrators except that such right shall not apply to proceedings initiated by such indemnified person unless it is a successful proceeding to enforce indemnification or such proceeding was authorized or consented to by the Board of Directors. The Company's Certificate of Incorporation also specifically provides for the elimination of the personal liability of a director to the corporation and its stockholders for monetary damages for breach of fiduciary duty as a director. The provision is limited to monetary damages, applies only to a director's actions while acting within his or her capacity as a director, and does not entitle the Company to limit director liability for any judgment resulting from (a) any breach of the director's duty of loyalty to the Company or its stockholders; (b) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law; (c) paying an illegal dividend or approving an illegal stock repurchase; or (d) any transaction from which the director derived an improper benefit.

Section 145 of the DGCL provides generally that a person sued (other than in a derivative suit) as a director, officer, employee or agent of a corporation may be indemnified by the corporation for reasonable expenses, including counsel fees, if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that the person's conduct was unlawful. In the case of a derivative suit, a director, officer, employee or agent of the corporation may be indemnified by the corporation for reasonable expenses, including attorneys' fees, if the person has acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, except

that no indemnification shall be made in the case of a derivative suit in respect of any claim as to which such director, officer, employee or agent has been adjudged to be liable to the corporation unless the Delaware Court of Chancery or the court in which such action or suit was brought shall determine that such person is fairly and reasonably entitled to indemnity for proper

expenses. Indemnification is mandatory under section 145 of the DGCL in the case of a director or officer who is successful on the merits in defense of a suit against him.

The Underwriting Agreement provides that the Underwriters are obligated, under certain circumstances, to indemnify the Company, the directors, certain officers and controlling persons of USEC and USEC Inc. against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Act"). Reference is made to the form of Underwriting Agreement filed as Exhibit 1.1, hereto.

The Company has entered into indemnification agreements with the directors and certain officers pursuant to which the Company has agreed to maintain directors' and officers' insurance and to indemnify such officers to the fullest extent permitted by applicable law except for certain claims described therein. Reference is made to the form of Director and Officer Indemnification Agreement filed as Exhibit 10.24 hereto.

The Company maintains directors and officers liability insurance for the benefit of its directors and certain of its officers.

The Privatization Act expressly withdraws any stated or implied consent for the United States, or any of its agents or officers, to be sued with respect to any claim arising from any action taken in connection with the Privatization of the Company (42 U.S.C. Section 2297h-7(a)(4)). Section 2297h-7(d) further provides that no officer, director, employee, or agent of the Company shall be liable in any civil proceeding in connection with the Privatization of the Company if, with respect to the subject matter of the action, suit or proceeding, such person was acting within the scope of his or her employment, except that such section shall not apply to claims arising out of any federal or state law relating to transactions in securities.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Not applicable.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) The following exhibits are filed as part of this registration statement.

EXHIBIT NO.	DESCRIPTION
1.1	Form of Underwriting Agreement.
2.1	Form of Agreement and Plan of Merger between United States Enrichment Corporation, a federally-chartered corporation and United States Enrichment Corporation, a Delaware corporation.*
2.2	Form of Agreement and Plan of Merger between United States Enrichment Corporation, a Delaware corporation, USEC Inc., and USEC Merger Corp.*
3.1	Form of Certificate of Incorporation of USEC Inc.
3.2	Form of Bylaws of USEC Inc.
4.1	Form of specimen common stock certificate.*
5.1	Form of Opinion of Skadden, Arps, Slate, Meagher & Flom LLP.
5.2	Form of Opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding certain U.S. federal income tax consequences.
10.1	Lease Agreement between the United States Department of Energy and the United States Enrichment Corporation dated as of July 1, 1993, including notice of exercise of option to renew.
10.2	Gaseous Diffusion Plant Operation and Maintenance Contract between Lockheed Martin Utility Services, Inc. and USEC,

dated October 1, 1995, including notice of exercise of option to renew.

EXHIBIT NO.	DESCRIPTION
10.3	Lockheed Martin Guaranty for Lockheed Martin Utility Services, Inc. with the United States Enrichment Corporation, dated October 1, 1995.
10.4	Memorandum of Agreement dated December 15, 1994 between the United States Department of Energy and USEC regarding the transfer of functions and activities, as amended.
10.5	Memorandum of Agreement dated April 27, 1995 between the United States Department of Energy and USEC regarding the transfer and funding of AVLIS, as amended.
10.6	Composite Copy of Power Agreement, dated October 15, 1952, between Ohio Valley Electric Corporation and the United States of America acting by and through the United States Atomic Energy Commission and, subsequent to January 18, 1975, the Administrator of Energy Research and Development and, subsequent to September 30, 1977, the Secretary of the Department of Energy.
10.7	Modification No. 16 to power agreement between Ohio Valley Electric Corporation and United States of America acting by and through the Secretary of the Department of Energy, dated January 1, 1998.
10.8	Modification No. 12, dated September 2, 1987 by and between Electric Energy, Inc., and the United States of America acting by and through the Secretary of the Department of Energy amending and restating the power agreement dated May 4, 1951, together with all previous modifications.
10.9	Modification Nos. 13, 14 and 15 to power agreement between Electric Energy, Inc., and the United States of America acting by and through the Secretary of the Department of Energy, dated January 18, 1989, March 6, 1991 and October 1, 1992, respectively.
10.10	Power Contract between Tennessee Valley Authority and USEC, dated October 12, 1995.
10.11	Memorandum of Agreement between the United States Department of Energy and the United States Enrichment Corporation for electric power, entered into as of July 1, 1993.
10.12	Contract between Lockheed Martin Utility Services, Inc., Paducah gaseous diffusion plant and Oil, Chemical and Atomic Workers International Union AFL-CIO and its local no. 3-550, July 31, 1996 - July 31, 2001.
10.13	Contract between Lockheed Martin Utility Services, Inc., Portsmouth gaseous diffusion plant, and Oil, Chemical and Atomic Workers International Union and its local no. 3-689, April 1, 1996 - May 2, 2000.
10.14	Contract between Lockheed Martin Utility Services, Inc., Paducah gaseous diffusion plant and International Union, United Plant Guard Workers of America and its amalgamated plant guards local no. 111, January 31, 1997 - March 1, 2002.
10.15	Contract between Lockheed Martin Utility Services, Inc., Portsmouth gaseous diffusion plant and International Union, United Plant Guard Workers of America and its amalgamated local no. 66, August 3, 1997 - August 4, 2002.
10.16	Joint Development, Demonstration and Deployment Agreement

	between Cameco Corporation and USEC, dated July 26, 1996.
10.17	Contract between USEC, Executive Agent of the United States of America, and Techsnabexport, Executive Agent of the Ministry of Atomic Energy, Executive Agent of the Russian Federation, dated January 14, 1994, as amended.
10.18	Memorandum of Agreement, dated April 6, 1998, between the Office of Management and Budget and USEC relating to post-privatization liabilities.
10.19	Memorandum of Agreement, dated May 18, 1998, between the United States Department of Energy and USEC relating to depleted uranium generated prior to the privatization date.
10.20	Memorandum of Agreement, dated April 20, 1998, between the United States Department of Energy and USEC for transfer of natural uranium and highly enriched uranium and for blending down of highly enriched uranium.

EXHIBIT NO.	DESCRIPTION
10.21	Form of Agreement between USEC and the U.S. Department of the Treasury regarding post-closing conduct.
10.22	Agreement between USEC and DOE regarding provision by USEC of information to the U.S. Government's Enrichment Oversight Committee, dated June 19, 1998.
10.23	Commitment letter among Bank of America National Trust and Savings Association, BancAmerica Robertson Stephens, USEC and USEC Inc.*
10.24	Form of Director and Officer Indemnification Agreement.
21.1	Subsidiaries of the Registrant.*
23.1	Consent of Arthur Andersen LLP, independent public accountants.
23.2	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in the opinion filed as Exhibit No. 5.1).
23.3	Consent of directors who will serve immediately following consummation of the Offering.
24.1	Powers of Attorney (set forth on signature page of this registration statement).

* To be filed by amendment

(b) Financial statement schedules have been omitted because they are not applicable, are not required, or the information that would otherwise be included is contained in the Financial Statements.

(c) Portions of these Exhibits have been omitted pursuant to a request for confidential treatment. The omitted material has been filed separately with the Securities and Exchange Commission.

ITEM 17. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the registrant pursuant to provisions described in Item 14 above, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred

or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) 497(h) under the Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Bethesda, Maryland on the 29th day of June, 1998.

USEC INC.

By: /s/ WILLIAM H. TIMBERS, JR.

Name: William H. Timbers, Jr.
Title: President and Chief Executive Officer

POWER OF ATTORNEY AND SIGNATURES

We, the undersigned officers and directors of USEC Inc., hereby severally constitute and appoint William H. Timbers, Jr., Henry Z Shelton, Jr., and William J. Rainer, and each of them singly, our true and lawful attorneys, with full power to them and each of them singly, to sign for us in our names in the capacities indicated below, all pre-effective and post-effective amendments to this Registration Statement, and generally to do all things in our names and on our behalf in such capacities to enable USEC Inc. to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

USEC INC.

SIGNATURE	TITLE(S)	DATE
/s/ WILLIAM H. TIMBERS, JR. William H. Timbers, Jr.	President and Chief Executive Officer (Principal Executive Officer)	June 29, 1998
/s/ HENRY Z SHELTON, JR. Henry Z Shelton, Jr.	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	June 29, 1998
/s/ WILLIAM J. RAINER William J. Rainer	Chairman of the Board and Director	June 29, 1998
/s/ CHRISTOPHER M. COBURN Christopher M. Coburn	Director	June 29, 1998
/s/ MARGARET HORNBECK GREENE Margaret Hornbeck Greene	Director	June 29, 1998
/s/ KNEELAND C. YOUNGBLOOD Kneeland C. Youngblood	Director	June 29, 1998

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EXHIBIT 1.1

[ ] SHARES

USEC INC.

COMMON STOCK, $0.10 PAR VALUE

UNDERWRITING AGREEMENT

, 1998

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, 1998

Morgan Stanley & Co. Incorporated
Merrill Lynch, Pierce, Fenner &
Smith Incorporated
M.R. Beal & Company
Janney Montgomery Scott Inc.
Lehman Brothers Inc.
Prudential Securities Incorporated
Smith Barney Inc
c/o Morgan Stanley & Co.
Incorporated
1585 Broadway
New York, New York 10036

Morgan Stanley & Co.
International Limited
Merrill Lynch International
M.R. Beal & Company
Janney Montgomery Scott Inc.
Lehman Brothers Inc.
Prudential Securities Incorporated
Smith Barney Inc
c/o Morgan Stanley & Co.
International Limited
25 Cabot Square
Canary Wharf
London E14 4QA
England

Dear Sirs and Mesdames:

The United States government, as represented by the Secretary of the Treasury (the "Selling Shareholder"), proposes to sell to the several Underwriters (as

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defined below), an aggregate of ___ shares of the common stock of United States

Enrichment Corporation, a Delaware corporation ("USEC Delaware"), $0.10 par value (the "USEC Shares"), constituting all outstanding shares of capital stock of USEC Delaware.

USEC Delaware is a recently organized Delaware corporation and a wholly-owned subsidiary of the United States Enrichment Corporation, a federally-chartered entity ("USEC Federal"). USEC Inc. (the "Company") is a wholly-owned subsidiary of USEC Delaware, and is the parent to two subsidiary Delaware corporations. USEC Federal, USEC Delaware and the Company are collectively referred to as the "USEC Companies." On the Closing Date (as defined herein), USEC Delaware will succeed by merger (the "USEC Merger") to all of the business and operations of USEC Federal pursuant to the terms and conditions of the merger agreement dated as of _____, 1998 between USEC Delaware and USEC Federal (the "USEC Merger Agreement"). The USEC Merger will occur immediately prior to the closing of the sale of the USEC Shares to the Underwriters. Upon consummation of the USEC Merger, each outstanding share of common stock of USEC Federal will be converted into ___ shares of the common stock of USEC Delaware such that there will be outstanding an aggregate of ____ USEC Shares immediately following the USEC Merger. Immediately following the sale of the USEC Shares to the Underwriters pursuant to this Agreement, USEC Delaware will merge with a subsidiary of the Company (the "Company Merger") pursuant to the terms and conditions of the merger agreement dated as of _____, 1998 between USEC Delaware, the Company and a wholly-owned subsidiary of the Company (the "Company Merger Agreement"), and in the Company Merger the USEC Shares will be converted into shares of common stock of the Company, $0.10 par value (the "Company Shares"). As a result of the Company Merger, USEC Delaware will become a wholly-owned subsidiary of the Company. The USEC Merger and the Company Merger are collectively referred to as the "Mergers," and the USEC Merger Agreement and the Company Merger Agreement are collectively referred to as the "Merger Agreements." For purposes of this Agreement, including any opinions of counsel delivered pursuant hereto, the Mergers shall be deemed to occur simultaneously.

It is understood that, subject to the conditions hereinafter stated, _____ USEC Shares (the "U.S. USEC Shares") will be sold to the several U.S. Underwriters named in Schedule I hereto (the "U.S. Underwriters") in connection with the offering and sale of the same number of Company Shares in the United States to United States Persons (as such terms are defined in the Agreement Between U.S. and International Underwriters of even date herewith), and _____

USEC Shares (the "International USEC Shares") will be sold to the several International Underwriters named in Schedule II hereto (the "International Underwriters") in connection with the offering and sale of the same number of Company Shares outside the United States to persons other than United States Persons. The U.S. USEC Shares and the International USEC Shares, in the aggregate, constitute all outstanding shares of capital stock of USEC Delaware. Morgan Stanley & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated, M.R. Beal & Company, Janney Montgomery Scott Inc., Lehman Brothers Inc., Prudential Securities Incorporated and Salomon Smith Barney Inc shall act as representatives (the "U.S. Representatives") of the several U.S. Underwriters, and Morgan Stanley & Co. International Limited, Merrill Lynch International, M.R. Beal & Company, Janney Montgomery Scott Inc., Lehman Brothers Inc., Prudential Securities Incorporated and Salomon Smith Barney Inc shall act as representatives (the "International Representatives") of the several International Underwriters. The U.S. Underwriters and the International Underwriters are hereinafter collectively referred to as the Underwriters.

The Company proposes to sell to the several U.S. Underwriters, not more than an aggregate of_____ additional shares of the common stock of the Company, $0.10 par value (the "Additional Shares"), if and to the extent that the U.S. Representatives shall have determined to exercise, on behalf of the U.S. Underwriters, the right to purchase such shares of common stock granted to the U.S. Underwriters in Section 2 hereof. The Company Shares and

the Additional Shares are hereinafter collectively referred to as the "Shares". The shares of common stock of the Company, $0.10 par value, to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "Common Stock".

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement relating to the Shares. The registration statement contains two prospectuses to be used in connection with the offering and sale of the Shares: the U.S. prospectus, to be used in connection with the offering and sale of Shares in the United States to United States Persons, and the international prospectus, to be used in connection with the offering and sale of Shares to persons other than United States Persons. The international prospectus is identical to the U.S. prospectus except for the outside front cover page. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "Securities Act"), is hereinafter referred to as the "Registration Statement"; the U.S. prospectus

and the international prospectus in the respective forms first used to confirm sales of Shares are hereinafter collectively referred to as the "Prospectus". If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "Rule 462 Registration Statement"), then any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462 Registration Statement.

1. REPRESENTATIONS AND WARRANTIES OF THE USEC COMPANIES. The USEC Companies jointly and severally represent and warrant to and agree with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to any of the USEC Companies in writing by such Underwriter through you expressly for use therein.

(c) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the state of Delaware, has, and after giving effect to the Mergers will have, the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is, and after giving effect to the Mergers will be, duly qualified to transact business and is, and after giving effect to the Mergers will be,

in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company after giving effect to the Mergers.

(d) USEC Delaware has been duly incorporated, is validly existing as a corporation in good standing under the laws of the state of Delaware, has, and after giving effect to the Mergers will have, the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is, and after giving effect to the Mergers will be, duly qualified to transact business and is, and after giving effect to the Mergers will be, in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on USEC Delaware after giving effect to the Mergers.

(e) USEC Federal is a federally-chartered entity, is validly existing as a federally-chartered entity, and has the power and authority to own its property and to conduct its business as described in the Prospectus. USEC Federal is not qualified or licensed as a foreign corporation under the corporate laws of any of the 50 states of the United States.

(f) This Agreement has been duly authorized, executed and delivered by the USEC Companies and is a valid and binding agreement of the Company, USEC Delaware and, subject to the USEC Privatization Act, Chapter 1, Title 3 of Public Law 104-134, and the Energy Policy Act of 1992, Public Law 102-486 (collectively, the "Privatization Legislation"), USEC Federal. The USEC Merger Agreement has been duly authorized, executed and delivered by USEC Delaware and USEC Federal and is a valid and binding agreement of USEC Delaware and, subject to the Privatization Legislation, USEC Federal. The Company Merger Agreement has been duly authorized, executed and delivered by USEC Delaware and the Company and is a valid and binding agreement of USEC Delaware and the Company.

(g) The authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus.

(h) The outstanding shares of common stock of USEC Federal have been duly authorized and are validly issued, fully paid and non-assessable. After giving effect to the Mergers, the outstanding shares of common stock of each of USEC Delaware and the Company will have been duly authorized and validly issued, fully paid and non-assessable.

(i) The Additional Shares have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Additional Shares will not be subject to any preemptive or similar rights.

(j) The execution and delivery by the USEC Companies of, and the performance by the USEC Companies of their respective obligations under, this Agreement, the USEC Merger Agreement with respect to USEC Federal and USEC Delaware, and the Company Merger Agreement with respect to USEC Delaware and the Company, will not contravene any provision of applicable law or the charters or by-laws of the USEC Companies or any agreement or other instrument binding upon any of the

USEC Companies that is material to any of the USEC Companies, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over any of the USEC Companies, and, except as described in the Prospectus, no material consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by any of the USEC Companies of their respective obligations under this Agreement and the Merger Agreements, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(k) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the USEC Companies from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement).

(l) There are no material legal or governmental proceedings pending or, to the knowledge of the USEC Companies, threatened to which any of the USEC Companies is, or the Company or USEC Delaware will be, after giving effect to the Mergers, a party, or of which the USEC Companies'

property is, or the Company's or USEC Delaware's property will be, after giving effect to the Mergers, the subject, that are required to be described in the Registration Statement or the Prospectus and are not so described or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not so described or filed as required.

(m) USEC Federal has complied in all material respects with all of its duties under the Privatization Legislation required to be performed or complied with at the date hereof insofar as such duties relate to the transactions contemplated by this Agreement. Except as described in the Prospectus, USEC Federal has and the Company and USEC Delaware will have, after giving effect to the Mergers, all necessary consents, authorizations, approvals, clearances, orders, certificates and permits of and from, and USEC Federal has made and the Company and USEC Delaware will have made, after giving effect to the Mergers, all declarations and filings with, all federal, state, local and other governmental authorities (including, without limitation, the Nuclear Regulatory Commission and the Occupational Safety and Health Administration), all self-regulatory organizations and all courts and other tribunals, to own, lease, license and use their respective properties and assets and to conduct their respective businesses in the manner described in the Prospectus, except to the extent that the failure to obtain or file would not have a material adverse effect on the Company or USEC Delaware after giving effect to the Mergers.

(n) Except as described in the Prospectus, USEC Federal owns or has the right to use, and as of the Closing Date and after giving effect to the Mergers, the Company or USEC Delaware will own or have the right to use, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by it in connection with the business now operated by USEC Federal, and except as described in the Prospectus, none of the USEC Companies has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on

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USEC Federal's business as now operated by USEC Federal or, after giving effect to the Mergers, the Company or USEC Delaware.

(o) Each preliminary prospectus publicly filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(p) None of the USEC Companies is and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, none will be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(q) Except as described in the Prospectus, the USEC Companies (i) are in compliance with any and all applicable federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on USEC Federal or, after giving effect to the Mergers, the Company or USEC Delaware.

(r) Except as described in the Prospectus, to the best of the USEC Companies' knowledge, there are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) that would, after taking into account existing indemnities from the United States Department of Energy and after giving effect to the Privatization Legislation, have a material adverse effect on USEC Federal or, after giving effect to the Mergers, the Company or USEC Delaware.

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(s) Except as described in the Prospectus, no material labor dispute with the employees of the USEC Companies or, to the knowledge of USEC Federal, of Lockheed Martin Utility Services, Inc. exists, or, to the knowledge of the USEC Companies, is imminent that could have a material adverse effect on USEC Federal or, after giving effect to the Mergers, the Company or USEC Delaware.

(t) USEC Delaware, the Company and each other person or entity that, together with USEC Delaware or the Company, is treated as a single employer under Section 414 of the Internal Revenue Code of 1986, as amended (the "Code") (each such person or entity being an "ERISA Affiliate"), comply in all material respects with the Employee Retirement Income Security Act of 1974, as amended ("ERISA") if and to the extent applicable. The USEC Companies and each ERISA Affiliate comply in all material respects with the Code, if and to the extent applicable, with respect to each pension plan (as defined in Section

3(2) of ERISA) maintained by any of the USEC Companies or such ERISA Affiliate, and none of the USEC Companies or any of their respective ERISA Affiliates has incurred any material liability to any pension plan or to the Pension Benefit Guaranty Corporation that has not been fully paid as of the date hereof.

(u) USEC Federal maintains, and after giving effect to the Merger, the Company and USEC Delaware will maintain, a system of internal accounting controls sufficient to provide reasonable assurance that (l) transactions are executed in accordance with management's general or specific authorizations; (2) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principals and to maintain asset accountability; (3) access to assets is permitted only in accordance with management's general or specific authorization; and (4) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(v) The USEC Companies have complied with all provisions of Section 517.075, Florida Statutes relating to doing business with the Government of Cuba or with any person or affiliate located in Cuba.

2. AGREEMENTS TO SELL AND PURCHASE. The Selling Shareholder hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the

representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Selling Shareholder at $_____ a share (the "Purchase Price") the number of USEC Shares (subject to such adjustments to eliminate fractional shares as you may determine) set forth in Schedules I and II hereto opposite the name of such Underwriter.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the U.S. Underwriters the Additional Shares, and the U.S. Underwriters shall have a one-time right to purchase, severally and not jointly, up to _____ Additional Shares at the Purchase Price. If the U.S. Representatives, on behalf of the U.S. Underwriters, elect to exercise such option, the U.S. Representatives shall so notify the Company in writing not later than 30 days after the date of this Agreement, which notice shall specify the number of Additional Shares to be purchased by the U.S. Underwriters and the date on which such shares are to be purchased. Such date may be the same as the Closing Date (as defined below) but not earlier than the Closing Date nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Company Shares. If any Additional Shares are to be purchased, the Company agrees to sell the Additional Shares and each U.S. Underwriter agrees, severa1ly and not jointly, to purchase from the Company the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased as the number of U.S. USEC Shares set forth in Schedule I hereto opposite the name of such U.S. Underwriter bears to the total number of U.S. USEC Shares.

The Company hereby agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any swap or

other agreement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) the USEC Shares and Additional Shares to be sold

hereunder or (b) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to employee or director benefit plans of the Company if such plans are adopted by the Company after the Closing Date; provided, that (I) the total number of shares of Common Stock issued or issuable pursuant to options granted pursuant to this clause (b) shall not exceed 3% of the total number of shares of Common Stock outstanding immediately following the Offering, (II) any shares of Common Stock or options to purchase Common Stock issued pursuant to this clause (b) shall be issued or granted, as the case may be, at the then fair market value of the Common Stock and (III) the executive officers or directors receiving any shares of Common Stock or options to purchase Common Stock pursuant to this clause (b) shall have agreed in writing to the lock-up provisions set forth in this paragraph.

3. TERMS OF PUBLIC OFFERING. The USEC Companies and the Selling Shareholder are advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Company and the Selling Shareholder are further advised by you that the Company Shares are to be offered to the public initially at $____ a share (the "Public Offering Price") and to certain dealers selected by you at a price that represents a concession not in excess of $_____ a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of $_____ a share, to any Underwriter or to certain other dealers.

4. PAYMENT AND DELIVERY. Payment for the USEC Shares shall be made to the Selling Shareholder in immediately available funds in New York City against delivery of such USEC Shares for the respective accounts of the several Underwriters at 10:00 A.M., New York City time, on _____, 1998, or at such other time on the same or such other date, not later than_____, 1998, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "Closing Date."

Payment for any Additional Shares shall be made to the Company in immediately available funds in New York City against delivery of such Additional Shares for the respective accounts of the several U.S. Underwriters at 10:00 A.M., New York City time, on the date specified in the notice described in Section 2 or on such other date, in any event not later than _____, 1998, as shall be designated in writing by the U.S. Representatives. The time and date of such payment are herein after referred to as the "Option Closing Date."

Certificates for the Company Shares, the USEC Shares and Additional Shares shall be in definitive form and registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date, or the Option Closing Date, as the case may be. The certificates evidencing the Company Shares, the USEC Shares and the Additional Shares shall be delivered to you on the Closing Date or the Option Closing Date, as the case may be, for the respective accounts of the several Underwriters or the respective accounts of the several U.S. Underwriters, as the case may be, with any transfer taxes payable in connection with the transfer of the Company Shares, the USEC Shares and the Additional Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

5. CONDITIONS TO THE UNDERWRITERS' OBLIGATIONS. The obligations of the Selling Shareholder to sell the USEC Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the USEC Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than 4:00 p.m. (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the USEC Companies from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement) that, in your reasonable judgment, is material and adverse and that makes it, in your reasonable judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

(b) The USEC Merger shall have been consummated and USEC Delaware shall have succeeded to all of the assets and liabilities of USEC Federal on the terms set forth in the USEC Merger Agreement and as otherwise provided by federal law; and the Company Merger shall have been consummated and a wholly-owned subsidiary of the Company shall have succeeded to all of the assets and liabilities of USEC Delaware on the terms set forth in the Company Merger Agreement.

(c) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of each of the Company and USEC Delaware, to the effect that the representations and warranties of the Company and USEC Delaware contained in this Agreement are true and correct in all material respects as of the Closing Date and that the USEC Companies have complied in all material respects with all of the agreements and satisfied all of the conditions on their part to be performed or satisfied hereunder on or before the Closing Date (the officer(s) signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened).

(d) The Underwriters shall have received on the Closing Date an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, outside counsel for the USEC Companies, dated the Closing Date, to the effect that:

(i) Each of USEC Delaware and the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the state of Delaware, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company or USEC Delaware;

(ii) this Agreement has been duly authorized, executed and delivered by the USEC Companies;

(iii) the authorized capital stock of the Company conforms in all material respects as to legal matters to the description thereof contained in the Prospectus;

(iv) the USEC Shares and the Company Shares outstanding prior to the issuance of the Additional Shares have been duly authorized and are validly issued, fully paid and non-assessable;

(v) the Additional Shares have been duly authorized and, when issued and delivered in accordance with the terms of this Agree-

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ment, will be validly issued, fully paid and non-assessable, and the issuance of such Additional Shares will not be subject to any preemptive or similar rights;

(vi) the execution and delivery by the USEC Companies of, and the performance by each of them of their respective obligations under this Agreement will not contravene any provision of applicable law or the charters or by-laws of the respective USEC Companies or, to the best of such counsel's knowledge, any agreement or other instrument binding upon any of the USEC Companies that is material to the USEC Companies, or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the USEC Companies, and, except as described in the Prospectus, no material consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the USEC Companies of their obligations under this Agreement and the Merger Agreements, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares or which are not required to be obtained, made or taken prior to the date hereof;

(vii) USEC Federal and USEC Delaware had all corporate power and authority to execute, deliver and perform the USEC Merger Agreement and took all action required by law, their respective charters and by-laws to approve the merger of USEC Federal with and into USEC Delaware; USEC Delaware and the Company had all corporate power and authority to execute, deliver and perform the Company Merger Agreement and took all action required by law and their respective charters and by-laws to approve the merger of USEC Delaware with and into a subsidiary of the Company;

(viii) the execution and delivery of the USEC Merger Agreement and the consummation of the USEC Merger did not contravene any provision of applicable law or USEC Federal's or USEC Delaware's charter or by-laws, or, to the best of such counsel's knowledge, any agreement or other instrument binding upon USEC Federal or USEC Delaware that is material to USEC Federal or USEC Delaware, or, to the best of such counsel's knowledge, any judgment, order or

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decree of any governmental body, agency or court having jurisdiction over USEC Federal or USEC Delaware, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency was required for the performance by USEC Federal and USEC Delaware of their respective obligations under the USEC Merger Agreement;

(ix) the execution and delivery of the Company Merger

Agreement and the consummation of the Company Merger did not contravene any provision of applicable law or the Company's or USEC Delaware's charter or by-laws, or, to the best of such counsel's knowledge, any agreement or other instrument binding upon the Company or USEC Delaware that is material to the Company or USEC Delaware, or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or USEC Delaware, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency was required for the performance by the Company and USEC Delaware of their respective obligations under the Company Merger Agreement;

(x) the USEC Merger Agreement is a valid and binding agreement of USEC Delaware and, subject to the Privatization Legislation, USEC Federal, and the USEC Merger has been duly consummated in accordance with the terms of the USEC Merger Agreement;

(xi) the Company Merger Agreement is a valid and binding agreement of the Company and USEC Delaware, and the Company Merger has been duly consummated in accordance with the terms of the Company Merger Agreement;

(xii) the statements (A) in the Prospectus under the captions, "Description of Capital Stock" and "Certain United States Federal Tax Consequences to Non-U.S. Stockholders" and (B) in the Registration Statement in Items 14 and 15, in each case insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein;

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(xiii) none of the USEC Companies is and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, none will be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended;

(xiv) Each of the Registration Statement, as of the Effective Date, and the Prospectus, as of its date, appeared on its face to have been appropriately responsive in all material respects to the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder, except that such counsel does not: (i) express any opinion as to the financial statements and related notes, schedules and other financial and statistical data included in or excluded from the Registration Statement or the Prospectus or (ii) except as set forth in clause (xii) above, assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement and the Prospectus;

(xv) [Opinion re: patents/copyrights -- To Come]

(xvi) no facts have come to such counsel's attention that have caused such counsel to believe that the Registration Statement, at the time it became effective, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading or that the Prospectus, as of its date and as of the date of the

opinion, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, except that such counsel expresses no opinion or belief with respect to the financial statements and related notes, schedules and other financial and statistical data included in or excluded from the Registration Statement or the Prospectus, or the exhibits to the Registration Statement.

(e) The Underwriters shall have received on the Closing Date an opinion of Robert J. Moore, Esq., Vice President and General Counsel of the Company, dated the Closing Date, to the effect that:

(i) such counsel does not know of any legal or governmental proceedings pending or threatened to which any of the USEC Companies is a party or to which any of the properties of any of the USEC Companies is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or of any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required;

(ii) except as described in the Prospectus, no material labor dispute with the employees of the USEC Companies or, to the knowledge of such counsel, of Lockheed Martin Utility Services, Inc. exists, or, to such counsel's knowledge, is imminent that could have a material adverse effect on the USEC Companies;

(iii) to such counsel's knowledge, USEC Federal has complied in all material respects with all of its duties and obligations under the Privatization Legislation required to be performed or complied with at the date hereof insofar as such duties relate to the transactions contemplated by this Agreement; except as described in the Prospectus, the Company has, to such counsel's knowledge, all necessary consents, authorizations, approvals, clearances, orders, certificates and permits of and from, and has made all declarations and filings with, all federal, state, local and other governmental authorities (including, without limitation, the Nuclear Regulatory Commission and the Occupational Safety and Health Administration), all self-regulatory organizations and all courts and other tribunals, to own, lease, license and use its properties and assets and to conduct its business in the manner described in the Prospectus, except to the extent that the failure to obtain or file would not have a material adverse effect on the Company; and

(iv) except as described in the Prospectus, to such counsel's knowledge, the Company (A) is in compliance with any and all applicable Environmental Laws, (B) has received all permits, consents, authorizations, clearances, orders, certificates, licenses or other approvals required of it under applicable Environmental Laws to

conduct its business and (C) is in compliance with all terms and conditions of any such permit, consent, authorization,

clearance, order, certificate, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, consents, authorizations, clearances, orders, certificates, licenses or other approvals or failure to comply with the terms and conditions of such permits, certificates, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company.

(f) The Underwriters shall have received on the Closing Date an opinion of Davis Polk & Wardwell, counsel for the Underwriters, dated the Closing Date, covering the matters referred to in subparagraphs (ii), (xii) (but only as to the statements in the Prospectus under "Description of Capital Stock" and "Underwriters"), (xiv), and (xvi) of paragraph (d) above.

The opinions of Skadden, Arps, Slate, Meagher & Flom LLP and Robert J. Moore, Esq. described in paragraphs (d) and (e) above shall be rendered to the Underwriters at the request of the Company or the Selling Shareholder, as the case may be, and shall so state therein.

(g) The Underwriters shall have received on the Closing Date evidence that (i) the person executing and delivering the Underwriting Agreement on behalf of the Selling Shareholder has been delegated the authority of the Secretary of the Treasury (the "Secretary") under the Privatization Legislation to exercise any right or power, make any finding or determination, or perform any duty or obligation which the Secretary is authorized to exercise, make or perform under the Privatization Legislation relating to the privatization of USEC Federal; and (ii) such person has given the approvals and made the determination required of the Secretary under sections 3103 and 3104 of the USEC Privatization Act (42 U.S.C. Sections 2297h-1, 2297h-2).

(h) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from Arthur Andersen LLP, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the

Prospectus; provided that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(i) The Shares shall have been approved for inclusion on the New York Stock Exchange.

The several obligations of the U.S. Underwriters to purchase Additional Shares hereunder are subject to the delivery to the U.S. Underwriters on the Option Closing Date of such documents as the U.S. Representatives may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares and other matters related to the issuance of the Additional Shares.

6. COVENANTS OF THE COMPANY. In further consideration of the agreements of the Underwriters herein contained, the Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, eight signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York

City, without charge, prior to 5:00 p.m. New York City time on the business day following the date of this Agreement and during the period mentioned in paragraph (c) below, as many copies of the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object in a timely manner, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is

delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law. The expense of complying with this Section 6(c) shall be borne by the Company in respect of any amendment or supplement required during the nine-month period after effectiveness of the Registration Statement and by the Underwriters thereafter.

(d) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request.

(e) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering the twelve-month period ending _____, 1999 that satisfies the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

7. FOREIGN OWNERSHIP CERTIFICATE.

(a) In further consideration of the agreements of the USEC Companies and the Selling Shareholder herein contained, each Underwriter represents to the USEC Companies and the Selling Shareholder that the Underwriter has complied in all material respects with the certificate of compliance regarding foreign ownership restrictions (the "Foreign Ownership Certificate") and is delivering simultaneously herewith an executed Foreign Ownership Certificate in the form of Exhibit A hereto.

(b) The Underwriters acknowledge that the Board of Directors of USEC Federal is relying on the Foreign Ownership Certificate in making certain determinations under the Privatization Legislation.

(c) In the event the over-allotment option is exercised by the U.S. Underwriters, the U.S. Underwriters shall affirm in writing that the U.S. Underwriters followed the procedures set forth in the Foreign Ownership Certificate. with respect to the Additional Shares being sold by the Company.

8. EXPENSES. Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, all expenses incident to the performance of the USEC Companies' and the Selling Shareholder's obligations under this Agreement will be paid or caused to be paid out of USEC Federal's revenue account with the U.S. Department of Treasury, including: (i) the fees, disbursements and expenses of the counsel for the USEC Companies, and the USEC Companies' accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Prospectus and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 6(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky memorandum, which are not expected to exceed $10,000, (iv) all filing fees incurred in connection with the review and qualification of the offering by the National Association of Securities Dealers, Inc., which are not expected to exceed $30,500, (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Common Stock and all costs and expenses incident to listing the Shares on the New York Stock Exchange, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the USEC Companies relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses of the USEC Companies associated with the production of road show slides and graphics, fees and expenses of any consultants engaged by the USEC Companies in connection with the road show presentations, and travel and lodging expenses of the representatives and officers of the USEC Companies and any such consultants, and (ix) all other costs and expenses incident to

the performance of the obligations of the USEC Companies and the Selling Shareholder hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 9 entitled "Indemnity and Contribution", and the last paragraph of Section 11 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

9. INDEMNITY AND CONTRIBUTION. (a) From and after the Closing Date, the Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement

of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the USEC Companies in writing by such Underwriter through you expressly for use therein; provided, however, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased Shares, or any person controlling such Underwriter, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Shares to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability unless such failure is the result of non-compliance by the Company with Section 6(a) hereof.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the directors of the Company (including persons identified to become directors), the officers of the Company who

sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Underwriter furnished to the USEC Companies in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to paragraph (a) or (b) of this Section 9, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in

respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 15 of the Securities Act

or Section 20 of the Exchange Act and (ii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Underwriters and such control persons of Underwriters, such firm shall be designated in writing by Morgan Stanley & Co. Incorporated. In the case of any such separate firm for the Company, and such directors, officers and control persons of the Company, such firm shall be designated in writing by the Company. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) To the extent the indemnification provided for in paragraph (a) or (b) of this Section 9 is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the

indemnified party or parties on the other hand from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant

equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 9 are several in proportion to the respective number of USEC Shares and Additional Shares they have purchased hereunder, and not joint.

(e) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) of this Section 9. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Under-

writer has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 9 and the representations, warranties and other statements of the USEC Companies contained in this Agreement shall remain operative and in full force and effect regardless of (i) termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Selling Shareholder, or the Company, USEC Delaware, their officers or directors or any person controlling the Company or USEC Delaware and (iii) acceptance of and payment for any of the Shares; provided, however, that the Underwriters agree, that no indemnification shall be provided by the United States (including USEC Federal so long as it is an agency and instrumentality thereof).

10. TERMINATION. This Agreement shall be subject to termination by notice given by you to the USEC Companies and the Selling Shareholder, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock

Exchange, the National Association of Securities Dealers, Inc., the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and (b) in the case of any of the events specified in clauses (a)(i) through (iv), such event, singly or together with any other such event, makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

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11. EFFECTIVENESS; DEFAULTING UNDERWRITERS. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto. If, on the Closing Date or the Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase USEC Shares or Additional Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of USEC Shares or Additional Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the USEC Shares or Additional Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of USEC Shares set forth opposite their respective names in Schedule I or Schedule II bears to the aggregate number of USEC Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the USEC Shares or Additional Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the number of USEC Shares or Additional Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 11 by an amount in excess of one-ninth of such number of USEC Shares or Additional Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase USEC Shares and the aggregate number of USEC Shares with respect to which such default occurs is more than one-tenth of the aggregate number of USEC Shares to be purchased by all of the Underwriters, and arrangements satisfactory to you, the Company and the Selling Shareholder for the purchase of such USEC Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Shareholder. In any such case either you or the Selling Shareholder shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. If, on the Option Closing Date, any U.S. Underwriter or U.S. Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased by all of the Underwriters, the non-defaulting U.S. Underwriters shall have the option to (i) terminate their obligation hereunder to purchase Additional Shares or (ii) purchase not less than the number of Additional Shares that such non-defaulting U.S. Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

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12. COUNTERPARTS. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. APPLICABLE LAW. This Agreement, and the rights and obligations of

the parties hereunder, shall be governed by, and construed and interpreted in accordance with the State of New York, without giving effect to the provisions thereof relating to conflicts of law; provided, however, that the rights and obligations of the U.S. Government hereunder shall be governed by, and construed and interpreted in accordance with, Federal law.

14. HEADINGS. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

Very truly yours,

USEC INC., a Delaware corporation

By
Name:
Title:

UNITED STATES ENRICHMENT CORPORATION, a Delaware corporation

By
Name:
Title:

UNITED STATES ENRICHMENT CORPORATION, a federally-

chartered entity

By
Name:
Title:

THE UNITED STATES OF AMERICA, acting through the Secretary of Treasury, through his duly authorized designee

By
Name:
Title:

Accepted as of the date hereof

Morgan Stanley & Co. Incorporated
Merrill Lynch, Pierce, Fenner & Smith Incorporated
M.R. Beal & Company
Janney Montgomery Scott Inc.
Lehman Brothers Inc.
Prudential Securities Incorporated

Smith Barney Inc.

Acting severally on behalf of themselves and
the several U.S. Underwriters named in
Schedule I hereto.

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By: Morgan Stanley & Co. Incorporated

By_____
Name:
Title:

Morgan Stanley & Co. International Limited
Merrill Lynch International
M.R. Beal & Company
Janney Montgomery Scott Inc.
Lehman Brothers Inc.
Prudential Securities Incorporated
Smith Barney Inc

Acting severally on behalf of themselves
and the several International Underwriters
named in Schedule II hereto.

By: Morgan Stanley & Co. International Limited

By_____
Name:
Title:

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SCHEDULE I

U.S. Underwriters

Underwriter	Number of USEC Shares To Be Purchased
Morgan Stanley & Co. Incorporated	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
M.R. Beal & Company	
Janney Montgomery Scott Inc.	
Lehman Brothers Inc.	
Prudential Securities Incorporated	
Smith Barney Inc	
NAMES OF OTHER U.S. UNDERWRITERS	
Total U.S. USEC Shares	

EXHIBIT 3.1

CERTIFICATE OF INCORPORATION

OF

USEC INC.

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

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

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

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

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

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

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

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

(iii) whether the shares of such class or series shall be subject to redemption, in whole or in part, and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption, including whether or not such redemption may occur at the option of the Corporation or at

the option of the holder or holders thereof or upon the happening of a specified event;

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

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

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

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

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

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

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

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

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

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

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

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

B. The number of directors constituting the Board of Directors shall be as specified in the By-Laws or fixed in the manner provided therein. Whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the

election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes unless expressly provided by such terms.

C. Any vacancies in the Board of Directors for any reason and any newly created directorships resulting by reason of any increase in the number of directors may be filled only by the Board of Directors, acting by a majority of the remaining directors then in office, although less than a quorum, or by a sole remaining director, and any directors so

appointed shall hold office until the next election for which such directors have been chosen and until their successors are elected and qualified or their earlier resignation or removal.

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

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

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

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

proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation. The right to indemnification conferred in this Article EIGHTH shall include the right to be paid by the Corporation the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition.

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

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

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

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

TENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the DGCL or on the

application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the DGCL order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

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

B. Foreign Ownership Restrictions. For purposes of this Article ELEVENTH, the term "Foreign Ownership Restrictions" shall mean any one or more of the following: (i) the beneficial ownership of more than ten percent (10%) of the aggregate number of issued and outstanding shares of Common Stock of the Corporation by or for the account of a foreign person or persons; (ii) the beneficial ownership of any shares of Common Stock of the Corporation by or for the account of a Contravening Person (as defined below); (iii) the acquisition of control (direct or indirect) of the Company by a person or group of persons acting together in any transaction or series of transactions in which the arrangements for financing such person's or persons' acquisition of the Corporation involve or will involve receipt of money, from borrowing or otherwise, from one or more foreign persons in an amount in excess of ten percent (10%) of the purchase price of the Corporation's securities

purchased by such person or group of persons, whether such funds are to be used for temporary or permanent financing; or (iv) any ownership of or exercise of rights with respect to shares of Common Stock of the Corporation or other exercise or attempt to exercise control of the Corporation that the Board of Directors determines is inconsistent with or in violation of the regulations, rules or restrictions of a governmental entity or agency which exercises regulatory power over the Corporation, its business, operations or assets or could jeopardize the continued operations of the Corporation's facilities.

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

Any person that has filed a Schedule 13D or a Schedule 14D-1 (or in either case, a successor form thereto required by the U.S. Securities and Exchange Commission (the "SEC")) with respect to the Corporation's securities

and, in the case of the Schedule 13D, which filing indicates any plans or proposals which relate to or would result in the occurrence of any of the events described in Item 4 of Schedule 13D (or its equivalent, if and to the extent that such Item is amended, modified or superseded by another Item or another form of the SEC then in effect) may be requested by the Corporation to provide to the Corporation such information as the Board of Directors may require to confirm that such person's plans or proposals will not result in a violation of the Statutory Acquisition Restriction or the Foreign Ownership Restrictions.

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

D. Suspension of Voting Rights; Refusal to Transfer. If any person, including a Proposed Transferee, from whom information is requested should fail to respond to the Corporation's request pursuant to Section C of this Article ELEVENTH or if the Corpora-

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

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

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

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

H. Redemption and Exchange. Without limiting the generality of

the foregoing and notwithstanding any other provision of this Certificate of Incorporation to the

contrary, any shares held or beneficially owned by a foreign person or a Contravening Person shall always be subject to redemption or exchange by the Corporation by action of the Board of Directors, pursuant to Section 151 of the DGCL or any other applicable provision of law, to the extent necessary in the judgment of the Board of Directors to comply with the Foreign Ownership Restrictions. As used in this Certificate of Incorporation, "redemption" and "exchange" are hereinafter collectively referred to as "redemption", references to shares being "redeemed" shall be deemed to include shares which are being "exchanged", and references to "redemption price" shall be deemed to include the amount and kind of securities for which any such shares are exchanged. The terms and conditions of such redemption shall be as follows:

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

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

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

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

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

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

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

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

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

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

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

"Foreign Enrichment Provider" shall mean any person incorporated, organized or having its principal place of business outside of the United States which is in the business of enriching uranium for use by nuclear reactors or any person incorporated, organized or having its principal place of business outside of the United States which is in the business of

creating a fissile product capable of use as a fuel source for nuclear reactors in lieu of enriched uranium.

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

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

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

TWELFTH: The Corporation hereby reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation. Except as may be provided in a resolution or resolutions providing for any class or series of Preferred Stock pursuant to Article FOURTH hereof and which relate to such class or series of Preferred Stock, any such

amendment, alteration, change or repeal shall require the affirmative vote of both (a) a majority of the members of the Board of Directors then in office and (b) a majority of the voting power of all of the shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

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

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

Deborah M. Reusch
Sole Incorporator

EXHIBIT 3.2

BY-LAWS

OF

USEC INC.

(hereinafter called the "Corporation")

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The Annual Meeting of Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meetings the stockholders shall elect by a plurality vote members of a Board of Directors, and transact such other business as may properly be brought before the meeting. Unless otherwise required by law, written notice of the Annual Meeting stating the place, date and hour of the meeting shall be given to each stockholder

entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 3. Special Meetings. Unless otherwise prescribed by law or by the Certificate of Incorporation, special meetings ("Special Meetings") of Stockholders, for any purpose or purposes, may be called by either the Chairman, if there be one, or the President, and shall be called by any such officer at the request in writing of (i) the Board of Directors or (ii) a committee of the Board of Directors that has been designated by the Board of Directors and whose power and authority include the power to call such meetings. Such request shall state the purpose or purposes of the proposed meeting. Unless otherwise required by law, written notice of a Special Meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. At a Special Meeting of Stockholders only such business shall be conducted as shall be specified in the notice of meeting (or any supplement thereto).

Section 4. Quorum. Unless otherwise required by law or by the Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

Section 5. Voting. Unless otherwise required by law, the Certificate of Incorporation or these By-Laws, any question brought before any meeting of stockholders, other than the election of directors, shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat.

Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his or her discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 6. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

Section 7. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 6 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 8. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders (a) by or at the direction of the Board of Directors (or any duly authorized commit tee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 8 and on the record date for the determination of stockholders

entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 8.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the date of the annual meeting of stockholders; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation that are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation that are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice, (v) a statement, signed under oath and in such reasonable detail as the Board of Directors may require, that such stockholder is not a foreign person (as defined in the Corporation's Certificate of Incorporation) or under the control of a foreign person and that such stockholder is not a Contravening Person (as defined in the Corporation's Certificate of Incorporation) or under the control of a Contravening Person, (vi) an undertaking to notify the Corporation if the statement specified in clause (v) becomes untrue in any

respect from the date such statement is given up to and including the date and time of the vote for the proposed nominee and (vii) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 8. If the Chairman of the meeting determines (a) that a nomination was not made in accordance with the foregoing procedures, (b) that at the date and time of the vote for the proposed nominee the stockholder who nominated such nominee is a foreign person or under the control of a foreign person or (c) that at the date and time of the vote for the proposed nominee the stockholder who nominated such nominee is a Contravening Person or under the control of a Contravening Person, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 9. Business at Annual Meetings. No business may be transacted at an Annual Meeting of Stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the Annual Meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the Annual Meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 9 and on the record date for the determination of stockholders entitled to vote at such Annual Meeting and (ii) who complies with the notice procedures set forth in this Section 9.

In addition to any other applicable requirements, for business to be properly brought before an Annual Meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the

Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the date of the Annual Meeting of Stockholders; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the Annual Meeting (i) a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such business at the Annual Meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation that are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the Annual Meeting to bring such business before the meeting.

No business shall be conducted at the Annual Meeting of Stockholders except business brought before the Annual Meeting in accordance with the procedures set forth in this Section 9, provided, however, that, once business has been properly brought before the Annual Meeting in accordance with such procedures, nothing in this Section 9 shall be deemed to preclude

discussion by any stockholder of any such business. If the Chairman of an Annual Meeting determines that business was not properly brought before the Annual Meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Section 10. Conduct of Meetings. The Board of Directors of the Corporation may adopt by resolution such rules and regulations for the conduct of the meeting of the stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the Chairman of any meeting of the stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in

the judgment of such Chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the Chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) the determination of when the polls shall open and close for any given matter to be voted on at the meeting; (iii) rules and procedures for maintaining order at the meeting and the safety of those present; (iv) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the Chairman of the meeting shall determine; (v) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (vi) limitations on the time allotted to questions or comments by participants.

ARTICLE III

DIRECTORS

Section 1. Number and Election of Directors. The Board of Directors shall consist of not less than three nor more than twenty members, the exact number of which shall initially be fixed by the Incorporator and thereafter from time to time by the Board of Directors. Except as provided in the Certificate of Incorporation, directors shall be elected by a plurality of the votes cast at Annual Meetings of Stockholders. Any director may resign at any time upon written notice to the Corporation. Directors need not be stockholders. Directors must be citizens of the United States of America.

Section 2. Duties and Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 3. Meetings. The Board of Directors may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman, if there be one, the President, or by a majority of directors then in office. Notice thereof

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stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 4. Quorum. Except as otherwise required by law, the Certificate of Incorporation or these By-Laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present.

Section 5. Actions by Written Consent. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 6. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 6 shall constitute presence in person at such meeting.

Section 7. Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the

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member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 8. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be

allowed like compensation for attending committee meetings.

Section 9. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his, her or their votes are counted for such purpose if (i) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV

OFFICERS

Section 1. General. The Board of Directors shall elect a Chairman of the Board of Directors (who must be a director) or a President, or both, and a Secretary and a Treasurer and may elect one or more Vice Chairmen of the Board of Directors (who must be directors) and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers, as the Board may determine. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-Laws. Except as may be stipulated by a resolution of the Board of Directors, the officers of the Corporation may, but need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors or Vice Chairman of the Board of Directors, need such officers be directors of the Corporation.

Section 2. Election. The Board of Directors at its first meeting held after each Annual Meeting of Stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to

vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chairman of the Board of Directors; Vice Chairmen of the Board of Directors. The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him or her by these By-Laws or by the Board of Directors. The Board of Directors may, by resolution, from time to time confer like powers upon one or more Vice Chairmen of the Board of Directors to serve in the absence or disability of the Chairman of the Board of Directors. If there shall be more than one Vice Chairman of the Board of Directors, they shall act as Chairman by order of their seniority on the Board of Directors or as otherwise determined by the Board of Directors.

Section 5. President. The President, subject to the control of the Board of Directors, shall have general charge and supervision and authority over all operations of the Corporation and shall have such powers and perform such duties as are incident to his or her office or as may be properly granted to or required by him or her by the Board of Directors, by the Chairman of the Board of Directors or by these By-laws. The President shall be the Chief Executive Officer of the Corporation. The President shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him or her by these By-Laws or the Board of Directors.

Section 6. Vice Presidents. At the request of the President or in his or her absence or in the event of his or her inability or refusal to act (and if there be no Chairman or Vice Chairman of the Board of Directors), the Vice President or the Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer from time to time may prescribe. If there be no Chairman or Vice Chairman of the Board of Directors and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

Section 7. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the committees of the Board of Directors when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the

Board of Directors or the Chief Executive Officer, under whose supervision he or she shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the Chief Executive Officer may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his or her signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 8. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors or the Chief Executive Officer. The Treasurer shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer, under whose supervision he or she shall be.

Section 9. Assistant Secretaries. Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, the President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his or her disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 10. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his or her disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his or her office and for the restoration to the Corporation, in case of his or her death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his or her possession or under his or her control belonging to the Corporation.

Section 11. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors or the Chief Executive Officer. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V

STOCK

Section 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman of the Board of Directors, the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him or her in the Corporation.

Section 2. Signatures. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may

be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his or her legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed or the issuance of such new certificate.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-Laws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his or her attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be cancelled before a new certificate shall be issued. No transfers shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 5. Record Date.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided,

however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 6. Record Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

ARTICLE VI

NOTICES

Section 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at his or her address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable.

Section 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the

person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper

purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 5. Legend on Indebtedness. The Corporation shall include a plainly stated legend on its financial obligations as required by and in accordance with the USEC Privatization Act (P.L. 104-134) that its financial obligations are not obligations of, or guaranteed as to principal or interest by, the United States.

ARTICLE VIII

INDEMNIFICATION

Section 1. Power to Indemnify in Actions, Suits or Proceedings other Than Those by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust,

employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best

interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iv) by the stockholders. Such determination shall be made, with respect to former directors and officers, by any person or persons having the authority to act on the matter on behalf of the Corporation. To the extent, however, that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his or her conduct was unlawful, if his or her action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to him or her by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on informa-

tion or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 4 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or

other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be.

Section 5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director or officer may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because he or she has met the applicable standards of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6. Expenses Payable in Advance. Expenses incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article VIII.

Section 7. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or

granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any By-Law, statute, agreement, contract, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 1 and 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Sections 1 or 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware, or otherwise.

Section 8. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was or shall be a director, officer or employee of the Corporation, or is or was or shall be a director, officer or employee of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power or the obligation to indemnify him or her against such liability under the provisions of this Article VIII.

Section 9. Certain Definitions. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers or employees, so that any person who is or was a director, officer or employee of such constituent corporation, or is or was a director, officer or employee of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of

the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 11. Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 5 hereof), the Corporation shall not be obligated to indemnify any director, officer or employee in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 12. Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

ARTICLE IX

AMENDMENTS

Section 1. Amendments. These By-Laws may be altered, amended or repealed, in whole or in part, or new By-Laws may be adopted by the stockholders or by the Board of Directors, provided, however, that notice of such alteration, amendment, repeal or adoption of new By-Laws be contained in the notice of such meeting of stockholders or Board of Directors as the case may be. Subject to the requirements of the Certificate of Incorporation, all such amendments must

be approved by either the affirmative vote of the holders of at least 50% of the voting power of all the shares of capital stock of the Corporation then entitled to vote generally in the election of directors, voting together as a single class or by a majority of the entire Board of Directors then in office.

Section 2. Entire Board of Directors. As used in this Article IX and in these By-Laws generally, the term "entire Board of Directors" means the total number of directors which the Corporation would have if there were no vacancies.

EXHIBIT 5.1

[SASM&F LETTERHEAD]

[Filing Date]

USEC Inc.
Two Democracy Center
6903 Rockledge Drive
Bethesda, MD 20817

Re: USEC Inc.
Registration Statement on Form S-1

Ladies and Gentlemen:

We have acted as special counsel to USEC Inc., a Delaware corporation (the "Company"), in connection with the initial public offering by the United States, acting through the Secretary of Treasury, of up to ___ ___ shares (the "Shares") of the Company's common stock, par value $.10 per share (the "Common Stock").

This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act of 1933, as amended (the "Act").

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of (i) the Registration Statement on Form S-1 (File No. 33-_____) as filed with the Securities and Exchange Commission (the "Commission") on _____ __, 1998 under the Act, and [list all amendments through and including the date of the Opinion, specifying filing dates] (such Registration Statement, as so amended, being hereinafter referred to as the "Registration Statement"); (ii) the form of Underwriting Agreement (the "Underwriting Agreement") proposed to be entered into among the Company, as issuer, United States Enrichment Corporation, a federally-chartered corporation ("USEC"), United States Enrichment Corporation, a Delaware corporation ("Newco"), the United States of America, acting through the Secretary of Treasury ("Treasury"), the selling stockholder and Morgan Stanley & Co. Incorpo-

rated, as representatives of the several underwriters named therein (the "Underwriters"), filed as an exhibit to the Registration Statement; (iii) a specimen certificate representing the Common Stock; (iv) the Certificate of Incorporation of the Company, as presently in effect; (v) the By-Laws of the Company, as presently in effect; and (vi) certain resolutions of the Board of Directors of the Company, USEC, and Newco and drafts of certain resolutions (the "Draft Resolutions") of the Board of Directors of the Company, USEC, and Newco in each case relating to the issuance and sale of the Shares and related matters. We have also examined originals or copies, certified or otherwise identified to our satisfaction, of such records of the Company, USEC, and Newco and such agreements, certificates of public officials, certificates of officers or other representatives of the Company and others, and such other documents,

certificates and records as we have deemed necessary or appropriate as a basis for the opinions set forth herein.

In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed or photostatic copies and the authenticity of the originals of such latter documents. In making our examination of documents executed or to be executed by parties other than the Company, we have assumed that such parties had or will have the power, corporate or other, to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action, corporate or other, and execution and delivery by such parties of such documents and the validity and binding effect thereof. As to any facts material to the opinions expressed herein which we have not independently established or verified, we have relied upon statements and representations of officers and other representatives of the Company and others.

Members of our firm are admitted to the bar in the States of Delaware and New York, and we do not express any opinion as to the laws of any other jurisdiction.

Based upon and subject to the foregoing, we are of the opinion that when (i) the Registration Statement becomes effective; (ii) the Draft Resolutions have been adopted by the Board of Directors of the Company, USEC, and Newco; (iii) the merger of USEC with and into Newco has been consummated in accordance with the Agreement and Plan of Merger by and between USEC and Newco such that Newco succeeds to all of the business and operations of USEC; (iv) the merger of a wholly-owned subsidiary of the Company ("Plantco") with and into Newco has been consummated in accordance with the Agreement and Plan of Merger by and between the Company, Newco, and Plantco such that Newco becomes a wholly-owned subsidiary of the Company (v) the price at which the Shares are to be sold in accordance with the Underwriting Agreement and other matters relating to the issuance and sale of the Shares have been approved by the Board of Directors in accordance with the Draft Resolutions; (vi) the Underwriting Agreement has been duly executed and delivered; and (vii) certificates representing the Shares in the form of the specimen certificates examined by us have been manually signed by an authorized officer of the transfer agent and registrar for the Common Stock and registered by such transfer agent and registrar, and delivered to and paid for by the Underwriters at a price per Share not less than the per share par value of the Common Stock as contemplated by the Underwriting Agreement, the issuance and sale of the Shares will have been duly authorized, and the Shares will be validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement. We also consent to the reference to our firm under the caption "Legal Matters" in the Registration Statement. In giving this consent, we do not thereby admit that we are included in the category of persons

whose consent is required under Section 7 of the Act or the rules and regulations of the Commission.

Very truly yours,

EXHIBIT 5.2

[SASM&F LETTERHEAD]
[Filing Date]

USEC Inc.
Two Democracy Center
6903 Rockledge Drive
Bethesda, MD 20817

Ladies and Gentlemen:

We have acted as special counsel to USEC Inc., a Delaware corporation (the "Company"), in connection with the initial public offering by the United States of America, acting through the Secretary of Treasury, of up to _____ shares (the "Shares") of the Company's common stock, par value $.10 per share. We have participated in the preparation of the registration statement on Form S-1 (File No. 33-) as filed by the Company with the Securities and Exchange Commission (the "Commission") on [DATE] under the Securities Act of 1933, as amended (the "Act"), (the "Registration Statement"), for the registration of the Shares under the Act.

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction of the Registration Statement and such other documents, certificates, and records as we have deemed necessary or appropriate as a basis for the opinion set forth herein.

In rendering our opinion, we have considered the current provisions of the Internal Revenue Code of 1986, as amended, Treasury regulations promulgated thereunder, judicial decisions, and Internal Revenue Service (the "IRS") rulings, all of which are subject to change, which changes may be retroactively applied. A change in the authorities upon which our opinion is based could affect our conclusions. There can be no assurances, moreover, that any of the opinions expressed herein will be accepted by the IRS or, if challenged, by a court.

Although the discussion set forth in the prospectus included as part of the Registration Statement under the caption "Certain United States Federal Tax Consequences to Non-U.S. Stockholders" does not purport to discuss all possible United States federal income tax consequences of the acquisition, ownership, and disposition of Shares by Non-U.S. Holders (as defined therein), in our opinion, such discussion constitutes, in all material respects, a fair and accurate summary under current law of the United States federal income tax consequences of the acquisition, ownership, and disposition of Shares by Non-U.S. Holders (as defined therein).

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission promulgated thereunder. This opinion is expressed as of the date

hereof unless otherwise expressly stated, and we disclaim any undertaking to advise you of any subsequent changes of the facts stated or assumed herein or any subsequent changes in applicable law.

Very truly yours,

Exhibit 10.1

LEASE AGREEMENT
BETWEEN
THE UNITED STATES DEPARTMENT OF ENERGY
AND
THE UNITED STATES ENRICHMENT CORPORATION

DATED AS OF JULY 1, 1993

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LIST OF EXHIBITS

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THIS LEASE AGREEMENT ("Lease") is entered into as of July 1, 1993, between THE UNITED STATES DEPARTMENT OF ENERGY ("Department"), acting by and through the Secretary of Energy ("Secretary"), and THE UNITED STATES ENRICHMENT CORPORATION ("Corporation"), acting by and through its Transition Manager ("Transition Manager").

WITNESSETH:

WHEREAS, the Congress of the United States of America has enacted the Energy Policy Act of 1992, Public Law 102-486, and pursuant to Title IX thereof further amended the Atomic Energy Act of 1954, which as amended (the "Act") established a new government corporation, the Corporation; and

WHEREAS, pursuant to Section 1403 of the Act, Congress has directed the Corporation to lease the gaseous diffusion uranium enrichment plant owned by the United States located at Paducah, Kentucky, and the gaseous diffusion uranium enrichment plant owned by the United States located at Portsmouth, Ohio and their related property, (as more fully described below, the "GDPs"), which GDPs are presently controlled and operated by the Department; and

WHEREAS, pursuant to Section 1701 of the Act, the United States Nuclear Regulatory Commission ("NRC") will develop for the GDPs such standards by regulation as are necessary to protect public health and safety from radiological hazard and to provide for the common defense and security, and until the NRC certifies that the Corporation has complied with such standards, or the NRC certifies a plan prepared by the Department for achieving such compliance, the GDPs will be operated under the Department's regulatory oversight and control; and

WHEREAS, in order to ensure that the Corporation achieves the objectives of the Act with respect to uranium enrichment and otherwise, and to prepare the Corporation for its eventual privatization, and consistent with the Department's duties under the Act, Congress has directed that the Secretary transfer to the Corporation certain property of the Department and that the

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Corporation lease certain property of the GDPs for an initial term commencing on July 1, 1993;

NOW THEREFORE, under the authority of the Act and subject to its

provisions, and in order to carry out the mandates which Congress has given the Department and the Corporation therein, the Department and the Corporation hereby agree to this Lease as follows:

ARTICLE I
DEFINITIONS

Section 1.1 TERMS The following additional terms when capitalized and used in this Lease (including the Exhibits hereto) shall have the meanings indicated below. The meanings specified are applicable to both the singular and the plural.

"Additional Rent" shall have the meaning ascribed to it in Section 8.1 hereof.

"Base Rent" shall have the meaning ascribed to it in Section 8.1 hereof.

"Capital Improvement" means any change, alteration, addition, or other improvement made by the Corporation to the Leased Premises (as such term is hereinafter defined) which does not constitute routine maintenance or repair of such Leased Premises.

"Common Areas" shall have the meaning ascribed to it in Section 3.1(b) hereof.

"Corporation Site Manager" shall have the meaning ascribed to it in Section 11.1(b) hereof.

"Corrective Actions" shall have the meaning given to such term in the Solid Waste Disposal Act, as amended.

"Decontamination and Decommissioning" means those activities, including Response Actions or Corrective Actions, undertaken to decontaminate and decommission inactive uranium enrichment facilities and related property.

"Department Site Manager" shall have the meaning ascribed to it in Section 11.1(a) hereof.

"Determination Order" means the order effective July 1, 1993, issued by the United States Office of Management and Budget with respect to the transfer of certain property related to the GDPs, and any subsequent amendment of such order.

"Electric Power Agreement" shall have the meaning ascribed to it in Section 6.1 hereof.

"Environmental Claim" means any claim, action, cause of action, investigation or notice by any person or entity alleging potential liability (including potential liability for investigatory costs, cleanup costs, governmental Response Actions, Corrective Actions, natural resource damages, property damages, personal injuries, penalties, or fines) arising out of, based on or resulting from (a) the presence, or release into the environment, of any Material of Environmental Concern at any location or (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Laws.

"Environmental Laws" means all laws, regulations and other requirements established by any Government Authority relating to pollution or protection of human health or the environment (including ambient air, surface water, ground water, land surface or subsurface strata) or regulating the handling of or exposure to radioactive materials, including the laws and regulations relating to emissions, discharges, releases or threatened releases of Material of Environmental Concern, or otherwise relating to the manufacture,

processing, distribution, use, treatment, storage, disposal, transport or handling of Material of Environmental Concern.

"Environmental and Waste Management Agreement" shall have the meaning ascribed to it in Section 3.3 hereof.

"Environmentally Non-Sensitive" means any action which does not materially increase the risk of a violation of Environmental Laws and does not materially increase the cost of Decontamination and Decommissioning.

"Environmentally Sensitive" means any action which materially increases the risk of a violation of Environmental Laws or materially increases the cost of Decontamination and Decommissioning.

"GDPs" means the gaseous diffusion uranium enrichment plant owned by the United States of America located at Paducah, Kentucky, and the gaseous diffusion uranium enrichment plant owned by the United States at Portsmouth, Ohio, including all the real property within the boundary of both such plants, or any portion thereof, regardless of whether any such real property is leased to the Corporation. Any reference in this Lease to a "GDP" shall mean either one of such gaseous diffusion uranium enrichment plants.

"Government Authority" means any department, agency or instrumentality of the federal government, of any state, or of any municipality or of any political subdivision of any state or municipality.

"Initial Rent Period" shall have the meaning ascribed to it in Section 8.1 hereof.

"Laws and Regulations" means all laws and regulations (including all Environmental Laws), and other requirements of any Government Authority (including any standards established by the NRC to protect public health and safety from radiological hazard and to provide for the common defense and security) which apply to the Department or the Corporation, as the case may be.

"Lease" means this Lease and all its Exhibits.

"Lease Administration" shall have the meaning ascribed to it in Section 8.1 hereof.

"Lease Term" means the period of July 1, 1993, to June 30, 1999, and any subsequent Renewal Periods.

"Leased Personalty" shall have the meaning ascribed to it in Section 3.2 hereof.

"Leased Premises" shall have the meaning ascribed to it in Section 3.1(a) hereof.

"Material of Environmental Concern" means any material subject to classification as a hazardous waste under the Solid Waste Disposal Act, as amended, and any material such as pollutants, contaminants, wastes, toxic substances, petroleum and refined petroleum products, hazardous substances, radioactive materials and other like subject matter.

"Regulatory Agency" means any Government Authority which is empowered to administer or enforce Laws and Regulations.

"Regulatory Oversight Agreement" shall have the meaning ascribed to it in Section 5.1(b)(i) hereof.

"Regulatory Permits" means all licenses, permits, certificates, approvals, authorizations and other requirements mandated by Laws and Regulations for the occupation, use or operation of the Leased Premises.

"Renewal Period" shall have the meaning ascribed to it in Section 7.2 hereof.

"Rent" shall have the meaning ascribed to it in Section 8.1 hereof.

"Rent Period" shall have the meaning ascribed to it in Section 8.1 hereof.

"Response Actions" shall have the meaning given such term in the Comprehensive Environmental Response, Compensation and Liability Act, as amended.

"Services Agreement" shall have the meaning ascribed to it in Section 6.2 hereof.

"Transferred Contracts" means any and all contracts which are transferred to the Corporation pursuant to the Determination Order.

"Turnover Requirements" shall have the meaning ascribed to it in Section 4.4 hereof.

"Uranium Enrichment Enterprise" means the GDPs, their uranium enrichment operations, processes and services, and all of the activities, businesses and functions related thereto.

Section 1.2 HEADINGS Article and Section headings in this Lease are provided only for ease of reference and not interpretation.

Section 1.3 RULES OF INTERPRETATION

(a) The words "without limitation", whether stated or not, are implied to follow the use of any words such as "including" or "excluding" that are employed in this Lease. The words "hereof" or "herein" or "hereunder" when used in this Lease shall mean pertaining to this Lease.

(b) All Exhibits to this Lease shall be incorporated into this Lease by reference as appropriate and will be deemed to be an integral part of this Lease. In the event of any inconsistency between an Exhibit and this Lease, this Lease shall control.

ARTICLE II
AUTHORITY OF THE PARTIES

Section 2.1 CORPORATION The Corporation is authorized under the Act to enter into this Lease and its Transition Manager has taken all the necessary actions required of the Corporation to execute and deliver this Lease.

Section 2.2 DEPARTMENT The Department is authorized under the Act to enter into this Lease and the Secretary has taken all the necessary actions required of the Department to execute and deliver this Lease.

Section 2.3 CORPORATION BOARD OF DIRECTORS In accordance with Section 1315 of the Act, the actions of the Transition Manager taken with respect to this Lease shall be subject to ratification by the Board of Directors of the Corporation, after a quorum of such Board of Directors has been appointed by the President of the United States and confirmed by the United States Senate.

ARTICLE III
GRANT OF LEASE

Section 3.1 LEASE OF REAL PROPERTY

(a) The Department hereby leases to the Corporation that certain real property and improvements and fixtures located thereon, and easements, rights of way and appurtenances related thereto of the GDP situated in Paducah, Kentucky, and of the GDP situated in Portsmouth, Ohio, all of which is more fully identified and described in the maps and attachments which form Exhibit A to this Lease ("Leased Premises"). This Lease is subject to all existing easements, rights of way and appurtenances over, across, in, and upon the Leased Premises. The Department will not grant any additional easements, rights of way or appurtenances with respect to the Leased Premises without the approval of the Corporation, which approval shall not be unreasonably withheld.

(b) The occupation and use of the Leased Premises by the Corporation shall include the use of all easements, rights of way, appurtenances, utility lines, corridors, common walls, pipes, parking areas, service roads, railway lines, loading facilities, sidewalks, avenues of ingress, egress and access and all other similar items which appertain to the Leased Premises ("Common Areas").

(c) The Department reserves the right to have access to the Leased Premises and the Common Areas, and the Corporation shall be entitled to have access to those parts of a GDP which are not part of the Leased Premises, subject to notice and the procedures to be agreed upon by the Department and the Corporation. Notwithstanding anything contained in this subsection (c), the Department and the Corporation will each have such access as it requires to all parts of a GDP reasonably necessary to respond to emergencies.

Section 3.2 LEASE OF PERSONAL PROPERTY The Department hereby leases to the Corporation those certain items of personal property located on the Leased Premises related to the production of enriched uranium by the GDPs, including the converters, compressors, motors and

spares associated thereto and the other items more fully described in Exhibit B ("Leased Personalty").

Section 3.3 DEPARTMENT'S PERSONAL PROPERTY ON THE LEASED PREMISES

(a) The Department's personal property (including any Material of Environmental Concern) located on the Leased Premises on July 1, 1993, may remain on the Leased Premises. The Department may not bring on to the Leased Premises any Material of Environmental Concern (except refined petroleum products incidental to the operation of vehicles, equipment or machinery) without the consent of the Corporation and subject to any conditions upon which the Department and the Corporation may agree; provided, however, that the Department may store additional personal property which is Material of Environmental Concern on the Leased Premises after July 1, 1993, pursuant to a Memorandum of Agreement with respect to environmental matters and waste management, effective July 1, 1993, between the Department and the Corporation which is attached as Exhibit C to this Lease, and any amendment thereof ("Environmental and Waste Management Agreement").

(b) The Department shall be solely responsible for the care and maintenance of the Department's personal property (including Material of Environmental Concern) located on the Leased Premises, whether located thereon on July 1, 1993, or brought onto the Leased Premises after July 1, 1993, and the Corporation shall not be held liable for any Environmental Claim related thereto, except to the extent such liability arises out of the Corporation's

negligence or wilful misconduct.

(c) The Department will be solely responsible for and shall pay the cost of removing from the Leased Premises and disposing of all its personal property located on the Leased Premises and for the Decontamination and Decommissioning of such personal property.

Section 3.4 OPTION TO EXPAND OR REDUCE LEASEHOLD Subject to the procedures described in Section 3.5 of this Lease, the Corporation shall have the option to expand or reduce the scope of this Lease in the following manner:

(a) The Corporation may amend Exhibit A to include within this Lease additional real property, improvements and fixtures of the Department located at a GDP along with its related easements and appurtenances. The Department will not dispose of any real property of a GDP which is not part of the Leased Premises without first offering the Corporation the opportunity to include such real property within this Lease.

(b) The Corporation may amend Exhibit A to delete from this Lease and return to the Department any of the facilities listed on Exhibit A or any of the land identified as Leased Premises on the maps in Exhibit A. Such right shall not include the right of the Corporation to terminate this Lease in its entirety with respect to both GDPs, or to terminate this Lease partially with respect to one of the GDPs, which right shall be permitted only in accordance with Section 9.3 and Section 12.1 of this Lease.

(c) The Corporation may amend Exhibit B to include within this Lease additional items of personal property related to a GDP whether located at such GDP, or at another Department site. If such property is located at another Department site, the Corporation will identify for the Department the relevant item prior to November 1, 1993, and the Department will place an identification tag on the item to indicate the Corporation's interest in such item. The Department will not dispose of or otherwise utilize the identified item without offering the Corporation the opportunity to include such item within this Lease. The Department will have no responsibility for maintaining such identified item and the Corporation shall be responsible for paying the cost of removing and transporting the desired item to the Leased Premises.

(d) The Corporation may delete from Exhibit B to this Lease and return to the Department any part of the Leased Personalty. The Corporation will not be entitled to delete and return individual items of the Leased Personalty, but may delete from this Lease and return to the Department only entire categories of the Leased Personalty.

Section 3.5 OPTION PROCEDURES

(a) If the Corporation seeks to exercise any option described in Section 3.4 of this Lease the Corporation shall provide sixty (60) days notice thereof to the Department. The Department will review the request and upon the Department's consent, which shall not be unreasonably withheld, Exhibits A and B, as the case may be, will be amended to reflect the change.

(b) If any item of property is returned to the Department pursuant to subsections (b) or (d) of Section 3.4 of this Lease, such property will be returned to the Department in the condition in which such property is found on the date returned. The Corporation will have no obligation to place the property in any better condition. Prior to returning any of the Leased Premises to the Department, the Corporation will comply with the Turnover Requirements.

Section 3.6 QUIET ENJOYMENT The Department warrants that the

Corporation will have full possession, use and quiet enjoyment of the Leased Premises and Leased Personalty throughout the Lease Term. The Department will defend, at any time, at its expense, against any person or entity, the right of the Corporation to such full possession, use and quiet enjoyment.

Section 3.7 DEPARTMENT OPTION The Department shall have the right to request the return to the Department of up to ten (10) acres of the Leased Premises at each GDP. The Corporation will not withhold its consent to such a request if the real property being returned is not required for the Corporation's planned business use. If any such real property is returned to the Department, it shall be returned to the Department in the condition in which it is found on that date. The Corporation shall have no obligation to put such real property in any better condition and will have no obligation to comply with the Turnover Requirements. Upon the return to the Department of any real property pursuant to this Section, Exhibit A will be amended to reflect the change.

ARTICLE IV
LEASED PREMISES
AND LEASED PERSONALTY

Section 4.1 USE OF LEASED PREMISES AND LEASED PERSONALTY The Corporation will use the Leased Premises and the Leased Personalty for the purpose of producing enriched uranium and for such other purposes as may be authorized by the Act. The Corporation may engage in a use of the Leased Premises or Leased Personalty at a GDP which is not for the purpose of producing enriched uranium if the Department consents to such use, which consent shall not be withheld if the use proposed by the Corporation is Environmentally Non-Sensitive and does not significantly interfere with the Department's activities at such GDP.

Section 4.2 PHYSICAL CONDITION OF LEASED PREMISES AND LEASED PERSONALTY

(a) The physical condition of the Leased Premises and the physical condition of the Leased Personalty is as the Leased Premises and Leased Personalty are found on July 1, 1993. The foregoing description of the physical condition of the Leased Premises and Leased Personalty shall not limit the indemnification and reimbursement of the Corporation provided by the Department in Article V of this Lease.

(b) The Corporation acknowledges that the Leased Premises and the Leased Personalty are in good and serviceable condition for use by the Corporation to produce enriched uranium.

(c) The Corporation will, at its expense, throughout the Lease Term, maintain the Leased Premises in good and serviceable condition. The Corporation shall repair any of the Leased Premises when in the Corporation's business judgment it is necessary to do so in order to maintain them in such condition or to meet the requirements of applicable Laws and Regulations. This obligation of the Corporation shall not affect the Corporation's right to return the Leased Premises and the Leased Personalty to the Department in the condition in which such Leased Premises and Leased Personalty are found on the day they are returned to the Department pursuant to other provisions of this Lease.

Section 4.3 RETURN OF LEASED PREMISES AND LEASED PERSONALTY

(a) At the end of the Lease Term, the Corporation will return the Leased Premises and Leased Personalty to the Department in the condition in which the Leased Premises and Leased Personalty are found on that date. The Corporation will have no obligation to place the Leased Premises and Leased

Personalty in any better condition. Prior to returning the Leased Premises and Leased Personalty to the Department, the Corporation will comply with the Turnover Requirements.

(b) At the end of the Lease Term, the Corporation may remove any of its personal property from the Leased Premises. The Corporation shall be entitled, should it choose, to leave any of its personal property (including personal property contaminated by radioactive materials) on the Leased Premises at the end of the Lease Term for Decontamination and Decommissioning by the Department.

Section 4.4 TURNOVER REQUIREMENTS At the end of the Lease Term or at any time the Corporation exercises its option in Section 3.4(b) hereof or terminates this Lease pursuant to Section 12.1 hereof, or terminates this Lease pursuant to Section 9.3 hereof (except that in the case of termination under such Section 9.3, only with respect to facilities which are not destroyed), the Corporation shall, prior to returning to the Department any facility which constitutes the Leased Premises, take the following actions with respect to such facility (collectively such actions being referred to as the "Turnover Requirements"):

(a) Provide the Department with documentation of its plans to place such facility into an acceptable condition for return to the Department consistent with the requirements described in subsections (b) through (f) of this Section.

(b) Terminate facility operations. Complete and document the final deactivation/shutdown of the facility and document that no future use of the facility is planned. Remove solid deposits of UO2F2/UF4 to the extent necessary to prevent criticality, using an in-place removal process, such as the chemical fluorination

treatment; and ensure that nothing adversely affects the operability of the purge cascade, the coolant, drainage, storage systems, HV/AC systems and air filtration systems.

(c) Remove all waste generated by the Corporation in such facility (including any material that is subject to classification as a hazardous waste under the Solid Waste Disposal Act, as amended) and which is subject to and authorized by Laws and Regulations for offsite disposal. The Corporation will remain responsible for the ultimate treatment and disposal of any waste generated by the Corporation, and for which the Department is not responsible, except as may be otherwise provided in this Lease.

(d) For structures at the facility, provide the Department with the Corporation's available radiological/hazardous materials records, available documentation of the configuration of the facility and related systems, available drawings, specifications, procedures, manuals, and available unplanned occurrences records applicable to the facility. For soil, surface water, and groundwater conditions at the facility, provide the Department with the Corporation's available data and reports that describe those conditions and the nature and extent of contamination therein.

(e) Place structures to be returned at the facility in a safe secure condition, removing any immediate threats to human health and safety. Existing radiation monitoring systems shall be in a physical condition adequate to monitor the potential release of any radioactive contamination. The most current radiation contamination/hazardous and toxic material survey done by the Corporation for the facility and surrounding areas shall be provided to the Department.

(f) Provide to the Department a status report of the facility's compliance with environmental, health, and safety regulatory requirements. If the facility is in noncompliance, a strategy for achieving

compliance will be developed by the Corporation and provided to the Department.

Section 4.5 PERMISSIBLE CHANGES

(a) The Corporation will not demolish or destroy any of the real property which constitutes Leased Premises at a GDP without first proposing such course of action to the Department and obtaining the Department's consent. Such proposal shall contain all the necessary information which the Department may require. Failure of the Department to respond within seven (7) days of receipt of the Corporation's proposal shall be deemed consent by the Department to the proposal. The Department will not withhold its consent to such a proposal if the demolition or destruction is Environmentally NonSensitive and does not significantly interfere with the Department's activities at such GDP. If the proposed demolition or destruction is Environmentally Sensitive and does not significantly interfere with the Department's activities, the Corporation will be permitted to carry out the action; provided, however, that the Corporation will be solely responsible for and will pay all the costs related thereto except that the Department shall be solely responsible for and will pay the cost of transporting, storing and disposing of all the material resulting from such demolition or destruction. The Department will attempt in good faith to store and dispose of all such material at locations other than on the Leased Premises. Any action taken pursuant to this Section by the Department or the Corporation shall be done in accordance with all applicable Laws and Regulations.

(b) The Corporation may, at any time, at its expense, make a Capital Improvement which the Corporation, in its business judgment deems appropriate. The Corporation shall provide the Department with sixty (60) days notice of any proposed Capital Improvement. If the Capital Improvement proposed to be made on the Leased Premises of a GDP requires the expenditure of less than $250,000, the Corporation will not be required to secure the Department's approval to undertake such Capital Improvement. If the Capital Improvement requires the expenditure of more than such amount, the making of such Capital Improvement shall require the consent of the Department; provided, however, that the Corporation shall be entitled to commence making such Capital Improvement, and consent by the Department will be deemed provided, unless the Department notifies the Corporation within the aforementioned sixty (60) days that the making of such proposed Capital Improvement is Environmentally Sensitive

or notifies the Corporation that such proposed Capital Improvement significantly interferes with the Department's activities at the GDP. If the making of the proposed Capital Improvement is Environmentally Sensitive and does not significantly interfere with the Department's activities, the Corporation will be permitted nonetheless to undertake the work; provided, however, that the Department shall be solely responsible for and will pay the cost of transporting, storing and disposing of any material resulting from such Capital Improvement. Any action taken by the Department or the Corporation pursuant to this Section shall be done in accordance with all applicable Laws and Regulations.

(c) The Corporation shall become the owner of and shall take title to each and every Capital Improvement. The Corporation will have the right to remove any Capital Improvement; provided, however, that if such removal increases the costs of the Department for the Decontamination and Decommissioning of the Leased Premises to which any such Capital Improvement was attached, the Corporation will pay any such increase in Decontamination and Decommissioning costs. The Corporation and the Department shall agree on the amount of such Decontamination and Decommissioning costs, if any exist, and the time and method of their payment when such Capital Improvement is removed. Title to any Capital Improvement which is not removed by the Corporation shall transfer to the Department at the end of the Lease Term, without the need for

the Corporation to take any further action, whether under this Lease or otherwise.

Section 4.6 DECONTAMINATION AND DECOMMISSIONING Except as provided in Section 4.5(c) of this Lease, the Department will be responsible for and will pay the costs of all Decontamination and Decommissioning, including the costs of Decontamination and Decommissioning of the Leased Premises, the Leased Personalty, any personal property found on the Leased Premises, regardless of ownership, and any Capital Improvement. The Department may initiate action for the Decontamination and Decommissioning of property any time property of any kind is returned to the Department by the Corporation pursuant to a provision of this Lease.

Section 4.7 PERMITS The Secretary will assign and transfer to the Corporation as permitted by applica-

ble Laws and Regulations, at the Corporation's request, those Regulatory Permits held by the Department with respect to the operation of the Leased Premises, including any Regulatory Permits relating to transportation. The Department will use its best efforts to assist the Corporation before any Regulatory Agency in order to effect such transfer. The Corporation will secure, at its expense, all other Regulatory Permits it may require to operate the Leased Premises. The Department will use its best efforts to assist the Corporation in procuring such other Regulatory Permits it requires from any Regulatory Agency.

ARTICLE V
ALLOCATION OF LIABILITIES

Section 5.1 In satisfaction of the Department's obligations under Section 1403(d) and Section 1406 of the Act, the Department shall:

(a) provide the Corporation $35 million in complete satisfaction of all the Department's obligations for any and all modifications to the Leased Premises and the Leased Personalty and other expenses that may be or become necessary for compliance with OSHA standards in effect on and after July 1, 1993;

(b) reimburse the Corporation for:

(i) any work required to bring the Leased Premises and Leased Personalty into compliance with the Nuclear Safety and Safeguards and Security Requirements as such term is defined in the Memorandum of Agreement effective July 1, 1993, between the Department and the Corporation with respect to nuclear safety, safeguards and security ("Regulatory Oversight Agreement") which is attached as Exhibit D, and any amendment thereof, or to achieve any other safety improvements required or directed by the Department; and

(ii) any work required to obtain an initial certificate of compliance from the NRC or NRC approval of a Department plan for achieving compliance pursuant to Section 1701

of the Act, except to the extent such work is required by conditions attributable to the Corporation's operation of the Leased Premises.

(c) indemnify, reimburse, defend, and hold harmless the Corporation for, and against all costs and expenses related to claims, damages, injunctions, orders, judgments, penalties, and reasonable attorney's fees asserted against or incurred by the Corporation which are attributable to or

arising out of the ownership or operation of the Uranium Enrichment Enterprise by the Department (or any contractor, subcontractor, or employee thereof) for:

(i) any pollution, contamination, or threat to human health or the environment attributable to the operation of the Uranium Enrichment Enterprise by the Department, in whole or in part, prior to July 1, 1993, regardless of when the event or condition giving rise to liability is discovered by the Corporation;

(ii) any Environmental Claim against any person or entity whose liability for such Environmental Claim the Department has or may have assumed or retained either contractually or by operation of law;

(iii) the Corporation's status as a permittee, holder, signatory, owner, operator, assign, or successor in relation to any permit, agreement, consent order, or other authorization issued by or reached with any Government Authority, or any administrative or judicial order, decree, or judgment, under authority of or to enforce any Environmental Laws, whereby and to the extent the Corporation is held responsible or liable in any manner for the Department's operation of the Uranium Enrichment Enterprise prior to July 1, 1993 (or any act or failure to act by the Department in transporting, storing, or disposing of any material pursuant to Section 4.5);

(iv) the release, discharge, removal, disposal, change out, or replacement of

polychlorinated biphenyls, transuranics, chromates, trichloroethylene, asbestos, or pentachlorophenol existing or present in the GDPs, or any portion thereof, regardless of whether such portion is leased and regardless of the time at which such existence or presence becomes known to the Corporation, except as provided in Section 4.5; provided, however, this subsection shall not apply to the extent any such material has been introduced to the Leased Premises by the Corporation. The Department's responsibility under this subsection (iv) shall be governed by the Laws and Regulations in effect at the time the cost or liability for the release, discharge, removal, disposal, change out or replacement, is incurred by or imposed on the Corporation;

(v) employee pension, welfare and other benefits or liabilities either incurred or accrued prior to July 1, 1993 (whether or not a claim for such benefits or liabilities is asserted before July 1, 1993) under the Transferred Contracts to the extent the Department agreed under such Transferred Contracts to reimburse the contractor for the contractor's employee benefits or liabilities; and

(vi) costs or expenses attributable to or arising out of actions taken or not taken under or pursuant to the Transferred Contracts prior to July 1, 1993, whether based on contract, tort or otherwise, and regardless of whether known or not known by the Corporation to exist on July 1, 1993.

Section 5.2 The Department agrees to indemnify, reimburse, defend, and hold harmless the Corporation for, and against all costs and expenses related to claims, damages, injunctions, orders, judgments, penalties, and reasonable attorney's fees asserted against or incurred by the Corporation which are attributable to or arising out of the Department's operation, occupation or use of the GDPs, or any portion thereof, after July 1, 1993.

Section 5.3 The Corporation agrees to indemnify, reimburse, defend,

and hold harmless the Department for, and against all costs and expenses related to claims, damages, injunctions, orders, judgments, penalties, and reasonable attorney's fees asserted against or incurred by the Department which are attributable to or arising out of the operation of the GDPs by the Corporation after July 1, 1993.

Section 5.4 Promptly after receipt by a party entitled to indemnification pursuant to this Article V of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Article V notify the indemnifying party in writing of the commencement thereof. The indemnifying party shall pay all the costs of such litigation, including the related attorney's fees incurred by the indemnified party. The indemnifying party shall be entitled to participate in, and assume, at its own expense, the defense of such litigation.

ARTICLE VI
SUPPORT

Section 6.1 ELECTRIC POWER AGREEMENT The Department will provide electric power to the Leased Premises in accordance with the Memorandum of Agreement effective July 1, 1993, between the Department and the Corporation which is attached as Exhibit E to this Lease and any amendment thereof ("Electric Power Agreement").

Section 6.2 SERVICES AGREEMENT The Department and the Corporation will provide services to each other in connection with their use of the GDPs in the manner described in the Memorandum of Agreement effective July 1, 1993, between the Department and the Corporation and which is attached as Exhibit F and any amendment thereof ("Services Agreement").

ARTICLE VII
TERM

Section 7.1 INITIAL TERM This Lease will commence on July 1, 1993, and expire on June 30, 1999, unless renewed pursuant to Section 7.2 of this Lease by the Corporation.

Section 7.2 LEASE RENEWAL The Corporation has the exclusive option under Section 1403 of the Act to renew this Lease with respect to either GDP or both GDPs on the same terms and conditions as are contained herein and shall have the right to do so for successive periods beginning on and following July 1, 1999, each period of which may be, at the Corporation's option, for one (1) to six (6) years in length (any such successive period referred to as a "Renewal Period"). If the Corporation chooses to exercise its right to renew this Lease with respect to a GDP, the Corporation will provide the Secretary with notice thereof by July 1, 1997. If the Corporation chooses to exercise its right to renew this Lease with respect to a GDP at the expiration of any Renewal Period, the Corporation will provide the Secretary with notice thereof at least two (2) years prior to the expiration of such Renewal Period.

ARTICLE VIII
RENT

Section 8.1 LEASE PAYMENT

(a) For the cost of administering this Lease (including the Electric Power Agreement) and providing regulatory oversight of the GDPs pursuant to the Regulatory Oversight Agreement (all such administration referred to as "Lease Administration"), the Corporation will pay the Department, commencing on July 1, 1993, for each twelve (12) month period of July 1 to June 30 thereafter, until the end of the Lease Term (each such twelve (12) month period of July 1 to June 30 being a "Rent Period" and the period of July 1, 1993 to June 30, 1994 being

the "Initial Rent Period") the sum of $5,195,000, which sum shall be composed of a base rent of $980,000 ("Base Rent") representing the Department's costs in administering this Lease (including the Electric Power Agreement) in the Initial Rent Period and additional rent

of $4,215,000 ("Additional Rent") representing the Department's costs in providing regulatory oversight of the GDPs pursuant to the Regulatory Oversight Agreement in the Initial Rent Period (The Base Rent and the Additional Rent together being referred to as "Rent"). The Base Rent and the Additional Rent shall be increased or decreased during any Rent Period, as the case may be, by the Department to reflect its actual costs incurred in Lease Administration; provided however that the Corporation shall not be required for any Rent Period to pay the Department more than the Department's actual costs for such Rent Period; and provided further that the Department shall not increase the Base Rent to more than $1.5 million in any Rent Period without the consent of the Corporation, which consent shall not be unreasonably withheld. The Additional Rent shall be included as a component of the Rent, and be payable by the Corporation, only for as long as the Regulatory Oversight Agreement is in effect.

(b) Rent will be payable monthly in advance on the first day of the month. By June 1 of each year the Department will submit an invoice to the Corporation for its estimated costs of Lease Administration during the following Rent Period. The Department shall determine the actual cost of Lease Administration following the end of such Rental Period and issue an invoice by August 1 of each year which shall reconcile any difference between the estimated and actual costs of Lease Administration in such Rental Period. Such invoice shall provide enough detail for the Corporation to calculate the difference between its monthly payments to the Department and the Department's actual costs in Lease Administration. The Department will grant the Corporation and its accountants such access to the Department's books and records respecting Lease Administration as the Corporation may reasonably require to verify the Department's actual costs associated thereto.

(c) By September 1 of each year, the Corporation shall pay the Department or the Department shall credit the Corporation an appropriate amount which shall reconcile any difference between the amount of Rent paid by the Corporation in the previous Rent Period and the actual costs incurred during the previous Rent Period by the Department for Lease Administration.

(d) Rent payments by the Corporation shall be made to the Department by wire transfer to the Department's headquarters account No. 89-00-0001 at the United States Department of Treasury. In the event any Rent payments are more than ten (10) days late, the Corporation will, in addition to such Rent, pay interest on the amount of Rent which is due and owing on that date at the rate per annum equal to the prevailing prime rate of interest set by the Federal Reserve for such day divided by the number of days in the year and for each day thereafter at such rate until the Rent is paid.

Section 8.2 RENT DURING RENEWAL PERIODS The Rent payable by the Corporation pursuant to Section 8.1 of this Lease shall be determined in accordance with Section 8.1 hereof during any Renewal Period.

ARTICLE IX
INSURANCE AND DAMAGE

Section 9.1 CORPORATION INSURANCE Except for any insurance which the Corporation is required to purchase pursuant to Section 10.1 hereof, the Corporation will not be required to purchase insurance coverage for the Leased

Premises or Leased Personalty.

Section 9.2 PARTIAL CASUALTY TO THE LEASED PREMISES In the event a part of the Leased Premises are significantly damaged as a result of any foreseen or unforeseen cause or event, whether such cause or event results from action by the Department or by the Corporation or by any other person or entity, regardless of fault and whether insured against or not, then notwithstanding any requirement in Section 4.2(c) in this Lease to maintain such property in good and serviceable condition, the Corporation will have the option, but will not be required, to repair such casualty if, in the Corporation's business judgment, the economic value of repairing such casualty outweighs the cost of the necessary repairs. If the Corporation chooses not to repair such casualty, the Department may, at its expense, repair the casualty; provided, however, that if insurance proceeds are available to the Corporation to pay the cost of repairing such casualty, the Department shall be entitled to use such insurance proceeds for such repair.

Section 9.3 TOTAL DESTRUCTION OF LEASED PREMISES In the event the Leased Premises pertaining to one of the GDPs are damaged as a result of any foreseen or unforeseen cause or event, whether such cause or event results from action by the Department or by the Corporation or by any other person or entity, regardless of fault and whether insured against or not, to such an extent that, in the business judgment of the Corporation, the damage makes such Leased Premises of the GDP completely unusable by the Corporation, then notwithstanding the requirement in Section 4.2(c) of this Lease to maintain such property in good and serviceable condition, the Corporation will have the option, upon thirty (30) days notice to the Department, to terminate this Lease with respect to such GDP without the need to take any further action under this Lease or otherwise. Upon such termination the Corporation will return the Leased Premises and Leased Personalty with respect to that GDP to the Department in the condition in which such Leased Premises and Leased Personalty are found on that date. The Corporation will have no obligation to place such Leased Premises and Leased Personalty in any better condition. The Corporation will have an obligation to comply with the Turnover Requirements, but only with respect to facilities which are not destroyed. In the event a termination of this Lease with respect to the Leased Premises of a GDP occurs pursuant to this Section, the Department shall be entitled to any insurance proceeds, if any are available to the Corporation for such casualty, and the Corporation will have the additional obligation, after the termination of this Lease, as a result of such a casualty, to provide funds to the Department to place and maintain the former Leased Premises and Leased Personalty of such GDP in a safe condition with all necessary site surveillance and security until the earlier of either (i) two (2) years following the date of termination under this Section or (ii) when the Department is able to secure the necessary funding for site surveillance and security. The Department will use its best efforts to secure such funding. In the event a termination of this Lease occurs pursuant to this Section with respect to a GDP, Exhibit A and Exhibit B will be amended accordingly to reflect the change.

Section 9.4 PARTIAL CASUALTY TO LEASED PERSONALTY In the event Leased Personalty is significantly damaged as a result of any foreseen or unforeseen cause

or event, whether such cause or event results from action by the Department or the Corporation or by any other person or entity, regardless of fault and whether insured against or not, then notwithstanding the requirement in Section 4.2(c) of this Lease to maintain such property in good and serviceable condition, the Corporation shall have the option, but will not be required, to repair the casualty if in the Corporation's business judgment the economic value of repairing such damage outweighs the cost of the necessary repairs. If the

Corporation chooses not to repair such casualty, the Department may, at its expense, repair the casualty; provided, however, that if insurance proceeds are available to the Corporation to pay the cost of repairing such casualty, the Department shall be entitled to use such insurance proceeds for such repair.

Section 9.5 TOTAL LOSS OF LEASED PERSONALTY In the event an item of Leased Personalty is lost or destroyed as a result of any foreseen or unforeseen cause or event, whether such cause or event results from action by the Department or the Corporation or by any other person or entity, regardless of fault and whether insured against or not, then notwithstanding any requirement in Section 4.2(c) of this Lease to maintain such property in good and serviceable condition, the Corporation shall have the option, but will not be required, to replace the item of Leased Personalty which has been lost or destroyed. If the Corporation chooses not to replace an item of Leased Personalty which has become lost or destroyed, the Department may, at its expense, replace such Leased Personalty; provided, however, that if insurance proceeds are available to the Corporation to pay the cost of replacing such Leased Personalty, the Department shall be entitled to use such insurance proceeds for such replacement. In the event Leased Personalty is lost or completely destroyed and not replaced, Exhibit B to this Lease will be amended, if necessary, to reflect the change.

Section 9.6 RELATIONSHIP TO INDEMNIFICATION Nothing contained in this Article IX shall affect the rights of either the Department or the Corporation to indemnification or reimbursement under Article V of this Lease.

ARTICLE X
PRICE-ANDERSON INDEMNIFICATION

Section 10.1 PRICE-ANDERSON NUCLEAR HAZARDS INDEMNIFICATION BY THE DEPARTMENT

(a) AUTHORITY. This clause is incorporated into this lease pursuant to the authority contained in subsection 170d. of the Act.

(b) DEFINITIONS. The definitions set out in the Act shall apply to this clause.

(c) FINANCIAL PROTECTION. Except as hereafter permitted or required in writing by the Department, the Corporation will not be required to provide or maintain, and will not provide or maintain at Government expense, any form of financial protection to cover public liability, as described in paragraph (d)(2) below. The Department may, however, at any time require in writing that the Corporation provide and maintain financial protection of such a type and in such amount as the Department shall determine to be appropriate to cover such public liability, provided that the costs of such financial protection are reimbursed to the Corporation by the Department.

(d) INDEMNIFICATION. (1) To the extent that the Corporation and other persons indemnified are not compensated by any financial protection permitted or required by the Department, the Department will indemnify the Corporation and other persons indemnified against (i) claims for public liability as described in subparagraph (d)(2) of this clause; and (ii) such legal costs of the Corporation and other persons indemnified as are approved by the Department, provided that the Department's liability, including such legal costs, shall not exceed the amount set forth in section 170e.(1)(B) of the Act in the aggregate for each nuclear incident or precautionary evacuation occurring within the United States or $100 million in the aggregate for each nuclear incident occurring outside the United States, irrespective of the number of persons indemnified in connection with this Lease.

(2) The public liability referred to in subparagraph (d)(1) of this clause is public

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liability as defined in the Act which (i) arises out of or in connection with the activities under this Lease, including transportation; and (ii) arises out of or results from a nuclear incident or precautionary evacuation, as those terms are defined in the Act.

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

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

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

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

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

(iv) arises out of, results from, or occurs in the course of nuclear waste activities, the Corporation, 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 idemnified, including, but not limited to:

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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 3 years from the date on which the claimant first knew, or reasonably could have known, of his injury or change and the cause thereof. The waiver of any such issue or defense shall be effective regardless of whether such issue or defense may otherwise be deemed jurisdictional or relating to an element in the cause of action. The waiver shall be judicially enforceable in accordance with its terms by the claimant against the person indemnified.

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

with the procedures in 10 CFR part 840.

(vi) For the purposes of that determination, "offsite" as that term is used in 10 CFR part 840 means away from "the contract location" which phrase means any Department facility, installation, or site at which activity under this 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 Lease.

(3) The waivers set forth above:

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

(ii) Shall be judicially enforceable in accordance with its 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 therefor are either payable or required to be provided under any workmen's compensation or occupation disease law;

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

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

(viii) Shall not apply to, or prejudice the prosecution or defense of, any claim or portion of claim which is not within the protection afforded under (A) the limit of liability provisions under subsection 170e. of

the Act, or (B) the terms of this agreement and the terms of insurance policies, contracts, or other proof of financial protection.

(f) NOTIFICATION AND LITIGATION OF CLAIMS. The Corporation shall give immediate written notice to the Department of any known action or claim filed or made against the Corporation or other person indemnified for public liability as defined in paragraph (d)(2). Except as otherwise directed by the Department, the Corporation shall furnish promptly to the Department, copies of all pertinent papers received by the Corporation or filed with respect to such actions or claims. The Department shall have the right to, and may collaborate with, the Corporation and any other person indemnified in the settlement or defense of any action or claim and shall have the right to (1) require the prior approval of the Department for the payment of any claim that the Department may be required to indemnify hereunder; and (2) appear through the Attorney General on behalf of the Corporation or other person indemnified in any action brought upon any claim that the Department may be required to

indemnify hereunder, take charge of such action, and settle or defend any such action. If the settlement or defense of any such action or claim is undertaken by the Department, the Corporation or other person indemnified shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

(g) CONTINUITY OF THE DEPARTMENT'S OBLIGATIONS. The obligations of the Department under this clause shall not be affected by any failure on the part of the Corporation to fulfill its obligation under this Lease and shall be unaffected by the death, disability, or termination of the existence of the Corporation, or by the completion, termination or expiration of this Lease.

(h) EFFECT OF OTHER CLAUSES. The provisions of this clause shall not be limited in any way by, and shall be interpreted without reference to, any other clause of this Lease provided, however, that this clause shall be subject to any provisions that are later added to this Lease as required by applicable Federal law, including statutes, executive orders and regulations, to be included in Nuclear Hazards Indemnity Agreements.

(i) INCLUSION IN CONTRACTS. The Corporation shall insert this clause in any contract for the management, operation, design, repair, maintenance, or modification of the GDP which may involve the risk of public liability, as that term is defined in the Act and further described in paragraph (d)(2) above. However, this clause shall not be included in contracts in which the person or entity under contract with the Corporation is subject to NRC financial protection requirements under section 170b. of the Act or NRC agreements of indemnification under section 170c. or k. of the Act for the activities under the contract.

(j) RELATIONSHIP TO GENERAL INDEMNITY. To the extent that the Corporation is compensated by any financial protection, or is indemnified pursuant to this clause, or is effectively relieved of public liability by an order or orders limiting same, pursuant to 170e of the Act, the provisions of Article V of this Lease with respect to indemnification of the Corporation shall not apply, but only to such extent.

ARTICLE XI
REPRESENTATIVES

Section 11.1 SITE REPRESENTATIVES

(a) The Department appoints its Site Manager at each of the GDPs as its representative ("Department Site Manager") with authority to act on behalf of the Department with respect to such GDP in connection with matters related to this Lease other than modifications of this Lease pursuant to Article XIII hereof. The Department may designate a different Department Site Manager at any time. Within thirty (30) days thereafter, the Department shall provide notice thereof to the Corporation.

(b) The Corporation shall appoint a person at each of the GDPs as its representative ("Corporation Site Manager") with authority to act on behalf of the Corporation with respect to such GDP in connection with matters related to this Lease other than modifications of this Lease pursuant to Article XIII hereof. The Corporation may designate a different Corporation Site Manager at any time. Within thirty (30) days thereafter,

the Corporation shall provide notice thereof to the Department.

ARTICLE XII
TERMINATION

Section 12.1 TERMINATION FOR CONVENIENCE The Corporation shall have the right to terminate this Lease, either in its entirety or with respect to one of the GDPs, at its convenience, at any time during the Lease Term (including during any Renewal Period), upon two years notice to the Department, without the need to take any further action under this Lease or otherwise, if in the Corporation's business judgment, such termination is economically necessary. Upon such termination for convenience, the Corporation will return such Leased Premises and Leased Personalty affected by such termination to the Department in the condition in which such Leased Premises and Leased Personalty are found on that date. The Corporation will have no obligation to place such Leased Premises and Leased Personalty in any better condition. Prior to returning such Leased Premises and Leased Personalty to the Department, the Corporation will comply with the Turnover Requirements. In the event this Lease is terminated pursuant to this Section with respect to only one of the GDPs, then Exhibits A and B will be amended accordingly to reflect the change.

ARTICLE XIII
MODIFICATIONS AND PRIVATIZATION

Section 13.1 LEASE AMENDMENTS Except for the changes made pursuant to Section 3.4, Section 3.7, Section 9.3, Section 9.5, Section 11.1, Section 12.1, Section 13.2 and Section 15.2 hereof and Appendixes A and B of the Regulatory Oversight Agreement, no change, amendment or modification of this Lease shall be valid or binding unless such change, amendment or modification is described in a writing and is duly executed and consented to by the Secretary and by the Board of Directors of the Corporation, or by any person authorized by them to provide such consent.

Section 13.2 LEASE MODIFICATIONS FOR PRIVATIZATION

(a) In the event, a resolution is adopted by the Board of Directors of the Corporation to privatize the Corporation pursuant to the provisions of Section 1502 of the Act, and the President of the United States approves the privatization plan described in Section 1501 of the Act, and the Congress of the United States has been notified of the Corporation's intent to implement such privatization plan in accordance with the Act, this Lease, and any memorandum of agreement between the Department and the Corporation related thereto, will be changed, amended or modified in furtherance of such privatization plan and the mandate which the Act provides for the privatization of the Corporation. The Board of Directors of the Corporation will notify the Secretary promptly after adopting a resolution to privatize the Corporation.

(b) In the event the Corporation is privatized pursuant to Section 1502 of the Act, and all of the duties and obligations of the Corporation are assumed by a private corporation pursuant to such privatization, this Lease and each and every one of its rights and benefits shall survive such privatization and be transferred to such private corporation without the need for the Department or the Corporation to take any further action under this Lease or otherwise. In such event, the name of such private corporation shall be substituted for that of the Corporation in this Lease. In addition, the Department and the Corporation shall take whatever further action is required to transfer to such private corporation any memorandum of agreement or other agreements, instruments or documents related to this Lease and entered into by the Department and the Corporation on or after the date hereof which cannot be transferred to such private corporation by the operation of their terms.

ARTICLE XIV
ASSIGNMENTS AND SUBLEASES

Section 14.1 NO ASSIGNMENT; SUBSTITUTION OF DEPARTMENT The Department shall not have the right to assign this Lease and any such assignment shall be void. The Department may be substituted under this Lease only by a successor agency or department or instrumentality of

the United States which assumes all of the duties and obligations of the Department under this Lease.

Section 14.2 NO ASSIGNMENT; SUBSTITUTION OF CORPORATION The Corporation shall not have the right to assign this Lease and any such assignment shall be void. The Corporation may be substituted under this Lease only by a successor in interest which assumes all of the duties and obligations of the Corporation under this Lease.

Section 14.3 SUBLEASES

(a) The Corporation may sublease any part or all of the Lease Premises or the Leased Personalty to any person or entity, whether affiliated with the Corporation or otherwise if the Corporation receives the consent of the Department to such a sublease. The Department shall not unreasonably withhold its consent to any such sublease.

(b) The Corporation shall have the right to operate the Leased Premises of either GDP under this Lease or to engage an operator for such Leased Premises. No contract for the operation of such Leased Premises shall be deemed a sublease.

ARTICLE XV
MISCELLANEOUS

Section 15.1 ENTIRE LEASE This Lease contains the entire understanding of the Department and the Corporation with respect to its subject matter. This Lease reflects all agreements and commitments made prior to the date hereof with respect to this Lease by the Department and the Corporation. There are no other oral or written understandings, terms or conditions and neither the Department nor the Corporation has relied upon any representation or statement, express or implied, which is not contained in this Lease.

Section 15.2 NOTICES In order to be effective, any notice, demand, offer, response, request or other communication made with respect to this Lease by either the Department or the Corporation must be in writing and signed by the one initiating the communi-

cation and must be hand-delivered or sent by registered letter, telefax or by a recognized overnight delivery service that requires evidence of receipt at the addresses for such communication given below:

For the Department:	James C. Hall Assistant Manager for Enriching Operations, Oak Ridge
Address:	U.S. Department of Energy 200 Administration Road P.O. Box 2001 Oak Ridge, Tennessee 37831
Fax:	615-576-9686
For the Corporation:	General Counsel
Address:	United States Enrichment Corporation

2300 M Street, N.W.
Washington, D.C. 20037
Fax: 202-376-6926

The Department and the Corporation have the right to change the place to which communications are sent or delivered by similar notice sent or delivered. The effective date of any communication shall be the date of the receipt of such communication by the addressee.

Section 15.3 SEVERABILITY The invalidity of one or more phrases, sentences, clauses, subsections, sections or articles contained in this Lease shall not affect the validity of the remaining portions of this Lease so long as the material purposes of this Lease can be determined and effectuated. If such invalidity alters the fundamental allocation of risks or benefits or the rights and obligations of the Department or the Corporation contemplated in this Lease, the Department and the Corporation will use their best efforts to negotiate in good faith to restructure this Lease to reflect its original purposes.

Section 15.4 NO WAIVER The failure of either the Department or the Corporation to rely upon any of the provisions of this Lease or to require compliance with any of its terms at any time shall in no way affect the validity of this Lease or any part thereof, and shall not be deemed a waiver of the right of the Department or the Corporation, as the case may be, to rely upon or require

compliance with any and each such provision at a different time.

Section 15.5 APPLICABLE LAW This Lease will be governed and construed in accordance with the federal laws of the United States of America.

Section 15.6 BINDING NATURE OF LEASE This Lease will be binding upon the Department and the Corporation and their respective successors.

Section 15.7 LEASE NOT JOINT VENTURE Nothing contained in this Lease will be construed as creating or establishing a joint venture or partnership between the Department and the Corporation.

Section 15.8 FURTHER ASSISTANCE The Department and the Corporation will provide such information, execute and deliver any agreements, instruments and documents and take such other actions as may be reasonably necessary or required, which are not inconsistent with the provisions in this Lease and which do not involve the assumption of obligations other than those provided for in this Lease, in order to give full effect to this Lease and to carry out its intent and the intent of the Act.

Section 15.9 LICENSES

(a) The Department grants to the Corporation for the Lease Term a fully paid, non-transferable, royalty-free sole license in intellectual property which is owned or controlled by the Department or the Department has the right to license in connection with the Uranium Enrichment Enterprise related to the process for enriching uranium by the gaseous diffusion method. Such license shall be for all the activities the Corporation may perform in regard to the Uranium Enrichment Enterprise which are related to the process for enriching uranium by the gaseous diffusion method. The Department's intellectual property subject to such license by the Corporation shall include all patents, unpatented inventions, copyrighted works (including software), and technical data (including drawings, designs and specifications) in connection with the Uranium Enrichment Enterprise that are related to the process for enriching uranium by the gaseous diffusion method.

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(b) The Department reserves the right to practice or have practiced for governmental purposes any of its intellectual property licensed to the Corporation.

Section 15.10 PROPERTY RECORDS AND OTHER INFORMATION

(a) The Corporation will keep records of property which constitute the Leased Premises, the Leased Personalty and any Capital Improvement in accordance with the following procedures:

(i) The Corporation shall maintain records of the Leased Premises and Leased Personalty and shall within thirty (30) days of each September 30 prepare and submit to the Department an annual report thereof with respect to the twelve (12) months prior to September 30. Such reports shall consist of a summary description by asset type showing the beginning balance, number of items acquired, fabricated or disposed of during such twelve (12) months and the ending balance. This report will be supported by a detailed listing by individual unit sorted by asset type and shall identify location of the Leased Personalty. All such reports may be in terms of gross book value only. Annual reports shall include a listing by facility of all asset type designations, gross book value, net book value, depreciation/amortization method used, service life, and remaining useful life.

(ii) In the event the Corporation makes any Capital Improvement, records shall be maintained by the Corporation for such Capital Improvement such that at the end of the Lease Term property and financial management information with respect thereto can be provided to the Department.

(iii) Inventories of the Leased Premises and Leased Personalty shall be conducted every ten years and at the end of the Lease Term.

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(b) Consistent with the Act, and subject to the procedures to be developed by the Department and the Corporation, the Department will provide the Corporation and the Corporation will provide the Department such access as each of them reasonably requires to all technical data, records, papers, documents, computer tapes, designs, drawings and all other information, however stored, regarding the GDPs which is in their possession or control, whether or not such information is classified, restricted or under security.

Section 15.11 SURVIVAL Notwithstanding any expiration or conclusion of this Lease or the termination of this Lease, whether pursuant to the terms hereof or otherwise by operation of law, Section 3.3, Section 3.5, Section 4.3, Section 4.4, Section 4.5, Section 4.6, Article V, Section 8.1, Section 9.3, Section 10.1, Section 12.1, Section 15.10, Section 15.13 as well as those portions of any memorandum of agreement between the Department and the Corporation which are related thereto, or by their terms are intended to continue, shall survive any such expiration, conclusion or termination of this Lease.

Section 15.12 NO RIGHTS IN OTHERS This Lease is intended only to improve the internal management of the United States Government. It is not intended to create any right or benefit, substantive or procedural, enforceable by a party against the United States, its agencies or instrumentalities (including the Department and the Corporation), officers or employees of the United States Government, or any other person.

Sections 15.13 DEPARTMENT'S PAYMENT OBLIGATIONS The Department's obligations to make payments under this Lease are subject to the availability of appropriated funds. The Department will use its best efforts, consistent with Laws and Regulations, to make payments from existing appropriations (including by reprogramming funds). If payments cannot be made by

the Department from existing appropriations, the Department will use its best efforts to request such additional appropriations as are needed from the Congress of the United States in order to make such payments. This section does not limit either party's rights as provided for in the Act.

IN WITNESS WHEREOF, the Department and the Corporation have caused this Lease to be executed and delivered as of July 1, 1993, and hereby affix the signatures of their duly authorized representatives:

/s/ Hazel R. O'Leary
- ----------
HAZEL R. O'LEARY
SECRETARY OF ENERGY

AND

/s/ William H. Timbers
- ----------
WILLIAM H. TIMBERS
TRANSITION MANAGER
THE UNITED STATES ENRICHMENT CORPORATION

June 5, 1997

Mr. Joseph W. Parks
Assistant Manager for Enrichment Facilities
U.S. Department of Energy
P.O. Box 2001
Oak Ridge, TN 37831

Dear Mr. Parks:

Pursuant to Section 7.2 of the Gaseous Diffusion Plant Lease Agreement dated July 1, 1993 (Lease) between the United States Enrichment Corporation (USEC) and the U.S. Department of Energy, USEC has the option to renew the Lease for one or both plants upon written notice by July 1, 1997.

In accordance with Section 15.2 of the Lease, this letter serves as USEC's official notice to renew the Lease for both the Portsmouth and Paducah plants for a period of five years. Together with the notice period, this first Renewal Period will expire on July 1, 2004.

Sincerely,

/s/ George P. Rifakes

George P. Rifakes

Exhibit 10.2

UNITED STATES ENRICHMENT CORPORATION

OPERATION AND MAINTENANCE CONTRACT

CONTRACT NUMBER: USEC-96-C-0001

OPERATOR: LOCKHEED MARTIN UTILITY
SERVICES, INC.
6903 ROCKLEDGE DRIVE, 4TH FLOOR
BETHESDA, MD 20817

EFFECTIVE AS OF: OCTOBER 1, 1995

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SCHEDULES TO CONTRACT

OPERATION AND MAINTENANCE CONTRACT
BETWEEN
THE UNITED STATES ENRICHMENT CORPORATION
AND
LOCKHEED MARTIN UTILITY SERVICES, INC.

This Contract (the "Contract"), effective as of October 1, 1995 (the "Effective Date"), by and between the United States Enrichment Corporation, a U.S. Government corporation ("USEC"), and Lockheed Martin Utility Services, Inc., a Delaware corporation ("Operator")(USEC and Operator being referred to herein individually as a "Party" and together as "Parties").

WHEREAS, USEC and the Department of Energy ("DOE") have entered into a lease titled "Lease Agreement Between the United States Department of Energy and the United States Enrichment Corporation," and dated as of July 1, 1993 (the "Lease Agreement"); and

WHEREAS, USEC has entered into and may in the future enter into contracts to provide uranium enrichment services, uranium storage services and other services and sale of enriched and natural uranium and other products; and

WHEREAS, USEC is causing DOE to conduct various research, development and demonstration activities relating to Atomic Vapor Laser Isotope Separation technology ("AVLIS") at Lawrence Livermore National Laboratory in Livermore, California ("LLNL") pursuant to the AVLIS Transfer Agreement and the M&O Contract (as defined below); and

WHEREAS, the GDPs (as defined herein) are currently being operated and maintained by Martin Marietta Utility Services, Inc. for USEC pursuant to Contract USECHQ-93-C-0001, effective as of July 1, 1993 (the "Original Contract"); and

WHEREAS, Martin Marietta Utility Services, Inc. has changed its corporate name to Lockheed Martin Utility Services, Inc.; and

WHEREAS, USEC and Operator desire to terminate the Original Contract; and

WHEREAS, Operator wishes to continue to provide certain operation, maintenance and other services to USEC, and USEC desires to continue to engage Operator to perform the same, subject to the terms and conditions set forth in this Contract in anticipation of the privatization of USEC pursuant to 42 U.S.C. Sections 2297d and 2297d-1, or successor legislation; and

WHEREAS, Operator wishes to provide, and USEC wish to engage Operator to provide, various research, development, demonstration and other support services to DOE with respect to AVLIS; and

WHEREAS, as an inducement to USEC to enter into this Contract, Guarantor has agreed to guarantee the obligations of Operator pursuant to the Guaranty Agreement (the "Guaranty"); and

NOW THEREFORE, in consideration of the premises and the mutual agreement hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Parties agree as follows:

ARTICLE I
DEFINITIONS; RULES OF INTERPRETATION

Section 1.1 Definitions. The following additional terms shall have the meanings set forth below:

"AEA" means the Atomic Energy Act of 1954.

"Allowable Cost" has the meaning set forth in Section 6.2.

"Annual Budget" means the initial Annual Budget attached hereto as Schedule B and each other budget prepared and approved as provided in Article VI.

"Annual Operating Plan" means the initial Annual Operating Plan attached hereto as Schedule C and each other annual operating plan prepared and approved as provided in Article IV.

"Applicable Law" means the Nuclear Safety Requirements and any Governmental Rule which is applicable to or affects USEC, Operator, Guarantor or the operation, maintenance, leasing or use of the GDPs or the other Services, AVLIS, or the enrichment, production, lease, delivery, use or sale of enrichment services and related services, uranium, enriched or depleted uranium, nuclear waste, or cylinders for storage and transportation of uranium, or otherwise relating to uranium, SWUs, or the GDPs, including any Governmental Rule relating to zoning, environmental protection, pollution, sanitation, safety, nuclear safety, safeguards and security, or national security.

"Authorized Classifier" means an individual authorized in writing by DOE or NRC, as appropriate, to classify, declassify or change the classification of information, work, projects, documents, and materials.

"AVLIS Transfer Agreement" means the Memorandum of Agreement for Transfer and Funding of AVLIS, dated as of April 27, 1995, between DOE and USEC.

"Bank Agreement" has the meaning set forth in Section 6.6.

"Business Day" means a day that is not a Saturday, Sunday, United States Legal Holiday or a day on which commercial banks in Bethesda, Maryland are required or authorized to be closed. Unless qualified by the term "Business", references in this Contract to "day" or "days" shall refer to a calendar day or calendar days, respectively.

"Claims" has the meaning set forth in Section 22.2.

"Classified Information" means Restricted Data, Formerly Restricted Data, or National Security Information or Unclassified Nuclear Information.

"Contract Representative" has the meaning set forth in Section 4.1.

"Costs" has the meaning set forth in Section 22.1.

"Default" has the meaning set forth in Section 17.3.

"DOE" means the United States Department of Energy.

"DOL" means the United States Department of Labor.

"Expiration Date" has the meaning set forth in Section 17.1(a).

"Fiscal Year" means the fiscal year of USEC, beginning October 1 of each calendar year and ending on September 30 of the following calendar year; provided, that the first Fiscal Year under this Contract shall commence on the Effective Date and end on September 30, 1996, and the last Fiscal Year under this Contract shall end on the last day on which this Agreement is in effect.

"Force Majeure Event" means any acts of God; fire; flood; earthquake; unusually severe weather conditions; strikes and other labor difficulties; riots; acts of war (whether or not declared); sabotage; a change of Applicable Law; requirements, actions or failures to act on the part of any Governmental Authority; or any other event of the same class or nature beyond the reasonable control of the affected Party.

"Formerly Restricted Data" means all data removed from the Restricted Data category under Section 142d. of the AEA.

"GAAP" means generally accepted accounting principles in effect from time to time in the United States of America, consistently applied.

"GDPs" means one or both (as applicable) of the gaseous diffusion plants and facilities, including the "Leased Premises" (as such term is defined in the Lease Agreement), together with the utilities and appurtenances thereto, located at Piketon, Ohio and

Paducah, Kentucky and leased from DOE by USEC pursuant to the Lease Agreement.

"Governmental Authority" means any national, state, or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, judicial, public or statutory instrumentality, authority, body, agency, department, bureau, commission or other entity, including DOE, DOL, OSHA, and the NRC, but excluding USEC.

"Governmental Rule" means any Permit, law, statute, rule, regulation, ordinance, order, code, interpretation, judgment, decree, directive, or decision in effect from time to time, of any Governmental Authority.

"Guarantor" means Lockheed Martin Corporation, a Maryland corporation.

"Guaranty Agreement" means the Guarantee of Performance, dated September 27, 1995, issued by Guarantor for the benefit of USEC, and any subsequent guarantee issued by Guarantor in replacement thereof.

"Intellectual Property" means, collectively, patents and patent applications (including classified patent applications), invention disclosures, copyrights, mask works, trade secrets, or know-how which is owned, controlled by, under the custody of, licensed to, or otherwise made available to USEC, or used for the operation or maintenance of the GDPs or the provision of Services or relating to AVLIS, whether or not reduced to writing or disclosed in invention disclosures (whether or not patentable).

"Key Person" means an employee of Operator filling a Key Position as described in Section 5.1.

"Key Position" means a position designated as such in the Organizational Chart contained in the Annual Operating Plan in effect from time to time as provided in Section 5.1.

"Line Item" has the meaning set forth on Schedule I.

"M&O Contract" means Contract No. W-7405-ENG-48 between DOE and the Regents of the University of California for management and operation of LLNL.

"Material Adverse Effect" means an adverse effect on the business, operations, properties, assets, prospects or condition (financial or otherwise) of USEC or the GDPs which causes or reasonably could be expected to cause USEC to incur any cost or to suffer any loss of $100,000 or more in the aggregate over any one (1) month period.

"NRC" means the United States Nuclear Regulatory Commission.

"NRC Certificate" means the NRC Certificate of Compliance to be issued by the NRC, USEC's application therefor, and the NRC-approved compliance plan to be issued in respect thereto.

"National Security Information" means any information or material, regardless of its physical form or characteristics, that is owned by, produced for or by, or is under the control of the United States Government, that has been determined pursuant to Executive Order 12356 or prior Orders to require protection against unauthorized disclosure, and which is so designated.

"Nuclear Safety Requirements" has the meaning set forth in Section 13.1.

"Operator's Human Resource Guidelines" means the Operator's Human Resource Guidelines attached hereto as Schedule M, as in effect from time to time.

"Operator's Records" means the following records:

(a) Privileged or confidential Operator financial information and correspondence between the Operator, its financial institutions or other business segments of Operator or Guarantor (other than procurement records and other records necessary to verify Operator's compliance with budget controls set forth in Article VI, the restrictions on transactions with affiliates set forth in Section 9.2, and other records necessary to verify Operator's compliance with its obligations hereunder);

(b) Internal legal files or documents containing attorney-client privileged materials or attorney work-product; and

(c) Files involving Claims by or against Operator.

"Organizational Chart" has the meaning set forth in Section 5.1.

"OSHA" means the Occupational Safety and Health Act, 29 U.S.C. Section 651 et seq. or the United States Occupational Safety and Health Administration, as applicable.

"Permits" means the Regulatory Oversight Agreement, the NRC Certificate, all licenses, permits, approvals, authorizations, consents, waivers, rights, exemptions, releases, variances, or orders of, or filings with, or otherwise issued from time to time by any Governmental Authority under Applicable Law.

"Plant Contracts" means the Lease Agreement, the Bank Agreement, the M&O Contract, the AVLIS Transfer Agreement, and each other contract, power contract, lease, request for enrichment servic-

es, or other agreement which are listed on Schedule H or copies of which otherwise may be provided to Operator by USEC from time to time.

"Plant Procedures" means the rules, regulations, standards, policies, practices and procedures established from time to time by USEC for the operation and maintenance of the GDPs or the provision of the Services as provided in Section 4.5.

"Prime Rate" means the base rate on corporate loans posted by at least 75% of the nation's thirty (30) largest banks, as published in the Wall Street Journal; provided, that should the Wall Street Journal cease publication of the Prime Rate, USEC shall propose to Operator a new base rate which has a purpose similar to that of the Prime Rate, and (i) if Operator does not object to the base rate proposed by USEC within thirty (30) days after receiving USEC's proposal, the base rate proposed by USEC shall be binding on the Parties, or (ii) if Customer does object, the Parties shall mutually agree upon a new base rate no later than 180 days after Customer's receipt of USEC's proposal.

"Privacy Act" means the Privacy Act, 5 U.S.C. Section 552a, and the regulations of DOE or USEC promulgated thereunder, as applicable.

"Records" has the meaning set forth in Section 15.1.

"Regulatory Oversight Agreement" means the agreement between DOE and USEC, dated July 1, 1993, pursuant to which DOE will exercise its regulatory oversight responsibilities regarding the GDPs.

"Restricted Data" means all data concerning (i) design, manufacture, or utilization of atomic weapons; (ii) the production of Special Nuclear Material; or (iii) 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.

"Restricted Proprietary Information" has the meaning set forth in Section 11.1.

"Safety, Safeguards and Quality Group" shall have the meaning set forth in Section 7.1.

"Section 211" has the meaning set forth in Section 13.5(a).

"Services" has the meaning set forth in Section 2.3.

"Special Nuclear Material" means (i) plutonium, uranium 233, uranium enriched in the isotope 233 or in the isotope 235, and any other material which pursuant to the provisions of Section 51 of the AEA has been determined to be

special nuclear material, or (ii)

any material artificially enriched by any of the foregoing, but does not include source material.

"Statement of Work" means the Statement of Work attached hereto as Schedule A.

"Subject Invention" means all subject matter covered by 35 U.S.C. Sections 101 and 161, which Operator or any of its subcontractors or the employees of either may conceive or first actually may reduce to practice in the performance of the Services or Operator's other obligations under this Contract.

"SWU" means Separative Work Unit.

"Technical Direction" has the meaning set forth in Section 4.4. "Termination Activities" has the meaning set forth in Section 17.5.

"Termination Activities" has the meaning set forth in Section 17.5.

"Unclassified Nuclear Information" has the meaning set forth in the Nuclear Safety Requirements.

"United States Legal Holiday" means any holiday for which employees of the United States Federal government are excused from work with pay pursuant to a Federal statute or executive order.

"Work Order" has the meaning set forth in Section 4.3.

Section 1.2 Rules of Interpretation. Unless otherwise specified in this Contract:

(a) The singular includes the plural and the plural includes the singular.

(b) A reference to a person includes its permitted successors and permitted assigns.

(c) Accounting terms have the meanings assigned to them by GAAP, as consistently applied by the accounting entity to which they refer.

(d) The words "include," "includes" and "including" are not limiting.

(e) The words "hereof," "herein" and "hereunder" and words of similar import refer to the Contract as a whole and not to any particular provision, unless otherwise indicated.

(f) A reference to a Governmental Rule, an Applicable Law, an Exhibit, a Plant Contract, or any other agreement, standard or document means such Governmental Rule, Applicable Law, Plant Contract, Exhibit, standard or document as amended, modified, supplemented or replaced from time to time.

(g) A reference to an agreement or other document shall include all schedules, exhibits, appendices or other attachments attached thereto or incorporated therein.

ARTICLE II

OPERATOR'S RESPONSIBILITIES

Section 2.1 Engagement of Operator. USEC hereby engages Operator to operate and maintain the GDPs and to perform certain other duties as set forth herein, and Operator accepts such engagement and agrees to perform such duties for the term, for the fees, and in accordance with the terms and conditions of this Contract.

Section 2.2 Standard of Performance.

(a) Permits. Subject to Section 4.10, Operator shall obtain and maintain in effect all Permits required to be obtained and maintained by Operator under Applicable Law, including those listed on Schedule N.

(b) General Standards. Operator shall take all steps necessary to perform the Services and its other obligations hereunder (i) safely, reliably and efficiently and in compliance with the operating requirements of the Plant Contracts, Applicable Laws, the Plant Procedures, applicable industrial codes and standards, equipment manufacturers' and service contractors' warranties, and safety and loss prevention requirements of USEC's insurers (upon being advised by USEC of such safety and loss prevention requirements); and (ii) in such a manner as to maximize the efficiency of the GDPs, to minimize the total cost per SWU of enrichment services, and to meet the requirements of USEC and its customers in a timely and efficient manner.

(c) Relations with Suppliers, etc. Operator shall maintain good relations with labor, suppliers, customers, subcontracts, Governmental Authorities and the local community.

Section 2.3 Statement of Work. Operator shall provide the operations, maintenance, repair, waste management and disposal, security, research, development, demonstration and support services and other services described in the Statement of Work and each Work Order issued under Section 4.3 (the "Services").

ARTICLE III
USEC'S RESPONSIBILITIES

Section 3.1 USEC's Responsibilities. USEC shall be responsible for the following activities:

(a) overall management and direction of the business and operations of the GDPs;

(b) arrange for the sale of enrichment services and other services and of enriched and natural uranium and for the billing and collection of revenues therefrom;

(c) maintain the feed material and enriched uranium accounts of USEC's customers and reconcile such accounts with inventory tracking reports produced by Operator pursuant to USEC's policies and procedures;

(d) arrange for all feed material and electricity required for USEC's operations at the GDPs;

(e) provide access to the GDP sites, LLNL, and other facilities where services are to be performed, as required for the performance of the Services hereunder, consistent with this Contract and the Plant Procedures;

(f) overall management and direction of the AVLIS Program;

(g) subject to Section 4.10, obtain and maintain in effect all

Permits required to be obtained and maintained by USEC under Applicable Law, including those listed on Schedule O; and

(h) pay Allowable Costs and Operator's fee as provided in Article VI.

Section 3.2 Limitation. In the event USEC fails to satisfy any of its responsibilities under Section 3.1 other than Section 3.1(h), such failure shall not constitute a breach or default by USEC under this Contract and USEC shall have no liability to Operator in connection therewith; provided, that to the extent any such failure causes Operator to be unable to perform the Services or any of its other obligations under this Contract, such failure shall permit Operator to proceed as provided in Section 4.6.

ARTICLE IV
COORDINATION OF OPERATIONS

Section 4.1 Contract Representative. Each Party from time to time shall designate an employee who shall have authority to act on behalf of such Party and to bind such Party on matters that may arise from time to time hereunder (the "Contract Representative"). The initial Contract Representative of USEC shall be USEC's Executive Vice President, Operations or his designees. The initial Contract Representative of Operator shall be Operator's President or his designees. Each Contract Representative shall have such duties and responsibilities as each Party shall designate from time to time by notice to the other Party; provided, that the Contract Representatives (acting in their capacity as Contract Representatives) shall not be authorized to amend this Contract or to change any of the terms of the Contract. Unless otherwise provided by this Contract or the Plant Procedures, each consent or approval required to be obtained from a Party shall be given by such Party's Contract Representative or by such other person as such Party may designate by notice.

Section 4.2 Annual Operating Plan. Operator shall prepare a proposed Annual Operating Plan each succeeding Fiscal Year in such detail as USEC shall require, setting forth the tasks necessary and desirable for the operation, maintenance, and repair of the GDPs and the performance of the Services set forth in the Statement of Work, including Operator's staffing plan (including Key Persons as set forth in Article V), major projects (including recommended major maintenance and capital improvements), and other items, and submit such proposed Operating Plan to USEC for its written approval no later than ninety (90) days prior to the last day of each Fiscal Year. Each proposed Annual Operating Plan shall be consistent with the Statement of Work, with the Plant Procedures, with the proposed Annual Budget submitted to USEC by Operator as provided in Section 6.1, and with the other requirements of this Contract. Such Annual Operating Plan shall become effective when approved in writing by USEC, and until such approval, the most recently approved Annual Operating Plan shall remain in effect. The initial Annual Operating Plan is attached hereto as Schedule C. Once approved, the Annual Operating Plan may be revised or supplemented from time to time by USEC by notice to Operator.

Section 4.3 Work Orders. USEC from time to time may direct Operator to provide specific services in addition to those set forth in the Statement of Work or the Annual Operating Plan by providing Operator with a written order (a "Work Order") from USEC setting forth in sufficient detail the services required and the applicable work rules or other procedures required to be followed. Operator shall not be required to perform such services at locations outside the United States if such services involve activity that potentially could cause to arise a nuclear incident or precautionary evacuation that would be subject to indemnification under the provisions of Article XVIII or to Section 22.6(b) without the consent of

Operator, not to be withheld unreasonably; provided, that such consent shall not be withheld if USEC is able to cause DOE or another agency of the United States Government to agree to indemnify Operator against liability for such incident or precautionary evacuation pursuant to the terms and conditions of Public Law 85-804.

Section 4.4 Technical Direction. Performance of the Services (including regulatory compliance) shall be subject to the Technical Direction of USEC's Contract Representative. "Technical Direction" means: (i) directions to Operator to fill requests for enrichment services; (ii) directions to Operator to shift work emphasis between work areas of this Contract, fill in details, or otherwise to accomplish the performance of the Services; or (iii) any other direction consistent with the Statement of Work and the Annual Budget.

Section 4.5 Plant Procedures. USEC from time to time may establish rules, regulations, standards, policies, practices and procedures for the operation and maintenance of the GDPs and the provision of the Services (the "Plant Procedures"), and will provide such Plant Procedures to Operator.

Section 4.6 Adjustment.

(a) Procedure. To the extent either Party at any time believes that any Force Majeure Event, any failure by USEC to satisfy any of its responsibilities under Section 3.1, any change in the applicability of a clause or provision incorporated into this Contract under Article IX, any proposed change to the Plant Procedures or the safety and loss prevention requirements of the GDPs' or USEC's insurers, or any Work Order, Technical Direction or other directive received by Operator from USEC materially varies the obligations or risks of either Party, contradicts the express terms of this Contract, requires expenditures not included in the Annual Budget, or obviates the need for expenditures included in the Annual Budget, Operator shall comply with such directive or change, if any, and Operator or USEC, as applicable, may seek an equitable adjustment to the Annual Operating Plan, the Annual Budget or Operator's annual base fee required by such variation, contradiction or expenditure through the following procedure:

(i) Notice. Operator or USEC, as applicable, shall notify the other Party of its reasons for believing that such Force Majeure Event, failure, change or directive requires such a variation, contradiction, or expenditure, together with information to support such reasons and an estimate of the effect of such variation, contradiction or expenditure on the performance of the Services and on the Annual Budget or Operator's annual base fee; and

(ii) Meeting. Operator shall meet with USEC to permit USEC to determine an equitable adjustment to the Annual Operating Plan, the Annual Budget or Operator's annual base fee required by such variation, contradiction or expenditure.

(b) Exclusivity. Without limiting any other provision of this Contract expressly allocating specific costs, expenses or liabilities to a Party, no equitable adjustment to the Annual Operating Plan, the Annual Budget, or Operator's annual base fee shall be made except pursuant to the procedures set forth in Section 4.6(a).

Section 4.7 Work to Continue. Notwithstanding (i) any dispute, controversy or claim that Operator may have against or related to USEC, the GDPs, AVLIS, the Services or this Contract, and regardless of the basis for such dispute, controversy or claim, (ii) the occurrence of any event set forth in Section 4.6(a), or (iii) the failure of USEC to approve a proposed Annual Operating Plan pursuant to Section 4.2 or a new Annual Budget pursuant to Section 6.1, Operator diligently shall continue to perform the Services and its

other obligations hereunder in accordance with the terms of this Contract, unless otherwise directed by USEC.

Section 4.8 Review and Approval. Each Party shall review in a timely fashion all documents, proposals, requests or other things submitted by the other Party for its approval. Notwithstanding the foregoing, the Annual Operating Plan, Annual Budget and Plant Procedures in existence at any given time will govern Operator's actions until a new such plan, procedure or budget is approved by USEC.

Section 4.9 Coordination of Operations. Operator and USEC will cooperate to coordinate the performance of the Services and the business, operation and maintenance of the GDPs as reasonably may be directed by USEC. USEC shall have the right to direct the general business, operation and maintenance of the GDPs and the AVLIS program as provided in this Contract.

Section 4.10 Joint Permits. To the extent USEC and Operator are required to obtain or to maintain any Permit jointly, Operator shall cooperate with USEC to obtain and to maintain such joint Permit as USEC may direct.

ARTICLE V
PERSONNEL

Section 5.1 Operator's Organization. The initial Annual Operating Plan attached hereto as Schedule C shall define each GDP's organizational structure and the functional roles for the operation of the GDPs by Operator, USEC, and USEC's other contractors and the desired structure and roles to be filled by personnel of USEC, Operator, and other USEC contractors (the "Organizational Chart"). The Organizational Chart shall designate certain positions as "Key Positions" according to the criteria set forth in the Plant Procedures. Each proposed Annual Operating Plan shall include a completed Organizational Chart showing the names, titles and duties of Operator's personnel to be employed in connection with the work. Operator's personnel filling Key Positions (the "Key Persons") shall comply with the qualifications set forth in the Plant Procedures, and Operator shall provide USEC with such information as USEC may request from time to time to verify such compliance. USEC shall have the right to approve or reject Operator's proposals for filling Key Positions. Any change to the Organizational Chart shall be made as set forth in Section 4.2.

Section 5.2 Key Person Replacement. Whenever for any reason any Key Person is unavailable for performance of the Services or other duties required pursuant to this Contract, Operator agrees (a) promptly to replace such Key Person with an individual of substantially equal abilities and qualifications. Whenever for any reason any Key Person will no longer be regularly assigned to the Key Position previously held by such Key Person, Operator shall provide USEC with notice of such event, which notice shall be given at least thirty (30) days in advance unless the change is not within the control of Operator, and (b) to provide USEC with sufficient information concerning the replacement so that USEC can review the replacement's qualifications and decide whether such replacement meets the requirements of this Contract. USEC shall advise Operator if at any time USEC finds any Key Person or proposed replacement to be insufficiently qualified or otherwise to be unsatisfactory. Operator agrees promptly to replace such unacceptable Key Person with an individual acceptable to USEC. Without limiting the provisions of Section 5.4, USEC's exercise of its rights under this Section 5.2 to require removal or replacement of any employee from a Key Position shall not be deemed to require Operator to terminate its employment of such individual, nor shall USEC be liable for any severance pay or other termination costs with respect to such exercise.

Section 5.3 Operator's Employees.

(a) Qualifications. All personnel engaged in per forming the Services shall be employees of Operator or of subcontractors and shall be

sufficiently skilled in and qualified to perform competently the tasks and duties assigned and shall be properly

licensed as required by Applicable Law. Such personnel shall meet the qualifications set forth in the Plant Procedures.

(b) Professional and Managerial Personnel. Without limiting the other provisions of this Article V, Operator shall make available such professional and managerial personnel as are necessary to provide supervision of its employees, agents, subcontractors and representatives, and the operations of the GDPs and the provision of the Services.

(c) Conduct. All personnel performing services under this Contract shall abide by Applicable Laws and the Plant Procedures.

(d) Administration. Operator shall have sole responsibility for administering the compensation and terms and conditions of employment of its employees (including any collective bargaining units or collective bargaining agreements of Operator or Operator's employees).

Section 5.4 Reporting. Without limiting Section 5.5, Operator's Key Persons shall report to the appropriate managerial personnel or office at USEC for purposes of performing the Services and Operator's other obligations hereunder (as well as to their own supervisors within Operator), with respect to various areas of the operation and business of the GDPs and the provision of the Services, including budget, procurement, environmental, insurance and risk management, production, safety, security, regulatory, and other matters, as provided in the Plant Procedures and the Organizational Chart.

Section 5.5 Operator Status. The Parties agree that Operator is an independent contractor. Operator is not authorized to act for, or enter into any agreement on behalf of, USEC without written authorization therefor. Nothing in this Contract shall be construed: (a) to create a partnership or agency relationship between USEC and Operator or its subcontractors, agents or employees, (b) to create an employer-employee relationship between USEC and Operator and its subcontractors, agents or employees or to give USEC the right or obligation to make personnel decisions with respect to the hiring, firing, terms of employment, compensation, or benefits of individual employees of Operator or its subcontractors or (c) to give USEC the right to negotiate, to approve, to ratify, or otherwise to act with respect to any collective bargaining agreement or collective bargaining unit (other than with respect to payment of Allowable Costs as provided in the Annual Budget, all as set forth in Article VI).

ARTICLE VI
ANNUAL BUDGET AND PAYMENT

Section 6.1 Annual Budget. Operator shall prepare, in accordance with GAAP, a proposed Annual Budget for each succeeding Fiscal Year in such detail as USEC shall require and submit it for USEC's written approval no later than ninety (90) days prior to the last day of each Fiscal Year. Such new Annual Budget shall become effective when approved in writing by USEC, and until such approval, the most recently approved Annual Budget shall remain in effect. Each Annual Budget shall set forth all of Operator's anticipated expenses for the operation and maintenance of the GDPs and the provision of the Services for the Fiscal Year (including contingency, overhead, home office expense, recommended capital improvements and major repairs and actuarial assumptions with respect to Operator's pension, post-retirement health care and life insurance, and other

benefits) and a breakdown of such costs on a monthly basis. The approved Annual Budget for the first Fiscal Year is attached hereto as Schedule B. The Annual Budget may be adjusted from time to time as set forth in Section 4.6.

Section 6.2 Allowable Costs.

(a) Annual Budget. All expenses or expenditures actually incurred by Operator in the performance of the Services in accordance with the requirements of this Contract (i) which are listed on the Annual Budget, (ii) which are reasonable and necessary to perform the Services, and (iii) which do not exceed the amount set forth in the Annual Budget by the lesser of 10% or $100,000 for the applicable Line Item (each such expense or expenditure, an "Allowable Cost"), shall be paid by USEC in accordance with this Article VI.

(b) Restrictions. Except as set forth in Section 13.6 or as otherwise specifically approved by USEC by notice to Operator: (i) the aggregate liability of USEC under this Contract in any Fiscal Year shall in no event exceed the lesser of 105% of the amount set forth in the Annual Budget for such Fiscal Year or the amount obligated under 19.4(a) (if applicable); and (ii) USEC shall not be obligated to pay Operator for any expense or expenditure that does not comply with the restrictions set forth in Section 6.2(a) and elsewhere in this Article VI. Operator shall not use or commit funds allocated to any Line Item of the Annual Budget to incur expenses or to make expenditures with respect to any other Line Item of the Annual Budget except as specifically permitted by such Annual Budget.

(c) Operator's Human Resource Guidelines. Operator shall prepare proposed Operator's Human Resource Guidelines for each succeeding Fiscal Year in such detail as USEC shall require and submit it for USEC's written approval at or before the time the Annual Budget is submitted for approval pursuant to Section 6.1. Such new Operator's Human Resource Guidelines shall become effective when approved in writing by USEC. Operator shall use such management

review procedures and internal controls as may be required to assure that the cost limitations with respect to employee policies and related expenses set forth in the Operator's Human Resource Guide lines are not exceeded. Without limiting the other provisions of Section 6.2, no expenses or expenditures incurred by Operator related to human resource matters in excess of the amounts set forth in the Operator's Human Resource Guidelines, or incurred other than in compliance with such guidelines, shall be an Allowable Cost under this Article VI. The initial Operator's Human Resource Guidelines are attached as Schedule M.

(d) Payment of Employees. Except as provided in Section 22.4 and except for amounts expressly required to be reimbursed by USEC for any Fiscal Year under this Section 6.2, Operator and its subcontractors shall be responsible for and shall pay to its and their employees, or on their behalf, all compensation and applicable fringe benefits (including pension benefits and post-retirement health care and life insurance benefits) and shall accept exclusive liability for payment of any contributions assessed under the Federal Unemployment Tax Act, the Federal Insurance Contributions Act, and any other similar Applicable Laws. Operator shall indemnify and hold harmless USEC from and against any Claims or Costs asserted against USEC, on account of all such compensation and fringe benefit payments and such contributions and against any Claim alleging that an employee of Operator or any subcontractor is an employee of USEC.

(e) Excluded Costs. Without limiting the other provisions of this Contract, expenses or expenditures incurred by Operator with respect to items, services or matters described on Schedule F shall be paid by USEC only to the extent provided in Section 8.1(b).

Section 6.3 Operator's Subperiod Base Fee. Operator shall earn an

subperiod base fee as set forth on Schedule J for Contract Subperiod I (as defined in Schedule J) payable in arrears in twelve (12) equal monthly installments as provided in Section 6.5. Operator's subperiod base fee for periods after Contract Subperiod I shall be as set forth in a new Schedule J to be agreed by the Parties prior to the last day of each preceeding Subperiod.

Section 6.4 Incentive Fees. Operator may earn incentive fees as set forth on Schedule J payable as provided therein and in Section 6.5. Operator's incentive fees for periods after Contract Subperiod I shall be as set forth in each new Schedule J agreed as provided in Section 6.3. Operator's Long Term Incentive Fee (as defined in Schedule J) shall not be subject to revision in such new Schedule J as provided in Section 6.3.

Section 6.5 Invoices.

(a) Submission. Operator shall submit (i) after the end of each calendar month an invoice requesting payment of all amounts, if any, to be paid as provided in Section 6.3 in respect of

Operator's annual base fee which are then due and payable, and (ii) within thirty (30) days after the end of each Fiscal Year, an invoice requesting payment of all amounts, if any, to be paid as provided in Section 6.4 in respect of Operator's annual incentive fees, if any, including any incentives earned under the Long Term Incentive Fee provisions at the end of Contract Subperiod III, which are then due and payable, as set forth in Schedule J. Invoices shall be accompanied by supporting documentation as USEC reasonably may request.

(b) Payment. USEC shall pay all undisputed amounts invoiced pursuant to Section 6.5(a)(i) on or prior to the date thirty (30) days after its receipt of an appropriately documented invoice, and all undisputed amounts invoiced pursuant to Section 6.5(a)(ii) on or prior to the date forty-five (45) days after its receipt of an appropriately documented invoice. If USEC disputes any portion of an invoice, it shall pay the undisputed amount, if any, on or prior to the date set forth in this Section 6.5(b), and shall notify Operator of the particulars of such dispute. USEC shall pay any disputed amounts determined to be payable to Operator hereunder promptly upon such determination, together with interest at the Prime Rate plus four (4) percentage points from the date which was forty-five (45) days after USEC's receipt of the corresponding invoice for such disputed amounts.

Section 6.6 Payment of Allowable Costs; Use of Special Bank Account.

(a) Special Bank Account. To the extent directed by USEC, Operator may make payment for Allowable Costs to the extent such payment expressly is permitted by the Annual Budget (excluding, for avoidance of doubt, Operator's annual base fee and incentive fee, if any) from USEC funds as such Allowable Costs become due and payable. All such funds shall be (i) withdrawn pursuant to a letter of credit in favor of the bank referred to in Special Bank Account Agreement 3M0001 (the "Bank Agreement"), which agreement is hereby incorporated into this Contract and is attached as Schedule G, or (ii) at USEC's option, made available by check or other mutually acceptable means, and in each case shall be deposited only in the "Special Demand Deposit Accounts" referred to in the Bank Agreement.

(b) Limitations; Reimbursements. Except as set forth in Section 6.6(c), no part of the funds in the Special Demand Deposit Accounts shall be (i) commingled with any funds of the Operator's, or (ii) used for a purpose other than that of making payments for Allowable Costs as provided in this Article VI other than as specified in Section 6.6(c). If it is determined, through an audit conducted pursuant to Sections 15.2 or 15.3, or otherwise, that funds in the Special Demand Account or other USEC funds were used other than for making payments for Allowable Costs as provided in this Article VI other than as specified in Section 6.6(c) (or, with respect to periods prior to the Effective

Date, for costs incurred prior to the date hereof that were allowable under the Original Contract), Operator shall reimburse USEC for the amount of such

improper payments, together with interest at the Prime Rate plus four (4) percentage points from the date of such improper payment, within thirty (30) days of such determination; provided, that if such improper payment occurs and is discovered and full reimbursement is made within three (3) Business Days of the date of such improper payment, Operator may make such reimbursement without interest.

(c) Incentive Compensation. Operator may make payments from the Special Demand Deposit Accounts in excess of Allowable Cost for payment of incentive compensation to employees; provided, that Operator shall reimburse USEC for such excess by depositing such excess in the Special Demand Deposit Accounts or such other account as USEC may direct on the date of such payment.

(d) Excess Balances. If at any time the balance in such accounts exceeds Operator's current cash needs, Operator promptly shall notify USEC and shall make such disposition of the excess as USEC may direct.

Section 6.7 Title to Funds.

(a) Title. Title to the unexpended balance of any funds provided under this Article VI (including any reserves) and of any bank accounts established pursuant to Section 6.6, whether or not drawn, shall remain in USEC.

(b) Additional Funds. To the extent directed by USEC, Operator shall deposit any funds received by the Operator on behalf of USEC in connection with the Services under this Contract from third parties into the Special Demand Deposit Accounts or such other accounts as USEC may direct.

(c) Operator's Right to Funds. Operator shall have no right, title or interest in or to any bank accounts or funds referred to in Section 6.7(a) and Section 6.7(b) other than the right to make expenditures therefrom as provided in this Article VI. Operator shall keep such accounts or funds free and clear of any claim, lien or right of offset of the bank of deposit or others.

Section 6.8 Procurement Procedures. In addition to the limitations provided for elsewhere in this Contract, USEC may, through the Annual Budget, the Plant Procedures, or other directives issued to Operator, establish procurement procedures and other controls on the costs to be incurred and commitments to be made in the performance of the Services. Such procedures and controls may be amended or supplemented from time to time by USEC. In connection with the Services and Operator's other obligations under this Con tract, Operator hereby agrees to comply with the specific limitations on amount or type of expenditures, costs and commitments set forth in such controls, to comply with other requirements set forth in such controls, and to notify USEC within five (5) Business Days of becoming aware that the authorized financial levels of costs and commit-

ments (including amounts set forth in any Line Item in the Annual Budget) may be exceeded or underrun by 5% or more.

Section 6.9 No Mark-up. Operator shall receive no mark-up for any service or item procured by Operator on behalf of USEC under this Contract.

Section 6.10 Title to Property. Except as otherwise approved in writing by USEC, all materials, equipment, tools, sup plies, and other property purchased or provided under this Contract, incorporated in the GDPs or any AVLIS equipment, technology or property, or paid for in whole or in part by USEC shall be the property of USEC, and title to such property shall pass directly from the vendor to USEC upon the date of payment for such property by USEC or with USEC funds. Operator warrants good title to all such property and, subject to Section 22.2(d), shall take or cause to be taken all steps reasonably necessary to protect USEC's title and to protect USEC against claims by other parties with respect thereto, including obtaining releases or waivers of or bonding over all mechanics' and materialism's liens and other liens, claims, security interests or encumbrances of Operator's suppliers and subcontractors and its and their lenders.

Section 6.11 Standard of Care. Operator shall manage, apply and account for any funds provided to it or for which it may be responsible under this Contract with the same standard of care as it would apply to its own funds.

ARTICLE VII
SAFETY, SAFEGUARDS AND QUALITY

Section 7.1 Establishment of Groups. USEC and Operator shall establish, staff and maintain one or more groups with responsibility for quality assurance and engineering oversight and such other matters as shall be set forth in the Plant Procedures (collectively, the "Safety, Safeguards and Quality Group").

Section 7.2 Responsibility. The Safety, Safeguards and Quality Group shall have the responsibility to exercise oversight of plant operations to verify compliance with:

(a) Applicable Laws, including the Nuclear Safety Requirements;

(b) health and safety requirements for protection of the public and workers;

(c) safety, safeguards and quality requirements;

(d) environmental protection requirements;

(e) safeguards and security requirements;

(f) requirements for control and accountability of Special Nuclear Materials;

(g) emergency management requirements; and

(h) such other matters as may be specified in the Plant Procedures or as may be directed by USEC.

Section 7.3 Independent Reporting. The Safety, Safeguards and Quality Group will report directly to USEC's Executive Vice President, Operations, as provided in the Plant Procedures, and its personnel shall be independent from production, plant operating costs and production scheduling functions.

Section 7.4 Authority. The Safety, Safeguards and Quality Group shall have such authority as may be set forth in the Plant Procedures and the Nuclear Safety Requirements, including the authority to stop work if there is a failure to comply with the requirements described in Section 7.1.

Section 7.5 Access, Surveillance and Audits. The Safety, Safeguards and Quality Group shall have access to the GDPs, all plant personnel, and all information (including the Records) at the site related to the areas described

in Section 7.1, and shall have the authority to conduct audits and surveillance of such information and of the operation of the GDPs, including interviewing plant personnel, for the purposes of carrying out its responsibilities pursuant to this Article VII, at such time and in such manner as may be consistent with such responsibilities.

ARTICLE VIII
ADDITIONAL CONTRACT CLAUSES

Section 8.1 Pre-Privatization.

(a) Additional Clauses and Provisions. The additional contract clauses set forth in Schedule D, and the additional provisions of law applicable to contracts awarded by USEC because of USEC's status as a United States Government corporation and as an agency of the United States Government set forth in Schedule E, are incorporated herein by reference to the extent required by Applicable Law. Except for those clauses set forth in Part I of Schedule D, or as otherwise provided in Section 8.2, such additional clauses and provisions shall apply to this Contract only during the period prior to privatization of USEC as contemplated by the AEA, and shall not apply to this Contract thereafter.

(b) Excluded Costs. Without limiting the other provisions of this Contract, expenses or expenditures incurred by Operator with respect to items, services or matters described in Schedule F shall be paid by USEC, during the period prior to privat-

ization of USEC as contemplated by the AEA, only to the extent specified in Schedule F. After such privatization, the provisions of Sections 6.2(e) and 8.1(b) and of Schedule F shall not apply to this Contract except as provided in Section 8.2; provided, that nothing in this Section 8.1(b) shall be deemed to require USEC to pay any expense or expenditure incurred by Operator which is not reasonable and necessary to perform the Services, which otherwise is not an Allowable Cost under Article VI, or which otherwise does not comply with the provisions of this Contract.

(c) References in the Additional Contract clauses to Contract shall be deemed to refer to Operator, and references to Contracting Officer shall be deemed to refer to USEC's Contract Representative, and references to the Government or the U.S. Government shall be deemed to include USEC, unless the context indicates other wise.

Section 8.2 Post-Privatization.

(a) Survival of Certain Clauses. The additional clauses set forth in Part I of Schedule D shall continue to apply to this Contract after the privatization of USEC as contemplated by the AEA.

(b) Work Orders. The restrictions of Section 8.1(b) and any of the additional clauses or provisions set forth in Part II or Part III of Schedule D or in Schedule E, or that USEC otherwise is required under Applicable Law to incorporate into this Contract after privatization of USEC as contemplated by the AEA as a result of any contract or agreement (including the Plant Contracts) that USEC may enter into or may have entered into with an agency or department of the United States Government, shall apply to this Contract or to particular tasks performed under this Contract after privatization to the extent provided in any Work Order.

Section 8.3 Adjustments. To the extent any change in the applicability of the additional clauses or provisions set forth or incorporated in this Article VIII materially varies the obligations or risks of either Party, requires expenditures not included in the Annual Budget, or obviates the need for expenditures included in the Annual Budget, such change in applicability

shall permit either Party to proceed as provided in Section 4.6.

Section 8.4 Force and Effect. The clauses and provisions incorporated into this Contract pursuant to this Article VIII shall have the same force and effect as if set forth in full text herein to the extent required by Applicable Law and, to the extent in conflict or inconsistent with the Articles and Sections of this Contract, shall take precedence over such Articles and Sections to the extent required by Applicable Law. Upon request, USEC will provide to Operator the full text of such clauses and provisions. Except for the clauses and provisions incorporated into this Contract pursuant

to this Article VIII, the Federal Acquisition Regulations at 48 C.F.R. Chap. 1 do not apply to this Contract.

ARTICLE IX
SUBCONTRACTS; WORK FOR OTHERS

Section 9.1 Delegation to Subcontractors. Operator may not delegate any of its duties hereunder to any subcontractor without the prior consent of USEC; provided, that no such prior consent shall be required if such subcontracting to such subcontractor already has been approved in the Annual Operating Plan or the Annual Budget or pursuant to the procurement controls described in Section 6.8.

Section 9.2 Affiliate Transactions. Operator shall not procure or enter into any contract to procure any equipment, supplies or services for the GDPs or to perform any of the other Services (other than services for or in connection with employee benefits, payroll, insurance and other services related to employee wages, benefits and development or services included in Operator's general overhead or home office expenses in the Annual Budget) with a value in excess of $50,000 or with an aggregate value in any Fiscal Year in excess of $150,000 from any of its or Guarantor's affiliates, without the prior written approval of USEC in its sole discretion.

Section 9.3 No Relief from Liability. Any standard of performance, care or liability set forth in this Contract with respect to the performance of the Services or any other obligation of Operator hereunder also shall apply to Operator's agents, subcontractors, and representatives. Subject to Article XIX, Operator shall remain fully liable for the acts and omissions of its agents, subcontractors and representatives, and no subcontract or other delegation of Operator's duties shall relieve Operator of any of its duties, obligations or liabilities hereunder.

Section 9.4 Work for Others. Operator shall do no work and shall provide no services for any person or entity (including DOE and any affiliate of Operator or Guarantor) other than USEC except with the prior consent of USEC.

Section 9.5 Additional Clauses. Operator shall incorporate the additional contract clauses, provisions of law and restrictions described in Article VIII in its subcontracts to the extent required by Applicable Law or as otherwise directed by USEC.

ARTICLE X
OPERATOR'S REPORTS

Section 10.1 Monthly Report. Operator shall prepare and submit a report of Operator's activities in the performance of the Services and otherwise under this Contract during the prior month no later than fifteen (15) days after the

end of such month in form and format as may be requested by USEC. The report shall describe in such detail as may be requested by USEC and in accordance with GAAP the expenditures incurred by Operator in performing the Services (and shall set forth in comparative form such amounts and the corresponding amounts set forth in the Annual Budget), regulatory matters, notices of violation, or other unusual or otherwise significant incidents, and such other information as USEC may direct.

Section 10.2 Annual Report. Operator shall prepare and submit a report of Operator's activities in the performance of the Services and otherwise under this Contract during the prior Fiscal Year no later than forty five (45) days after the end of such Fiscal Year in form and format as may be requested by USEC. The report shall describe such matters in such detail as may be requested by USEC.

ARTICLE XI
CONFIDENTIALITY

Section 11.1 Restricted Proprietary Information. The Records and any other written, oral or electronic information that Operator acquires, generates, or otherwise gains access to in connection with the Services or the performance of Operator's obligations hereunder, as well as any analyses, findings, reports, or conclusions (draft or final, written, oral or electronic) that Operator acquires, generates, or otherwise gains access to in connection with or related to the Services or the performance of Operator's obligations hereunder (collectively, "Restricted Proprietary Information"), shall be kept confidential by Operator (whether or not such information is subject to security controls as set forth in Article XIV or is marked as "confidential", "restricted" or "proprietary" information) and shall not be:

(a) used by Operator for any purpose other than for the purpose of performing the Services;

(b) disclosed by Operator to any employee of Operator, unless (i) disclosure is necessary to perform the Services, and (ii) disclosure is limited to only the specific information that is necessary to perform the Services; and

(c) disclosed by Operator to any third party (including any subcontractor, parent, affiliate, agent or representative of Operator or Guarantor) except to the extent that (i) disclosure is

necessary to perform the Services, (ii) disclosure is limited to only the specific information that is necessary to perform the Services, (iii) prior to such disclosure Operator obtains from such third party a written agreement to abide by the terms and conditions of this Article in the same manner and to the same extent that Operator is bound hereunder, (iv) provides USEC with a copy of such written agreement, and (v) receives written consent to such disclosure from USEC.

Section 11.2 Generally Available Information. Restricted Proprietary Information shall not include information that: (a) was or becomes generally available to the public other than as a result of a disclosure by Operator; or (b) is hereafter received by Operator from a third party that has the right to disclose such information. Operator shall bear the burden of proof of establishing that any information that it acquires or otherwise gains access to during performance of the Services is not Restricted Proprietary Information.

Section 11.3 USEC Ownership. Subject to the provisions of Article XII, all Restricted Proprietary Information and all documents, data or information derived from or which contain, in whole or in part, any Restricted Proprietary Information shall be treated as the property of USEC.

Section 11.4 Destruction or Relinquishment of Restricted Proprietary Information. Unless otherwise instructed by USEC in writing, Operator, within thirty (30) days of the expiration or termination of this Contract and the performance of the Services to be provided hereunder, shall turn over to USEC all written or electronically recorded Restricted Proprietary Information or, to the extent approved in advance in writing by USEC, destroy such Restricted Proprietary Information and provide USEC with written confirmation of such destruction.

Section 11.5 Required Disclosure. If Operator receives from a Governmental Authority a lawful order, request, subpoena or similar legal inquiry, or otherwise is required by Applicable Law, to disclose Restricted Proprietary Information, Operator may disclose Restricted Proprietary Information to the extent required by such order, request, subpoena or inquiry or by Applicable Law; provided, however, that Operator shall immediately notify USEC and, if USEC determines that such information, or any portion thereof, should not be disclosed, Operator shall cooperate with USEC to seek relief from the requested disclosure or to secure confidential treatment and minimization of any such information that ultimately must be disclosed to such Governmental Authority. Nothing in this Article XI shall be construed to restrict: (a) any disclosure of Restricted Proprietary Information required pursuant to Section 13.4; (b) any Person from engaging in any activity protected under Section 211; or (c) compliance with Section 211 or with Section 206 of the Energy Reorganization Act of 1979.

Section 11.6 Public Statements. Subject to Applicable Law, neither Party shall issue any press release or make any public statement regarding this Contract or performance of the Services under this Contract without the written approval of the other Party.

Section 11.7 Security. The provisions of this Article XI are subject in all cases to the requirements of Article XIV.

Section 11.8 Marking. Operator shall develop and follow procedures reasonably acceptable to USEC for identifying and marking all Restricted Proprietary Information as "Restricted Proprietary Information".

Section 11.9 Proprietary Information of Third Parties. Without limiting the provisions of Article XII, in the event it becomes necessary for Operator to receive proprietary information of third parties, Operator and USEC shall enter into such confidentiality and use agreements with such third party, not inconsistent with this Article XI, in such form and upon such terms and conditions as may be approved by USEC.

ARTICLE XII
INTELLECTUAL PROPERTY RIGHTS

Section 12.1 Ownership. All the rights, title and interest to all Intellectual Property created, conceived, produced or first actually reduced to practice in the performance of the Services or of Operator's other obligations under this Contract by Operator or any of its subcontractors, including all Subject Inventions, shall be assigned by Operator or its subcontractor, as applicable, to USEC. Operator shall have no rights to such Intellectual Property, except that USEC shall grant Operator the right to use the Intellectual Property in the performance of the Services and of Operator's other obligations under this Contract.

Section 12.2 Copyright, Mask Works. Operator agrees, if so directed by USEC, to register with the United States Copyright Office a claim to copyright in any work, or claim for protection of a mask work, that is first produced in the performance of the Services or of Operator's other obligations under this Contract and to assign (or obtain the assignment of) such copyright to USEC or

its designated assignee in writing.

Section 12.3 Patents. Operator agrees: (i) to assign (or to obtain the assignment of) in writing to USEC the entire right, title, and interest throughout the world in and to each Subject Invention; (ii) promptly to report each Subject Invention in writing to USEC; (iii) from time to time, upon the request of USEC, to sign (or to cause its employees or subcontractor's employees to sign) any

documents necessary or desirable for the filing or prosecution of one or more patent applications with respect to any Subject Invention; and (iv) to keep complete and accurate records of all Subject Inventions, which records shall be deemed to be Records and shall be the property of USEC.

Section 12.4 License. Operator grants USEC, and others acting on its behalf, a paid-up, nonexclusive, irrevocable worldwide license to use, reproduce, practice, prepare derivative works, distribute copies to the public, and perform publicly and display publicly by or on behalf of USEC, in connection with the ownership, lease, operation or maintenance of the GDPs or of other facilities employing AVLIS, all Intellectual Property developed outside the performance of the Services and Operator's other obligations under this Contract which Operator or any of its subcontractors: (i) incorporates into the Services, AVLIS, or the GDPs, or (ii) uses in the performance of the Services or of Operator's other obligations under this Contract; provided, however, that in the event Operator believes it is unable to provide such a license without undue expense, Operator shall promptly notify USEC of the reasons therefor in order to allow USEC to determine an equitable alternative. At USEC's request, Operator, to the extent able, shall enter into a separate licensing agreement granting USEC, and others acting on its behalf, a similar license at reasonable royalty rates in connection with other USEC activities throughout the world.

Section 12.5 Prior Claims. Operator hereby releases and waives any claim to, or option or right to obtain rights in, any Intellectual Property pursuant to the Original Contract, except to the extent such Intellectual Property is listed on Schedule L. Additionally, Operator may submit within ninety (90) days of the Effective Date to USEC additional items of Intellectual Property it believes to be owned by Operator, discovered as a result of a subsequent audit by Operator of its files, for inclusion on Schedule J. Such submission shall be subject to USEC's determination as to whether inclusion of such items on Schedule L is appropriate.

ARTICLE XIII
COMPLIANCE WITH NUCLEAR SAFETY AND SAFEGUARDS AND SECURITY REQUIREMENTS

Section 13.1 Nuclear Safety Requirements. Without limiting the provisions of Section 2.1 or the other provisions of this Article XIII, Operator shall operate and maintain the GDPs and perform the other Services in accordance with all applicable nuclear safety and safeguards and security requirements, including OSHA requirements, the Regulatory Oversight Agreement, 10 CFR Part 76 and other applicable NRC regulations, the NRC Certificate, DOE access authorization programs (as described in the NRC/DOE Joint Statement of Understanding -- 59 Fed. Reg. 4729 (February 1, 1994)), fitness for duty requirements, restrictions on foreign ownership, control and

influence applicable to USEC or its contractors under the AEA, applicable safeguards requirements of the International Atomic Energy Agency, and Sections

206 and 211 of the Energy Reorganization Act of 1974 (collectively, the "Nuclear Safety Requirements").

Section 13.2 USEC Authority. At its discretion, USEC may require Operator to take any specific action, including, but not limited to, placing all or any portion of one or both GDPs or any other facility where Services are performed in a safe condition, in order to achieve or maintain compliance with all Nuclear Safety Requirements. Operator shall promptly take all actions necessary to achieve or maintain such compliance, in accordance with USEC's policies and directions.

Section 13.3 Amendments or Additions. If any of the Nuclear Safety Requirements described in Section 13.1 are amended, or if any new such requirements are imposed on USEC, Operator promptly shall recommend to USEC appropriate measures to achieve and maintain compliance with such requirements. Such recommendations shall be provided to USEC as directed by USEC or as provided in such new or revised requirement, but in any case no later than thirty (30) days after the Operator receives notice of such requirements from USEC. Operator promptly shall take all necessary action, in accordance with USEC's policies and directions, to achieve and maintain compliance with any such amended or new requirements. Nothing in this subsection shall affect USEC's authority to require the Operator to take any specific action, pursuant to Section 13.2 above, in order to achieve or to maintain compliance with the Nuclear Safety Requirements.

Section 13.4 Reporting Requirements. Operator promptly shall notify USEC of potentially reportable events or potentially significant conditions in such manner that USEC may timely comply with all applicable reporting requirements under Applicable Law and in accordance with the Plant Procedures; provided, that Operator also shall report such events or conditions directly to the applicable Governmental Authority as required by the Plant Procedures or Applicable Law.

Section 13.5 Employee Protection Requirements.

(a) Applicability. Operator shall comply with the requirements of Section 211 of the Energy Reorganization Act of 1974, 42 U.S.C. Section 5851 ("Section 211") and the other procedures and requirements set forth in this Article related to Section 211.

(b) Notice; Compliance Policy; Training. Operator shall post appropriate notices, develop a compliance policy, and provide training to management and supervisory personnel assigned to this Contract regarding their obligations under the employee protection provisions of Section 211. At its discretion, USEC may review, approve, reject or modify Operator's compliance policy and training program.

Section 13.6 Emergencies. Consistent with the emergency procedures set forth in Applicable Law and the Plant Procedures, each Party shall take such action as may be necessary to respond to emergencies or to protect life, human health, property or the environment from imminent harm, and shall notify the other Party as soon as possible of such situation and the actions taken. Such action shall be at USEC's expense except to the extent Operator is obligated to indemnify and hold harmless USEC pursuant to Article XXII or except to the extent the Parties are entitled to indemnification from DOE or the NRC pursuant to Article XVIII or Section 22.6(b).

ARTICLE XIV
SECURITY REQUIREMENTS

Section 14.1 Duty to Safeguard. Operator, in accordance with all Applicable Law, Plant Contracts and the Plant Procedures: (i) shall safeguard

all Classified Information, Special Nuclear Material, and other property at the GDP sites and (ii) protect against sabotage, espionage (including industrial espionage), loss and theft, the Classified Information and other classified material in Operator's possession in connection with the performance of Services under this Contract. Operator shall return any Classified Information or other classified material in its possession (or the possession of any person within its control) to USEC upon expiration or termination of this Contract. If retention of any classified material by Operator is required, Operator will complete a certificate of possession to be furnished to USEC specifying the classified matter to be retained, identifying the items and types or categories of retained matter, the conditions governing the retention of the matter, and the period of retention, if known. If the retention is approved by USEC, the provisions of this Contract will continue to apply to the material retained. Special Nuclear Material will not be retained after the completion or termination of this Contract.

Section 14.2 Security Clearance of Personnel. The Parties recognize that DOE determines security classifications and issues security clearances. Without limiting the provisions of Section 14.1, Operator shall follow the rules and procedures of DOE and other responsible Governmental Authorities regarding access to Classified Information, security clearances and other security matters. Operator shall not permit any individual to have access to any Classified Information, except in accordance with those provisions of Applicable Law and the Plant Procedures applicable to the particular level and category of Classified Information to which access is required.

Section 14.3 Security Classifications. In the performance of the work under this Contract, Operator shall ensure that an Authorized Classifier shall assign classifications to all documents, material, and equipment originated or generated under this Contract in accordance with Applicable Law and the Plant Procedures.

ARTICLE XV
BOOKS AND RECORDS; AUDIT

Section 15.1 Books and Records. Operator shall maintain in accordance with GAAP a complete set of books and records and other supporting documents and accounting procedures and practices ("Records"), sufficient to reflect properly all costs (including Allow able Costs) claimed to have been incurred or anticipated to be incurred, revenues or other applicable credits, fixed-fee accruals, and the receipt, use, and disposition of all USEC property and funds coming into the possession of Operator in connection with performance of the Services under this Contract. Except as provided in Sections 15.4 or 15.5, all Records shall be the property of USEC, and shall be delivered to USEC (i) from time to time upon request, and (ii) upon expiration or termination of this Contract. All Records shall be deemed to be Restricted Proprietary Information.

Section 15.2 Accounting Support. Operator agrees to conduct such internal audits, examinations and reconciliations of the Records, operations, inventory, expenses and other transactions as USEC may direct from time to time, and to provide the results of such investigations at the time reasonably directed by USEC, but no later than forty-five (45) days after such examination was requested by USEC.

Section 15.3 USEC Inspection and Audits. USEC, or its duly authorized representatives, shall have access at reasonable times to inspect, copy and audit all pertinent Records, either during the term of or after termination or expiration of this Contract. Operator shall provide USEC proper facilities and make available its personnel at reasonable times for such inspection, copying and audits.

Section 15.4 Operator's Records. Operator's Records shall not be the property of USEC and shall not be included in the Records; provided, that USEC

shall have access to Operator's Records at reasonable times to inspect and audit such records to the extent such records relate to Claims that are subject to reimbursement or indemnification by USEC pursuant to Article XXII or to indemnification by DOE pursuant to Section 22.3 or by DOE or the NRC pursuant to Article XVIII.

Section 15.5 Employee Records. Operator shall maintain its personnel files, medical files, and other employee records on behalf of USEC or DOE, as applicable, in accordance with the Privacy Act and other Applicable Laws. USEC shall have such access to such employee records as may be consistent with the Privacy Act and other Applicable Laws. Such employee records acquired or accumulated under this Contract or in the course of Operator's operations at the GDPs prior to the Effective Date shall be transferred to Operator by USEC or by Operator to USEC, to the extent permitted by Applicable Law, as USEC may direct from time to time; provided, that if Operator at any

time shall own or shall have custody of such employee records, USEC shall continue to have access to such employee records as provided in Section 15.3 and this Section 15.5.

ARTICLE XVI
OPERATOR'S REPRESENTATIONS AND WARRANTIES

Operator hereby represents and warrants to USEC as follows:

Section 16.1 Power and Authority. Operator has all corporate power and authority required to execute, deliver and perform this Contract.

Section 16.2 Due Authorization. The execution, delivery and performance of the Contract by Operator and the person signing this Contract on behalf of Operator have been duly authorized by all necessary corporate action.

Section 16.3 Enforceability. This Contract constitutes a legal, valid and binding agreement of Operator, enforceable against Operator 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.

Section 16.4 Permits. Except as listed on Schedule N, no Permits are required to be obtained by Operator for the performance of the Services or Operator's other obligations hereunder. Each of the Permits on Schedule N has been duly obtained, validly issued, is in full force and effect and is not subject to appeal or judicial, governmental or other review, except as disclosed on such Schedule. Operator shall maintain and comply with all Permits and will from time to time obtain such additional Permits as are necessary or desirable in connection with the provision of the Services and the performance of Operator's other obligations hereunder.

Section 16.5 Compliance with Applicable Law. Operator's performance of the Services and of its other obligations under this Contract shall be in compliance with Applicable Law.

Section 16.6 Expertise. Operator has sufficient expertise, staff and other resources to carry out its duties hereunder in a prompt, efficient and diligent manner.

Section 16.7 Representations and Certificates. The representations and certificates submitted by Operator to USEC pursuant to the FAR clauses set forth on Part III of Schedule D have been duly authorized, made and executed and are true, correct and complete as if made herein and as of the date hereof.

Section 16.8 No Proceedings. Except as set forth on Schedule K or as provided in Section 22.4, there is no Claim pending or, to Operator's knowledge, threatened or anticipated related to or affecting the GDPs or the lease, operation or maintenance thereof or for which Operator may be entitled to seek indemnification or reimbursement pursuant to this Contract or to the Original Contract.

ARTICLE XVII
TERM AND TERMINATION

Section 17.1 Term.

(a) Initial Term. This Contract shall be effective as of the Effective Date and, unless earlier terminated or extended under the provisions hereof, shall terminate on the date which is the third anniversary of the Effective Date (the "Expiration Date").

(b) Option to Renew. USEC, at its option, may renew this Contract for one additional two (2) year term by giving at least six (6) months' notice prior to the Expiration Date.

Section 17.2 Termination for USEC's Convenience.

(a) Termination. USEC for its convenience may terminate this Contract, in whole or in part, at any time upon six (6) months prior notice to Operator specifying the part of the Services to be terminated, the effective date of termination, and the Termination Activities (as defined in Section 17.5) that Operator shall perform. Upon the effective date of such termination, and subject to Section 17.5, Operator shall stop performance of the terminated Services.

(b) Payment of Fees and Allowable Costs. Upon termination of all or part of this Contract under Section 17.2(a) and upon Operator's completion of all required Termination Activities, Operator shall be entitled to payment for: (i) Operator's annual base fee, pro-rated as of the effective date of termination which was not previously paid by USEC and which conforms to the requirements of this Contract, which amount shall be adjusted up or down, as appropriate, to pro-rate any annual base fee or three-year incentive fee pursuant to Article VI; and (ii) Allowable Costs incurred prior to such effective date which were not previously paid by USEC or which were incurred in connection with Operator's performance of the required Termination Activities.

Section 17.3 Termination for Default.

(a) Termination. If Operator is in Default (as defined herein) and fails to cure such Default within ten (10) days (unless extended by USEC) after receiving notice from USEC specifying the Default, USEC may terminate this Contract, in whole or in part,

by notice specifying the effective date of Termination, and the Termination Activities that Operator shall perform or may exercise any other remedy which may be available to it under Applicable Law. For purposes of this Contract, events constituting "Default" include: (i) Operator is adjudged bankrupt or insolvent; (ii) Operator makes a general assignment for the benefit of its creditors; (iii) a trustee or receiver is appointed for Operator or any of its property; (iv) Operator files a 30-day cure petition to take advantage of any debtor's act, or to reorganize under the bankruptcy or similar laws; (v) Operator fails to make prompt payments to subcontractors or vendors for labor, materials or equipment; (vi) Guarantor shall breach any of its obligations under the Guaranty; (vii) Operator breaches any of its obligations under Articles XI,

XII, XIV, XX, or XXI; or (viii) except to the extent caused by a Force Majeure Event, Operator breaches any of its other obligations under this Contract and such breach has or reasonably could be expected to have a Material Adverse Effect; provided, that a Force Majeure Event shall not excuse a breach by Operator pursuant to Section 17.3(a) (viii) unless Operator shall give notice to USEC promptly after becoming aware of such Force Majeure Event giving details of the circumstances constituting the Force Majeure Event and the likely duration thereof, if reasonably known, and shall keep USEC informed of any changes in such circumstances, including when such Force Majeure Event ends, and then only to the extent that the ability of Operator to perform the Services or any of its other obligations hereunder is materially and adversely affected by such Force Majeure Event; and provided, further, that to the extent reasonably possible Operator shall not terminate or suspend its performance of the Services or its other obligations hereunder as a result of such Force Majeure Event, but shall use all reasonable efforts to continue to perform the Services and its other obligations hereunder, to remedy the circumstances constituting the Force Majeure Event and to mitigate the adverse effects of such Force Majeure Event. To the extent Operator continues such performance, either Party, as appropriate, may seek an adjustment as provided under Section 4.6.

(b) Consequences of Termination. Upon termination of all or part of this Contract for Default under Section 17.3(a), USEC at its option may take one or more of the following actions: (i) direct Operator to perform Termination Activities; (ii) immediately upon termination or after completion of the Termination Activities assume responsibility for operation and maintenance of the GDPs and performance of the Services and take title to and possession of all work, materials, equipment and all Records and other recorded information (regardless of form) relating to the terminated Services; (iii) enter into a contract with a replacement operator; (iv) direct Operator to terminate all subcontracts and purchase orders related to the terminated Services; (v) succeed or have a replacement operator succeed automatically, without the necessity of any further action by Operator, to the interests of Operator in any or all subcontracts and purchase orders entered into by Operator relating to the performance of the terminated Services; or (vi) exercise any other right or remedy available under Applicable Law; provided, that in the case of

(v) above, USEC or any replacement operator shall only be required to compensate such subcontractors or vendors for amounts becoming due and payable to such parties under the terms of such subcontracts and purchase orders with Operator from and after the date USEC elects to succeed (or to have a replacement Operator succeed) to the interests of Operator in such subcontracts and purchase orders; and provided, further, that all amounts claimed by such subcontractors and vendors to be due and owing for terminated Services performed prior to the date USEC elects to succeed (or to have a replacement Operator succeed) to the interests of Operator in such subcontracts and purchase orders shall constitute the obligations of Operator to the affected subcontractors and vendors, and USEC shall not be liable for such amounts, subject to the limitation set forth in Section 19.2.

(c) USEC's Option to Complete Performance of Services. USEC may, without any prejudice to any other right or remedy it may have, at its option, upon the termination of all or part of this Contract for Default under Section 17.3(a), complete the performance of the terminated Services or re-perform all or part of such terminated Services previously performed by Operator by whatever method USEC shall determine. In such case Operator shall pay USEC for: (i) its reasonable costs incurred in negotiating and executing a contract for the terminated Services substantially similar to this Contract with a replacement contractor; (ii) any costs (including profit) associated with the re-performance of the terminated Services previously performed by Operator; and (iii) any costs (including profit) associated with the performance of such contract with a replacement contractor that exceed the amounts that would have been payable to Operator under this Contract to perform the terminated Services absent Operator's Default. In making the determinations contemplated in the

first sentence of this Section 17.3(c), USEC will attempt to take such action as USEC, in its sole discretion, believes likely to mitigate Operator's costs pursuant to this Section 17.3(c) without resulting in (x) any provision of services to USEC at levels or standards which are less than the levels or standards for such services as set forth in this Contract or (y) a Material Adverse Effect.

(d) Termination Payment. Upon termination of all or part of this Contract for Default pursuant to Section 17.3(a) and upon Operator's completion of all required Termination Activities, Operator shall be entitled to payment of the amounts set forth in Section 17.3(b); provided, that in the event USEC elects to complete or to have a replacement Operator complete the performance of all or part of the terminated Services or re-perform all or part of the Services previously performed by Operator under Section 17.3(c), USEC may elect to delay the payment of any amount due Operator under this Section until USEC or a replacement Operator completes or re-performs such terminated Services; and provided, further, that USEC may deduct USEC's damages from such amount due Operator, including the amount Operator owes USEC pursuant to Section 17.3(c).

(e) Deemed Termination for Convenience. If, after termination of Operator for Default pursuant to Section 17.3(a), it is determined that Operator was not in Default, such termination shall be deemed a termination for the convenience of USEC pursuant to Section 17.2(a) and the notice of default sent by USEC pursuant to Section 17.3(a) shall be deemed a notice of termination for the convenience of USEC pursuant to Section 17.2(a).

Section 17.4 Liability. Payment of the amounts set forth in Sections 17.2(b) and 17.3(b) shall be the exclusive liability of USEC, and the exclusive remedy of Operator, with respect to termination of this Contract pursuant to such Sections or to Section 17.3(e). USEC shall have no liability to Operator in the event of any termination of Operator under this Article for any other termination payment or for any other special, actual, incidental, consequential or other damages, costs or expenses notwithstanding the actual amount of damages that Operator may have sustained as a result of termination of this Contract under this Article.

Section 17.5 Termination Activities. Upon the expiration or termination for convenience or Default of all or part of this Contract, Operator shall continue to perform in accordance with the terms of this Contract any part of the Services that are not terminated, and shall perform any or all of the following activities ("Termination Activities") to the extent directed by USEC:

(a) Property of USEC. Operator shall leave in place all existing feed stock, enriched nuclear material, tails, spare parts, supplies, oil, grease, chemicals, materials, tools, special tools, improvements, equipment, operating and maintenance procedures and manuals, and all other items: (i) provided under the Contract or located at the GDPs or LLNL on the Effective Date; (ii) purchased by USEC or at USEC's expense; or (iii) obtained by Operator and paid for by USEC during the term of this Contract. All such items shall remain the property of USEC.

(b) Condition of Facility. Operator will place the GDPs and other facilities where Services are being performed and all related equipment and components in a safe condition, as directed by USEC.

(c) USEC Option to Extend Contract; Subsequent Operator Training. USEC, at its option, may extend for a period of up to three (3) months after the expiration or termination of this Contract the obligation of Operator to perform the Services under this Contract. For a reasonable period not to be less than three (3) months prior to the expiration or termination of this Contract, and for the period of such optional extension, Operator will train the personnel of the subsequent or replacement operator designated by USEC as part

of the Services. The costs of such training shall be included in the Annual Budget and shall be conducted by Operator's regular personnel. In the event that Operator's training of the personnel of such subsequent or replacement operator should extend

beyond the term of this Contract, Operator shall receive as compensation therefor in addition to its direct costs included in the Annual Budget, a reasonable fee to be mutually agreed by USEC and Operator.

(d) Turnover of Facility. Operator shall perform any or all of the following: (i) terminate or assign to USEC or a subsequent or replacement operator all of Operator's rights, title and interests in subcontracts and purchase orders relating to the terminated Services; (ii) transfer title to and possession of all work, materials, equipment and all recorded information (regardless of form) relating to the terminated Services; (iii) to the extent permitted by Applicable Law and the terms of each Permit, transfer to USEC or the subsequent or replacement operator all Permits required to be obtained or maintained by Operator, including Operator's rights, if any, under the joint Permits described in Section 4.10; (iv) take actions necessary to protect and preserve the property related to the terminated Services; and (v) take actions necessary to facilitate the ability of USEC or a subsequent or replacement con tractor to complete the performance of the terminated Services.

(e) Transfer of Employees and Pensions. Operator shall release its employees for transfer to the employ of a subsequent or replacement operator and, to the extent permitted by Applicable Law, shall transfer its unexpired collective bargaining agreements to such subsequent or replacement operator and shall cause the plan sponsor or other fiduciary of the pension plan covering its employees to arrange for the transfer of all plan assets and liabilities relating to accrued pension benefits of such plan's participants and beneficiaries from such plan to a pension plan sponsored by the subsequent or replacement operator or a joint labor-management plan, as the case may be; provided, that nothing in this Section 17.5(e) shall be deemed to preclude Operator from offering employment to and hiring up to twelve (12) such employees (but no more than four (4) employees from any one of the two GDPs or Operator's corporate headquarters), as each such employee may choose, within three (3) months of such expiration or termination; provided, further, that Operator shall not offer employment to or hire more than such number of such employees, or offer employment to or hire any such employees, after such three (3)-month period and prior to the date two (2) years after such expiration or termination without the prior consent of USEC, not to be withheld unreasonably.

(f) Transfer of Employee Records. Operator shall transfer to USEC or to a subsequent or replacement operator, to the extent permitted by Applicable Law, copies of Operator's employee records acquired or accumulated under this Contract or in the course of Operator's operations at the GDPs prior to the Effective Date and, as applicable, shall use all reasonable efforts to obtain any necessary consents or releases of such employees required for USEC or such subsequent or replacement operator to receive copies relating to such employees.

Section 17.6 Survival. The provisions of Articles VI (other than Sections 6.1, 6.2(a), 6.3, 6.6(a) and (c)), VIII, XI, XII, XIII, XIV, XV, XVIII, XIX and XXII and Sections 17.2(b), 17.3(b, c and d), 17.4, 17.5, 17.6, 23.1, 23.2, 23.3, 23.10, 23.12, and 23.13 shall survive the expiration or termination of this Contract. Except for Articles XI, XII, XIV, XVIII, XIX, XXII and Sections 13.1, 17.6, 23.1, 23.2, 23.3, 23.10, 23.12 and 23.13, all such surviving provisions shall terminate three (3) years after the expiration or

termination of this Contract.

ARTICLE XVIII
PRICE-ANDERSON INDEMNIFICATION

Section 18.1 Authority. This Article XVIII is incorporated into this Contract pursuant to the authority contained in subsection 170d. of the AEA and pursuant to Section 10.1(i) of the Lease Agreement.

Section 18.2 Definitions. The definitions set out in the AEA shall apply to this Article XVIII.

Section 18.3 Financial Protection. Except as hereafter permitted or required in writing by DOE, Operator will not be required to provide or maintain, and will not provide or maintain at USEC expense, any form of financial protection to cover public liability, as described in Section 18.4(b) below. USEC may, however, at any time require in writing that Operator provide and maintain financial protection of such a type and in such amount as USEC shall determine to be appropriate to cover such public liability, provided that the costs of such financial protection are reimbursed to Operator by USEC.

Section 18.4 Indemnification.

(a) DOE Indemnification. To the extent that Operator and other persons indemnified are not compensated by any financial protection permitted or required by DOE, DOE will indemnify Operator and other persons indemnified against (i) claims for public liability as described in Section 18.4(b); and (ii) such legal costs of the Operator and other persons indemnified as are approved by DOE, provided that DOE's liability, including such legal costs, shall not exceed the amount set forth in section 170e.(1)(B) of the AEA in the aggregate for each nuclear incident or precautionary evacuation occurring within the United States or $100 million in the aggregate for each nuclear incident occurring outside the United States, irrespective of the number of persons indemnified in connection with this Contract.

(b) Public Liability. The public liability referred to in Section 18.4(a) is public liability as defined in the AEA which (i) arises out of or in connection with the activities under the

Lease Agreement, including transportation; and (ii) arises out of or results from a nuclear incident or precautionary evacuation, as those terms are defined in the AEA.

Section 18.5 Waiver of Defenses.

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

(b) Extraordinary Nuclear Occurrence. 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 Operator or a subcontractor of a device utilizing special nuclear material or by-product material, during the course of the Services; or

(iv) Arises out of, results from, or occurs in the course of nuclear waste activities, the Operator, 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 fault of persons indemnified, including, but not limited to:

1. Negligence;
2. Contributory negligence;
3. Assumption of risk; or
4. Unforeseeable intervening causes, whether involving the conduct of a third person or an act of God;

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

(C) Any issue or defense based on any statute of limitations, if suit is instituted within 3 years from the date on which the claimant first knew, or reasonably could have known, of his injury or change 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 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.

(vi) For the purpose of that determination, "offsite" as that term is used in 10 CFR part 840 means away from "the contract location" which phrase means any DOE facility, installation, or site at which contractual activity under this Contract is being carried on, and any Operator-owned or controlled or USEC-owned or controlled facility, installation, or site at which the Operator is engaged in the performance of activity under the Lease Agreement.

(c) Effectiveness. 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 its 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 claim ant 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 extraordinary nuclear occurrence takes place, if benefits therefor are either payable or required to be provided under any workmen's compensation or occupational 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 clause and in insurance policies, con tracts 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, and (B) the terms of this agree-

ment and the terms of insurance policies, contracts, or other proof of financial protection.

Section 18.6 Notification and Litigation of Claims. Operator shall give immediate written notice to USEC and DOE of any known action or claim filed or made against the Operator or other person indemnified for public liability as defined in Section 18.4(b). Except as otherwise directed by DOE, the Operator shall furnish promptly to USEC and DOE copies of all pertinent papers received by the Operator or filed with respect to such actions or claims. DOE shall have the right to, and may collaborate with, Operator and any other person indemnified in the settlement or defense of any action or claim and shall have the right to (a) require the prior approval of DOE for the payment of any claim that DOE may be required to indemnify hereunder; and (b) appear through the Attorney General on behalf of the Operator or other person indemnified in any action brought upon any claim that 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 DOE, Operator or other person indemnified shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

Section 18.7 Continuity of DOE Obligations. The obligations of DOE under this Article XVIII shall not be affected by any failure on the part of the Operator to fulfill its obligation under this Contract and shall be unaffected by the death, disability, or termination of existence of the Operator, or by the completion, termination or expiration of this Contract.

Section 18.8 Effect of Other Clauses. The provisions of this Article XVIII shall not be limited in any way by, and shall be interpreted without reference to, any other provision of this Con tract, including any provision regarding contract disputes; provided, however, that this Article XVIII shall be subject to any provisions that are later added to this Contract as required by applicable Federal law, including statutes, executive orders and regulations, to be included in Nuclear Hazards Indemnity Agreements.

Section 18.9 Inclusion in Subcontracts. The Operator shall insert this Article XVIII in any subcontract which may involve the risk of public liability, as that term is defined in the AEA and further described in Section 18.4(b) above. However, this Article XVIII shall not be included in subcontracts in which the subcontractor is subject to NRC financial protection requirements under section 170b. of the AEA or NRC agreements of indemnification under section 170c. or k. of the AEA for the activities under the subcontract.

ARTICLE XIX

LIMITATION ON LIABILITY

Section 19.1 Damages.

(a) Direct. Each Party shall only be liable for direct damages as a result of its breach or default under this Contract except in cases of gross negligence or willful misconduct.

(b) Consequential. In no event shall either Party be liable, except in cases of gross negligence or willful misconduct, for consequential, incidental, special, exemplary, punitive or any other form of indirect damages under this Contract.

(c) Other Relief. This Section 19.1 shall not limit or restrict the provisions of Article XXII or the availability of specific performance or other injunctive relief to the extent other wise available under Applicable Law.

Section 19.2 Limit on Damages. The aggregate liability of a Party in any Fiscal Year, arising from any cause under or related to this Contract, including any responsibility of such Party to indemnify or to reimburse the other Party under the provisions of Article XXII, but excluding the liability of such Party for such Party's gross negligence or willful misconduct, shall not exceed an amount equal to $4,000,000 paid or payable to Operator for such Fiscal Year and any incentive fees and bonuses paid or payable under Section 6.3. This Section 19.2 shall not limit USEC's obligation to pay Allowable Costs pursuant to Section 6.2 nor increase USEC's aggregate liability under Section 6.2(b) or 19.4.

Section 19.3 Liability for Employees.

(a)(i) Managerial and Supervisory Personnel. Subject to the limitations set forth in Sections 19.1 and 19.2, Operator shall be liable for damages arising under or related to this Contract (including indemnification or reimbursement obligations described in Article XXII) caused by the negligence (including gross negligence) or misconduct (including willful misconduct) of its personnel holding the job title of Division Manager, or a supervisor, Labor Grade 13 or above, including the Plant Shift Managers, the Plant Shift Superintendents, and the Training and/or Procedures Managers at each GDP; provided, however, if a USEC employee holds a position in a plant covered by the foregoing, the actions of such employee shall be treated as actions of the Operator.

(a)(ii)Non-Managerial and Non-Supervisory Personnel. Except as provided in (c), Operator shall not be liable for damages arising under or related to this Contract caused by employees below the levels specified in 19.3(a)(i), above.

(b) Limitation. Section 19.3(a) shall not be deemed to limit Operator's obligations:

(i) to train or to supervise Operator personnel not covered by Section 19.3(a), or to hire or to assign qualified, skilled or licensed personnel;

(ii) to observe Nuclear Safety Requirements related to hiring, training or supervising personnel; or

(iii) to observe the other covenants set forth in this

Contract applicable to Operator as a corporate entity as opposed to its employees individually.

(c) Compliance with Supervision. Section 19.3(a) shall not limit Operator's liability for damages arising under or related to this Contract to the extent such damages result from:

(i) compliance by Operator personnel not covered by Section 19.3(a)(i) with Operator's corporate procedures or with any other written procedures adopted or approved by Operator (other than those certain written procedures which have been designated in writing by Operator to USEC and which USEC specifically has agreed in writing, need to be revised, unless and until such time as such procedures are revised and such revisions are adopted by Operator); or

(ii) compliance by Operator personnel not covered by Section 19.3(a)(i) with the directions of supervisory or managerial personnel above the level defined there.

Section 19.4 Funds. For so long as USEC is owned, in whole or in part, by the United States Government, or is subject to the Anti-Deficiency Act, 31 U.S.C. Section 1341:

(a) Obligations of Funds. The amount presently obligated by USEC with respect to this Contract is $100,000,000. Such amount may be increased unilaterally by USEC by notice to Operator. Revenues and receipts from others for work and services to be per formed under this Contract are not included in the amount obligated with respect to this Contract. Such revenues and receipts shall be the property of USEC and shall be deposited by Operator as provided in Section 6.7(b).

(b) Limitation on Payment by USEC. Payment by USEC under this Contract shall not, in the aggregate, exceed the amount obligated with respect to this Contract under Section 19.4(a), less the Contractor's annual base fee and incentive fees, if any.

(c) Notices. Operator shall notify USEC in writing whenever the unexpended balance of funds available under Article VI is in Operator's best judgment sufficient to continue contract operations at the programmed rate for only forty-five (45) days and to cover Operator's unpaid annual base fee and incentive fees, if any, and outstanding commitments and liabilities on account of

Allowable Costs under this Contract at the end of such period. Whenever the unexpended balance of funds available under Article VI above, less the amount of Operator's annual base fee and incentive fees, if any, then earned but not paid, is in Operator's best judgment either sufficient only to liquidate outstanding commitments and liabilities on account of Allowable Costs under this Contract or is equal to zero, Operator immediately shall notify USEC and shall make no further performance (except such performance as may become necessary in connection with termination by USEC or otherwise required under Applicable Law) and the performance of the Services will be deemed to have been terminated for the convenience of USEC in accordance with the provisions of Section 17.2.

(d) Termination for Convenience. The giving of any notice under this Section 19.4 shall not be construed to waive or impair any right of USEC to terminate this Contract under the provisions of Section 17.2.

(e) Annual Budget. Nothing in this Section 19.4 is to be construed as authorizing Operator to exceed limitations stated in the Annual Budget or otherwise stated in Article VI.

ARTICLE XX
ASSIGNMENT

Section 20.1 General. Except as otherwise provided in this Article XX and subject to Applicable Law, this Contract shall not be assigned by either Party without the prior consent of the other Party in each Party's sole discretion, and any such purported assignment without such required consent shall be void.

Section 20.2 Permitted Assignments. USEC's consent shall not be required for Operator to assign payments due to Operator under this Contract. Operator's consent shall not be required for an assignment by USEC to an affiliate of USEC or to an entity that succeeds to substantially all of USEC's assets or uranium enrichment business, and, upon such assignment, USEC shall be released from its obligation under this Contract. Neither the disposition of USEC's stock nor a transfer of USEC to private ownership (whether in whole or in part) by merger or otherwise shall be construed as an assignment or otherwise require Operator's consent.

Section 20.3 Effect of Privatization. In the event USEC is privatized as contemplated by the AEA, and the duties and obligations of USEC are assumed by a private corporation or other entity pursuant to such privatization or transfer: (a) this Contract shall survive such privatization and be transferred to such private corporation or other entity without the need for Operator or USEC to take any further action under this Contract or otherwise; (b) the name of such private corporation shall be substituted for that of USEC in this Contract; and (c) Operator and USEC shall take whatever further

action is required to transfer to such private corporation or other entity any agreements, instruments or documents related to this Contract and entered into by Operator and USEC on or after the date hereof which cannot be transferred to such private corporation by the operation of their terms. Except as provided in Article XVIII or Sections 22.3 or 22.6 or as otherwise may be provided under Applicable Law, and except for any liability of the United States Government pursuant to any Plant Contract: (i) there shall be no recourse against the United States Government for any liability or obligation of USEC under this Contract arising or accruing on or after the effective date of such privatization, and Operator shall look solely to USEC in enforcing such liabilities or obligations; and (ii) effective upon such effective date, Operator hereby releases, remises and acquits the United States Government from and against any such liability or obligation.

Section 20.4 Successors. Subject to the other provisions of this Article, this Contract shall be binding upon and shall inure to the benefit of the legal representatives, successors and assigns of the Parties hereto.

ARTICLE XXI
INSURANCE

Section 21.1 Required Insurance. For so long as this Con tract remains in force, Operator shall maintain insurance as required below to cover bodily injury (including death) and property damage suffered or (in the case of liability insurance) caused by Operator or its employees, if any, in connection with the performance of the Services.

(a) Worker's Compensation/Employers Liability Insurance. Operator shall obtain and maintain a worker's compensation policy in such coverage and with such limits as required under applicable State laws and $1 million in employers liability insurance.

(b) Umbrella Liability. $100 million per occurrence for both bodily injury and property damage covering above employers liability provided by

LMUS, and above general liability and auto liability provided by USEC.

Section 21.2 Additional Insured. USEC shall be named as an additional insured on Operator's liability policies required under Section 21.1.

Section 21.3 Evidence of Insurance. Operator shall provide written evidence of all policies required under Section 21.1 on or prior to the Effective Date and to the first day of each Fiscal Year.

Section 21.4 Notice of Cancellation/Coverage Reduction. A "notice of cancellation/coverage reduction" clause shall be included in Operator's liability policies required under Section 21.1 that shall require the policy issuer or policy holder to give USEC at least sixty (60) days' notice prior to cancellation or reduction in coverage under such policy.

Section 21.5 USEC Insurance. USEC shall provide (1) primary auto liability insurance in the amount of $2 million ($1 million of primary auto liability insurance and $1 million of excess insurance), (2) primary general liability insurance in the amount of $1 million, and shall name Operator as an additional insured. USEC shall provide Operator written evidence of such insurance and shall provide for sixty (60) days notice prior to cancellation or reduction in coverage under such policies.

ARTICLE XXII
INDEMNIFICATION

Section 22.1 General. Each Party shall indemnify, save harmless and defend the other Party, its directors, officers, employees, contractors and agents from and against any and all liabilities, claims, penalties, fines, forfeitures, losses, costs and expenses (including costs 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, caused by, or arising out of, in whole or in part, the indemnifying Party's material breach or material default of this Contract or the indemnifying Party's gross negligence or willful misconduct in performance or failure to perform any obligation imposed on the indemnifying Party under this Contract (including in the case of Operator, performance or failure to perform the Services and any material breach of any representation or warranty made by Operator herein).

Section 22.2 Procedures and Responsibility. Without limiting the provisions of Section 22.1, in the event DOE, DOL, the NRC, or any other Governmental Authority issues a citation or notice of violation initiating enforcement action, or otherwise indicates a violation or potential violation of Applicable Law, against or involving USEC or Operator, or upon becoming aware of any other claim, complaint, action, suit, investigation or proceeding against or involving Operator or any subcontractor thereof (including any complaint filed under Section 211 by any employee of Operator or any of Operator's subcontractors) arising out of the provision of the Services, the operation and maintenance of the GDPs, or any other matter arising out of or related to this Contract (collectively, "Claims"):

(a) USEC Notification. Operator promptly shall notify USEC of any Claim, including any Claim filed under the employee protection provisions of Section 211. Upon such notification,

USEC in its discretion may select joint defense counsel and may assist and

advise Operator in its defense of the Claim, participate in any proceedings related to the Claim, require Operator to transfer control, in part or in whole, of the Claim to USEC, and take any other reasonable action directed by USEC. Operator shall: (i) advise USEC of the Claim and Operator's position with respect to the Claim and the defenses available to the Operator; and (ii) keep USEC apprised of the status of the Claim and all material developments in any proceedings related to the Claim, including the issuance of orders, scheduling of hearings, and progress of any settlement discussions;

(b) Cooperation. Operator agrees to cooperate fully with USEC in responding to such Claim and to assist USEC to prepare its legal and factual position, in a timely manner so that all procedural timetables are satisfied, prior to submission. In the event USEC does not accept a position prepared by Operator, USEC will so advise Operator and will consult with Operator to attempt to resolve any disagreements with the objective of presenting a unified position. USEC shall make the final determination of the position to be adopted by the Parties;

(c) Operator Responsibility. If DOE, DOL, the NRC or any other Governmental Authority initiates escalated enforcement action against USEC based upon (i) willful violations by Operator, or (ii) violations of commitments made by USEC in DOE or NRC approved compliance plans for which USEC has provided sufficient funds to Operator to satisfy such commitments, then Operator shall indemnify and hold USEC harmless against any and all Costs imposed against or upon or incurred by USEC in connection with such enforcement action. Operator shall also indemnify and hold USEC harmless against any and all Costs imposed against or upon or incurred by USEC in connection with any DOL proceeding or civil action brought by an employee or former employee of Operator or any subcontractor thereof, based upon Operator's or subcontractor's actual or alleged violation of Section 211 with respect to such employee or former employee, or any enforcement action related thereto;

(d) Control of Litigation. Operator shall not initiate any Claim against any third party without the prior approval of USEC. To the extent not in conflict with any applicable policy of insurance, Operator: (i) with USEC's approval, may settle, or at USEC's direction shall settle, any Claim; (ii) if required by USEC, shall effect an assignment or subrogation in favor of USEC of all of Operator's rights and claims (except those against USEC) arising out of any such Claim against Operator; and (iii) if required by USEC, shall authorize representatives of USEC to settle or defend any such Claim and to represent Operator in, or to take charge of, any action. If the settlement or defense of a Claim against Operator is undertaken by USEC, Operator shall furnish all reasonable assistance in effecting a settlement or asserting a defense. Where a Claim against Operator is not covered by a policy of insurance, Operator, with the approval of USEC, shall proceed with the defense of the action in

good faith, and in such event the defense of the Claim shall be at the expense of USEC; provided, however, that USEC shall not be liable for such expense of defense to the extent that: (x) it would have been compensated by insurance which Operator was required to maintain by law or by this Contract, but which Operator failed to secure through its own fault or negligence; or (y) the Costs associated with such Claim (including such expense of defense) shall be the responsibility of Operator as provided in Sections 22.1 or 22.2(c); and

(e) Reimbursement of Costs under Section 211 . Operator waives any claim for, or entitlement to, reimbursement from USEC, either under this Contract or on any other basis, for any Costs assessed against or incurred by Operator in connection with any enforcement action, DOL proceeding, civil action or other Claim brought against Operator by an employee or former employee of the Operator or any subcontractor thereof, based upon the Operator's or subcontractor's actual or alleged violation of Section 211 with respect to such employee or former employee, unless: (i) USEC specifically agrees to provide

such reimbursement pursuant to a separate agreement with Operator; or (ii) such actual or alleged violation of Section 211 is determined pursuant to a final and nonappealable judgment or decision, to be based upon action taken by Operator at the specific direction of USEC and with USEC's knowledge and approval; provided, that Operator's reasonable, verifiable defense costs actually incurred (including reasonable attorneys' fees, litigation costs and mediation costs but excluding costs of settlement or judgments) shall be at USEC's expense if such costs are incurred prior to the date of any adverse determination against Operator with respect to any actual or alleged violation of Section 211 (including any judgment of liability against Operator in any judicial forum, a decision by the DOL under Applicable Law that Operator has violated the employee provisions of the statutes or executive orders for which the DOL has been assigned enforcement action, or a decision against Operator by the head of an executive agency under 41 U.S.C. Section 241[251]).

Section 22.3 Preexisting Conditions. The Parties recognize that Title II of the AEA allocates to DOE liability for conditions, events or circumstances occurring or obtaining prior to July 1, 1993 and for the operations of the GDPs prior to July 1, 1993. The Parties agree that Operator shall seek indemnification from DOE and not from USEC for Costs associated with such conditions, events and operations which Operator may incur or for which Operator shall be liable. In the event further legislation is enacted or a memorandum of understanding or other agreement is entered into between USEC and OMB or DOE which provides for the allocation to any Governmental Authority of any liability in connection with conditions, events or circumstances relating to the GDPs or the provision of Services occurring or obtaining after July 1, 1993, Operator shall seek indemnification from such Governmental Authority and not from USEC for Costs associated with such conditions, events and operations which Operator may incur or for which Operator shall be liable. Without limiting the provisions of Sections 20.3 or 23.10, Operator

hereby releases, remises and acquits USEC from and against any and all Costs, known or unknown, fixed or contingent, suspected or unsuspected, latent, concealed or hidden, incurred or to be incurred by Operator to the extent such Costs relate to or arise out of or with respect to conditions, events or circumstances occurring or obtaining as of July 1, 1993 (or such later date as may be provided for in further legislation or any such memorandum of understanding or other agreement as contemplated above) or the operations of the GDPs prior to July 1, 1993 (or such later date as may be provided for in further legislation as contemplated above).

Section 22.4 Accrued Employee Benefits. Without limiting the provisions of Sections 6.2(d), 20.3, 22.3 or 23.10, USEC shall continue to reimburse Operator for costs for post-retirement health care and life insurance benefits arising from Operator's employee benefit plans in effect on or prior to the Effective Date, pursuant to the terms of the Original Contract, to the extent that the rights of Operator's employees with respect thereto have become vested prior to the Effective Date and to the extent such costs are attributable to that portion of the employee's period of service beginning on July 1, 1993 (or such later date as may be provided in further legislation or a memorandum of understanding or other agreement as described in Section 22.3) and ending on the Effective Date; provided, that USEC shall be released from liability for such costs to the extent USEC causes such liability to be assumed by a replacement or successor operator pursuant to the provisions of Sections 17.2 or 17.3.

Section 22.5 Interest. Amounts to be paid or reimbursed by Operator to USEC or by USEC to Operator pursuant to this Article XXII other than Section 22.2(e)(i) with respect to any Cost incurred by USEC or Operator, respectively, shall bear interest from the date such Cost is incurred to the date paid or reimbursed at the Prime Rate plus four (4) percentage points.

Section 22.6 Price-Anderson Indemnification.

(a) Relation to Price-Anderson Indemnification. Neither Party shall be obligated to pay any Cost or Claim under the provisions of this Contract to the extent such Cost or Claim relates to a nuclear incident or precautionary evacuation subject to indemnification under the provisions of Article XVIII or to Section 22.6(b).

(b) Price-Anderson Indemnification with Respect to AVLIS. The provisions of Article XVIII shall not apply to support services provided by Operator to DOE at LLNL or to other Services provided with respect to the AVLIS Program. Operator acknowledges that Operator is provided Price-Anderson indemnification as "persons indemnified" under the indemnification clause contained in Article XVII, CL.2 of the M&O Contract, which is DOE Acquisition Regulations clause 957.250-70.

(c) Limitation. Nothing in Article XVIII or this Section 22.6 shall be construed to confer any rights or benefits upon

Operator or any other person indemnified except those rights or benefits which accrue to Operator or such person indemnified pursuant to subsection 170d. of the AEA, Section 10.1(i) of the Lease Agreement and Article XVII, CL. 2 of the M&O Contract.

Section 22.7 Travel Expenses. In the event any suit, legal action or proceeding is brought by USEC against Operator or by Operator against USEC in the Supreme Court of the State of New York, County of New York or the United States District Court for the Southern District of New York pursuant to this Contract, USEC agrees that it shall reimburse Operator for the reasonable out-of-pocket expenses actually incurred by Operator for travel from the vicinity of Bethesda, Maryland to New York, New York (including travel, meals and accommodations), not to exceed amounts customarily paid or reimbursed by Operator pursuant to its standard corporate policies. Such reimbursement shall be limited to such travel expenses (a) of Operator's in-house counsel, of a single outside law firm, and of other Operator personnel customarily located in or near Operator's corporate headquarters in Bethesda, Maryland necessary for the conduct of Operator's defense of such suit, legal action or proceeding, plus (b) the incremental amount of such travel expenses of Operator's in-house counsel, of a single outside law firm, or of other Operator personnel customarily located in or near locations other than Bethesda, Maryland or New York, New York incurred by Operator in excess of the amount of such expenses that Operator otherwise would have incurred had such suit, legal action or proceeding been brought by USEC in the State of Maryland rather than in New York, New York. USEC only shall be required to reimburse Operator for such travel expenses to the extent Operator obtains a final and nonappealable determination adverse to USEC in such suit, legal action or proceeding.

Section 22.8 Security and Fire-Fighting Forces. It is USEC policy to allow Operator to defend any security and fire-fighting force if a claim or a civil or criminal action results from the employee's conduct which was undertaken in good faith for the purpose of accomplishing and fulfilling the employee's official duties. Operator at USEC's expense shall provide legal counsel and pay all reasonable counsel fees and incidental costs and expenses (including any premium for bail bond) which may be necessary to defend adequately any member of said security and fire-fighting force against whom a claim or civil or criminal action is brought and, at USEC's expense, shall pay any judgments or any other financial liability resulting from such claim or civil or criminal action.

ARTICLE XXIII
MISCELLANEOUS

Section 23.1 Applicable Law. This Contract shall be governed by the laws of the State of New York (without reference to the choice of law provisions

of New York law other than Section 5-

1401 of the New York General Obligations Law), except to the extent that the application of such laws is preempted by Federal law.

Section 23.2 Submission To Jurisdiction. ANY SUIT, LEGAL ACTION OR PROCEEDING AGAINST EITHER PARTY WITH RESPECT TO THIS CONTRACT TO WHICH EITHER PARTY IS OR BECOMES A PARTY SHALL BE BROUGHT EXCLUSIVELY IN THE SUPREME COURT OF THE STATE OF NEW YORK, COUNTY OF NEW YORK, OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND EACH PARTY HEREBY SUBMITS TO AND ACCEPTS THE EXCLUSIVE JURISDICTION OF SUCH COURTS FOR THE PURPOSE OF ANY SUCH SUIT, LEGAL ACTION OR PROCEEDING. EACH PARTY HEREBY AGREES THAT SERVICE OF ALL WRITS, PROCESS AND SUMMONSES IN ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN THE STATE OF NEW YORK MAY BE MADE UPON SUCH PARTY IN THE MANNER SET FORTH IN SECTION 23.4 FOR DELIVERY OF NOTICES AND AGREES TO WAIVE ANY DEFENSE OF OR OBJECTION TO ANY SUCH SUIT, LEGAL ACTION OR PROCEEDING ON THE BASIS THAT SUCH COURTS LACK PERSONAL JURISDICTION IF SERVICE IS MADE IN SUCH MANNER. EACH PARTY HEREBY FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING IN SAID COURTS BY THE TRANSMITTING THEREOF BY THE OTHER PARTY VIA TELEX OR TELEGRAM TO SUCH PARTY IF SUCH PROCESS IS ACTUALLY RECEIVED BY SUCH PARTY. NOTHING HEREIN SHALL IN ANY WAY BE DEEMED TO LIMIT THE ABILITY OF EITHER PARTY TO SERVE ANY SUCH WRITS, PROCESS OR SUMMONSES IN ANY MANNER PERMITTED BY APPLICABLE LAW OR TO OBTAIN JURISDICTION OVER THE OTHER PARTY IN SUCH OTHER JURISDICTIONS, AND IN SUCH MANNER, AS MAY BE PERMITTED BY APPLICABLE LAW. EACH PARTY AGREES THAT A FINAL JUDGMENT IN ANY SUCH SUIT, ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT NOW OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH COURT AND HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH SUIT, LEGAL ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

Section 23.3 Waiver of Jury Trial. THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION OF CLAIMS WHICH ARE BASED HEREON OR ARISE OUT OF, UNDER, OR IN CONNECTION WITH, THIS CONTRACT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF OPERATOR OR USEC. THIS PROVISION IS A MATERIAL INDUCEMENT FOR USEC TO ENTER INTO THIS CONTRACT.

Section 23.4 Notices.

(a) Address for Notices. Any notice, request, demand, claim or other communication related to this Contract shall be in writing and delivered by hand or transmitted by facsimile transmission (with telephonic confirmation) or by nationally recognized overnight courier to the other Party at the following numbers and addresses:

Operator:

Lockheed Martin Utility Services, Inc.
6903 Rockledge Drive, 4th Floor
Bethesda, MD 20817
Attention: David L. Stansberry
Phone Number: 301/571-8276
Fax Number: 301/571-8278

USEC:

United States Enrichment Corporation

Two Democracy Center
6903 Rockledge Drive, 4th Floor
Bethesda, MD 20817
Attention: Charles W. Kerner
Phone Number: (301) 564-3324
Fax Number: (301) 564-3204

(b) Change of Address. Either Party may change its address, representative or numbers for receiving notices by giving notice of such change to the other Party.

Section 23.5 Headings. The headings and subheadings of the Articles, Sections, and Schedules contained in this Contract are inserted for convenience only and shall not affect the meaning or interpretation of this Contract or any provision hereof.

Section 23.6 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.

Section 23.7 Counterparts. This Contract may be executed and delivered in two or more counterparts, each of which shall be treated as an original but which, when taken together, shall constitute one and the same instrument, and may be delivered by facsimile transmission.

Section 23.8 Amendment. This Contract may be modified or amended only by the written agreement of both Parties executed and delivered by their duly authorized representatives.

Section 23.9 Waiver. No delay or omission by the Parties in exercising any right or remedy provided herein shall constitute a waiver of such right or remedy and shall not be construed as a bar to or a waiver of any such right or remedy on any future occasion. Any waiver, permit, consent or approval of any kind or character on the part of either Party of any breach or default under this Contract, or any waiver on the part of either Party of any provision or condition of this Contract, must be in a writing signed by the Party granting

such waiver, permit, consent or approval, and shall be effective only to the extent specifically set forth in such writing.

Section 23.10 Entire Agreement; Prior Claims.

(a) Prior Agreements. Except for those agreements set forth on Schedule P, this Contract and the Schedules attached hereto embody the entire agreement between the Parties in relation to the subject matter herein and supersede the Original Contract and all other prior understandings or agreements, oral or written, between the Parties.

(b) Release. Except for those Costs and Claims set forth on Schedule K and except as provided in Section 22.4 or Sections 23.10(c) or (d), Operator hereby releases, remises and acquits USEC and its officers, directors, agents and employees from and against, and waives any right to reimbursement or indemnification for, any and all Costs and Claims, fixed or contingent, incurred, to be incurred or arising pursuant to the Original Contract or any other such prior understanding or arrangement and known to Operator on the Effective Date, including any liabilities of USEC with respect to termination of the Original Contract under Article I.83 thereof.

(c) Unknown Claims. If Operator, after the Effective Date, asserts any Claim against USEC for reimbursement or indemnification for Costs or Claims incurred, to be incurred or arising pursuant to the Original Contract or any other such prior understanding or arrangement and not known to Operator

on the Effective Date, then, subject to Sections 22.3 and 22.4, such Claim shall be resolved pursuant to the terms of the Original Contract. Operator shall give USEC prompt notice of any potential such unknown Cost or Claim, and hereby releases, remises and remits USEC from and against, and waives any right to reimbursement or indemnification for, any such unknown Cost or Claim unless Operator gives USEC notice of such Cost or Claim prior to the date forty-two (42) months after the Effective Date.

(d) Payment of Subcontractors. USEC shall continue to reimburse Operator for claims for payment submitted by Operator's subcontractors for work performed under the Original Contract prior to the Effective Date, subject to the terms and conditions of the Original Contract and to the provisions of 22.3.

(e) Assignment of Credits. Operator hereby assigns to USEC all of Operator's right, title and interest in and to any refunds, rebates, allowances, accounts receivable, or other credits applicable to costs reimbursed by USEC under the Original Contract.

Section 23.11 Order of Precedence. Except as expressly provided in Article VIII, any conflict or inconsistency between portions of this Contract shall be resolved by giving precedence in the following order:

(a) Articles and Sections. The Articles and Sections of this Agreement, as modified, amended or supplemented from time to time pursuant to Section 23.8;

(b) Statement of Work. The Statement of Work, as modified, amended or supplemented from time to time pursuant to Section 23.8;

(c) Annual Budget. The Annual Budget, as modified, amended or supplemented from time to time pursuant to Section 6.1;

(d) Annual Operating Plan. The Annual Operating Plan, as modified, amended or supplemented from time to time pursuant to Section 4.2; and

(e) Schedules. Schedules D through J, as modified, amended or supplemented from time to time pursuant to Section 23.8.

Section 23.12 Specific Performance. Without limiting any other right or remedy which USEC may have hereunder, the Parties recognize that money damages may be insufficient compensation for a breach of Operator's obligations under this Contract and accordingly agree that USEC may seek specific performance or other equitable relief with respect to such obligations.

Section 23.13 No Third-Party Beneficiaries. Except as expressly set forth in Articles XVIII and XXII, this Contract is intended to be solely for the benefit of USEC and Operator and their successors and assigns permitted under Article XX, and nothing in this Contract shall be construed to confer any benefit on any person or entity other than the Parties and their successors and assigns permitted under Article XX.

IN WITNESS WHEREOF, the Parties have caused this Contract to be signed by their duly authorized officers as of this 1st day of October, 1995.

UNITED STATES ENRICHMENT CORPORATION

By:/s/ George Rifakes

Name:
Title: Executive Vice President

LOCKHEED MARTIN UTILITY SERVICES, INC.

By:/s/David L. Stansherry

Name:
Title: Director, Business Operations

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[USEC LOGO]

Dir: (301) 564-3301
Fax: (301) 564-3208

GEORGE P. RIFAKES
EXECUTIVE VICE PRESIDENT, OPERATIONS

March 24, 1998

Mr. David Stansberry
Lockheed Martin Utility Services
6905 Rockledge Drive
Bethesda, MD 20817

Dear Mr. Stansberry:

This is to advise you that USEC hereby exercises its option pursuant to Section 17.1(b) of the Operation and Maintenance Contract (Contract Number USEC-96-C-001 effective as of October 1, 1995) to renew said contract for one additional two year term.

Please acknowledge receipt of this notice by signing and returning the enclosed copy of this letter to me.

Sincerely,

/s/ GEORGE P. RIFAKES
George P. Rifakes
Executive Vice President

Received for LMUS

By: [sig]

6903 Rockledge Drive, Bethesda, MD 20817-1818
Telephone 301-564-3200 Fax 301-564-3201 http://www.usec.com
Offices in Livermore, CA Paducah, KY Portsmouth, OH Washington, DC

Exhibit 10.3

PERFORMANCE GUARANTY

For and in consideration of the execution by the United States Enrichment Corporation ("USEC") of Contract USEC- 96-C-0001 ("Contract") with Lockheed Martin Utility Services, Inc. ("Subsidiary"), and in partial satisfaction of the obligations of Subsidiary under the letter agreement dated October 19, 1995, by and between the USEC and Subsidiary, executed in connection with the Contract, Lockheed Martin Corporation ("Guarantor") hereby absolutely, unconditionally and irrevocably guarantees to the USEC the full and prompt payment and performance of all obligations of Subsidiary under the Contract. The liability of Guarantor hereunder shall be continuing and shall not be affected by any modification, reformation, waiver, release, extension or amendment of the Contract consented to by Subsidiary or by the assignment to the USEC's successor of this Guaranty contemporaneously with the assignment of the Contract to the USEC's successor in conjunction with the privatization of the USEC or any other event or circumstance that may give rise to a defense to payment or performance by Guarantor.

Guarantor hereby waives notice by the USEC of acceptance of this Guaranty, notice of default, presentment, demand, rights of subrogation, and reimbursement, and any defenses of a guarantor provided however that prior to proceeding against Guarantor under this Guaranty, USEC shall first issue to Subsidiary a demand for performance as provided in the Contract and any cure period applicable to such performance as set forth in the Contract shall have expired without cure by Subsidiary. This Guaranty shall be governed under the laws of New York.

October 1, 1995

LOCKHEED MARTIN CORPORATION

/s/ Walter E. Skowronski

Walter E. Skowronski
Vice President and Treasurer

6801 Rockledge Drive
Bethesda, Maryland 20817

Exhibit 10.4

MEMORANDUM OF AGREEMENT RELATING TO THE TRANSFER OF FUNCTIONS AND ACTIVITIES FROM THE UNITED STATES DEPARTMENT OF ENERGY TO THE UNITED STATES ENRICHMENT CORPORATION

This Memorandum of Agreement is entered into as of the 15th day of December, 1994, by and between the UNITED STATES DEPARTMENT OF ENERGY ("DOE" or "the Department") acting by and through the Secretary of Energy, and the UNITED STATES ENRICHMENT CORPORATION ("USEC" or "the Corporation"), acting by and through its Chief Executive Officer ("CEO").

RECITALS

WHEREAS, Title IX of the Energy Policy Act of 1992, Public Law 102-486 ("Energy Policy Act"), established USEC by amending the Atomic Energy Act of 1954 ("Atomic Energy Act") to add a new Title II - United States Enrichment Corporation;

WHEREAS, Section 1308(b) of the Atomic Energy Act provides for the transfer of the unexpended balances of appropriations and other monies available to DOE and accounts receivable related to functions and activities acquired by USEC from DOE under Title IX of the Energy Policy Act;

WHEREAS, to effectuate the transfer required by Section 1308(b) of the Atomic Energy Act, the Office of Management and Budget issued a June 30, 1993, Interim Determination Order authorizing DOE to transfer to USEC a total of approximately $106.5 million in appropriated balances, which DOE transferred to USEC; as well as approximately $143 million in net accounts receivable;

WHEREAS, to further resolve matters relating to the transfer of functions and activities, the Office of Management and Budget issued a second Interim Determination Order on November 29, 1993, authorizing DOE to transfer to USEC an additional $106.5 million of unexpended balances not authorized or transferred under the June 30, 1993 Interim Determination Order;

WHEREAS, DOE subsequently paid USEC approximately $52.6 million of the $106.5 million in unexpended balances leaving $53.9 million still unpaid;

WHEREAS, pursuant to Section 1403 of the Atomic Energy Act, USEC and the Department entered into an agreement, dated July 1, 1993, (the "Lease") for the lease of portions of two gaseous diffusion plants ("GDP's") owned by DOE and located in Piketon, Ohio ("PORTS") and Paducah, Kentucky ("PGDP");

WHEREAS, the Lease provided that the Department shall reimburse USEC for certain costs incurred by the Corporation in connection with bringing the GDP's into compliance with certain laws and regulations that are or will be applicable to the GDP's;

WHEREAS, by letter dated September 30, 1993, DOE requested the approval of the Congress to reprogram funds needed to correct identified Occupational Safety and Health Act deficiencies at the two leased facilities and to cover certain costs related to nuclear safety over sight and compliance requirements;

WHEREAS, Section 5.1(b)(ii) of the Lease required the Department to reimburse the Corporation for work required to obtain an initial certificate of compliance from the Nuclear Regulatory Commission ("NRC") or NRC approval of a Department plan for achieving compliance;

WHEREAS, on July 12, 1994, the Board of Directors of USEC decided to proceed with the commercialization of AVLIS;

WHEREAS, Sections 1601(b) and 1602(b) of the Atomic Energy Act authorize the transfer from DOE to USEC of certain rights and property relating to AVLIS;

WHEREAS, Section 1401 of the Atomic Energy Act establishes USEC as the exclusive marketing agent on behalf of the United States Government for entering into contracts for providing enriched uranium and uranium enrichment and related services after July 1, 1993; and

WHEREAS, Section 161j. of the Atomic Energy Act authorizes the Department to make such disposition as it deems desirable of radioactive material, the special

disposition of which is, in the Department's opinion, in the interest of the national security.

NOW, THEREFORE, under authority of the Energy Policy Act and the Atomic Energy Act, and subject to their provisions, and in order to carry out the mandate Congress has given DOE and USEC, to fully satisfy DOE's obligations under Section 1308(b) of the Atomic Energy Act, and to resolve certain other issues relating to the transfer of functions and activities from DOE to USEC, the parties hereto agree as follows:

I. AVLIS

A. Termination Costs

(i) USEC shall be solely responsible for all costs, exclusive of internal DOE overhead costs and the cost of work performed by DOE employees, that are associated with the termination and close-out of the atomic vapor laser isotope separation ("AVLIS") program up to a maximum of $40 million. These costs are limited solely to the termination of AVLIS activities at the Lawrence Livermore National Laboratory ("LLNL") site and relocation costs of Martin Marietta Energy Systems, Inc. employees from LLNL back to Oak Ridge for which DOE is obligated to pay. Except as provided in Section I.A.(ii) below, DOE shall remain responsible for all other costs associated with the termination and close-out of the AVLIS program.

(ii) In addition to the costs specified in Section I.A.(i), if USEC's use or operation of AVLIS after July 12, 1994 increases the cost, exclusive of internal DOE overhead costs and the costs of work performed by DOE employees, associated with the termination and close-out of the AVLIS program over that which would have been incurred in the absence of such use or operation, USEC shall be responsible for such increased costs.

B. Decontamination and Decommissioning Costs

Except as provided in this paragraph, the Department shall remain responsible for all costs associated with the decontamination and decommissioning, as defined in Section 1201 of the Atomic Energy Act, of AVLIS facilities. If USEC's use or operation of AVLIS facilities increases the costs paid by the Department, exclusive of internal DOE overhead costs and the cost of work performed by DOE employees, for the decontamination and decommissioning of the AVLIS facilities over that which the Department would have incurred in the absence of such use or operation, then USEC shall reimburse the Department for such increased costs incurred.

II. REPROGRAMMING

The Department agrees to use its best efforts to obtain Congressional authorization for the pending request to reprogram funds necessary to accomplish this Agreement. USEC will actively assist the Department's efforts to obtain Congressional authorization to reprogram funds necessary to accomplish the purposes of this Agreement.

III. DETERMINATION ORDER

The Department agrees to satisfy its remaining $53.9 million obligation to USEC under the OMB Interim Determination Orders dated June 30, 1993 and November 29, 1993 as follows:

A. AVLIS Termination Funds

Within 30 days of the execution of this Agreement, the Department shall transfer the remaining funds reserved for AVLIS termination activities in the amount of $34.3 million.

B. Remaining Commitment

The remaining amount due under the Interim Determination Orders, $19.6 million, shall be provided through direct transfers of uranium or by assignment of the accounts receivable from sales of uranium inventories held by DOE in accordance with

the terms specified in Sections VI.E. (i) - (iii) below. If the amount received by USEC from the accounts receivable from the sales of uranium inventories exceed the remaining amount due under the Interim Determination Orders then USEC shall credit the excess toward the Department's obligations for the reimbursable costs as defined in Section VI.A. below.

IV. COSTS TO BRING GDP'S INTO COMPLIANCE WITH OSHA STANDARDS

Section 5.1(a) of the Lease requires the Department to provide to USEC $35 million in complete satisfaction of all the Department's obligation for any and all modifications to bring the GDP's into compliance with applicable OSHA standards. The Department has paid to USEC $5.63 million, leaving $29.37 million unpaid. In satisfaction of that obligation, the Department shall pay to USEC $29.37 million immediately upon receiving Congressional authorization for reprogramming of funds for that purpose.

V. PORTSMOUTH HIGHLY ENRICHED URANIUM

The Department agrees to provide to USEC 13.198 metric tons of highly enriched uranium, in the form of UF6 which can be introduced into the uranium enrichment stream to produce a product that will meet the current ASTM specification for UF6 enriched to less than five percent (5%) from natural uranium feed (C-996-90), (the "13 MTU") located at PORTS in accordance with the following terms:

A. Upon execution of this Agreement, DOE will transfer rights to the 13 MTU to USEC, but DOE will retain title and control of it until it enters the uranium enrichment process stream through the feed station at PORTS and is blended to below 10 percent U-235. USEC shall accept, take delivery of and title to the 13 MTU at the time the material enters the uranium enrichment process stream through the feed station at PORTS and is blended to below 10 percent U-235.

Once USEC takes title to the 13 MTU, it assumes all responsibility for that material, including for the quality of the resulting product.

B. Until September 30, 1994 the Department shall bear the costs of complying with all nuclear safety, safeguards and security controls for any and all uranium enriched to concentrations of 10 percent U-235 or greater ("Nuclear Safe guards Requirements"). Subject to the reductions provided in Section V.E., USEC shall reimburse the Department for the costs incurred in complying with the Nuclear Safeguards Requirements with respect to the 13 MTU covered by this Agreement beginning on October 1, 1994 up to a maximum of $9.9 million per fiscal year. The Department shall be responsible for the costs incurred in complying with the Nuclear Safeguards Requirements with respect to any highly enriched uranium other than the 13 MTU. Notwithstanding this allocation of financial responsibility, the Department agrees that it will be solely responsible for providing for, establishing and maintaining Nuclear Safeguards Requirements for all uranium enriched to concentrations of 10 percent U-235 or greater. USEC shall assume physical responsibility for nuclear safety, safeguards and security for uranium covered by this Agreement only after such material is processed, as necessary, to concentrations of less than 10 percent U-235.

C. USEC will compensate DOE for the 13 MTU in the following amounts: (i) $82.8 million for the separative work unit ("SWU") value, and (ii) $36 million for the natural uranium component of the same material, for a total of $118.8 million.

D. The $118.8 million compensation by USEC shall be paid as follows: (i) a credit of $12.5 million for the additional costs to USEC of processing and handling the 13 MTU, which credit includes all costs associated with transporting the material from X-345 to X-326, sampling and analyzing the material, installing and operating chemical traps for contaminant

treatment, feeding the material into the uranium enrichment processing stream, removing heels material from all (approximately 1,322) cylinders currently stored in X-345, cleaning and decontaminating such cylinders, and any safe guards costs associated with storage of such cylinders prior to cleaning, (ii) a credit of $9.9 million per year for fiscal years 1995 through 1999, totalling $49.5 million, for Nuclear Safeguards Requirements costs associated with maintaining the 13 MTU at PORTS (except as that number may be affected by Sections V.E. and V.F. below), and (iii) the balance to reimburse USEC for its costs to bring the GDP's into compliance with standards in accordance with Section VI of this Agreement. After cleaning and decontamination, DOE shall be responsible for the cost of storage and eventual disposal of the cylinders and the resulting waste and other product.

E. The $49.5 million credit for Nuclear Safeguards Requirements costs shall be reduced pro rata by weight for each month for any amount of highly enriched uranium (other than the remaining portion of the 13 MTU) DOE retains at PORTS based on the actual inventories at PORTS during the prior month. Appendix A reflects DOE's current projection of highly enriched inventories at PORTS through September 1995 and includes the formula for calculating the reduction in credit, if any.

F. A ratable portion of the credits of $9.9 million for fiscal years 1998 and 1999 shall be reduced for any months after USEC has completed feeding the 13 MTU into the uranium enrichment processing

stream and the amount shall be rebated to the Department in accordance with Section VI.D. Except as provided in Section V.E., no reduction shall be made for fiscal years 1995 through 1997.

VI. COSTS TO BRING DOE GDP'S INTO COMPLIANCE WITH NRC CERTIFICATION STANDARDS AND THE REGULATORY OVERSIGHT AGREEMENT

A. Reimbursable Costs

(i) Except as provided below, the Department and USEC agree that the costs reimbursable pursuant to Section 5.1(b) of the Lease (hereinafter "reimbursable costs") include all costs, exclusive of internal USEC overhead costs and the cost of USEC employees not fully dedicated to this effort, reasonably incurred by USEC for all work necessary either (1) to bring the Leased Premises and Leased Personality into compliance with the Regulatory Over sight Agreement (Exhibit D to the Lease) and any amendment thereof, or to achieve any other safety improvements required or directed by DOE; or (2) to obtain initial NRC certification or NRC approval of a plan to achieve compliance (including all work related to preparing, submitting, gaining NRC approval, and achieving initial compliance with NRC standards). Such work includes, but is not limited to, physical work, architectural and engineering services, preparation and revision of procedures, preparation of the application, application fees, and training of personnel. The reimbursable costs shall exclude fifty percent (50%) of the costs of outside consultants providing training services and fifty percent (50%) of the costs of outside legal services.

(ii) Any request by USEC for reimbursement of reimbursable costs pursuant to this Agreement shall include adequate documentation of the basis for the request, including the amount and nature of the cost by category, along with supporting third party invoices. Upon request, USEC shall permit DOE access to any records maintained by USEC that support USEC's request for payment of reimbursable costs.

B. Safety Analysis Reports

(i) If USEC requests any work on the Safety Analysis Reports for the GDP's, after November 30, 1994 USEC shall fully reimburse DOE for all costs, exclusive of internal DOE overhead costs, and the cost of DOE employees not fully dedicated to this effort, incurred in providing such assistance. Upon request, DOE shall provide a written cost estimate to USEC prior to commencing any work.

(ii) Any request by DOE for reimbursement of costs for any work on the Safety Analysis Reports requested by USEC pursuant to this Agreement shall include adequate documentation of the basis for the request, including the amount and nature of the cost by category, along with supporting third party invoices. Upon request, DOE shall permit USEC access to any records maintained by DOE that support DOE's request for payment of reimbursable costs.

C. Reprogramming Funds

Upon receiving Congressional authorization for the reprogramming of funds, the Department shall transfer $11 million to USEC.

D. DOE Credit

Upon receipt of the rights to the 13 MTU described in Section V. above, USEC shall credit the Department with $56.8 million toward the reimbursable costs as defined in Section VI.A. ($118.8 million less $49.5 million Nuclear Safe guards Requirements costs and less $12.5 million processing and handling costs). Should any of the credits for the cost of Nuclear Safeguards Requirements be reduced pursuant to Sections V.E. or V.F., USEC shall credit the Department in the amount of the reduction toward the reimbursable costs as defined in VI.A., or toward other amounts owed to USEC by the Department. If no such obligations are outstanding, USEC shall rebate those amounts in cash.

E. Sales, Transfers and Valuation of Inventories

To the extent USEC's reimbursable costs exceed the amount provided for in Sections VI.C. and D., the Department shall reimburse USEC through direct transfers of uranium or by assignment of the accounts receivable resulting from sales of uranium inventories held by DOE as follows:

(i) DOE shall have the right to elect in the first instance whether to provide USEC with uranium or to sell uranium to a third party, subject to the provisions of Section 1401 of the Atomic Energy Act, and transfer the accounts receivable from such sale to USEC in full or partial satisfaction of the DOE obligation. DOE shall notify USEC of its election within 30 days of its receipt of USEC's request for reimbursement of reimbursable costs. Except as provided in Section VI.E(iii) below, DOE shall arrange for and be solely responsible for any and all costs associated with the transfer of inventory including the costs of processing before the material enters the uranium enrichment process stream (and waste disposal and decontamination associated with such pre-enrichment stream processing), packaging, handling, and transportation. DOE may elect to satisfy its obligation to pay for such transfer costs by transferring to USEC additional uranium to compensate USEC for such costs.

(ii) In the event DOE elects to provide USEC with uranium, USEC may request it in the form it can best utilize at that time, and DOE shall make reasonable efforts to make the requested form available. It shall be delivered by DOE as soon as possible to either PORTS or PGDP as designated by USEC and in accordance with a schedule for delivery agreed upon by USEC and DOE. If DOE

does not have available for transfer uranium in the form USEC requests or meeting the specifications required by USEC, DOE agrees to sell uranium to a third party, subject to Section 1401 of the Atomic Energy Act, and transfer the accounts receivable to USEC.

(iii) In the event DOE provides USEC with natural uranium in the form of UF6, the UF6 shall be valued at $15 per Kg unless otherwise agreed by the parties. In the event that such natural uranium is located at PORTS or PGDP, delivery shall occur at the GDP where the material is located and USEC shall arrange for and be solely responsible for any and all costs associated with the transfer of the inventory.

VII. ADDITIONAL TERMS

A. The Secretary and the CEO shall each designate a representative to make best efforts to develop a resolution by December 31, 1994 within the Administration, for any compensation due USEC with respect to the purchase of the Russian enriched uranium.

B. DOE and USEC agree that the terms under which USEC will act as DOE's exclusive marketing agent for future sales of enriched uranium and related services shall be the subject of a future Memorandum of Agreement between DOE and USEC, which the parties will make best efforts to enter into by November 30, 1994.

IN WITNESS WHEREOF, the Department and USEC have caused this Agreement to be executed and delivered, as of the date first written above, and hereby affix the signatures of their duly authorized representatives:

/s/ Hazel R. O'Leary
- ----------
Hazel R. O'Leary
Secretary of Energy

AND

/s/ William H. Timbers, Jr.
- ----------
William H. Timbers, Jr.
President and Chief Executive Officer
United States Enrichment Corporation

AMENDMENT FY98-1
TO THE
MEMORANDUM OF AGREEMENT RELATING TO
THE TRANSFER OF FUNCTIONS AND ACTIVITIES FROM THE
UNITED STATES DEPARTMENT OF ENERGY TO THE
UNITED STATES ENRICHMENT CORPORATION

This AMENDMENT FY 98-1 to the MEMORANDUM OF AGREEMENT RELATING TO THE TRANSFER OF FUNCTIONS AND ACTIVITIES FROM THE UNITED STATES DEPARTMENT OF ENERGY TO THE UNITED STATES ENRICHMENT CORPORATION ("MOA") that was entered into on December 15th 1994 between the UNITED STATES DEPARTMENT OF ENERGY ("DOE") and the UNITED STATES ENRICHMENT CORPORATION ("USEC"), is entered into as of May 18, 1998.

WITNESSETH:

WHEREAS, the Congress of the United States of America has enacted the USEC Privatization Act, Title III of Public Law 104-134 (the "USEC Privatization Act"), which authorizes the Board of Directors, with the approval of the Secretary of the Treasury, to privatize USEC; and

WHEREAS, the Nuclear Regulatory Commission has issued certificates of compliance, approved compliance plans and, on March 3, 1997, assumed regulatory oversight for the operation of the gaseous diffusion plants;

WHEREAS, it is desirable to update the MOA and finally resolve certain issues addressed in the MOA;

NOW THEREFORE, under the authority of the Atomic Energy Act of 1954, the Energy Policy Act of 1992, Public Law 102-486 (the "Act"), the USEC Privatization Act, and other law, and in order to carry out the mandates which Congress has given DOE and USEC in those acts, DOE and USEC hereby agree to modify the MOA as follows:

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1. After Section VII the following new Section VIII is added:

VIII. Transfer of Uranium and Settlement of Liabilities

A. DOE Transfers to USEC

Subject to Section VIII.B., DOE shall transfer title to, risk of loss and possession of approximately 45 metric tons of low enriched uranium, 3,803,610 kgU of natural uranium and the cylinders in which the uranium is contained to USEC on the date on which the Secretarial Determination described in Section VIII.B. is signed. The low enriched uranium shall be uranium hexafluoride as described in Attachment 1 and shall not be subject to any restriction or limitation on its sale or use within the United States to or by persons authorized to own or possess low enriched uranium including any restrictions or limitations arising from federal law or regulations or suspension agreements governing the importation or use of foreign origin uranium. The low enriched uranium shall be delivered to USEC at the Portsmouth gaseous diffusion plant. The natural uranium shall be uranium hexafluoride meeting the current ASTM specification for commercial natural UF(6) (C-787-90) and shall be of U.S. origin. The natural uranium shall be delivered to USEC at the Paducah gaseous diffusion plant. The cylinders shall meet the current regulatory requirements and industry standards. USEC has the right to reject particular cylinders of natural or low enriched uranium that USEC determines fail to conform to the requirements of this Section VIII.A. or are otherwise defective in some manner. In the event USEC rejects one or more cylinders, DOE shall replace the rejected cylinders with conforming material of equal value to the rejected material within 60 days of receiving written notice from USEC of the rejection.

B. Secretarial Determination

The transfer of the uranium pursuant to Section VIII.A. is subject to a Determination by the Secretary of Energy, pursuant to Section 3112(d) of the USEC Privatization Act, that it will not have an adverse material impact on the domestic uranium mining, conversion or enrichment industry. USEC agrees that the uranium transferred pursuant to Section VIII.A. will not be placed into the market over less than a four-year period and that no more than thirty-five percent of the uranium will be delivered to a person other than the Department, an affiliate of USEC, USEC's successor or an affiliate of USEC's successor, in any calendar year.

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DOE agrees to use its best efforts to complete the Secretarial Determination and to transfer the uranium to USEC by May 22, 1998. In the event that on June 12, 1998, the Secretarial Determination required under Section 3112(d) to permit the transfer to take place is not signed, or that the Secretary determines that

additional restrictions on the transfer are required, USEC shall have the option of renegotiating the provisions of this Section VIII with DOE. In the event that the parties fail to reach agreement during such renegotiation, then USEC shall have the option of terminating the provisions of this Section VIII.

C. Settlement of Liabilities

Upon receipt and acceptance by USEC of the low enriched uranium and natural uranium pursuant to Section VIII.A., it is agreed by the Parties that the uranium transferred, together with the amounts previously transferred by DOE pursuant to the MOA and the remaining portion of the 13 metric tons of HEU to be transferred under Section V of the MOA, fully satisfies DOE's obligations under Sections III.B. and VI of the MOA, the final OMB Determination Order (No.3), and Section 5.1(b) of the Lease Agreement for the Gaseous Diffusion Plants ("Lease"). This includes the costs incurred by USEC to bring the Leased Premises and Leased Personality (as defined in the Lease) into compliance with the NRC approved plans for achieving compliance with NRC regulations (DOE/ORO-2027/R3 and DOE/ORO2026/R4) and other NRC requirements.

2. Section I. AVLIS is deleted.

3. Add the following new Section IX after Section VIII:

IX. Privatization.

If USEC is privatized and its duties and obligations are assumed by a private corporation pursuant to such privatization, this Agreement shall survive and shall be transferred to such private corporation without the need for DOE or USEC to take any further action. In such event, the name of such private corporation shall be substituted for that of USEC in this Agreement. In addition, DOE and USEC shall take whatever further action is required to transfer to such private corporation any memoranda of agreement or other documents related to this Agreement and entered into by DOE and USEC, on

or after the date hereof, which cannot be transferred to such private corporation by the operation of their terms.

IN WITNESS WHEREOF, and intending to be legally bound, DOE and USEC have caused this Amendment to the MOA to be executed and delivered upon the latter date of the signature of the two parties, and hereby affix the signatures of their duly authorized representatives.

/s/ Michael L. Telson 5/15/98	/s/ Henry Z Shelton, Jr. 5/18/98
Michael L. Telson Date	Henry Z Shelton, Jr. Date
Chief Financial Officer	Chief Financial Officer
U.S. Department of Energy	U.S. Enrichment Corporation

AMENDMENT FY98-2
TO THE
MEMORANDUM OF AGREEMENT
RELATING TO THE TRANSFER OF FUNCTIONS
FROM THE UNITED STATES DEPARTMENT OF ENERGY
TO THE UNITED STATES ENRICHMENT CORPORATION

THIS AMENDMENT, dated as of May 18, 1998 between the UNITED STATES DEPARTMENT OF ENERGY ("DOE") and the UNITED STATES ENRICHMENT CORPORATION ("USEC"). modifies the MEMORANDUM OF AGREEMENT RELATING TO THE TRANSFER of FUNCTIONS FROM THE UNITED STATES DEPARTMENT OF ENERGY TO THE UNITED STATES ENRICHMENT CORPORATION (the "Agreement") entered into by DOE and USEC on December 15, 1994.

WHEREAS, pursuant to Section V. of the Agreement DOE agreed to transfer to USEC 13.198 metric tons (MTU) of highly enriched uranium in the form of UF6 contained in certain cylinders; and

WHEREAS, pursuant to Section V.C. of the Agreement, USEC agreed to provide DOE with $118.8 million in compensation for the SWU and natural uranium components of the transferred HEU material; and

WHEREAS, pursuant to Section V.D. of the Agreement, the parties further agreed that the $118.8 million in compensation paid to DOE would be used by DOE to credit USEC for its additional costs of handling this HEU material, credit USEC for its costs associated with the Nuclear Safeguard Requirements with respect to this HEU material and reimburse USEC for certain costs related to upgrading the two gaseous diffusion plants leased by USEC from DOE (the "GDPs") to achieve compliance with NRC's certification standards and the Regulatory Oversight Agreement; and

WHEREAS, the parties have now determined that through a mutual mistake they underestimated the amount of HEU material recoverable from the cylinders transferred to USEC under the Agreement and that these cylinders contain approximately 14 MTU of recoverable HEU; and

WHEREAS, the parties now desire to reform the Agreement to provide for the transfer by DOE to USEC of the entire amount of HEU recoverable from the cylinders and to provide for a credit by USEC to DOE for a portion of the value of the SWU and uranium components of such HEU that has been and will be received by USEC as the HEU is blended into the process stream at the Portsmouth gaseous diffusion plant.

NOW THEREFORE, under the authority of the Atomic Energy Act, the Energy Policy Act, and the USEC Privatization Act, and other law, and in order to carry out the mandates that Congress has given DOE and USEC therein, DOE and USEC hereby agree to modify the Agreement as follows:

1. In the first line of Section V, change "13.198" to "approximately 14".

2. In Section V.C, change "$82.8 million" in subsection (i) thereof to "$111 million"; change "$36 million" in subsection (ii) to "$42.5 million"; and change "$118.8 million" in the last line thereof to "$153.5 million".

3. In Section V.D, change "$118.8 million" in first line thereof to "$153.5"; renumber subsection (iii) thereof to subsection (iv) and add the following subsection (iii):

"(iii) a credit of up to $34.7 million against amounts owned by DOE for services at the GDPs performed by USEC pursuant to the Memorandum of Agreement Between DOE and USEC for Services, dated July 1, 1993 (Exhibit F to the Lease), on or prior to June 30, 1998."

4. In Section VI.D, replace the first sentence with the following:

Upon receipt of the rights to the approximately 14 MTU described in Section V above, USEC shall credit the Department with $56.8 million toward the reimbursable costs as defined in Section VI.A ($153.5 million less $49.5 million Nuclear Safeguards Requirements costs, less $12.5 million processing and handling costs, and less $34.7 million credit for services performed at GDPs).

IN WITNESS WHEREOF, DOE and USEC have cause this Agreement to be executed and delivered as of the date first above written and hereby affix the signatures of their duty authorized representatives:

U.S. DEPARTMENT OF ENERGY	UNITED STATES ENRICHMENT CORP.
By: /s/Michael L. Telson	By: /s/Henry Z. Shelton, Jr.
Michael L. Telson	Henry Z. Shelton, Jr.
Chief Financial Officer	Vice President and Chief Financial Officer
Date: 5/15/98	Date: 5/18/98

EXHIBIT 10.5

MEMORANDUM OF AGREEMENT

FOR

TRANSFER AND FUNDING OF AVLIS

BETWEEN

THE UNITED STATES DEPARTMENT OF ENERGY

AND

UNITED STATES ENRICHMENT CORPORATION

DATED AS OF APRIL 27, 1995

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LIST OF EXHIBITS

THIS MEMORANDUM OF AGREEMENT FOR TRANSFER AND FUNDING OF AVLIS is entered into as of April 27, 1995, between THE UNITED STATES DEPARTMENT OF ENERGY ("DOE"), and UNITED STATES ENRICHMENT CORPORATION ("USEC").

WITNESSETH:

WHEREAS, the Congress of the United States of America has enacted the Energy Policy Act of 1992, Public Law 102-486, and pursuant to Title IX thereof further amended the Atomic Energy Act of 1954 (as amended from time to time, the "Act") which established USEC; and

WHEREAS, DOE has been engaged in research in regard to the development of Atomic Vapor Laser Isotope Separation ("AVLIS") and of alternative technologies for uranium enrichment; and

WHEREAS, pursuant to Section 1601 of the Act, USEC has determined to proceed with the commercialization of AVLIS and of alternative technologies for uranium enrichment; and

WHEREAS, pursuant to Section 1602 of the Act and in order to ensure that USEC achieves the objectives of the Act with respect to commercialization of AVLIS and alternative technologies for uranium enrichment, and to prepare USEC for its eventual privatization, and consistent with DOE's duties under the Act, Congress has directed that USEC shall have the exclusive commercial right to deploy and use AVLIS technology upon completion of a royalty agreement with DOE, and that the President shall transfer to USEC to the extent requested by USEC all of DOE's right, title or interest in and to property owned by DOE, or by the United States but under control or custody of DOE, that is directly related to and materially useful in the performance of USEC's purposes regarding AVLIS and regarding alternative technologies for uranium enrichment; and

WHEREAS, USEC desires to acquire from DOE title to and other rights in certain property related to AVLIS and to reserve its rights with respect to other property regarding AVLIS and to alternative technologies for uranium enrichment; and

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WHEREAS, DOE has entered into Contract No. W-7405-ENG-48 with the Regents of the University of California (the "Regents") for the management and operation of the Lawrence Livermore National Laboratory ("LLNL"), a U.S. Government-owned facility; and

WHEREAS, DOE and USEC have entered into a Memorandum of Agreement, dated as of October 1, 1993, as amended by an Amendment #1 thereto dated April 26, 1994, an Amendment #2 thereto dated July 27, 1994, an Amendment #3 thereto dated September 19, 1994, an Amendment #4 thereto dated November 18, 1994, an Amendment #5 thereto dated January 25, 1995, and an Amendment #6 thereto dated March 31, 1995 (the "AVLIS Funding MOA"), providing for USEC to fund cooperative research by DOE with respect to AVLIS at LLNL on certain terms and conditions; and

WHEREAS, DOE and USEC have entered into a Memorandum of Agreement Relating to the Transfer of Functions and Activities from the United States Department of Energy to United States Enrichment Corporation, dated as of December 15, 1994, which provides, among other things, for an agreement on the responsibility for termination costs and decontamination and decommissioning costs, and for the transfer of certain funds and property with respect to AVLIS from DOE to USEC as provided in the Act; and

WHEREAS, pursuant to Section 1606 of the Act, Congress has provided that, if requested by USEC, DOE shall provide, on a reimbursable basis, research and development of AVLIS and of alternative technologies for uranium enrichment; and

WHEREAS, Sections 1314 of the Act and 3001(d) of the Energy Policy Act of 1992 provide for certain protection for information of USEC, in addition to protections afforded by other provisions of law; and

WHEREAS, the work to be performed in the Statement of Work can currently best be obtained through the unique capabilities of the M&O Contractor (as defined below) and the LLNL facilities and currently cannot be performed reasonably and expeditiously through ordinary business channels; and

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WHEREAS, it is understood that any information furnished herein by DOE is based upon the best information furnished to and/or available to DOE and that DOE has utilized its best efforts to assure that the information is current, accurate and complete;

NOW THEREFORE, under the authority of the Act and other law, and in order to carry out the mandates which Congress has given DOE and USEC therein, DOE and USEC hereby agree as follows:

ARTICLE I
DEFINITIONS AND INTERPRETATION

Section 1.1 Definitions. The following additional terms when capitalized and used in this Agreement shall have the meanings indicated below. All meanings specified are applicable to both the singular and the plural.

"Agreement" means this Memorandum of Agreement for Transfer and Funding of AVLIS and all its Exhibits.

"Alternative Technologies" means technologies to enrich uranium by methods other than the gaseous diffusion process.

"AVLIS Personal Property" has the meaning ascribed to it in Section 3.1.

"AVLIS Program" means AVLIS and each component thereof and each application and use of any of the foregoing, other than SIS technology, each component thereof, and each application and use of SIS technology.

"AVLIS Property" has the meaning ascribed to it in Section 3.1.

"Budget" means the budget attached to this Agreement as Exhibit D which USEC has requested and DOE has tasked the M&O Contractor to prepare for the performance of the Work and the provision of the Services to USEC at LLNL for the period from May 1, 1995 through September 30, 1995 and each budget prepared for each succeeding Fiscal Year as provided in Section 5.2(c).

"Cooperative Arrangement" has the meaning ascribed to it in Section 5.7(a).

"Corrective Action" has the meaning given such term by the Administrator of the Environmental Protection Agency under section 3004(u) of the Solid Waste Disposal Act, 42 U.S.C. Section 6924(u), as amended from time to time.

"CRADA" means cooperative research and development agreements between one or more federal government laboratories, units of state or local government, industrial organizations (including corporations, partnerships, limited partnerships and industrial development organizations), public and private foundations, nonprofit organizations (including universities), or other persons entered into under the Federal Technology Transfer Act of 1986 and the National Competitiveness Technology Transfer Act of 1989 for collaborative research.

"DOE AVLIS Manager" has the meaning ascribed to it in Section 11.1.

"Eligible Costs" means those items or categories of expense within the Statement of Work which are set forth in the Budget.

"Environmental Claim" means any claim, action, cause of action, investigation or notice by any person or entity alleging potential liability (including potential liability for investigatory costs, cleanup costs, Response Actions, Corrective Actions, natural resource damages, property damages, personal injuries, penalties, or fines) arising out of, based on or resulting from (a) the presence, transportation, handling, storage, management, treatment, disposal, discharge, emission or release of any Material of Environmental Concern at any location, (b) circumstances forming the basis of any violation, or alleged violation, of or liability under any Environmental Laws, or (c) the revocation, suspension, failure to renew, or violation of the terms or conditions of any Permit or License issued pursuant to any Environmental Law.

"Environmental Laws" means all Laws and Regulations relating to pollution or protection of human health or the environment (including ambient air, surface water, ground water, land surface or subsurface strata) or regulating the handling of or exposure to radioactive

materials, including the Laws and Regulations relating to emissions, discharges, releases or threatened releases of Material of Environmental Concern, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Material of Environmental Concern.

"Fiscal Year" means the fiscal year of the United States Government, provided, however, that the first Fiscal Year pursuant to this Agreement shall

commence on the date hereof and the last Fiscal Year of this Agreement shall end on the last day on which this Agreement is in effect.

"FOIA" means the Freedom of Information Act, 5 U.S.C. Section 552 et seq., as amended from time to time.

"Government Authority" means any department, agency or instrumentality of the federal government, of any state, or of any municipality or of any political subdivision of any state or municipality.

"Governmental Purposes" means the use or manufacture of AVLIS technology or the use of AVLIS technical information by or for the United States Government, including use or manufacture by a contractor, a subcontractor, or any other person for the United States Government and with the authorization and consent of the United States Government.

"Intellectual Property" means, collectively, Patents, Technology, copyrights and other forms of intellectual property (including mask works) related to and useful in USEC's purposes regarding AVLIS, other than any intellectual property relating to SIS.

"Laws and Regulations" means all applicable laws and regulations (including all Environmental Laws), and all other applicable requirements of any Government Authority.

"Material of Environmental Concern" means any material subject to classification as a solid waste or hazardous waste under the Solid Waste Disposal Act, as amended from time to time; subject to classification as a hazardous substance under the Comprehensive Environmental Response, Compensation and Liability Act, as amended from

time to time; and any other material such as chemicals, pollutants, contaminants, wastes, toxic substances, petroleum and refined petroleum products, hazardous substances, radioactive materials, hazardous materials and other like subject matter.

"M&O Contract" means Contract No. W-7405-ENG-48, between DOE and the Regents, as supplemented, modified, amended or replaced from time to time.

"M&O Contractor" means the Regents and any successor Person operating LLNL under the M&O Contract, and any Person performing Work under any similar arrangement.

"Patents" means the patents of all countries and patent applications (including classified patent applications) and invention disclosures owned or controlled or under the custody of or licensed to DOE related to and useful in USEC's purposes regarding AVLIS, other than any patents related to SIS.

"Permits and Licenses" means all permits, licenses, approvals, authorizations, consents, waivers, variances, and exemptions issued by any Government Authority required for compliance with any Laws and Regulations.

"Person" means any individual, partnership, joint venture, firm, corporation, educational institution, association, trust or other enterprise or any foreign government or Governmental Authority.

"Premises" has the meaning ascribed to it in Section 3.1(d).

"Program Buildings" has the meaning ascribed to it in Section 5.11.

"Program Termination" has the meaning ascribed to it in Section 5.5(d).

"Proprietary Information" has the meaning ascribed to it in Section 14.1(b).

"Records" has the meaning ascribed to it in Section 3.1(c).

"Report" means the report defined in Section 5.3.

"Representative" has the meaning ascribed to it in Section 14.1(b).

"Response Actions" has the meaning given the term "response" in section 101(25) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601(25), as amended from time to time.

"Services" has the meaning ascribed to it in Section 5.1.

"Special Isotope Separation Program" or "SIS" means a DOE-managed program which designed a technology similar in concept to the AVLIS technology for the separation of isotopes of plutonium for Governmental Purposes.

"Statement of Exceptional Circumstances" means a determination made by DOE, in accordance with the authority granted to DOE under 35 U.S.C. Section 202(a)(ii), that restriction or elimination of the statutory right of DOE non-profit or small business contractors to elect under 35 U.S.C. Section 202 to retain title to certain inventions will better promote the policies and objectives of 35 U.S.C. Section 200 to Section 212, which determination was filed by DOE in 1985 with the Assistant Secretary for Productivity, Technology, and Innovation of the U.S. Department of Commerce in accordance with 35 U.S.C. Section 202(a)(ii) with respect to DOE's uranium enrichment programs, including the AVLIS program.

"Statement of Work" means the work which DOE has tasked the M&O Contractor to perform on a best efforts basis with respect to the research and development of the AVLIS Program, as more fully described in the Statement of Work attached as Exhibit E to this Agreement, and in each Statement of Work prepared for each succeeding Fiscal Year as provided in Section 5.2.

"Technology" means trade secrets, know-how or other information which is owned or controlled or under the custody of or licensed to DOE relating to the AVLIS Program, whether or not reduced to writing. "Technology" includes, or may be disclosed in, but not limited to, inventions (whether or not patentable), intellectual prop-

erty licenses, software programs, prototypes, designs, techniques, methods, procedures, data, engineering information, specifications, diagrams, drawings, schematics, blueprints, parts lists, and the Records.

"USEC AVLIS Manager" has the meaning ascribed to it in Section 11.2.

"Warranties" has the meaning ascribed to it in Section 3.1(b).

"Work" has the meaning ascribed to it in Section 5.1.

Section 1.2 Headings. Article and Section headings in this Agreement are provided only for ease of reference and not for purposes of interpretation of this Agreement.

Section 1.3 Rules of Interpretation.

(a) The words "without limitation", whether stated or not, are implied to follow the use of any words such as "including" or "excluding" that

are employed in this Agreement. The words "hereof" or "here in" or "hereunder" when used in this Agreement shall mean pertaining to this Agreement.

(b) All Exhibits to this Agreement shall be incorporated into this Agreement by reference as appropriate and will be deemed to be an integral part of this Agreement. In the event of any inconsistency between the language of an Exhibit to this Agreement and the Articles of this Agreement, the Articles of this Agreement shall control.

ARTICLE II
AUTHORITY OF THE PARTIES

Section 2.1 USEC. USEC is authorized under the Act and under other law to enter into this Agreement, and this Agreement is executed by its authorized representative. USEC has taken all the necessary actions required of USEC to execute, deliver and perform its obligations under this Agreement.

Section 2.2 DOE. DOE is authorized under the Act and under other law to enter into this Agreement, and this Agreement is executed by its authorized representative. DOE has taken all the necessary actions required of DOE to execute, deliver and perform its obligations under this Agreement.

ARTICLE III
TRANSFER OF PROPERTY RELATED TO AVLIS

Section 3.1 Options to Transfer AVLIS Property. Effective as of the date hereof, DOE hereby grants to USEC an irrevocable, exclusive, fully paid right and option to acquire from time to time any and all of the following property related to the AVLIS Program (collectively, the "AVLIS Property"):

(a) any and all of the right, title and interest of DOE, or of the United States but under control or custody of DOE, in and to those items of personal property that are directly related to and materially useful in the performance of USEC's purposes regarding the AVLIS Program as described more fully in Exhibit B and other personal property incidental thereto (the "AVLIS Personal Property");

(b) any and all of the right, title and interest of DOE, or of the United States but under control or custody of DOE, in and to manufacturer's warranties with respect to the AVLIS Property (the "Warranties") unless such transfer is prohibited by the terms of any such warranty; provided, that if such transfer is not permitted by the terms of any such warranty, DOE shall exercise on behalf of USEC, at USEC's request, all rights under such warranty (provided further, that in such event, USEC will have the responsibility to identify to DOE the specific item or items, the warranties involved, and the actions USEC requires);

(c) except for all SIS program information, and subject to security and classification requirements, all of the right, title and interest in and to documents, notes, memoranda, files, computer files, records, logs, indices, minutes, correspondence, publications, articles, ledgers, and other information whether in draft or final and in whatever form and wherever located

of DOE, or of the United States but under the control or custody of DOE, that are related to and useful in the performance of USEC's purposes regarding the AVLIS Program (the "Records"); and

(d) good and marketable fee title to that certain parcel or

parcels of real property and the improvements and fixtures (except that in no event shall fixtures include items listed on Exhibit B, as may be amended pursuant to Article VI) thereto located thereon, situated at LLNL, all of which are more fully identified and described in the maps and attachments which form Exhibit I to this Agreement (the "Premises"), and all rights to common areas (including utility lines, the fiber optic network, corridors, party walls, retention ponds, pipes, parking areas, service roads, railway lines, loading facilities, and sidewalks), together with all easements, rights of way, appurtances, and avenues of ingress, egress and access to public roads and all other similar items or rights which appertain to the Premises and which are required in order to use the Premises; provided, however, that the option to acquire the Premises is subject to all easements, rights of way and appurtenances over, across, in and upon the Premises existing as of the date of this Agreement. DOE will not grant any additional easements, rights of way or appurtenances over, across, in or upon the Premises without the approval of USEC, which approval shall not be unreasonably withheld.

Section 3.2 Title.

(a) Except for certain items of the AVLIS Personal Property which are being procured on a lease to ownership basis or which may be software subject to licensing agreements, as provided on Exhibit F, DOE hereby represents that, as of the date of any exercise of the option set forth in Section 3.1(a): (i) it will have good and marketable fee title to and the right to transfer, assign and convey the AVLIS Personal Property, and (ii) all AVLIS Personal Property will be free and clear of all liens, claims and encumbrances.

(b) DOE hereby represents and warrants that, as of the date of any exercise of the option set forth in Section 3.1(d): (i) it will have good and marketable fee title to and the right to transfer, assign and

convey the Premises, and (ii) the Premises will be free and clear of all liens, claims and encumbrances.

(c) As soon as practicable after the execution and delivery of this Agreement, DOE and USEC agree to execute and record in the land records of Alameda County a memorandum of option substantially in the form attached hereto as Exhibit J.

Section 3.3 Transfer of AVLIS Property and USEC Property.

(a) USEC reserves the right to transfer to other locations any or all AVLIS Property at any time after exercise of any option set forth in Section 3.1 with respect to such item of AVLIS Property, and to transfer any property that is furnished by USEC or that becomes the property of USEC pursuant to Section 5.10 hereof at any time. USEC will be responsible for all transfer activities including transport and compliance with physical security, environmental, safety, and health requirements.

(b) If, subsequent to USEC's exercise of its option to acquire the Premises, as described in Section 3.1(d), neither USEC nor any other Person who may be substituted for USEC under Section 13.2(a) intends to use the Premises for USEC's purposes as contemplated by the Act, said Premises shall revert back to DOE.

(c) At USEC's cost, DOE shall manage the Records when and as requested by USEC. Subject to Article XIV and Section 4.3(b), upon transfer of the Records to USEC as provided in Section 3.1(c), USEC shall provide to DOE a copy of the Records for Governmental Purposes. DOE will mark each such copy not in, or removed from, protective storage as the proprietary and business confidential information of USEC.

Section 3.4 Care and Use of AVLIS Property.

(a) The physical condition of the AVLIS Property (including the Program Buildings) is as it is found on the date hereof. DOE will use, operate, and account for the AVLIS Property, and will maintain, repair and keep the AVLIS Property in the condition in which it is found on the date hereof, as part of the Work and the Services, to the extent provided in any Statement of Work, whether or not USEC exercises any option set forth in Section 3.1. DOE will reserve the Premises for the Work

and will not sell, transfer, assign, lease, or otherwise dispose of, the Premises. DOE will not grant any easements, rights of way or appurtenances over, across, in or upon the vicinity of the Premises which would interfere with the performance of the Work or the provision of the Services or with USEC's use of the Premises as provided in this Agreement without the approval of USEC, which approval shall not be unreasonably withheld.

Section 3.5 Subdivision; Further Assurances.

(a) Upon request of USEC, DOE at USEC's expense shall take all actions that may be required under applicable Laws and Regulations and the terms and conditions of applicable Permits and Licenses to subdivide or adjust the boundary lines of LLNL and the Premises such that the Premises will constitute a legal lot or parcel and shall deliver to USEC evidence reasonably satisfactory to USEC that the Premises constitutes a legal subdivision or that subdivision is not required.

(b) DOE and USEC agree to negotiate in good faith any changes that may be required to the performance of the Work or the provision of the Services, security, access, and such other sections as may be directly and materially affected by the exercise of the option to transfer the Premises set forth in Section 3.1(d).

Section 3.6 Exercise of Options.

(a) USEC may exercise any option set forth in Section 3.1 by sending to DOE written notice, thirty (30) days prior to the effective date USEC exercises such option, specifying the item or items with respect to which such option is exercised, including items on Exhibit A, B or I, as applicable. The options set forth in Section 3.1 may be exercised in whole or may be exercised in part on more than one occasion. Failure to exercise any such option with respect to any item or items of AVLIS Property on any occasion shall not be deemed a waiver of such option.

(b) Upon exercise of any option set forth in Section 3.1, this Agreement shall become a binding agreement for the transfer of the item or items of AVLIS Property with respect to which such option is exercised.

(c) Title to and, except as specifically provided elsewhere in this Agreement, risk of loss or damage of each item of the AVLIS Property will pass to USEC upon the effective date of the exercise of any option with respect to such item of the AVLIS Property as specified in Section 3.1.

Section 3.7 Term of Options. (a) The options set forth in Section 3.1 will expire on the date of privatization of USEC as contemplated by the Act except to the extent USEC shall have sent a notice or notices to DOE as set forth in Section 3.6(a) on or prior to such date exercising one or more of such options with respect to any item or items of AVLIS Property.

(b) In the event that USEC shall be privatized as contemplated by the Act prior to the sending by USEC of a notice or notices under Section 3.6(a), except to the extent USEC shall have disclaimed the right to exercise

any option described in Section 3.1 with respect to any specific item or items of AVLIS Property by notice to DOE, USEC shall be deemed by this Section 3.7(b) to have exercised immediately prior to such privatization the options described in Section 3.1 with respect to the AVLIS Personal Property listed on Exhibit B (as amended pursuant to Article VI), the Warranties relating to such items of AVLIS Personal Property, the Records, and the Premises as described on Exhibit I (as amended pursuant to Article VI).

ARTICLE IV
TRANSFER OF INTELLECTUAL PROPERTY

Section 4.1 Transfer of Patents. (a) Effective as of the date hereof, DOE hereby transfers to USEC sole custody and administration of the Patents listed on Exhibit C. Upon the privatization of USEC pursuant to the Act and without the payment of any consideration or the requirement for any further action by DOE or USEC, the United States Government shall be deemed to have transferred, assigned and conveyed to USEC or such private corporation as has assumed the duties and obligations of USEC pursuant to such privatization, all of the United States Government's right, title and interest in and to the Patents. USEC shall have the right at any time after the date hereof to record one or more assignments of any

or all the Patents with the U.S. Patent and Trademark Office and DOE agrees to execute such documents as are reasonably required to evidence such assignment.

(b) DOE will continue to prosecute and to maintain the patents at USEC's request and at USEC's expense in accordance with USEC's letter of August 12, 1994 to DOE and subject to the terms thereof, until such time as the transfer of responsibility for the Patents as well as copies of all Patent dockets and administrative records related thereto has been completed to the reasonable satisfaction of DOE and USEC.

Section 4.2 Transfer of Other Intellectual Property. (a) Effective as of the date hereof, DOE hereby transfers, assigns and conveys to USEC all right, title and interest of DOE in and to the Intellectual Property (other than the Patents transferred pursuant to Section 4.1 hereof).

(b) As soon as practicable after the date of this Agreement, DOE will provide USEC with a list and copy of any software licenses and other intellectual property licenses, if any, included in the Intellectual Property, including a description of any restrictions on assignment, sublicensing or other transfer thereof imposed in or as a condition to such license.

Section 4.3 Nature of Transfer.

(a) The transfer under Sections 4.1 and 4.2 shall be irrevocable, assignable, licensable and royalty-free, except as provided hereinafter in Sections 4.3(b), 4.5, and 4.7(a).

(b) The transfer of the Patents and the Intellectual Property pursuant to Section 4.1 and Section 4.2, respectively, is subject to the reservation of a nonexclusive, irrevocable, royalty-free license to the United States Government to practice such Patents and to use such Intellectual Property for Governmental Purposes, and USEC shall deliver to DOE a copy of the Records, which DOE shall have the right to use for Governmental Purposes as provided in Section 3.3(c); provided, that such license to practice such Patents and to use such Intellectual Property and such Records shall not include the right (i) to release, display or disclose detailed design, manufacturing

or process data, or (ii) to use, modify, reproduce, release, perform, display or disclose the information for commercial purposes (including for manufacturing, for enrichment of materials for use in commercial reactors whether or not owned or operated by or for the United States Government, for separation of medical isotopes, or for materials applications); and provided, further, that any release or disclosure by the United States Government to any Person outside the United States Government shall be subject to a prohibition on the further use, modification, reproduction, release, performance, display or disclosure of the information so released or disclosed for any purpose other than Governmental Purposes as provided in this Section 4.3(b), which prohibition shall be acknowledged in writing by the Person to whom such release or disclosure is made.

Section 4.4 Liability for Infringement Claims. Subject to USEC's offset rights set forth in Section 4.5, USEC hereby assumes liability for any payments made or awards under Section 157(b)(3) of the Act or any settlements or judgments relating to claims of infringement with respect to the AVLIS technology as used or practiced by or on behalf of USEC or its licensees, other than SIS. Upon receiving notice or obtaining knowledge of the assertion of any right under Section 157(b)(3) of the Act or of any claim of infringement relating to the AVLIS technology, DOE shall promptly notify USEC of such claim. DOE represents and warrants that it has no present knowledge of any claim of infringement by any third party.

Section 4.5 Sharing of Royalties. In the event that USEC grants to any Person a license to practice one or more of the Patents transferred to USEC pursuant to Section 4.1 for a use that is unrelated to the enrichment of materials for use in facilities used for the generation of electrical energy, USEC shall share with DOE or its designee or designees a portion of any royalties received from such Person. The amount of such royalties to be shared on a per invention basis with DOE or its designee or designees shall be the greater of (a) fifty percent (50%) of the royalties actually received by USEC after subtraction of the reasonable costs (including attorneys' fees) to USEC of (i) negotiating, auditing and administering the license to such Person, (ii) collection of the royalty payments (iii) maintaining the Patents, and (iv) prosecution and maintenance of the Patents referred to in

Section 4.1(b), or (b) fifteen percent (15%) of gross royalties received by USEC. The amounts otherwise due and owing to DOE pursuant to this Section 4.5 shall be reduced on a basis to be determined by USEC by the amount of any payments made or awards under Section 157(b)(3) of the Act (subject to USEC's rights under Section 1405 of the Act), or of settlements or judgements for which USEC becomes liable relating to claims of infringement with respect to the AVLIS technology as used or practiced by or on behalf of USEC or its licensees. USEC shall notify DOE of the grant of any such license within thirty (30) days following the execution thereof. Within forty-five (45) days following the end of each Fiscal Year beginning with the first Fiscal Year in which USEC has granted any such license, USEC shall pay to DOE or its designee or designees all amounts owing to DOE pursuant to this Section 4.5, along with a statement detailing the royalties received by USEC during such Fiscal Year and the applicable offsets to such royalties. DOE shall have the right to audit such royalties and offsets upon reasonable notice to USEC.

Section 4.6 M&O Contract.

(a) DOE agrees it shall require that the entire right, title and interest throughout the world in and to each invention conceived or reduced to practice (i) under Work funded by USEC pursuant to Article V hereof by employees of the M&O Contractor, its subcontractors, consultants and all other Persons working within the scope of the M&O Contract or any extension or replacement thereof, or (ii) that otherwise is directly related to and materially useful in the performance of USEC's purposes regarding the AVLIS Program shall be assigned to DOE and upon such assignment shall be transferred, conveyed and assigned to USEC, at USEC's request. DOE shall promptly notify USEC

of the receipt by its Contracting Officer under the M&O Contract of any disclosure of a Subject Invention (as defined in the M&O Contract) by the M&O Contractor related to the AVLIS Program or which arises from the performance of the Work. USEC and DOE agree that without limiting Section 4.7(a), and except as otherwise provided in this Agreement, DOE's "Class Waiver of Governmental Rights in Inventions Arising from the Use of DOE Facilities and Facility Contractors by or for Third Party Sponsors," dated June 29, 1982, as amended December 4, 1987, shall apply to the Work and any inventions or patents created under this Agreement.

(b) DOE agrees that it shall not change the designation of any invention related to and useful in USEC's purposes regarding AVLIS as an Exceptional Circumstance Subject Invention (as defined in the M&O Contract), nor amend the M&O Contract to delete any invention related to and useful in USEC's purposes regarding AVLIS as an Exceptional Circumstance Subject Invention, without the prior written consent of USEC. DOE represents that: (i) the Statement of Exceptional Circumstances exempts AVLIS inventions from ownership by DOE nonprofit or small business contractors, including the M&O Contractor, (ii) the Statement of Exceptional Circumstances remains in full force and effect and has not been appealed by any Person, (iii) it has not amended the M&O Contract to delete any invention related to and useful in USEC's purposes regarding AVLIS as an Exceptional Circumstance Subject Invention, nor waived or returned any rights to any Exceptional Circumstance Subject Invention developed under the M&O Contract related to and useful in USEC's purposes regarding AVLIS (other than with the written consent of USEC), (iv) except as provided on Exhibit H neither the M&O Contractor nor any other Person has requested any right to reserve a license or any other intellectual property rights with respect to the same, and (v) except as provided on Exhibit H, all inventions from research relating to alternative applications of AVLIS (other than uranium enrichment) which are related to and useful in USEC's purposes regarding AVLIS are included in Exhibit C.

(c) DOE shall take such actions as are required for USEC to obtain ownership of or exclusive rights to use or practice Intellectual Property first produced, developed, or specifically used in the performance of the Work under the M&O Contract funded by USEC pursuant to Article V hereof. Subject to the rights of the United States Government under Sections 3.3(c) and 4.3(b), any such ownership rights obtained by DOE shall be transferred, assigned and conveyed to USEC, upon USEC's request.

(d) DOE shall not take any action or fail to take any action under the M&O Contract that would be inconsistent with USEC's rights to the Intellectual Property provided for in this Agreement. At USEC's request, DOE shall obtain from an authorized officer of the M&O Contractor a written acknowledgement of USEC's rights to the Intellectual Property provided for in this Agree-

ment. DOE shall not grant to the M&O Contractor the right to release publicly any Intellectual Property or Proprietary Information without the prior written consent of USEC.

Section 4.7 Exclusive Commercial Rights.

(a) DOE acknowledges that USEC has the exclusive commercial right throughout the world to deploy and use any Intellectual Property owned or controlled by the United States Government. DOE waives any rights it may have to use or practice any Intellectual Property transferred hereunder or conceived or reduced to practice in the course of or under this Agreement, subject only to the reservation of a license for Governmental Purposes described in Sections 3.3(c) and 4.3(b).

(b) DOE represents that, except for numerous past publications relating to and describing the AVLIS technology or components thereof which, in order to be published in recognized scientific and technical journals, or for inclusion in published scientific texts, have required a release of copyright authority to the publisher, and except as identified in Exhibit H hereto, neither the M&O Contractor nor any other Person (i) has retained title to any rights of ownership to, or has a license to or has requested to use or practice any Intellectual Property related to the AVLIS Program, or (ii) has asserted copyright in any data related to the AVLIS Program.

(c) DOE represents that the list of Patents identified on the list attached hereto on the date of this Agreement as Exhibit C is a complete and accurate list of all Patents.

Section 4.8 Special Isotope Separation. All rights to SIS patents, technology, intellectual property, records and the like shall remain with the United States Government, and such rights shall survive termination of the Work and this Agreement; provided, however, that no Patent listed on Exhibit C as of the date hereof and no Intellectual Property directly related thereto shall be deemed to relate to an SIS invention.

ARTICLE V
WORK AND SERVICES

Section 5.1 DOE Work and Services.

(a) Pursuant to Section 1606 of the Act, DOE will provide or cause to be provided by the M&O Contractor the work requested by USEC for research, development and demonstration (including research, development and analyses for the purposes of commercialization) of the AVLIS Program and other activities incidental thereto ("Work"), as more specifically described on Exhibit E (the "Statement of Work") and services required for performance of the Work (charged as indirect costs) such as maintenance, utilities, waste management and disposal, security, fire protection, and such other services and shared facilities required for the performance of the Work (the "Services").

(b) In consideration of the benefits to DOE for the operation of AVLIS research at LLNL, the USEC costs for the AVLIS work at LLNL will be determined by reducing the Eligible Costs as defined in Article I by eight percent (8%), up to a maximum of $5,000,000.00 per Fiscal Year, prorated for partial Fiscal Years (from May 1, 1995 to April 30, 1997). The continuation of this arrangement thereafter is contingent upon future DOE agreement to continue the arrangement, such agreement not to be unreasonably withheld.

Section 5.2 Budget; Statement of Work. DOE shall provide the Work and the Services as follows:

(a) Commencing on May 1, 1995 until September 30, 1995, USEC will make payments up to a total of $29,515,000 available to DOE for the payment of the costs of AVLIS research performed in connection with the Statement of Work and in accordance with the Budget for such Work and the Services to be provided for such period. On July 1 of each Fiscal Year, USEC shall advise DOE of its anticipated budget and required work for the M&O Contractor's activity with respect to the AVLIS Program for the succeeding Fiscal Year.

(b) USEC's financial liability under this Article V shall be limited to the amount stated in

the then-current Budget. USEC's liability for termination costs is described in

Section 5.5(d)(ii) and Exhibit K.

(c) DOE shall require the M&O Contractor to prepare a proposed Budget and Statement of Work in such detail as USEC shall require for the M&O Contractor's activity with respect to the AVLIS Program by August 1 of each Fiscal Year in accordance with the guidance provided by USEC under Section 5.2(a), and DOE shall submit them to USEC for USEC's written approval. Such new Budget and Statement of Work shall become effective when approved in writing by USEC.

(d) USEC shall pay DOE monthly in advance the Eligible Costs for the Work and for the Services for such month as provided in the Budget. The advance funding amount shall be based on monthly estimates which DOE has tasked the M&O Contractor to provide in the monthly Reports described in Section 5.3, and will include funding sufficient to cover longer term commitments, for example, long lead items wherein obligations are required to initiate procurement that must be fully funded at time of order placement. In addition to the monthly advance funding, USEC will provide funds equal to the costs for an additional 15-day period at the current month's level of funding to avoid a potential anti-deficiency issue for DOE. This amount will be based upon the Budget and vary with the level of funding requested for each month. Monthly advance funding requests shall be included as part of the monthly Reports. The monthly requested amount will be adjusted to account for changes in the plan for work performed and for procurements made. The additional 15- day funding amount will be adjusted to account for changes in the amount of available funds at the end of each month, i.e. if available funds are equal to 10 days of funding, then the additional amount will equal 5 days. If over the course of time USEC and DOE determine that the additional 15-day funding is excessive and not fully necessary to avoid a potential anti-deficiency issue, USEC and DOE may agree to reduce the funding amount to cover a shorter period. With USEC's prior written approval, the monthly requested amount may deviate from the monthly spending plan described in the Budget, provided that the total funding for any Fiscal Year shall not exceed the funding limitation in the currently approved Budget. USEC will reconcile its advance funding payments with the monthly Reports of the M&O Contractor's actual expenditures.

Without the prior written approval of USEC in its sole discretion, neither DOE nor the M&O Contractor shall make any expenditure or incur any liability with respect to the AVLIS Program in excess of the Eligible Costs specified in the then-current Budget for any line item (or in the aggregate) (i) in any month by more than ten percent (10%) or (ii) in any Fiscal Year by any amount.

(e) The disbursement of USEC funds to DOE shall be made by wire transfer to the M&O Contractor according to the breakout of the M&O Contractor's approved monthly budget requests as provided in Section 5.2(d), on the first day of each month commencing on May 1, 1995. Such wire transfers shall be made to the following account (or such other account as DOE may specify by notice):

M&O Contractor: ABA#121000358
ACCT#1233957246

Address: Bank of America
1850 Gateway Blvd.
Concord, CA 94520

(f) The funds disbursed by USEC under this Article V shall be used by DOE only to pay the Eligible Costs of Work performed and Services provided as provided in the Statement of Work and the Budget.

(g) Costs of compliance with any requirement of state or local Laws and Regulations and the terms and conditions of state and local Permits and Licenses for the performance of the Work and Services which are not required by applicable Federal statutes, Laws and Regulations, and Executive

Orders, shall not be incurred by DOE as a direct cost to the AVLIS project unless prior approval in writing is obtained from USEC as an allowable cost of the Budget.

(h) Eligible Costs shall be exclusive of depreciation and Federal Headquarters and Field charges (Added Factor). The charges will be reviewed prior to December 1, 1995, and annually thereafter, to determine whether such charges are fair and equitable to USEC and DOE and whether the charges should be adjusted.

Section 5.3 Report. On the 20th day of each month, DOE will cause the M&O Contractor to submit a Report (the "Report") to USEC describing in detail the Work performed, the Services provided, and the expenditures incurred by the M&O Contractor during the preceding month. The Report will itemize the expenditures and arrange them in accordance with the categories of items indicated in the Budget. If any expenditures exceed by ten percent (10%) or more the amount estimated for such item in the Budget, the Report will explain the cost variance. The Report will also describe the progress that the M&O Contractor has made in performing the Work and indicate the amount required for funding by USEC for the following month. The Report shall be certified by the M&O Contractor as true, correct and complete in all material respects.

Section 5.4 Project Cost Review.

(a) USEC shall have the right, upon reasonable notice and with participation by DOE AVLIS staff to conduct a cost-incurred review, performed by USEC's accountants, of the books and records related to the AVLIS project. DOE shall provide USEC with reasonable access to such accounts and facilities necessary to permit USEC to monitor and review the use of its funds.

(b) To the extent requested by USEC, DOE will enforce its rights under the M&O Contract with respect to the performance of Work and the provision of the Services by the M&O Contractor.

Section 5.5 Termination.

(a) Any or all of the Work or the Services of DOE or the M&O Contractor provided pursuant to this Article V may be terminated by USEC upon ninety (90) days written notice to DOE.

(b) USEC shall determine, prior to July 1 of each Fiscal Year, whether its funding of AVLIS research at LLNL shall continue beyond the end of such Fiscal Year. It shall provide notice thereof to DOE by July 1 of each Fiscal Year.

(c) DOE shall only have the right to terminate the provision of the Work and the Services under

this Article V in the event that: (i) USEC fails to provide the funds it is required to provide under this Article V and such failure continues for a period of thirty (30) days following written notice from DOE; (ii) DOE determines to terminate all operations of LLNL (other than decontamination and decommissioning as provided in Section 7.3) and not to transfer such operations to any successor Person or successor operator of LLNL; (iii) national security needs require DOE to terminate, and DOE gives USEC ninety (90) days notice; or (iv) DOE notifies USEC that USEC has materially breached its obligations under this Agreement, and such breach has not been cured by USEC within ninety (90) days of such notice or, if such breach is not capable of cure within such ninety (90) day period but ultimately is capable of cure, USEC has not commenced diligently to cure such breach within such ninety (90) day period. DOE shall notify USEC at least six

(6) months prior to termination of operations at LLNL as described in Section 5.5(c)(ii) and, at USEC's request, DOE shall negotiate in good faith to provide for orderly termination or transfer of the Work to another location or continuance of the Work and the Services at LLNL.

(d) At any time USEC terminates the Work and the Services pursuant to Section 5.5(a) and at any time DOE exercises its rights under Section 5.5(c) hereof (collectively, "Program Termination"), USEC shall be liable for the payment for Work and the Services performed prior to the effective date of termination and shall be liable to DOE for the costs of the termination requirements set forth in Exhibit K.

Section 5.6 Modification or Replacement of M&O Contract. In the event the M&O Contract is amended, modified, supplemented, or terminated, or expires and is re placed with another M&O Contract, DOE agrees that it shall cause the Work and the Services to be performed or provided so that there will be no material adverse impact on USEC, including in the performance of the Work and the provision of the Services pursuant to this Article V, and so that there will be no material adverse impact on the rights of USEC under this Agreement.

Section 5.7 Cooperative Arrangements.

(a) DOE will not approve or authorize any CRADA, Work-for Others (as defined in the M&O Contract),

funding agreement, cooperative research agreement, research agreement, or similar arrangement involving the use of any part of the AVLIS Program, the AVLIS Property, or the Intellectual Property (collectively, a "Cooperative Arrangement"), without the prior written consent of USEC. USEC may participate in proposals for Cooperative Arrangements from the M&O Contractor and proposed partners in Cooperative Arrangements, subject to the provisions of The Federal Technology Transfer Act of 1986 and The National Competitiveness Technology Transfer Act of 1989.

(b) DOE represents that:

(i) the only Cooperative Arrangements currently in effect or pending are those that are already approved by USEC in writing and described on Exhibit G; and

(ii) USEC has no obligation to fund any such Cooperative Arrangement or any other obligation with respect thereto.

(c) In the event that USEC or the AVLIS Program is transferred to private ownership or to a private corporation as contemplated by the Act, the successor shall have the option to have the Work and the Services contemplated by this Article V: (i) to be performed or provided pursuant to a Cooperative Arrangement (subject to the agreement of the M&O Contractor as provided in the M&O Contract), or (ii) to continue to be performed or provided under the terms of this Agreement.

Section 5.8 Disclaimer. USEC will not hold DOE responsible for any inaccuracy in the information provided by the M&O Contractor to USEC in connection with this Article V or that such information and the Work will accomplish the results for which it was intended.

Section 5.9 Accounting. DOE acknowledges that the M&O Contract requires the M&O Contractor to follow accounting principles and practices consistent with generally accepted accounting principles consistently applied in the development of estimates and the recording and reporting of actual costs under this Agreement. DOE shall require the M&O Contractor to continue to follow this practice.

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Section 5.10 Property Management. Except as provided in this Agreement, all property related to or used in the Work shall be managed and maintained in accordance with the M&O Contract. For the purposes of this Agreement, capital equipment is defined as equipment anticipated to have a service life of two (2) years or more and an acquisition cost of $5,000 or more. All such capital equipment purchased by DOE in connection with the Work shall be the property of USEC. Any equipment or supplies with a value less than $5,000 shall be the property of DOE, unless USEC requests ownership thereof. DOE shall establish and follow (or cause to be established and followed) a property, document, equipment and materials tracking, inventory, and management system in form and substance reasonably acceptable to USEC. If such system differs from the management system otherwise in effect under the M&O Contract, such effort shall be included in the Work.

Section 5.11 Location of the Work and Services. The Work shall be performed at, and the Services shall be provided to, the facilities situated at LLNL and at Oak Ridge, Tennessee which are identified and described in the maps and attachments which form Exhibit A to this Agreement ("Program Buildings").

Section 5.12 Coordination of the Work.

(a) USEC shall have access to the Premises and the Program Buildings for (i) the purpose of research, development and demonstration (including research, development and analyses for the purposes of commercialization) of the AVLIS Program and other activities incidental thereto, and (ii) direction of the Work as provided in this Agreement and the Statement of Work.

(b) DOE and USEC will cooperate to coordinate the performance of the Work as reasonably may be directed by USEC. Pursuant to Section 1606 of the Act, USEC shall have the right to direct the Work; provided that DOE shall have overall responsibility for regulatory compliance with respect to matters related to the environment, health, safety and safeguards, and security. DOE shall have the right to conduct research and development activities unrelated to the AVLIS Program at the Premises and the Program Buildings on a non-interference basis with

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the prior written consent of USEC, such consent not to be unreasonably withheld.

(c) USEC shall have access to those parts of LLNL which are not part of the Premises or the Program Buildings but are reasonably necessary to the exercise of its rights or the performance of its duties under this Agreement or to the comfort, safety and convenience of USEC and its officers, directors, employees, agents and contractors, subject to procedures to be agreed upon by DOE and USEC (including without limitation confidentiality and security procedures as described in Article XIV).

(d) Consistent with the emergency procedures currently in place at LLNL, either party will have the right to take such action as may be reasonably necessary to respond to emergencies or to protect life or property from imminent danger.

(e) USEC shall be permitted to have USEC employees, contractors, subcontractors, agents, consultants and other representatives on site at LLNL. Such USEC employees and other representatives shall abide by all applicable environmental protection, health and safety, and security requirements. If requested by USEC, DOE will provide suitable facilities on site at LLNL for a USEC site office on a reimbursable basis.

(f) USEC shall assure that its contractors and subcontractors maintain worker's compensation, employer's liability, comprehensive general

liability (bodily injury), and comprehensive automobile liability (bodily injury and property damage) insurance in commercially reasonable amounts.

Section 5.13 Standard of Performance. (a) The performance of the Work and the provision of the Services by DOE and its agents, employees, contractors and subcontractors shall comply with applicable Laws and Regulations.

(b) DOE and its agents, employees, contractors and subcontractors will have, and shall continue to maintain in full force and effect, all Permits and Licenses required for the performance of the Work, the provision of the Services, and the ownership and operation of LLNL.

(c) DOE and its agents, employees, contractors and subcontractors are and will remain in compliance with such Permits and Licenses in all material respects.

(d) Except as provided in Section 5.2(g), costs for maintaining Permits and Licenses associated solely with the performance of the Work and the provision of the Services shall be included in the Budget.

ARTICLE VI
MODIFICATION OF EXHIBITS

Section 6.1 Correction of Exhibits.

(a) Exhibits A, B, C, and I attached hereto on the date of this Agreement were prepared by DOE or by the M&O Contractor at the request of DOE. DOE has utilized its best efforts to assure that such Exhibits are accurate and complete. However, DOE and USEC recognize that the Exhibits may not identify all property related to and useful in USEC's purposes regarding AVLIS or all Patents and that there may be a need to add to or subtract from AVLIS Property or Intellectual Property transferred or deemed to be transferred pursuant to this Agreement. Accordingly, subject to mutual agreement of the parties, any list or description of the AVLIS Property in Exhibit A, B, and I, which is subject to the option of Section 3.1 and any list of Patents on Exhibit C subject to transfer under Article IV may be modified from time to time to add property or Patents, as the case may be, that is related to and useful in performance of USEC's purposes regarding the AVLIS Program, or to delete any property or Patents.

(b) USEC's right to add additional property to any such Exhibit shall expire upon the privatization of USEC as contemplated by the Act; provided, that if at any time prior to or after such privatization it is discovered that any such Exhibit was not accurate and complete as of the date of this Agreement, notwithstanding the best efforts of DOE to assure that such Exhibits are accurate and complete or to assure DOE's title to AVLIS Personal Property, (i) USEC shall have the right to amend such Exhibit to include an accurate and complete list or description of property related to and useful in USEC's purposes regarding AVLIS as contemplated by the Act, or of

Patents, and such property or Patent shall be deemed to have been transferred upon the earlier of (x) the date such Exhibit is so amended, or (y) the date immediately prior to the privatization of USEC as contemplated by the Act, and (ii) DOE shall remedy any defect in title with respect to AVLIS Personal Property. The exercise of the rights provided to USEC by this Section 6.1(b) shall not be deemed to be a new transfer of property under Article III or Article IV of this Agreement or under Section 1602 of the Act, but rather shall be deemed to be the exercise by USEC of a remedy in the nature of a warranty

with respect to the failure by DOE to assure that Exhibits A, B, C and I are accurate and complete as of the date of this Agreement.

(c) If DOE shall identify any property which is related to and useful in USEC's purposes regarding AVLIS and which is not listed on Exhibit A, B, C or I, DOE will notify USEC prior to disposing of any such property or utilizing it for any other purpose.

Section 6.2 Option to Abandon USEC Property.

(a) Based upon what options or rights USEC has exercised, and subject to the consent of DOE, which shall not be withheld unreasonably, and subject to the safe shutdown and decontamination and decommissioning preparation procedures described in Exhibit K, USEC may abandon and return to DOE any of the Premises or related facilities listed on Exhibit I, and may abandon and return to DOE any part of the AVLIS Personal Property or any Patent listed on Exhibit C.

(b) Upon abandonment under Section 6.2(a), USEC may leave any of its contaminated personal property at the Premises for decontamination and decommissioning, as defined in the Act, at USEC's expense or at DOE's expense as provided in Section 7.3.

(c) If USEC seeks to abandon any property described in Section 6.2(a), USEC shall provide sixty (60) days notice thereof to DOE. Any property returned to DOE pursuant to Section 6.2(a) may be returned in the condition in which such property is found on the date returned. USEC will have no obligation to place the property in any better condition. The rights to abandon and return prop-

erty and Patents under Section 6.2(a) shall survive the privatization of USEC as contemplated by the Act.

ARTICLE VII
ALLOCATION OF LIABILITIES

Section 7.1 Liability and Reimbursement. Except for liability expressly assumed by USEC pursuant to Section 7.5, DOE shall retain liability for and reimburse USEC to the extent it incurs or becomes liable for any and all costs and expenses (including reasonable attorney's fees incurred by USEC), claims, damages, injunctions, orders, judgments and penalties which are attributable to or arising out of the ownership or operation, by DOE or any agent, contractor, or employee thereof, of LLNL, the Premises, the Program Buildings, the AVLIS Property, or the AVLIS Program or out of the performance of the Work or the provision of the Services. Such liability includes but is not limited to:

(a) any pollution, contamination, or threat to human health or the environment attributable to the operation of LLNL, the Premises, the Program Buildings, the AVLIS Property, or the AVLIS Program by DOE, in whole or in part, prior to the date of the exercise of the option to acquire the Premises set forth in Section 3.1 hereof, regardless of when the event or condition giving rise to liability is discovered by USEC, including, with out limitation, all Remedial Action required by the Federal Facility Agreement under CERCLA Section 120 in the matter of U.S. Department of Energy, Lawrence Livermore National Laboratory, Livermore, California and Impacted Environs, dated November 2, 1988;

(b) any Environmental Claim not the result of the negligence or misconduct of USEC;

(c) USEC's status, if any, as a permittee, licensee, holder, signatory, owner, operator, assign, or successor in relation to any Permit

(including without limitation any requirement to obtain a Permit), or any administrative or judicial order, decree, or judgment, whereby and to the extent USEC is held responsible or liable in any manner for DOE's operation of LLNL, the Premises, the Program Buildings, the AVLIS Property, the AVLIS Program prior to the date of the exercise of the

option to acquire the Premises set forth in Section 3.1 hereof;

(d) any act or failure to act by DOE in transporting, storing, or disposing of any material;

(e) the release, discharge, removal, disposal, change out, or replacement of polychlorinated biphenyls, transuranics, chromates, trichloroethylene, asbestos, or pentachlorophenol existing or present at LLNL, the Premises, the Program Buildings, the AVLIS Property, or any portion thereof, regardless of whether such portion is transferred and regardless of the time at which such existence or presence becomes known to USEC; provided, however, this subsection shall not apply to the extent that any such material has been introduced to the Premises by USEC after the date of the exercise of the option to acquire the Premises set forth in Section 3.1 hereof. DOE's responsibility under this subsection (e) shall be governed by the Laws and Regulations and the Permits and Licenses in effect at the time the cost or liability for the release, discharge, removal, disposal, change out or replacement of such material is incurred by or imposed on USEC;

(f) actions taken or not taken under or pursuant to the M&O Contract, whether based on contract, tort or otherwise, and regardless of whether known or not known by USEC; and

(g) any other liability of DOE with respect to the performance of the Work, the Services, or the ownership or operation by DOE or any agent, employee or contractor thereof of LLNL, the Program Buildings, the AVLIS Property, the Intellectual Property or the AVLIS Program except for the liability for infringement claims assumed by USEC in Section 4.4 above.

Section 7.2 Generation of Waste. Without limiting DOE's obligations under Section 5.13, until but not subsequent to the exercise by USEC of the option to acquire the Premises provided in Section 3.1(d), DOE (i) shall manage, process, distribute, use, treat, store, dispose of, transport and handle all Materials of Environmental Concern, and (ii) shall control the rate of generation of wastes (including hazardous, low level, and mixed waste) and types of wastes to be generated in the

performance of the Work and the provision of the Services, in each case consistent with the conditions and requirements contained within: (1) existing and future Laws and Regulations (including Environmental Laws), Permits and Licenses, and environmental agreements; (2) the LLNL site-wide EIS/EIR and other existing or future NEPA documentation; and (3) other constraints applicable to all waste generators on site at LLNL.

Section 7.3 Decontamination and Decommissioning. Except as provided in this Section 7.3, DOE shall remain responsible for all costs associated with the decontamination and decommissioning, as defined in the Act, of AVLIS facilities. If USEC's use or operation of AVLIS facilities increases the costs paid by DOE, exclusive of internal DOE overhead costs and the costs of work performed by DOE employees, for the decontamination and decommissioning of the AVLIS facilities over that which DOE would have incurred in the absence of such use or operation, then USEC shall reimburse DOE for such increased costs incurred.

Section 7.4 DOE Liabilities. DOE agrees to retain liability for and to reimburse USEC to the extent USEC incurs or becomes liable for any and all costs and expenses (including reasonable attorney's fees), claims, damages, injunctions, orders, judgments and penalties which are attributable to or arising out of actions taken or omissions by DOE or its agents, employees, or contractors (other than USEC) with respect to the operation, occupation or use of, or activities at, LLNL, the Program Buildings, the AVLIS Property, the AVLIS Program or any portion of any of them, after the date hereof.

Section 7.5 USEC Liabilities. USEC agrees to retain liability for and to reimburse DOE to the extent DOE incurs or becomes liable for any and all costs and expenses (including reasonable attorneys fees), claims, damages, injunctions, orders, judgments and penalties which are attributable to or arising out of actions taken by USEC or its agents, employees, or contractors (other than DOE or the M&O Contractor) with respect to operation, occupation or use of, or activities at, LLNL, the Program Buildings, the AVLIS Property, the AVLIS Program or any portion of any of them, after the date hereof.

Section 7.6 Right to Defend. Promptly after receipt by a party entitled to reimbursement pursuant to this Article VII of notice of any claim or the commencement of any action, such party shall notify the other party of the claim or commencement of an action. The party liable for reimbursement shall have the right to participate in the defense of any third party claim or action through counsel of its own selection at its own expense; provided, that regardless of which party assumes the defense of a third party claim or action, neither party shall settle or compromise any such claim or action without the consent of the other party, which consent shall not be withheld unreasonably. The party entitled to reimbursement shall, at the expense of the party liable, cooperate to make available to the party liable all pertinent information under the control of the party entitled to reimbursement and shall make appropriate personnel reasonably available in connection with such claims.

ARTICLE VIII
INSURANCE AND DAMAGE

Section 8.1 Insurance. USEC will not be required to have any insurance coverage. However, after privatization of USEC as contemplated by the Act, USEC will maintain worker's compensation, employer's liability, comprehensive general liability (bodily injury), and comprehensive automobile liability (bodily injury and property damage) insurance in commercially reasonable amounts.

Section 8.2 Partial or Total Casualty to the Program Buildings or AVLIS Property. If all or a part of the Program Buildings or AVLIS Property are damaged or destroyed not due to the fault or negligence of USEC, its agents, employees, contractors, or subcontractors (other than DOE or its agents, employees, contractors or subcontractors) prior to USEC's exercise of the options set forth in Section 3.1 with respect to such property, USEC will have the option to require DOE to repair or rebuild such casualty.

ARTICLE IX
PRICE-ANDERSON INDEMNIFICATION

DOE represents, warrants and covenants that the indemnification clause contained in Article XVII of the M&O Contract is and will continue to be effective as to all activities or things performed or provided in connection with the Work or the Services, and that USEC would be an indemnified person under such clause to the same extent as the University (as defined in the M&O

Contract) or any other Person. DOE shall furnish evidence of such effectiveness at any time upon request of USEC.

ARTICLE X
OVERSIGHT

Section 10.1 Environment, Safety, And Health. Activities performed in connection with the Work and the Services shall comply with applicable Laws and Regulations and the terms and conditions of applicable Permits and Licenses.

Section 10.2 Emergencies. DOE and USEC shall have the right to stop the Work or any portion thereof whenever there exists a situation that jeopardizes personnel or public health or safety, without the approval of the other party. If time permits, immediate notice of the circumstances requiring cessation of Work or any portion thereof shall be given to the other party prior to the issuance of a stop work order. DOE will determine when work resumption is safe for personnel, and/or the facility can be approved for restart. If the risk is to property only, DOE may allow USEC to accept the financial risk provided the deficiencies are to be corrected while the facility is continuing operations.

Section 10.3 DOE Oversight.

(a) DOE will assure that its employees, agents, contractors and subcontractors (including the M&O Contractor) shall comply with applicable Laws and Regulations and the terms and conditions of applicable Permits and Licenses, including with respect to the environment, health and safety, quality assurance (limited to ES&H QA), classification, safeguards, and security in the performance of the Work and the provision of Services.

(b) Until Program Termination, USEC shall pay to DOE a fee of $200,000.00 each Fiscal Year (pro-

rated for partial Fiscal Years) to cover the costs of administration of this Agreement and of providing oversight as provided in this Section 10.3. This fee will be included in the Budget.

Section 10.4 New/Modified Operations. DOE approval shall be obtained prior to initial operations of new facilities, processes or safety-significant modifications of existing Program Buildings or processes, such approval not to be withheld unreasonably.

ARTICLE XI
REPRESENTATIVES

Section 11.1 DOE AVLIS Manager. DOE appoints its AVLIS Manager at LLNL as its on-site representative ("DOE AVLIS Manager") with authority to act on behalf of DOE with respect to the Work and the Services other than modifications of this Agreement pursuant to Article XII hereof. DOE may designate a different DOE AVLIS Manager at any time. Within thirty (30) days thereafter, DOE shall provide notice thereof to USEC.

Section 11.2 USEC AVLIS Manager. USEC shall appoint a person as its on-site representative ("USEC AVLIS Manager") with authority to act on behalf of USEC with respect to the Work and the Services other than modifications of this Agreement pursuant to Article XII hereof. USEC may designate a different USEC AVLIS Manager at any time. Within thirty (30) days thereafter, USEC shall provide notice thereof to DOE.

ARTICLE XII
MODIFICATIONS AND PRIVATIZATION

Section 12.1 Amendments. Except for the changes made pursuant to Article VI and Section 12.2 hereof, no change, amendment or modification of this Agreement shall be valid or binding unless such change, amendment or modification is described in a writing and is duly executed and consented to by the Secretary of Energy or any person authorized by the Secretary of Energy to provide such consent, and by the Chief Executive Officer of USEC or any person authorized by the Board of Directors of USEC to provide such consent.

Section 12.2 Privatization.

(a) In the event USEC is privatized as contemplated by the Act, this Agreement will be changed, amended or modified as provided in such privatization plan and otherwise shall remain in full force and effect according to its terms. USEC will notify DOE promptly after the adoption of a resolution by the Board of Directors of USEC authorizing a transaction to privatize USEC.

(b) In the event USEC is privatized as contemplated by the Act or the AVLIS Program, the AVLIS Property, or the Intellectual Property is transferred to a private corporation as contemplated by the Act, and the duties and obligations of USEC are assumed by a private corporation pursuant to such privatization or transfer, this Agreement shall survive such privatization and be transferred to such private corporation without the need for DOE or USEC to take any further action under this Agreement or otherwise. In such event, the name of such private corporation shall be substituted for that of USEC in this Agreement. In addition, DOE and USEC shall take whatever further action is required to transfer to such private corporation any memorandum of agreement or other agreements, instruments or documents related to this Agreement and entered into by DOE and USEC on or after the date hereof which cannot be transferred to such private corporation by the operation of their terms.

ARTICLE XIII
ASSIGNMENTS

Section 13.1 Assignment by DOE. DOE shall not have the right to assign this Agreement or any portion hereof and any such assignment shall be void. This Agreement and the obligations of DOE hereunder shall survive transfer of DOE's operations at LLNL, in whole or in part, to any other Person. DOE shall not subcontract or delegate any Work or the Services to any M&O Contractor other than the Regents without the consent of USEC, such consent not to be withheld unreasonably. No subcontracting or delegation of the Work or the Services to the M&O Contractor or any other person shall relieve DOE of any of its obligations or liabilities hereunder.

Section 13.2 Assignment by USEC.

(a) USEC shall not have the right to assign this Agreement or any portion hereof and any such assignment shall be void; except that, as provided by the Act, USEC may be substituted under this Agreement by (i) a successor in interest, (ii) a private corporation formed or caused to be formed by USEC for the purpose of commercializing AVLIS, or (iii) any Person to whom USEC transfers its rights to commercialize the AVLIS Program, which in the case of (i), (ii) or (iii) assumes all of the duties and obligations of USEC under this Agreement.

(b) With the consent of DOE, which shall not be withheld unreasonably, USEC shall have the right to exercise its rights or perform its duties under this Agreement through one or more agents or contractors for the

same, and to assign such rights and delegate such duties to such agent or contractor as USEC may elect. No such assignment or delegation shall be deemed an assignment of this Agreement.

(c) Nothing in this Section 13.2 shall be deemed to restrict USEC's right to sell, assign, license or otherwise transfer any Intellectual Property or to sell, assign, lease, or otherwise transfer any item of AVLIS Property upon exercise of any of the options described in Section 3.1 with respect to such item of AVLIS Property.

ARTICLE XIV
CONFIDENTIAL MATTERS

Section 14.1 Proprietary Information; FOIA.

(a) Except as provided in this Agreement (including the reservation of a license to use the Intellectual Property and the Records for Governmental Purposes as provided in Sections 3.3(c) and 4.3(b)), DOE shall not, without the prior written approval of USEC: (i) utilize any Proprietary Information for any purpose other than for the purpose of performing the Work; (ii) disclose, permit disclosure of, provide access to, release, or disseminate, by any means, any Proprietary Information, to any other Person (except as contemplated by this Agreement for the performance of the Work); (iii) provide access to any Pro-

prietary Information to any Representative of DOE or any other Person affiliated in any way with DOE that is not necessary for the purposes of performing the Work; or (iv) disclose Proprietary Information to any DOE employee who is not subject to 18 U.S.C. Section 1905; provided, however, that DOE may disclose USEC designated Proprietary Information to the extent such disclosure may be lawfully required, and provided that, prior to such disclosure, DOE gives USEC prompt notice of the required disclosure so that USEC may take whatever action it deems appropriate, including the intervention in any proceeding and the seeking of an injunction to prohibit such disclosure.

(b) "Proprietary Information" means all information in any form or medium, written, oral, or electronic, (i) transferred to USEC pursuant to the terms of this Agreement, (ii) generated in the course of the Work, or (iii) identified or marked by USEC as Proprietary Information or business confidential information which is furnished to DOE or any employee, agent or contractor thereof in connection with this Agreement by or on behalf of USEC or any of its directors, officers, employees, agents, contractors, accountants or other representatives, and (iv) those portions of any analyses, compilations, studies, reports, presentations or other instruments, prepared by DOE or its employees, agents, contractors, sub contractors, or other representatives ("Representatives") that contain, or are based in whole or in part, on information described in (i) through (iii) above. "Proprietary Information" shall not include information which: (x) is or becomes generally available to the public other than as result of disclosure by DOE or its Representatives; (y) is hereafter received by DOE from a third Person who has the right to disclose such information; or (z) is independently developed by any Representative of DOE who has not had access at any time to Proprietary Information in the possession of DOE.

(c) Upon USEC's written request and in accordance with its directions, and subject to Section 3.3(c), Proprietary Information (including all copies thereof made by a recipient) shall be returned to USEC or destroyed with written confirmation of same provided to USEC.

(d) Without limitation to subsection (a) above, the current AVLIS classification guidance will

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remain in effect until USEC proposes, and DOE agrees to, new guidelines. DOE will safeguard Proprietary Information from unauthorized access, disclosure, modification or destruction in accordance with applicable DOE classification, security regulations, orders and directives, and in accordance with the requirements of this Article XIV.

(e) At USEC's request, DOE shall obtain from an authorized officer of the M&O Contractor a written acknowledgement, for itself, its employees, agents, and subcontractors, of the requirements of this Article XIV.

(f) The M&O Contractor shall mark all work product of the M&O Contractor produced in connection with the Work as the proprietary and business confidential information of USEC.

(g) DOE shall develop and implement procedures acceptable to USEC for marking and protecting Proprietary Information and business confidential information from public release as provided in this Article XIV.

(h) Prior to privatization of USEC as contemplated by the Act, USEC shall have responsibility for all requests for information under FOIA relating to the AVLIS Program or the transactions contemplated by this Agreement, and DOE promptly shall refer any such FOIA requests received by it to USEC. Following such privatization, DOE shall consult with USEC with respect to any FOIA request it receives relating to the AVLIS Program or the transactions contemplated by this Agreement.

(i) The parties acknowledge that, notwithstanding Sections 3.3(c) and 4.3(b), any USEC information or records (including Proprietary Information and the Records) located at LLNL or any other DOE facility are the property of USEC, and that such information or records are provided by USEC to DOE for the convenience of performing the Work and the provision of the Services. Information or records generated in the course of the Work that may constitute government-owned records under the M&O Contract shall be deemed the property of USEC.

(j) USEC designates this Agreement business confidential information and DOE will coordinate any FOIA response with USEC.

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Section 14.2 Security.

(a) USEC will follow DOE guidelines for classification, safeguards, and security requirements.

(b) Both USEC and DOE approval will be required for all third-party visitors to AVLIS facilities at LLNL.

ARTICLE XV
COMPLIANCE WITH NEPA

Section 15.1 Joint Effort; Lead Agency. Until the date of privatization of USEC as contemplated by the Act, compliance with the National Environmental Policy Act relative to any actions taken pursuant to or contemplated by this Agreement will be achieved with a joint effort between DOE and USEC, with USEC as the Lead Agency and DOE as the Cooperating Agency.

Section 15.2 Costs. DOE and USEC each will bear its own costs and expenses incurred in connection with compliance with the National Environmental Policy Act.

ARTICLE XVI

MISCELLANEOUS

Section 16.1 Entire Agreement. This Agreement contains the entire understanding of DOE and USEC with respect to the subject matter of this Agreement, and supersedes all agreements entered into by DOE and USEC prior to the date hereof with respect to the subject matter of this Agreement. There are no other oral or written understandings, terms or conditions and neither DOE nor USEC has relied upon any representation or statement, express or implied, which is not contained in this Agreement.

Section 16.2 Notices. In order to be effective, any notice, demand, offer, response, request or other communication made with respect to this Agreement by either DOE, the M&O Contractor, or USEC must be in writing and signed by the one initiating the communication and must be hand-delivered or sent by registered letter, telefax or by a recognized overnight delivery service that re-

quires evidence of receipt at the addresses for such communication given below:

For DOE:

James M. Turner, Ph.D.
Acting Manager
U. S. Department of Energy
Oakland Operations Office
1301 Clay Street
Oakland, CA 94612-5208
Fax: (510) 637-2012

For the M&O Contractor:

James Early
Program Leader
Isotope Separation and Advanced
Manufacturing Technology Program
Lawrence Livermore National
Laboratory
P. O. Box 808, L466
7000 East Avenue
Livermore, CA 94550-9234
Fax: (510) 423-7651

For USEC:

J. William Bennett
Vice President
United States Enrichment Corporation
2 Democracy Center
6903 Rockledge Drive
Bethesda, MD 20817
Fax: (301) 564-3201

DOE, the M&O Contractor and USEC have the right to change the place to which communications are sent or delivered by similar notice sent or delivered. The effective date of any communication shall be the date of the receipt of such communication by the addressee.

Section 16.3 Severability. The invalidity of one or more phrases, sentences, clauses, subsections, sections or articles contained in this Agreement shall not affect the validity of the remaining portions of this Agreement so long as the material purposes of this Agree-

ment can be determined and effectuated. If such invalidity alters the fundamental allocation of risks or benefits or the rights and obligations of DOE or USEC contemplated in this Agreement, DOE and USEC will use their best efforts to negotiate in good faith to restructure this Agreement to reflect its original purposes.

Section 16.4 No Waiver.

(a) The failure of either DOE or USEC to rely upon any of the provisions of this Agreement or to require compliance with any of its terms at any time shall in no way affect the validity of this Agreement or any part thereof, and shall not be deemed a waiver of the right of DOE or USEC, as the case may be, to rely upon or require compliance with any and each such provision at a different time.

(b) Nothing in this Agreement should be construed as a waiver of any right, title or interest in and to property owned by DOE or by the United States Government relating to Alternative Technologies as provided in the Act.

Section 16.5 Applicable Law. This Agreement will be governed and construed in accordance with the federal laws of the United States of America.

Section 16.6 Binding Nature of Agreement. This Agreement will inure to the benefit of and will be binding upon the Government of the United States, DOE and USEC and their respective successors and assigns permitted by Article XIII.

Section 16.7 Agreement not Joint Venture. Nothing contained in this Agreement will be construed as creating or establishing a joint venture or partnership between or among DOE, the M&O Contractor and USEC.

Section 16.8 Further Assistance. DOE and USEC will provide such information, execute and deliver any agreements, instruments and documents and take such other actions as may be reasonably necessary or required, which are not inconsistent with the provisions in this Agreement and which do not involve the assumption of obligations other than those provided for in this Agreement, in order

to give full effect to this Agreement and to carry out its intent and the intent of the Act.

Section 16.9 Survival. This Agreement shall survive the expiration, conclusion or termination of the Work and the Services.

Section 16.10 No Rights in Others. Except as provided in Section 12.2 and Section 13.2, this Agreement is intended only to improve the internal management of the United States Government, and is not intended to create any right or benefit, substantive or procedural, enforceable by a party against the United States, its agencies or instrumentalities (including DOE and USEC), officers or employees of the United States Government, or any other person.

Section 16.11 Payment Obligations.

(a) DOE's obligations to make payments to USEC under this Agreement are subject to the availability of appropriated funds. DOE will use its best efforts, consistent with Laws and Regulations, to make such payments from existing appropriations (including reprogramming funds). If such payments cannot be made by DOE from existing appropriations, DOE will use its best efforts to request such additional appropriations as are needed from the Congress of the United States in order to make such payments.

(b) Unless and until USEC is privatized as contemplated by Section 1502 of the Act or the AVLIS Program is transferred to a private

corporation as contemplated by Section 1604 of the Act, USEC's obligations to make payments to DOE under this Agreement are subject to the availability of appropriated funds.

(c) This Section 16.11 does not limit either party's rights as provided for in the Act.

IN WITNESS WHEREOF, DOE and USEC have caused this Agreement to be executed and delivered as of April 27, 1995, and hereby affix the signatures of their duly authorized representatives:

/s/ James M. Turner
- ----------
James M. Turner, Ph.D.
ACTING MANAGER
OAKLAND OPERATIONS OFFICE
UNITED STATES DEPARTMENT OF ENERGY

AND

/s/ George P. Rifakes
- ----------
George P. Rifakes
EXECUTIVE VICE PRESIDENT, OPERATIONS
UNITED STATES ENRICHMENT CORPORATION

AMENDMENT FY98-1

TO THE
MEMORANDUM OF AGREEMENT
FOR
TRANSFER AND FUNDING OF AVLIS
BETWEEN THE
UNITED STATES DEPARTMENT OF ENERGY
AND THE
UNITED STATES ENRICHMENT CORPORATION

THE MEMORANDUM OF AGREEMENT ("Agreement") that was entered into on April 27, 1995, and most recently amended on July 1, 1997, between the UNITED STATES DEPARTMENT OF ENERGY ("DOE") and the UNITED STATES ENRICHMENT CORPORATION ("USEC"), is hereby amended as follows:

1. Beginning on October 1, 1997 and ending on the date of USEC privatization or when the amount transferred in (b) below has been expended, whichever occurs first,

   (a) Sections 5.2(b), 5.2(e), 5.2(f), 5.5(d), and 7.3 are hereby suspended;

   (b) the monthly advance payment requirements contained in Section 5.2(d) of the Agreement will be replaced by a transfer from USEC to DOE of an amount not to exceed $60,000,000, as specified in Section 509 of the 1998 Energy and Water Development Appropriations Act, P.L. 105-62, for AVLIS demonstration and development activities; and

(c) DOE shall fund the Work and Services, as described in the most recent approved Statement of Work and Budget, and shall be responsible for all costs associated with the termination of all or part of the Work or Services and the decontamination and decommissioning of the AVLIS facilities.

2. After the funds transferred pursuant to P.L. 105-62 have been expended or privatization happens, whichever occurs first, (i) the Sections in 1.(a) above are reinstated; (ii) AVLIS funding will be provided by USEC, or a new entity (the "privatized" USEC), in accordance with the requirements of Section 5.2(d); and (iii) responsibility for funding the Work and Services, for termination costs, and for decontamination and decommissioning of the AVLIS facilities will be in accordance with the Agreement including the reinstated Sections as specified in 2.(i).

3. Section 1.1 definitions of Work and Services are amended by adding at the end of each "and shall include any Work (Services) funded by DOE pursuant to Section 509 of the 1998 Energy and Water Development Appropriations Act."

4. All other terms and conditions of the Agreement shall remain in full force and effect.

5. The effective date of this Amendment is October 1, 1997.

IN WITNESS WHEREOF, and intending to be legally bound, DOE and USEC have caused this Amendment to the Agreement to be executed and delivered upon the latter date of the signature of the two parties, and hereby affix the signatures of their duly authorized representatives.

/s/ JAMES M. TURNER 10/24/97	/s/ GEORGE P. RIFAKES 10/23/97
James M. Turner, Ph.D. Date	George P. Rifakes Date
Manager	Executive Vice President
Oakland Operations Office	U.S. Enrichment Corporation
U.S. Department of Energy	

Exhibit 10.6

COMPOSITE COPY
of
POWER AGREEMENT
Dated October 15, 1952
between
OHIO VALLEY ELECTRIC CORPORATION
and
UNITED STATES OF AMERICA
Acting By and Through the
UNITED STATES ATOMIC ENERGY COMMISSION
and, subsequent to January 18, 1975, the
ADMINISTRATOR
of
ENERGY RESEARCH AND DEVELOPMENT
and, subsequent to September 30, 1977, the
SECRETARY OF ENERGY
the statutory head of the
DEPARTMENT OF ENERGY

COMPOSITE COPY AS MODIFIED BY:

Modification No. 1, dated July 23, 1953
Modification No. 2, as of Mar. 15, 1964
Modification No. 3, as of May 12, 1966
Modification No. 4, as of Jan. 7, 1967
Modification No. 5, as of Aug. 15, 1967
Modification No. 6, as of Nov. 15, 1967
Modification No. 7, as of Nov. 5, 1975
Modification No. 8, as of June 23, 1977
Modification No. 9, as of July 1, 1978
Modification No. 10, as of Aug. 1, 1979
Modification No. 11, as of Sept. 1, 1979 (Eff. 3/29/80)
Modification No. 12, as of Aug. 1, 1981 (Eff. 10/1/81)
Modification No. 13, as of Sep. 1, 1989 (Eff. 11/29/89)
Modification No. 14, as of Jan. 15, 1992 (Eff. 10/14/92)
Modification No. 15, as of Feb. 1, 1993 (Eff. 7/1/93)

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APPENDIX I

POWER AGREEMENT

AGREEMENT dated this 15th of October, 1952, by and between OHIO VALLEY ELECTRIC CORPORATION, a corporation organized under the laws of the State of Ohio (hereinafter called "Corporation"), and the UNITED STATES OF AMERICA, acting by and through the SECRETARY OF ENERGY, the statutory head of the DEPARTMENT OF ENERGY (hereinafter called "DOE" which term as used herein shall be deemed to include the duly authorized representative or representatives of the Secretary of Energy)

WITNESSETH THAT:

WHEREAS, DOE proposes to construct a new project (hereinafter referred to as the "Project") near Portsmouth, Ohio, and will require at the site of the Project electric power and energy in a large amount which is not now available; and

WHEREAS, in order to supply all of such electric power and energy, the companies named below (hereinafter called "Participating Companies") have caused Corporation to be organized for the purpose of constructing and operating power generating facilities within reasonable transmission distance of the Project and certain trans mission facilities, such construction and operation to be effected either directly by Corporation or indirectly through Indiana-Kentucky Electric Corporation, a corporation organized under the laws of the State of Indiana as a wholly owned subsidiary corporation of Corporation, or by other mutually agreeable subsidiary corporations of Corporation (for all purposes of this Agreement the term "Corporation" shall include each such subsidiary unless the context otherwise requires) and the Participating Companies have agreed, subject to the receipt of certain authorizations or approvals by regulatory agencies, to make available to Corporation equity capital, in an amount presently estimated not to exceed $20,000,000 in the aggregate, in the proportions indicated in the tabulation below:

Name of Participating Company	Equity Participation Ratio-Per Cent
American Gas and Electric Company	39.9
The Cincinnati Gas & Electric	

Company	9.0
Columbus and Southern Ohio Electric Company	4.3
The Dayton Power and Light Company	4.9
Kentucky Utilities Company	2.5
Louisville Gas and Electric Company	4.9
Ohio Edison Company	16.5
Southern Indiana Gas and Electric Company	1.5
The Toledo Edison Company	4.0
The West Penn Electric Company	12.5

and

WHEREAS, Corporation proposes to issue from time to time to the Participating Companies, as required, shares of the capital stock of Corporation for cash at the par value thereof of $100 per share in amounts presently estimated not to exceed the aggregate number of shares of such capital stock indicated in the tabulation below:

Name of Participating Company	Equity Participation Ratio-Per Cent
American Gas and Electric Company	79,800
The Cincinnati Gas & Electric Company	18,000
Columbus and Southern Ohio Electric Company	8,600
The Dayton Power and Light Company	9,800
Kentucky Utilities Company	5,000
Louisville Gas and Electric Company	9,800
Ohio Edison Company	33,000
Southern Indiana Gas and Electric Company	3,000

The Toledo Edison Company	8,000
The West Penn Electric Company	25,000

and

WHEREAS, arrangements are being made on behalf of Corporation with several institutional investors and banks pursuant to which such institutional investors and banks will lend funds to Corporations, hereinafter referred to as "indebtedness,"1 for that part of the required initial capital of Corporation not represented by the equity capital described above, it being anticipated that such indebtedness will be issued from time to time as required; and

WHEREAS, Corporation will enter into the contracts hereinafter referred to in Section 1.03 hereof with the companies named below (hereinafter called the "Sponsoring Companies") under which contracts the respective rights and

obligations of the Sponsoring Companies will, subject to certain conditions to be expressed therein, be established in the proportions indicated in the tabulation below:

Name of Sponsoring Company	Power Participation Ratio-Per Cent
Appalachian Electric Power Company (1)	15.2

- --------

1 The term "indebtedness" referred to in the DOE Power Agreement shall include any indebtedness of Corporation for borrowed money incurred in connection with the acquisition, financing, construction and completion of the project generating stations, or the project transmission facilities, and shall include any indebtedness (including, without limitation any indebtedness relating to the interest component, the principal or amortization component and any other component of any purchase price, amortization, rental or other payment under an installment sale, loan, lease or similar agreement) relating to the purchase, lease or acquisition by Corporation of additional facilities under Section 3.06 and replacements under Section 3.07.

The Cincinnati Gas & Electric Company	9.0
Columbus and Southern Ohio Electric Company	4.3
The Dayton Power and Light Company	4.9
Indiana & Michigan Electric Company (1)	7.6
Kentucky Utilities Company	2.5
Louisville Gas and Electric Company	7.0
Monongahela Power Company (2)	3.5
Ohio Edison Company	14.5
The Ohio Power Company (1)	15.0
Pennsylvania Power Company (3)	2.0
The Potomac Edison Company (2)	2.0
Southern Indiana Gas and Electric Company	1.5
The Toledo Edison Company	4.0
The West Penn Electric Company	7.0

(1) Subsidiary of American Gas and Electric Company.

(2) Subsidiary of The West Penn Electric Company.

(3) Subsidiary of Ohio Edison Company.

and

WHEREAS, this Agreement is authorized by and executed pursuant to the Atomic Energy Act of 1946 and the Supplemental Appropriation Act, 1953, in the interest of the common defense and security;

[Note - Additional whereas clauses were included in the various modifications.]

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

ARTICLE I
FACILITIES TO BE PROVIDED

Section 1.01 GENERATING STATIONS. Corporation shall expeditiously undertake or cause to be undertaken the design, purchase and construction, and operation and maintenance, of two steam-electric generating stations; viz.:

(a) One generating station hereinafter called "Ohio Station" consisting of five turbo-generators each with an expected capability of 200,000 kw, as described in Appendix "I" attached hereto and made a part hereof, with all other necessary equipment, at a location on the Ohio River between Portsmouth and Marietta, Ohio.

(b) One generating station hereinafter called "Indiana Station" consisting of six turbo-generators each with an expected capability of 200,000 kw, as described in Appendix "I", with all other necessary equipment, at a location on the Ohio River between New Albany and Lawrenceburg, Indiana.

The two above-described generating stations, including lands and land rights employed in connection there with, are hereinafter called "project generating stations."

Corporation shall exert its best efforts to have the generating units in the two project generating stations ready for commercial operation on the following dates:

Ohio Station		Indiana Station	
1st Unit	3/1/55	1st Unit	1/1/55
2nd Unit	6/1/55	2nd Unit	4/15/55
3rd Unit	9/15/55	3rd Unit	8/1/55
4th Unit	1/1/56	4th Unit	11/1/55
5th Unit	4/1/56	5th Unit	2/15/56
		6th Unit	6/1/56

Preliminary operation of each unit expected one month prior to commercial operating dates.

Section 1.02 TRANSMISSION AND GENERAL PLANT FACILITIES. Corporation shall expeditiously undertake or cause to be undertaken the design, purchase and construction, and operation and maintenance, of the necessary transmission and general plant facilities as described in Appendix "I", to deliver the electric energy produced at the project generating stations to the point of delivery (as defined in Section 2.06) for use at the Project and, except as provided in Section 5.01, the metering facilities required for billing purposes located at the Project. Such facilities, including lands and land rights used or useful in connection therewith, are hereinafter

called "project transmission facilities." Corporation shall use its best efforts to have the project transmission facilities available for commercial operation

on the following dates:

Ohio Station - Project double circuit line to X-530 Substation.....	8/1/54
Tanners Creek - Switching Station double circuit line.....	10/1/54
Switching Station - Project double circuit line to X-530 Substation..	10/1/54
Indiana Station - Tanners Creek double circuit line.....	12/1/54
Indiana Station - Switching Station double circuit line.....	4/1/55
Ohio Station - Project double circuit line to X-533 Substation.....	6/1/55
Switching Station - Project double circuit line to X-533 Substation..	8/1/55

Section 1.03 INTERCONNECTIONS WITH SPONSORING COMPANIES. Corporation shall establish or cause to be established interconnections between the project generating stations and/or the project transmission facilities and the systems of certain of the Sponsoring Companies, directly or indirectly, by means of which there will be afforded additional security of service to the Project from the systems of Sponsoring Companies, and an outlet for power and energy produced at the project generating stations and from time to time not needed in the operation of the Project. Corporation represents that it will enter into contracts with the Sponsoring Companies (a) to provide power to Corporation over such interconnections for resale to DOE during the construction period prior to full scale operation (as defined in Section 2.03) of the project generation stations, (b) to provide power to Corporation after the beginning of full scale operation over such interconnections for the purpose of supplying supplemental power (as defined in Section 2.04) for delivery to DOE whenever required due to maintenance or emergency outages of Corporation's facilities, and (c) to make available from the project generating stations to the Sponsoring Companies or others power that from time to time is not needed by Corporation to furnish the amount of power to which DOE is entitled hereunder.

Section 1.04 INSTALLATION OF LINE TERMINAL POSITIONS AT DOE SUBSTATIONS. DOE shall install at its substations at the Project and any additional substations which DOE may hereafter install and operate at the Project under such arrangements as shall be mutually agreed upon by Corporation and DOE (hereinafter called "DOE substations") in addition to the metering facilities

describe din Section 5.01 of this Agreement, line terminal positions, including circuit breakers and related equipment for switching and for protection and operation of the project transmission facilities terminating at the DOE substations. Such line terminal positions, circuit breakers and related equipment shall be free of any rental or other charges.

Section 1.05 DESIGN, OPERATION AND MAINTENANCE OF LINE TERMINAL POSITIONS AND RELATED EQUIPMENT. The Corporation and DOE shall cooperate, to the extent required, in the coordination of design and operation of the line terminal positions, circuit breakers, and system relay protection and communication and telemetering equipment provided by Corporation with similar equipment provided by DOE at the Project, so as to obtain reliable and satisfactory performance of such equipment. Corporation, to the extent requested by DOE shall make necessary tests, adjustments or settings, and repairs to DOE-owned protection relays, communication and telemetering equipment, and such other related equipment located at the DOE substations as DOE may install for switching and for protection and operation of Corporation's or Sponsoring Companies' transmission lines terminating at the DOE substations. DOE shall reimburse Corporation for labor, material and other expenses (including applicable over head costs) incurred by Corporation in providing such services.

Section 1.06 ASSISTANCE IN SECURING PRIORITIES. Upon request by Corporation, DOE shall use its best efforts to aid Corporation and Sponsoring Companies to obtain such priorities as may be necessary for the expeditious construction and operation of the facilities described in Sections 1.01 and 1.02

and of such generating and transmission facilities of the Sponsoring Companies as DOE deems necessary for the supply of interim power and for additional security of service to the Project.

Section 1.07 OWNERSHIP OF FACILITIES. All facilities provided by Corporation in accordance with Sections 1.01, 1.02 and 3.06, including replacements thereof, shall be the responsibility and remain the property of Corporation, and all facilities beyond the point of delivery specified in Section 2.06 shall be the responsibility and remain the property of DOE with the exception

of Corporation's meters and Corporation's controls for the 138 kv switching and transformer station installed at the DOE substations, which shall be the responsibility and remain the property of Corporation.

The parties hereto may agree in writing that facilities, constructed by Corporation pursuant to Section 3.06, including replacements thereof, after the effective date of Modification No. 11 to the Agreement and not located at the plant sites of the project generating stations or a part of the project transmission facilities shall be, or become, upon the termination of this Agreement and on terms and under arrangements specified in such writing(s), the property of the United States of America.

Section 1.08 EASEMENTS ON PROJECT PROPERTY. DOE shall grant or cause to be granted to Corporation and to the Sponsoring Companies easements for a term of fifty years, to enter upon and use such Government-owned land on the Project property as may be necessary for the construction, operation and maintenance of Corporation's or any Sponsoring Company's transmission facilities and for interconnection with other systems. The exact locations, extent of, and other pertinent details with respect to the easements shall be mutually agreed upon in writing by DOE and Corporation or such Sponsoring Company. DOE reserves the right to order removal of any such facilities to another location on the Project property for the convenience of DOE but in such event DOE shall pay the net cost of such removal and relocation and shall grant to Corporation or to such Sponsoring Company similar easements to use such lands as may be necessary in connection with the relocation. The rights to be granted by DOE to Corporation and Sponsoring Companies shall be free of any rental or other charges. The exercise of such rights shall be subject to such security regulations, rules or instructions as DOE may issue from time to time.

Section 1.09 RIGHTS OF ACCESS. DOE shall grant or cause to be granted to Corporation and any Sponsoring Company all rights in or on the Project property, including rights of ingress or egress, necessary for Corporation to fulfill its responsibilities hereunder for the installation, testing, operation, maintenance and replacement of facilities or equipment in or on the Project

property. Upon the termination or cancellation of this Agreement, Corporation or any Sponsoring Company owning facilities or equipment installed upon or in the Project property may, at its respective option, and at its expense, remove any of its facilities from DOE's property.

ARTICLE II

POWER SUPPLY

Section 2.01 POWER REQUIREMENTS. DOE estimates its requirements for electric power and energy for the Project at the times and amounts set forth in Columns I and II below. Corporation will be ready and able to supply or cause to be supplied these requirements in accordance with the provisions of this

Agreement.

Column I Date	Column II Power Requirements Demand in Megawatts
10/1/52	0.8
11/1/52	1.0
12/1/52	1.2
1/1/53	1.5
2/1/53	1.8
3/1/53	2.1
4/1/52	2.6
5/1/53	3.3
6/1/53	7.9
7/1/53	16.1
8/1/53	20.5
9/1/53	21.7
10/1/53	22.8
11/1/53	23.9
12/1/53	24.8
1/1/54	25.4
2/1/54	25.8
3/1/54	26.1
4/1/54	26.4
5/1/54	26.6
6/1/54	26.8
7/1/54	27
8/1/54	27

Column I Date	Column II Power Requirements Demand in Megawatts
8/15/54	102
10/1/54	182
11/15/54	262
12/15/54	302
1/1/55	382
2/1/55	457
3/1/55	517
4/1/55	567
4/15/55	597
5/1/55	647
6/1/55	689
7/1/55	723
7/15/55	742
8/1/55	881
8/15/55	895
10/1/55	1025
10/15/55	1036
12/1/55	1174

2/1/56	1310
3/15/56	1444
4/15/56	1554
5/1/56	1556
5/15/56	1666
6/1/56	1667
6/15/56	1760
9/1/56	1781
10/1/56	1790
11/1/56	1800

Section 2.02 INTERIM POWER. Power and energy which will be required by DOE from Corporation for construction and operation purposes at the Project, from sources other than the Corporation's project generating stations, during the period of construction of the project generating stations, is hereinafter called "interim power." DOE shall pay Corporation for interim power delivered at the point of delivery at the following rates:

Demand Charge	$1.30 per kilowatt per month of measured maximum kilowatt demand.
Energy Charge	6 mills per kilowatt-hour.

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The maximum amount of interim power that Corporation shall be obligated to supply to DOE at any time is 465,000 kw.

The maximum demand of interim power supplied prior to commercial operation of the first generating unit of the project generating stations shall be measured, in accordance with Section 5.02, directly by meters at the point of delivery. After such time such maximum demand of interim power shall be computed as the positive remainder obtained by subtracting from the total net metered demand at the point of delivery the amount of permanent power (as defined in Section 2.03) delivered to DOE. The number of kwh supplied as interim power shall be similarly determined.

Section 2.03 PERMANENT POWER. The term "full scale operation" used herein shall mean the operation of Corporation's project generating stations after the date on which all eleven generating units shall have been placed in commercial operation. Prior to full scale operation Corporation shall make available to DOE as permanent power for use at the Project the entire net available capacity of the project generating stations, and the energy associated therewith, less transmission losses. "During full scale operation Corporation shall make available to DOE for use at the Project such portion of the net available capacity of the project generating stations (to the extent that the same as reduced by transmission losses does not exceed DOE contract demand (as defined in Section 2.05) at the point of delivery) as shall be required to supply to DOE the quantities of permanent power and billing kwh of permanent power described below.

Whenever the total net metered power and energy delivered to DOE at the point of delivery for any clock hour, plus the transmission losses applicable to permanent power and energy generated at the project generating stations from the 345 kv busses of the project generating stations to the point of delivery, less the scheduled kwh of arranged power, do not exceed the capability of the project generating stations multiplied by the DOE capacity ratio (as defined in paragraph 2 of Section 3.04) then in effect, then the total net metered power and energy delivered to DOE at the point of delivery for such hour, less the scheduled kwh of arranged power and occasional

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energy, shall be classified as, and are herein referred to as, permanent power and billing kwh of permanent power, respectively.

Whenever the total net metered power and energy delivered to DOE at the point of delivery for any clock hour, plus the transmission losses applicable to permanent power and energy generated at the project generating stations from the 345 kv busses of the project generating stations to the point of delivery, less the scheduled kwh of arranged power, exceed the capability of the project generating stations multiplied by the DOE capacity ratio then in effect, then the power and energy associated with the capability of the project generating stations multiplied by the DOE capacity ratio then in effect, less the transmission losses applicable to permanent power and energy from the 345 kv busses to the point of delivery and less the scheduled kwh of occasional energy, shall be classified as, and are herein referred to as, "permanent power" and "billing kwh of permanent power", respectively.

"Capability of the project generating stations" shall mean, for any clock hour, the estimated net capability of the project generating stations for such hour at their 345kv busses determined by such methods and procedures as may be mutually agreed upon.

The aggregate of the billing kwh of permanent power for all the hours of a month shall be the billing kwh of permanent power for such month.

The transmission losses from the project generating stations to the point of delivery applicable to power and energy generated at the project generating stations shall be computed by methods and procedures mutually agreed upon.

Corporation shall arrange with the Sponsoring Companies that, in the event of outage of one or more of the elements of the project transmission facilities between the project generating stations and the point of delivery, the Sponsoring Companies shall make available any capacity of their transmission systems that they determine is not at such time needed by them to supply their customers under commitments made prior thereto, and Corporation shall use such transmission capacity, for the

period during which such is not so needed by the Sponsoring Companies, to the extent required to transmit permanent power to the point of delivery, in which event appropriate mutually satisfactory adjustments shall be made for the resulting changes in the transmission losses occurring in the project transmission facilities and the systems of the Sponsoring Companies.

DOE shall pay Corporation for all permanent power at rates provided in Article III.

Section 2.04 SUPPLEMENTAL POWER.

1. Whenever, for any clock hour, the aggregate amount of permanent power and the energy associated therewith furnished by Corporation to DOE pursuant to Section 2.03 and the scheduled kwh of occasional energy for which provision has been made by Corporation pursuant to Section 2.09 is insufficient to supply the part of the DOE contract demand which is then being demanded by DOE, Corporation shall, unless Corporation shall be excused as a result of conditions contemplated by Section 7.05 of this Agreement or DOE shall have otherwise excused Corporation from meeting such demand, furnish additional generating capacity and the energy associated therewith to DOE at the point of delivery to make up for such insufficiency in any amount necessary up to a number of kilowatts which will equal the Applicable Percentage (which percentage, for purposes of this Section 2.04, shall not exceed thirty percent) of the sum of (i) the DOE contract demand and (ii) the transmission losses thereon from the 345 kv busses of the project generating stations. At the request of DOE, during any clock hour Corporation may, at its option, furnish to DOE supplemental power which, when added to the permanent power and occasional energy then being furnished, shall exceed the DOE contract demand; provided that, in such event,

DOE shall, if requested to do so by Corporation, forthwith take action to reduce its power and energy requirements to an amount not exceeding the aggregate amount which Corporation would otherwise be obligated to supply. Notwithstanding the foregoing, the aggregate amount of supplemental power and energy which Corporation shall be obligated to furnish to DOE pursuant to this paragraph 1 during any calendar year shall not exceed the product of 900,000,000 kwh multiplied by the average DOE capacity ratio of such calendar year, weighted with respect to the

periods of time during which DOE capacity ratios were in effect.

2. The additional generating capacity and the energy associated therewith furnished to DOE pursuant to paragraph 1. above is called "supplemental power." Corporation shall make no demand charge to DOE for such additional generating capacity so furnished. However, DOE shall pay Corporation for the energy associated therewith in accordance with the plan and rate in paragraph 3 below.

3. Whenever the total net metered kwh delivered to DOE at the point of delivery for any clock hour is in excess of the aggregate amount of the billing kwh of permanent power, the scheduled kwh of arranged energy and the scheduled kwh of occasional energy for such hour, such excess, subject to paragraph 4 of this Section 2.04, shall be classified as, and is herein referred to as, "delivered kwh of supplemental energy." The aggregate of the delivery kwh of supplemental energy for all the hours of a month shall be the delivered kwh of supplemental energy for such month. To the delivered kwh of supplemental energy so computed for such month shall be added the number of kwh of transmission losses applicable thereto from the points of generation thereof to the point of delivery and the sum so computed is herein called the "billing kwh of supplemental energy". Such transmission losses shall be computed on an incremental loss basis by such methods and procedures as may be mutually agreed upon. For the billing kwh of supplemental energy, DOE shall pay Corporation an amount equal to the "out-of-pocket costs", as defined in Appendix II.

4. Whenever the permanent power and supplemental power and the energy associated therewith furnished by Corporation to DOE are not sufficient to supply the part of the DOE contract demand which is then being demanded by DOE, Corporation will use its best efforts to furnish additional generating capacity and associated energy to DOE at such rate or rates as may be quoted at such time by Corporation.

Section 2.05 CONTRACT DEMAND AND CHANGE IN LOAD.

1. The amount of power which Corporation shall be obligated (unless excused from performing such obligation

as a result of delivery by DOE of a notice of termination or reduction pursuant to Article VI of this Agreement or otherwise) to deliver at the point of delivery under this Agreement and the amount of power which DOE shall be obligated to purchase at said point of delivery (unless and to the extent such requirement shall be waived in writing by Corporation at the request of DOE), is herein referred to as the "DOE contract demand" and shall, commencing on the effective date of Modification No. 12 to this Agreement, and for the remainder of the term of this Agreement, except as otherwise provided in clause (A) and in clause (B) of this paragraph 1, be that amount (such amount being herein referred to as the "Full Contract Quantity"), which, when added to the sum of (i) the kilowatt transmission losses thereon from the 345-kv busses of the project generating stations to the point of delivery, and (ii) the product of the Applicable Percentage and the sum of such amount and (i), shall equal the established capability of the project generating stations as determined from time to time in accordance with Appendix III hereto; provided, however (A)

that, commencing with the effective date of Modification No. 12 to this Agreement and during the periods indicated, the DOE contract demand shall be, in lieu of the Full Contract Quantity, the respective amounts specified, in the tabulation below:

Period (Inclusive Dates)	Megawatts
Effective Date of Modification No. 12 - September 30, 1982	785
Oct. 1, 1982 - Sept. 30, 1983	1260
Oct. 1, 1983 - Sept. 30, 1984	1260
Oct. 1, 1984 - Sept. 30, 1985	1260
Oct. 1, 1985 - Sept. 30, 1986	1260
Oct. 1, 1986 - Sept. 30, 1987	1340
Oct. 1, 1987 - Sept. 30, 1988	1660

and provided further (B) that (a) notwithstanding anything contained above in clause (A) of this paragraph 1, Corporation shall be entitled, in its sole discretion, at any time and from time to time during the term of this Agreement, upon delivery by Corporation to DOE of a notice in writing at least 60 days (unless and to the extent DOE shall waive such notice requirement in writing; provided, however, that if Corporation shall be advised that it will be subject to a fine or penalty if

it fails to limit the generation at either or both of the project generating stations for the purpose of limiting the emission of pollutants or the discharge of wastes, such notice period may, at the option of Corporation, without the consent of or any waiver by DOE, be less than 60 days but not less than 10 days), prior to the effective date of the increase specified in such notice (the effective date so specified in such notice being herein called the "effective Date") to increase the DOE contract demand from the amount which, had Corporation not elected to deliver such notice, would otherwise be in effect on said Effective Date as the DOE contract demand, (1) by such amount, and (2) for such period commencing on said Effective Date (which may occur within a period covered by a prior notice) and extending to such date at least 90 days subsequent to said Effective Date, as shall be specified in such written notice, and (b) in the event that any of the events specified in clause (i), clause (ii), clause (iii) or clause (iv) of Section 6.05 of this Agreement shall occur on the effective date of Modification No. 14 to this Agreement or thereafter during the term of this Agreement, then, and in such event, if Corporation so elects pursuant to Section 6.05, for the purpose of computing the demand charges or modified demand charges payable by DOE as cancellation costs pursuant to Section 6.02 of this Agreement, and for all other purposes of this Agreement, the DOE contract demand in effect on the date of the occurrence of such event and thereafter shall be, and be deemed to be, the Full Contract Quantity; and provided further (C) that at no time during the term of this Agreement shall the DOE contract demand be deemed, for any purpose of this Agreement, to exceed the Full Contract Quantity.

2. DOE shall have the right at any time to sell or provide permanent or supplemental power and energy to which it is entitled hereunder to its vendors, contractors and concessionaires for their consumption at or in the vicinity of the Project. In addition, DOE shall have the right at any time to sell or provide permanent or supplemental power and energy in an amount up to 2,500 kw to its tenants for their consumption at or in the vicinity of the Project; provided, however, that DOE's right to sell to its tenant, the United States Enrichment Corporation ("USEC"), a corporation established by the Energy Policy Act of 1992, for consumption at the Project, power and energy purchased from Corporation shall not be lim-

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ited in amount and provided further that DOE's right to sell to its tenant USEC for consumption at DOE's uranium enrichment facility near Paducah, Kentucky, power and energy purchased from Corporation shall not be limited in amount except as provided in paragraph 3 of this Section 2.05.

3. Except as hereinafter provided, DOE shall have the right, at any time during the term of this Agreement, to the extent that power and energy shall no longer be required at the Project, to transfer all or part of the power and energy to which DOE is entitled hereunder in a block or blocks not less than 20,000 kw in any one case to supply a Governmental requirement at DOE's uranium enrichment facility near Paducah, Kentucky for consumption in operations at such installation. In the event that DOE desires to exercise such right, it shall give notice of its intention to Corporation. If arrangements are mutually agreed upon for such transfer over transmission facilities provided by Corporation, such power and energy shall be delivered by Corporation to the point agreed upon at the rates provided in this Agreement, adjusted to reflect any increase in cost to Corporation as well as applicable transmission charges. If, however, within 60 days after receipt of the notice provided for in this paragraph, Corporation undertakes to release DOE from liability with respect to charges payable by DOE with respect to such power and energy as of (a) one year after such notice, or (b) the day on which such power and energy could have been used at the Paducah facility, whichever is later, or (c) as of such earlier date, if any, when Corporation can absorb such power and energy in its system or in the systems of Sponsoring Companies, then Corporation shall, as of the date when DOE is released from such liability, have the right to dispose of such power and energy in any manner it may determine.

[Paragraph 4 deleted by Mod. No. 14]

5. If arrangements are mutually agreed upon, DOE shall have the right, at any time during the term of this Agreement, to transfer all or part of the power and energy to which DOE is entitled under this Agreement to a separate delivery point at the Project site for use by DOE in the operation of its facilities at the Project site and such power and energy shall be delivered by Corporation to DOE at the delivery point so agreed upon

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at the rates provided in this Agreement, adjusted to reflect any change in the cost to Corporation resulting from such delivery.

Section 2.06 CHARACTERISTICS OF SUPPLY AND POINT OF DELIVERY. All electric service delivered hereunder shall be three phase, 60-Hertz, at a nominal voltage of 345 kv. Corporation and DOE shall cooperate with each other to regulate the voltage at the DOE 345 kv substation busses at the Project so that the voltage at such substation busses shall not exceed 354 kv and shall not be less than 313 kv. DOE shall take such action as shall be necessary to limit the demand it imposes upon Corporation so that the demand imposed on either of DOE's X-530 or X-533 substations shall not exceed, at any time (i) 1,630,000 kilowatts or (ii) such lesser amount, which shall at least equal 1,500,000 kilowatts, as Corporation may from time to time specify. Electric energy shall be delivered at the substation side of the 345 kv transmission line dead-end insulator assemblies on the DOE 345 kv bus structures, the substation side of the 34 kv tie line dead-end insulator assemblies on the series reactor bus structures, and the X-530 substation side of Corporation's 345 kv disconnecting switch located in the 345 kv lead from the 345/138 kv auto-transformer adjacent to substation X-530 and such points taken collectively are herein called the "point of delivery".

Section 2.07 POWER FACTOR. DOE shall provide power factor corrective synchronous condenser or other reactive capacity sufficient to correct the net

power factor of the load at the point of delivery to approximately unity for interim power deliveries and to not less than 94.7 per cent lagging for permanent power deliveries. DOE and Corporation shall cooperate with each other and with Sponsoring Companies in the operation of such power factor corrective equipment of DOE and in the operation of facilities of Corporation and the Sponsoring Companies to the end that mutually satisfactory power factor conditions shall be maintained.

Section 2.08 ARRANGED POWER.

1. In the event that permanent power (together with any occasional energy) and supplemental power, and the energy associated therewith, to be supplied by Corporation to DOE will not be sufficient to supply the DOE requirements for electric power at the Project, at the request of DOE and upon reasonable notice, and provided that arrangements for the supply to Corporation of other power and energy from sources other than the project generating stations have been effected, Corporation will schedule the delivery of such other power and associated energy to DOE, such other power being herein called "arranged power" and the energy associated therewith scheduled to be delivered to the point of delivery being herein called "scheduled kwh of arranged energy".

2. The aggregate of the scheduled kwh of arranged energy for all the hours of a month shall be the scheduled kwh of arranged energy for such month. To the scheduled kwh of arranged energy so computed for such month shall be added the number of kwh of transmission losses applicable thereto computed by such methods and procedures as may be mutually agreed upon, and the sum so computed is herein called the "billing kwh of arranged energy".

3. DOE shall pay to Corporation for arranged power and/or for billing kwh of arranged energy during any month an amount equal to the "out-of-pocket costs of arranged power," determined as provided in paragraph 5 of this Section 2.08, plus a charge for difficult to quantify costs of 1 mill per scheduled kwh of arranged energy. No portion of such 1 mill charge for difficult to quantify costs shall be included in the computations under Sections 3.03 and 3.04.

4. Corporation proposes to purchase, when and if requested by DOE, arranged power, and the energy associated therewith, from systems having power and energy available from sources other than the project generating stations, including purchases from the systems of one or more of the Sponsoring Companies. DOE recognizes that one or more of the systems from which Corporation proposes from time to time to purchase arranged power, and the energy associated therewith, are required to file, with respect to such service, rate schedules and/or tariffs,

with the Federal Energy Regulatory Commission and/or other regulatory bodies having jurisdiction, and may from time to time file superseding rate schedules and/or tariffs, which may or may not be made effective by the Federal Energy Regulatory Commission or such regulatory bodies as so filed, and, therefore, Corporation cannot assure DOE that arranged power, and the energy associated therewith, will be supplied by Corporation to DOE under this Section 2.08 in any specific amount or at any specific rate for any particular period of time. Corporation will, however, use its best efforts to secure, and to keep DOE informed as to prevailing, and anticipated changes in, quantities of and proposed rates for, power and the energy associated therewith, which Corporation can purchase for delivery to DOE as arranged power and to cooperate with DOE, to the extent such cooperation is in the judgment of Corporation feasible and in the interests of Corporation, in the purchase of arranged power when requested by DOE with the objective that DOE will be supplied, with flexibility as to source if practical, a reliable and adequate amount of arranged power, and the energy associated therewith, on just and reasonable terms.

5. "Out-of-pocket costs of arranged power", means all costs which Corporation shall incur in arranging for such arranged power, and the energy associated therewith, taking into account transmission losses, if any, that would not have been incurred if arrangements for such arranged power and energy had not been made.

Section 2.09 OCCASIONAL ENERGY.

1. From time to time energy may be available to Corporation for delivery to DOE from systems having energy available from sources other than the project generating stations, including the systems of one or more of the Sponsoring Companies, at a cost to DOE which Corporation believes would be lower than the energy charge for billing kwh of permanent power which would otherwise be supplied to DOE from the project generating stations. Provided that arrangements for the supply to Corporation of such energy have been effected, Corporation may elect, in its sole judgment, to schedule the delivery of such energy to DOE in lieu of energy associated with permanent power. Such energy is called "occasional energy" in this Agreement. The occasional energy

scheduled to be delivered to the point of delivery is herein called "scheduled kwh of occasional energy".

2. The aggregate of the scheduled kwh of occasional energy for all the hours of a month shall be the scheduled kwh of occasional energy for such month. To the scheduled kwh of occasional energy so computed for such month shall be added the number of kwh of transmission losses applicable thereto, computed by such methods and procedures as may be mutually agreed upon, and the sum so computed is herein called the "billing kwh of occasional energy".

3. DOE shall pay Corporation for billing kwh of occasional energy during any month an amount equal to the "out-of-pocket costs of occasional energy", determined as provided in paragraph 5 of this Section 2.09.

4. Corporation proposes to use its best efforts to purchase occasional energy from systems having energy available from sources other than the project generating stations, including purchases from the systems of one or more of the Sponsoring Companies. DOE recognizes that one or more of the systems from which Corporation proposes from time to time to purchase occasional energy are required to file, with respect to such service, rate schedules and/or tariffs with the Federal Energy Regulatory Commission and/or other regulatory bodies having jurisdiction, and may from time to time file superseding rate schedules and/or tariffs, which may or may not be made effective by the Federal Energy Regulatory Commission or such regulatory bodies as so filed, and, therefore, Corporation cannot assure DOE that occasional energy will be supplied by Corporation to DOE under this Section 2.09 in any specific amount or at any specific rate for any particular period of time. Corporation will, however, use its best efforts to secure, and to keep DOE informed as to prevailing, and anticipated changes in, quantities of and proposed rates for, the energy which Corporation can purchase for delivery to DOE as occasional energy and to cooperate with DOE, to the extent such cooperation is in the judgment of Corporation feasible and in the interests of Corporation, in the purchase of occasional energy when requested by DOE with the objective that DOE will be supplied, with flexibility as to source if practical, a reliable and adequate amount of occasional energy on just and reasonable terms.

5. "Out-of-pocket costs of occasional energy" means all costs which Corporation shall incur in providing for such occasional energy, taking into account transmission losses, if any, that would not have been incurred if such occasional energy had not been scheduled.

Section 2.10 TRANSMISSION REVENUES. From time to time Corporation may receive payments from other utilities or entities for the transmission over transmission facilities of Corporation of electric power and energy not associated with the Project. In such event, no portion of the payments received by Corporation for the use of Corporation's transmission facilities shall be included in the computations under Sections 3.03 and 3.04.

Section 2.11 TRANSMISSION PAYMENTS. In the event that Corporation is required to make payments to other utilities and/or entities of transmission or transmission-related charges for or in connection with the delivery of electric power and energy to DOE under this Agreement, which charges would not, pursuant to any other provision of this Agreement, be billed by Corporation to, and paid by, DOE, DOE shall pay to Corporation the full amount paid by Corporation for such charges; provided, however, that such amount shall be reduced, to not less than zero, by any amount which Corporation receives from other utilities and/or entities under Section 2.10 during the calendar year when the obligation to make payments to other utilities and/or entities arises.

ARTICLE III

Rates For Permanent Power

Section 3.01 PROVISIONAL RATE FOR PERMANENT POWER DURING FULL SCALE OPERATION. The provisional rate for permanent power, furnished at the point of delivery, for the DOE contract demand during full scale operation, shall consist of:

(a) Demand Charge

A provisional semi-monthly demand charge, to be billed to DOE semi-monthly, for the period ending on the

fifteenth day or the last day of each calendar month, as the case may be, shall be separately computed upon the basis of all costs adjusted pursuant to Section 3.04 of this Agreement (other than interest and principal components of purchase price payments under an installment sale or similar agreement required to be paid by DOE directly to a trustee as provided in subclauses (i) and (iii) of clause (a) of paragraph 3 of Section 3.04 of this Agreement) for the most recent calendar year preceding the calendar month for which such demand charge is to be billed. The provisional semi-monthly demand charge for each semi-monthly period shall be determined by dividing the total of the costs for such preceding calendar year by 24 and multiplying the resulting amount by the DOE capacity ratio in effect for such semi-monthly period. Such provisional semi-monthly demand charge shall be subject to adjustment as provided in Section 3.04 of this Agreement. The two provisional semi-monthly demand charges for any calendar month, as so adjusted, shall constitute the minimum monthly charge for such month to DOE under this Agreement; and

(b) Energy Charge

A provisional semi-monthly energy charge shall be separately computed for each semi-monthly period and shall be determined by multiplying (i) the system heat rate of the project generating stations for the twelfth full calendar month preceding the beginning of the semi-monthly billing period, expressed in terms of Btu per kwh of net generation by (ii) the average price of the coal (and other fuel) in storage at the project generating stations at the beginning of the calendar month in which the services billed are rendered, expressed in terms of cost per Btu, and then (iii) multiplying such product by billing kwh of permanent power (determined as provided in Section 2.03 of this Agreement) delivered to DOE during the semi-monthly period which is to be billed. The two provisional semi-monthly energy charges for any calendar month shall be subject to adjustment as provided in Section 3.03 of this Agreement.

Section 3.02 RATE FOR PERMANENT POWER PRIOR TO FULL SCALE OPERATION. During the period between the beginning of commercial operation of the first unit of Corporation's project generating stations and the beginning of full scale operation, the rate for permanent

power furnished at the point of delivery shall consist of:

(a) Monthly Demand Charge

An amount equal to the sum of the following items for the month or portion thereof included in such period prior to full scale operation (i) the total fixed charges of Corporation of the nature described in paragraph 3.(a) of Section 3.04 (including, in lieu of the amount specified in clause (iii) of said paragraph 3.(a) an amount equal to 2 1/2% on an annual basis of the aggregate amount in Corporation's Accounts 301 to 393, inclusive, of the Uniform System of Accounts prescribed by the Federal Power Commission for Public Utilities and Licensees, as in effect on July 1, 1952 (hereinafter called the "Uniform System of Accounts")); (ii) the total operating expenses of Corporation of the nature described in paragraph 3.(b) of Section 3.04; (iii) the total amount of expenses of Corporation for taxes and insurance of the nature described in paragraph 3.(c) of Section 3.04, and (iv) an amount computed as provided in paragraph 3.(d) of Section 3.04 upon that portion of the aggregate par value of the capital stock of Ohio Valley Electric Corporation then issued and outstanding which is properly allocable, as determined upon a basis consistent with generally accepted accounting principles, to the aggregate amount in Corporation's Accounts 301 to 393, inclusive, of the Uniform System of Accounts and working capital required for the operation of the facilities then in commercial operation. Such amount shall be decreased by an amount equal to the aggregate of the credits required for such month pursuant to the provisions of paragraph 6. of Section 3.08.

(b) Monthly Energy Charge

An amount equal to a base energy rate of 1.702 mills per kwh multiplied by the billing kwh of permanent power. Such monthly energy charge shall be subject to adjustment as set forth in Section 3.03.

Section 3.03 ADJUSTMENT OF ENERGY CHARGE. The provisional semi-monthly energy charges for any calendar month specified in Section 3.01 shall be adjusted so that the sum of such charges, as adjusted, for such month shall equal the product of the total net charges for such

month at the project generating stations to Account 703 (Fuel) of the Uniform System of Accounts, and the ratio of (a) the billing kwh of permanent power for such month plus the transmission losses thereon from the 345 kv busses of the project generating stations to the point of delivery, to (b) the total net kwh generated at the project generating stations during such month corrected for losses to the 345 kv busses thereof. Such losses shall be determined by such methods and procedures as may be mutually agreed upon.

Section 3.04 ADJUSTMENT OF DEMAND CHARGE. The provisional semi-monthly demand charges for any calendar month specified in Section 3.01 shall be adjusted for such month in the following manner:

1. The term "established capability" of the project generating stations as used herein means the total net capability of the project generating stations (with all eleven generating units operating) at their 345 kv busses, determined in accordance with the procedures described in Appendix III.

2. The term "DOE capacity ratio" as used herein means the ratio of (a) the sum of (i) the DOE contract demand, (ii) the kw transmission losses thereon from the 345 kv busses of the project generating stations, determined by such methods and procedures as may be mutually agreed upon, and (iii) the Applicable Percentage of the sum of items (i) and (ii) as an allowance for reserve generating capacity, to (b) the established capability of the project generating stations; provided, however, that the DOE capacity ratio shall not exceed unity.

The term "Applicable Percentage", referred to in paragraph 1 of Section 2.04, in paragraph 1 of Section 2.05, and in paragraph 2 of this Section 3.04, shall be, on any particular date, fifteen per cent (15%) plus 1.5 percentage points for each whole percentage point by which the average availability of Corporation's generating capacity during the calendar year immediately preceding such particular date, determined as provided in Appendix VI, was less than 90 percent.

3. As soon as practicable after the close of each calendar month the following components of costs of Corporation (eliminating any duplication of costs which

might otherwise be reflected among the corporate entities comprising Corporation) applicable to the ownership, operation and maintenance of the facilities described in Section 1.01, 1.01, 3.06 and 3.07 for such month shall, except as otherwise provided in Sections 3.06 and 3.07, be determined and recorded:

(a) Component (A) shall consist of fixed charges made up of (i) the amounts of interest properly charge able to Accounts 530, 534 and 535, less the amount thereof credited to Account 536, of the Uniform System of Accounts, including the interest component of any purchase price, interest, rental or other payment under an installment sale, loan, lease or similar agreement relating to the purchase, lease or acquisition by Corporation of additional facilities under Section 3.06 and replacements under Section 3.07 (which, if the right to receive such interest component under such installment sale, loan, lease or similar agreement shall have been assigned by the seller, lender, lessor or other party to any such similar agreement with the written consent of Corporation and DOE, to a trustee under an indenture pursuant to which bonds or other debt securities have been issued and sold, shall be paid by DOE directly to such assignee rather than to Corporation), (ii) the amounts of amortization of debt discount or premium and expenses properly chargeable to Accounts 531 and 532, and (iii) an amount equal to the sum of (I) the applicable amount of the debt amortization component for such month required to retire the total amount of indebtedness of Corporation issued and outstanding at the beginning of full scale operation on a twenty-five year semi-annual payment level debt sinking fund basis (computed with an interest component of 3-3/4% per annum from the beginning of full scale operation), (II) the amortization requirement for such month in respect of indebtedness (including the principal or amortization component of any purchase price, amortization, rental or other payment under an installment sale, loan, lease or similar agreement relating to the purchase, lease or acquisition by Corporation of additional facilities under Section 3.06 and replacements under Section 3.07, which, if the right to receive such principal or amortization component under such installment sale, loan, lease or similar agreement shall have been assigned by the seller, lender, lessor or other party to any such similar agreement, with the written consent of Corporation and DOE, to a trustee under an

indenture pursuant to which bonds or other debt securities have been issued and sold, shall be paid by DOE directly to such assignee rather than to Corporation) of Corporation incurred in respect of facilities referred to in Sections 3.06 and 3.07, the cost of which has been financed by Corporation from sources of

capital funds other than DOE as contemplated by such Sections 3.06 and 3.07, and (III) to the extent not provided for pursuant to clause (II) of this clause (iii), an appropriate allowance for depreciation of the facilities referred to in Sections 3.06 and 3.07, the cost of which has been financed by Corporation from sources of capital funds other than DOE as contemplated by such Sections 3.06 and 3.07.

(b) Component (B) shall consist of the total operating expenses for labor, maintenance, materials, supplies, services, insurance, administrative and general expense, etc., properly chargeable to the Operating Expense Accounts of the Uniform System of Accounts (exclusive of (i) Accounts 703, 738, 739, 785, 786, 787, 788 and 789 of the Uniform System of Accounts and (ii) any expenses for which DOE reimburses Corporation under Sections 1.05, 4.02 and 4.08), and additional amounts which, after provision for all estimated Federal income taxes on such amounts, shall equal any amounts paid or payable by Corporation as fines or penalties with respect to occasions (before or after the effective date of Modification No. 11 to this Agreement) where it is asserted that Corporation failed to comply with a law or regulation relating to the emission of pollutants or the discharge of wastes; provided, however, that the cost of any insurance carried solely for the benefit of DOE at its request shall be paid for solely by DOE unless otherwise agreed upon from time to time by the parties hereto.

(c) Component (C) shall consist of the total expenses for taxes, including all taxes on income (other than (i) Federal income taxes, (ii) any taxes that are now or may hereafter be levied based on revenue, energy generated or sold or on any other basis capable of direct distribution, the cost of which taxes shall be allocated directly to DOE and Corporation in amounts reflecting the proper share of each, and DOE shall pay to Corporation its share thereof, (iii) taxes arising from payments received by Corporation for difficult to quantify costs under Section 2.08 and (iv) taxes arising from payments

received by Corporation for use of Corporation's transmission facilities under Section 2.10), properly charge able to Account 507 of the Uniform System of Accounts; provided, however, that any taxes for which DOE reimburses Corporation under Sections 1.05, 3.06, 3.07, 4.02, and 4.08 shall not be included in Component (C)."

(d) Component (D) shall consist of an amount equal to the product of $2.089 multiplied by the total number of shares of capital stock of the par value of $100 per share of Ohio Valley Electric Corporation which shall have been issued and which are outstanding on the last day of such month.

4. The two provisional semi-monthly demand charges for such calendar month shall be adjusted so that the sum of such charges, as adjusted, shall equal the product of the total of the costs specified in paragraph 3 of this Section 3.04 multiplied by the average DOE capacity ratio in effect for such month, weighted with respect to the periods of time during which DOE capacity ratios were in effect; provided, however, that the adjustment of the provisional semi-monthly demand charges for such month shall be made on the basis that the average DOE capacity ratio in effect for such month equalled unity as to amounts, if any, specified in paragraph 3 of this Section 3.04 with respect to the cost of facilities which are referred to in Sections 3.06 and 3.07, which costs are incurred after October 14, 1977, whether or not the purchase and installation of such facilities occurred in whole or in part prior to such date.

5. After the close of each calendar year a further adjustment shall be made by multiplying the total of the costs specified in paragraph 3 of this Section 3.04 for the entire year by the average DOE capacity ratio for such year, weighted with respect to the periods of time during which DOE capacity ratios were in effect, and crediting or charging DOE, as the case may be, with the difference between the resulting product and the aggregate of the amounts of the provisional semi-monthly demand charges for such year, after adjustment of such amounts pursuant to paragraph 4 of this Section 3.04; provided, however,

that such further adjustment shall be made on the basis that the average DOE capacity ratio for such year equalled unity as to amounts, if any, specified in paragraph 3 of this Section 3.04 with respect to the

cost of facilities which are referred to in Sections 3.06 and 3.07, which costs are incurred after October 14, 1977 whether or not the purchase and installation of such facilities occurred in whole or in part prior to such date.

6. Commencing with the month in which Modification No. 12 to the DOE Power Agreement shall become effective and for each month thereafter during the term of this Agreement, Corporation shall, to the extent it sells power to one or more Sponsoring Companies pursuant to paragraph 1 of Section 3.08 of this Agreement, remit to DOE an amount equal to the Sponsoring Companies' Share of the Pollution Control Facility Payment applicable to such month or the next succeeding month pursuant to paragraph 4 of Section 3.04, collected such amount for such month from one or more Sponsoring Companies pursuant to Section 3.08, the amount so collected shall (in lieu of being remitted by Corporation to DOE) be reflected as a credit to, or adjustment of, the demand charges payable by DOE to Corporation pursuant to Section 3.04, collected such amount for such month from one or more Sponsoring Companies pursuant to Section 3.08, the amount so collected shall (in lieu of being remitted by Corporation to DOE) be reflected as a credit to, or adjustment of, the demand charges payable by DOE to Corporation pursuant to Section 3.04 of this Agreement; provided, however, that nothing contained in this paragraph 6 shall relieve, or be deemed to relieve, DOE from any obligation it may have under paragraph 3(a) of Section 3.04 of this Agreement to pay any amount referred to in said paragraph 3(a) directly to a trustee, as assignee, under an indenture pursuant to which bonds or other debt securities have been issued and sold.

[Paragraph 7 deleted as of August 1, 1981]

8. The amount provided for Component (D) in clause (d) of paragraph 3 of this Section 3.04 as amended effective as of January 1, 1971 shall be subject to equitable adjustment (to be made in accordance with the standard that such Component (D) is designed to provide Corporation with a reasonable return before Federal income taxes, but taking into account the rate thereof which can reasonably be estimated to be applicable in the current period and the deductions which will be available to Corporation for such period, on the aggregate amounts

recorded from time to time in Accounts 200, 203, 270 and 271 of the Uniform System of Accounts) by mutual agreement of Corporation and DOE on January 1, 1971, and on the first day of each calendar quarter thereafter during the term of this Agreement to reflect prospectively any changes which has occurred in the circumstances of Corporation. In the event Corporation or DOE shall propose at adjustment pursuant to this paragraph 8, which shall not be agreed to by the other party hereto, Corporation or DOE may apply for the determination, after the expiration of 30 days from the giving of notice thereof or such longer or shorter period as the parties hereto may agree, by the Review Board hereinafter described of whether an adjustment shall be made and the amount thereof. Such determination shall be conducted in accordance with the applicable rules of procedure for contract disputes of said Review Board, or in the absence of such rules of procedure, in accordance with such procedure as the Review Board shall fix. The Review Board shall as promptly as feasible determine such matter by a written decision, to be made in accordance with the standards specified in this paragraph 8, which shall include a finding that such decision is consistent with the provisions hereof. A copy of such decision shall be delivered to each of the parties hereto. The decision of the Review Board in such determination shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly

erroneous as necessarily to imply bad faith, or not supported by substantial evidence; provided, that nothing in this contract shall be construed as making final the decision of any administrative official, representative, or board or any arbitrator on a question of law. In connection with any proceeding for determination under this paragraph 8. Corporation and DOE shall each be afforded an opportunity to be heard and to offer evidence. In the event that an adjustment proposed by Corporation or DOE to take effect on a future date which is the first day of a calendar quarter is the subject of mutual agreement or a determination by the Review Board, such adjustment shall be made effective as of such first day of a calendar quarter, notwithstanding that such mutual agreement or determination by the Review Board shall occur before or after such first day of a calendar quarter.

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Prior to the effectiveness of any assignment of this Agreement by DOE, the "Review Board," for the purposes of this paragraph 8, shall be the DOE Board of Contract Appeals. Thereafter the Review Board shall consist of a board of three arbitrators. Either party hereto applying for determination by arbitration may, after expiration of the period heretofore described in this paragraph 8, by written notice to the other appoint an arbitrator to act hereunder with respect to the determination of such matter. Within fifteen days from receipt of such notice of appointment of an arbitrator the other party shall appoint an arbitrator and given written notice of such appointment to the first party. The arbitrators so appointed shall within a period of forty-five days after the date of appointment of the second arbitrator agree upon the appointment of a third arbitrator who shall be a person engaged in engineering work or business relating to the production or transmission of electric power and energy. Should the arbitrators appointed by the parties be unable to agree upon the selection of a third arbitrator, or should there for any other reason be a failure to appoint three arbitrators as contemplated by this paragraph 8, either party may apply to any federal court which would have jurisdiction of an action between the parties arising out of this contract for the appointment of an arbitrator or arbitrators, pursuant to Section 5 of the Federal Arbitration Act (Title 9 U.S. Code, Section 5). The compensation and expenses of the arbitrators in connection with the performance of their duties hereunder shall be paid in equal proportions by each of the parties hereto unless the arbitrators otherwise specify in their decision. Promptly after the selection of the third arbitrator, as above provided, the arbitrators shall proceed to hear and determine, as promptly as feasible, the matter for the determination of which they have been appointed. The decision of two or more of the arbitrators shall be final and binding upon the parties hereto except to the extent provided heretofore in this paragraph 8 with respect to review by a court of competent jurisdiction.

If under the provisions hereof the matter so determined by a decision of the Review Board requires a modification or amendment of this Agreement, the parties agree to incorporate such decision in an appropriate modification or amendment hereto, in such form and manner as the Review Board shall designate if the same cannot be

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agreed upon by the parties hereto, and to execute an appropriate instrument setting forth such modification or amendment. Either party may at any time apply to an appropriate court for entry of judgment upon a final award of the Review Board.

Any modification or amendment to this Agreement effected pursuant to this paragraph 8 shall provide that it shall not become effective until the last day of the month in which the last of the following events shall occur:

(a) All applicable requirements as to approval by or filings with regulatory agencies having jurisdiction in respect of the transactions constituting the subject matter of such modification or amendment

(including expiration of any specified period after the date of any filing) shall have been complied with and all requisite approvals of such regulatory agencies shall be in full force and effect and none shall be the subject of attack on appeal, by direct proceeding or otherwise, and (except to the extent that Corporation shall waive such condition) any requisite approvals of regulatory agencies having such jurisdiction shall have become final and not subject to judicial review in any court; and

(b) All of the parties to the Inter-Company Power Agreement, dated July 10, 1953, as amended, shall have executed and delivered (i) any necessary consent to such modification or amendment of this Agreement and (ii) any modification to the InterCompany Power Agreement which shall be appropriate in the circumstances, and any such consent and/or modification shall have become effective; and

(c) Corporation shall be in a position to effect compliance under the instruments governing the outstanding indebtedness of Corporation with respect to such modification or amendment to the Agreement and with respect to any consent and/or modification to the Inter-Company Power Agreement referred to in clause (b) above, including, to the extent required, the delivery to the Corporate Trustee under the Mortgage and Deed of Trust of Ohio Valley Electric Corporation of an opinion or certificate of an independent engineer to the effect that

such amendment is desirable in the business of Corporation, is not prejudicial to the interests of the holders of the then outstanding indebtedness of Corporation and will not impair any security therefor.

Section 3.05 CAPITAL OF CORPORATION. The total capital of Corporation made up of outstanding capital stock and indebtedness shall not exceed Corporation's requirements for (a) the cost of Corporation's facilities described in Sections 1.01 and 1.02, which shall include all components of cost of organization of Corporation and construction of such facilities, including interest during construction, as provided in Accounts 301 through 393 and the Instructions--Electric Plant Accounts of the Uniform System of Accounts, (b) the cost of any additional project facilities that may be installed pursuant to Section 3.06 hereof, (c) that part of the cost of replacements as provided for in Section 3.07 not borne by DOE, (d) costs incident to financing, and (e) necessary working capital. It is the intent of the parties hereto that working capital be kept to a minimum consistent with the requirements of Corporation to enable Corporation to carry on its business of operating the facilities referred to in this Section 3.05 with reasonable smoothness and dispatch.

The initial amount of capital stock of Corporation to be issued prior to full scale operation shall not exceed (i) an aggregate par value of $20,000,000 if the initial indebtedness of Corporation issued prior to full scale operation does not exceed $420,000,000 or (ii) an aggregate par value equal to 5% of the total initial capital (consisting of indebtedness of Corporation and its capital stock) issued prior to full scale operation of such initial indebtedness of Corporation exceeds $420,000,000.

Section 3.06 ADDITIONAL FACILITIES. In connection with the operation of the Paducah or Portsmouth installations of DOE, as a part of the cost structure of this Agreement and for the purpose of providing funds in the amount necessary to cover the entire cost to Corporation of additional facilities and/or spare parts associated with the provision of electric utility services to DOE, including, without limitation, such facilities as fuel processing plants, flue gas or waste product processing

facilities and additional generating units or stations at the location of the

existing facilities or elsewhere, as shall be purchased and/or installed or being installed by Corporation pursuant to the provisions of this Section 3.06, DOE shall pay to Corporation amounts sufficient, after provision for any estimated income taxes that may be applicable thereto, to enable Corporation to cover the entire cost of such additional facilities and/or spare parts; provided, however, that neither any single additional facility and/or spare part costing more than $100,000 nor any single additional facility or spare part costing less than $100,000 ("small additional facility or spare part") after the total cost of all small additional facilities or spare parts in one calendar year has reached $5 million shall be purchased or installed by Corporation pursuant to this Section 3.06 without the prior written approval of DOE unless the purchase or installation of such additional facilities and/or spare parts is ordered or required by any regulatory body having jurisdiction over the emission of pollutants or the discharge of wastes by Corporation or is reasonably required to enable Corporation to limit the emission of pollutants or the discharge of wastes or is otherwise reasonably necessary in order to comply with any governmental requirement as to health, safety or the protection of the environment.

Corporation agrees, upon the request of DOE, to use its best efforts to arrange, to the extent that, in Corporation's judgment, such financing is feasible, financing for a period not to extend beyond December 31, 2005, from sources of capital funds other than DOE of the cost of each additional facility and/or spare part which has a cost in excess of $5,000,000, or such lesser amount as may be specified by Corporation, and also agrees where the cost is so financed in whole or in part (1) to reimburse or credit DOE from any proceeds of such financing to the extent such proceeds are, under the financing arrangements, available for such purpose, for any amount which DOE may have previously paid to Corporation under this Section 3.06 for the cost of such additional facility and/or spare part and (2) to apply the balance of any such proceeds in payment of the remaining cost, if any, of such additional facility and/or spare part; DOE shall be relieved of its obligation under this Section 3.06 to pay Corporation for the cost of any additional facility and/or spare part to the extent that Corporation pays

such cost from the balance of any proceeds as contemplated under clause (2) of this sentence.

DOE agrees that, if DOE requests that Corporation arrange for financing from sources of capital funds other than DOE the cost of any additional facility and/or spare part, DOE will provide to Corporation assurance in a form satisfactory to Corporation that DOE will pay to Corporation (or, if the right to receive principal payments, interests payments, and any other financing expenses under an installment sale, loan, lease or similar agreement shall have been assigned by the seller, lender, lessor or other party to any such similar agreement with the written consent of the Corporation and DOE to a trustee under an indenture pursuant to which bonds or other debt securities have been issued and sold, will pay directly to such assignee rather than to Corporation) the full amount of principal payments, interest payments and any other expenses of financing the cost of the additional facility and/or spare part.

If Corporation requests a ruling to the effect that amounts paid by DOE under this Section 3.06 do not constitute taxable income to Corporation, but is unable to obtain a ruling satisfactory to Corporation, or in case such ruling once obtained shall be reversed or rescinded, then DOE shall pay to Corporation such amounts, in lieu of the amounts to be paid as above provided, which, after provision for all estimated income taxes that may be applicable thereto, shall equal the entire costs of the additional facilities and/or spare parts payable by DOE to Corporation as above provided.

If Corporation charges to expense any item of additional facilities and/or spare parts which is later determined to be an item which should have been capitalized for tax purposes, then DOE shall, as part of the cost structure of this Agreement, pay to Corporation such amount which, after

provision for all estimated income taxes that may be applicable thereto, when added to any amount previously paid for the item by DOE, shall equal the entire cost of the additional facilities and/or spare parts payable by DOE to Corporation as above provided.

DOE shall not pay to Corporation any amount pursuant to paragraph 3(a) and paragraph 3(d) of Section 3.04 with respect to all or such portion of the cost of such addi-

tional facilities and/or spare parts as has been paid by DOE and has not thereafter been financed from sources other than DOE.

If the purchase, acquisition or installation of any additional facility and/or spare part is ordered or required by any regulatory agency having jurisdiction over the emission of pollutants or the discharge of wastes by Corporation or by a court in any proceeding relating to the control of pollutants or the discharge of wastes by Corporation, or if in the judgment of Corporation any additional facility and/or spare part is reason ably required to enable Corporation to limit the emission of pollutants or the discharge of wastes or is otherwise reasonably necessary in order to comply with any governmental requirement as to health, safety or the protection of the environment, then until such additional facility and/or spare part shall be purchased, acquired or in stalled and operating effectively (A) Corporation shall be entitled so to operate the project generating stations as, in the judgment of Corporation, will (i) limit emissions of pollutants and the discharge of wastes to permissible amounts, and (ii) otherwise comply with all governmental requirements as to health, safety and the protection of the environment, and (B) Corporation shall not be held responsible or liable for any loss or damage to DOE on account of nondelivery of energy, and DOE shall not be relieved form its obligation to pay any charges payable under this Agreement.

Section 3.07 REPLACEMENTS. In connection with the operation of the Paducah or Portsmouth installations of DOE, as a part of the cost structure of this Agreement and for the purpose of providing funds in the amount necessary to cover the entire cost to Corporation of replacements chargeable to property and plant pursuant to the provisions of this Section 3.07 necessary or desirable to keep the project generating stations and project transmission facilities in a dependable and efficient operating condition in order to facilitate the provision of electric utility services to DOE, DOE shall pay to Corporation amounts sufficient, after provision for any estimated income taxes that may be applicable thereto, to enable Corporation to cover the entire cost of such replacements made or being made by Corporation during any month or prior thereto (and not previously reimbursed), which costs are incurred after October 14, 1977, whether

or not the purchase and installation of such replacements occurred in whole or in part prior to such date; provided, however, that neither any single replacement costing more than $500,000 nor any single replacement costing less than $500,000 ("small replacement") after the total cost of all small replacements in one calendar year has reached $1,000,000 shall be effected by Corporation pursuant to this Section 3.07 without the written approval of DOE unless such replacements are ordered or required by any regulatory body having jurisdiction over the emission of pollutants or the discharge of wastes by Corporation or are reasonably required to enable Corporation to limit the emission of pollutants or the discharge of wastes or are otherwise reasonably necessary in order to comply with any governmental requirement as to health, safety or the protection of the environment.

Corporation agrees, upon the request of DOE, to use its best efforts to arrange, to the extent that, in Corporation's judgment, such financing is

feasible, financing for a period not to extend beyond December 31, 2005, from sources of capital funds other than DOE of the cost of each replacement which has a cost in excess of $5,000,000, or such lesser amount as may be specified by Corporation, and also agrees where the cost of a replacement is so financed in whole or in part (1) to reimburse or credit DOE from any proceeds of such financing to the extent such proceeds are, under the financing arrangements, available for such purpose, for any amount which DOE may have previously paid to Corporation under this Section 3.07 for the cost of such replacement and (2) to apply the balance of any such proceeds in payment of the remaining cost, if any, of such replacement; DOE shall be relieved of its obligation under this Section 3.07 to pay Corporation for the cost of any replacement to the extent that Corporation pays such cost form the balance of any proceeds as contemplated under clause (2) of this sentence.

DOE agrees that, if DOE requests that Corporation arrange financing from sources of capital funds other than DOE of the cost of any replacement, DOE will provide to Corporation assurance in a form satisfactory to Corporation that DOE will pay to Corporation (or, if the right to receive principal payments, interest payments, and any other financing expenses under an installment sale, loan, lease or similar agreement shall have been assigned by

the seller, lender, lessor or other party to any such similar agreement with the written consent of Corporation and DOE to a trustee under an indenture pursuant to which bonds or other debt securities have been issued and sold, will pay directly to such assignee rather than to Corporation) the full amount of principal payments, interest payments and any other expenses of financing the cost of the replacement.

If Corporation requests a ruling to the effect that amounts paid by DOE under this Section 3.07 do not constitute taxable income to Corporation, but is unable to obtain a ruling satisfactory to Corporation, or in case such ruling once obtained shall be reversed or rescinded, then DOE shall pay to Corporation such amounts, in lieu of any amounts paid as above provided, which, after provision for all estimated income taxes that may be applicable thereto, shall equal the entire cost of the replacements payable to DOE as above provided.

If Corporation charges to expense any replacement item which is later determined to be an item which should have been capitalized for tax purposes, then DOE shall, as part of the cost structure of this Agreement, pay to Corporation such amount which, after provision for all estimated income taxes that may be applicable thereto, when added to any amount previously paid for the item by DOE, shall equal the entire cost of the replacements payable by DOE to Corporation as above provided.

For the purposes of this Section 3.07 the term "replacement" shall include, in addition to electric plant constructed or installed in place of property retired, any facilities or equipment (i) the installation of which shall require some physical alteration of the project generating facilities and/or the project transmission facilities and (ii) which are designed to limit the emission of pollutants or the discharge of wastes or are otherwise reasonable necessary to comply with any governmental requirement as to health, safety or the protection of the environment, whether or not the project generating facilities or the project transmission facilities previously included facilities or equipment serving the same purpose or function as the replacement.

No replacement costs paid for out of the proceeds of insurance, or out of amounts recovered from third par-

ties, shall be included in the determination of the cost of replacements. The

term "costs of replacements" shall include all components of cost plus removal expenses, less salvage. DOE shall not pay to Corporation any amounts pursuant to paragraph 3(a) and paragraph 3(d) of Section 3.04 with respect to all or such portion of the cost of such replacements as has been paid by DOE and has not thereafter been financed from sources other than DOE.

If the purchase, acquisition or installation of any replacement is ordered or required by any regulatory agency having jurisdiction over the emission of pollutants or the discharge of wastes by Corporation or by a court in any proceeding relating to the control of pollutants or the discharge of wastes by Corporation, or if in the judgment of Corporation any replacement is reasonably required to enable Corporation to limit the emission of pollutants or the discharge of wastes or is otherwise reasonably necessary in order to comply with any governmental requirement as to health, safety or the protection of the environment, then until such replacement shall be installed and operating effectively (A) Corporation shall be entitled so to operate the project generating stations as, in the judgment of Corporation, will (i) limit emissions of pollutants and the discharge of wastes to permissible amounts, and (ii) otherwise comply with all governmental requirements as to health, safety and the protection of the environment, and (B) Corporation shall not be held responsible or liable for any loss or damage to DOE on account of nondelivery of energy, and DOE shall not be relieved from its obligation to pay any charges payable under this Agreement.

Section 3.08 USE OF CAPACITY BY CORPORATION AND DOE.

1. Corporation shall have the right at any time after the beginning of full scale operation to make use of any net available generating capacity in its project generating stations in excess of the permanent power as defined in Section 2.03, then being supplied to DOE and to the extent that Corporation sells such power to others than DOE it shall charge therefor not less than an aggregate amount per calendar year which, together with all payments made (after giving effect to all adjustments required hereunder) or to be made to Corporation by DOE with respect to such year, will be equal to the total of

the costs specified in paragraph 3, of Section 3.04 and the total net charges for such year to Account 703 (Fuel) of the Uniform System of Accounts.

2. During the period commencing with the month during which Modification No. 12 to this Agreement shall become effective and ending with the month of September 1988, both inclusive, Corporation shall, to the extent it sells power to one or more of the Sponsoring Companies pursuant to paragraph 1 of this Section 3.08, charge such Sponsoring Company or Sponsoring Companies for power sold during a month, as a part of the amount Corporation is obligated to charge pursuant to paragraph 1 of this Section 3.08, amounts which in the aggregate equal the Sponsoring Companies' Share of the Pollution Control Facility Payment applicable to such month. The Sponsoring Companies' Share of the Pollution Control Facility Payment for a month shall equal the product of (i) an amount determined by subtracting the DOE capacity ratio in effect during such month from unity, and (ii) the Pollution Control Facility Payment applicable to such month. The amount of the Pollution Control Facility Payment for a month shall mean an amount equal to the sum of (a) the monthly components of interest, and monthly principal components of purchase price, payable under the agreements of sale, dated as of March 1, 1977 and March 1, 1979, respectively, between the City of Madison, Indiana, and Corporation's wholly owned subsidiary, Indiana-Kentucky Electric Corporation; and the agreements of sale, dated as of October 1, 1978 and March 1, 1979, respectively, between the Ohio Air Quality Development Authority, and Corporation, exclusive of amounts of principal resulting from the acceleration, as a result of default or otherwise, of the maturity of any purchase price payment under one or more of said agreements of sale, and (b) the amount of any amortization of debt discount and expense chargeable for such month to Account 531 of the Uniform System of Accounts with respect to the financing of the facilities which are subject to the agreements of sale referred to in clause (a) above.

Section 3.09 ADVANCE PAYMENTS. Corporation and DOE may make advance payments under this Agreement, to the extent permitted by law and agreed upon by the parties hereto, and Corporation shall reflect any such advance payments in the billings rendered to DOE under this Article III.

Section 3.10 REVIEW AND RECOMMENDATIONS BY DOE. While it is recognized that the construction and operation of the facilities referred to in Sections 1.01, 1.02, 3.06 and 3.07 are the responsibility of Corporation, the costs thereof have a direct relation to DOE's cost of power under this Agreement, and accordingly DOE may from time to time review and discuss with Corporation its operating and construction plans, practices and procedures and make recommendations with respect thereto which in DOE's judgment may provide for economies in construction or operation, and Corporation will adopt such recommendations of DOE as may be mutually agreed upon.

ARTICLE IV

BILLING AND PAYMENT

Section 4.01 INTERIM POWER. Corporation shall submit to DOE as early as practicable in each month a bill for all interim power supplied to DOE during the immediately preceding month pursuant to Section 2.02.

Section 4.02 SUPPLEMENTAL POWER. Corporation shall submit to DOE as early as practicable in each month a bill for all supplemental power supplied to DOE during the immediately preceding month pursuant to Section 2.04.

Section 4.03 PERMANENT POWER. Corporation shall submit to DOE as early as practicable after the end of each semi-monthly period a bill for the provisional semi-monthly demand charge and the provisional semi-monthly energy charge specified in Section 3.01 for permanent power delivered by Corporation to DOE during such semi-monthly period pursuant to Section 2.03.

Corporation shall also submit to DOE as early as practicable in each month a bill or bills or credit memorandum for any amounts due Corporation or DOE, for the immediately preceding month on account of any of the adjustments provided for in Sections 3.03 and 3.04; provided, however, that Corporation may render such bills or credit memoranda for any or all of such adjustments on a quarterly basis, or such other basis as may be mutually acceptable, and may include there in the adjustment for any item not included in a previous bill or credit memorandum; and provided further, however, that such bills or

credit memoranda shall be further adjusted to effect, on such basis as DOE and Corporation shall mutually agree upon from time to time, the ratable distribution consistent with Section 46(f)(2) of the Internal Revenue Code of 1954, or any other section of the Internal Revenue Code enacted in substitution for such section, of federal income tax benefits realized by Corporation after January 1, 1979 or such other date as may be mutually agreed upon as a result of investment tax credits claimed by Corporation, such adjustment to commence only after receipt by Corporation of income tax rulings satisfactory to it. Each such bill or credit memorandum shall include such detail as DOE may request to show the operation and effect of such adjustments.

Section 4.04 MAINTENANCE OF EQUIPMENT AND COST OF ADDITIONAL FACILITIES AND REPLACEMENTS. Corporation may bill DOE separately each month, or more frequently if considered desirable by Corporation, for reimbursement for the expense of maintaining DOE-owned equipment, as provided in Section 1.05, and to cover the cost of additional facilities and replacements as provided in Article III, or may include such charges in any bill submitted pursuant to Sections 4.02

and 4.03.

Section 4.05 TAXES AND INSURANCE ALLOCATED DIRECTLY TO DOE. Corporation shall bill DOE for (i) its share of the cost of any estimated taxes allocated directly to DOE pursuant to clause (c) of paragraph 3 of Section 3.04, (ii) the cost of any estimated taxes or other charges to be paid by DOE pursuant to Sections 3.06 and 3.07, and (iii) the cost of any insurance to be paid by DOE pursuant to clause (b) of paragraph 3 of Section 3.04.

Section 4.06 PAYMENT OF CHARGES IN EVENT OF TERMINATION OR REDUCTION. Corporation shall submit to DOE as early as practicable in each month a bill for all amounts payable by DOE pursuant to Article VI for the preceding month.

Section 4.07 PAYMENT. Bills rendered pursuant to this Article IV shall be paid by DOE within 15 days after the receipt thereof, but the bills and credit memoranda submitted shall be subject to such subsequent corrections (including corrections of computations for any particular year arising by reason of such matters as subsequent

redetermination by the Bureau of Internal Revenue of taxes applicable to such year) as may be appropriate as a result of audits made for the purpose of verification thereof or otherwise. If during any notice period of the character described in Section 6.02, or any comparable period involved in a reduction of DOE contract demand under Section 6.03 or in a termination of this Agreement under Section 6.04 or Section 6.05, DOE shall fail to pay, within 15 days after the receipt thereof, any bill rendered pursuant to this Article IV in respect of power and energy supplied to DOE. Corporation, unless DOE shall pay such bill within 7 days after receipt of notification from Corporation of its failure to pay such bill, may elect to treat, upon 48 hours prior notice to DOE, such failure as a further notice from DOE to the effect that DOE will not require during the remainder of such period (i) any power in the case of the termination of this Agreement, or (ii) any power in excess of the reduced DOE contract demand in the case of a reduction of the DOE contract demand.

Section 4.08 ARRANGED POWER AND OCCASIONAL ENERGY. Corporation shall submit to DOE as early as practicable in each month a bill for the costs incurred during the immediately preceding month pursuant to Sections 2.08 and 2.09, respectively.

Section 4.09 TRANSMISSION PAYMENTS. Corporation shall submit to DOE as early as practicable in each month a bill for the amount by which costs incurred during the current calendar year pursuant to Section 2.11 exceed the total of (i) the amounts paid by DOE during the current calendar year under this Section 4.09, and (ii) the amount of any transmission revenues received by the Corporation during the current calendar year pursuant to Section 2.10.

ARTICLE V

MEASURING INSTRUMENTS

Section 5.01 MEASURING INSTRUMENTS. Corporation shall own and maintain the metering equipment at the Project which will be necessary to provide complete information regarding the use of power and energy for dispatching and billing purposes, except that DOE shall own and maintain the necessary current and potential

transformers with conduit, secondary wiring and devices complete to the terminal blocks on Corporation's metering panels at the point of delivery hereunder. In order to expedite the work DOE shall purchase and install Corporation's metering panels and metering equipment at the Project 345kv substations, the

cost of which shall be reimbursed to DOE by Corporation. DOE may, at its option and expense, install check meters. Corporation will make such periodic tests and inspections of its meters as may be necessary to maintain the same at the highest practical commercial standard of accuracy, and will advise DOE promptly of the results of any such test which shows any inaccuracy more than 1% slow or fast. DOE shall be given notice of, and may have representatives present at, such tests and inspections. Corporation will make additional tests of its meters at the request of DOE and in the presence of DOE's representatives. If such periodic or additional tests show that a meter used for billing is accurate within 1% slow or fast, no correction shall be made in the billing to DOE; but if any such tests show that such meter is inaccurate by more than 1% slow or fast, correction shall be made in the billing to DOE for the previous month, or from the date of the latest test if within the previous month and for the elapsed period in the month during which the test was made, provided that no correction shall be made for a longer period than that during which it may be determined by mutual agreement that the inaccuracy existed.

Section 5.02 MEASUREMENT OF MAXIMUM DEMAND. Whenever it is necessary to measure or compute the maximum demand of the DOE load, such maximum demand shall be taken as the highest average simultaneous load in kilowatts at the point of delivery during any sixty-minute period starting on the hour in the period under consideration.

ARTICLE VI

TERM OF AGREEMENT

Section 6.01 DURATION. The term of this Agreement, unless otherwise terminated in accordance with the provisions hereof, shall terminate at 12:00 Midnight, Central Standard Time, on December 31, 2005. The parties recognize that the project generating stations were constructed to service the United States of America's load

requirements at the Project, and therefore recognize the principle that power and associated energy produced by the project generating stations beyond the term of this Agreement are to be made available, at least to the extent of DOE's contract demand as in effect on December 31, 2005, to serve such load, provided Corporation's equipment is then serviceable and mutually agreeable arrangements can be evolved by the parties hereto. Accordingly, Corporation and DOE agree to review the possibility of negotiating power supply arrangements for the delivery of power and associated energy produced by the project generating stations to DOE subsequent to December 31, 2005, at least two years in advance of such date.

Section 6.02 CANCELLATION BY DOE DURING FULL SCALE OPERATION. In the event that power will no longer be required at the Project, DOE shall have the right to terminate this Agreement by delivering to Corporation, after the beginning of full scale operation, a notice in writing of its election to terminate prior to the effective date of such termination (such period being herein called the "notice period" and the date on which said notice is delivered being herein called the "notice date"), subject to the following:

(a) During the notice period DOE shall pay, except as otherwise provided in paragraph (b) of this Section 6.02 (i) the provisional semi-monthly demand charges provided in Section 3.01 to be paid by DOE, adjusted in accordance with Section 3.04; (ii) the provisional semi-monthly energy charges provided in Section 3.01 to be paid by DOE, adjusted in accordance with Section 3.03; (iii) Corporation's out-of-pocket costs of supplemental power and (iv) all other charges payable by DOE under this Agreement.

(b) In the event that DOE shall, during the notice period, deliver to Corporation a further notice in writing to the effect that DOE will not require any power during any specified remaining portion of the notice period and thereafter, DOE shall, during such specified remaining portion,

pay, in lieu of the demand charges referred to in paragraph (a) of this Section 6.02, the modified demand charges as defined in paragraph (d) of this Section

6.02. In the event that such further notice is to the effect that DOE will not require any specified amount of power during any specified remaining portion of the notice period and thereafter, appropriate adjustments shall be made with respect to the demand charges payable for power required during such specified remaining portion of notice period and the modified charges for power not so required.

(c) After the effective date of the termination of this Agreement, DOE shall pay to Corporation, as specified in Section 6.07, a cancellation charge computed in accordance with the following table:

Column I If Notice of Termination Is Delivered within Period of 12 Successive Calendar Months Specified Below, the First Period Commencing with Calendar Month in which Full Scale Operation Begins	Column II Equivalent Months of Modified Demand Charges Defined in Paragraph (d) of this Section Payable by DOE as a Cancellation Charge
First	28
Second	27
Third	25
Fourth	23
Fifth	21
Sixth	18
Seventh	15
Eighth	12
Ninth	9
Tenth	5
Eleventh or Thereafter	0

If at the notice date the DOE contract demand then in effect is less than 1,800,000 kw, by reason of a reduction under Section 6.03, the equivalent months in Column II shall be multiplied by the ratio of the DOE contract demand to 1,800,000 kw.

(d) The "modified demand charges" mentioned in paragraphs (b) and (c) of this Section 6.02 shall be the sum of the monthly demand charges which would

have been payable by DOE for permanent power pursuant to Article III hereof, under conditions prevailing at the notice date, without regard to any waiver by Corporation of any term or provision of this Agreement, if DOE had not delivered such notice of termination and the project generating stations had been operated to furnish the DOE contract demand in effect at the notice date (without regard to any such waiver), less one-half of the costs of the nature described in paragraph 3.(b) of Section 3.04 included in the computation of the monthly demand charges under this paragraph (d); provided however that the costs of the nature

described in paragraph 3.(b) of Section 3.04 so included in such computation of the monthly demand charges under this paragraph (d), after reduction by one-half of such costs, shall not exceed the aggregate amounts which Corporation properly records on its books during such month with respect to costs of the nature described in paragraph 3.(b) of Section 3.04.

(e) In the event that DOE shall not have delivered to Corporation the further notice described in paragraph (b) of this Section 6.02 and if DOE finds that it can use power at the Project for a period following the effective date of termination, it is the intent of the parties hereto, to the extent that Corporation can coordinate the supply of such power to DOE with the absorption by Corporation of the capacity not required by DOE, to attempt to reach mutual agreement of such modification of the above cancellation arrangements as may be indicated under then existing circumstances so as to enable DOE to receive power at the Project.

(f) Under all conditions DOE shall reimburse Corporation for all of its unamortized costs, and costs of cancellation of commitments, in respect of facilities constructed or acquired with the approval of DOE to provide or to make possible long-term arrangements for fuel supply or more economical arrangements for fuel supply and/or facilities constructed or installed pursuant to Section 3.06 and/or Section 3.07. Also, to the extent that the elimination of power requirements of DOE requires Corporation to make payments on account of cancellation of long-term arrangements for fuel supply (in-

cluding arrangements for the handling and shipment of fuel) made in accordance with Section 7.02 or on account of the suspension and/or reduction of the deliveries of fuel thereunder, then, in lieu of DOE reimbursing Corporation for such payments, DOE shall make the required payments directly to the companies or persons entitled thereto, provided that (i) Corporation shall certify to DOE the amounts of the payments thus to be made, (ii) DOE shall not be required to make any such payment until the amount thus certified is determined to be correct, (iii) payments to be thus made by DOE shall not include payments made or to be made by Corporation for fuel or fuel handling or shipment services actually received or to be actually received by Corporation by virtue of continuation of the arrangements for fuel supply, (iv) Corporation shall assign to DOE any rights which Corporation may have, under the terms of such arrangements for fuel supply, upon the making of any such payment, to take title to the equipment or materials upon which such payment is based, and (v) Corporation shall pay to DOE any amount received by or credited to Corporation under the terms of such arrangements as a refund or reduction of any part of any payment so made by DOE. Corporation shall exercise every reasonable effort to reduce such costs and payments to a minimum by, among other arrangements: (i) continuing such long-term arrangements to the fullest amount consistent with the fuel requirements of the project generating stations following such termination, and (ii) making arrangements with Sponsoring Companies whereby such Sponsoring Companies will utilize, where possible with no economic or other disadvantage, fuel supplies made available as a result of such termination.

(g) In the event DOE delivers to Corporation the further notice described in paragraph (b) of this Section 6.02, Corporation agrees that, during any notice period, it shall use its best efforts to dispose of power which may be available from the project generating stations to the Sponsoring Companies and, to the extent that the Sponsoring Companies elect not to receive and pay for such power, to others, so as to reduce the charges payable by DOE under this Agreement, but Corporation shall have no

further obligation to dispose of any or all of such power. The amount of the reduction of charges payable by DOE under this Agreement during such notice period by reason of any such disposal of power shall be determined by mutual agreement of Corporation and DOE in advance, provided that the amount of such reduction shall in no event exceed the amount of the payment that would have been payable had no reduction been effected.

Section 6.03 REDUCTION OF DOE CONTRACT DEMAND DURING FULL SONIC OPERATION.

1. The right of termination of this Agreement by DOE provided for in Section 6.02 shall include the right to make optional reductions (including a reduction the effect of which would be to reduce the DOE contract demand to zero) under this Section 6.03 of the DOE contract demand to the extent that power is no longer required at the Project without payment of any cancellation charge or cost (other than (i) the reimbursement of Corporation for expenditures and costs, and the making of the payments with respect to fuel supply, as specified in paragraph (f) of Section 6.02 and (ii) the demand charges, including any modified demand charges, and any other payment required under Article III, payable by DOE during the notice period), by not more than 300 mw at any one time, upon not less than 60 months' prior written notice to Corporation; provided, however, that no such reduction shall be made effective until a period of at least six months has elapsed subsequent to the effective date of any prior reduction in the DOE contract demand.

2. In the event of any reduction in the DOE contract demand, DOE shall, to the extent required, reimburse Corporation for expenditures and costs and make payments with respect to fuel supply as specified in paragraph (f) of Section 6.02; provided, however, that in the event of a series of reductions, the notice periods of which overlap, the aggregate liability of DOE in such respect shall be limited to the aggregate of amounts applicable to each such reduction.

3. At the effective date of any reduction of the DOE contract demand, the DOE contract demand shall become the DOE contract demand in effect at the notice date minus the amount of such reduction.

Section 6.04 PAYMENTS FOR EMPLOYEE BENEFITS.

1. As part of the cost structure of this Agreement, beginning in 1993, and in any event not later than the effective date of termination of this Agreement, DOE shall pay to Corporation amounts, after provision for any estimated taxes that may be applicable thereto, determined by an actuary or actuaries selected in accordance with the provisions of paragraph 2 of this Section 6.04 to be sufficient to pay the premiums due or expected to become due, as well as administrative fees and costs, on life insurance, medical insurance or other post-retirement benefits other than pensions attributable to the employment and employee service of active employees, retirees, or other employees prior to such effective date, such amounts being sufficient to provide payment with respect to all periods for which Corporation has committed or is otherwise obligated to make such payments, including amounts attributable to current employee service and any unamortized transition obligation attributable to prior service years ("Post-Retirement Benefit Obligation"); further provided, that, not later than the effective date of termination, DOE will pay to Corporation additional amounts, after provision for any estimated taxes that may be applicable thereto, sufficient to purchase insurance policies, or DOE will provide other forms of assurance, together with provisions for estimated taxes, if any, that may be applicable thereto, satisfactory to DOE and to Corporation, such insurance policies or other forms of assurance being adequate to cover any shortfall if the amount of the Post-Retirement Benefit Obligation is insufficient to permit Corporation to fulfill its commitments or obligations with respect to post-retirement benefits other than pensions; further provided that if, after

the decease of the last person entitled to life and/or medical insurance coverage or other post-retirement benefits other than pensions, the amounts paid by DOE to Corporation plus earnings thereon are found to have exceeded Corporation's commitments or obligations, such excess shall be refunded to DOE; and further provided, that should Corporation be required by law or by regulation of governmental agencies to provide funds in connection with life and/or medical insurance premiums for employees whose employment with Corporation terminates or has terminated before retirement, DOE shall pay Corporation amounts, after provision for any estimated taxes that may be applicable thereto, required to

provide funds sufficient to pay life and/or medical insurance benefits for such employees, such payments to be made on or before the dates when any accruals in connection therewith are required by Generally Accepted Accounting Principles to be recorded or in any event by the effective date of termination of this Agreement.

2. The actuary selected by Corporation to determine the amounts sufficient to make payments referenced in paragraph 1 of this Section 6.04 shall be a person classified under the Employee Retirement Income Security Act as an "Enrolled Actuary" unless such actuary is selected by Corporation with the approval of DOE. An actuary retained by DOE shall have the right to review and approve any actuarial or other assumption or calculation performed with respect to Section 6.04 by or on behalf of the actuary retained by Corporation and the actuary retained by Corporation shall have the right to review any actuarial or other assumption or calculation performed with respect to Section 6.04 by or on behalf of an actuary retained by DOE. If there is a dispute between Corporation's actuary and DOE's actuary concerning any actuarial or other assumption or calculation pursuant to this Section 6.04 and the respective actuaries are not able to resolve such dispute within 30 days, they shall within 30 days thereafter select and appoint a third actuary to resolve the dispute. If the actuaries retained by Corporation and DOE are unable to agree within 30 days upon the selection of a third actuary to resolve the dispute, an Enrolled Actuary who has no professional relationship with either party or to the actuaries retained by either party shall be chosen by the Executive Director of the Society of Actuaries or its successor. The fees and expenses of the third actuary shall be divided equally between Corporation and DOE.

Section 6.05 TERMINATION AS RESULT OF CERTAIN CONDITIONS. In the event of the occurrence of any of the events specified in clause (i), clause (ii), clause (iii) or clause (iv) of this Section 6.05, Corporation may in its sole discretion elect, by notice in writing delivered to DOE within 270 days following such occurrence, to treat such occurrence as the delivery by DOE to Corporation on the date of such occurrence of a notice of termination pursuant to Section 6.02 hereof designating an effective date of termination as the earlier of (a) the date when this Agreement would otherwise terminate in

accordance with Section 6.01 hereof, or (b) a date three years subsequent to the date of such occurrence and, in the event of such election by Corporation, this Agreement shall terminate upon the earlier of (a) the date when this Agreement would otherwise terminate in accordance with Section 6.01 hereof, or (b) a date three years subsequent to the date of such occurrence:

(i) DOE shall have failed to pay any amount required to be paid by DOE pursuant to the provisions of this Agreement within a period of 30 days after the receipt of a written notice from Corporation to DOE of DOE's failure to pay any such amount; or

(ii) DOE shall have made any payment required to be made by DOE pursuant to the provisions of this Agreement without having full authority to make such

payment; or

(iii) DOE shall have claimed as a reason for failing to pay any amount billed to DOE by Corporation that DOE was prevented from doing so by Section 165(b) of the Atomic Energy Act, unless Corporation specifically identifies all or a portion of such billing as requiring a direct payment or direct reimbursement of Federal income taxes; or

(iv) DOE shall have assigned this Agreement or rights under this Agreement and the assignee shall not have been at the time of the assignment, or shall have ceased to be at any time after the assignment, wholly owned by the United States of America.

Section 6.06 LIMITATION OF LIABILITY. The liability of DOE for cancellation charges under the provisions of this Article VI shall in no event exceed an aggregate of $40,000,000 unless and until DOE shall deliver written notice to Corporation that DOE assumes liability for cancellation charges in an amount exceeding $40,000,000. It is understood, however, that DOE will use its best efforts to secure appropriate authorization from the Congress permitting DOE to obligate DOE for cancellation charges in an amount exceeding $40,000,000 and to the extent required by the provisions of Sections 6.02, 6.03, 6.04 and 6.05 hereof. DOE agrees that, in the event that appropriate authorization shall be secured prior to August 1, 1953, DOE will deliver to Corporation prior to August 1, 1953, a written notice to the effect that DOE

assumes liability for all payments required to be made to Corporation by DOE pursuant to provisions of this Agreement, including the payments required to be made pursuant to the provisions of Sections 6.02, 6.03, 6.04 and 6.05 hereof, and an undertaking obligating DOE to perform all the duties and obligations to be performed by DOE hereunder during the remainder of the term of this Agreement.

[The following notice was given in Mod. No. 1]

[Pursuant to Section 6.06 of the DOE Power Agreement DOE hereby notifies OVEC that DOE assumes liability for all payments required to be made to Corporation by DOE pursuant to the provisions of the DOE Power Agreement, including the payments required to be made pursuant to the provisions of Sections 6.02, 6.03, 6.04 and 6.05 of the DOE Power Agreement and hereby makes an undertaking obligation DOE to perform all the duties and obligations to be performed by DOE under the DOE Power Agreement during the remainder of the term of the DOE Power Agreement which is hereby confirmed and modified as hereinafter set forth.]

Section 6.07 METHOD OF PAYMENT OF CANCELLATION CHARGES.

1. In the event of the termination of this Agreement after the beginning of full scale operation in accordance with Section 6.02, the cancellation charge shall be payable by DOE to Corporation, commencing with the month following the effective date of termination, in monthly amounts which, together with all amounts payable to Corporation by others than DOE applicable to the costs specified in paragraph 3 of Section 3.04, will enable Corporation to meet all of the costs specified in paragraph 3 of Section 3.04 until such cancellation charge has been paid in full; provided, however, that, notwithstanding the foregoing, payment in full shall be made no later than five years after the effective date of termination.

2. In the event of a reduction in the DOE contract demand after the beginning of full scale operation in accordance with Section 6.03, the cancellation charge shall be payable by DOE to Corporation, commencing

with the month following the effective date of reduction, in monthly amounts which, together with (i) the demand charges payable by DOE in respect of the DOE contract demand as so reduced, and (ii) all amounts payable to Corporation by others than DOE applicable to the costs specified in paragraph 3 of Section 3.04 until such cancellation charge has been paid in full; provided, however, that, notwithstanding the foregoing, payment in full shall be made no later than five years after the effective date of reduction.

3. In the event of the termination of this Agreement prior to the beginning of full scale operation in accordance with Section 6.04 or 6.05 amounts payable of the character specified in paragraph (c) of Section 6.04 shall be paid by DOE to Corporation in a lump sum and amounts payable of the character specified in paragraph (e) of Section 6.04 shall be paid by DOE to Corporation in monthly amounts which, together with all amounts payable to Corporation by others than DOE applicable to costs of the character specified in subdivision (a) of Section 3.02 or paragraph 3 of Section 3.04 will enable Corporation to meet all costs of the character specified in subdivision (a) of Section 3.02 or paragraph 3 of Section 3.04 until such amounts have been paid in full; provided, however, that, notwithstanding the foregoing, payment in full of the latter amounts shall be made over a period of no more than five years.

Section 6.08 USE OF DOE FACILITIES AFTER CANCELLATION OR REDUCTION.

1. In the event of the termination of this Agreement under Sections 6.01 or 6.02, or in the event of a reduction of the DOE contract demand under Section 6.03, DOE shall make available to Corporation, on mutually acceptable terms, the busses, switching facilities and related equipment located at the DOE substations necessary for use in transmitting energy from the project generating stations to others than DOE; provided, however, that in the event DOE does not desire to retain title to such facilities and equipment DOE shall, prior to disposition thereof, give Corporation an opportunity, during a reasonable period, to purchase, subject to any provisions of the Federal Property and Administrative Services Act then in effect, the same at the then fair value thereof.

2. In the event of the termination of this Agreement under Section 6.04 or Section 6.05, DOE shall give Corporation the opportunity to purchase, subject to any provisions of the Federal Property and Administrative Services Act then in effect, the facilities and equipment referred to in paragraph 1 of this Section 6.08, including any incomplete parts thereof, at the then fair value thereof.

Section 6.09 DECOMMISSIONING, SHUTDOWN, DEMOLITION AND CLOSING. DOE recognizes that a part of the cost of supplying power to it under this Agreement is the amount that may be incurred in connection with the decommissioning, shutdown, demolition and closing of Corporation's Ohio Station and its Indiana Station when production of electric power and energy is discontinued at each of these facilities. Such cost (net of salvage credits) shall include, but is not limited to, the costs of demolishing the plant's building structures, disposal of nonsalvageable materials, removal and disposal of insulating materials, removal and disposal of storage tanks and associated piping, disposal or removal of materials and supplies (including fuel oil and coal), grading, covering and reclaiming storage and disposal areas, disposing of ash in ash ponds to the extent required by regulatory authorities, undertaking corrective or remedial action required by regulatory authorities, and any other costs incurred in putting the facilities in a condition necessary to protect health or the environment or which are required by regulatory authorities, or which are incurred to fund continuing obligations to monitor or to correct environmental problems which result, or are later discovered to result, from the facilities' operation, closure or post-closure activities.

DOE agrees to pay as incurred or, if not incurred, not later than the effective date of termination of the Agreement its pro rata share of any of the

above-referenced costs incurred or, if not incurred, as estimated by the Independent Engineer in accordance with the methodology described below. The pro rata share to be paid by DOE and the estimated total amount of the above-referenced costs are to be determined by a recognized firm of Independent Engineers to be selected by Corporation with the approval of DOE (hereinafter called "Independent Engineer"). The Independent Engineer shall determine DOE's pro rata share on the basis of the following ratio:

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(i) the total number of megawatt-hours produced and estimated to be produced at the generating station incurring such costs for sale to DOE subsequent to the effective date of this Modification No. 14 to this Agreement, as compared to

(ii) The total number of megawatt-hours produced and estimated to be produced at the generating station incurring such costs subsequent to the effective date of this Modification No. 14 to this Agreement.

ARTICLE VII

GENERAL PROVISIONS

Section 7.01 EARNINGS ON CAPITAL STOCK. Deleted as of January 1, 1971.

Section 7.02 PURCHASE OF FUEL. Corporation shall afford DOE the opportunity to review and discuss with it the price, terms and conditions of any major long term contract proposed to be made by Corporation with suppliers of coal or other fuel to be furnished to Corporation for consumption at Corporation's project generating stations and any major long term contract proposed for the handling and shipment of such coal or other fuel and to make recommendations with respect to such contracts, which in DOE's judgment may provide for economies and dependability in the fuel supply for the project generating stations; provided, however, that it is the intent of the parties that the acquirement of an adequate, dependable, and economical coal supply shall be the responsibility of Corporation. In addition, DOE shall have the right to approve the cancellation provisions of any contract for a term exceeding one year proposed to be made by Corporation pertaining to the supply of fuel to the generating stations, prior to the making of such contract and shall have the right to furnish fuel, of a type and quality approved by Corporation, for consumption at the project generating stations.

Section 7.03 USE OF OTHER FUELS. Corporation may make use of fuels other than coal, if available, to the extent it is economically advantageous to do so.

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Section 7.04 ACCOUNTS.

1. Corporation shall keep books of account in accordance with the Federal Power Commission (FPC) Uniform System of Accounts of 1937 (Uniform System of Accounts) and, with the consent of DOE, such other systems of accounts prescribed by other governmental regulatory authorities having jurisdiction as may be applicable. In addition, Corporation shall keep such records and memorandum accounts as may be required for the computation of amounts payable by DOE hereunder. The Uniform System of Accounts shall be used for the determination of any question relative to costs and expenses arising under this Agreement except that where specified methods of computations of amounts are set forth in this Agreement such methods shall be employed in lieu of any other method which might be required by the Uniform System of Accounts.

2. DOE shall have the right, at such reasonable times as it deems appropriate until five years after termination or expiration of this Agreement, to inspect all books, records and accounts pertaining to Corporation's operations hereunder and to make such audits thereof as DOE may deem necessary to protect the interests of DOE. Such books, records, accounts and all related documents will be retained by Corporation in accordance with Federal Power Commission Regulations to Govern the Preservation of Records of Public Utilities and Licensees as in effect at the effective date of Modification No. 8 to this Agreement.

3. Corporation agrees that the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of three years after final payment under this Agreement (unless DOE authorizes their prior disposition), have access to and the right to examine any directly pertinent books, documents, papers and records of Corporation involving transactions related to this Agreement; provided that DOE shall reimburse Corporation for any expense it may reasonable incur in such three year period in storing and making the same available for such inspection.

4. Corporation further agrees to include in all its subcontracts hereunder a provision to the effect

that the subcontractor agrees that the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of three years after final payment under the subcontractor (unless DOE authorizes their prior disposition), have access to and the right to examine any directly pertinent books, documents, papers and records of such subcontractor, involving transactions related to the subcontract. The term "subcontract" as used in this clause excludes (i) purchase orders not exceeding $10,000 and (ii) subcontracts or purchase orders for public utility services at rates established for uniform applicability to the general public.

5. The periods of access and examination described in paragraphs 3 and 4 above, for records which relate to (a) disputes under Section 3.04(8) of this Agreement, (b) litigation or the settlement of claims arising out of the performance of this Agreement, or (c) costs and expenses of this Agreement as to which exception has been taken by the Comptroller General or any of his duly authorized representatives, shall continue until such appeals, litigation, claims, or exceptions have been disposed of.

6. Nothing in this Agreement shall be deemed to preclude an audit by the General Accounting Office of any transaction under this Agreement.

Section 7.05 FORCE MAJEURE. Corporation shall not be held responsible or liable for any loss or damage to DOE on account of nondelivery of energy hereunder at any time caused by Act of God, fire, flood, explosion, strike, civil or military authority, insurrection or riot, act of the elements, failure of equipment, or for any other cause beyond its control, or the scheduled limiting of the operation of the facilities described in Sections 1.01, 1.02, 3.06 and 3.07 (including the complete cessation of all such operations) to limit the emission of pollutants or the discharge of wastes, which, in the reasonable judgment of Corporation, if emitted or discharged would result in a violation of applicable laws and regulations relating to the emission of pollutants or the discharge of wastes; provided, however, that nondelivery on account of any such causes shall not relieve DOE from its obligation to pay any charges payable hereunder; provided, further, that DOE shall be relieved of

its obligation to pay to Corporation amounts specified in paragraph 3 of Section 3.04 with respect to fines and penalties with respect to occasions where it is asserted that Corporation failed to comply with a law or regulation relating to the emission of pollutants or the discharge of wastes, if, and only if, prior

to any such particular occasion, (i) DOE has requested Corporation to limit the generation at either or both project generating stations so as not to exceed a stated number of megawatts for a stated period to comply with applicable laws or regulations relating to the emission of pollutants or the discharge of wastes, (ii) DOE has advised Corporation that it will, and does, during such period, limit its demand at the Project so that the number of megawatts to be supplied by Corporation at the point of delivery as permanent and supplemental power shall not exceed the amount determined by multiplying the DOE capacity ratio by the number of megawatts of permanent and supplemental power to which DOE would be entitled after giving effect to the limitation provided in clause (i) above, and (iii) Corporation shall willfully fail so to limit generation at either or both of the project generating stations so as not to exceed the number of megawatts stated in such requests (however, should Corporation willfully operate either or both of the project generating stations so that the number of megawatts generated shall exceed (x) the number of megawatts which could have been generated had DOE not requested Corporation to limit its generation as provided in clause (i) above, minus (y) the number of megawatts which could have been generated had DOE not requested Corporation to limit its generation as provided in clause (i) above multiplied by the DOE capacity ratio, plus (z) the number of megawatts determined as provided in clause (ii) above plus transmission losses thereon, then the amount to be paid by DOE to Corporation on account of the costs specified in paragraph 3 of Section 3.04 other than (a) any interest, principal, and/or amortization component of any purchase price, amortization, rental, or other payment under an installment sale, loan, lease or similar agreement relating to the purchase, lease, or acquisition by Corporation of additional facilities under Section 3.06 and replacements under Section 3.07, (b) the cost of any insurance carried solely for the benefit of DOE at its request pursuant to paragraph 3(b) of Section 3.04 and (c) any taxes allocated directly to DOE pursuant to paragraph 3(c) of Section 3.04, shall be adjusted to the extent mutually agreed

upon); and provided, further, that DOE agrees that Corporation shall be entitled so to limit the operator of the facilities described in Sections 1.01, 1.02, 3.06 and 3.07 (including the complete cessation of all such operations) to limit the emission of pollutants or the discharge of wastes, which, in the reasonable judgment of Corporation, if emitted or discharged would result in a violation of any applicable laws or regulations relating to the emission of pollutants or the discharge of wastes, even though such action by Corporation shall result in nondelivery of energy to the Project. However, Corporation will exert every effort to assure the continuity of supply of the DOE contract demand to DOE and, when that amount of power is not available at any time or from time to time because of any of the foregoing causes, Corporation will endeavor, upon request of DOE, to secure the necessary power from others at just and reasonable rates.

Section 7.06 PROPERTY INSURANCE. Corporation will cause its property which is of a character usually insured by companies similarly situated and operated like properties to be insured to a reasonable amount against loss or damage from such hazards and risks as are usually insured by companies similarly situated and operating like properties, will carry such additional insurance as Corporation deems desirable in view of the special character of the load, and will carry such further insurance as DOE may from time to time request in writing or as may be required by the terms of any mortgage or other instrument pursuant to which indebtedness of the Corporation shall have been issued or incurred. The proceeds of any insurance received by Corporation due to the destruction of or damage to Corporation's facilities shall be applied to the replacement or restoration or repair of the facilities so destroyed or damages to the condition required to fulfill Corporation's obligations under this Agreement. Corporation will, from time to time upon the written request of DOE, furnish DOE with a statement of such insurance then outstanding and in force, including the names of any insurance companies which have insured, the amounts thereof and the property, hazards and risks covered thereby.

Section 7.07 - FAR 52.222-3 CONVICT LABOR (APR 1984). Corporation

agrees not to employ any person undergoing sentence of imprisonment in performing this

contract except as provided by 18 U.S.C. 4082(c)(2) and Executive Order 11755, December 29, 1973.

Section 7.08 - FAR 52.203-1 OFFICIALS NOT TO BENEFIT (APR 1984). No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this contract, or to any benefit arising from it. However, this clause does not apply to this contract to the extent that this contract is made with a corporation for the corporation's general benefit.

Section 7.09 REGULATORY APPROVALS AND FUTURE REGULATORY ACTION. (a) The obligations of Corporation hereunder shall be subject to (1) the receipt and continued effectiveness of all regulatory approvals, in form and substance satisfactory to Corporation, necessary to permit Corporation to perform all the duties and obligations to be performed by Corporation hereunder; and (2) the receipt and continued effectiveness of all regulatory approvals in form and substance satisfactory to the Sponsoring Companies, necessary to permit the Sponsoring Companies to carry out all other transactions contemplated herein.

(b) Corporation and DOE recognize that this Agreement, and the Inter-Company Power Agreement, and any tariff or rate schedule which shall embody or supersede either are subject to such lawful action as any regulatory authority having jurisdiction shall hereafter take with respect thereto.

(c) The performance of any obligation of Corporation or the Sponsoring Companies shall be subject to the receipt and continued effectiveness, from time to time as required, of such authorizations or approvals of regulatory authorities having jurisdiction as shall be required by law.

(d) DOE also expressly agrees that Corporation shall be entitled, at any time and from time to time, unilaterally to make application for approval or authorization of, or to take other action to file with or submit for filing to any regulatory agency having jurisdiction in the premises, any tariff or rate schedule(s) designed to supersede, in whole or in part, any provision of this Agreement (or of any prior superseding tariff or rate schedule(s)), applicable to any electric service fur-

nished by Corporation to DOE under this Agreement, or the rate or rates payable by DOE for all or any part of such electric service, and in the event of any such action by Corporation, notice of which Corporation shall give to DOE, the terms and conditions under which electric service shall be furnished by Corporation to DOE shall be the terms and conditions as shall result from any ensuing action by such regulatory agency. Furthermore, the parties hereto agree that nothing contained herein shall be construed as affecting in any way the right of Corporation to unilaterally make application to the Federal Energy Regulatory Commission to the extent it may have jurisdiction for a change in rates, charges, classification or service, or any rule, regulation, or contract relating thereto, under Section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder, and the parties hereto further agree that nothing herein shall be construed as affecting in any way the right of Corporation to unilaterally make application to any other regulatory agency having jurisdiction in the premises for a change in rates, charges, classification or service, or any rule, regulation, or contract relating thereto, or to take unilateral action before any other regulatory agency having jurisdiction in the premises to effect a change in rates, charges, classification or service, or any rule, regulation or contract relating thereto, under conditions and circumstances similar to those provided in Section 205 of

the Federal Energy Regulatory Commission promulgated thereunder, or the rules and regulations of any other regulatory agency having jurisdiction.

(e) DOE also expressly agrees that any determination of the rights of Corporation to make unilateral filings or applications or take other unilateral action pursuant to this Section 7.09 shall be made solely on the basis of the provisions contained in this Section 7.09.

Section 7.10 NOTICES. All notices under this Agreement shall be in writing, and if to Corporation, shall be sufficient in all respects if delivered in person to its President, Senior Vice President or any Vice President, or sent by registered or certified mail addressed to it at its office in Piketon, Ohio, or at any subsequent address of which Corporation may notify DOE in writing; and if to DOE, shall be sufficient in all respects if delivered in person to the Manager, Oak Ridge

Operations, of DOE, or sent by registered or certified mail addressed to DOE at its offices in Oak Ridge, Tennessee, or any subsequent address of which DOE may notify Corporation in writing.

Section 7.11 WAIVER. Either party to this Agreement may by a written instrument waive in any one or more instances performance by the other party of any responsibility or obligation to be performed by such other party under this Agreement (other than responsibilities or obligations to pay interest and principal or amortization components of purchase price, amortization, rental or other payments under installment sale, loan, lease or similar agreements directly to any trustee as provided in subclauses (i) and (iii) of clause (a) of paragraph 3 and paragraphs 4 and 5 of Section 3.04 and Sections 3.06 and 3.07 of this Agreement) or compliance with any condition contained in this Agreement, but the failure of either party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be constructed as a waiver of any such provisions or the relinquishment of any such right, but the same shall continue and remain in full force and effect.

Section 7.12 SUCCESSORS AND ASSIGNS.

1. This Agreement shall insure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. Neither this Agreement nor any rights under this Agreement may be assigned by either party without the written consent of the other, provided, however, that consent shall not be unreasonably withheld and provided further that, in the case of an assignment by DOE, reasonable grounds for refusal of consent shall include, without limitation, that such assignment may be prejudicial to Corporation or the holders of any indebtedness of Corporation, except that (A) DOE may without Corporation's consent assign this Agreement or any of its rights under this Agreement, provided that (i) the assignee is a successor to DOE for purposes of operating the Project, (ii) the assignee is wholly owned by the United States of America, (iii) the assignee is authorized by law to assume, and does assume (by written instrument that is in form satisfactory to Corporation), all of the obligations and responsibilities of DOE and the United States of America under this Agree-

ment, and (iv) the assignment does not have the effect of relieving the United States of America of any of its obligations or responsibilities under this Agreement, and (B) Corporation may without the consent of DOE assign this Agreement or any of its rights under this Agreement to a successor to all or substantially all of its property and assets and may pledge this Agreement to secure its indebtedness incurred or to be incurred for the purpose of constructing facilities, and this Agreement or rights under this Agreement may

be assigned or transferred without the consent of DOE to one or more persons who shall assume the obligations of Corporation hereunder in connection with the enforcement of any such pledge. Corporation may without the consent of DOE assign pursuant to the provisions of the Assignment of Claims Act of 1940, as amended, to any bank, trust company, or other financing institution, including any Federal lending agency, any moneys due or to become due under this Agreement, and any such assignment may cover all or any part of the amounts payable by DOE to Corporation under this Agreement and may be made to more than one such bank, trust company or financing institution either for the account of such bank, trust company or financing institution or as agent or trustee for two or more parties who are holders of indebtedness of Corporation. Payments to be made to the assignee of any moneys due or to become due under this Agreement shall not be subject to reduction or set off.

2. Notwithstanding any other provision of this Agreement, any assignment by DOE shall not become effective if the same would require any shareholder of the Corporation to dispose of its shares or until the date upon which all authorizations, consents, approvals, exemptions, franchise, permissions, permits and licenses of Federal, State or other governmental authorities, free of conditions deemed burdensome by the Corporation or any of its shareholders, shall have been issued and there have been made all recordings and filings with such authorities which are necessary to enable Corporation legally to furnish to such successor operator of the Project the electric service required to be furnished to DOE under this Agreement and to enable Corporation legally to carry out its obligations under this Agreement, and all such authorizations, consents, approvals, exemptions, franchises, permissions, permits, licenses, recordings and filings are valid and in full force and effect, are

not the subject of attack on appeal, by direct proceedings or otherwise, and (except to the extent that Corporation shall waive such condition) that either the time within which any appeal therefrom may be taken or any review thereof may be had has expired or that no review thereof may be had nor appeal therefrom taken.

3. In the event that any assignment of this Agreement or rights under this Agreement shall become effective as herein provided, Corporation shall thereafter be entitled to take such action, or make such filings with, any regulatory authority having jurisdiction with respect to any term or condition of this Agreement as Corporation shall deem appropriate and in the event of such action by Corporation, the terms and conditions under which service shall be rendered shall be the terms and conditions as so changed or as shall result from such action by or before any such regulatory authority.

4. Notwithstanding any other provision of this Agreement, no assignment contemplated by this Section 7.12 or transfer, by operation of law or otherwise, of any of the rights, obligations or responsibilities of DOE and the United States of America under this Agreement shall relieve the United States of America of its obligations or responsibilities to pay interest and principal or amortization components of purchase price, amortization, rental or other payments under installment sale, loan, lease or similar agreements directly to a trustee as provided in subclauses (i) and (iii) of clause (a) of paragraph 3 of Section 3.04 or as provided in Sections 3.06 and 3.07 of this Agreement.

Section 7.13 - FAR 52.222-26 EQUAL OPPORTUNITY (APR 1984).

(a) If, during any 12-month period (including the 12 months preceding the award of this contract), Corporation has been or is awarded non-exempt Federal contracts and/or subcontracts that have an aggregate value in excess of $10,000, Corporation shall comply with the subparagraphs (b)(1) through (11) below. Upon request, Corporation shall provide information necessary to determine the applicability of this clause.

(b) During performing this contract, Corporation agrees as

follows:

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(1) Corporation shall not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin.

(2) Corporation shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. This shall include, but not be limited to, (i) employment, (ii) upgrading, (iii) demotion, (iv) transfer, (v) recruitment or recruitment advertising, (vi) layoff or termination, (vii) rates of pay or other forms of compensation, and (viii) selection for training, including apprenticeship.

(3) Corporation shall post in conspicuous places available to employees and applicants for employment the notices to be provided by the Contracting Officer that explain this clause.

(4) Corporation shall, in all solicitations or advertisement for employees placed by or on behalf of the Corporation, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

(5) Corporation shall send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, the notice to be provided by the Contracting Officer advising the labor union or workers' representative of Corporation's commitments under this clause, and post copies of the notice in conspicuous places available to employees and applicants for employment.

(6) Corporation shall comply with Executive Order 11246, as amended, and the rules, regulations and orders of the Secretary of Labor.

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(7) Corporation shall furnish to the contracting agency all information required by Executive Order 11246, as amended, and by the rules, regulations and orders of the Secretary of Labor. Standard Form 100 (EEO-1), or any successor form, is the prescribed form to be filed within 30 days following the award, unless filed within 12 months preceding the date of award.

(8) Corporation shall permit access to its books, records and accounts by the contracting agency or the Office of Federal Contract Compliance Programs (OFCCP) for the purposes of investigation to ascertain Corporation's compliance with the applicable rules, regulations and orders.

(9) In the event of Corporation's noncompliance with this clause or any rule, regulation or order of the Secretary of Labor, this contract may be canceled, terminated or suspended in whole or in part and Corporation may be declared ineligible for further Government contracts under the procedures authorized in Executive Order 11246, as amended. In

addition, sanctions may be imposed and remedies invoked against Corporation as provided in Executive Order 11246, as amended, the rules, regulations and orders of the Secretary of Labor, or as otherwise provided by law.

(10) Corporation shall include the terms and conditions of subparagraph (b)(1) through (11) of this clause in every subcontract or purchase order that is not exempted by the rules, regulations or orders of the Secretary of Labor issued under Executive Order 11246, as amended, so that these terms and conditions will be binding upon each subcontractor or vendor.

(11) Corporation shall take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing these terms and conditions, including sanctions for noncompliance; provid-

ed, that if Corporation become involved in, or is threatened with, litigation with a subcontractor or vendor as a result of any direction, Corporation may request the United States to enter into the litigation to protect the interests of the United States.

(c) If, pursuant to this section, DOE elects, in whole or in part, to cancel, terminate, annul or suspend this Agreement, to terminate the right of Corporation to proceed or to suspend contract payments, such action by DOE may only be taken by delivering to Corporation a notice in writing of DOE's election to terminate not less than three years prior to the effective date of termination pursuant to Section 6.02 of this Agreement.

Section 7.14 SECURITY.

1. CORPORATION'S DUTY TO SAFEGUARD RESTRICTED DATA, FORMERLY RESTRICTED DATA, AND OTHER CLASSIFIED INFORMATION. Corporation shall, in accordance with DOE's security regulations and requirements, be responsible for safeguarding all classified information and protecting against sabotage, espionage, loss and theft the classified documents and material in the Corporation's possession in connection with work under this Agreement. Except as otherwise expressly provided in this Agreement, Corporation shall, upon completion or termination of this Agreement, transmit to DOE any classified matter in the possession of Corporation or any person under Corporation's control in connection with the performance of the Agreement. If retention by Corporation of any classified matter is required after the completion or termination of the Agreement and such retention is approved by the Contracting Officer, Corporation will complete a certificate of possession to be furnished to DOE specifying the classified matter to be retained. The certification shall identify the items and types or categories of matter retained, the conditions governing the retention of the matter and the period of retention, if known. If the retention is approved by the Contracting Officer, the security provisions of the Agreement will continue to be applicable to the matter retained.

2. REGULATIONS. Corporation agrees to conform to all security regulations and requirements of DOE.

3. DEFINITION OF CLASSIFIED INFORMATION. The term "Classified Information" means Restricted Data, Formerly Restricted Data, or National Security Information.

4. DEFINITION OF RESTRICTED DATA. The term "Restricted Data"

as used in this paragraph, means all data concerning (a) design, manufacture, or utilization of atomic weapons; (b) the production of special nuclear material; or (c) the use of special nuclear material in the production of energy, but shall not include data declassified or removed from the Restricted Data category pursuant to Section 142 of the Atomic Energy Act of 1954, as amended.

5. DEFINITION OF FORMERLY RESTRICTED DATA. The term "Formerly Restricted Data," as used in this paragraph, means all data removed from the Restricted Data category under Section 142 (d) of the Atomic Energy Act of 1954, as amended.

6. DEFINITION OF NATIONAL SECURITY INFORMATION. The term "National Security Information" means any information or material, regardless of its physical form or characteristics, that is owned by, produced for or by, or is under the control of the United States Government, that has been determined pursuant to Executive Order 12356 or prior Orders to require protection against unauthorized disclosure, and which is so designated.

7. SECURITY CLEARANCE OF PERSONNEL. Corporation shall not permit any individual to have access to any classified information, except in accordance with the Atomic Energy Act of 1954, as amended, Executive Order 12356, and DOE's regulations or requirements applicable to the particular type or category of classified information to which access is required.

8. CRIMINAL LIABILITY. It is understood that disclosure of any classified information relating to the work or services ordered hereunder to any person not entitled to receive it, or failure to safeguard any classified matter that may come to Corporation or any person under Corporation's control in connection with work under this Agreement, may subject Corporation, its agents, employees, or subcontractors to criminal liability under the laws of the United States. (See the Atomic

Energy Act of 1954, as amended, 42 U.S.C. 2011 et seq.; 18 U.S.C. 793 and 794; and Executive Order 12356.)

9. SUBCONTRACTS AND PURCHASE ORDERS. Except as otherwise authorized in writing by the Contracting Officer, Corporation shall insert provisions similar to the foregoing provisions of this Section 7.14 in all subcontracts and purchase orders under this Agreement.

Section 7.15 CONTRACT WORK HOURS AND SAFETY STANDARDS ACT -- OVERTIME COMPENSATION. Prior to any assignment or transfer by DOE under Section 7.12, this Agreement, to the extent that it is of a character specified in the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333), is subject to the following provisions and to all other applicable provisions and exceptions of such Act and the regulations of the Secretary of Labor thereunder.

1. OVERTIME REQUIREMENTS. No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any laborer or mechanic, in any workweek in which he is employed on such work, to work in excess of 40 hours in such workweek or work unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all such hours worked in excess of 40 hours in such workweek.

2. VIOLATION; LIABILITY FOR UNPAID WAGES; LIQUIDATED DAMAGES. In the event of any violation of the provisions of paragraph 1 of this Section 7.15, Corporation and any subcontractor responsible therefor shall be liable to any affected employee for the unpaid wages. In addition, such Corporation and subcontractor shall be liable to the United States for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic employed in violation of the provisions of paragraph 1 of this Section 7.15 in the sum of $10 for each calendar day on which such employee was required or permitted to be employed on such work in excess of his standard workweek of

40 hours without payment of the overtime wages required by paragraph 1 of this Section 7.15.

3. WITHHOLDING OF UNPAID WAGES AND LIQUIDATED DAMAGES. Except as otherwise provided in Section 7.12 of this Agreement, the Contracting Officer may withhold from Corporation, from any moneys payable on account of work performed by Corporation or subcontractor under any such contract or other Federal contract with Corporation, or any other Federally Assisted contract subject to the Contract Work Hours and Safety Standards Act which is held by Corporation, such sums as may administratively be determined to be necessary to satisfy any liabilities of Corporation or subcontractor for unpaid wages and liquidated damages as provided in the provisions of paragraph 2 of this Section 7.15.

4. PAYROLLS AND BASIC RECORDS. Corporation or subcontractor shall maintain payrolls and basic payroll records during the course of contract work and shall preserve them for a period of 3 years from the completion of this Agreement for all laborers and mechanics working on this Agreement. Such records shall contain the name and address of each such employee, social security number, correct classifications, hourly rates of wages paid, daily and weekly number of hours worked, deductions made, and actual wages paid. Nothing in this paragraph shall require the duplication of records required to be maintained for construction work by Department of Labor regulations at 29 CFR 5.5(a)(3) implementing the Davis - Bacon Act.

5. SUBCONTRACTS. Corporation shall insert paragraphs 1 through 4 of this Section 7.15 in all subcontracts, and shall require their inclusion in all subcontracts of any tier.

Section 7.16 PATENTS AND INVENTIONS. Corporation agrees to indemnify the Government, its officers, agents, and employees against liability of any kind (including costs and expenses incurred) for the use of any invention or discovery or for the infringement of any Letters Patent (not including liability arising pursuant to Title 35, U.S. Code, Section 183, as amended, prior to the issuance of Letters Patent) occurring by reason of the installation or use by Corporation (or installation by DOE for the account of Corporation) of items manufactured, furnished, installed, or supplied under this Agreement. Any liability or loss of the kind described in this section suffered by Corporation shall be at the

sole cost of Corporation and shall not be included directly or indirectly in the determination of any charges to DOE.

Section 7.17 SELECTION OF EMPLOYEES. Corporation shall make every reasonable effort in the selection of its employees to secure persons who are competent, careful, honest and loyal to the United States of America.

Section 7.18 UTILIZATION OF SMALL BUSINESS CONCERNS AND SMALL BUSINESS CONCERNS OWNED AND CONTROLLED BY SOCIALLY AND ECONOMICALLY DISADVANTAGED INDIVIDUALS.

(a) It is the policy of the United States and DOE that small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in the performance of contracts let by DOE.

It is further the policy of the United States that its prime contractors establish procedures to ensure the timely payment of amounts due pursuant to the terms of their subcontractors with small business concerns and small business concerns owned and controlled by socially and economically

disadvantaged individuals.

(b) Corporation hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with the efficient performance of this Agreement. Corporation further agrees to cooperate in any studies or surveys as may be conducted by the United States Small Business Administration or DOE as may be necessary to determine the extent of Corporation's compliance with this article.

(c) As used in this Agreement, the term "small business concern" shall mean a small business as defined pursuant to section 3 of the Small Business Act (15 U.S.C. 632) and relevant regulations promulgated pursuant thereto. The term "small business concern owned and controlled by socially and economically disadvantaged individuals" shall mean a small business concern:

(1) which is at least 51 per centum owned by one or more socially and economically disadvantaged individuals; or, in the case of any publicly-owned busi-

ness, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; and

(2) whose management and daily business operations are controlled by one or more of such individuals.

This term also means a small business concern that is at least 51 percent unconditionally owned by an economically disadvantaged Indian tribe or Native Hawaiian organization, or a publicly-owned business having at least 51 percent of its stock unconditionally owned by one of these entities which has its management and daily business controlled by members of an economically disadvantaged Indian tribe or Native Hawaiian organization which meets the requirements of 13 CFR 124.

Corporation shall presume that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Asian-Indian Americans, and other specified minorities, or any other individual found to be disadvantaged by the Small Business Administration pursuant to section 8(a) of the Small Business Act. Corporation shall presume that socially and economically disadvantaged entities also include Indian Tribes and Native Hawaiian Organizations.

(d) Corporation acting in good faith may rely on written representations by Corporation's subcontractors regarding their status as either a small business concern or a small business concern owned and controlled by socially and economically disadvantaged individuals.

Section 7.19 UTILIZATION OF LABOR SURPLUS AREA CONCERNS.

(a) It is the policy of the Government to award contracts to labor surplus area concerns that agree to perform substantially in labor surplus areas, where this can be done consistent with the efficient performance of the contract and at prices no higher than are obtainable elsewhere. Corporation agrees to use its best efforts to place its subcontracts in accordance with this policy.

(b) In complying with the foregoing provisions of this Section 7.19 and with Section 7.18 of this Agreement, Corporation in placing its subcontracts shall observe the following order of preference: (1) small business concerns that are labor surplus area concerns, (2) other small business concerns, and (3) other labor surplus area concerns.

(c)(1) The term "labor surplus area" means a geographical area identified by the Department of labor, in accordance with 20 CFR 654, Subpart A, as an area of concentrated unemployment and underemployment or an area of labor surplus.

(2) The term "labor surplus area concern" means a concern that together with its first-tier subcontractor will perform substantially in labor surplus areas.

(3) The term "perform substantially in a labor surplus area" means that the costs incurred on account of manufacturing, production, or appropriate services in labor surplus areas exceed 50 percent of the contract price.

Section 7.20 WAGE AND PRICE STANDARDS.

(a) Corporation hereby certifies that it believes that, on the date of the execution and delivery by Corporation of Modification No. 10 to this Agreement, Corporation is in compliance with the Wage and Price Standards issued by the Council of Wage and Price Stability (6 CFR 705, Appendix, and Part 706).

(b) If a duly authorized agency of the United States of American later determines, after notice and opportunity for hearing and such determination shall become final and not subject to appeal by Corporation, that Corporation was wilfully not in compliance with such standards on the day of the execution and delivery by Corporation of Modification No. 10 to this Agreement, this Agreement shall, at the election of DOE evidenced by notice delivered to Corporation by DOE within 270 days subsequent to the date when such determination shall become final, terminate with the same effect and under the same conditions as if, at the time such determination shall become final, DOE had delivered to Corporation a

notice of termination pursuant to Section 6.02 of this Agreement.

(c) Corporation shall require as a condition of award of any first-tier subcontract which exceeds $5,000,000 a certification that such subcontractor believes that, on the date of such award, it is in compliance with the Wage and Price Standards issued by the Council on Wage and Price Stability (6 CFR 705, Appendix, and Part 706). Corporation further agrees that should any price adjustment in subcontract prices result from the operation of this provision as to subcontracts, it will advise DOE and an equitable adjustment of the contract price will be made. The operation of this provision in any subcontract shall not excuse Corporation from performance of this Agreement in accordance with its terms and conditions. Any waiver or relaxation of the certification requirements with respect to such first- tier subcontractors can only be made by the Secretary of Energy.

Section 7.21 PAYMENT OF INTEREST ON CLAIMS. If an appeal is filed by Corporation from a final decision of the Contracting Officer under this Agreement, denying a claim arising under this Agreement, simple interest on the amount of the claim finally determined to be owed by the Government shall be payable to Corporation. Such interest shall be at the rate determined by the Secretary of the Treasury pursuant to Public Law 92-41, 85 Stat 97, from the date Corporation furnishes to the Contracting Officer its written appeal under Section 3.04 of this Agreement to the date of (i) a final judgment by a court of competent jurisdiction, or (ii) mailing to Corporation of a supplemental agreement for execution either confirming completed negotiations between the parties or carrying out a decision of a Review Board. Notwithstanding the foregoing provisions of this Section 7.21, (i) interest shall be applied only from the date payment was due, if such date is later than the filing of appeal, and (ii) interest shall not be paid for any period of time that the Contracting Officer determines Corporation has unduly delayed in pursuing its remedies before a board of contract appeals or a court of competent jurisdiction.

Section 7.22 AFFIRMATIVE ACTION FOR HANDICAPPED WORKERS.

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(a) Corporation will not discriminate against any employee or applicant for employment because of physical or mental handicap in regard to any position for which the employee or applicant for employment is qualified. Corporation agrees to take affirmative action to employ, advance in employment and otherwise treat qualified handicapped individuals without discrimination based upon their physical or mental handicap in all employment practices such as the following: employment, upgrading, demotion or transfer, recruitment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

(b) Corporation agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the Rehabilitation Act of 1973, as amended (the "Rehabilitation Act").

(c) In the event of Corporation's noncompliance with the requirements of this clause, actions for noncompliance may be taken in accordance with the rules, regulations and relevant orders of the Secretary of Labor issued pursuant to the Rehabilitation Act.

(d) Corporation agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the Director of the Office of Federal Contract Compliance Programs of the United States Department of Labor, provided by or through the contracting officer. Such notices shall state Corporation's obligation under the law to take affirmative action to employ and advance in employment qualified handicapped employees and applicants for employment, and the rights of applicants and employees.

(e) Corporation will notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that Corporation is bound by the terms of Section 503 of the Rehabilitation Act, and is committed to take affirmative action to employ and advance in employment physically and mentally handicapped individuals.

(f) Corporation will include the provisions of this clause in every subcontract or purchase order of $2,500 or more unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to

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Section 503 of the Rehabilitation Act, so that such provisions will be binding upon each subcontractor or vendor. Corporation will take such action with respect to any subcontract or purchase order as the Director of the Office of Federal Contract Compliance Programs may direct to enforce such provisions, including action for noncompliance.

(g) If, pursuant to this section, DOE elects, in whole or in part, to cancel, terminate, annul or suspend this Agreement, to terminate the right of Corporation to proceed or to suspend contract payments, such action by DOE may only be taken by delivering to Corporation a notice in writing of DOE's election to terminate not less than three years prior to the effective date of termination pursuant to Section 6.02 of this Agreement.

Section 7.23 CLEAN AIR AND WATER.

(a) Corporation agrees as follows:

(i) to comply with all applicable requirements of Section 114 of the Clean Air Act (42 U.S.C. 7414) and Section 308 of the Clean Water Act (33 U.S.C.

1518), respectively, relating to inspection, monitoring, entry, reports and information, as well as other applicable requirements specified in Section 114 and Section 308 of the Air Act and the Water Act, respectively, and all applicable regulations and guidelines issued thereunder before the execution of Modification No. 14 to this Agreement;

(ii) that no portion of the work required by this Agreement will be performed in a facility listed on the Environmental Protection Agency list of violating facilities on the date when Modification No. 14 to this Agreement was executed unless and until the Environmental Protection Agency eliminates the name of such facility or facilities from such listing;

(iii) to use its best efforts to comply with clean air standards and clean water standards at the facilities in which the Agreement is being performed;

(iv) to insert the substance of the provisions of this Section 7.23 in any nonexempt subcontract, including this paragraph (iv).

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(b) The terms used in this Section 7.23 have the following meanings:

(i) the term "Air Act" means the Clean Air Act, as amended (42 U.S.C. 7401 et seq.);

(ii) the term "Water Act" means Clean Water Act, as amended (33 U.S.C. 1251 et seq.);

(iii) the term "Clean Air Standards" means any applicable and enforceable rules, regulations, guidelines standards, limitations, orders, controls, prohibitions, or other requirements which are contained in, issued under, or otherwise adopted pursuant to the Air Act or Executive Order 11,738, an applicable implementation plan as described in Section 110(d) of the Air Act (42 U.S.C. 7410(d)), an approved implementation procedure or plan under Section 111(c) or Section 111(d), respectively, of the Air Act (42 U.S.C. 7411(c) or (d)), or an approved implementation procedure under Section 112(d) of the Air Act (42 U.S.C. 7412(d));

(iv) the term "Clean Water Standards" means any applicable and enforceable limitation, control, condition, prohibition, standard, or other requirement which is promulgated pursuant to the Water Act or contained in a permit issued to a discharger by the Environmental Protection Agency or by a state under an approved program, as authorized by Section 402 of the Water Act (33 U.S.C. 1342), or by a local government to ensure compliance with pretreatment regulations as required by Section 307 of the Water Act (33 U.S.C. 1317);

(v) the term "compliance" means compliance with applicable clean air or water standards. Compliance shall also mean compliance with a schedule or plan ordered or approved by a court of competent jurisdiction, the Environmental Protection Agency or an air or water pollution control agency in accordance with the requirements of the Air Act or Water Act and regulations issued pursuant thereto;

(vi) the term "facility" means any building, plant installation, structure, mine, vessel, or other floating craft, location, or site of operations owned, leased or supervised by a contractor or subcontractor, to be utilized in the performance of a contract or subcontract.

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Where a location or site of operations contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed

to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are located in one geographical area.

Section 7.24 AFFIRMATIVE ACTION FOR DISABLED VETERANS AND VETERANS OF THE VIETNAM ERA.

(a) Corporation will not discriminate against any employee or applicant for employment because he or she is a disabled veteran or veteran of the Vietnam era in regard to any position for which the employee or applicant for employment is qualified. Corporation agrees to take affirmative action to employ, advance in employment and otherwise treat qualified disabled veterans and veterans of the Vietnam era without discrimination based upon their disability or veterans status in all employment practices such as the following: employment upgrading, demotion or transfer, recruitment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

(b) Corporation agrees that all suitable employment openings of Corporation which exist at the time of the execution of Modification No. 14 to this Agreement and those which occur during the performance of this Agreement, including those not generated by this Agreement and including those occurring at an establishment of Corporation other than the one wherein this Agreement is being performed but excluding those of independently operated corporate affiliates, shall be listed at an appropriate local office of the State employment service system wherein the opening occurs. Corporation further agrees to provide such reports to such local office regarding employment openings and hires as may be required.

(c) Listing of employment openings with the employment service system pursuant to this clause shall be made at least concurrently with the use of any other recruitment source or effort and shall involve the normal obligations which attach to the placing of a bona fide job order, including the acceptance of referrals of veterans and nonveterans. The listing of employment openings does

not require the hiring of any particular job applicant or from any particular group of job applicants, and nothing herein is intended to relieve Corporation from any requirements in Executive Orders or regulations regarding nondiscrimination in employment.

(d)(1) Corporation shall report at least annually, as required by the Secretary of Labor, on:

(i) The number of special disabled veterans and the number of veterans of the Vietnam era in the workforce of Corporation by job category and hiring location; and

(ii) The total number of new employees hired during the period covered by the report, and of that total, the number of special disabled veterans, and the number of veterans of the Vietnam era.

(2) The above items shall be reported by completing the form entitled "Federal Contractor Veterans' Employment Report VETS-100."

(3) Reports shall be submitted no later than March 31 of each year.

(4) The employment activity report required by paragraph (d)(1)(ii) of this clause shall reflect total hires during the most recent 12-month period as of the ending date selected for the employment profile report required by paragraph (d)(1)(i) of this clause. Contractors may select an ending date: (i) As of the end of any pay period during the period January through March 1st of the year the report is due, or (ii) as of December 31, if the contractor has previous written approval from the Equal Opportunity Commission to do so for

purposes of submitting the Employer Information Report EEQ-1 (Standard Form 100).

(5) The count of veterans reported according to paragraph (d)(1) of this clause shall be based on voluntary disclosure. Each contractor subject to the reporting requirements at 38 U.S.C. 2012(d) shall invite all special disabled veterans and veterans of the Vietnam era who wish to benefit under the affirmative action program at 38 U.S.C. 2012 to identify themselves to the contractor. The invitation shall state that the information is voluntarily provided, that the information will be kept

confidential, that disclosure or refusal to provide the information will not subject the applicant or employee to any adverse treatment and that the information will be used only in accordance with the regulations promulgated under 38 U.S.C. 2012.

(e) Whenever Corporation becomes contractually bound to the listing provisions of this clause, it shall advise the employment service system in each State where it has establishments of the name and location of each hiring location in the State. As long as Corporation is contractually bound to these provisions and has so advised the State system, there is no need to advise the State system of subsequent contracts. Corporation may advise the State system of subsequent contracts. Corporation may advise the State system when it is no longer bound by this contract clause.

(f) This clause does not apply to the listing of employment openings which occur and are filled outside of the 50 states, the District of Columbia, Puerto Rico, Guam, Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands.

(g) The provisions of paragraphs (b), (c), (d) and (e) of this clause do not apply to openings which Corporation proposes to fill from within its own organization or to fill pursuant to a customary and traditional employer-union hiring arrangement. This exclusion does not apply to a particular opening once an employer decides to consider applicants outside of its own organization or employer-union arrangement for that opening.

(h) As used in this clause: (1) "all suitable employment openings" includes, but is not limited to, openings which occur in the following job categories: production and nonproduction; plant and office; laborers and mechanics; supervisory and nonsupervisory; technical; and executive, administrative, and professional openings as are compensated on a salary basis of less than $25,000 per year. This term includes full-time employment, temporary employment of more than 3 days' duration, and part-time employment. It does not include openings which Corporation proposes to fill from within its own organization or to fill pursuant to a customary and traditional employer-union hiring arrangement nor openings in an educational institution which are restricted to students

of that institution. Under the most compelling circumstances an employment opening may not be suitable for listing, including such situations where the needs of the Government cannot reasonably be otherwise supplied, where listing would be contrary to national security, or where the requirement of listing would otherwise not be for the best interest of the Government.

(2) "Appropriate office of the State employment service system" means the local office of the Federal-State national system of public employment offices with assigned responsibility for serving the areas where the employment opening is to be filled, including the District of Columbia, Guam, Puerto Rico, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific

Islands.

(3) "Openings which Corporation proposes to fill from within its own organization" means employment openings for which no consideration will be given to persons outside Corporation's organization (including any affiliates, subsidiaries, and the parent companies) and includes any openings which Corporation proposes to fill from regularly established "recall" lists.

(4) "Openings which Corporation proposes to fill pursuant to a customary and traditional employer-union hiring arrangement" means employment openings which Corporation proposes to fill from union halls, which is part of the customary and traditional hiring relationship which exists between Corporation and representatives of its employees.

(i) Corporation agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the Vietnam Era Veterans Readjustment Assistance Act of 1972 (the "Act"), as amended.

(j) In the event of Corporation's noncompliance with the requirements of this clause, actions for noncompliance may be taken in accordance with the rules, regulations and relevant orders of the Secretary of Labor issued pursuant to the Act.

(k) Corporation agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the Director

of the Office of Federal Contract Compliance Programs of the United States Department of Labor, provided by or through the contracting officer. Such notice shall state Corporation's obligation under the law to take affirmative action to employ and advance in employment qualified disabled veterans and veterans of the Vietnam era for employment, and the rights of applicants and employees.

(l) Corporation will notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that Corporation is bound by the terms of the Vietnam Era Veterans Readjustment Assistance Act, and is committed to take affirmative action to employ and advance in employment qualified disabled veterans and veterans of the Vietnam era.

(m) Corporation will include the provisions of this clause in every subcontract or purchase order of $10,000 or more unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to the Act, so that such provisions will be binding upon each subcontractor or vendor. Corporation will take such action with respect to any subcontract or purchase order as the Director of the Office of Federal Contract Compliance Programs may direct to enforce such provisions, including action for noncompliance.

(n) If, pursuant to this section, DOE elects, in whole or in part, to cancel, terminate, annul or suspend this Agreement, to terminate the right of Corporation to proceed or to suspend contract payments, such action by DOE may only be taken by delivering to Corporation a notice in writing of DOE's election to terminate not less than three years prior to the effective date of termination pursuant to Section 6.02 of this Agreement.

Section 7.25 COVENANT AGAINST CONTINGENT FEES.

(a) The Corporation warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Corporation for the purpose of securing business. For breach or violation of this warranty the Government

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shall have the right to annul this contract without liability or in its discretion to deduct from the contract price or consideration, or otherwise recover, the full amount of such commission, percentage, brokerage, or contingent fee; provided, however, that if, pursuant to this section, DOE elects, in whole or in part, to cancel, terminate, annul or suspend this Agreement, to terminate the right of Corporation to proceed or to suspend contract payments, such action by DOE may only be taken by delivering to Corporation a notice in writing of DOE's election to terminate not less than three years prior to the effective date of termination pursuant to Section 6.02 of this Agreement.

(b) "Bona fide agency," as used in this clause, mans an established commercial or selling agency, maintained by a contractor for the purpose of securing business, that neither exerts nor proposes to exert improper influence to solicit or obtain Government contracts nor holds itself out as being able to obtain any Government contract or contracts through improper influence.

"Bona fide employee," as used in this clause, means a person, employed by a contractor and subject to the contractor's supervision and control as to time, place, and manner of performance, who neither exerts nor proposes to exert improper influence to solicit or obtain Government contracts nor holds out as being able to obtain any Government contract or contracts through improper influence.

"Contingent fee," as used in this clause, means any commission, percentage, brokerage, or other fee that is contingent upon the success that a person or concern has in securing a Government contract.

"Improper influence," as used in this clause, means any influence that induces or tends to induce a Government employee or officer to give consideration or to act regarding a Government contract on any basis other than the merits of the matter.

Section 7.26 MISCELLANEOUS.

As used in this Agreement, the terms "bonds" and "debt securities issued by Corporation" shall be deemed to refer to bonds and debt securities issued by Corpora-

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tion and bonds and debt securities issued by persons, including municipalities and governmental bodies, other than Corporation but in respect of which Corporation is obligated to make payments under installment sale or other agreements relating to the purchase, lease and/or installation of facilities and/or equipment by, or for the benefit of, Corporation executed in connection with the issuance of such bonds or debt securities. The foregoing definition is intended for purposes of this Agreement and for purposes of this Agreement only and shall not be deemed to affect in any way the construction or characterization of such installment sale or other agreements for any other purpose whatsoever.

[Third and fourth sentences of Section 7.26 deleted by Mod. No. 14.]

Section 7.27 APPROVAL REQUIRED.

Note - Refer to original agreement and various modifications for approval required and conditions to effectiveness.

Section 7.28 TITLES OF ARTICLES AND SECTIONS. The titles of the Articles and Sections in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

Section 7.29 ALTERATIONS. The following changes were made in this Agreement before it was signed by the parties hereto:

None.

Section 7.30 -DEAR 952.202-1 DEFINITIONS (APR 1984).

(a) "Contracting Officer" means a person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. The term includes certain authorized representatives of the Contracting Officer acting within the limits of their authority as delegated by the Contracting Office.

(b) Except as otherwise provided in this Agreement, the term "subcontracts" includes, but is not limited to,

purchase orders and changes and modifications to purchase orders under this Agreement.

Section 7.31 - FAR 52.203-3 GRATUITIES (APR 1984).

(a) The right of Corporation to proceed may be terminated by written notice if, after notice and hearing, the agency head or a designee determines that Corporation, its agent, or another representative --

(1) Offered or gave a gratuity (e.g., an entertainment or gift) to an officer, official, or employee of the Government; and

(2) Intended, by the gratuity, to obtain a contract or favorable treatment under a contract.

(b) The facts supporting this determination may be reviewed by any court having lawful jurisdiction.

(c) If this Agreement is terminated under paragraph (a) above, the Government is entitled --

(1) To pursue the same remedies as in a breach of this Agreement; and

(2) In addition to any other damages provided by law, to exemplary damages of not less than 3 nor more than 10 times the cost incurred by Corporation in giving gratuities to the person concerned, as determined by the agency head or a designee. (This subparagraph (c)(2) is applicable only if this contract uses money appropriated to the Department of Defense).

(d) If, pursuant to this section, DOE elects, in whole or in part, to cancel, terminate, annul or suspend this Agreement, to terminate the right of Corporation to proceed or to suspend contract payments, such action by DOE may only be taken by delivering to Corporation a notice in writing of DOE's election to terminate not less than three years prior to the effective date of termination pursuant to Section 6.02 of this Agreement.

Section 7.32 - FAR 52.203-6 RESTRICTIONS ON SUBCONTRACTOR SALES TO THE GOVERNMENT (JUL 1985).

(a) Except as provided in (b) below, Corporation shall not enter into any agreement with an actual or prospective subcontractor, nor otherwise act in

any manner, which has or may have the effect of unreasonably restricting sales by such subcontractors directly to the Government of any item or process (including computer software) made or furnished by the subcontractor under this Agreement or under any follow-on production contract.

(b) The prohibition in (a) above does not preclude Corporation from asserting rights that are otherwise authorized by law or regulation.

Section 7.33 - FAR 52.203-7 ANTI-KICKBACK PROCEDURES (OCT 1988).

(a) DEFINITIONS.

"Kickback," as used in this clause, means any money, fee, commission, credit, gift, gratuity, thing of value, or compensation of any kind which is provided, directly or indirectly, to any prime Contractor, prime Contractor employee, sub-contractor, or subcontractor employee for the purpose of improperly obtaining or rewarding favorable treatment in connection with a prime contract or in connection with a subcontract relating to a prime contract.

"Person," as used in this clause, means a corporation, partnership, business association of any kind, trust, joint-stock company, or individual.

"Prime contract," as used in this clause, means a contract or contractual action entered into by the United States for the purpose of obtaining supplies, materials, equipment, or services of any kind.

"Prime Contractor," as used in this clause, means a person who has entered into a prime contract with the United States.

"Prime Contractor employee," as used in this clause, means any officer, partner, employee, or agent of a prime Contractor.

"Subcontract," as used in this clause, means a contract or contractual action entered into by a prime Contractor or subcontractor for the purpose of obtaining supplies, materials, equipment or services of any kind under a prime contract.

"Subcontractor," as used in this clause, (1) means any person, other than the prime Contractor, who offers to furnish or furnishes any supplies, materials, equipment, or services of any kind under a prime contract or a subcontract entered into in connection with such prime contract, and (2) includes any person who offers to furnish or furnishes general supplies to the prime Contractor or a higher tier subcontractor.

"Subcontractor employee," as used in this clause, means any officer, partner, employee, or agent of a subcontractor.

(b) The Anti-Kickback Act of 1986 (41 U.S.C. 51-58) (the Act), prohibits any person from --

(1) Providing or attempting to provide or offering to provide any kickback;

(2) Soliciting, accepting, or attempting to accept any kickback; or

(3) Including, directly or indirectly, the amount of any kickback in the contract price charged by a prime Contractor to the United States or in the contract price charged by a subcontractor to a prime contractor or higher tier subcontractor.

(c)(1) Corporation shall have in place and follow reasonable procedures

designed to prevent and detect possible violations described in paragraph (b) of this clause in its own operations and direct business relationships.

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(2) When Corporation has reasonable grounds to believe that a violation described in paragraph (b) of this clause may have occurred, Corporation shall promptly report in writing the possible violation. Such reports shall be made to the inspector general of the contracting agency, the head of the contracting agency if the agency does not have an inspector general, or the Department of Justice.

(3) Corporation shall cooperate fully with any Federal Agency investigating a possible violation described in paragraph (b) of this clause.

(4) The Contracting Officer may (i) offset the amount of the kickback against any monies owed by the United States under the prime contract and/or (ii) direct that the Prime Contractor withhold, from sums owed a subcontractor under the prime contract, the amount of any kickback. The Contracting Officer may order that monies withheld under subdivision (c)(4)(ii) of this clause be paid over to the Government unless the Government has already offset those monies under subdivision (c)(4)(i) of this clause. In either case, the Prime Contractor shall notify the Contracting Officer when the monies are withheld.

(5) Corporation agrees to incorporate the substance of this clause, including this subparagraph (c)(5) but excepting subparagraph (c)(1), in all subcontracts under this Agreement.

Section 7.34 - FAR 52.219-9 SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (FEB 1990).

(a) This clause does not apply to small business concerns.

(b) "Commercial product," as used in this clause, means a product in regular production that is sold in substantial quantities to the general public and/or industry at established catalog or market prices. It also means a product which, in the opinion of the Contracting Officer, differs only insignificantly from Corporation's commercial product.

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"Subcontract," as used in this clause, means any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime Contractor or subcontractor calling for supplies or services rendered for performance of the contract or subcontract.

(c) The offeror, upon request by the Contracting Officer, shall submit and negotiate a subcontracting plan, where applicable, which separately addresses sub contracting with small business concerns and small disadvantaged business concerns. If the offeror is submitting an individual contract plan, the plan must separately address subcontracting with small business concerns and with small disadvantaged business concerns with a separate part for each option (if any). The plan shall be included in and made a part of the resultant contract. The subcontracting plan shall be negotiated within the time specified by the Contracting Officer. Failure to submit and negotiate the subcontracting plan shall make the offeror ineligible for award of a contract.

(d) The Offeror's subcontracting plan shall include the following:

(1) Goals, expressed in terms of percentages of total planned subcontracting dollars, for use of small business concerns and small disadvantaged business concerns as subcontractors. The offeror shall include all subcontracts that contribute to contract performance, and may include a proportionate share of products and services that are

normally allocated as indirect costs.

(2) A statement of --

(i) Total dollars planned to be subcontracted;

(ii) Total dollars planned to be subcontracted to small business concerns; and

(iii) Total dollars planned to be subcontracted to small disadvantaged business concerns.

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(3) A description of the principal types of supplies and services to be subcontracted, and an identification of the types planned for subcontracting to (i) small business concerns and (ii) small disadvantaged business concerns.

(4) A description of the method used to develop the subcontracting goals in (1) above.

(5) A description of the method used to identify potential sources for solicitation purposes (e.g., exiting company source lists, the Procurement Automated Source System (PASS) of the Small Business Administration, the National Minority Purchasing Council Vendor Information Service, the Research and Information Division of the Minority Business Development Agency in the Department of Commerce, or small and small disadvantaged concerns trade associations).

(6) A statement as to whether or not the offeror included indirect costs in establishing subcontracting goals, and a description of the method used to determine the proportionate share of indirect costs to be incurred with (i) small business concerns and (ii) small disadvantaged business concerns.

(7) The name of the individual employed by the offeror who will administer the offeror's subcontracting program, and a description of the duties of the individual.

(8) A description of the efforts the offeror will make to assure that small business concerns and small disadvantaged business concerns have an equitable opportunity to compete for subcontracts.

(9) Assurances that the offeror will include the clause in this Agreement entitled "Utilization of Small Business Concerns and Small Disadvantaged Business Concerns" in all subcontracts that offer further subcontracting opportunities, and that the offeror will require all subcontractors (except small business concerns) who receive subcontracts in excess of $500,000 ($1,000,000 for construction of any public facility) to adopt a plan similar to the plan agreed to by the offeror.

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(10) Assurances that the offeror will (i) cooperate in any studies or surveys as may be required, (ii) submit periodic reports in order to allow the Government to determine the extent of compliance by the offeror with the subcontracting plan, (iii) submit, not later than the 25th day of the succeeding month, Standard Form (SF) 294 only, (DOE contractors need not submit SF 295) on a quarterly basis current as the last day of March, June, September, and December, and upon contract completion, in accordance with the instructions on the form except the report shall be submitted quarterly rather than semiannually and additionally shall indicate at the remarks block the number and dollar amount of award made to labor surplus area concerns to the extent such

reporting is required by the terms of their contract, and (iv) ensure that its subcontractors agree to submit Standard Form 294 in accordance with the instructions of (iii) above.

(11) A recitation of the types of records the offeror will maintain to demonstrate procedures that have been adopted to comply with the requirements and goals in the plan, including establishing source lists; and in a description of its efforts to locate small and small disadvantaged business concerns and award subcontracts to them. The records shall include at least the following (on a plant-wide or company-wide basis, unless otherwise indicated):

(i) Source lists, guides, and other data that identify small and small disadvantaged business concerns.

(ii) Organizations contacted in an attempt to locate sources that are small or small disadvantaged business concerns.

(iii) Records on each subcontract solicitation resulting in an award of more than $100,000, indicating (A) whether small business concerns were solicited and if not, why not, (B) whether small disadvantaged business concerns were solicited and if not, why not, and (C) if applicable, the reason award was not made to a small business concern.

(iv) Records of any outreach efforts to contact (A) trade associations, (B) business develop-

ment organizations, and (C) conferences and trade fairs to locate small and small disadvantaged business sources.

(v) Records of internal guidance and encouragement provided to buyers through (A) workshops, seminars, training etc., and (B) monitoring performance to evaluate compliance with the program's requirements.

(vi) On a contract-by-contract basis, records to support award data submitted by the offeror to the Government, including the name, address, and business size of each subcontractor. Contractors having company or division-wide annual plans need not comply with this requirements.

(e) In order to effectively implement this plan to the extent consistent with efficient contract performance, Corporation shall perform the following functions:

(1) Assist small business and small disadvantaged business concerns by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation by such concerns.

Where Corporation's lists of potential small business and small disadvantaged subcontractors are excessively long, reasonable effort shall be made to give all small business concerns an opportunity to compete over a period of time.

(2) Provide adequate and timely consideration of the potentialities of small business and small disadvantaged business concerns in all "make-or-buy" decisions.

(3) Counsel and discuss subcontracting opportunities with representatives of small and small disadvantaged business firms.

(4) Provide notice to subcontractors, similar to that in the solicitation provision at 52.219-1, concerning penalties from its

representations of business status as small business or small disadvan-

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taged business for the purpose of obtaining a subcontract that is to be included as part or all of a goal contained in Corporation's subcontracting plan.

(f) A master subcontracting plan on a plant or division-wide basis which contains all the elements required by (d) above, except goals, may be incorporated by reference as a part of the subcontracting plan required of the offeror by this clause; provided, (1) the master plan has been approved, (2) the offeror provides copies of the approved master plan and evidence of its approval to the Contracting Officer, and (3) goals and any deviations from the master plan deemed necessary by the Contracting Officer to satisfy the requirements of this contract are set forth in the individual subcontracting plan.

(g)(1) If a commercial product is offered, the subcontracting plan required by this clause may relate to the offeror's production generally, for both commercial and noncommercial products, rather than solely to the Government contract. In these cases, the offeror shall, with the concurrence of the Contracting Officer, submit one company-wide or division-wide annual plan.

(2) The annual plan shall be received for approval by the agency awarding the offeror its first prime contract requiring a subcontracting plan during the fiscal year, or by an agency satisfactory to the Contracting Officer.

(3) The approved plan shall remain in effect during the offeror's fiscal year for all of the Offeror's commercial products.

(h) Prior compliance of the offeror with other such subcontracting plans under previous contracts will be considered by the Contracting Officer in determining the responsibility of the Offeror for award of the contract.

(i) The failure of the Corporation to comply in good faith with (1) the clause of this Agreement entitled "Utilization of Small Business Concerns and Small Disadvantaged Business Concerns," or (2) an approved plan required by this clause, shall be a material breach of this Agreement.

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(j) If, pursuant to this section, DOE elects, in whole or in part, to cancel, terminate, annul or suspend this Agreement, to terminate the right of Corporation to proceed or to suspend contract payments, such action by DOE may only be taken by delivering to Corporation a notice in writing of DOE's election to terminate not less than three years prior to the effective date of termination pursuant to Section 6.02 of this Agreement.

Section 7.35 - FAR 52.291-13 UTILIZATION OF WOMEN-OWNED SMALL BUSINESSES (AUG 1986).

(a) "Women-owned small businesses," as used in this clause, means small business concerns that are at least 51 percent owned by women who are United States citizens and who also control and operate the business.

"Control, as used in this clause, means exercising the power to make policy decisions.

"Operate," as used in this clause, means being actively involved in the day-to-day management of the business.

"Small business concern," as used in this clause, means a concern including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government

contracts, and qualified as a small business under the criteria and size standards in 13 CFR 121.

(b) It is the policy of the United States that women-owned small businesses shall have the maximum practicable opportunity to participate in performing contracts awarded by any Federal agency.

(c) Corporation agrees to use its best efforts to give women-owned small businesses the maximum practicable opportunity to participate in the subcontracts it awards to the fullest extent consistent with the efficient performance of this Agreement.

(d) Corporation may rely on written representations by its subcontractors regarding their status as women-owned small businesses.

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Section 7.36 - FAR 52.223-6 DRUG-FREE WORKPLACE (JUL 1990).

(a) DEFINITIONS. As used in this clause,

"Controlled substance" means a controlled substance in schedules I through V of section 202 of the Controlled Substances Act (21 U.S.C. 812) and as further defined in regulation at 21 CFR 1308.11 - 1308.15.

"Conviction" means a finding of guilt (including a plea of nolo contendere) or imposition of sentence, or both, by any judicial body charged with the responsibility to determine violations of the Federal or State criminal drug statutes.

"Criminal drug statute" means a Federal or non-Federal criminal statute involving the manufacture, distribution, dispensing, possession or use of any controlled substance.

"Drug-free workplace" means the site(s) for the performance of work done by the Contractor in connection with a specific contract at which employees of the Contractor are prohibited from engaging in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance.

"Employee" means an employee of a Contractor directly engaged in the performance of work under a Government contract.

"Directly engaged" is defined to include all direct cost employees and any other Contractor employee who has other than a minimal impact or involvement in contract performance.

(b) Corporation, if other than an individual, shall -- within 30 calendar days after award (unless a longer period is agreed to in writing for contracts of 30 calendar days or more performance duration); or as soon as possible for contracts of less than 30 days performance duration -

(1) Publish a statement notifying its employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is

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prohibited in Corporation's workplace and specifying the actions that will be taken against employees for violations of such prohibition;

(2) Establish an ongoing drug-free awareness program to inform such employees about --

(i) The dangers of drug abuse in the workplace;

(ii) Corporation's policy of maintaining a drug-free workplace;

(iii) Any available drug counseling, rehabilitation, and employee assistance program; and

(iv) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

(3) Provide all employees engaged in performance of the Agreement with a copy of the statement required by subparagraph (b)(1) of this clause;

(4) Notify such employees in writing in the statement required by subparagraph (b)(1) of this clause that, as a condition of continued employment of this Agreement, the employee will --

(i) Abide by the terms of the statement; and

(ii) Notify the employer in writing of the employee's conviction under a criminal drug statute for a violation occurring in the workplace no later than five (5) calendar days after such conviction.

(5) Notify the Contracting Officer within 10 calendar days after receiving notice under subdivision (b)(4)(ii) of this clause, from an employee or otherwise receiving actual notice of such conviction. The notice shall include the position title of the employee;

(6) Within 30 calendar days after receiving notice under subdivision (b)(4)(ii) of this clause of a

conviction, take one of the following actions with respect to any employee who is convicted of a drug abuse violation occurring in the workplace:

(i) taking appropriate personnel action against such employee, up to and including termination; or

(ii) Require such employee to satisfactorily participate in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency.

(7) Make a good faith effort to maintain a drug-free workplace through implementation of subparagraphs (b)(1) through (b)(6) of this clause.

(c) Corporation, if an individual, agrees by award of this Agreement or acceptance of a purchase order, not to engage in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance in the performance of this Agreement.

(d) In addition to other remedies available to the Government, Corporation's failure to comply with the requirements of paragraphs (b) and (c) of this clause may, pursuant to FAR 23.506, render Corporation subject to suspension of contract payments, termination of the Agreement for default, and suspension or debarment.

(e) If, pursuant to this section, DOE elects, in whole or in part, to cancel, terminate, annul or suspend this Agreement, to terminate the right of Corporation to proceed or to suspend contract payments, such action by DOE may only be taken by delivering to Corporation a notice in writing of DOE's election to terminate not less than three years prior to the effective date of termination pursuant to Section 6.02 of this Agreement.

Section 7.37 - FAR 52.232-28 ELECTRONIC FUNDS TRANSFER PAYMENT METHODS (APR 1989). Payments under this Agreement will be made by the Government either by check or electronic funds transfer (through the Treasury Fedline Payment System (FEDLINE) or the Automated Clearing House (ACH)), at the option of the Government. After

award, but no later than 14 days before an invoice or contract financing request is submitted, Corporation shall designate a financial institution for receipt of electronic funds transfer payments, and shall submit this designation to the Contracting Officer or other Government official, as directed.

(a) For payments through FEDLINE, Corporation shall provide the following information:

(1) Name, address, and telegraphic abbreviation of the financial institution receiving payment.

(2) The American Bankers Association 9-digit identifying number for wire transfers of the financing institution receiving payment if the institution has access to the Federal Reserve Communications System.

(3) Payee's account number at the financial institution where funds are to be transferred.

(4) If the financial institution does not have access to the Federal Reserve Communications System, name, address, and telegraphic abbreviation of the correspondent financial institution through which the financial institution receiving payment obtains wire transfer activity. Provide the telegraphic abbreviation and American Bankers Association identifying number for the correspondent institution.

(b) For payment through ACH, Corporation shall provide the following information:

(1) Routing transit number of the financial institution receiving payment (same as American Bankers Association identifying number used for FEDLINE).

(2) Number of account to which funds are to be deposited.

(3) Type of depositor account ("C" for checking, "S" for savings).

(4) If Corporation is a new enrollee to the ACH system, a "Payment Information Form," SF 3881, must be completed before payment can be processed.

(c) In the event Corporation, during the performance of this Agreement, elects to designate a different financial institution for the receipt of any payment made using electronic funds transfer procedures, notification of such change and the required information specified above must be received by the appropriate Government official 30 days prior to the date of such change is to become effective.

(d) The documents furnishing the information required in this clause must be dated and contain the signature, title, and telephone number of the Corporation official authorized to provide it, as well as Corporation's name and contract number.

(e) Corporation's failure to properly designate a financial institution or to provide appropriate payee bank account information may delay payments of amounts otherwise properly due.

Section 7.38 - PAYMENT OF INTEREST.

(a) Notwithstanding any other clause of this Agreement, all amounts that become payable by Corporation to the Government under this Agreement (net of any applicable tax credit under the Internal Revenue Code (26 U.S.C. 1481)) shall bear simple interest from the date due until paid unless paid within 30 days of becoming due. The interest rate shall be the interest rate established by the Secretary of the Treasury as provided in Section 12 of the Contract disputes Act of 1978 (Public Law 95-563), which is applicable to the period in which the amount becomes due, as provided in paragraph (b) of this clause, and then at the rate applicable for each six-month period as fixed by the Secretary until the amount is paid.

(b) Amounts shall be due at the earliest of the following dates:

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(1) The date fixed under this Agreement.

(2) The date of the first written demand for payment consistent with this Agreement.

(c) The interest charge made under this clause may be reduced under the procedures prescribed in 32.614-2 of the Federal Acquisition Regulation in effect on the date of this Agreement.

Section 7.39 - FAR 52.203-10 PRICE OR FEE ADJUSTMENT FOR ILLEGAL OR IMPROPER ACTIVITY (SEP 1990).

(a) The Government, at its election, may reduce the price of a fixed-price type contract or contract modification and the total cost and fee under a cost-type contract or contract modification by the amount of profit or fee determined as set forth in paragraph (b) of this clause if the head of the contracting activity or his or her designee determines that there was a violation of subsection 27(a) of the Office of Federal Procurement Policy Act, as amended (41 U.S.C. 423), as implemented in the FAR. In the case of a contract modification, the fee subject to reduction is the fee specified in the particular contract modification at the time of execution, except as provided in subparagraph (b)(5) of this clause.

(b) The price or fee reduction referred to in paragraph (a) of this clause shall be --

(1) For cost-plus-fixed-fee contracts, the amount of the fee specified in the contract at the time of award;

(2) For cost-plus-incentive-fee contracts, the target fee specified in the contract at the time of award, notwithstanding any minimum fee or "fee floor" specified in the contract;

(3) For cost-plus-award-fee contracts --

(i) The base fee established in the contract at the time of contract award;

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(ii) If no base fee is specified in the contract, 30 percent of the amount of each award fee otherwise payable to

the Contractor for each award fee evaluation period or at each award fee determination point.

(4) For fixed price incentive contracts, the Government may --

(i) Reduce the contract target price and contract target profit both by an amount equal to the initial target profit specified in the contract at the time of contract award; or

(ii) If an immediate adjustment to the contract target price and contract target profit would have a significant adverse impact on the incentive price revision relationship under the contract, or adversely affect the contract financing provisions, the Contracting Officer may defer such adjustment until establishment of the total final price of the contract. The total final price established in accordance with the incentive price revision provisions of the contract shall be reduced by an amount equal to the initial target profit specified in the contract at the time of contract award and such reduced price shall be the total final contract price.

(5) For firm-fixed-price contracts or contract modifications, by 10 percent of the initial contract modification price; or a profit amount determined by the Contracting Officer from records or documents in existence prior to the date of the contract award or modification.

(c) The Government may, at its election, reduce a prime contractor's price or fee in accordance with the

procedures of paragraph (b) of this clause for violations of the Act by its subcontractors by an amount not to exceed the amount of profit or fee reflected in the subcontract at the time the subcontract was first definitively priced.

(d) In addition to the remedies in paragraphs (a) and (c) of this clause, the Government may terminate this contract for default. The rights and remedies of the Government specified herein are not exclusive and are in addition to any other rights and remedies provided by law or under this contract.

(e) Notwithstanding the provisions of paragraphs (a), (b), (c), and (d) of this Section 7.39:

(1) The cumulative total of all reductions, made pursuant to this Section 7.39, in price, profit, fee or other compensation shall not exceed $140,000; and

(2) If, pursuant to this section, DOE elects, in whole or in part, to cancel, terminate, annul or suspend this Agreement, to terminate the right of Corporation to proceed or to suspend contract payments, such action by DOE may only be taken by delivering to Corporation a notice in writing of DOE's election to terminate not less than three years prior to the effective date of termination pursuant to Section 6.02 of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Modification No. 14 as of the date and year first above written.

OHIO VALLEY ELECTRIC CORPORATION

By /s/

UNITED STATES OF AMERICA

By: SECRETARY OF ENERGY

By /s/

Authorized Contracting Officer

EXHIBIT 10.7

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Modification No. 16

to

POWER AGREEMENT

Dated October 15, 1952

between

OHIO VALLEY ELECTRIC CORPORATION

AND

UNITED STATES OF AMERICA

Acting By and Through the

SECRETARY OF ENERGY,

the statutory head of the

DEPARTMENT OF ENERGY

Dated as of

January 1, 1998

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THIS MODIFICATION NO. 16, dated as of the 1st day of January, 1998, by and between OHIO VALLEY ELECTRIC CORPORATION, a corporation organized under the laws of the State of Ohio (hereinafter called the "Corporation"), and the UNITED STATES OF AMERICA (hereinafter sometimes called the "Government"), acting by and through the SECRETARY OF ENERGY, the statutory head of the DEPARTMENT OF ENERGY (hereinafter called "DOE");

WITNESSETH THAT

WHEREAS, Corporation and the Government have heretofore entered into a contract dated October 15, 1952, providing for the supply by Corporation of

electric utility services to the United States Atomic Energy Commission (hereinafter called "AEC") at AEC's project near Portsmouth, Ohio (hereinafter called the "Project"), which contract has heretofore been modified by Modification No. 1, dated July 23, 1953, Modification No. 2, dated as of March 15, 1964, Modification No. 3, dated as of May 12, 1966, Modification No. 4, dated as of January 7, 1967, Modification No. 5, dated as of August 15, 1967, Modification No. 6, dated as of November 15, 1967, Modification No. 7, dated as of November 5, 1975, Modification No. 8, dated as of June 23,

1977, Modification No. 9, dated as of July 1, 1978, Modification No. 10, dated as of August 1, 1979, Modification No. 11, dated as of September 1, 1979, Modification No. 12, dated as of August 1, 1981, Modification No. 13, dated as of September 1, 1989, Modification No. 14, dated as of January 15, 1992 and Modification No. 15, dated as of February 1, 1993 (said contract, as so modified, is hereinafter called the "DOE Power Agreement"); and

WHEREAS, pursuant to the Energy Reorganization Act of 1974, the AEC was abolished on January 19, 1975, and certain of its functions, including the procurement of electric utility services for the Project, were transferred to and vested in the Administrator of Energy Research and Development; and

WHEREAS, pursuant to the Department of Energy Organization Act, all of the functions vested by law in the Administrator of Energy Research and Development or the Energy Research and Development Administration were transferred to, and vested in, the Secretary of Energy on October 1, 1977; and

WHEREAS, pursuant to the Energy Policy Act of 1992, the United States Enrichment Corporation (hereinafter called "USEC") was established to lease from DOE its uranium enrichment facilities beginning July 1, 1993; and the DOE was authorized

by such Act to continue to receive electricity under the DOE Power Agreement and to resell it to USEC; and

WHEREAS, pursuant to East Central Area Reliability Group ("ECAR") Document No. 2, entitled DAILY OPERATING RESERVE, as revised August 8, 1996 ("ECAR Document No. 2"), Corporation is required to have available spinning reserve equal to a percentage of its internal load as well as supplemental reserve equal to a percentage of its internal load; and

WHEREAS, Corporation and DOE desire to amend the DOE Power Agreement further as hereinafter provided;

NOW, THEREFORE, the parties hereto do hereby agree as follows:

1. Article II is amended by inserting, after Section 2.11, new Section

2.12, as follows:

SECTION 2.12

1. SPINNING RESERVE means unloaded generation which is synchronized and ready to serve additional demand within ten minutes.

2. ECAR RESERVE SHARING PERIOD means any period of time during which any control area within ECAR ("ECAR Member") is experiencing a system contingency which requires implementation of ECAR's reserve sharing procedures.

3. ECAR EMERGENCY ENERGY means energy sold by Corporation from its Spinning Reserve during an ECAR Reserve Sharing Period.

4. OVEC EMERGENCY ENERGY means energy purchased by Corporation during an ECAR Reserve Sharing Period pursuant to the provisions of ECAR Document No. 2.

5. EMERGENCY ENERGY PAYMENTS. In the event that Corporation is required to purchase, and pay other entities for, OVEC Emergency Energy, DOE shall pay to Corporation the full amount paid by Corporation for OVEC Emergency Energy up to the DOE contract demand at the time of such purchase; provided, however, that DOE shall receive a credit for any payments which Corporation receives for ECAR Emergency Energy. Bills and credit memoranda shall be issued monthly or quarterly, depending on the billing and payment practices of the other parties involved.

6. INTERNAL LOAD. In the event that the Corporation begins to serve internal load in addition to the Project, Corporation and DOE agree to make a good faith effort to negotiate an amendment to Section 2.12.5 in order to reallocate fairly and accurately the costs and benefits of reserve sharing. For purposes of this paragraph, internal load means the DOE load, metered as of the 345 kV Project busses, plus OVEC's system losses.

2. This Modification No. 16 to the DOE Power Agreement shall become effective at 12:01 o'clock midnight on the day on which Corporation advises DOE to the effect that:

All applicable requirements as to approval by or filings with regulatory agencies or other governmental bodies having jurisdiction in respect of the transactions constituting the subject matter of this Modification No. 16 (including expiration of any specified period after the date of any filing) have been complied with and all requisite approvals are in full force and effect and none is the subject of attack on appeal by direct proceeding or otherwise, and (except to the extent that Corporation shall waive such condition) any requisite approvals have become final and not subject to judicial review in any court.

3. The DOE Power Agreement, as modified by Modifications No. l through No. 15, both inclusive, and by this Modification No. 16, is hereby in all respects confirmed.

IN WITNESS WHEREOF, the parties hereto have executed this Modification No. 16 as of the date and year first above written.

OHIO VALLEY ELECTRIC CORPORATION

By /s/

President

UNITED STATES OF AMERICA

By /s/

Authorized Contracting Officer

EXHIBIT 10.8

POWER AGREEMENT

MODIFICATION NO. 12

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MODIFICATION NO. 12

THIS MODIFICATION NO. 12, entered into this 2nd day of September, 1987, by and between ELECTRIC ENERGY, INC., (referred to as "Company"), a corporation organized under the laws of the State of Illinois, and the UNITED STATES OF AMERICA (referred to as "Government"), acting by and through the Secretary (referred to as "Secretary") of the Department of Energy (referred to as "DOE").

WITNESSETH THAT:

WHEREAS, Company and Government, represented by the United States Atomic Energy Commission (AEC), entered into Contract No. AT-(40-1)-1312, dated May 4, 1951 (referred to as the "Agreement"), for the supply by Company of 500 megawatts of the 1,000 megawatts of electric power then required by AEC at its Paducah Project (referred to as the "Project") near Paducah, Kentucky; and

WHEREAS, the Agreement has previously been amended by Modifications Nos. 1 through 11 and by various unnumbered letter agreements and unilateral notices; and

WHEREAS, pursuant to the Energy Reorganization Act of 1974 (P.L. 93-438), the AEC was abolished and certain of its functions, including procurement of electric power for the Project, were transferred to and vested in the Administrator of the Energy Research and Development Administration; and

WHEREAS, pursuant to the Department of Energy Organization Act (P.L. 95-91), the Energy Research and Development Administration was abolished, and the functions and authority of the Administrator were transferred to and vested in the Secretary, the statutory head of the DOE; and

WHEREAS, Company and the Secretary desire to amend the Agreement further so as to extend its term and make certain other changes, and to integrate previous modifications to the Agreement; and

WHEREAS, this Modification No. 12 is authorized by and entered into under the Atomic Energy Act of 1954, as amended; the Energy Reorganization Act of 1974 (P.L. 93-438); the Department of Energy Organization Act (P.L. 95-91); and all other applicable laws;

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NOW, THEREFORE, in consideration of the premises and provisions of the Agreement, as heretofore amended and as it is amended hereby, and in consideration of the mutual agreements and undertakings of the parties, the parties agree that the terms and provisions of the Articles and Sections of the Agreement, as heretofore amended, shall be and hereby are amended by this Modification No. 12 and restated so that the Articles and Sections of the

Agreement shall read in their entirety as follows:

ARTICLE I

FACILITIES AND INTERCONNECTED SYSTEMS PROVISIONS

Section 1.01 GENERATING STATION. Company has constructed and is now operating a steam electric generating plant consisting of six turbo-generators, as described in Appendix "A" to this Agreement, with all other necessary equipment, including general equipment at Joppa, Illinois, and six transmission circuits (sometimes collectively referred to in this Agreement as the "Joppa Plant") for the purposes of (1) delivering electric power and energy to the point of delivery (as described in Section 2.01) for use at the Project, and (2) delivering electric power and energy to the point of delivery (as described in Section 2.01) between Company and the systems of Company's sponsoring companies (Union Electric Company, Central Illinois Public Service Company, Illinois Power Company, and Kentucky Utilities Company) (referred to as "Sponsoring Companies").

Section 1.02 INTERCONNECTIONS WITH SPONSORING COMPANIES AND TENNESSEE VALLEY AUTHORITY. 1. Company has established interconnections between the Joppa Plant and the systems of the Sponsoring Companies, directly or indirectly, in order to provide additional security of service to the Project from the systems of the Sponsoring Companies, and as an outlet for power and energy produced at the Joppa Plant, and as inlet for power and energy received from other electric utility systems. The generation and transmission facilities of Company are also connected with the system of Tennessee Valley Authority (referred to as "TVA") (as provided in the Agreement between Company and TVA dated December 29, 1976) through the facilities of DOE (as successor to AEC by operation of law) and the facilities of the Sponsoring Companies. Company agrees to make all reasonable efforts to stay interconnected with TVA, either directly through DOE as provided in the December 29, 1976 Agreement, or through TVA's existing Shawnee 345 kV interconnection, or both, at Company's option, to assure continuity of service to the Project by arrangements through which Company or Sponsoring Companies and TVA can furnish mutual support to each other to the extent available as

determined by them, in the event either becomes incapable of furnishing its share of the DOE power requirements for the Project. Company will also continue to cooperate with DOE and TVA in establishing schedules for maintenance and operation of equipment which will assure to the Project the supply of power described in this Agreement.

2. Because the systems of the Sponsoring Companies are presently connected to the system of TVA through the facilities of DOE, "through flow" of power occurs at times which can be burdensome and result in an unreliable mode of operation. If this "through flow" of power should cause an unreliable mode of operation as determined by either Company or DOE, Company may, in order to eliminate the unreliable mode of operation, restrict the output of Joppa Plant; open certain transmission lines; modify, change, or add transmission terminal facilities at the Project or the Joppa Plant and other points on the interconnected system; or any combination; add transmission facilities between the Project or the Joppa Plant thereof.

3. If the output of Joppa Plant is ever restricted as described in paragraph 2 of this Section 1.02, the parties shall attempt to mutually determine if certain transmission lines are to be opened, if

the DOE demand shall be reduced, if other Company customers' demands shall be reduced, or a combination thereof, or if any other appropriate action can be taken. If the parties cannot agree, Company shall have the right to make such determination. In the event of reduction in Joppa Plant output, DOE shall be responsible to pay for the power not delivered to DOE as if it were delivered except for fuel, and such power shall be deemed to have been delivered for purposes of Section 7.29.

4. In the event the interconnections between Company and TVA through the DOE bus are discontinued, and the DOE load connected radially to Company does not deviate significantly from the Weekly DOE Percentage of Joppa Plant, as determined in accordance with Section 2.04, paragraphs 2 and 3 of this Section 1.02 shall have no further application.

5. In the event the operation of DOE facilities at the Project is discontinued, Company shall have the right to either purchase or lease from DOE at fair market value those facilities at the Project which connect the systems of the Sponsoring Companies to the system of TVA. Company shall retain such right notwithstanding any complete or partial termination of this Agreement. In the event Company desires to exercise such right, DOE may elect whether to sell or lease such facilities. DOE shall have the further option to relocate the facilities, and in such event the expense of such relocation shall be shared as agreed by DOE and Company.

Section 1.03 MAINTENANCE OF SWITCH POSITIONS, RELAYS, COMMUNICATION AND TELEMETERING EQUIPMENT. Company will cooperate

to the extent required in the coordination of its system relay protection scheme and interchange and frequency control with that of TVA and, to the extent requested by DOE, will make necessary tests, adjustments or settings and repairs to DOE-owned protective relays, communication and telemetering equipment, and such other related equipment located at the Project substations as DOE may install for protection and operation of Company's or any Sponsoring Company's transmission lines terminating at said substations. DOE will reimburse Company for labor, material and other expense (including the applicable overhead costs) incurred by Company in providing such services. The switch positions and related equipment installed by DOE at such substations for protection and operation of Company's transmission lines referred to in Section 1.01 shall be free of any rental or other charges. DOE has also arranged with Kentucky Utilities Company for installation at one of said substations of a switch position and related equipment for protection and operation of a 161 kV transmission line which has been built by Kentucky Utilities Company and terminates at said substation.

Section 1.04 OWNERSHIP OF FACILITIES. All facilities provided by Company in accordance with Section 1.01 shall be the property and responsibility of Company and all facilities beyond the point of delivery shall be the property and responsibility of DOE, with the exception of Company's or any Sponsoring Company's metering, telemetering, communication or related equipment installed at the Project's substations, and with the exception of the Freezer Sublimer System, as defined in the Freezer Sublimer Lease Agreement (as actually executed, including any amendments thereto), described in this Agreement, which shall be the property of Company but the responsibility of DOE.

Section 1.05 EASEMENT ON PROJECT PROPERTY. DOE has granted to Company and to Sponsoring Companies easements for a term of fifty years to enter upon and use such Government-owned land on the Project property as may be necessary for the construction, operation and maintenance of Company's or any Sponsoring Company's transmission facilities up to the point of delivery and for interconnection with other systems. Subject to compliance with the Atomic Energy Act of 1954, as amended, DOE agrees to extend the term of such easements, as

necessary and at no cost to Company, to match the term of this Agreement. DOE reserves the right to order removal of any such facilities to another location on the project property for the convenience of DOE, but in such event DOE shall pay the net cost of such removal and relocation and shall grant to Company or such Sponsoring Company easements to use such land as may be necessary in connection with the relocation. The rights granted by DOE to Company and Sponsoring Companies are free of any rental or other charges. The exercise of such rights and all other rights provided for in this

Agreement shall be subject to such security regulations, rules or instructions as DOE may issue.

Section 1.06 RIGHTS OF ACCESS. DOE has granted to Company all rights in or on the Project property, including rights of ingress and egress, necessary for Company to fulfill its responsibilities under this Agreement for the installation, testing, operation, maintenance, and replacement of facilities or equipment in or on the Project property. The exercise of such rights shall be subject to such security regulations, rules or instructions as DOE may issue. Upon the termination or expiration of this Agreement, Company may, at its option and at its expense, remove any of Company's facilities from DOE's property.

Section 1.07 FREEZER SUBLIMER LEASE OPTION. Subject to the conditions precedent referred to in Section 30 of the form of Freezer Sublimer Lease Agreement (the "Lease") attached to this Agreement as Appendix "D", Company agrees, at DOE's option to be exercised as hereinafter provided, to design, acquire, construct and install at the Project the Freezer Sublimer System (as defined in the Lease) and to lease the Freezer Sublimer System to DOE, all under and in accordance with the terms of a lease which shall be substantially in the form of the Lease; provided, however, that Company shall not be required to design, acquire, construct and install the Freezer Sublimer System or to lease it to DOE if the Acquisition Cost (as defined in the Lease) shall exceed $65,000,000. It is the intention of Company and DOE that the Freezer Sublimer System shall be leased by Company to DOE on terms which provide to Company, net of any taxes, neither profit nor loss, but permit Company to recover all costs, expenses and fees involved in the design, acquisition, construction and installation of the Freezer Sublimer System, including, without limitation, each of the cost, expense and fee items included within the definition of "Acquisition Cost" in the Lease. DOE's option shall be exercised by providing Company a written notice of exercise on or before January 1, 1990, which notice shall state the date on which DOE proposes that the Lease be entered into, which date shall be not less than 120 days following the date of such notice. The obligation of DOE under the Lease shall continue in accordance with the terms of the Lease, regardless of the cancellation or termination of this Agreement pursuant to Section 6.02 or otherwise.

ARTICLE II

POWER SUPPLY

Section 2.01 CHARACTERISTICS OF SUPPLY AND POINT OF DELIVERY. All electric service delivered under this Agreement

shall be three phase and 60 Hertz. Company will cooperate with DOE, and through DOE with TVA, to regulate voltages at the DOE substation buses within plus or minus 5 percent from a mutually agreeable voltage.

Electric energy shall be delivered to DOE at the point of division of ownership of property of Company and DOE which is at the dead-end insulator assemblies on the DOE 161 kV bus structures. Electric energy may also be delivered at other future points of connection between Company and DOE. Such future points of connection will be included in appendices and made a part of this Agreement.

Unless Kentucky Utilities Company makes arrangements with others satisfactory to DOE, electric energy shall be delivered to and received from Kentucky Utilities Company at the point of connection of its facilities with those of DOE as described in Section 1.03. If the connection between Company and TVA through the DOE bus is ever operated open and if such separation would result in Kentucky Utilities Company's connection to the DOE bus being on the TVA side of the separation, and should Kentucky Utilities Company determine in its sole judgment that for contractual or system reasons it would be desirable that the Kentucky Utilities Company line be connected to the DOE bus on the Company side of the split, DOE shall make the necessary changes at no cost to Kentucky Utilities Company. Prior to making physical modifications, consideration shall be given to the possibility of developing contractual arrangements satisfactory to Kentucky Utilities Company, and at no cost to Company or Sponsoring Companies, to obtain appropriate transmission rights between Kentucky Utilities Company and Company by DOE working with TVA, Company, Sponsoring Companies, and others.

Electric energy shall be delivered to and received from the remaining Sponsoring Companies by Company at the point of connection of the Joppa-West Frankfort line with the Joppa Plant substation bus. Electric energy may also be delivered to and received from the Sponsoring Companies at other existing or future connections to the Joppa Plant substation bus; however, the retention of any or all of such other connections is not a part of this Agreement.

The parties agree that the Sponsoring Companies may use the interconnecting transmission facilities of Company and DOE at the Joppa Plant and the Project for desirable interchange transactions among the Sponsoring Companies so long as such use is not detrimental to the facilities of DOE or Company.

Section 2.02 POWER FACTOR. DOE agrees to maintain its power factor at not less than 90 percent at the point of delivery.

If the parties mutually determine that additional capacitive or reactive equipment is needed at the Project to maintain DOE bus voltage levels under normal or contingency conditions, equipment designed to maintain a power factor of up to 95 percent will be installed at the point of delivery at no expense to Company.

Section 2.03 ANNUAL DOE PERCENTAGE OF JOPPA PLANT. Company agrees to provide to DOE the use of certain portions (stated in percentages) of the net generating capability of Joppa Plant, referred to in this Agreement as "Annual DOE Percentage of Joppa Plant." The Annual DOE Percentage of Joppa Plant shall be:

(a) For the period March 1, 1987 through December 31, 2005 -- 75.0 percent.

(b) For the period January 1, 1990 through December 31, 2005 -- 75.0 percent. However, for any one or more of calendar years 1994 through 2005, either party shall have the option to reduce the Annual DOE Percentage of Joppa Plant by up to 10 percentage points each calendar year. To exercise this option, the reducing party must notify the other in writing of the amount of reduction proposed for any calendar year on or before September 1 of the year immediately preceding such calendar year. The first notification may be given on September 1, 1993. If no notification is given for a calendar year, the Annual DOE Percentage of Joppa Plant shall be unchanged from the previous calendar year.

Either party shall have the right to reduce the Annual DOE Percentage of Joppa Plant by any amount by providing a written notice of reduction to the other party a minimum of five (5) years prior to the effective date of reduction. However, no such reduction notice shall be given prior to January 1, 1989 or be effective earlier than January 1, 1994.

Any reductions of the Annual DOE Percentage of Joppa Plant made in accordance with this Section 2.03 shall be permanent reductions unless otherwise mutually agreed upon by DOE and Company.

Section 2.04 SCHEDULING OF JOPPA PLANT. The percentage of Joppa Plant provided to DOE, referred to in this Agreement as the "Weekly DOE Percentage of Joppa Plant," may vary weekly according to the following scheduling arrangement:

(a) Within thirty (30) days following execution of this Agreement and on or before September

1 of each year thereafter, Company shall provide DOE a schedule of the Weekly DOE Percentage of Joppa Plant for the following calendar year.

(b) The Weekly DOE Percentage of Joppa Plant may vary according to this schedule from 0 to 100 percent; provided, however, that the average Weekly DOE Percentage of Joppa Plant for the calendar year equals the Annual DOE Percentage of Joppa Plant for such calendar year determined in accordance with Section 2.03.

Section 2.05 PERMANENT JOPPA POWER. Company agrees to supply and DOE agrees to purchase the amount of Joppa capacity associated with the Annual DOE Percentage of Joppa Plant determined in accordance with Section 2.03, and the amount of Joppa energy scheduled and delivered under the terms of this Section 2.05. Such capacity and energy shall be referred to as "Permanent Joppa Power," and shall be delivered to DOE at the delivery point as follows:

During any clock hour, DOE shall be entitled to schedule delivery of an amount of Permanent Joppa Power determined by multiplying the Weekly DOE Percentage of Joppa Plant by the Capability of the Joppa Plant. "Capability of the Joppa Plant" shall mean, for any clock hour, the estimated net capability of the Joppa Plant to provide power at the Joppa 161 kV bus. Such capability shall be determined in accordance with methods and procedures mutually agreed upon.

DOE shall pay Company for all Excess Joppa Energy rates provided in Article III.

Section 2.06 EXCESS JOPPA ENERGY. At times, Company may have available Joppa generating capacity which is not being used by DOE or other Company customers. When this occurs, DOE shall be entitled to such delivery of the energy associated with such unused capacity, to be referred to as "Excess

Joppa Energy." The aggregate of the schedule megawatthours of Excess Joppa Energy for all hours of a month shall be deemed to be the delivered megawatthours of Excess Joppa Energy for the month and shall be called the "Billing MWh of Excess Joppa Energy."

Within thirty (30) days following execution of this Agreement and on or before September 1 of each year thereafter, Company shall provide DOE an estimate of the amount of Excess Joppa Energy which will be available for the immediately following calendar year.

DOE shall pay Company for Permanent Joppa Power at the rates provided in Article III.

Section 2.07 ADDITIONAL POWER. At DOE's request, Company shall negotiate with other electric utility systems to purchase non-firm power for DOE's benefit and use. This purchased power shall be referred to as "Additional Power."

DOE shall pay Company for Additional Power at a rate equal to Company's cost to purchase the power, plus up to one dollar per megawatthour. Company shall purchase Additional Power from the lowest cost supplier or suppliers capable of delivering the power to Company in a manner consistent with the Company's interconnection agreements and operating practices. The aggregate of the scheduled megawatthours of Additional Power for all hours of a month shall be deemed to be the delivered megawatthours of Additional Power for the month and shall be called the "Billing MWh of Additional Power." The difference between the cost of Additional Power to DOE and the cost of such power to Company shall not be included in the Component D calculation specified in Section 3.01, and the income taxes on such difference shall not be included in Component C of Section 3.01.

Section 2.08 FIRM ADDITIONAL POWER. Beginning January 1, 1993, Company shall be obligated to supply, and DOE shall be obligated to purchase, amounts of Additional Power necessary to meet DOE's 550 megawatt minimum power requirement at the Project. Such Additional Power shall be referred to as "Firm Additional Power."

Either party shall have the right to cancel its obligation to supply or take Firm Additional Power, in whole or in part, by providing a written notice of cancellation to the other party three years prior to the effective date of cancellation.

DOE shall pay Company for Firm Additional Power at a rate equal to Company's cost to purchase the power, plus up to one additional dollar per megawatthour. However, Company shall contract for Firm Additional Power in a manner which, in Company's best judgment and consistent with Company's interconnection agreements and operating practices, will provide DOE with Firm Additional Power at the lowest practical cost.

The need for certain amounts of Firm Additional Power can be foreseen and scheduled prior to delivery. On October 1 of every year, beginning October 1, 1992, Company shall provide DOE with a proposed schedule and pricing options of such amounts of Firm Additional Power for the immediately following calendar year. The pricing options shall include at a minimum:

(a) Power price quotes which shall incorporate both demand and energy cost components, and shall be expressed in terms of dollars per megawatthour. These quotes shall be guaranteed prices for the next calendar year and shall be determined by competitive bidding among the utility systems with agreements to supply firm power to Company. If DOE selects this pricing option, it shall be obligated to purchase all of the energy which is covered by this option from Company.

(b) Capacity price quotes, with energy to be priced separately and based on the actual incremental costs of the supplying utility systems at the time of delivery. If DOE selects this option, it shall pay the capacity cost calculated over the full period which is covered by this option. Company shall schedule the energy associated with this capacity on an hour-by-hour basis from the most economical supplier. In addition, upon reasonable notice, DOE may schedule energy in lieu of Firm Additional Power from sources other than Company.

DOE shall notify Company of its pricing option selection by November 1 of the year immediately prior to the calendar year in which the price is to apply.

The aggregate of the schedule megawatthours of Firm Additional Power for all hours of a month shall be deemed to be the delivered megawatthours of Firm Additional Power for the month, and shall be called the "Billing MWh of Firm Additional Power." The difference between the cost of Firm Additional Power to DOE and the cost of such power to Company shall not be included in the Component D calculation specified in Section 3.01, and the income taxes on such difference shall not be included in Component C of Section 3.01.

Section 2.09 ECONOMY ENERGY. At times, Company may be able to purchase energy from other electric utility systems at costs lower than the cost to produce energy from Joppa Plant or the cost for DOE to purchase energy from other sources. This purchased energy shall be referred to as, "Economy Energy." At Company's option, Company may provide Economy Energy to DOE in lieu of the energy associated with Permanent Joppa Power. At DOE's option, Company may provide Economy Energy to DOE in lieu of other DOE sources. DOE shall pay Company for Economy Energy at a rate to be negotiated for each economy energy transaction, which enables Company to retain up to 50 percent of the difference between the cost to Company of purchased energy and the cost to DOE for energy if the Economy Energy were not delivered to DOE. The aggregate of the scheduled MWh of Economy Energy for

all the hours of a month shall be the delivered MWh of Economy Energy for the month and shall be called the "Billing MWh of Economy Energy." The difference between the cost of Economy Energy to DOE and the cost of such energy to Company shall not be included in the Component D calculation specified in Section 3.01, and the income taxes on such difference shall not be included in Component C of Section 3.01.

Section 2.10 RELEASED POWER. At times, Company may desire to purchase and DOE may desire to release a portion or all of the Annual DOE Percentage of Joppa Plant. Also, at times, DOE may desire to purchase and Company may desire to release amounts of Joppa capacity in addition to the Annual DOE Percentage of Joppa Plant. Power so released shall be called "Released Power" and shall be made under such terms, conditions and rates as may be agreed upon by Company and DOE. Any such agreement shall be made a supplement to the Agreement and shall be executed by the DOE Contracting Officer and an

officer of Company.

Section 2.11 TRANSFER OF POWER AND CHANGE IN LOAD. DOE shall have the right to provide power and energy to which it is entitled by this Agreement to contractors, tenants and concessionaires at the Project. DOE shall also have the right to transfer power and energy to other DOE uranium enrichment installations, by displacement or otherwise, pursuant to arrangements which DOE may make with others for the transfers. However, no transfer of power and energy shall be made without first obtaining written approval of Company. If any such transfer is effected through Company's interconnection facilities, other than the point of delivery, the power and energy shall be delivered by Company to its point of interconnection at the rates provided in this Agreement adjusted to reflect any change in cost of Company resulting from this method of delivery. The rights provided DOE in this paragraph are in addition to the right of assignment provided DOE in Section 7.26 of this Agreement.

DOE shall also have the right to make temporary reductions in the amount of Permanent Joppa Power used at the Project by giving Company at least ten (10) days' notice of reduction and specifying the amount and duration of reduction. If DOE makes such reductions, DOE shall continue to pay all capacity charges for Permanent Joppa Power due Company under the terms of Section 3.02 of this Agreement, but shall not be required to pay for energy not delivered.

Section 2.12 SCHEDULED MAINTENANCE. Company shall have the right to schedule maintenance of the Joppa Plant at such times as Company, in its sole discretion, shall determine. On or before September 1 of each year, Company shall provide DOE with a schedule of planned maintenance outages for the following calendar year. Such schedule shall be used in determining DOE Unit

Maintenance Hours used in the calculation of Adjusted Annual DOE Percentage of Joppa Plant.

Section 2.13 ECONOMIC DISPATCH. Company and DOE understand that a basic premise of this Agreement is to deliver to DOE the most economical energy available from the Joppa Plant and from the utility systems having agreements to supply power to Company. Consequently, Company shall make every effort to schedule to DOE the types of energy described in Sections 2.05 through 2.10 of this Agreement, in a manner which will provide DOE with the lowest cost energy available; provided, however, that such manner of operation shall be consistent with the other terms of this Agreement, and Company's interconnection agreements, power purchase agreements and operating practices. Within ninety (90) days of the entry into force of this Agreement, DOE shall institute procedures to control the scheduling of power under Sections 2.05 through 2.10 of this Agreement in order to secure the most economical energy available.

Section 2.14 USE OF JOPPA ENERGY BY COMPANY. Company may make use of any Joppa energy in excess of the amount to which DOE is entitled from the Joppa Plant. Company may also make use of any Joppa energy to which DOE is entitled to the extent that DOE does not make 100 percent load factor use of such energy or dispose of such energy pursuant to Section 2.11.

ARTICLE III

RATES

Section 3.01 JOPPA PLANT COSTS. As soon as practical after the close of each calendar month the following components of costs of Company applicable to the ownership, operation and maintenance of the Joppa Plant for such month shall be determined and recorded:

(a) "Component A" shall consist of expenses made up of (i) the amounts of interest chargeable to Accounts 427, 430 and 431, less the amount credited to accounts 418, 419, 419.1, 421, and 454, of the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts, (ii) the amounts of amortization of debt discount or premium and expenses chargeable to Accounts 428 and 429, and (iii) an amount equal to the appropriate monthly proportion of the annual amount of depreciation and related items in Account 403 for the current year.

(b) "Component B" shall consist of the total operating expenses for labor maintenance, materials, supplies, services, administrative and general expenses, etc., properly chargeable to the Operations and Maintenance Expense Accounts of the FERC Uniform System of Accounts (exclusive of Accounts 501, 517 through 555, 904, 911 through 916, and 924, and exclusive of any expenses for which DOE reimburses Company under Section 1.03).

(c) "Component C" shall consist of the total expenses for taxes, including all taxes on income, and insurance (other than the taxes and insurance referred to in clauses (i) and (ii) below) properly chargeable to Accounts 408, 409, 410, 411, and 924 of the FERC Uniform System of Accounts:

(i) the cost of any taxes that are now or may ever be levied based on revenue, energy generated or sold or on any other basis capable of direct distribution shall be allocated directly to DOE and Company in amounts reflecting the proper share of each, and DOE shall pay to Company its share thereof; and

(ii) the cost of any insurance carried solely for the benefit of DOE at its request shall be paid for solely by DOE unless otherwise agreed upon from time to time by the parties hereto.

(d) "Component D" shall consist of an amount equal to (1) the product of 1.250 dollars multiplied by the total number of shares of capital stock of the par value of $100 per share of Company, which shall have been issued pursuant to authorization by the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935, or any successor regulatory agency having jurisdiction, and which are outstanding on the last day of such month, and (2) the product of .01250 multiplied by Company's retained earnings at December 31 of the previous year.

(e) "Fuel" shall consist of Account 501 of the FERC Uniform System of Accounts.

Company, in providing capital for any requirements related to the operation, maintenance, replacements, or for additions and extensions shall use its best judgment in obtaining the capital from such sources so as to have the effect of holding the total cost of power to DOE to the lowest practical amount.

Section 3.02 BASE RATE - PERMANENT JOPPA POWER. The base rate for Permanent Joppa Power shall consist of:

(a) Demand Charge

A base monthly demand charge, to be billed to DOE monthly, to be the sum of:

(i) one-twelfth of Company's demand costs (Components A, B, C, and D specified in Section 3.01) for the immediately preceding twelve months multiplied by the Annual DOE percentage of Joppa Plant determined in accordance with Section 2.03; and,

(ii) 10 percent of Company's Fuel costs per megawatthour for the immediately preceding twelve months, multiplied by the current, established capability of the Joppa Plant (as determined in Appendix B to this Agreement), multiplied by the Annual DOE Percentage of Joppa Plant determined in accordance with Section 2.03, multiplied by the Joppa Plant Availability Factor for the month, as determined in accordance with Appendix "C" to this Agreement. However, for purposes of this calculation, any increase or decrease of Company's fuel cost per megawatthour in excess of one-half of one percent (+/- 0.5%) from such cost used for the previous month's calculation shall be disregarded to the extent of the excess. This portion of the demand charge shall not be included in the Component D calculation specified in Section 3.01, and the income taxes in this charge shall not be included in Component C of Section 3.01.

(b) Energy Charge

A base monthly energy charge for Permanent Joppa power, to be computed by multiplying Company's Fuel costs per megawatthour for the immediately preceding month by the Billing MWh of Permanent Joppa Power taken by DOE during the month. The Billing MWh of Permanent Joppa Power shall be Company's pro rata share of the algebraic sum of MWh meter readings on all lines connected to the DOE bus, reduced by the megawatthours of other classifications of power and energy scheduled under this Agreement.

Section 3.03 BASE RATE - EXCESS JOPPA ENERGY. The base rate for Excess Joppa Energy shall consist of a base monthly energy charge to be computed by multiplying Company's Fuel costs per megawatthour for the immediately preceding month by the Billing MWh of Excess Joppa Energy taken by DOE during the month

by 110 percent. The ten percent difference between the cost to generate Excess Joppa Energy and the cost to DOE of Excess Joppa Energy shall not be included in the Component D calculation specified in Section 3.01, and the income taxes on such difference shall not be included in Component C of Section 3.01.

Section 3.04 MONTHLY ADJUSTMENT OF DOE CHARGES. The base monthly demand and energy charges specified in Sections 3.02 and 3.03 shall be adjusted each month in the following manner:

(a) Portion (i) of the base monthly demand charge for Permanent Joppa Power specified in Section 3.02 shall be adjusted to equal the Company's actual demand costs for the month (Components A, B, C, D specified in Section 3.01), multiplied by the Annual DOE Percentage of Joppa Plant determined in accordance with Section 2.03.

(b) The base monthly energy charge for Permanent Joppa Power specified in Section 3.02 shall be adjusted to equal Company's actual Fuel costs for the month, multiplied by the ratio of the Billing MWh of Permanent Joppa Power to the billing MWh of all Joppa energy delivered during the month to DOE and other Company customers.

(c) The base monthly energy charge for Excess Joppa Energy specified in Section 3.03 shall be adjusted to equal Company's actual Fuel costs for the month, multiplied by 110 percent, multiplied by the ratio of the Billing MWh of Excess Joppa Energy to the billing MWh of all Joppa energy delivered during the month to DOE and other Company customers.

Section 3.05 ANNUAL ADJUSTMENT OF DOE CHARGES. After the close of each calendar year, adjustments shall be made to DOE's total demand and energy charges for the calendar year as follows:

(a) DOE's charges for Component D in clause (d) of Section 3.01 shall be adjusted to provide Company a return on equity of 15.0 percent after taxes. By mutual agreement, Company and DOE may make adjustments to Component D to account for any change which has occurred in the circumstances of Company.

(b) Portion (i) of the Permanent Joppa Power demand charge specified in Section 3.02 shall be adjusted to equal Company's actual demand costs for the

year (Components A, B, C and D) multiplied by the Adjusted Annual DOE Percentage of Joppa Plant determined in accordance with Appendix "C" to this Agreement.

Section 3.06 ADJUSTMENT IN EVENT OF CHANGE IN DEDUCTION FOR DEPRECIATION. The depreciation recorded in Account 403 of the FERC Uniform System of Accounts and charged proportionately to DOE under Section 3.01 shall be consistent with the deduction for depreciation allowable by the Internal Revenue Service for federal income tax purposes. Company shall use its best judgment in recording depreciation and in deducting depreciation for taxes in order to comply fully with tax law and to avoid any future tax deficiencies, and shall charge DOE its proportionate share of such depreciation in accordance with Section 3.02 of this Agreement.

If the Internal Revenue Service ever finally determines that any portion of the depreciation charged by Company was improper and will not be allowed for federal income tax purposes, DOE will make adjusted payments to Company for power and energy which will provide net income to Company equal to the net income which Company would have earned if the determination had not been made. DOE's portion of such adjusted payments shall be in proportion to the Adjusted Annual DOE Percentage(s) of Joppa Plant in effect during the year or years requiring such an adjustment. If the disallowed deduction results in allowable depreciation deductions in later periods in excess of recorded depreciation, the tax recovery thereby realized shall be credited to DOE in proportion to the Adjusted Annual DOE Percentage(s) of Joppa Plant during the year or years requiring such an adjustment.

Section 3.07 ADJUSTMENT IN THE EVENT OF DISALLOWANCE OF EXPENSES. Income deductions in the accounts shall be consistent with the allowable income tax deductions therefor. Company will use its best judgment, consistent with allowable accounting practices under the FERC Uniform System of Accounts to achieve such consistency.

If the Internal Revenue Service ever finally determines that certain expenses, including without limitation maintenance expenses, will not be allowed for income tax purposes, DOE will make adjusted payments to Company for power and energy which will provide net income to Company equal to the net income which Company would have earned if the determination had not been made. DOE's portion of such adjusted payments shall be in proportion to the Adjusted Annual DOE Percentage(s) of Joppa Plant in effect during the year or years requiring such adjustment. If the disallowed deduction results in allowable deductions in later years in excess of recorded income deductions, the tax recovery thereby realized thereby shall be credited to DOE in proportion

to the Adjusted Annual DOE Percentage(s) of Joppa Plant in effect during the year or years requiring such an adjustment.

Section 3.08 ADJUSTMENT FOR REPLACEMENTS, EXTENSIONS AND IMPROVEMENTS. It may be desirable for Company to install extensions of or improvements to the Joppa Plant and to make replacements (independent of maintenance expenditures) for the purpose of allowing Company to fulfill its obligations to DOE and other customers. Any expenditures for replacements, extensions and improvements installed shall constitute a part of the Joppa Plant and the original property removed in relation to replacements shall be retired from the Joppa Plant accounts. Removal costs and salvage relating to property replaced shall be accounted for by additions and credits to Account 403 of the FERC Uniform System of Accounts. Proceeds of fire or other applicable insurance protection, or out of damages from third parties responsible for damages requiring replacement, shall also be included in Account 403. Appropriate allowance for the depreciation of replacements, extensions and improvements shall be included in Component A specified in Section 3.01.

No replacement, extension of or improvement to the Joppa Plant having a cost in excess of the Replacement, Extension and Improvements Cost Approval Limit, as defined below, will be included in the cost calculations specified in Section 3.01 of this Agreement without the prior written approval of DOE unless such replacement, extension or improvement shall be necessary to prevent a default under an indenture or other agreement pursuant to which indebtedness of Company for borrowed money shall have been incurred. The "Replacement, Extension and Improvements Cost Approval Limit" is defined as $1,000,000, and may be increased or decreased from time to time by mutual agreement of the parties.

Company shall be solely responsible for financing replacements, extensions and improvements, and will exert its best efforts to obtain such financing at reasonable cost.

Section 3.09 REVIEW AND RECOMMENDATIONS BY DOE. While it is recognized that the construction and operation and probable demolition of Company's Joppa Plant as contemplated in Section 7.29 are the responsibility of Company, the costs thereof have a direct relation to DOE's cost of power under this Agreement, and accordingly, Company will from time to time review and discuss with DOE its construction and operating plans, practices and procedures and any plans for demolition of the Joppa Plant, and DOE may make recommendations with respect thereto which in DOE's judgment may provide for economies, and Company will adopt such recommendations of DOE as may be mutually agreed upon.

Section 3.10 OWNERSHIP OF OR INVESTMENT IN FACILITIES AWAY FROM THE JOPPA PLANT. The parties recognize that for the economical or reliable operation of the Joppa Plant, or because of technical reasons, or existing or future laws, regulations or orders of any legislative, judicial, administrative or other authoritative body, it may become necessary for Company or DOE to own or lease facilities away from the Joppa Plant, provide funds for or pay for the construction, operation, maintenance, financing or other costs of such facilities, or arrange in some other manner for such facilities or services. In each such event, DOE agrees to exert its best efforts to obtain necessary authorization and/or funding, and if successful, modify the terms of this Agreement in any and all respects necessary to provide for such facilities or services in order to enable Company to perform its obligations under this Agreement without detrimental effect to it. If possible, the costs thereby incurred shall be included under Section 3.01 and consideration shall be given to the possible desirability of including any facilities provided under this Section 3.10 under the definition of the Joppa Plant. Nothing in this Section 3.10 shall affect the obligations of DOE or Company under the Lease, if executed and delivered.

ARTICLE IV

BILLING AND PAYMENT

Section 4.01 SUBMITTAL OF BILLS FOR POWER. Company shall submit to DOE within the first ten days of each month a bill for the base monthly demand charge for power for the immediately preceding month and the base monthly energy charges for all energy delivered by Company to DOE during such preceding month, as specified in Sections 3.02 and 3.03. Company shall submit each month a bill for power and energy supplied under Sections 2.07 through 2.10. All bills shall be promptly paid by DOE.

Company shall also submit to DOE as early as practicable in each month a bill or bills or credit memoranda for any amounts due Company or DOE, for the immediately preceding month, resulting from any of the adjustments, reimbursements, or credits provided for in Sections 3.04 through 3.08, inclusive, and Section 3.10; provided, however, that Company may render such bills or credit memoranda for any or all of such adjustments on a quarterly basis, or such other basis as may be mutually acceptable, and may include therein the adjustments, reimbursements, or credits for any item not included in a previous bill or credit memorandum. Each such bill or credit memorandum shall include such detail as DOE may reasonably request to show the operation and effect of such adjustments, reimbursements, or credits.

Section 4.02 BILLS FOR CERTAIN OTHER COSTS. Company may bill DOE separately each month for reimbursement for the expense of maintaining DOE-owned equipment as provided in Section 1.03, and for all charges due pursuant to the Freezer Sublimer Lease Agreement, attached to this Agreement as Appendix "D".

ARTICLE V

MEASURING INSTRUMENTS

Section 5.01 MEASURING INSTRUMENTS. Company owns and shall, at its own expense, maintain the metering equipment necessary to provide complete information regarding the flow of power and energy for billing purposes, except that DOE owns and shall maintain the necessary current and potential

transformers with conduit, secondary wiring, and devices necessary to the proper operation of Company's metering equipment at the point of delivery. DOE shall provide space in the switching station building for Company's equipment without cost to Company. DOE may, at its option and expense, install check meters. Company will, at its own expense, make such periodic tests and inspections of its meters as may be necessary to maintain them at the highest practical commercial standard of accuracy, and will advise DOE promptly of the results of any test which shows any inaccuracy more than 1 percent slow or fast. DOE shall be given notice of, and may have representatives present at any such test or inspection. Company will make additional tests of its meters at the request of DOE and in the presence of DOE's representatives. If such periodic or additional tests show that the meter is accurate within 1 percent slow or fast, no correction shall be made in the billing to DOE; but if any such test shows that the meter is inaccurate by more than 1 percent slow or fast, correction shall be made in the billing to DOE for the previous month, or from the date of the latest test if within the previous month, and for the elapsed period in the month during which the test was made. The cost of any additional test requested by DOE shall be borne by DOE if such test shows the meter accurate within 1 percent slow or fast, and by Company if such test shows the meter inaccurate by more than 1 percent slow or fast.

Section 5.02 MEASUREMENT OF MAXIMUM DEMAND. Whenever it is necessary to measure maximum demand, such maximum demand shall be taken as the highest average simultaneous load measured in megawatts at the point of metering during any 30-minute period starting on any clock hour or clock half-hour in the period under consideration.

ARTICLE VI

TERM OF AGREEMENT - CANCELLATION

Section 6.01 DURATION. This Agreement shall continue in force through December 31, 2005, unless cancelled pursuant to the provisions of Section 6.02. However, the obligations of DOE and Company which are specified in this Agreement as continuing after termination shall continue in accordance with the terms of this Agreement, regardless of cancellation under the terms of Section 6.02.

Section 6.02 CANCELLATION OF AGREEMENT. 1. Either party shall have the right to cancel this Agreement by providing a written notice of cancellation to the other party a minimum of five years prior to the effective date of cancellation; provided, however, that such cancellation notice may not be given prior to January 1, 1989 and shall not be effective earlier than January 1, 1994. In the event of cancellation of the Agreement by either party, the demand and energy charges specified in Article III of this Agreement shall continue until the effective date of cancellation, but DOE shall not be required to pay for energy not delivered.

2. If, during the term of this Agreement, Company determines that extensions, improvements or replacements are required to the Joppa Plant in order to maintain the established capability of the Joppa Plant (New Facilities), but DOE declines to grant the cost approvals required under Section 3.08 of this Agreement, then

(a) Company and DOE may mutually agree to revised cost responsibilities for the New Facilities other than those contemplated by Article III, in which case Company shall add the New Facilities, and costs for Joppa Plant shall be allocated and billed to DOE in accordance with such agreement.

(b) In the event the parties fail to reach such an agreement, Company may elect to add the New Facilities at its sole expense, in which case Company shall be entitled to sole use of that portion of Joppa Plant capability which is attributable to the addition of the New Facilities to Joppa Plant. DOE shall be entitled to continued delivery of Permanent Joppa Power based on an adjusted capability rating for the Joppa Plant. "Adjusted capability of the Joppa Plant" shall mean, for any clock hour, the net capability of the Joppa Plant to provide power at its 161 kV

bus, which in Company's sole judgment, would have existed if the New Facilities had not been added to Joppa Plant. No other terms of this Agreement shall be affected. DOE shall continue to pay the capacity rates for Permanent Joppa Power under Section 3.02 of this Agreement, but excluding the costs associated with the New Facilities. DOE shall not be required to pay for energy not delivered due to any reduction in DOE's Permanent Joppa Power resulting from application of this paragraph.

ARTICLE VII

GENERAL PROVISIONS

Section 7.01 DEFINITIONS.

1. The term "Head of Agency" means the Secretary, Deputy Secretary or Under Secretary of the Department of Energy and the Chairman, Federal Energy Regulatory Commission.

2. "Contracting Officer" means a person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. The term includes certain authorized representatives of the Contracting Officer acting within the limits of their authority as delegated by the Contracting Officer.

3. Except as otherwise provided in this Agreement, the term "subcontracts" includes, but is not limited to, purchase orders and changes and modifications to purchase orders under this Agreement.

4. The term "DOE" means the Department of Energy and "FERC" means the Federal Energy Regulatory Commission.

Section 7.02 EXAMINATION OF RECORDS BY COMPTROLLER GENERAL.

1. This clause applies if this Agreement exceeds $10,000 and was entered into by negotiation.

2. The Comptroller General of the United States or a duly authorized representative from the General Accounting Office shall, until three years after final payment under this Agreement or for any shorter period specified in Federal Acquisition Regulation (FAR) Subpart 4.7, Contractor Records Retention, have access to and the right to examine any of the Company's

directly pertinent books, documents, papers, or other records involving transactions related to this Agreement.

3. The Company agrees to include in first-tier subcontracts under this Agreement a clause to the effect that the Comptroller General or a duly authorized representative from the General Accounting Office shall, until three years after final payment under the subcontract or for any shorter period specified in FAR Subpart 4.7, have access to and the right to examine any of the subcontractor's directly pertinent books, documents, papers, or other records involving transactions related to the subcontract. "Subcontract," as used in this clause, excludes (1) purchase orders not exceeding $10,000 and (2) subcontracts or purchase orders for public utility services at rates established to apply uniformly to the public, plus any applicable reasonable connection charge.

4. The periods of access and examination in paragraphs 2 and 3 above for records relating to (1) appeals under the Disputes clause, (2) litigation or settlement of claims arising from the performance of this Agreement, or (3) costs and expenses of this Agreement to which the Comptroller General or a duly authorized representative from the General Accounting Office has taken exception shall continue until such appeals, litigation, claims, or exceptions are disposed of.

Section 7.03 AUDIT--NEGOTIATION.

1. Examination of Costs. If this is a cost-reimbursement, incentive, time-and-materials, labor-hour, or price-redeterminable agreement, or any combination of these, the Company shall maintain -- and the Contracting Officer or representatives of the Contracting Officer shall have the right to examine and audit -- books, records, documents, and other evidence and accounting procedures and practices, sufficient to reflect properly all costs claimed to have been incurred or anticipated to be incurred in performing this Agreement. This right of examination shall include inspection at all reasonable times of the Company's plants, or parts of them, engaged in performing the contract.

2. Cost or Pricing Data. If, pursuant to law, the Company has been required to submit cost or pricing data in connection with pricing this Agreement or any modification to this Agreement, the Contracting Officer or representatives of the Contracting Officer who are employees of the Government shall have the right to examine and audit all books, records, documents, and other data of the Company (including computations and projections) related to negotiating, pricing, or performing the contract or modification, in order to evaluate the accuracy, completeness, and currency of the cost or pricing data. The right

of examination shall extend to all documents necessary to permit adequate evaluation of the cost or pricing data submitted, along with the computations and projections used.

3. Reports. If the Company is required to furnish cost, funding, or performance reports, the Contracting Officer or representatives of the Contracting Officer who are employees of the Government shall have the right to examine and audit books, records, other documents, and supporting materials, for the purpose of evaluating (1) the effectiveness of the Company's policies and procedures to produce data compatible with the objectives of these reports and (2) the data reported.

4. Availability. The Company shall make available at its office at all reasonable times the materials described in paragraphs 1 and 2 above, for examination, audit, or reproduction, until three years after final payment under this Agreement, or for any shorter period specified in Subpart 4.7, Contractor Records Retention, of the Federal Acquisition Regulation, or for any longer period required by statute or by other clauses of this Agreement. In addition --

(a) If this Agreement is completely or partially terminated, the records relating to the work terminated shall be made available for three years after any resulting final termination settlement; and

(b) Records relating to appeals under the Disputes clause or to litigation or the settlement of claims arising under or relating to this Agreement shall be made available until such appeals, litigation, or claims are disposed of.

5. The Company shall insert a clause containing all the terms of this clause, including this paragraph 5, in all sub-contracts over $10,000 under this Agreement, altering the clause only as necessary to identify properly the contracting parties and the Contracting Officer under the Government prime contract.

Section 7.04 OFFICIALS NOT TO BENEFIT. No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this Agreement, or to any benefit arising from it. However, this clause does not apply to this Agreement to the extent that this Agreement is made with a corporation for the corporation's general benefit.

Section 7.05 COVENANT AGAINST CONTINGENT FEES.

1. The Company warrants that no person or agency has been employed or retained to solicit or obtain this Agreement upon an agreement or understanding for a contingent fee, except a bona fide employee or agency. For breach or violation of this warranty, the Government shall have the right to annul this Agreement without liability or, in its discretion, to deduct from the contract price or consideration, or otherwise recover, the full amount of the contingent fee.

2. "Bona fide agency," as used in this clause, means an established commercial or selling agency, maintained by a contractor for the purpose of securing business, that neither exerts nor proposes to exert improper influence to solicit or obtain Government contracts nor holds itself out as being able to obtain any Government contract or contracts through improper influence.

"Bona fide employee," as used in this clause, means a person, employed by a contractor and subject to the contractor's supervision and control as to time, place, and manner of performance, who neither exerts nor proposes to exert improper influence to solicit or obtain Government contracts nor holds out as being able to obtain any Government contract or contracts through improper influence.

"Contingent fee," as used in this clause, means any commission, percentage, brokerage, or other fee that is contingent upon the success that a person or concern has in securing a Government contract.

"Improper influence," as used in this clause, means any influence

that induces or tends to induce a Government employee or officer to give consideration or to act regarding a Government contract on any basis other than the merits of the matter.

Section 7.06 GRATUITIES.

1. The right of the Company to proceed may be terminated by written notice if, after notice and hearing, the agency head or a designee determines that the Company, its agent, or another representative --

(a) Offered or gave a gratuity (e.g., an entertainment or gift) to an officer, official, or employee of the Government; and

(b) Intended, by the gratuity, to obtain a contact or favorable treatment under a contract.

2. The facts supporting this determination may be reviewed by any court having lawful jurisdiction.

3. If this Agreement is terminated under paragraph 1 above, the Government is entitled --

(a) To pursue the same remedies as in a breach of the contract; and

(b) In addition to any other damages provided by law, to exemplary damages of not less than three nor more than ten times the cost incurred by the Company in giving gratuities to the person concerned, as determined by the agency head or a designee. (This subparagraph 3.(b) is applicable only if this Agreement uses money appropriated to the Department of Defense.)

4. The rights and remedies of the Government provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

Section 7.07 SECURITY REQUIREMENTS.

1. RESPONSIBILITY. Company's duty to safeguard all classified information, special nuclear material, and other DOE property. The Company shall, in accordance with DOE security regulations and requirements, be responsible for safeguarding all classified information, and protecting against sabotage, espionage, loss and theft, the classified documents and material in the Company's possession in connection with the performance of work under this Agreement. Except as otherwise expressly provided in this Agreement, the Company shall, upon completion or termination of this Agreement, transmit to DOE any classified matter in the possession of the Company or any person under the Company's control in connection with performance of this Agreement. If retention by the Company of any classified matter is required after the completion or termination of the contract and such retention is approved by the Contracting Officer, the Company will complete a certificate of possession to be furnished to DOE, specifying the classified matter to be retained. The certification shall identify the items and types or categories of matter retained, the conditions governing the retention of the matter, and the period of retention, if known. If the retention is approved by the Contracting Officer, the security provisions of the contract will continue to be applicable to the matter retained. Special nuclear materials will not be retained after the completion or termination of the contract.

2. REGULATIONS. The Company agrees to conform to all security regulations and requirements of DOE.

3. DEFINITION OF CLASSIFIED INFORMATION. The term "classified information" means Restricted Data, Formerly Restricted Data, or National Security Information.

4. DEFINITION OF RESTRICTED DATA. The term "Restricted Data" means all data concerning (1) design, manufacture, or utilization of atomic weapons; (2) the production of special nuclear material; or (3) the use of special nuclear material in the production of energy, but shall not include data declassified or removed from the Restricted Data category pursuant to Section 142 of the Atomic Energy Act of 1954, as amended.

5. DEFINITION OF FORMERLY RESTRICTED DATA. The term "Formerly Restricted Data" means all data removed from the Restricted Data category under Section 142d. of the Atomic Energy Act of 1954, as amended.

6. DEFINITION OF NATIONAL SECURITY INFORMATION. The term "National Security Information" means any information or material, regardless of its physical form or characteristics, that is owned by, produced for or by, or is under the control of the United States Government, that has been determined pursuant to Executive Order 12356 or prior Orders to require protection against unauthorized disclosure, and which is so designated.

7. DEFINITION OF SPECIAL NUCLEAR MATERIAL (SNM). SNM means: (1) Plutonium, uranium enriched in the isotope 233 or the isotope 235, and any other material which pursuant to the provisions of Section 51 of the Atomic Energy Act of 1954, as amended, has been determined to be special nuclear material, but does not include source material; or (2) any material artificially enriched by any of the foregoing, but does not include source material.

8. SECURITY CLEARANCE OF PERSONNEL. The Company shall not permit any individual to have access to any classified information, except in accordance with the Atomic Energy Act of 1954, as amended, Executive Order 12356, and the DOE's regulations or requirements applicable to the particular level and category of classified information to which access is required.

9. CRIMINAL LIABILITY. It is understood that disclosure of any classified information relating to the work or services ordered hereunder to any person not entitled to receive it, or failure to safeguard any classified information that may come to the Company or any person under the Company's control in connection with work under this Agreement, may subject the Company, its agents, employees, or subcontractors to criminal liability under the laws of the United States. (See the Atomic Energy Act of 1954, as amended, 42 U.S.C. 2100 et seq.; 18 U.S.C. 793 and 794; and Executive Order 12356).

10. SUBCONTRACTS AND PURCHASE ORDERS. Except as otherwise authorized in writing by the Contracting Officer, the Company shall insert provisions similar to the foregoing in all subcontracts and purchase orders under this Agreement.

Section 7.08 FORCE MAJEURE. Company shall not be held responsible or liable for any loss or damage to DOE on account of nondelivery of energy hereunder at any time caused by Act of God, fire, flood, explosion, strike, civil or military authority, insurrection or riot, act of the elements, failure of equipment, transmission limitations resulting from factors as described in Section 1.02, or for any other cause beyond its control; provided, however, that nondelivery on account of any such causes shall not relieve DOE from its obligation to pay Company any charges, except the energy charge as specified in Section 3.02, payable as if full Adjusted Annual DOE Percentage of Joppa Plant, as defined in Section 2.03, were being delivered. However, Company will use its best efforts to assure the continuity of supply of the DOE contract demand to DOE and, when that amount of power is not available or cannot be delivered because of the foregoing causes, Company will use its best efforts, upon request of DOE, to secure and deliver the necessary power from others at just and reasonable rates.

Section 7.09 PROPERTY INSURANCE. Company will cause its property, which is of a character usually insured by companies similarly situated and operating like properties, to be insured to a reasonable amount against loss or damage from such hazards and risks as are usually insured by companies similarly situated and operating like properties, and will carry such further insurance as DOE may from time to time reasonably request in writing or as may be required by the terms of any mortgage or other indenture executed by Company for the purpose of securing its long-term indebtedness. The proceeds of any insurance received by Company due to the destruction of or damage to the Joppa Plant shall be applied to the replacement or restoration of the Joppa Plant so destroyed or damaged to the condition required to fulfill Company's obligations under this Agreement. Company will, from time to time upon the written request of DOE, furnish DOE with a statement of such insurance then outstanding and in force, including the names of any insurance companies which have insured, the amounts thereof and the property, hazards and risks covered thereby.

Section 7.10 REGULATORY APPROVALS. The obligations of Company hereunder shall be subject to such approvals of governmental regulatory authorities having jurisdiction as may be required by law.

Section 7.11 CONTRACT WORK HOURS AND SAFETY STANDARDS ACT--OVERTIME COMPENSATION.

1. OVERTIME REQUIREMENTS. No Company or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics (see Federal Acquisition Regulation (FAR) 22.300) shall require or permit any such laborers or mechanics in any workweek in which the individual is employed on such work to work in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than 1-1/2 times the basic rate of pay for all hours worked in excess of 40 hours in such workweek.

2. VIOLATION, LIABILITY FOR UNPAID WAGES, AND LIQUIDATED DAMAGES. In the event of any violation of the provisions set forth in paragraph 1 of this clause, the Company and any subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such Company and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic employed in violation of the provisions set forth in paragraph 1 of this clause in the sum of $10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of 40 hours without payment of the overtime wages required by provisions set forth in paragraph 1 of this clause.

3. WITHHOLDING FOR UNPAID WAGES AND LIQUIDATED DAMAGES. The Contracting Officer shall upon his or her own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the Company or subcontractor under any such contract or any other Federal contract with the same Prime Contractor, or any other Federally-assisted contract subject to the Contract Work Hours and Safety Standards Act which is held by the same Prime Contractor, such sums as may be determined to be necessary to satisfy any liabilities of such Company or subcontractor for unpaid wages and liquidated damages as provided in the provisions set forth in paragraph 2 of this clause.

4. PAYROLLS AND BASIC RECORDS.

(a) The Company or subcontractor shall maintain payrolls and basic payroll records during the course of contract work and shall preserve them for a period of three years from the completion of the con-

tract for all laborers and mechanics working on the contract. Such records shall contain the name and address of each such employee, social security number, correct classifications, hourly rates of wages paid, daily and weekly number of hours worked, deductions made, and actual wages paid. Nothing in this paragraph shall require the duplication of records required to be maintained for construction work by the Department of Labor regulations at 10 CFR 5.5(a)(3) implementing the Davis-Bacon Act.

(b) The records to be maintained under paragraph 4.(a) of this clause shall be made available by the Company or subcontractor for inspection, copying, or transcription by authorized representatives of the Contracting Officer or the Department of Labor. The Company or subcontractor shall permit such representatives to interview employees during working hours on the job.

5. SUBCONTRACTS. The Company or subcontractor shall insert in any subcontracts the provisions set forth in paragraphs 1 through 5 of this clause and also a clause requiring the subcontractors to include these provisions in any lower-tier subcontracts. The Prime Contractor shall be responsible for compliance by any subcontractor or lower-tier subcontractor with the provisions set forth in paragraphs 1 through 5 of this clause.

Section 7.12 CONVICT LABOR. The Company agrees not to employ any person undergoing sentence of imprisonment in performing this Agreement except as provided by 18 U.S.C. 4082(c)(2) and Executive Order 11755, December 29, 1973.

Section 7.13 EQUAL OPPORTUNITY.

1. If, during any 12-month period (including the 12 months preceding the award of this Agreement), the Company has been or is awarded nonexempt Federal contracts and/or subcontracts that have an aggregate value in excess of $10,000, the Company shall comply with subparagraphs 2.(a) through (k) below. Upon request, the Company shall provide information necessary to determine the applicability of this clause.

2. During performing this Agreement, the Company agrees as follows:

(a) The Company shall not discriminate against any

employee or applicant for employment be-

cause of race, color, religion, sex, or national origin.

(b) The Company shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. This shall include, but not be limited to, (i) employment, (ii) upgrading, (iii) demotion, (iv) transfer, (v) recruitment or recruitment advertising, (vi) layoff or termination, (vii) rates of pay or other forms of compensation, and (viii) selection for training, including apprenticeship.

(c) The Company shall post in conspicuous places available to employees and applicants for employment the notices to be provided by the Contracting Officer that explain this clause.

(d) The Company shall, in all solicitations or advertisement for employees placed by or on behalf of the Company, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(e) The Company shall send, to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, the notice to be provided by the Contracting Officer advising the labor union or workers' representative of the Company's commitments under this clause, and post copies of the notice in conspicuous places available to employees and applicants for employment.

(f) The Company shall comply with Executive Order 11246, as amended, and the rules, regulations, and orders of the Secretary of Labor.

(g) The Company shall furnish to the contracting agency all information required by Executive Order 11246, as amended, and by the rules, regulations, and orders of the Secretary of Labor. Standard Form 100 (EEO-1), or any successor form, is the prescribed form to be filed within 30 days following the award, unless filed within 12 months preceding the date of award.

(h) The Company shall permit access to its books, records, and accounts by the contracting agency or the Office of Federal Contract Compliance Programs (OFCCP) for the purposes of investigation to

ascertain the Company's compliance with the applicable rules, regulations, and orders.

(i) If the OFCCP determines that the Company is not in compliance with this clause or any rule, regulation, or order of the Secretary of Labor, this Agreement may be canceled, terminated, or

suspended in whole or in part and the Company may be declared ineligible for further Government contracts, under the procedures authorized in Executive Order 11246, as amended. In addition, sanctions may be imposed and remedies invoked against the Company as provided in Executive Order 11246, as amended, the rules, regulations, and orders of the Secretary of Labor, or as otherwise provided by law.

(j) The Company shall include the terms and conditions of subparagraph 2.(a) through (k) of this clause in every subcontract or purchase order that is not exempted by the rules, regulations, or orders of the Secretary of Labor issued under Executive Order 11246, as amended, so that these terms and conditions will be binding upon each subcontractor or vendor.

(k) The Company shall take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing these terms and conditions, including sanctions for noncompliance; provided, that if the Company becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of any direction, the Company may request the United States to enter into the litigation to protect the interests of the United States.

3. Notwithstanding any other clause in this Agreement, disputes relative to this clause will be governed by the procedures in 41 CFR 60-1.1.

Section 7.14 AFFIRMATIVE ACTION FOR SPECIAL DISABLED AND VIETNAM-ERA VETERANS.

1. DEFINITIONS. "Appropriate office of the State employment service system," as used in this article, means the local office of the Federal-State national system of public employment offices assigned to serve the area where the employment opening is to be filled, including the District of Columbia, Guam, Puerto Rico, Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands.

"Openings that the Company proposes to fill from within its own organization," as used in this article, means employment openings for which no one outside the Company's organization (including any affiliates, subsidiaries, and the parent companies) will be considered and includes any openings that the Company proposes to fill from regularly established "recall" lists.

"Openings that the Company proposes to fill under a customary and traditional employer-union hiring arrangement," as used in this article, means employment openings that the Company proposes to fill from union halls, under their customary and traditional employer-union hiring relationship.

"Suitable employment openings," as used in this article --

(a) Includes, but is not limited to, openings that occur in jobs categorized as --

(i) Production and non-production;

(ii) Plant and office;

(iii) Laborers and mechanics;

(iv) Supervisory and nonsupervisory;

(v) Technical; and

(vi) Executive, administrative, and professional positions compensated on a salary basis of less than $25,000 a year; and

(b) Includes full-time employment, temporary employment of over three days, and part-time employment, but not openings that the Company proposes to fill from within its own organization or under a customary and traditional employer-union hiring arrangement, nor openings in an educational institution that are restricted to students of that institution.

2. GENERAL.

(a) Regarding any position for which the employee or applicant for employment is qualified, the Company shall not discriminate against the individual because the individual is a special disabled or Vietnam Era veteran. The Company agrees to take affirmative action to employ, advance in employment, and otherwise treat qualified special disabled and Vietnam Era veterans without discrimination based upon their

disability or veterans' status in all employment practices such as:

(i) Employment;

(ii) Upgrading;

(iii) Demotion or transfer;

(iv) Recruitment;

(v) Advertising;

(vi) Layoff or termination;

(vii) Rates of pay or other forms of compensation; and

(viii) Selection for training, including apprenticeship.

(b) The Company agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor (Secretary) issued under the Vietnam Era Veterans' Readjustment Assistance Act of 1972 (the Act), as amended.

3. LISTING OPENINGS.

(a) The Company agrees to list all suitable employment openings existing at contract award or occurring during contract performance, at any appropriate office of the State employment service system in the locality where the opening occurs. These openings include those occurring at any Company facility, including one not connected with performing this Agreement. An independent corporate affiliate is exempt from this requirement.

(b) State and local government agencies holding Federal

contracts of $10,000 or more shall also list all their suitable openings with the appropriate office of the State employment service.

(c) The listing of suitable employment openings with the State employment service system is required at least concurrently with using any other recruitment source or effort and involves the obligations of placing a bona fide job order, including accepting referrals of veterans and nonveterans. This listing does not require hiring any particular job applicant or hiring from any particular group of job

applicants and is not intended to relieve the Company from any requirements of Executive Orders or regulations concerning nondiscrimination in employment.

(d) Whenever the Company becomes contractually bound to the listing terms of this article, it shall advise the State employment service system, in each State where it has establishments, of the name and location of each hiring location in the State. As long as the Company is contractually bound to these terms and has so advised the State system, it need not advise the State system of subsequent contracts. The Company may advise the State system when it is no longer bound by this Agreement article.

(e) Under the most compelling circumstances, an employment opening may not be suitable for listing, including situations when (i) the Government's needs cannot reasonably be supplied, (ii) listing would be contrary to national security, or (iii) requirement of listing would not be in the Government's interest.

4. APPLICABILITY.

(a) This article does not apply to the listing of employment openings which occur and are filled outside the 50 states, the District of Columbia, Puerto Rico, Guam, Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands.

(b) The terms of paragraph 3 above of this article do not apply to openings that the Company proposes to fill from within its own organization or under a customary and traditional employer-union hiring arrangement. This exclusion does not apply to a particular opening once an employer decides to consider applicants outside of its own organization or employer-union arrangement for that opening.

5. POSTINGS.

(a) The Company agrees to post employment notices stating (i) the Company's obligation under the law to take affirmative action to employ and advance in employment qualified special disabled veterans and veterans of the Vietnam era, and (ii) the rights of applicants and employees.

(b) These notices shall be posted in conspicuous places that are available to employees and applicants for employment. They shall be in a form prescribed by the Director, Office of Federal Contract

Compliance Programs, Department of Labor (Director), and provided by or through the Contracting Officer.

(c) The Company shall notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the Company is bound by the terms of the Act, and is committed to take affirmative action to employ, and advance in employment, qualified special disabled and Vietnam Era veterans.

6. NONCOMPLIANCE. If the Company does not comply with the requirements of this article, appropriate actions may be taken under the rules, regulations, and relevant orders of the Secretary issued pursuant to the Act.

7. SUBCONTRACTS. The Company shall include the terms of this article in every subcontract or purchase order of $10,000 or more unless exempted by rules, regulations, or orders of the Secretary. The Company shall act as specified by the Director to enforce the terms, including action for noncompliance.

Section 7.15 AFFIRMATIVE ACTION FOR HANDICAPPED WORKERS.

1. GENERAL.

(a) Regarding any position for which the employee or applicant for employment is qualified, the Company shall not discriminate against any employee or applicant because physical or mental handicap. The Company agrees to take affirmative action to employ, advance in employment, and otherwise treat qualified handicapped individuals without discrimination based upon their physical or mental handicap in all employment practices such as:

(i) Employment;

(ii) Upgrading;

(iii) Demotion or transfer;

(iv) Recruitment;

(v) Advertising;

(vi) Layoff or termination;

(vii) Rates of pay or other forms of compensation; and

(viii) Selection for training, including apprenticeship.

(b) The Company agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor (Secretary) issued under the Rehabilitation Act of 1973 (29 U.S.C. 793) (the Act), as amended.

2. POSTINGS.

(a) The Company agrees to post employment notices stating (i) the Company's obligation under the law to take affirmative action to employ and advance in employment qualified handicapped individuals and (ii) the rights of applicants and employees.

(b) These notices shall be posted in conspicuous places that are available to employees and applicants for employment. They shall be in a form prescribed by the Director, Office of Federal Contract Compliance Programs, Department of Labor (Director), and provided by or through the Contracting Officer.

(c) The Company shall notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the Company is bound by the terms of Section 503 of the Act, and is committed to take affirmative action to employ, and advance in employment, qualified physically and mentally handicapped individuals.

3. NONCOMPLIANCE. If the Company does not comply with the requirements of this clause, appropriate actions may be taken under the rules, regulations, and relevant orders of the Secretary issued pursuant to the Act.

4. SUBCONTRACTS. The Company shall include the terms of this clause in every subcontract or purchase order in excess of $2,500 unless exempted by rules, regulations, or orders of the Secretary. The Company shall act as specified by the Director to enforce the terms, including action for noncompliance.

Section 7.16 UTILIZATION OF LABOR SURPLUS AREA CONCERNS.

1. APPLICABILITY. This clause is applicable if this Agreement exceeds the appropriate small purchase limitation in Part 13 of the Federal Acquisition Regulation.

2. POLICY. It is the policy of the Government to award contacts to concerns that agree to perform substantially in labor surplus areas (LSA's) when this can be done consistent with the efficient performance of the contract and at prices no higher than are obtainable elsewhere. The Company agrees to use its best efforts to place subcontracts in accordance with this policy.

3. ORDER OF PREFERENCE. In complying with paragraph 2 above and with paragraph 3 of the clause of this Agreement entitled Utilization of Small Business Concerns and Small Disadvantaged Business Concerns, the Company shall observe the following order of preference in awarding subcontracts: (1) small business concerns that are LSA concerns, (2) other small business concerns, and (3) other LSA concerns.

4. DEFINITIONS. "Labor surplus area," as used in this clause, means a geographical area identified by the Department of labor in accordance with 20 CFR 654, Subpart A, as an area of concentrated unemployment or underemployment or an area of labor surplus.

"Labor surplus area concern," as used in this clause, means a concern that together with its first-tier subcontractors will perform substantially in labor surplus areas. Performance is substantially in labor surplus areas if the costs incurred under the contract on account of

manufacturing, production, or performance of appropriate services in labor surplus areas exceed 50 percent of the contract price.

Section 7.17 LABOR SURPLUS AREA SUBCONTRACTING PROGRAM.

1. See the Utilization of Labor Surplus Area Concerns clause of this Agreement for applicable definitions.

2. The Company agrees to establish and conduct a program to encourage labor surplus area (LSA) concerns to compete for subcontracts within their capabilities when the subcontracts are consistent with the efficient performance of the contract at prices no higher than obtainable elsewhere. The Company shall --

(a) Designate a liaison officer who will (i) maintain liaison with authorized representa-

tives of the Government on LSA matters, (ii) supervise compliance with the Utilization of Labor Surplus Area Concerns clause, and (iii) administer the Company's labor surplus area subcontracting program;

(b) Provide adequate and timely consideration of the potentialities of LSA concerns in all make-or-buy decisions;

(c) Ensure that LSA concerns have an equitable opportunity to compete for subcontracts, particularly by arranging solicitations, time for the preparation of offers, quantities, specifications, and delivery schedules so as to facilitate the participation of LSA concerns;

(d) Include the Utilization of Labor Surplus Area Concerns clause in subcontracts that offer substantial LSA subcontracting opportunities; and

(e) Maintain records showing (i) the procedures adopted and (ii) the Company's performance, to comply with this clause. The records will be kept available for review by the Government until the expiration of 1 year after the award of this Agreement, or for such longer period as may be required by any other clause of this Agreement or by applicable law or regulations.

3. The Company further agrees to insert in any related subcontract that may exceed $500,000 and that contains the Utilization of Labor Surplus Area Concerns clause, terms that conform substantially to the language of this clause, including this paragraph 3, and to notify the Contracting Officer of the names of subcontractors.

Section 7.18 UTILIZATION OF SMALL BUSINESS CONCERNS AND SMALL DISADVANTAGED BUSINESS CONCERNS.

1. It is the policy of the United States that small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in performing contracts let by any Federal agency, including contracts and subcontracts for subsystems, assemblies, components, and related services for major systems. It is further the policy of the United States that its prime contractors establish procedures to ensure the timely payment of amounts due pursuant to the terms of their subcontracts with small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals.

2. The Company hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with efficient contract performance. The Company further agrees to cooperate in any studies or surveys as may be conducted by the United States Small Business Administration or the awarding agency of the United States as may be necessary to determine the extent of the Company's compliance with this clause.

3. As used in this Agreement, the term "small business concern" shall mean a small business as defined pursuant to Section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto. The term "small business concern owned and controlled by socially and economically disadvantaged individuals" shall mean a small business concern --

(a) Which is at least 51 percent owned by one or more socially and economically disadvantaged individuals; or, in the case of any publicly owned business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; and

(b) Whose management and daily business operations are controlled by one or more of such individuals.

The Company shall presume that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Asian-Indian Americans and other minorities, or any other individual found to be disadvantaged by the Administration pursuant to Section 8(a) of the Small Business Act.

4. Contractors acting in good faith may rely on written representations by their subcontractors regarding their status as either small business concerns or small business concerns owned and controlled by socially and economically disadvantaged individuals.

Section 7.19 SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN.

1. This clause does not apply to small business concerns.

2. "Commercial product," as used in this clause, means a product in regular production that is sold in substantial quantities to the general public and/or industry at established catalog or market prices. It also means a product which, in the

opinion of the Contracting Officer, differs only insignificantly from the Company's commercial product.

"Subcontract," as used in this clause, means any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime Contractor or subcontractor calling for supplies or services required for performance of the contract or subcontract.

3. The offeror, upon request by the Contracting Officer, shall submit and negotiate a subcontracting plan, where applicable, which addresses separately subcontracting with small business concerns and small disadvantaged business concerns and which shall be included in and made a part of the resultant contract. The subcontracting plan shall be negotiated within the time specified by the Contracting Officer. Failure to submit and negotiate the subcontracting plan shall make the offeror ineligible for award of a contract.

4. The offeror's subcontracting plan shall include the following:

(a) Goals, expressed in terms of percentages of total planned subcontracting dollars, for the use of small business concerns and small disadvantaged business concerns as subcontractors. The offeror shall include all subcontracts that contribute to contract performance, and may include a proportionate share of products and services that are normally allocated as indirect costs.

(b) A statement of --

(i) Total dollars planned to be subcontracted;

(ii) Total dollars planned to be subcontracted to small business concerns; and

(iii) Total dollars planned to be subcontracted to small disadvantaged business concerns.

(c) A description of the principal types of supplies and services to be subcontracted, and an identification of the types planned for subcontracting to (i) small business concerns and (ii) small disadvantaged business concerns.

(d) A description of the method used to develop the subcontracting goals in (a) above.

(e) A description of the method used to identify potential sources for solicitation purposes (e.g., existing company source lists, the Procurement Automated Source System (PASS) of the Small Business Administration, the National Minority Purchasing Council Vendor Information Service, the Research and Information Division of the Minority Business Development Agency in the Department of Commerce, or small business concerns and small disadvantaged business concerns trade associations).

(f) A statement as to whether or not the offeror included indirect costs in establishing subcontracting goals, and a description of the method used to determine the proportionate share of indirect costs to be incurred with (i) small business concerns and (ii) small disadvantaged business concerns.

(g) The name of the individual employed by the offeror who will administer the offeror's subcontracting program, and a description of the duties of the individual.

(h) a description of the efforts the offeror will make to assure that small business concerns and small disadvantaged business concerns have an equitable opportunity to compete for subcontracts.

(i) Assurances that the offeror will include the clause in this Agreement entitled "Utilization of Small Business Concerns and Small Disadvantaged Business Concerns" in all subcontracts that offer further subcontracting opportunities, and that the offeror will require all subcontractors (except small business concerns) who receive subcontracts in excess of $500,000 ($1,000,000 for construction of any public facility), to adopt a plan similar to the plan agreed to by the offeror.

(j) Assurances that the offeror will (i) cooperate in any studies or surveys as may be required; (ii) submit periodic reports in order to allow the Government to determine the extent of compliance by the offeror with the subcontracting plan; (iii) submit Standard Form (SF) 294 only (DOE contractors need not submit SF 295), on a quarterly basis as of the last day of March, June, September and December, and upon contract completion, in accordance with the instructions on the form except the report shall be submitted quarterly rather than semiannually and additionally shall indicate at the remarks block the number and dollar amount of awards made to labor surplus area

concerns to the extent such reporting is required by the terms of their contract; and (iv) ensure that its subcontractors agree to submit SF 294 in accordance with the instructions at (iii) above.

(k) A recitation of the types of records the offeror will maintain to demonstrate procedures that have been adopted to comply with the requirements and goals in the plan, including establishing source lists; and a description of its efforts to locate small business concerns and small disadvantaged business concerns and award subcontracts to them. The records shall include at least the following (on a plant- wide or company-wide basis, unless otherwise indicated):

(i) Source lists, guides, and other data that identify small business concerns and small disadvantaged business concerns.

(ii) Organizations contacted in an attempt to locate sources that are small business concerns and small disadvantaged business concerns.

(iii) Records on each subcontract solicitation resulting in an award of more than $100,000, indicating (A) whether small business concerns were solicited and if not, why not, (B) whether small disadvantaged business concerns were solicited and if not, why not, and (C) if applicable, the reason award was not made to a small business concern.

(iv) Records of any outreach efforts to contact (A) trade associations, (B) business development organizations, and (C) conferences and trade fairs to locate small business concerns and small disadvantaged business concerns.

(v) Records of internal guidance and encouragement provided to buyers through (A) workshops, seminars, training, etc., and (B) monitoring performance to evaluate compliance with the program's requirements.

(vi) On a contract-by-contract basis, records to support award data submit-

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ted by the offeror to the Government, including the name, address, and business size of each subcontractor. Contractors having company or division-wide annual plans need not comply with this requirement.

5. In order to effectively implement this plan to the extent consistent with efficient contract performance, the Company shall perform the following functions:

(a) Assist small business and small disadvantaged business concerns by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation by such concerns. Where the Company's lists of potential small business and small disadvantaged business subcontractors are excessively long, reasonable effort shall be made to give all such small business concerns an opportunity to compete over a period of time.

(b) Provide adequate and timely consideration of the potentialities of small business and small disadvantaged business concerns in all "make-or-buy" decisions.

(c) Counsel and discuss subcontracting opportunities with representatives of small business and small disadvantaged business firms.

6. A master subcontracting plan on a plant or division-wide basis which contains all the elements required by paragraph 4 above, except goals, may be incorporated by reference as a part of the subcontracting plan required of the offeror by this clause; provided, (1) the master plan has been approved, (2) the offeror provides copies of the approved master plan and evidence of its approval to the Contracting Officer, and (3) goals and any deviations from the master plan deemed necessary by the Contracting Officer to satisfy the requirements of this Agreement are set forth in the individual subcontracting plan.

7. (a) If a commercial product is offered, the subcontracting plan required by this clause may relate to the offeror's production generally, for both commercial and noncommercial products, rather than solely to the Government contract. In these cases, the offeror shall, with the concurrence of the Contracting Officer, submit one company-wide or division-wide annual plan.

(b) The annual plan shall be reviewed for approval by the agency awarding the offeror its first prime contact requiring a subcontracting plan

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during the fiscal year, or by an agency satisfactory to the Contracting Officer.

(c) The approved plan shall remain in effect during the

offeror's fiscal year for all of the offeror's commercial products.

8. Prior compliance of the offeror with other such subcontracting plans under previous contracts will be considered by the Contracting Officer in determining the responsibility of the offeror for award of the contract.

(i) The failure of the Company or subcontractor to comply in good faith with (1) the clause of this Agreement entitled "Utilization of Small Business Concerns and Small Disadvantaged Business Concerns," or (2) an approved plan required by this clause, shall be a material breach of the contract.

Section 7.20 UTILIZATION OF WOMEN-OWNED SMALL BUSINESSES.

1. "Women-owned businesses," as used in this clause, means businesses that are at least 51 percent owned by women who are United States citizens and who also control and operate the business.

"Control," as used in this clause, means exercising the power to make policy decisions.

"Operate," as used in this clause, means being actively involved in the day-to-day management of the business.

"Small business concern," as used in this clause, means a concern including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government contracts, and qualified as a small business under the criteria and size standards of 13 CFR 121.

2. It is the policy of the United States that women-owned small businesses shall have the maximum practicable opportunity to participate in performing contracts awarded by any Federal agency.

3. The Company agrees to use its best efforts to give women-owned small businesses the maximum practicable opportunity to participate in the subcontracts it awards to the fullest extent consistent with the efficient performance of its contract.

4. The Company may rely on written representations by its subcontractors regarding their status as women-owned small businesses.

Section 7.21 CLEAN AIR AND WATER.

1. "Air Act," as used in this clause, means the Clean Air Act (42 U.S.C. 7401 et seq.).

"Clean air standards," as used in this clause, means --

(a) Any enforceable rules, regulations, guidelines, standards, limitations, orders, controls, prohibitions, work practices, or other requirements contained in, issued under, or otherwise adopted under the Air Act of Executive Order 11738;

(b) An applicable implementation plan as described in Section 110(d) of the Air Act (42 U.S.C. 7410(d));

(c) An approved implementation procedure or plan under Section 111(c) or Section 111(d) of the Air Act (42 U.S.C. 7411(c) or (d)); or

(d) An approved implementation procedure under Section 112(d) of the Air Act (42 U.S.C. 7412(d)).

"Clean water standards," as used in this clause, means any enforceable limitation, control, condition, prohibition, standard, or other requirement promulgated under the Water Act or contained in a permit issued to a discharger by the Environmental Protection Agency or by a State under an approved program, as authorized by Section 402 of the Water Act (33 U.S.C. 1342), or by local government to ensure compliance with pretreatment regulations as required by Section 307 of the Water Act (33 U.S.C. 1317).

"Compliance," as used in this clause, means compliance with --

(a) Clean air or water standards; or

(b) A schedule or plan ordered or approved by a court of competent jurisdiction, the Environmental Protection Agency, or an air or water pollution control agency under the requirements of the Air Act or Water Act and related regulations.

"Facility," as used in this clause, means any building, plant, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Contractor or subcontractor, used in the performance of a contract or subcontract. When a location or site of operations includes more than one building, plant, installation, or structure, the entire location or site shall be deemed a facility except when the Administrator, or a designee, of the Environmental Protection Agency, determines that independent facilities are collocated in one geographical area.

"Water Act," as used in this clause, means Clean Water Act (33 U.S.C. 1251 et seq.).

2. The Company agrees --

(a) To comply with all the requirements of Section 114 of the Clean Air Act (42 U.S.C. 7414) and Section 308 of the Clean Water Act (33 U.S.C. 1318) relating to inspection, monitoring, entry, reports and information, as well as other requirements specified in Section 114 and Section 308 of the Air Act and the Water Act, and all regulations and guidelines issued to implement those acts before the award of this Agreement;

(b) That no portion of the work required by this prime contract will be performed in a facility listed on the Environmental Protection Agency List of Violating Facilities on the date when this Agreement was awarded unless and until the EPA eliminates the name of the facility from the listing;

(c) To use best efforts to comply with clean air standards and clean water standards at the facility in which the contract is being performed; and

(d) To insert the substance of this clause into any non-exempt subcontract, including this subparagraph 2.(d).

Section 7.22 DISPUTES.

1. This Agreement is subject to the Contract Disputes Act of 1978 (41 U.S.C. 601-6.3) (the Act).

2. Except as provided in the Act, all disputes arising under or relating to this Agreement shall be resolved under this clause.

3. "Claim," as used in this clause, means a written demand or written assertion by one of the contracting parties seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms, or other relief arising under or relating to this Agreement. A claim arising under a contract, unlike a claim relating to that contract, is a claim that can be resolved under a contract clause that provides for the relief sought by the claimant. However, a written demand or written assertion by the Company seeking the payment of money exceeding $50,000 is not a claim under the Act until certified as required by subparagraph 4.(b) below. A voucher, invoice, or other routine request for payment that is not in dispute when submitted is not a claim under the Act. The submission may be converted to a claim under the Act, by complying with the submission and certification requirements of this clause, if it is disputed either as to liability or amount or is not acted upon in a reasonable time.

4. (a) A claim by the Company shall be made in writing and submitted to the Contracting Officer for a written decision. A claim by the Government against the Company shall be subject to a written decision by the Contracting Officer.

(b) For Company claims exceeding $50,000, the Company shall submit with the claim a certification that--

(i) The claim is made in good faith;

(ii) Supporting data are accurate and complete to the best of the Company's knowledge and belief; and

(iii) The amount requested accurately reflects the contract adjustment for which the Company believes the Government is liable.

(c) (i) If the Company is an individual, the certification shall be executed by that individual.

(ii) If the Company is not an individual, the certification shall be executed by --

(A) A senior company official in charge at the Company's plant or location involved; or

(B) An officer or general partner of the Company having overall responsibility for the conduct of the Company's affairs.

5. For Company claims of $50,000 or less, the Contracting Officer must, if requested in writing by the Company, render a decision within 60 days of the request. For company- certified claims over $50,000, the Contracting Officer must, within 60 days, decide the claim or notify the Company of the date by which the decision will be made.

6. The Contracting Officer's decision shall be final unless the Company appeals or files a suit as provided in the Act.

7. The Government shall pay interest on the amount found due and unpaid from (1) the date the Contracting Officer receives the claim (properly certified if required), or (2) the date payment otherwise would be due, if that date is later, until the date of payment. Simple interest on claims shall be paid at the rate, fixed by the Secretary of the Treasury as provided in the Act, which is applicable to the period during which the Contracting Officer receives the claim and then at the rate applicable for each 6-month period as fixed by the Treasury Secretary during the pendency of the claim.

8. The Company shall proceed diligently with performance of this Agreement, pending final resolution of any request for relief, claim, appeal, or action arising under the contract, and comply with any decision of the Contracting Officer.

Section 7.23 CONFLICTS. To the extent of any inconsistency between the terms of this Agreement and any schedule, rider, or exhibit incorporated in this Agreement by reference or otherwise, or any of the Company's rules and regulations, the terms of this Agreement shall control.

Section 7.24 INTEREST.

1. Notwithstanding any other clause of this Agreement, all amounts that become payable by the Company to the Government under this Agreement (net of any applicable tax credit under the Internal Revenue code (26 U.S.C. 1481) shall bear simple interest from the date due until paid unless paid within 30 days of becoming due. The interest rate shall be the interest rate established by the Secretary of the Treasury as provided in Section 12 of the Contract Disputes Act of 1978 (Public Law 95-563), which is applicable to the period in which the amount

becomes due, as provided in paragraph 2 of this clause, and then at the rate applicable for each six-month period as fixed by the Secretary until the amount is paid.

2. Amounts shall be due at the earliest of the following dates:

(a) The date fixed under this Agreement.

(b) The date of the first written demand for payment consistent with this Agreement, including any demand resulting from a default termination.

(c) The date the Government transmits to the Company a proposed supplemental agreement to confirm completed negotiations establishing the amount of debt.

(d) If this Agreement provides for revision of prices,

the date of written notice to the Company stating the amount of refund payable in connection with a pricing proposal or a negotiated pricing agreement not confirmed by contract modification.

3. The interest charge made under this clause may be reduced under the procedures prescribed in 32.614-2 of the Federal Acquisition Regulation in effect on the date of this Agreement.

Section 7.25 WAIVER. The failure of either party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights, but the same shall continue and remain in full force and effect.

Section 7.26 SUCCESSORS AND ASSIGNS.

1. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, but this Agreement may not be assigned by either party without the written consent of the other, except that DOE may without Company's consent assign this Agreement to any successor agency of the United States of America for the purpose of operation of the Project who by an appropriate written instrument acceptable to Company assumes all of the duties and obligations of DOE hereunder, and Company may without the consent of DOE assign this Agreement to a successor to all or substan-

tially all of its property and assets and may pledge this Agreement to secure indebtedness incurred or to be incurred for the purpose of constructing, maintaining, extending, or improving the facilities of the Joppa Plant and this Agreement may be assigned or transferred without the consent of DOE to one or more persons who shall assume the obligations to Company hereunder in connection with the enforcement of any such pledge. Any assignment by Company shall be by a written instrument acceptable to DOE.

2. In the event that DOE shall at any time state to Company that it wishes to assign its rights, obligations and responsibilities under this Agreement to any successor operator of the Project (other than any agency of the United States of America), including any private owner or lessee, Company will(1) with the cooperation of DOE use its best efforts to secure all requisite approvals of regulatory agencies having jurisdiction, provided Company shall not in such connection be obligated to increase its equity or indebtedness or incur any cost or expenses with respect thereto, (2) use its best efforts to secure consents or approvals, if necessary, of creditors of Company, including the holders of Company's indebtedness, provided company shall not in such connection be obligated to incur any increased interest or other costs or expenses to it for amounts owed by it to any such creditors or others (including attorneys' expenses), and (3) negotiate in good faith with DOE, such successor operator and, if necessary, such creditors, to the end that any such assignment and all related transactions shall be on a basis that is fair and equitable to all interested parties, including the Sponsoring Companies. Company's consent to any such assignment shall also be subject to Company, Sponsoring Companies, and DOE securing appropriate tax and other legal and regulatory rulings and to similar matters.

Section 7.27 ASSIGNMENT OF CLAIMS.

1. The Company, under the Assignment of Claims Act, as amended, 31 U.S.C. 3727, 41 U.S.C. 15 (hereafter referred to as "the Act"), may assign its rights to be paid amounts due or to become due as a result of the performance of this Agreement to a bank, trust company, or other financing

institution, including any Federal lending agency. The assignee under such an assignment may thereafter further assign or reassign its right under the original assignment to any type of financing institution described in the preceding sentence.

2. Any assignment or reassignment authorized under the Act and this clause shall cover all unpaid amounts payable under this Agreement, and shall not be made to more than one party, except that an assignment or reassignment may be made to one party as agent or trustee for two or more parties participating in the financing of this Agreement.

3. The Company shall not furnish or disclose to any assignee under this Agreement any classified document (including this Agreement) or information related to work under this Agreement until the Contracting Officer authorizes such action in writing.

Section 7.28 PATENTS AND INVENTIONS. Company agrees to indemnify the Government, its officers, agents, and employees against liability of any kind (including costs and expenses incurred) for the use of any invention or discovery or for the infringement of any Letters Patent (not including liability arising pursuant to Section 183, U.S.C. Title 35, as amended, prior to issuance of Letters Patent) occurring prior to any assignment by DOE under paragraph 2 of Section 7.26 by reason of Company's performance under this Agreement or arising by reason of the installation or use by Company (or installation by DOE for the account of the Company) of items manufactured, furnished, installed, or supplied under this Agreement. Any liability or loss of the kind described in this Section suffered by Company shall be at the sole cost of Company and shall not be included directly or indirectly in the determination of any charges to DOE.

Section 7.29 DEMOLITION AND SEVERANCE PAYMENTS. DOE recognizes that a part of the cost of supplying power to it under this Agreement is the cost that may be incurred in connection with the shutdown and demolition of Company's Joppa Plant when its operation is discontinued. Such cost, in addition to including an amount required to retire the residual of any outstanding debt in existence at the time DOE was obtaining power from the Joppa Plant, is defined as including cost of demolishing the plant, net of salvage credits including the appraised value of land and other items remaining in service, loss if any on disposition of materials and supplies, including fuel, and severance and other employee-related payments. DOE agrees to pay a share of such cost allocated on the basis of the ratio of the sum of (a) the energy delivered to DOE from Joppa Plant under this Agreement, and (b) firm supplemental, economy, and reliability energy delivered to DOE under this Agreement to the sum of (i) the total energy delivered from Joppa Plant during the life of the Joppa Plant, and (ii) firm supplemental, economy, and reliability energy delivered to DOE under this Agreement. Such payments shall be made upon billing by Company when and as costs are incurred by Company. In the event salvage credits exceed such costs, Company agrees to promptly pay or credit DOE a share of the excess of credits over costs on the same basis of allocation. All billings and any payment or credit to DOE pursuant to this Section shall be subject to audit by DOE at its expense.

Section 7.30 EFFECTIVE DATE - CONDITIONS AS TO EFFECTIVENESS.

1. This Modification No. 12 shall become effective at 12 midnight on the date on which notification of the last of the events specified in paragraph 2 of this section shall have occurred. Company will notify DOE in writing when the last of the events specified in the first two sentences of paragraph 2 of this Section shall have occurred. DOE will notify Company in writing when the events specified in the remainder of said paragraph shall have occurred.

2. The effectiveness of Modification No. 12 shall be subject to Company's securing appropriate legal rulings and regulatory approvals or acceptances. It also shall be subject to approval or acceptance by the appropriate regulatory authorities of the IS&S Power Agreement between Company and the Sponsoring Companies, dated August 1, 1953, as amended, to provide for any necessary modifications. This Modification No. 12 shall not be effective until submitted to the appropriate Congressional Committees and the period of time shall have elapsed during which this modification must remain on file with such Committees pursuant to Section 164 of the Atomic Energy Act of 1954, or, if said Committees shall, by resolution in writing, waive the conditions of all or any portion of said period of time, the period, if any, specified in such waiver shall have elapsed.

Section 7.31 NOTICES. All notices under this Agreement shall be in writing, and if to Company, shall be sufficient in all respects if delivered in person to its President or Vice President, or sent by registered mail addressed to President, Electric Energy, Inc., P.O. Box 165, Joppa, Illinois 62953, or at any other address of which Company may notify DOE in writing; and if to DOE, shall be sufficient in all respects if delivered in person to the Manager or Deputy Manager of the Oak Ridge Operations Office of DOE, or sent by registered mail addressed to Manager, U.S. Department of Energy, Oak Ridge Operations Office, P. O. Box E, Oak Ridge, Tennessee 37831, or any other address of which DOE may notify Company in writing.

Section 7.32 RESTRICTIONS ON SUBCONTRACTOR SALES TO THE GOVERNMENT.

1. Except as provided in paragraph 2 below, the Company shall not enter into any agreement with an actual or prospective subcontractor, nor otherwise act in any manner, which has or may have the effect of restricting sales by such subcontractors directly to the Government of any item or process (including computer software) made or furnished by the subcon-

tractor under this Agreement or under any follow-on production contract.

2. The prohibition in paragraph 1 above does not preclude the Company from asserting rights that are otherwise authorized by law or regulation.

3. The Company agrees to incorporate the substance of this clause, including this paragraph 3, in all subcontracts under this Agreement.

Section 7.33 PAYMENT METHODS.

1. Payments due for amounts properly invoiced in accordance with the terms and conditions specified elsewhere in the Agreement shall be made either by Treasury check(s) payable to the Company or designee or by electronic funds transfer(s) to a financial institution designated by the

Company for that purpose. The method of payment shall be determined by the Government at the time of payment in accordance with applicable Treasury Department requirements.

2. After award but no later than fourteen (14) days before an invoice or bill is submitted for payment, the Company shall designate a financial institution for the receipt of electronic funds transfer payments hereunder; and provide the appropriate Government representative (Contracting Officer or finance official as determined by the Government) with the name of the designated financial institution, financial institution's or correspondent financial institution's 9-digit American Bankers Association identifying number, telegraphic abbreviation of such financial institution) and account number at the designated financial institution to be credited with funds.

3. In the event the Company during the performance of this Agreement elects to designate a different financial institution for the receipt of any payment made using electronic funds transfer procedures, notification of such change and the information as specified in paragraph 2 above must be received by the appropriate Government representative thirty (30) days prior to the date such change is to become effective.

4. The document furnishing the information required in paragraphs (2) and (3) above must be dated and contain the signature, title, and telephone number of the Company official authorized to provide it, as well as the Company's name and contract number.

5. Company failure to properly designate a financial institution or to provide appropriate payee bank

account information may delay payments of amounts otherwise properly due.

Section 7.34 ANTI-KICKBACK PROCEDURES.

1. DEFINITIONS.

"Kickback," as used in this clause, means any money, fee, commission, credit, gift, gratuity, thing of value, or compensation of any kind which is provided, directly or indirectly to any prime Contractor, prime Contractor employee, subcontractor, or subcontractor employee for the purpose of improperly obtaining or rewarding favorable treatment in connection with a prime contract or in connection with a subcontract relating to a prime contract.

"Person," as used in this clause, means a corporation, partnership, business association of any kind, trust, joint-stock company, or individual.

"Prime contract," as used in this clause, means a contract or contractual action entered into by the United States for the purpose of obtaining supplies, materials, equipment, or services of any kind.

"Prime Contractor," as used in this clause, means any officer, partner, employee, or agent of a prime Contractor.

"Prime Contractor employee," as used in this clause, means any officer, partner, employee, or agent of a prime Contractor.

"Subcontract," as used in this clause, means a contract or contractual action entered into by a prime Contractor or subcontractor for the purpose of obtaining supplies, materials, equipment, or services of any kind under a prime contract.

"Subcontractor," as used in this clause, (i) means any person, other than the prime Contractor, who offers to furnish or furnishes any supplies, materials, equipment, or services of any kind under a prime contract or a subcontract entered into in connection with such prime contract, and (ii) includes any person who offers to furnish or furnishes general supplies to the prime Contractor or a higher-tier subcontractor.

"Subcontractor employee," as used in this clause, means any officer, partner, employee, or agent of a subcontractor.

2. The Anti-Kickback Act of 1986 (41 U.S.C. 51-58) (the "Act") prohibits any person from --

(a) Providing or attempting to provide or offering to provide any kickback;

(b) Soliciting, accepting, or attempting to accept any kickback; or

(c) Including, directly or indirectly, the amount of any kickback in the contract price charged by a prime Contractor to the United States or in the contract price charged by a subcontractor to a prime Contractor or higher-tier subcontractor.

3. (a) The Company shall have in place and follow reasonable procedures designed to prevent and detect possible violations described in paragraph (2) of this clause in its own operations and direct business relationships.

(b) When the Company has reasonable grounds to believe that a violation described in paragraph (2) of this clause may have occurred, the Company shall promptly report in writing the possible violation. Such reports shall be made to the inspector general of the contracting agency, the head of the contracting agency if the agency does not have an inspector general, or the Department of Justice.

(c) The Company shall cooperate fully with any Federal agency investigating a possible violation described in paragraph 2 of this clause.

(d) Regardless of the contract tier at which a kickback was provided, accepted, or charged under the contract in violation of paragraph 2 of this clause, the Contracting Officer may --

(i) Offset the amount of the kickback against any monies owed by the United States under this contract; and/or

(ii) Direct that the Company withhold from sums owed the subcontractor the amount of the kickback.

The Contracting Officer may order that monies withheld under subdivision 3.(d)(ii) of this clause be paid over to the Government unless the Government has already offset those monies under subdivision 3.d(i) of this clause. In the latter case, the Company shall notify the Contracting Officer when the monies are withheld.

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(e) The Company agrees to incorporate the substance of this clause, including this subparagraph 3.(e), in all subcontracts under this contract.

IN WITNESS WHEREOF, the parties hereto have executed this Modification No. 12 as of the day and year first above written.

UNITED STATES OF AMERICA

By: SECRETARY OF ENERGY

By: /s/

Contracting Officer

WITNESS:

/s/
- ---
Notary Public
My Commission expires
Jan 27, 1990
- ---

ELECTRIC ENERGY, INCORPORATED

By: /s/

TITLE: President

WITNESS:

/s/
- ---

Secretary-Treasurer
- ---

EXHIBIT 10.9

ELECTRIC ENERGY, INC.
Modification No.13

MODIFICATION NO. 13

THIS MODIFICATION NO. 13, entered into this 18th day of January, 1989, by and between ELECTRIC ENERGY, INC., (referred to as "Company"), a corporation organized under the laws of the State of Illinois, and the UNITED STATES OF AMERICA (referred to as "Government"), acting by and through the SECRETARY (referred to as "Secretary") of the DEPARTMENT OF ENERGY (referred to as "DOE");

WITNESSETH THAT:

WHEREAS, Company and Government have heretofore entered into Contract No. DE-AC05-760R01312 (referred to as the "Agreement"), for the supply by Company of electric power then required by DOE at its Paducah Project (referred to as the "Project") near Paducah, Kentucky; and

WHEREAS, the Agreement has previously been amended by Modifications Nos. 1 through 12, and by various unnumbered letter agreements and unilateral notices; and

WHEREAS, Company and Government desire to amend the Agreement further; and

WHEREAS, this Modification No. 13 is authorized by and entered into under the Atomic Energy Act of 1954, as amended; the Energy Reorganization Act of 1974 (P.L. 93- 438); the Department of Energy Organization Act (P.L. 95- 91); and other applicable law;

NOW, THEREFORE, in consideration of the premises and provisions of the Agreement, as heretofore amended and as it is amended hereby, and in consideration of the mutual agreements and undertakings of the parties, the parties agree that the terms and provisions of the Articles and Sections of the Agreement, as heretofore amended, shall be and are hereby amended by this Modification No. 13 as follows:

1. SECTION 2.08, Firm Additional Power, is modified in its entirety as follows:

"SECTION 2.08, Firm Additional Power. Beginning on the effective date of this modification, Company shall be obligated to supply, and DOE shall be obligated to purchase, amounts of power necessary to meet DOE's 'Minimum Power Requirement' at the Project. DOE's Minimum Power Requirement shall be defined as 450 MW during the months of March through October and 550 MW during the months of November through February. Such power shall be referred to as 'Firm Additional Power,' and shall be defined as firm power, other than power generated at Joppa Plant, which is purchased by Company from the Sponsoring Companies for the purpose of supplying DOE's Minimum Power Requirement. In the event that such power must be curtailed by the supplying Sponsoring Company, such curtailment shall be made, in order of priority, only after all non-firm coordination sales and interruptible native load sales have been curtailed. However, such curtailment will be made, in the judgment of the supplying Sponsoring Company, if necessary to preclude the need to curtail non- interruptible native load or non-interruptible

coordination sales. (Native load is defined as the power needed to supply retail customers and requirements wholesale customers.)

"Either party shall have the right to cancel its obligation to supply or take Firm Additional Power, in whole or in part, by providing a written notice of cancellation to the other party three years prior to the effective date of cancellation.

"DOE shall pay Company for Firm Additional Power at a rate equal to Company's cost to purchase such power, plus up to one additional dollar per megawatthour. However, Company shall contract for Firm Additional Power in a manner which, in Company's best judgment and consistent with Company's interconnection agreements and operating practices, will provide DOE with Firm Additional Power at the lowest practical cost.

"The need for certain amounts of Firm Additional Power can be foreseen and scheduled prior to

delivery. On October 1 of every year, beginning with the effective date of this modification, Company shall provide DOE with a proposed schedule and pricing options of such amounts of Firm Additional Power for the immediately following calendar year. The pricing options shall include at a minimum:

> "(a) Power price quotes which shall incorporate both demand and energy cost components, and shall be expressed in terms of dollars per megawatthour. These quotes shall be guaranteed prices for the next calendar year and shall be determined by competitive bidding among the utility systems with agreements to supply firm power to Company. If DOE selects this pricing option, it shall be obligated to purchase all of the energy which is covered by this option from Company.
>
> "(b) Capacity price quotes, with energy to be priced separately and based on the actual incremental costs of the supplying utility systems at the time of delivery. If DOE selects this option, it shall pay the capacity cost calculated over the full period which is covered by this option. Company shall schedule the energy associated with this capacity from the most economical supplier. In addition, upon reasonable notice, DOE may schedule energy in lieu of energy associated with Firm Additional Power from sources other than Company.
>
> "DOE shall notify Company of its pricing option selection by November 1 of the year immediately prior to the calendar year in which the price is to apply.
>
> "The aggregate of the scheduled megawatthours of Firm Additional Power for all hours of a month shall be deemed to be the delivered megawatthours of Firm Additional Power for the month, and shall be called the 'Billing MWh of Firm Additional Power.' The difference between the cost

of Firm Additional Power to DOE and the cost of such power to Company shall not be included in the Component D Calculation specified in Section 3.01, and the income taxes on such difference shall not be included in Component C of Section 3.01."

2. The following paragraph (c) is added to Section 3.05 of the contract:

"(c) If DOE's average annual purchases (averaged for all years beginning with the in-service date of the modified transmission facilities to be described in Appendix 'E') of Additional Power from Company equal or exceed 6,000,000 MWh, then DOE shall pay for the costs of additional transmission facilities described in Appendix 'E' in accordance with the provisions of Section 3.11. If DOE's average annual purchases of Additional Power exceed 4,200,000 MWh but are less than 6,000,000 MWh, then DOE shall pay for a percentage of the cost of the facilities to be described in Appendix 'E,' determined by the following formula:

$$\% = 100 - 25 \times \frac{\text{Excess MWh}}{1{,}800{,}000}$$

Where Excess MWh equals the average annual MWhs of Additional Power purchased by DOE from Company in excess of 4,200,000 MWh. Adjustments will be applied to current and previous years' Annual Adjustment of DOE Charges."

3. The following SECTION 3.11 is incorporated into the Agreement:

"SECTION 3.11. Additional Transmission Facilities - Joppa Plant. In order for Company to supply Additional Power in amounts projected to be needed by DOE, Company will require additional transmission facilities. DOE and Company will mutually determine the transmission additions or modifications necessary to establish an adequate transmission path, and such modifications shall be described in an Appendix 'E,' which shall be completed and made a part of this Agreement before such modifications, subject to regulatory approval. Cost alloca-

tion of these facilities shall be in accordance with the following:

"(a) DOE shall provide a minimum of 75 percent of the cost support for the facilities;

"(b) The costs applicable to the transmission facility modifications shall be included under Section 3.01 of this Agreement and shall be charged to DOE in accordance with Article III of this contract provided that the Annual DOE Percentage of Joppa Plant is not less than 75 percent, as stated in Section 2.03 of this contract. If this percentage is less than 75 percent, DOE and Company agree that DOE shall continue to provide 75 percent of the cost support for the modified transmission facilities to be described in Appendix 'E';

"(c) If DOE cancels the contract pursuant to Section 6.02, DOE shall pay Company 100 percent of any unamortized costs of the modified transmission facilities."

IN WITNESS WHEREOF, the parties hereto have executed this Modification No. 13 as of the day and year first above written.

UNITED STATES OF AMERICA

BY: SECRETARY OF ENERGY

BY: _____
(Contracting Officer)

ELECTRIC ENERGY, INC.

BY: _____

TITLE: President
_____

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MODIFICATION NO. 14

THIS MODIFICATION NO. 14, entered into this 6th day of March, 1991, by and between ELECTRIC ENERGY, INC., (referred to as "Company"), a corporation organized under the laws of the State of Illinois, and the UNITED STATES OF AMERICA (referred to as "Government"), acting by and through the SECRETARY (referred to as "Secretary") of the DEPARTMENT OF ENERGY (referred to as "DOE");

WITNESSETH THAT:

WHEREAS, Company and Government have heretofore entered into Contract No. DE-AC05-760R01312 (referred to as the "Agreement"), for the supply by Company of electric power then required by DOE at its Paducah Project (referred to as the "Project") near Paducah, Kentucky; and

WHEREAS, the Agreement has previously been amended by Modifications Nos. 1 through 13, and by various unnumbered letter agreements and unilateral notices; and

WHEREAS, DOE desires to purchase increased amounts of power and energy through the use of Company's transmission ties to the Sponsoring Companies; and

WHEREAS, the Sponsoring Companies have agreed to make certain transmission modifications to increase transmission tie capability to Company; and

WHEREAS, Company has expended approximately $1,900,000 including Allowance for Funds Used During Construction, at DOE's request in accordance with Section 3.11, for engineering and design of additional transmission facilities commonly known as Plan AA; and

WHEREAS, Company and DOE have agreed to make certain billing changes to the Agreement;

WHEREAS, this Modification 14 is authorized by and entered into under the Atomic Energy Act of 1954, as amended; the Energy Reorganization Act of 1974

(P.L. 93-

438); the Department of Energy Organization Act (P.L. 95- 91); and other applicable law;

NOW, THEREFORE, in consideration of the premises and provisions of the Agreement, as heretofore amended and as it is amended hereby, and in consideration of the mutual agreements and undertakings of the parties, the parties agree that the terms and provisions of the Articles and Sections of the Agreement, as heretofore amended, shall be and are hereby amended by this Modification No. 14 as follows:

1. SECTION 3.03. Base Rate - Excess Joppa Energy, is modified in its entirety as follows:

> SECTION 3.03. Base Rate - Excess Joppa Energy. The base rate for Excess Joppa Energy shall consist of a base monthly energy charge to be computed by multiplying Company's Fuel costs per megawatthour for the immediately preceding month by the Billing MWh of Excess Joppa Energy taken by DOE during the month by a factor not to exceed 110 percent. The difference between the cost to generate Excess Joppa Energy and the cost to DOE of Excess Joppa Energy shall not be included in the Component D calculation specified in Section 3.01, and the income taxes on such difference shall not be included in Component C of Section 3.01.

2. The following SECTION 3.12. Transmission Improvements and Studies, is incorporated into the Agreement after Section 3.11.

> SECTION 3.12. Transmission Improvements and Studies. Company will contract with the Sponsoring Companies to make the transmission modifications outlined in Attachment A to this modification. Company's actual costs associated with the installation of facilities outlined in such Attachment A (including applicable overhead costs and all amounts charged to Company by the Sponsoring Companies) shall be included as Joppa Plant Costs in accordance with Section 3.01 of the Agreement. Such costs shall be charged to DOE in accordance with Article III of the Agreement, provided that the Annual DOE Percentage of Joppa Plant is not less than 75 percent, as stated in Section 2.03 of the Agreement,

> and provided that DOE purchases a minimum of 4,400,000 MWh of Additional Power annually. However,
>
> (a) If the Annual DOE Percentage of Joppa Plant is less than 75 percent, DOE shall continue to pay a minimum of 75 percent of the annual support for such costs, or
>
> (b) If DOE's annual purchases of Additional Power is less than 4,400,000 MWh, then regardless of DOE's Annual Percentage of Joppa Plant, DOE shall pay 100 percent of the annual support for such costs.
>
> If DOE cancels the Agreement pursuant to Section 6.02, DOE shall pay

Company 100 percent of any unamortized portions of such costs.

Company's costs associated with the engineering and design of additional transmission facilities not included in the outline of facilities in Attachment A to this modification, and which have been, or may be, accumulated under company Work Order No.2106, shall be allocated 100 percent to DOE. If, in the future, transmission facilities are constructed that utilize the engineering and design work accumulated against such work order, DOE shall receive a credit toward the amount paid to the extent such engineering and design work is applicable and usable.

3. SECTION 4.01. Submittal of Bills for Power, is modified in its entirety as follows:

SECTION 4.01. Submittal of Bills for Power. Company shall submit to DOE within the first ten days of each month a bill for the base monthly demand charge for power for the immediately preceding month and the base monthly energy charges for all energy delivered by Company to DOE during such preceding month, as specified in Sections 3.02 and 3.03. Company shall also submit to DOE within the first ten days of each month a bill for power and energy supplied under Sections 2.07 through 2.10. All bills shall be promptly paid by DOE.

Company shall also submit to DOE as early as practicable in each month a bill or bills or credit memoranda for any amounts due Company or DOE, for the immediately preceding month, resulting from any of the adjustments, reimbursements, or credits provided for in Sections 3.04 through 3.08, inclusive, and Section 3.10; provided, however, that Company may render such bills or credit memoranda for any or all of such adjustments on a quarterly basis, or such other basis as may be mutually acceptable, and may include therein the adjustments, reimbursements, or credits for any item not included in a previous bill or credit memorandum. Each such bill or credit memorandum shall include such detail as DOE may reasonably request to show the operation and effect of such adjustments, reimbursements, or credits.

The effectiveness of the understandings contained in this Modification No. 14 are conditioned upon (1) the securing by Company of appropriate regulatory approvals, authorizations or acceptances, and (2) the delivery by DOE of the legal opinion of the Chief Counsel, DOE Oak Ridge Operations Office, stating that DOE has full power and authority to execute this Modification No. 14 and obligate the United States of America to the understandings contained herein. The Company shall notify DOE in writing when the aforementioned approvals, authorizations or acceptances have been obtained.

IN WITNESS WHEREOF, the parties hereto have executed this Modification No. 14 as of the day and year first above written.

UNITED STATES OF AMERICA

BY: _____

ELECTRIC ENERGY, INC.

BY: _____

MODIFICATION NO. 15

THIS MODIFICATION NO. 15, entered into this 1st day of October, 1992, by and between ELECTRIC ENERGY, INC., (referred to as "Company"), a corporation organized under the laws of the State of Illinois, and the UNITED STATES OF AMERICA (referred to as "Government"), acting by and through the SECRETARY (referred to as "Secretary") of the DEPARTMENT OF ENERGY (referred to as "DOE");

WITNESSETH THAT:

WHEREAS, Company and Government have heretofore entered into Contract No. DE-AC05-760R01312 (referred to as the "Agreement"), for the supply by Company of electric power required by DOE at its Paducah Project (referred to as the "Project") near Paducah, Kentucky; and

WHEREAS, the Agreement has previously been amended by Modifications Nos. 1 through 14, and by various unnumbered letter agreements and unilateral notices; and

WHEREAS, this Modification No. 15 is authorized by and entered into under the Atomic Energy Act of 1954, as amended; the Energy Reorganization Act of 1974 (P.L. 93-438); the Department of Energy Organization Act (P.L. 95-91); and other applicable law;

NOW, THEREFORE, in consideration of the premises and provisions of the Agreement, and heretofore amended and as it is amended hereby, and in consideration of the mutual agreements and undertakings of the parties, the parties agree that the terms and provisions of the Articles and Sections of the Agreement, as heretofore amended, shall be and are hereby amended by this Modification No. 15 as follows:

1. The demand charge component set forth in paragraph (a), item (ii), of Section 3.02, Base Rate - Permanent Joppa Power, shall be modified in its entirety as follows:

(ii) $1.53 per megawatthour, multiplied by 1000 MW (capability of Joppa Plant), multiplied by the number of hours of the month, multiplied by the Annual DOE Percentage of Joppa Plant (determined in accordance with Section 2.03), multiplied by the ratio of, the Joppa Plant Availability Factor for the month (as determined in accordance with Appendix "C" to this Agreement) to 0.925. This portion of the demand charge shall not be included in the "Component D" calculation specified in Section 3.01, and the income taxes in this charge shall not be included in "Component C" of Section 3.01. Furthermore, this portion of the demand charge shall be subject to periodic adjustment, upon mutual agreement of Company and DOE, and after an initial period of three years from date of execution of this Letter Supplement, to

account for such indeterminable factors as prevailing conditions in the bulk power market.

2. Section 3.03. Base Rate - Excess Joppa Energy is modified in its entirety as follows:

> Section 3.03. Base Rate - Excess Joppa Energy. The base rate for Excess Joppa Energy shall consist of a base monthly energy charge to be computed by multiplying Company's Fuel costs per megawatthour for the immediately preceding month by the Billing MWh of Excess Joppa Energy taken by DOE during the month plus a factor not to exceeds $1.53 multiplied by the Billing MWh of Excess Joppa Energy taken by DOE during the month. The resultant factor not exceeding $1.53 multiplied by the Billing MWh of Excess Joppa Energy taken by DOE during the month shall not be included in the Component D calculation specified in Section 3.01, and the income taxes on this amount shall not be included in Component C of Section 3.01.

3. Section 3.04. Monthly Adjustment of DOE Charges paragraph (c) is modified in its entirety as follows:

> (c) The base monthly energy charge for Excess Joppa Energy specified in Section 3.03 shall be adjusted to equal Company's actual Fuel costs

> for the month multiplied by the ratio of the Billing MWh of Excess Joppa Energy to the billing MWh of all Joppa energy delivered during the month to DOE and other Company customers plus a factor not to exceed $1.53 multiplied by the Billing MWh of Excess Joppa Energy taken by DOE during the month.

The effectiveness of the understandings contained in this Modification No. 15 are conditioned upon (1) the securing by Company of appropriate regulatory approvals, authorizations or acceptances, and (2) the delivery of DOE of the legal opinion of the Chief Counsel, DOE Oak Ridge Field Office, stating that DOE has full power and authority to execute this Modification No. 15 and obligate the United States of America to the understandings contained herein. The Company shall notify DOE in writing when the aforementioned approvals, authorizations or acceptances have been obtained.

IN WITNESS WHEREOF, the parties hereto have executed this Modification No. 15 as of the day and year first above written.

UNITED STATES OF AMERICA

BY: /s/

Contracting Officer

ELECTRIC ENERGY, INC.

BY: /s/

EXHIBIT 10.10

POWER CONTRACT
Between

TENNESSEE VALLEY AUTHORITY
And
UNITED STATES ENRICHMENT CORPORATION

THIS CONTRACT, made and entered into as of October 12, 1995, between TENNESSEE VALLEY AUTHORITY (TVA), a corporation created and existing by virtue of the Tennessee Valley Authority Act of 1933, as amended, and UNITED STATES ENRICHMENT CORPORATION (USEC), a corporation created and existing by virtue of the Energy Policy Act of 1992;

W I T N E S S E T H:

WHEREAS, USEC has been purchasing power from TVA under Power Contract DE-AC05-760R03761, TV-30614A, dated December 1, 1967, as amended (1967 Contract), providing for a portion of the supply of electric power for the operation of facilities in the Paducah Area (Paducah Project) leased by USEC from the United States Department of Energy (DOE); and

WHEREAS, the parties wish to replace the 1967 Contract with a new contract under which TVA will continue to make non-firm power (NFP) available to USEC;

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

SECTION 1 - AVAILABILITY OF POWER

1.1 NFP. Subject to the other provisions of this contract, TVA shall make available and USEC may schedule NFP in such amounts as USEC requests and TVA, in its sole judgment, is able to supply.

1.2 NFP Attachment. Various additional provisions governing the supply of NFP to USEC are set out in the attachment entitled "NFP Attachment," which is a

part of this contract. As used in the NFP Attachment, "Company" shall be deemed to refer to USEC.

SECTION 2 - TERM OF CONTRACT

This contract shall become effective as of 0000 hours CST on January 1, 1996 and shall continue in effect through the meter reading time for the month of December 2005, unless sooner terminated by either party upon at least 90 days' written notice.

SECTION 3 - CONDITIONS OF DELIVERY

3.1 Delivery Point. The delivery point for power and energy made available under this contract shall be the interconnection of TVA's 161-kV facilities and the 161-kV facilities leased by USEC in DOE's 161-kV substations, except as otherwise agreed from time to time. Each party will be responsible for providing, or causing to be provided, at

its own expense all facilities on its side of the delivery point, except as otherwise agreed.

3.2 Delivery Voltage. The power made available under this contract shall be delivered at a nominal voltage of 161,000 volts, subject to the provisions of section 1 of the attached Terms and Conditions. However, in lieu of the 7 percent voltage variation tolerance provided for in said section 1, except for temporary periods of abnormal operating conditions, voltage variations on the C-31 bus shall be within 5 percent of 161,000 volts and voltages at the C-33 bus and the C-37 bus shall be within 5 percent of mutually agreed voltages.

3.3 Metering. TVA shall, at its expense, own and maintain metering equipment to measure the power and flow of energy between TVA and USEC as provided in section 3 of the attached Terms and Conditions. In addition, USEC shall (1) own (or lease) and maintain (or cause to be maintained) the necessary metering current and voltage transformers with conduit, secondary wiring, and auxiliary devices; (2) own (or lease) and maintain (or cause to be maintained) the metering panels and furnish suitable space thereon for TVA's equipment; and (3) make available to TVA

certified copies of calibration and test data on each instrument transformer.

3.4 Interconnections and Load Coordination. It is recognized that in addition to TVA, Electric Energy, Inc. (EEInc.), provides power for the Paducah Project. The 161-kV facilities through which USEC takes delivery of power and energy for that project are electrically connected to TVA's and EEInc.'s 161-kV transmission facilities through DOE's buses and operated in parallel. It is also recognized that TVA's obligation in this respect shall be contingent upon (1) USEC's providing or causing to be provided, without expense to TVA, any special facilities which in TVA's judgment, and consistent with good utility practice, are necessary to permit efficient parallel operation and which TVA would not otherwise be justified in providing and (2) the existence of adequate contractual arrangements, mutually satisfactory to the parties and EEInc., for such parallel operation, including, without limitation, procedures for TVA and EEInc. to account and settle for any differences (resulting from scheduled transfers between them, from the physical characteristics of interconnected operations, or otherwise) between the amounts of power, energy, and reactive power physically delivered to USEC over TVA's own facilities and the amounts scheduled by USEC in accordance with this contract.

It is further recognized that in accordance with the contractual arrangement between TVA and EEInc., TVA and EEInc. will regulate their hourly pro rata portion of USEC's total load. Under this contract, USEC will schedule NFP from TVA and, regardless of anything which may be construed to the contrary, TVA's obligation to supply the USEC load in any clock hour will be limited to the amount of NFP scheduled for that hour. It is further recognized that in the event TVA reduces a schedule for NFP, during the period of that reduction, TVA's obligation regarding power supply to the USEC load shall be limited to that portion of the NFP schedule not reduced. Similarly, if a schedule for NFP is discontinued by TVA, TVA has no obligation regarding power supply to the USEC load from TVA's system during any such period of discontinuance.

SECTION 4 - MONTHLY PAYMENT OF CHARGES

In accordance with the provisions of section 2 of the attached Terms and Conditions, Company shall pay TVA monthly for NFP scheduled under this contract (as such schedules may be modified, reduced, or discontinued in accordance with the provisions of this contract).

SECTION 5 - NOTICES

5.1 Persons to Receive Notice. Any notice required by this contract shall be deemed properly given if mailed, postage prepaid, to the Power Manager, USEC, 6903 Rockledge Drive, Bethesda, MD 20817 on behalf of USEC; or to the Manager of Industrial Marketing, Tennessee Valley Authority, 2D Missionary Ridge Place, 1101 Market Street, Chattanooga, Tennessee 37402-2801, on behalf of TVA.

5.2 Certain Notices May Be Oral. Notices between the authorized operating representatives of the parties may be oral, except for notice of termination under section 2 of this contract which must be in writing. Notices that may be oral shall be confirmed in writing.

5.3 Changes in Persons to Receive Notice. The designation of the person to be so notified, or the address of such person, may be changed at any time and from time to time by any party by similar notice.

SECTION 6 - MUTUAL LIABILITY

USEC and TVA each agree to indemnify the other against and save the other harmless from any and al claims by or liability to any other person arising out of the negligence of the indemnifying party or its agents or contractors.

SECTION 7 - OPERATION OF DOE'S FACILITIES LEASED BY USEC

USEC's operation of DOE's 161-kV facilities will be in accordance with written operating procedures which are mutually satisfactory to TVA and USEC, and all its circuit breakers, relays, communication and

telemetering facilities, and related equipment connected directly or indirectly to TVA's system will at all times be operated and maintained in coordination with said system. All tests, settings, and adjustments on such equipment shall be subject to the approval of TVA. TVA shall have the privilege of having its engineers present when such tests, adjustments, or settings are made, or TVA, upon the request of USEC and at the expense of USEC, shall make the necessary tests, adjustments, or settings.

USEC agrees that TVA shall be permitted to use the DOE 161-kV lines and buses leased by USEC which interconnect parts of TVA's system, together with associated facilities, for the purposes of delivering power under this contract and transferring other power between said parts of TVA's system.

SECTION 8 - RIGHTS-OF-ACCESS

USEC shall cooperate with TVA in obtaining all easements and rights of access (at agreed upon locations) in, over, and across DOE property, including DOE property leased by USEC, which are necessary for TVA to install, operate, protect, maintain, repair, replace, and remove any of its facilities constructed for supplying power to the delivery point provided for under this contract or for transferring power between any of TVA's facilities and other facilities of TVA or those of other electric systems. However, USEC reserves the right to refuse access to restricted process areas and agree to perform at it sown expense any work which TVA is unable to perform because of lack of such access.

USEC shall exercise reasonable care to avoid damaging TVA facilities and shall pay the cost of any necessary repairs or replacements in the event of loss of or damage to such facilities arising from its failure to exercise such reasonable care. Upon termination of this contract, TVA may, at its option and expense, remove any of its facilities.

TVA shall exercise reasonable care, in the exercise of its rights under this section to avoid damaging

any USEC property (including DOE property leased by USEC) and shall pay the cost of any necessary repair or replacements in the event of loss of or damage to any such property arising from its failure to exercise such reasonable care.

SECTION 9 - TERMS AND CONDITIONS

9.1 Incorporation. The attached Terms and Conditions are a part of this contract. As used in the Terms and Conditions, "Company" shall be deemed to refer to USEC.

9.2 Metering. It is recognized that if Company requests additional tests under the second paragraph of section 3 of the Terms and Conditions, TVA will bear the expense of those tests if they do not show that the measurements are accurate within 1 percent fast or slow at the average load during the preceding 30 days. Further, it is recognized that the replacement, repair, or readjustment of metering equipment provided for under the last paragraph of said section 3 shall be at TVA's sole expense.

9.3 Force Majeure. The force majeure billing relief provisions contained in subsection 4(c) of the Terms and Conditions shall not be applicable to NFP. Where Company is unable to utilize the amount of NFP scheduled because of the occurrence of a "force majeure" as defined in section 4 of the Terms and Conditions, the provisions of section E of the NFP attachment shall be applicable.

9.4 Resale of Power. Notwithstanding the provisions of section 5 of the Terms and Conditions, USEC may furnish limited amounts of power to contractors and subcontractors performing work for USEC and/or DOE at the Paducah Project; provided, that USEC shall reimburse TVA for the amounts of any additional payments in lieu of taxes made by TVA under Section 13 of the TVA Act as amended, by reason of any resale of power by USEC. Use of power in the operation of production plants and associated facilities at the Paducah Project by others on behalf of USEC will not be considered a violation of section 5 of the Terms and Conditions.

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9.5 Conflicts. In the event of any conflict between the body of this contract and the Terms and Conditions, the former shall control.

SECTION 10 - PREVIOUS CONTRACT

10.1 Termination. Except to the extent provided in 10.2 below, the 1967 Contract shall terminate effective as of 0000 hours CST on January 1, 1996.

10.2 Scheduled Transactions. Any transactions agreed upon by the parties under the provisions of Supplement 24 of the 1967 Contract and confirmed by them in writing prior to January 1, 1996, shall continue in full force and effect, subject to and in accordance with the provisions of said Supplement 24 and the other provisions of the 1967 Contract.

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IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

TENNESSEE VALLEY AUTHORITY

By: /S/ John Edwards

Senior Vice President
Customer Group

Attest: UNITED STATES ENRICHMENT CORPORATION

By: /S/ George Rifakes

Title: Executive Vice President
Operations

- ---
Title:

EXHIBIT 10.11

MEMORANDUM OF AGREEMENT
BETWEEN THE
UNITED STATES DEPARTMENT OF ENERGY
AND THE
UNITED STATES ENRICHMENT CORPORATION

THIS AGREEMENT, entered into as of this first day of July, 1993, by and between the UNITED STATES OF AMERICA (hereinafter referred to as the "Government"), represented by the SECRETARY OF ENERGY (hereinafter referred to as the "Secretary"), the statutory head of the DEPARTMENT OF ENERGY (hereinafter referred to as "DOE"), and the UNITED STATES ENRICHMENT CORPORATION (hereinafter referred to as "USEC");

WITNESSETH THAT:

WHEREAS, the parties have entered into a Lease Agreement effective July 1, 1993 ("the Lease"), relating to the GDPs;

WHEREAS, the Secretary has determined that certain power purchase agreements related to the operation of the Portsmouth Gaseous Diffusion Plant and the Paducah Gaseous Diffusion Plant cannot be transferred to USEC by their terms; and

WHEREAS, DOE is authorized to continue to receive power under such agreements and resell such power to USEC at cost;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I - DEFINITIONS

A. As used throughout this Agreement, the following terms shall have the meanings set forth below:

1. The term "EEI" means Electric Energy, Incorporated, and any successor.

2. The term "EEI Power Purchase Agreement" means the May 4, 1951, Power Agreement, as amended and restated in Modification No. 12, dated September 2, 1987, as further amended, supplemented or modified.

3. The term "OVEC" means Ohio Valley Electric Corporation and any successor.

4. The term "OVEC Power Purchase Agreement" means the Power Agreement dated October 15, 1952, between OVEC and the United States of America, as amended and restated in modification No. 14, effective as of October 15, 1992, as further amended, supplemented, and modified.

5. The term "Power Purchase Agreements" means the EEI Power Purchase Agreement and the OVEC Power Purchase Agreement.

6. The term "Power Suppliers" means OVEC and EEI.

B. Unless otherwise defined herein or required by the provisions of this Agreement, all other terms have the meaning as defined in the Lease.

ARTICLE II - PURPOSE OF MEMORANDUM OF AGREEMENT

The general purpose of this memorandum of agreement (MOA) between DOE and USEC is to clarify the working relationships and responsibility for liabilities incident to supply of electrical power from OVEC and/or EEI for the operation of the GDPs pursuant to the Power Purchase Agreements.

ARTICLE III - POWER SUPPLY

1. DOE will make the energy and power purchased through the Power Purchase Agreements available to USEC.

2. DOE will continue to hold and maintain the Power Purchase Agreements. DOE will also continue to be responsible for the administration of these Agreements.

3. USEC will be responsible for providing the budgetary resources for any and all costs associated with the Power Purchase Agreements except the following:

(a) All charges associated with the demand and energy used to operate the Portsmouth Gaseous Diffusion Plant and the Paducah Gaseous Diffusion Plant before July 1, 1993;

(b) Prior service years post-retirement benefit obligations pursuant to section 6.04 of the OVEC Power Purchase Agreement;

(c) A share of DOE's liability pursuant to section 6.09 of the OVEC Power Purchase Agreement calculated based on the following formula:

$$LD = TLD \times \frac{TMW - UTMW}{TMW}$$

where:

LD = DOE's share of the section 6.09 liability.
TLD = DOE's total liability pursuant to Section 6.09 of the OVEC Power Purchase Agreement.
TMW = The total number of megawatt hours purchased by DOE from OVEC.
UTMW = The portion of TMW that USEC consumed; and

(d) A share of DOE's liability pursuant to section 7.29 of the EEI Power Purchase Agreement calculated based on the following formula:

$$DL = TL \times \frac{TE - UTE}{TE}$$

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where:

DL	=	DOE's share of the section 7.29 liability.
TL	=	DOE's total liability to EEI pursuant to section 7.29 of the EEI Power Purchase Agreement.
TE	=	The total energy purchased by DOE from EEI.
UTE	=	That portion of TE that USEC consumed.

This Section 3 of this Article III shall survive any expiration, conclusion or termination of the MOA.

4. In the administration of the Power Purchase Agreements, DOE agrees not to exercise any rights, take any actions, or consent to any action of the Power Suppliers pursuant to the terms of the Power Purchase Agreements without the consent of USEC except to the extent an emergency occurs or pursuant to the following sections of the Power Purchase Agreements:

(a) Section 1.06 of the OVEC Power Purchase Agreement,

(b) Section 1.07 of the OVEC Power Purchase Agreement,

(c) Section 1.09 of the OVEC Power Purchase Agreement,

(d) Section 6.08 of the OVEC Power Purchase Agreement; and

(e) Section 1.02(5) of the EEI Power Purchase Agreement.

DOE agrees to request USEC's consent to the exercise of rights, action, or consent to any actions in a timely fashion and USEC agrees to respond to any such request in a timely fashion.

DOE agrees to take all actions requested by USEC under the Power Purchase Agreements that are consistent with the terms of the Power Purchase Agreements.

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5. USEC will be responsible for verifying to DOE, in writing and in a timely manner, that the quantities of energy shown on the power billings was delivered. The terms under which USEC will pay DOE for power are set forth in Attachment A. DOE will be responsible for timely payment of all verified bills from the Power Suppliers to the extent USEC has provided funds to DOE.

6. DOE promptly will provide USEC or USEC's designee with copies of all written notices or communications to DOE from the Power Suppliers and the content of all oral communications from the Power Suppliers. If requested by USEC, DOE will notify OVEC or EEI that certain notices or communications under the Power Purchase Agreements should be made concurrently to USEC.

7. USEC will be responsible for operating and maintaining the Portsmouth and Paducah switchyards (and related equipment) to satisfy DOE's obligations under Section 1.05 of the OVEC Power Purchase Agreement and Section 1.03 of the EEI Power Purchase Agreement. DOE may review USEC's operation of the switchyards to ensure that they are operated and maintained in accordance with the Power Purchase Agreements.

8. USEC and DOE will cooperate to assure that all terms and conditions of the Power Purchase Agreements are satisfied.

9. DOE shall not amend, supplement, modify, assign, or terminate either of the Power Purchase Agreements, or consent to the amendment, supplement, modification, assignment, or termination of either of the Power Purchase Agreements, without the prior written consent of USEC. In any negotiations with the Power Suppliers concerning the Power Purchase Agreements, USEC shall be represented on DOE's negotiation team. DOE shall consent to any amendment, supplement, modification, assignment, or termination of either of the Power Purchase Agreements that is requested by USEC so long as USEC's request is consistent with DOE Order 4540.1C, Utility Acquisition and Management, and will not extend the term of the Power Purchase Agreement.

10. USEC will be solely responsible for any power purchase contracts other than Power Purchase Agreements but USEC shall not enter into power purchase contracts that conflict with the terms and conditions of the Power Purchase Agreements.

11. All costs associated with DOE's administration of the Power Purchase Agreements will be paid by USEC through the Lease Agreement dated July 1, 1993 between DOE and USEC.

12. Additional details regarding the roles and responsibilities related to the Power Purchase Agreements will be determined by the parties no later than July 15, 1993.

13. DOE agrees to provide USEC information that will assist USEC in purchasing power and will cooperate with USEC in DOE's maintenance and administration of the Power Purchase Agreements.

14. DOE shall pay through the Supply of Services Memorandum of Agreement (Exhibit F to the Lease) DOE's pro rata share of all charges, rates and liabilities associated with DOE's right under that Memorandum of Agreement to retain demand and energy for its own uses on and after July 1, 1993.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

SECRETARY OF ENERGY

/s/ HAZEL R. O'LEARY

- ---------------------------
HAZEL R. O'LEARY
SECRETARY OF ENERGY

/s/ WILLIAM H. TIMBERS
- ---------------------------
WILLIAM H. TIMBERS
TRANSITION MANAGER
UNITED STATES ENRICHMENT CORPORATION

EXHIBIT 10.12

CONTRACT

between

Lockheed Martin Utility Services, Inc.
Paducah Gaseous Diffusion Plant

and

Oil, Chemical And Atomic Workers
International Union AFL-CIO
And Its Local 3-550

July 31, 1996 - July 31, 2001

CONTRACT BETWEEN

LOCKHEED MARTIN UTILITY SERVICES, INC.
PADUCAH GASEOUS DIFFUSION PLANT

Hereinafter referred to as the "Company"

and

OIL, CHEMICAL AND ATOMIC WORKERS
INTERNATIONAL UNION, AFL-CIO
AND ITS LOCAL 3-550

Hereinafter referred to as the "Union"

July 31, 1996 - July 31, 2001

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ARTICLE I
PURPOSE

It is the intent of the parties that this contract will constitute the complete agreement between the parties hereto, and that no additions, waivers, deletions, changes or amendments shall be made during the term of this contract except by written agreement of the parties.

ARTICLE II
RECOGNITION

Section 1. In conformity with the Labor-Management Relations Act, the Company recognizes the Union as the sole and exclusive bargaining agent for all hourly rated employees, excluding Guards and salaried employees (semi-monthly or weekly), with respect to rates of pay, wages, hours of employment, and other conditions of employment.

Section 2. The term "employee" as used herein will mean any person represented by the Union as described in Section 1 above. For the purpose of this Agreement the use of the masculine pronoun or derivative thereof shall be applied as to include both male and female.

Section 3. It is understood that no incident which occurred prior to the effective date of this contract shall be the subject of complaint under any of the procedures provided in this contract. Grievances arising under the terms of

the previous contract shall be processed in accordance with such terms.

Section 4. The Company agrees not to interfere with the right of employees to join or belong to the Union and the Union agrees not to intimidate or coerce employees to join the Union. The Company further agrees not to discriminate against any employee on account of Union membership or Union activity, and the Union agrees neither to solicit for membership, collect Union funds, nor to engage in other Union activity on Company time unless specifically provided for in this contract.

ARTICLE III
UNION-COMPANY RELATIONSHIP

Section 1. All employees within the Bargaining Unit who are members of the Union upon the execution of this Contract shall, as a condition of employment, maintain their membership to the extent of tendering the periodic dues uniformly required as a condition of retaining membership. All employees in the Bargaining Unit who are not members of the Union upon the execution of this Contract, will within thirty (30) days join the Union, and shall at all times thereafter maintain their membership in the Union as a condition of employment, as set forth above.

Section 2. Upon receipt of proper written authorization from an employee, the Company agrees to deduct from the wages of said employee dues uniformly applicable to all members as certified to the Company by the Union. Payroll deductions of appropriate incremental amounts will be made on a weekly basis until the regular monthly dues amount has been collected unless the employee's paychecks during the month are insufficient to cover the monthly dues amount. Dues deducted and collected for the month will be forwarded to the Financial Secretary of the Union.

Section 3. An employee while this contract is in effect may revoke his dues authorization only during the fifteen (15) day period immediately preceding each anniversary date of this contract becoming effective, and each succeeding year this contract is automatically renewed, by sending written notice registered mail (includes certified mail) to the Company with a copy to the Union.

Section 4. The dues assignment and authorization form shall read as follows:

I, _____
Name

Badge No.: _____

have accepted membership in Oil, Chemical and Atomic Workers International Union, Local 3-550, and hereby assign to the said Local Union during the time I am an employee of Lockheed Martin Utility Services, Inc., Paducah Plant and while I am in the Bargaining Unit represented by the said Local Union an amount equal to the regular uniform monthly dues established by said Local Union in accordance with its Constitution and By-Laws, payable to said Local Union each month. I authorize my said employer to deduct such sum from my wages by weekly payroll deductions as dues for the following month and to remit the same to the Union. This assignment and

authorization may be revoked by me pursuant to the provisions of the Contract

between the Company and the Union.

Social Security No.: _____

_____
Signature

Witnessed: _____ Date: _____

Address:_____

ARTICLE IV
CONTINUITY OF OPERATION

Section 1. There will be no strikes, lockouts, work stoppages, picket lines, slowdowns, secondary boycotts, or disturbances, even of a momentary nature. The Union agrees to support the Company fully in maintaining operations in every way. Participation by any employee, or employees, in an act violating this provision in any way will be complete and immediate cause for discharge by the Company.

Section 2. It is recognized that all members of the Union and the Company are required to comply with all protective security measures now in effect. If it is found that this contract or any part of this contract in any way violates security measures which are now in effect, or which may be put into effect later, and the Company and the Union are notified by the proper authority as to the section or sections of the contract in question, negotiations will begin immediately for the purpose of making required changes.

ARTICLE V
RESPONSIBILITIES

Subject to the Union rights as set forth in this contract the company shall continue to exercise its exclusive responsibility, such as the selection and direction of the working forces, and the rights to promote, demote, transfer, hire, retire, discipline, discharge, and to determine the qualifications of an employee are vested with the Company. Claims of discriminatory or arbitrary promotion, demotion, discipline, or discharge shall be subject to and decided through the Grievance Procedure and Arbitration in this contract.

ARTICLE VI
HOURS OF WORK

Section 1. Definitions:

(a) The payroll week consists of seven (7) days extending from midnight Sunday to midnight Sunday the following week.

(b) The normal workweek consists of forty (40) hours within a payroll week.

(c) The normal workday consists of eight (8) hours of work.

(d) The normal hours for rotating shift workers are 7:00 a.m. to 7:00 p.m. and 7:00 p.m. to 7:00 a.m.

(e) The normal hours for straight day workers are from 7:00 a.m. to 3:30 p.m., Monday through Friday with a thirty (30) minute non-paid lunch period. No time will be deducted for lunch periods when an employee's

scheduled non-paid lunch period is delayed under the following circumstances:

(1) The delay is ordered by the employee's first-line manager.

(2) The delay causes the employee's lunch period to start five (5) hours or more after his starting time.

(3) The minimum amount of time necessary will be taken to eat lunch and in no case to exceed thirty (30) minutes.

(4) Shift workers will be permitted to have a lunch period beginning no later than five (5) hours after the beginning of a shift.

(f) The term working schedule means the arrangement of shift hours to be worked and regular shift changes for employees working on shifts and the regular scheduled arrangement of hours to be worked by straight day workers.

Section 2.

(a) The provisions of this contract shall not be considered as a guarantee by the Company of a minimum number of hours per day or per week, or pay in lieu

thereof, nor a limitation on the maximum hours per day or per week, which may be required to meet operating conditions.

(b) The Company may adjust the working schedule of employees in any group to meet operating requirements and employees may be assigned regularly or temporarily to a schedule other than the normal hours. Plant seniority shift preference within a group will be granted annually to employees upon request. Such annual request must be made no later than January 1, with any change resulting therefrom to be made not later than the week beginning after March 1.

Such preference may be exercised between seven (7) day rotating shifts and five (5) day rotating shifts and other specific shifts except that such preference cannot be exercised between individual letter shifts within a given rotating shift.

Seniority shift preference within a shift preference group will be granted in filling vacancies lasting more than five (5) working days. Seniority shift preference will not apply to vacation relief or to vacancies caused by exercise of seniority shift preference. An employee must be qualified to perform the work involved when a vacancy occurs other than the annual exercise of seniority shift preference.

(c) Employees who work overtime shall not be required to take time off to offset the overtime work.

(d) If a change is made in an employee's work schedule from one established shift to another established shift for the payroll week in which he is notified or less than twenty-four (24) hours prior to the beginning of the payroll week, such employee will be paid for the first eight (8) hours worked on the new schedule at one and one-half (1-1/2) times the employee's straight-time hourly rate, except when such change is made at the request of or for the convenience of the employee. A change in scheduled days off will be considered a shift change.

Section 3. One and one-half (1-1/2) times the straight-time hourly rate shall be paid for all hours worked in excess of eight (8) in any twenty-four (24) hour period or for all hours worked in excess of forty (40) within the applicable payroll week as defined in Section 1 of this Article, whichever of these alternatives provides at the end of the payroll week the greater total pay. An employee who is required to work in excess of sixteen (16) continuous hours, excluding the non-paid lunch hour of a day worker, shall

be paid two (2) times the straight-time hourly rate for all such continuous hours worked in excess of sixteen (16).

Section 4. An employee who has left the plant and is called in by the Company to perform work outside of his regular scheduled shift will receive not less than four (4) hours pay at straight-time, or pay at one and one-half (1-1/2) times his regular rate as overtime pay for such work performed, whichever is greater.

Section 5.

(a) An employee who reports for work on his regular shift without previously having been notified not to report, will be given at least four (4) hours work, or if no work is available, four (4) hours pay, except that if work is unavailable as the result of causes beyond the control of the Company, it shall not be so obligated.

(b) Failure on the part of an employee to keep the Company informed of his current address will relieve the Company of its responsibility under this section of the contract.

Section 6.

(a) Overtime will be distributed in such a manner that each employee within an overtime group will receive his fair share. An overtime spread of sixteen (16) hours between the low employee in the overtime group and the high employee will be considered a reasonable and fair distribution of overtime among employees in the group. Overtime work offered and refused will be counted as overtime worked. A record of overtime will be kept up to date and posted in an accessible location to enable employees to review. The overtime rules shall continue to be used as a means to implement the fair distribution of overtime within an overtime group. An employee can be on only one overtime list at a time.

In scheduled overtime situations where an employee is improperly bypassed for overtime in violation of the Contract, the bypassed employee will be compensated by awarding him the next overtime assignment for which qualified.

Alternate lists will be provided and time permitting, will be polled prior to a compulsory assignment. The Company agrees to meet with the Union to discuss and seek resolution of difficulties which may exist in the administration of overtime distribution. These meetings between Company management and the appropriate Union officials will be held on a

semiannual basis.

(b) Sleeping accommodations will be provided for these employees held over on compulsory overtime assignments and who are without transportation.

(c) Employees held over past their scheduled quitting time will be provided with a minimum of four (4) hours of work except in those instances where tardy relief is the cause of the holdover. When necessary, an employee on tardy relief will be furnished transportation home within a reasonable time.

Section 7.

(a) An employee who is required to work overtime and who works ten (10) or more continuous and successive hours (excluding the noon lunch period of a day worker) will be paid a meal allowance of four dollars and seventy-five cents ($4.75) which will be included in his regular pay check. An additional meal allowance will be allowed for each four (4) hours of consecutive work performed thereafter. In an employee is paid a meal allowance and arrangements are not made for him to have time to eat within the hour thereafter, he will be credited with thirty (30) minutes additional work time

(b) No time will be deducted for lunch periods during such overtime work, it being understood that they will be made as short as possible and in no case exceed thirty (30) minutes.

Section 8.

(a) The following are recognized holidays: New Year's day, Martin Luther King, Jr.'s Birthday, Good Friday, the last Monday in May, Independence Day, Labor Day, Thanksgiving Day, the day following Thanksgiving Day, Christmas Eve, and Christmas. Martin Luther King, Jr.'s Birthday is observed on the third Monday in January; Companion to Independence Day is observed Thursday, July 3, 1997; Thursday, July 2, 1998; Tuesday, July 6, 1999; Wednesday, July 5, 2000; and Thursday, July 5, 2001. The July 4th and Companion Day holiday will be taken back-to-back by rotating shift workers electing the Companion

Day Holiday. If any of the above holidays fall on Sunday, Monday shall be recognized as the holiday. If any of the above holidays fall on Saturday, the preceding Friday shall be recognized as the holiday except that any employee normally scheduled to work on one of the above recognized calendar holidays that fall on Saturday or Sunday, such recognized calendar holiday will be his recognized holiday. If any of the above holidays fall on an employee's scheduled off day, his first succeeding scheduled work day shall be recognized as the holiday except that where Thanksgiving Day or Christmas Eve falls on an employee's scheduled off day, it will be recognized on the first preceding scheduled work day.

(b) A rate of two and one-half (2-1/2) times the straight-time hourly rate shall be paid for all hours worked on the eleven (11) recognized holidays.

(c) Employees will be paid for recognized holidays not worked an amount equivalent to eight (8) times the employees' straight-time hourly rate, subject to the following conditions:

(1) Such pay shall be made to the employee only if the recognized

holiday would normally have been worked by the employee if it had not been a holiday.

(2) An employee who is instructed to work on a holiday but who fails to report and does not have an acceptable excuse, will receive no pay for the holiday.

(3) To be eligible for holiday pay an employee must report for work on his last regularly scheduled working day immediately preceding the holiday and the first regularly scheduled workday immediately following his holiday, unless excused by the Company.

(d) If a designated holiday occurs during an employee's vacation and that employee would otherwise have been scheduled to work on that day had it not been a holiday, such employee shall receive eight (8) hours pay at his straight-time hourly rate in addition to his vacation pay. At the request of the employee, the first-line manager may, at his discretion, grant the employee an extra day off without pay immediately preceding or following his vacation. Such days of absence will not be used for corrective absentee control measures.

Section 9. Double time will be paid for all hours worked on the seventh (7th) consecutive day worked in any payroll week.

Section 10. Overtime premium shall not be duplicated for the same hours under any of the terms of this contract, and to the extent that hours are compensated for at overtime premium rate under one provision they shall not be counted as hours worked in determining overtime compensation under the same or any other provision.

Section 11. Employees may not trade shifts or days off except with the prior approval of their respective first-line manager and further provided that no overtime premium is involved.

Section 12. An employee who is called for jury duty may be excused from work upon presentation of court notice to his immediate first-line manager. The employee who has been so excused will be paid his normal straight-time earnings and the fees received from the court, provided he submits evidence of the amount received from the court. Only the number of his scheduled work days actually spent in court are counted in calculating payment. Employees who would be working the hours between 7:00 a.m. and 3:30 p.m. were they not on jury duty who are not called at the opening of court for actual jury duty and who are excused for the remainder of the day shall report to work within a reasonable time after being excused. An employee will not be required to change shifts because of jury duty.

Section 13. Employees who are unable to vote because of a conflict between voting hours and scheduled working hours in a national, state, county, or municipal election will be allowed sufficient time off to vote provided that they are eligible to vote. Such eligible voting employees will be paid for such absence for a period not to exceed two (2) hours.

Section 14. In determining if an employee is to be paid in accordance with Section 3 and Section 9 of this Article VI, each of the holidays in Section 8, which would ordinarily have been worked, and hours compensated for at time and one-half (1-1/2) under Article VI, Section 2 (d), and those days for which an employee is paid by the Company for jury duty in accordance with Section 12 will court as a day worked. Also, fragmented vacation, funeral leave, and holiday option days taken by an employee will count as a day worked in determining if an employee is to be compensated at time and one-half for all hours worked in

excess of forty (40) hours within the applicable payroll week.

Section 15.

(a) An employee excused for such time as may reasonably be needed for the purpose of attending the funeral of a member of his immediate family will be paid his basic straight-time hourly rate for any or all of three (3) regularly scheduled workdays during the period beginning with the day of death and ending with the day after such funeral. Under the conditions established by the Contract, up to four (4) days will be granted to attend a funeral more than five hundred (500) miles from Paducah, Kentucky. As a special provision, in the event of the death of an employee's spouse or child, the employee will be paid his/her basic straight-time hourly rate for any or all four (4) regularly scheduled work days during the period beginning with the day of death and ending with the second day after such funeral.

For the purpose of this section, the term "a member of his immediate family" shall be defined as, and limited to, the following: spouse, children, parents, grandparents, grandchildren, step-parents, brother, sister, stepbrother, stepsister, parents-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepchildren and grandparents and step-grandparents of the spouse of the employee.

(b) If a death occurs in an employee's immediate family while he is on vacation, he should promptly notify his manager. The employee will be permitted to cancel only those whole days of vacation remaining after notification to his manager, providing he qualifies for funeral pay for those days under this section.

ARTICLE VII
WAGES

Section 1.

(a) Effective 4:00 p.m. July 31, 1996, after adjusting rate group 26, 28 and 30 by $.30, all rates in all rate groups will be increased three and two-tenths (3.2) percent. (Appendix A, Table 1A)

(b) Effective 4:00 p.m. July 31, 1997, all rates in all rate groups will be increased three and two-tenths (3.2) percent. (Appendix A, Table 1B)

(c) Effective 4:00 p.m. July 31, 1998, all rates in all rate groups will be increased three and two-tenths (3.2) percent. (Appendix A, Table 1C)

(d) Effective 4:00 p.m. July 31, 1999, all rates in all rate groups will be increased three and two-tenths (3.2) percent. (Appendix A, Table 1D)

(e) Effective 4:00 p.m. July 31, 2000, all rates in all rate groups will be increased three and two-tenths (3.2) percent. (Appendix A, Table 1E)

(f) Any premium pay referred to in this contract is to be excluded from the calculations of pay unless specifically included.

Section 2. An employee shall receive a shift premium of forty (40) cents per hour for work performed on the evening shift (3:30 p.m. to 11:30 p.m.), and a shift premium of seventy (70) cents per hour for work performed on the midnight shift (11:30 p.m. to 7:30 a.m.) except that no shift premium shall be paid to day shift employees for work performed between 7:00 a.m. and 3:30 p.m.

Section 3. There will be no discrimination because of sex in the application of wage schedule.

Section 4. When an employee is transferred permanently to a job paying a higher rate, he shall immediately receive the higher rate in accordance with Paragraph (d), General Provisions, Appendix A.

Section 5.

(a) An employee who at the request of the Company is temporarily required to do the work in a classification other than his own shall suffer no reduction in his rate of pay.

(b) When an employee is assigned temporarily to a job in a higher classification, the temporary reclassification and rate will be made effective for all hours worked on the first day that an employee performs work in the higher classification for two (2) or more hours. When assigned to the new classification, the employee will be paid the top rate of the new classification.

Section 6. An employee who works Saturday and/or Sunday as part of his normal workweek, will receive an additional forty (40) cents per hour for such hours worked

on Saturday and an additional sixty (60) cents per hour for such hours worked on Sunday. In no case shall such payment be applied to hours paid for at overtime, holiday or premium rates.

Section 7. - Cost of Living Allowance (COLA)

All employees within the bargaining unit as defined in Article II of this Agreement shall be covered by a Cost of Living Allowance as defined and set forth in this Section.

(a) The amount of the Cost of Living Allowance shall be determined and redetermined as provided below in accordance with changes in the Revised Consumer Price Index for Urban Wage Earners and Clerical Workers (1982-84 CPI-W = 100) published by the Bureau of Labor Statistics of the United States Department of Labor, and referred to herein as "Index." The Cost of Living Allowance shall be based on a one (1) cent per hour adjustment for each full 0.1 point change in the Index as provided herein.

(b) (1) After July 31, 1996, Cost of Living adjustments shall be made and shall be payable quarterly when/and if the Index increases in excess of four (4) percent of the base index described below. The base to calculate the initial adjustment which may be due under this Section shall be the Index for June of 1996 (published in July of 1996). Adjustments shall be made November 4, 1996; February 3, 1997; May 5, 1997; and August 4, 1997 if appropriate.

(2) After July 31, 1997, Cost of Living adjustments shall be made and shall be payable quarterly when/and if the Index increases in excess of four (4) percent of the base index described below. The base shall be the Index for June of 1997 (published in July of 1997). Adjustments shall be made November 3, 1997; February 2, 1998; May 4, 1998; and August 3, 1998 if appropriate.

(3) After July 31, 1998, Cost of Living adjustments shall be made and shall be payable quarterly when/and if the Index increases in excess of four (4) percent of the base index described below. The base to calculate the initial adjustment which may be due under this Section shall be the Index for June of 1998 (published in July of 1998). Adjustments shall be made November 2, 1998; February 1, 1999; and May 3, 1999 if appropriate.

(4) After July 31, 1999, Cost of Living adjustments shall be made and shall be payable quarterly when/and if the Index increases in excess of four (4) percent of the base index described below. The base to calculate the initial adjustment which may be due under this Section shall be the Index for June of 1999 (published in July of 1999). Adjustments shall be made November 1, 1999; February 7, 2000; and May 1, 2000 if appropriate.

(5) After July 31, 2000, Cost of Living adjustments shall be made and shall be payable quarterly when/and if the Index increases in excess of four (4) percent of the base index described below. The base to calculate the initial adjustment which may be due under this Section shall be the Index for June of 2000 (published in July of 2000). Adjustments shall be made November 6, 2000; February 6, 2001; and May 7, 2001 if appropriate.

(c) In computing overtime pay, vacation pay, holiday pay, call-in pay, disability pay, jury duty pay, funeral leave pay, and military makeup pay as provided in this Agreement, the amount of any Cost of Living Allowance then in effect shall be included.

(d) In the event that the Bureau of Labor Statistics does not issue the Index on or before the beginning of the pay period referred to in Paragraph (b) above, any adjustment required will be made at the beginning of the first pay period after receipt of the Index.

(e) No adjustment, retroactive or otherwise, shall be made in the amount of the Cost of Living Allowance due to any revision which may later be made in the published figures for the Index for any month on the basis of which the Cost of Living has been determined.

(f) The continuance of the Cost of Living Allowance as herein provided is dependent upon the continued availability of the official monthly Index in its present form and calculated on the same basis as the currently published Revised Consumer Price Index for Urban Wage Earners and Clerical Workers (1982-84 CPI-W = 100) unless otherwise agreed upon by the Company and the Union.

(g) COLA being paid shall be considered as wages for the purpose of pension, group insurance and savings plan.

Section 8.

Employees required to perform a shift turnover will be paid two times the straight time hourly rate for each twelve minute shift turnover completed.

ARTICLE VIII
LAYOFF ALLOWANCE

Section 1. Layoff allowance for an employee terminated from the payroll on account of reduction in force or because of occupational or nonoccupational disability shall be in accordance with the following schedule:

Service Credit	Allowance
Under 12 weeks	No allowance
12 weeks - 1 year	Same proportion of 1 week's pay as completed months of service are of 12 months
1 year - 3 years	1 week (or 40 hours)
3 years - 5 years	2 weeks (or 80 hours)
5 years - 7 years	3 weeks (or 120 hours)
7 years - 10 years	4 weeks (or 160 hours)
10 years	6 weeks (or 240 hours)
11 years or more	Same as for 10 years plus 1 week (or 40 hours) for each added year of service

Section 2. An employee who is rehired and subsequently laid off from the payroll will receive layoff allowance based on his most recent rehire date.

Section 3. A layoff allowance applicable to retirement terminations will be paid in accordance with the Table in Section 1 of this Article for Company Service Credit as of January 1, 1967. Retirement layoff allowance will not be applicable to any new employee nor for Company Service Credit of present employees accrued after January 1, 1967.

Section 4. If the contract between the government and Lockheed Martin Utility Services, Inc., is terminated and not renewed during the term of this contract and an employee becomes the employee of a successor contract or within ten (10) days of the date of change in contractors, layoff allowance will not be payable to such transferred employee by Lockheed Martin Utility Services, Inc. It is understood that any employee who may be so transferred and laid off by the successor contractor during the term of this contract shall suffer no loss of benefits accrued under this Article. If an employee is not transferred to the

successor contractor within the above-mentioned ten (10) days and is laid off, he will receive benefits from Lockheed Martin Utility Services, Inc. as set forth in this Article.

ARTICLE IX
DISABILITY PAY
(Effective as listed below through September 30, 1996; thereafter, refer to the Administrative Letter on page 82 and "Major Features comparison of Current and Proposed Benefits Plans", pages 48-67, for any modifications to this section.)

Section 1. Short Term Disability Plan

Effective September 1, 1990, an employee disabled and unable to work due to illness, pregnancy, or occupational or nonoccupational injury, will be paid 100% of his basic straight-time hourly rate in accordance with the terms and conditions of the Short Term Disability Plan set forth in the "Disability Benefits" section of the Martin Marietta Energy Systems, Inc. Benefits Handbook", dated April 1, 1990 (pages 39 through 45, inclusive, of such booklet to be considered a part hereof) which provides for payment in accordance with following schedule:

Company Service Credit	Maximum Number of Months of Payment Per Absence
at least 1 month but less than 2 months	1
at least 2 months but less than 3 months	2
at least 3 months but less than 4 months	3
at least 4 months but less than 5 months	4
at least 5 months but less than 6 months	5
at least 6 or more months	6

Section 2. Long Term Disability Plan

Effective September 1, 1990, an employee totally disabled for six months will become eligible to receive sixty percent (60%) of his monthly basic straight time rate up to a specified maximum monthly benefit paid in accordance with the terms and conditions of the Long Term Disability Plan set forth in the "Disability Benefits" section of the "Martin Marietta Energy Systems, Inc. Benefits Handbook" referred to in Section 1 above and will be paid, if he is totally and permanently disabled as defined in the above-referenced handbook, until he reaches age 65. Under specified circumstances, such benefits will continue beyond age 65. Such benefits will be reduced by any income benefits the employee is eligible to receive from other sources such as Social Security, Worker's Compensation, other statutory benefits, and other Company benefit plans.

If a dispute arises as a result of an employee's claim that he or she is totally and permanently disabled as defined in the above-referenced handbook or that

such employee continues to be totally and permanently disabled the dispute shall be resolved in the following manner upon the filing with the Company of a written request for review by such employee not more than 60 days after receipt of denial:

The employee shall be examined by a physician appointed for the purpose by the Company and by a physician appointed for the purpose by the Union. If they disagree concerning whether the employee is totally and permanently disabled, the question shall be submitted to a third physician selected by such two physicians. The medical opinion of the third physician, after examination by him or her of the employee and consultation

with the other two physicians, shall be final and binding on the Company, the Union, and the employee. The fees and expenses of the third physician shall be shared equally by the Company and the Union.

Section 3. Conditions of Payment

(a) Payments under the Short Term and Long Term Disability Plans referred to in Sections 1 and 2 of this Article will not be made for:

(1) Any disability occurring during the first 12 months that the employee's plan coverage is in effect if caused by any condition for which he received treatment during the three month period before his coverage became effective, or

(2) Any period of incapacity beyond the third consecutive calendar day during which the employee is not under treatment by a licensed practicing physician, or

(3) Any disability caused directly or indirectly by war declared or undeclared, or

(4) Any intentionally self-inflicted injury, or

(5) Any disability resulting from commission of a felony, or

(6) Any disability due to willful misconduct, violation of plant rules, or refusal to use safety appliances.

(b) Payments under these plans will be made only to employees whose absence is due to nonoccupational or occupational disability and will not be paid to employees who are absent for other reasons.

(c) Payments will only be made when the Company is provided, if it so requests, with a doctor's certificate, subject to confirmation by a doctor selected by the Company, as proof that the employee's absence was due to legitimate nonoccupational or occupational illness or injury. Under normal circumstances, a doctor's certification will not be requested by the Company during the first three consecutive calendar days of the absence. However, certification may be

requested by the Company for any or all of the first three days if the Company has reason to question the absence.

(d) Payments will only be made when employees properly report their absence and the cause of their absence to the proper Company representative in a prompt manner.

(e) Payments are applicable only for the normal workweek and normal work day. In case working hours of the plant are changed, it is understood that payment under the above schedule will be changed in direct proportion to the change in working hours.

(f) It is recognized by the Union that the Company has a continuing interest in reducing absenteeism, no matter what the cause.

Section 4. Administration of Plans

(a) Short Term Disability Plan

The administration of the Short Term Disability Plan and the payment of benefits under this plan shall be handled by the Company.

(b) Long Term Disability Plan

The administration of the Long Term Disability Plan and the payment of benefits under this Plan shall be handled directly by the Insurance Company, it being understood that a claimant whose benefits claim is denied may contest such denial with the Insurance Company but that he or she shall have no redress whatsoever against the Company. It is agreed, however, that in any case in which an employee claiming benefits under this Plan and desiring to file such claim with the Insurance Company becomes engaged in a nonmedical factual dispute with the Company in connection with such claim (such as a disagreement over his or her earnings group, eligibility, employment status, amount of Company Service Credit or other nonmedical factual question) such employee and the Union may process a grievance in accordance with the terms of this Contract. It is agreed, however, that any and all medical questions in dispute shall be determined solely by the Insurance Company, except as provided under the second paragraph of Section 2 of this Article. It is understood that the Company shall retain the right to select and arrange with an Insurance Company

to provide certain benefits available under these Plans; and to replace the Insurance Company from time to time as it may deem appropriate.

Section 5. Company Service Credit During Approved Nonoccupational or Occupational Absences

An employee who is disabled and unable to work will receive Company Service credit for the period of his Short Term Disability approved by the Company and/or the period of his Long Term Disability approved by the Insurance Company.

ARTICLE X
LEAVE OF ABSENCE

Section 1. Leave of absence, without pay, up to fifteen (15) consecutive calendar days shall be granted upon presentation by an employee of evidence acceptable to the Company that such leave of absence is for a reasonable purpose, and provided further that such leave will not interfere with

operations.

Section 2.

(a) Upon written request to the Company made by the Union a reasonable period in advance, an employee certified by the Union to be a full-time Union official may be granted a leave of absence without pay to engage in work pertaining to the business of the Union. The number of employee's granted such leaves of absence may not exceed six (6) per thousand (1000) employees at any time.

(b) An employee certified by the Union to be a full-time Union official shall be granted not more than one (1) thirty (30) day leave of absence in any calendar year renewable only in increments of two (2) years if an official elects to accept a full-time assignment with the Union. Such leaves shall be granted only at such times as will not interfere with operations. The Company will give advance notice of the expiration of the long-term [two (2) years] leave.

(c) An employee granted such leave of absence must return all security identification issued to him.

Section 3.

(a) An employee who returns to work after a leave of absence as described in Sections 1 and 2 of this Article will be reinstated in the job classification group which he left and for which he is physically qualified provided he has more seniority than the least senior employee in said job classification.

(b) Unless excused, an employee who does not return to work within five (5) days following the expiration of his leave of absence will be considered as having resigned voluntarily and will forfeit all of his seniority rights.

Section 4. The Group Insurance of an employee will be continued in force during such authorized leave of absence in case and in such manner as the provisions of the Company Group Insurance contract permit, provided that he pays his share of the Group Insurance premium at least monthly in advance.

Section 5. The Hospitalization and Surgical Plan Insurance of an employee will be continued in force during such authorized leave of absence in case and in such manner as the provisions of the Company Insurance Contract permit provided that he pays the full premium at least monthly in advance.

Section 6. The Company will comply with the Family and Medical Leave Act of 1993.

ARTICLE XI
VACATIONS

Vacation eligibility is as follows:

(a) An employee must complete one (1) year of Company Service Credit to obtain initial eligibility for two (2) weeks vacation. However, one (1) week of this initial vacation eligibility maybe taken after completing six (6) months of Company Service Credit.

(b) During calendar years in which an employee completes from two (2) through four (4) years of Company Service Credit, he shall receive two (2) weeks of vacation.

(c) During calendar years in which an employee completes from five (5) through nine (9) years of Company Service Credit, he shall receive three (3) weeks of vacation.

(d) During calendar years in which an employee completes from ten (10) through nineteen (19) years of Company Service Credit, he shall receive four (4) weeks of vacation.

(e) During calendar years in which an employee completes from twenty (20) through twenty-nine (29) years of Company Service Credit, he shall receive five (5) weeks of vacation.

(f) During calendar years in which an employee completes thirty (30) or more years of Company Service Credit, he shall receive six (6) weeks of vacation.

(g) The Vacation Plan shall be administered in accordance with the vacation regulations contained in Appendix D, attached hereto and made a part hereof.

ARTICLE XII
SENIORITY

Section 1. Definitions:

(a) A vacancy is said to exist in a job classification when there is a need for a permanent replacement or addition.

(b) An employee is said to be laid off when he leaves a job classification because of a reduction in force.

(c) The recall listing is defined as that list on which an employee will be placed at the time he is laid off from a job classification.

(d) For recall purposes, an employee will be placed on the recall list of the job classification from which he was laid off, or if he so elects in writing to the Company his base job classification, or any other job classification from which he has been laid off in which he has been for at least four (4) years.

(e) An employee's base job classification group is that group into which he is hired.

Section 2.

(a) Plant seniority is based on the total length of service of an employee. The seniority of each employee is his relative position with respect to other employees.

(b) Group seniority is administered within the job classification groups outlined in Appendix C.

(c) A new employee shall be considered a probationary employee for the first sixty (60) days worked and at the end of that period, if he is retained, his name will be placed on the Seniority List and his seniority shall date from the date of hire. A probationary employee shall be subject to layoff, discipline, or discharge at the sole discretion of the Company.

(d) An employee will lose his seniority when he is discharged, when he resigns, or when he is on the recall listing and declines or fails to report within five (5) days or makes satisfactory arrangements when offered employment in job classification from which he was laid off except that an employee who is on the payroll in another job in the bargaining unit when recalled, will lose only his recall rights to the job to which he is recalled when he does not respond to the recall.

(e) An employee or a former employee who is on the recall listing shall continue to accumulate seniority while off the payroll only up until four (4) years from his layoff date. If a former employee is not recalled within four (4) years from the date of layoff he will cease to have seniority. An employee who is not recalled within four (4) years from the date of layoff will lose only his recall rights.

(f) Employees will retain and accumulate seniority during periods of excused absence or leave of absence.

(g) (1) When an employee enters a job classification group by transfer from another group, he will acquire group seniority in the group which he has entered only after he has been in such group one (1) year. Such group seniority shall then date back to his date of entry into the group. The seniority which he has accumulated in his base job classification group shall remain in that group as group seniority. Should such employee become subject to layoff in the new group he may elect to return to his base job classification group with all the seniority he retains in his base

job classification group plus seniority which he has accumulated in any other groups. As between employees in a job classification who have not yet acquired group seniority, total plant seniority will prevail in a case of a layoff.

(2) If an employee is laid off from one job classification and accepts a transfer to another classification, his standing in the new job classification will not be affected by later layoffs in his previous job classification. Any job that an employee takes when there is a layoff in his job classification, in which he is involved to avoid termination, will not be considered a voluntary transfer.

(3) If more than one (1) employee is transferred into a new job classification on the same day they will be placed on the seniority list in the new job classification according to their bargaining unit seniority.

(4) Employees, other than those referred to in Section 4 (d) below and Trainees, who voluntarily transfer into a job classification, and, if before they have obtained seniority right in said job

classification a layoff occurs in his previous job classification, he shall be subject to layoff as though he were still in his previous job classification.

Section 3.

(a) When a reduction in force is to be made in any job classification within a job classification group, the employee having the least amount of group seniority in the job classification shall be the first to be laid off. Any employee thus scheduled to be laid off may displace, if he so desires:

The least senior (group) employee in an equal or lower-rated job classification in the same job classification group whose work he has the skill and qualifications to perform.

(b) When a reduction in force is to be made in any job classification, the following employee in that job classification group may be retained irrespective of seniority.

A physically handicapped employee who by reason of occupational injury while employed by the Company merits special consideration.

(c) In the event of a layoff the Union will be notified prior to the layoff and will be given a list of names of employees who are to be laid off as far in advance as possible. Also, at the time the list is being typed, the Union President will be notified.

Section 4.

(a) When a vacancy exists the job will be offered to employees laid off from the job classification in the following order:

(1) To qualified employees who are still in the job classification group.

(2) To qualified employees with seniority in the job classification group, who are on the recall listing in the order of their seniority.

(b) If the vacancy has not been filled by the procedure outlined above or by promotion from within the job classification group, consideration will be given to senior qualified employees in lower rated job classifications who make application for such vacancies within ten (10) calendar days following posting of such vacancies.

(c) A list of vacancies will be posted on the bulletin boards specifying job titles, general qualifications, rates of pay, and hours of work. Qualified employees in lower rated jobs within the plant may make application for such vacancies within ten (10) calendar days following such posting. An employee interested in bidding may request an appropriate job bid form from his manager who will assist him in submitting his bid to the Employment Office for evaluation. The Union will receive a list of all job bids which are accepted or rejected. When an employee is selected and accepts a job bid and the employee is not released within thirty (30) calendar days from the date of his acceptance, the bidder will then be reclassified, paid the new rate, and given a new seniority date. However, in no case shall a new hire be placed on the seniority list ahead of a successful bidder or a non-union employee who has expressed interest in that particular job bid and has

been selected for the job.

(d) An employee selected to fill a new job or vacancy will be given reasonable time, not more than twelve (12) weeks, with proper instructions, to learn the job before final decision is made of his ability to handle the job.

(e) If it develops before the end of the twelve (12) week period that he is not capable of handling the new job, he shall be entitled to return to his former job with his former status.

(f) If none of the above employees are qualified or available, the Company may fill the job as it sees fit.

Section 5.

(a) Employees who transfer out of the bargaining unit after the effective date of this contract cease to have any bargaining unit seniority thirty (30) calendar days after such transfer. If such employee so wishes, he may return to the bargaining unit within this thirty (30) day period without loss of seniority.

(b) Individuals who, as of July 31, 1979, had past accumulated seniority rights under Article XII, Section 5 of the collective bargaining agreement in effect on that date will be permitted to indicate in writing a desire to retain those rights for a nine (9) month period beginning August 24, 1979. Individuals who do not signify such a desire in writing will cease to have any seniority as of September 24, 1979. Those employees who do retain rights for the nine (9) month period mentioned above, will cease to have such rights as of May 24, 1980. A list of individuals retaining such seniority after September 24 will be provided the Union.

Section 6.

(a) The Company and Union will establish a recall listing of laid off employees.

(b) The Company and Union will establish seniority listings (Group and Bargaining Unit) showing the name of all employees in the order of their seniority ranking in the various classifications in the job classification groups in which the employee holds seniority.

(c) The Company will maintain the two (2) listings and give the Union forty-five (45) copies of each listing for their sole and exclusive use within forty-five (45) days after the effective date of this contract, and a list of revisions each three (3) months thereafter. No changes in these two (2) listings may be made except by mutual agreement between the Company and the Union.

Section 7.

(a) Transfers will not be made for the specific purpose of discriminating against an employee.

(b) Work normally associated with one classification in this Plant will not be transferred permanently to another classification in this Plant. When he requests, a Union representative will be informed as to whether transfer of work is temporary or permanent. In no case will the transfer of work deny the use of the recall list for a period longer than thirty (30) calendar days. All work normally associated with a classification will be returned to the rightful classification before layoff occurs in that classification. The time a job has been performed on an out-of-classification basis will not be used exclusively in making a determination into which classification the work belongs in case of a layoff.

ARTICLE XIII
GRIEVANCE PROCEDURE

Section 1.

(a) The Company will recognize the following number of properly certified Union representatives in the Plant for the purpose of representing employees in the manner as specified in this Grievance Procedure:

Three (3) Committee persons, one (1) from each of the three (3) recognized Divisions of the Plant as shown in Appendix B who, with the local President as Chairperson, shall constitute the Grievance Committee.

Twenty-four (24) Stewards, from the twenty-four (24) recognized Districts are shown in Appendix B.

(b) Employees thus duly certified and recognized as Union representatives shall report to and obtain permission from their first-line manager whenever it becomes necessary to leave their work for the purpose of handling grievances in their respective Divisions or Districts, and shall inform their first-line manager of their intended destination and itinerary and shall report back to their first-line manager at the time they return to work. Upon request, certified Union representatives may be granted use of the telephone at reasonable times to

handle grievances within their respective Districts or Divisions. Certified Union representatives may be excused for reasonable periods from their work without loss of pay when handling grievances or disputes in the appropriate steps of this Grievance Procedure. The Local Union President, or his designated representative, may be excused for reasonable periods from work without loss of pay when handling grievances in the Third Step of this Grievance Procedure. Permission to leave work as referred to above will be granted provided such absences do not conflict with the efficient operation of the plant.

Section 2.

First Step: An employee may allege a grievance under the terms of this contract and present such grievance to his first-line manager with or without his Union Steward. In such case every effort will be made to provide a Steward as soon as reasonably possible unless near the end of the shift time will not permit. Unless settlement is reached within four (4) days (the Steward will receive the answer), such grievance may be presented by the Stewards in writing to the

first-line manager on an appropriate form within the next seven (7) days. The first-line manager shall give his decision in writing to the Steward within two (2) days of presentation.

Second Step: A grievance not settled satisfactorily in the First Step may be appealed by the Division Committee person with a copy of the written grievance and a written statement of the reasons for the appeal to the Employee Relations Department.

On Wednesday at 2:00 p.m. the Employee Relations Manager or his designated representative will hear any accumulated grievances appealed in writing to this Step at least twenty-four (24) hours prior to the meeting. The Employee Relations Manager will consider such grievances and give written answer within four (4) days. This meeting may be attended by other Company representatives, including the immediate first-line manager of the employee, the Steward, and the Committeeperson from the respective District and Division wherein the grievance originated.

Grievances arising out of discharge or disciplinary suspension may be initiated at this Second Step and heard at any reasonable time after an employee has protested the action to his immediate first-line manager and has failed to secure a satisfactory settlement. When an employee is called into a discussion which may result in disciplinary documentation including reprimand, suspension or being sent home, he will be provided Union representation if he so requests. A copy of the First-line Manager's Report prepared will be furnished to the Union.

Third Step: Grievances not settled satisfactorily in the Second Step may be appealed by the Chairperson of the Grievance Committee or his designated employee representative to the General Manager or his designated representative through the Employee Relations Department with a brief written statement of the reasons for the appeal.

On Monday at 2:00 p.m., the General Manager, or his designated representative, will meet with the Grievance Committee if there are any accumulated grievances appealed in writing to this Step at least twenty-four (24) hours prior to the meeting. Grievances will be answered in writing within ten (10) days.

In addition to the aggrieved employee, and the Steward from the District, who may be present if he chooses, other Company representatives, International Representatives of the Union, and the Local Union President, or his designated representative may also attend the meeting, provided they have security clearance from the Governmental Agency having jurisdiction if that Agency feels that such clearance is necessary.

Section 3. The answer of the Company in the Third Step shall be final and binding on the last day it is due unless the grievance is withdrawn prior to that date or is appealed to arbitration.

Section 4. Any grievances not taken up with the employee's immediate first-line manager within fifteen (15) days, exclusive of days of excused absence, after knowledge of the occurrence from which the grievance arose cannot thereafter be processed through the Grievance Procedure. A grievance will be considered withdrawn if the decision of the Company is not appealed to the next higher step in the above procedure within five (5) days after a decision has been rendered by the Company except that appeal to the Third Step may be made within ten (10) days. If the Company fails to answer a grievance within the specified time limits of this procedure, the Union's appeal will automatically progress to the next step of the Grievance Procedure.

Section 5. Every reasonable effort shall be made to settle grievances promptly. In the calculation of time limits under the Grievance and Arbitration Procedure, Saturdays, Sundays, and Holidays are excluded.

Section 6. The Union shall notify the Company in writing promptly of the appointment or election of all Stewards, Committeepersons and officers. Whenever a regular certified Union representative is absent from his job for any length of time, the Union may, if it feels it is necessary, appoint an assistant Steward or Committeeperson

in place of the regular Steward or Committeeperson and shall notify the Company in writing in advance.

This appointee shall act in this capacity when the regular Steward or Committeeperson is not working and until the Company is notified by the Union that the appointment is canceled.

Section 7. All settlements of disputes or grievances will not vary the terms of the Contract.

Any oral settlements will be non-precedent setting.

ARTICLE XIV
ARBITRATION

Section 1. If a grievance is not satisfactorily settled by the procedure outlined in Article XIII, the grievance may be submitted to arbitration if it involves the interpretation or application of the contract.

Section 2.

(a) Within fifteen (15) days or on the day after the next monthly Union meeting whichever is later, after the decision rendered by the Company in the Third Step of the Grievance Procedure either party desiring to arbitrate a matter may request the Director of the Federal Mediation and Conciliation Service to submit the names of seven (7) arbitrators. Upon refusal of either party to join in such a request the other party may make the request. The Union and the Company shall alternately strike a name from the list (the first to strike shall be determined by lot) until the name of one individual remains. The decision of the arbitrator shall be rendered on the interpretation and application of the contract solely as it applies to the matter before him and shall not add to, disregard or modify any of the provisions of this contract. Such decision shall be final and binding on both parties.

(b) Any grievance which has not been assigned to and accepted by an arbitrator within two (2) years after the date of appeal to arbitration will be considered withdrawn by mutual consent on a no precedent basis.

(c) The current backlog of grievances will be worked independently of new grievances. Any grievances not resolved and not scheduled for

arbitration within two (2) years following the effective date of this Contract will result in the grievances being withdrawn by mutual consent without precedent.

Section 3. The expense and compensation of the arbitrator shall be borne by and divided equally between the Union and the Company. Where the arbitration proceedings involve discussion of classified information, the arbitrator shall be cleared by the Government Agency having jurisdiction if the Agency feels that such clearance is required. Up to two (2) arbitration cases may be arbitrated at one time using the same Arbitrator.

Section 4. In any proceedings under this Article the Company will make every reasonable effort to release from work employees needed as witnesses.

Section 5. Arbitration cases will be requested to be heard within ninety (90) days after an arbitrator has been selected. It is agreed that the parties will jointly request the rendering of a decision within thirty (30) days after briefs have been filed.

ARTICLE XV
MISCELLANEOUS

Section 1.

(a) Non-bargaining unit personnel shall not do bargaining unit work normally performed exclusively by the bargaining unit. This does not prevent such Non-bargaining unit personnel from performing necessary functions such as instruction or assistance to employees, provided the assistance rendered does not displace the person doing the work or from operating equipment or processes in emergencies or for experimental purposes.

(b) Scientific research personnel may perform manual work to further their research provided that such work does not deprive an employee of his job.

Section 2. A joint Labor-Management Safety Advisory Committee consisting of six (6) members, three (3) to be selected by the Company and three (3) selected by the Union, will be established to make recommendations for improvements in the safety and accident prevention program.

The Company will see that the Committee is provided adequate information concerning accident investigation reports and recommendations for accident prevention actions, to enable the members to make knowledgeable recommendations for the disposition of proposed safety actions.

The Company will also, on request, make arrangements for the Committee to visit the scene of any disabling or other serious accident so that they may have a better understanding of its cause. In the same manner, the Company will arrange for a designated member of the Committee to see firsthand, conditions in the Plant which are alleged by an employee to be unsafe and/or detrimental to health. If an accident investigation committee is formed to investigate an accident involving a Bargaining Unit employee, the Union will designate as the Union's representative a Bargaining Unit employee who normally works in the area in which the accident occurred.

Company will discuss the results of the accident investigation of any disabling or other serious accident with the Committee within three (3) days of completion of the investigation. Accidents of less severity will be discussed at the next joint advisory committee meeting.

The Company will pay three (3) delegates selected by the Union to attend the Governor's Health and Safety Conference. A maximum of eight (8) hours straight-time pay will be allowed for each of the three (3) days.

Meetings will be held as determined by the Committee, at least monthly, and matters considered by the Committee will be recorded by minutes of the meetings.

Section 3.

(a) The Company will continue to make provisions for the safety and health of employees while at work.

(b) On an annual basis starting January 1, 1997, the Company will pay employees a $200.00 safety related equipment (safety shoes) allowance less any required taxes. Employees will be paid the allowance in the month in which their birthday occurs. Employees who are required to wear safety shoes are required to maintain a serviceable pair of safety shoes to wear on plant site.

Section 4. Company Service Credit will be determined in accordance with Company Service Credit Rules as set forth in Appendix E.

Section 5. The Union shall be permitted to use a sufficient number of designated Company bulletin boards for posting notices and announcements of official business. All such notices and announcements shall be submitted to the Company for approval and posting.

Section 6. Personal absences without pay will be administered in accordance with the provisions set out in Appendix F.

Section 7. There shall be no discrimination because of race, color, creed, national origin or sex. Nor will there be discrimination against any employee because he is handicapped, a disabled veteran or a veteran of the Vietnam era as these terms are used in applicable federal statutes, including the Americans with Disabilities Act.

Section 8. The Company agrees to make coveralls available to all members of the bargaining unit who wish to wear them while at work. Thermal underwear will be made available to all members of the Bargaining Unit who may be required to do extensive outside work [two (2) hours or more per day] during the winter months. Insulated coveralls and gloves will be issued upon approval of appropriate first-line manager.

Section 9. Reprimands antedating a period of twelve (12) months on the active payroll, during which time no reprimand has been received, will be removed from the employee's record. Suspensions antedating a period of twenty-four (24) months on the active payroll, during which time no reprimand has been received, will be removed from the employee's record.

Section 10. Employees who are telephoned while at home and requested to provide information about plant operations will be paid an inconvenience allowance equal to the employee's straight time hourly rate for the duration of the telephone call, but in no event less than one tenth of one hour. This payment shall not be counted as hours of work in the computation of overtime or premium pay.

Section 11. During January of each calendar year, starting 1997, the company will pay $250.00 to each qualified E-Squad member who had attended both the mandatory training sessions in the prior calendar year.

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Section 12. A twenty-five (25) cent per hour premium will be paid for all Truck Drivers who have a CDL.

Section 13.

(a) An employee will be released from work and paid straight time wages for the hours 7:00 a.m. to 11:00 a.m. each Monday through Friday while performing the duties of Benefit Representative.

(b) An employee, other than the Benefit Representative, will be released from work and paid straight time wages for the hours 11:30 a.m. to 3:30 p.m. each Monday through Friday while performing the duties of ES&H Representative.

ARTICLE XVI
EDUCATIONAL ASSISTANCE PROGRAM

Company will provide financial assistance up to one hundred (100) percent of the cost of tuition, laboratory fees, and required text books to employees who while still actively employed and outside their regular working hours satisfactorily complete qualified courses of study related to bargaining unit work in recognized schools or colleges. Applications must be filed and approved prior to starting of course. An employee who is receiving Government financial assistance for education is not eligible for a refund under this program.

ARTICLE XVII
TERM OF CONTRACT

Section 1. This contract is made and entered into by and between Lockheed Martin Utility Services, Inc., Paducah Plant, Paducah, Kentucky, its successors or assigns, and the Oil, Chemical and Atomic Workers International Union, AFL-CIO, and its Local 3-550.

Section 2. This contract shall become effective as of 4:00 p.m., July 31, 1996, and shall continue in effect until 7:00 a.m., July 31, 2001, and shall automatically be renewed thereafter from year to year unless either party notifies the other in writing sixty (60) days prior to the expiration date that it desires to terminate or modify the provisions of this contract.

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IN WITNESS WHEREOF, each of the parties has caused this Contract to be executed by its duly authorized representatives on this the 30th day of July, 1996.

OIL, CHEMICAL AND ATOMIC WORKERS
INTERNATIONAL UNION, AFL-CIO

BY: /s/ A. Maxwell

OIL, CHEMICAL AND ATOMIC WORKERS
LOCAL 3-550

BY: /s/ D. R. Fuller
/s/ D. J. Steele
/s/ B. A. Anderson
/s/ R. W. Davis
/s/ M. L. Pullen
/s/ D. Belt
/s/ D. D. McDougal

LOCKHEED MARTIN UTILITY SERVICES, INC.
PADUCAH GASEOUS DIFFUSION PLANT

BY: /s/ W. E. Thompson
/s/ S. A. Williams
/s/ H. C. Anderson
/s/ L. K. Pahl
/s/ J. Fletcher
/s/ D. Gourieux
/s/ G. Pierce
/s/ L. E. McKinney
/s/ R. Uhlinger

EXHIBIT 10.13

L O C K H E E D M A R T I N

CONTRACT

between

LOCKHEED MARTIN UTILITY SERVICES, INC.
PORTSMOUTH GASEOUS DIFFUSION PLANT

and

OIL, CHEMICAL AND ATOMIC WORKERS
INTERNATIONAL UNION, AND ITS
AFFILIATED LOCAL NO. 3-689

Effective: 12:00 A.M. - April 1, 1996
Expiration: 12:01 A.M. - May 2, 2000

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CONTRACT

This Contract is made and entered into by and between Lockheed Martin Utility Systems, Inc., Portsmouth Gaseous Diffusion Plant, hereinafter referred to as the "Company", and Oil, Chemical and Atomic Workers International Union, and its affiliated Local Union No. 3-689, hereinafter referred to as the "Union."

This Contract shall become effective immediately following ratification by the membership of the Union, and shall continue in effect through May 2, 2000.

The Company and the Union desire to establish satisfactory wages, hours, working conditions, and conditions of employment for the employees of the Company covered by the terms of the Contract, and further, to encourage closer cooperation and understanding between the Company and the Union to the end that a mutually satisfactory, continuous, and harmonious relationship may exist between the parties to this Contract.

Now, therefore, the Company and the Union mutually agree as follows:

ARTICLE I

SCOPE

This Contract shall constitute the complete agreement between the parties hereto with reference to wages, hours, working conditions, and conditions of employment. Any additions, waivers, deletions, changes, amendments, memorandum of understanding, or modifications that may be made to this Contract shall be effected through the collective bargaining process between authorized representatives of the Company and the Union subject to ratification by the membership of Local 3-689. All other written understandings between the parties not incorporated herein by reference at the effective date of this Contract, are hereby terminated. Any application, interpretation or alleged violation of this Contract or of amendments thereto can be a proper subject for the grievance procedure.

In the event that any of the provisions of this Contract are found to be in conflict with any valid Federal or State law now existing or hereinafter enacted, it is agreed that such law shall supersede the conflicting provisions without in any way affecting the remainder of these provisions.

ARTICLE II

RECOGNITION

Section 1. Establishment and Limitation.

In conformity with the Labor-Management Relations Act of 1947, as amended, the Company recognizes the Union as the sole and exclusive bargaining agent for those hourly employees, excluding Police and salaried personnel, included in the National Labor Relations Board Certification No. 9-CR-2361 with respect to rates of pay, wages, hours of employment, and other Union for the representation of employees within this bargaining unit during the life of this Contract.

Section 2. Definition of Employee.

The term "employee" as used herein shall mean any person represented by the Union as set forth in Section 1, Article II, of this Contract.

Section 3. Contract Distribution.

As a means of informing all employees as to their rights, privileges, and obligations under this Contract, the Company agrees to furnish a copy of this Contract to each employee.

Section 4. Noninterference.

The Company agrees not to interfere with the right of employees to join or belong to the Union and the Union agrees not to intimidate or to coerce employees to join the Union. The Company further agrees not to discriminate against any employee on account of Union membership or Union activity. The Union agrees neither to solicit for membership nor to collect Union funds on Company time.

ARTICLE III

UNION SECURITY AND DEDUCTION OF DUES

Section 1. Dues Requirements.

All employees within the bargaining unit who are members of the Union upon the execution of this Contract shall, as a condition of employment, maintain their membership to the extent of tendering the periodic dues uniformly required as a condition of retaining membership. All employees in the bargaining unit who are not members of the Union upon the execution of this Contract, but who later elect to join the Union, shall at all times thereafter maintain their membership in the Union as a condition of employment, as set forth above. All employees hired after the execution of this Contract shall, as a condition of employment, become members of the Union not later than thirty-one (31) days after the date upon which they were hired, and shall thereafter maintain their membership in the Union as a condition of employment, as set forth above.

Section 2. Delinquency of Dues.

Before any termination of employment pursuant to this Article becomes effective, the employee involved shall first be given notice in writing by the Union to pay delinquent dues. If the employee fails to pay the delinquent dues, the Union shall then notify the Company of the delinquency. Upon receipt of such notice in writing, the Company shall then notify the employee to pay the delinquent dues and if such dues are tendered within one (1) calendar week after receipt of this notification from the Company, dismissal under this Article shall not be

required.

Section 3. Deduction of Dues.

For the convenience of the Union and its members, the Company, during the life of this Contract, shall deduct an initiation fee and regular monthly dues from the paychecks of each employee who individually and voluntarily executes and delivers to the Company an Assignment and Authorization in the form set forth in Section 7 of this Article. Such deductions shall be forwarded to the Treasurer of the Local Union with a listing showing the names of those employees, if any, whose paychecks were insufficient to cover the deductions. An Authorization must be delivered to the

Company at least seven (7) days before the second payday of the month in which the first weekly deduction is to be made.

Section 4. Authorization of Deduction.

An Authorization and Assignment shall be irrevocable for a period of one year form the date thereof or until termination of this Contract, whichever occurs sooner, and shall automatically renew itself for successive irrevocable annual periods unless the employee who signed it gives notice to the contrary in writing by registered mail to both the Company and the Union no less than two (2) days nor more than seventeen (17) days before the expiration of the authorization or before the expiration of any annual renewal period as the case may be.

Section 5. Make-Up Dues.

Upon receipt, from the Treasurer of the Local Union, of Union members' names and amounts of dues that have been missed through payroll deductions, the Company shall deduct the make-up dues in the following week, or in subsequent weeks as the money becomes available, and forward to the Treasurer of the Local Union, in accordance with Section 3.

Section 6. Termination of Deduction.

No deductions under this Article shall be made from paychecks from Union members who have terminated their employment or transferred out of the bargaining until prior to the second payday of the month, unless they have worked or received paychecks equivalent to five (5) workdays or more in that month.

Section 7. Voluntary Checkoff.

The Union agrees that it shall indemnify the Company and save it harmless from any and all claims which may be made against it on account of amounts deducted from wages as provided in this Article.

VOLUNTARY CHECKOFF AUTHORIZATION

Name:

Badge No: Department: Date:

I hereby assign to the Oil, Chemical and Atomic Workers, Local 3-689, and authorize Lockheed Martin Utility Services, Inc. to deduct from the wages due me while in the employ of the Company, dues in the amount of $ per month, or such dues as the Union's Constitution and By-Laws may be amended to provide in four equal weekly installments each calendar month. I further authorize the Company to deduct from my wages an initiation fee in the amount of $.

This authorization shall be irrevocable for the period of one (1) year from the date hereof, or until the termination of the Contract between the Company and the Union, whichever occurs sooner. Furthermore, this authorization shall automatically renew itself for successive irrevocable annual periods, unless I give notice to the contrary in writing by registered mail to both the Company and the Union no less than two (2) days and no more than seventeen (17) days before expiration hereof or before expiration of any annual renewal period, as the case may be.

(Signature) _____

(Address) _____

ARTICLE IV

MANAGEMENT CLAUSE

The management of the business and the authority to execute all of the various functions and responsibilities incident thereto are vested in the Company. The direction of the workforce, the establishment of plant policies, the determination of the processes and means of manufacture, the units of personnel required to perform such processes, and other responsibilities incidental to the operation of the plant are vested in the Company. Such duties, functions, and responsibilities shall also include hiring, retirement, disciplining, evaluating the qualifications of employees

and promotions. The exercise of such authority shall not conflict with the rights of the Union under the terms of this Contract.

ARTICLE V

CONTINUITY OF OPERATION

There shall be no strikes, lockouts, work stoppages, picket lines, slowdowns, secondary boycotts, or disturbances. The Union agrees to support the Company fully in maintaining operations in every way.

Participation by any employee or employees in an act violating this provision in any way shall be Cause for discharge by the Company. Any discipline imposed shall be applied equally and indiscriminately to all employees according to the degree of involvement.

ARTICLE VI

PROTECTIVE SECURITY

It is recognized that all members of the Union and the Company are required to comply with all protective security measures now in effect. If the Company is notified by DOE that this Contract in any way violates security measures which are now in effect, or which may be put into effect later, the company shall in turn immediately notify the Union in writing of the need to renegotiate the section or sections of the Contract in question for the purpose of making the required changes.

ARTICLE VII

GRIEVANCE PROCEDURE

Section 1. Intent and Distribution of Answers.

The parties to this Contract recognize that grievances should be settled promptly and as close to their sources as possible. Further, both parties shall endeavor to present all the facts relating to the grievance at the first step of the grievance procedure in order that an equitable solution may be achieved. The Company in the second, third

and fourth steps of the grievance procedure shall give written answers to the grievance within the specified time limits unless extended by mutual consent. Copies of written answers to grievances shall be distributed or mailed to the Local Union Hall, the Local Union President, Vice-President (2 copies), the Division Committeepersons, the Alternate Committeepersons, the Steward of the aggrieved employees, and each aggrieved employee signing the grievance.

Section 2. Union Representatives.

(a) Number of Representatives

The Company shall recognize the following number of properly certified Union representatives in the plant for the purpose of representing employees in the manner specified in this Grievance Procedure:

(1) The Local Union President.

(2) The General Grievance Committee consisting of the Vice- President of the Local Union who shall serve as Chairperson, and three (3) Committeepersons, one (1) from each of the recognized Representation Divisions as shown in Appendix A to this Contract.

(3) Twenty (20) Stewards. The number may be adjusted as mutually agreed upon as the need arises.

When a properly certified Union representative is unavailable for any reason, the Company shall recognize an alternate certified by the Union. It is understood that only one, the Steward or the alternate will be recognized for each incident.

(b) Steward Districts

The Company will recognize the Union Steward Districts as defined by the Union, but not to exceed the number specified per Article VII, Section 2(a)(3). The Union will provide the Company with a current listing, as changes occur, of recognized stewards and alternates and districts which each represents.

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(c) Grievance Investigation

Certified Union representatives shall be excused from work for reasonable periods of time during their scheduled working hours when handling grievances in the appropriate steps of this grievance procedure, excluding arbitration without loss of pay. These representatives shall be paid upon presentation of an approved A-1020.

Employees thus duly certified and recognized as Union Representatives shall report to and obtain permission from their immediate supervisor whenever it becomes necessary to leave their work for the purpose of handling grievances in their respective divisions or districts, shall inform their supervision of their intended destinations and itinerary, shall notify the supervision of any department in which it becomes necessary to contact employees for the purpose of settling or investigating grievances, and shall report back to their immediate supervision at the time they return to work. The Union President, Vice-President, and three (3) Committeepersons will be excused from work to handle grievances without loss of pay, when the bargaining unit is 1200 members or above.

Should the bargaining unit decrease below 1200, eight (8) hours per week will be deducted for each fifty (50) employees reduced from the Bargaining Unit.

Subtraction from the hours payable shall be made in eight hour increments. (See letter dated 2/14/96, page 166).

The above Union officials shall have access to the plant with proper approval at any time and shall notify supervision in the area in which they are present.

(d) Joint Company-Union Training

The Company and the Union agree to establish a Joint Training Committee (2 members to be appointed by each party) designed to better inform and utilize Union Committeepersons and Alternates, Stewards and Alternates and management representatives.

Training programs will be developed and presented by the parties subject to review by the Joint Training Committees. Participating employees will be

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excused from work on the third Thursday of every other month from 12:00 noon to 4:00 p.m. without loss of pay except as programs are postponed by mutual agreement.

Section 3. Disciplinary Cases.

It is recognized that the maintenance of discipline is essential to the orderly operation of the plant and also that the invoking of disciplinary action should be designed to correct the conduct of the employees involved rather than to

punish.

In the great majority of inaction of rules, termination of employment for disciplinary reasons is justified only after the employee has been given the opportunity to correct his/her behavior and has failed to respond to disciplinary measures.

(a) Discussions

1. When an employee is called into a discussion which may result in disciplinary documentation, including reprimand, suspension, or being sent home, the employee shall be fully informed that a Union representative may be brought into the discussion. The Union Vice-President shall be informed in writing of any action taken. Any of the above can be a proper subject for the grievance procedure.

2. When an employee is called into a discussion which may result in discharge, the employee shall be fully informed that a Union representative may be brought into the discussion.

The decision to terminate an employee will not be made until at least two full working days have elapsed from the infraction. During this time, thorough consideration will be given to all facts and circumstances which are relevant to the matter. At the request of the Union, Company representatives will meet with Union representatives during the two-day period to discuss such relevant facts and circumstances.

The Union Vice-President shall be informed in writing of any action taken.

The action taken can be a proper subject for the grievance procedure.

(b) Record Review

Written records of past documented disciplinary discussions, reprimands and/or suspensions which have been placed in the employee's file, exclusive of actions resulting from any future violation of Article V, shall be reviewed by the end of one year by the employee's supervision and the employee to determine whether they should be removed from all files and destroyed or retained up to a maximum period of two years.

(c) Initiation of Grievances - Step 3 or Step 4

If the employee or the Union files a written grievance protesting a suspension or discharge, within ten (10) days, such grievance shall be initiated at Step 3 or 4 of the Grievance Procedure. If such discharge or suspension is found to have been unjustified, the employee shall be reinstated to his/her former job and shall be compensated for all earnings lost, less pay for any penalty time decided upon, if any.

Section 4. General Grievances

Controversies may arise of a nature so general as directly to affect the majority of employees in a classification or department, or the majority of all employees. It is agreed that issues of this nature need not be subjected to the entire grievance procedure but may be initiated at Step 3 or Step 4. Attendance at Grievance Hearings initiated at Step 4 may include members of both negotiating committees.

Section 5. Time Limits

(a) Extension

Any grievance not taken up with an employee's immediate supervision within ten (10) days after the employee, or a certified Union representative has knowledge of the occurrence of the incident from which the grievance arose, cannot be processed through the grievance procedure. The employee or a certified Union representative may request an extension of five (5) days to investigate the grievance.

(b) Withdrawn - Settled

A grievance shall be considered settled or withdrawn if the decision of the Company is not appealed to the next higher step in the grievance procedure within ten (10) days after a decision has been rendered by the Company, unless this period is extended by mutual agreement between the parties.

(c) Answer

Any grievance not answered within the specific time limit may be immediately taken to the next higher step of the grievance procedure.

(d) Calculation of Time

In the calculation of time limits under the grievance provisions, including arbitration, "days" shall mean calendar days excluding Saturdays, Sundays, Holidays, Vacations, and the scheduled days off of the aggrieved employee, whichever results in the longer period.

(e) Postponement - Hearing

A hearing at Step 2 may be postponed by mutual agreement of the Division Committeeperson and the department supervisor involved. A hearing at Step 4 may be postponed by mutual agreement between te Local Union Vice-President and the Director of Human Resources or his/her designated representative.

Section 6. Grievance Steps

Step 1: An employee who feels that he/she has a grievance may, as soon as reasonably possible, discuss it with his/her immediate supervision and Union Steward. The employee's immediate supervision shall answer the grievance as soon as possible but no later than at the end of the next scheduled work shift of the aggrieved employee. Settlements made in this step of the grievance procedure shall have no precedent value.

Step 2: If the grievance has not been disposed of at Step 1, it shall be reduced to writing on an appropriate form and presented to the aggrieved

employee's department supervisor. Such written grievance shall be signed by the employee or the Committeepersons of that Representation Division and shall be identified by number. The Union shall, to the best of its ability, state in the written grievance all of the facts justifying the grievance and the provision of te Contract involved. A hearing shall be held within thirty (30) days for shift workers and five (5) days for day shift workers. The hearing may be attended by the aggrieved employee, the District Steward, and the Division Committeeperson at the option of the Union; and by his/her Supervisor, and other representatives of the Company; and may include other affected parties mutually agreed upon in advance between the Division Committeeperson and the affected supervisors involved.

Hearings shall be scheduled at 4:00 p.m. for employees on the afternoon shift and 7:00 a.m. for the employees on the night shift or any other mutually agreed time. The aggrieved employee's supervisor shall answer the grievance within ten (10) days after the hearing.

Step 3: If the grievance is not settled satisfactory at Step 2, it may be appealed at the option of the Union to either Step 3 or Step 4. If appealed to Step 3, the appropriate Division Manager will review the facts with the Committeeperson and will determine if a full hearing at Step 3 will be held, if the grievance will be returned to Step 2 for a rehearing, by mutual agreement with Committeepersons or if the appeal will be denied and passed on to Step 4. Replies to the appeal will be made within two (2) days. Hearings at Step 3 will be held on Thursdays or at a time mutually agreed to by the Division Committeeperson and the appropriate Division Manager. Hearings may be attended by the aggrieved Division Manager. Hearings may be attended by the aggrieved employee, Steward, Committeeperson at the option of the Union, and by the appropriate Division Manager and other representatives of the Company, and may include other affected parties mutually agreed upon in advance between the Division Committeeperson and the affected Division Manager involved. The Company will answer the grievance in writing within ten (10) days of the hearing.

Step 4: If the grievance is not settled satisfactorily at the 2nd or 3rd Step, it may be appealed in writing to the Director of Human Resources or his/her designated representative. Such written appeal shall state the reasons

why the decision in the second or third step is not acceptable, shall be signed by the Vice-President of the Local Union or respective Committeeperson, and shall be presented to the Director of Human resources or his/her designated representative, together with a copy of the Step 2 or 3 Company Answer.

On Wednesday mornings, at 9:00 a.m. (or any other day mutually agreed to by the parties as the need arises) hearings shall be held on plantsite on any grievance appeals which have been delivered to the Director of Human Resources or his/her designated representative, by 10:00 a.m. three work days preceding the hearing. The attendance at this hearing shall include the Union General Grievance Committee and if mutually agreed upon, at the option of the Union, the aggrieved employee or employees, with pay, or persons deemed necessary by the Union;

the Director of Human Resources or his/her designated representative, Division Manager, and other representatives of the Company. The Company shall answer the grievance in writing within fourteen (14) calendar days following the hearing.

Section 7. Monetary Settlements

Any money due an employee as a result of the settlement of a grievance shall be paid within two (2) weeks following the settlement. Written notification will be given to the Vice-President of the Union to this effect.

Section 8. Arbitration

(a) Submission Procedure

1. Controversies which may arise concerning the reprimand, discharge, or suspension of employees, or controversies concerning the application, interpretation, or alleged violation of this Contract, which cannot be amicably settled in previous steps in the grievance procedure, may be submitted for settlement to an Impartial Arbitrator. The Company will date stamp and delivery a copy of the final Step 4 answer to the Union Vice-President, or designated representative. A grievance shall be considered withdrawn unless he Union appeals the grievance to arbitration within forty-five (45) days from the date of stamp.

2. At the option of the Union, the Union President or his/her designated representative, and, if it desires, an International Representative may meet with the Director of Human Resources or his/her designated representative and at the Company's option, the affected Division Manager(s) to discuss the grievance prior to submission to arbitration. Within ten (10) days following the above meeting, the Local Union President and the Chairperson of the Union's General Grievance Committee or designated representative, (and may at the option of the Union include an International Union Representative) shall meet with representatives of the Company during the Union representatives of the Company during the Union representative's scheduled working hours, without loss of pay and attempt to agree upon an Impartial Arbitrator. Should the parties be unable to agree upon an arbitrator, the Company and the Union shall alternately strike one name from the list, the first to strike to be decided by lot, until only one name remains, and the remaining arbitrator shall be the arbitrator to hear and decide the controversy.

(b) 1. Grievances processed through Step 4 of the grievance procedure normally will be prepared to the Arbitrator in the Order that they are filed; however, the Union may indicate cases of high priority to be heard by the Umpire out of normal order.

2. Any grievance filed on or after the date of this contract, which has not been assigned to the impartial arbitrator within three (3) years after the date of appeal to arbitration, shall be considered withdrawn by mutual consent on a non-precedential basis. Grievances filed prior to the date of this Contract shall not be subject to this Section or the corresponding Section of

3. The Company shall have the right to schedule one grievance per contract year out of sequence to be arbitrated. If the Union's position is upheld in arbitration the Company shall pay the total

cost of arbitrating the grievance. If the Company's position is upheld, or a split decision is rendered, the arbitration cost shall be paid in accordance with Contract Language [Article VII, Section 8(i)]. (Language taken from MOU "Scheduling Grievances for Arbitration" signed by the parties 5-2-85.)

4. The Parties shall mutually agree upon fifteen (15) Impartial Arbitrators who shall be selected from lists submitted by both parties.

(c) Should one of the above arbitrators die, become incapacitated, or refuse to act, the parties thereto shall mutually agree upon a successor to the panel.

(d) Each party will strike one member of the arbitration panel in (b) above. The remaining members will be submitted for Q clearances, and will hear all grievances containing disclosure of classified information.

(e) Stipulation of Issues

The Company and the Union may stipulate the nature of the dispute and the issues involved jointly in one stipulation or singly in separate stipulations. In the event that the parties stipulate the nature and issues of the dispute singly, a copy of such stipulation shall be furnished the other party at the same time the stipulation is submitted to the arbitrator.

(f) Hearing Date

It is agreed by the parties to this Contract that arbitration cases shall be heard as soon as possible. On a date agreeable to both parties, the date to be set in conformity therewith by the arbitrator, the parties, or their designated representatives shall at the time and place appointed by the Impartial Arbitrator, appear and present either a written or oral statement of the issues involved for consideration by the Impartial Arbitrator. Any written statement of issues shall be furnished the other party at the arbitration hearing. In designation of the place, the Impartial Arbitrator shall be restricted to the area in which the plant is situated unless otherwise agreed upon. The Impartial Arbitrator shall schedule hearings of grievances in the order in which such grievances are submitted, unless the Company and the Union agree upon a different order for hearing.

(g) Decision-Time Limit

The Impartial Arbitrator shall render a decision on every grievance which has been submitted within thirty (30) calendar days from the date of hearing, unless additional time is requested by the arbitrator and is mutually agreed upon between the Company and the Union.

(h) Implementation of Decision

The decision of the Impartial Arbitrator shall be final and binding upon both parties and shall invoke immediate compliance by the parties. Any money due an employee as a result of such decision shall be paid not later than two (2) weeks following the receipt of a written decision to this effect.

(i) Cost

The expense and compensation of the Impartial Arbitrator shall be borne by and divided equally between the Union and the Company.

(j) Attendance at Hearing

In all proceedings under this section, the Company shall release from work the following employees when deemed necessary by the Union for a fair and reasonable presentation of its case before the Impartial Arbitrator without loss of earnings:

1. President
2. Members of the General Grievance Committee
3. A Steward
4. Two (2) Aggrieved Employees

Additional employees will be released upon request without pay provided that supervision can make arrangements to efficiently continue the work.

(k) Power of Arbitrator

The Impartial Arbitrator shall not have the power to make any award changing, amending, or adding to the provisions of this Contract.

ARTICLE VIII

SENIORITY

Section 1. Definitions

(a) Permanent Vacancy

An addition of an employee in a classification for a period in excess of thirty (30) days shall constitute a permanent vacancy, to be filled under provisions of Section 6(a) of this Article. When the addition is a new hire (exclusive of trainee and second class), the posting procedures under Article VIII, Section 6(b), will be initiated upon the employee's arrival in the department or within thirty (30) days of hire, whichever comes first.

(b) Permanent Movement Procedure

Permanent movements within a classification for a period in excess of thirty (30) days shall be made under provisions of Section 6(b), (c), and (d) of this Article.

(c) Temporary Movement Procedure

Temporary movements among groups within a classification shall be made

under the provisions of Section 6(e) of this Article.

When the Company determines that the absence of an employee who was replaced under Section 6(e) will exceed thirty (30) accumulated days the opening shall be posted or the temporary assignment discontinued.

(d) Surplus

A reduction of employees within a classification shall constitute a surplus.

(e) Base Classification

An employee's base classification is his/her base classification of record on the effective date of this Contract, or if hired thereafter, the classification in which he/she is hired.

(f) Plantwide Seniority

An employee's plantwide seniority shall be his/her plantwide seniority of record on the effective date of this Contract plus all time spent in the bargaining unit thereafter.

(g) Classification Seniority

An employee's classification seniority shall be his/her classification seniority of record on the effective date of this Contract in his/her then current classification plus accumulated time spent thereafter in such classification.

Subsequent to the effective date of this Contract an employee who is permanently transferred to a classification other than his/her base classification shall be credited with prior accumulated time in that classification.

An employee disqualified from trainee or operator-in-training, who qualifies and is awarded a plantwide posting into another classification at the time of disqualification, shall have such new classification as the employee's base classification. Such employee's base date will be the date of the award in the new classification. In such an instance the employee's base date and plantwide seniority date will not be the same.

Employees who enter trainee or second class, subsequent to the effective date of this Contract will be given seniority credit for time spent in those classifications. Such classification seniority credit will be given upon reaching first class of their respective classification.

Subsequent to the effective date of this Contract an employee who is permanently transferred to a base classification shall have as his/her classification seniority his/her total plantwide seniority.

(h) Recall List

The recall listing is defined as that list(s) on which an employee is placed at the time he/she is on recall to a classification(s). An employee at the time of layoff may elect at his/her option to be placed on more than one recall listing provided he/she has accumulated seniority for that classification.

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An employee placed on more than one(1) recall list will be paid a layoff allowance on a weekly basis as provided according to Article XII, Section 1. An employee wishing to be placed on only one (1) recall list will be paid a lump sum allowance according to Article XII, Action 1. An employee who is placed on more than one(1) recall list will no longer be considered eligible for recall to the classification refused.

An employee in the Miscellaneous Group who is placed at his/her option on one or more recall list(s), other than the Miscellaneous Group list, shall be paid a layoff allowance on a weekly basis as provided according to Article XII, Section 1.

(i) Miscellaneous Recall

The following paragraph refers only to those employees with Miscellaneous Group classification seniority prior to May 2, 1988:

An employee laid off from any Miscellaneous Group classification shall be placed on the Miscellaneous Group recall listing, and deleted from the recall listing for any one classification within the Miscellaneous Group. Such employee following recall to the Miscellaneous Group shall be placed on the recall list to his/her base classification within the Miscellaneous Group.

NOTE: Those who enter Miscellaneous Group classifications for the first time after May 2, 1988 will be handled in accordance with Article VIII, Section 1(h).

(j) Group

The word "group" as used herein is defined as an organizational unit of one or more employees of the same classification within a shift assigned similar and common work of their classification, as determined by the Company. However, the Company shall not eliminate or consolidate groups without just cause.

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Section 2. Continuous Service

An employee's continuous service with the Company shall consist of the time actually spent on the payroll, plus properly approved absences from work, to be determined under the following rules:

(a) Leave of Absence

When an employee is on a leave of absence granted by the Company, his/her service shall be considered as continuous without any deductions if the absence does not exceed one year. However, service shall be considered as continuous without any deductions for employees on leave of absence for:

(1) Occupational disability under Article IX, Section 1(b);

(2) Public office under Article IX, Section 2(c) for the duration of a single term of office only;

(3) Non-occupational disability under Article IX, Section 1(c);

(4) Union official on full-time international status under Article IX, Section 2(a), not to exceed four years;

(5) Educational Exit under Article IX, Section 1(e).

(b) Military Service

An employee who leaves the employment of the company to enter military service, either by voluntary enlistment or by induction under the Selective Service System, shall be reinstated under the provisions of applicable Federal Statutes, upon application within the designated period of time following honorable or general discharge, provided he/she qualifies under the seniority rules and is physically capable of performing the work required. Upon reinstatement, such employee shall be given credit for continuous service from the time he/she left the employment of the Company to enter Military Service to the date of reinstatement.

(c) Laid Off-Service Credited

A laid off employee shall accumulate service for a period of time equal to his/her continuous service at the time of layoff, but not to exceed two (2) years for any single period of layoff. A laid off employee will have recall rights for five (5) years.

If a laid off employee is recalled he/she shall be credited with the accumulated service. (Refer to Memorandum of Understanding entitled "Laid Off-Service Credited," page 92).

(d) Loss of Service

An employee shall lose continuous service when he/she is discharged, released, resigns, retires, accepts layoff without recall rights, is on continuous layoff for more than five (5) years from date of layoff, or when he/she is on the recall listing, but not on the active payroll and declines or fails to report or make satisfactory arrangements within ten (10) calendar days after being notified of a recall. If such employee is later rehired, he/she shall be considered a new employee and continuous service shall date from the date of most recent hire. (See MOU, Credited Service Rule and Adjustments, page 143.)

(e) Notification-Recall

An employee shall be considered to be notified of a recall opportunity when an offer of recall has been sent by registered mail to the most recent address as recorded in the Hourly Personnel Department. Copies of registered letters to recalled individuals will be mailed to the Union Vice-President at the time mailed to recalled individuals.

Section 3. Probationary Period

A new employee shall be considered a probationary employee and shall have no seniority rights for the first thirty (30) calendar days of employment. A probationary employee shall be subject to layoff, discipline, or discharge at the sole discretion of the Company for the first ninety (90) calendar days of

employment.

Section 4. Security Clearance Requirement

Should the security clearance granted to any employee be suspended or cancelled by DOE, such employee may be discharged immediately and such discharge shall not be subject to the Grievance Procedure. However, if such action by DOE is later reversed, the employee shall be reinstated without loss of seniority, compensated for all earnings lost and credited with such time as continuous service.

Section 5. Reduction in Force

(a) When a reduction in force is to be made in a classification, the employee having the least amount of classification seniority shall be the first to be declared surplus.

When a surplus is declared to any 1st Class or Operator category -

(1) Employees in the trainee classification of the base classification shall be the first to be declared surplus.

(2) Employees in the 2nd class of the base classification shall be next to be declared surplus.

(b) Surplus Options

If further reductions are required, an equivalent number of senior employees will be permitted to take voluntary layoff as stipulated in paragraph (f) of this section. should further reductions be necessary, the following procedure will apply:

(1) Return to base classification. An employee in returning to a base classification may use his/her plantwide seniority to displace the employee with the least classification seniority, and exercise bumping privileges under the provisions of Section 6(c) of this Article.

(2) An employee with Miscellaneous Group seniority prior to May 2, 1988, and is surplused from a Miscellaneous Group classification only may transfer to (or use his/her plantwide seniority to return to) any classification in the Miscellaneous Group, for which qualified, provided he/she has more plantwide seniority than an employee in such classification. An employee who has transferred to any other classification in the Miscellaneous Group as the result of a reduction in force shall have, for purposes of subsequent reduction in force only, classification seniority equal to his/her plantwide seniority.

(3) Or accept layoff

However, any employee in the Miscellaneous Group who elects to

accept layoff when subject to immediate recall to another classification in the Miscellaneous Group, for which qualified, can only be placed on recall to the classification from which he/she is accepting layoff. This exception will take preference over Article VIII, Section 1(h) and (i).

NOTE: Employees with Miscellaneous Group seniority beginning after May 2, 1988 will be handled in accordance with Article VIII, Section 5(b)(1).

(c) List of Surplused Employees

In the event of a surplus, the three Division Committeepersons and the Steward of the classification affected shall be given a list of the names of the employees who are surplus, together with the effective date of such surplus.

(d) Announcement of Layoffs

The Director of Personnel or his/her designated representative shall, where practical, give the Local Union President advance knowledge of scheduled layoffs.

(e) Layoff List

In the event of a layoff, the Employment Department shall mail to the Union Office a list of the names of the employees laid off.

(f) Voluntary Layoff Options

(1) Voluntary Layoff with Recall Rights

Any employee within the classification having more seniority than the employees who are scheduled to be laid off may accept a voluntary layoff as provided in paragraph three (3) below. The employee will be placed on the recall list of the classification from which he/she is laid off.

Employees electing to take voluntary layoff will be paid a layoff allowance on a weekly basis up to the eligibility shown in Article XII, Section 1.

(2) Voluntary Layoff Without Recall Rights

Any employee within the classification having more seniority than the employees who are scheduled to be laid off may accept a voluntary layoff without recall rights to thereby reduce the personnel units otherwise scheduled to be laid off, provided procedure in paragraph (3) below is followed. Employees accepting a voluntary layoff without recall rights will be paid a lump sum layoff allowance consistent with Article XII, Section 1.

(3) Voluntary Layoff Application Procedure

A. Written application must be made to the Hourly Personnel Department requesting a voluntary layoff. This application must be presented during the first half of the period between the date of announcement of the reduction in force and effective date of the layoff.

B. Form A-1500, "Acknowledgment of the Conditions of Layoff," will be signed by employees electing to take voluntary layoff.

(4) The senior employees permitted to accept a voluntary layoff from any classification shall not exceed the number scheduled to be surplused from such classification.

Section 6. Permanent, Additional, Temporary Movements

(a) Filling Permanent Vacancies

(1) A. When the Company has determined that a permanent vacancy exists in a classification, qualified employees on recall to that classification shall be recalled in order of classification seniority (for purposes of such recall, this shall mean total accumulated time recorded in the

classification) whether they have displaced other employees in the plant or have left the plant.

B. However, when the Company has determined that a permanent vacancy exists in a classification within the Miscellaneous Group, qualified employees on recall to such classification who have not left the plant shall be recalled in order of classification seniority (for purpose of such recall, this shall mean total accumulated time recorded in the classification). The next step in filling such vacancy would be to recall employees who are on the Miscellaneous Group recall listing in order of plantwide seniority, provided they qualify to fill such vacancy.

If such vacancy still exists, the procedure would be to post within the Miscellaneous Group classifications only. Only those employees currently in Miscellaneous Group classifications would be eligible for consideration, utilizing Miscellaneous Group classifications seniority.

(2) When a permanent vacancy cannot be filled by the procedure in (1) above, it shall be posted for seven (7) calendar days at fifteen (15) mutually agreed upon plant locations.

(3) Permanent vacancies shall be awarded to the employee with the most plantwide seniority in another classification, who is qualified, and who has signed the posting. (Those people who wish to cancel their bid must do so within four (4) calendar days from the date that the posting is removed from the board. This cancellation must be submitted to the Employment Department in writing by 4:00 p.m. on the fourth day.)

Classification seniority will begin the date of the award. In the event a grievance is filed concerning qualifications under the preceding sentence it shall be initiated at and heard in the Hourly Employment Department. The hearing may be attended by the aggrieved employee and a member of the General Grievance Committee. If the grievance is not settled satisfactorily it maybe appealed to the Fourth Step in the Grievance Procedure. In the event a dispute concerning qualifications is referred by either party to Arbitration, the Impartial Arbitrator shall

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have the authority to render a decision based on the criteria established by the Company.

(a) An employee who has been awarded a permanent vacancy shall be transferred as soon as possible but not later than thirty (30) days after the vacancy posting period has been completed.

(b) An employee who has been awarded a permanent vacancy shall be required to accept the vacancy.

(c) An employee awarded a vacancy shall be given a reasonable length of time with proper instructions to learn the job. If unable to learn the job he/she may return to his/her last prior classification, displace the employee with the least classification seniority and exercise bumping privileges under the provisions of Section 6(c) of this Article.

(d) When a permanent vacancy cannot be filled by the procedure outlined above, consideration shall be given to a qualified employee not on the active payroll but on an active recall list. If an employee does not accept such offer of a permanent vacancy in the classification involved, he/she shall not be removed from the active recall list(s) on which he/she presently appears.

(e) Employees awarded permanent vacancies shall be advised by letter by the Employment Department within seven (7) days after the posting has been completed.

(f) After vacancies have been awarded, a list of employees awarded such vacancies shall be posted at each of the fifteen (15) posting locations. These lists shall be identified, showing the classification in which the award was made. Copies of these lists shall be sent to the Union.

(g) Any employee classified as an Operator who bids for and is awarded a vacancy in another Operator classification or Operator in Training classification shall be paid the highest Operator in Training rate until completion of training and qualified

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in the new Operator classification. Operators will be given first preference for Operator or Operator in Training vacancies.

(b) New Hires

The Company may hire and assign a newly hired employee(s) to fill the vacancy or vacancies (first time placement only) until the next

realignment without posting the vacancy(s). Subsequent movements before the next realignment shall be by contract.

(c) Addition to a Classification (Bid, Recall)

(1) When the Company determines that a personnel unit(s) is to be added to a classification, the Company shall post a notice designating the group(s) needing an increase in personnel units, which may be signed by any employee in that classification. The posting shall be for seven (7) calendar days on the Department Bulletin Boards of those departments to which employees in the classification are assigned.

(2) The employee(s) with the most classification seniority who has signed the posting shall be moved into the designated group.

(3) The Company shall post again as in Item (1), and accomplish the second movement as in Item (2).

(4) Regardless of classification seniority, the added employee in the classification shall move into the group from which the employee in Item (3) moved. However, when more than one employee is being recalled to more than one group at the same time, the recalled employees shall be canvassed in order of classification seniority to determine preference among such groups.

(5) These movements resulting from any posting under Item (1) shall be accomplished not later than the second Monday following the determination of the moving employees under Items (2), (3), and (4).

(6) Not more than three permanent movements within a classification shall result from each posting under Item (1).

(7) Refer to Memorandum of Understanding "Permanent Movement, Reduction in Force (Assistant Boiler Operator - Boiler Operator - Stationary Engineer) Steam Plant Classifications," page 93.

(d) Returning to a Classification

When a personnel unit(s) returns to a classification under Section 5(b)(1) (Reduction in Force), under Section 6 (a)(3)C (return to last prior classification) from a leave of absence, or from military service as provided under Section 2(b), the returning employee shall return to the group which he/she left. Should this create an excess in that group, procedures outlined in Section 6(d) shall be followed.

(e) Permanent Movements Within a Classification

(1) When the Company determines that there is a need to increase the personnel units in a group and to decrease the personnel units in another group within the same classification, for a period in excess of thirty (30) days, the Company shall post a notice designating the groups involved which may be signed by any employee in that classification.

(2) The employee with the most classification seniority who has signed the posting shall be moved to the group in which the Company indicated there is a need.

(3) The group in which the Company determined there is an excess number shall be canvassed to determine if an employee in the excess group desires to fill the vacancy created in Item (2). If no employee elects to accept the vacancy, then the least senior employee in the excess group shall move to any group where the employee can displace an employee with less classification seniority. The least senior employee in such group which has been displaced shall be permitted to bump to any

group in the classification where he/she can displace a less senior employee. This procedure will continue until the need is filled, but not for more than three bumps. If the need has not been filled after three bumps have occurred, the employee displaced by the third bump shall be assigned to the remaining opening.

(4) In the event no one signs the posting under Item (1) and no movement results under Item (2), then the excess group shall be canvassed in order of classification seniority to determine if anyone desires to accept bumping privileges. If no employee elects this option then the least senior employee in the group shall move to any group where he/she can displace a less senior employee. If an employee in the excess group chooses to bump or if the least senior employee in the excess group must bump, then the least senior employee in the group which is displaced by the movement out of the excess group shall be permitted to bump to any group in the classification where he/she can displace a less senior employee. This procedure will continue until the need is filled, but not for more than three bumps. If the need has not been filled after three bumps have occurred, the employee displaced by the third bump shall be assigned to the remaining opening.

(f) Temporary Movement Within a Classification

The following procedures are established which shall give consideration to seniority in temporarily assigning employees among groups within each classification:

(1) When assignments between established groups are to be made for periods in excess of a partial workday, the selection of employees for these assignments shall be made as follows:

A. The employees within the group(s) from which supervision determines the assignment(s) can be made, but only those who are then working, shall be canvassed in order of their classification seniority. If no one desires to accept such temporary

assignment, the least senior employee(s) canvassed in each such group shall be temporarily assigned.

(2) This procedure does not apply to any group(s) where the practice has been to make daily assignments of work. However, groups shall be identified or established to minimize the necessity for temporary assignment between groups, as outlined in the letter of intent dated May 2, 1972.

A one-time realignment will be conducted when an existing group is redesignated for this purpose. New group(s) established for this purpose will be filled under procedures in Section 6(d) of this Article.

(3) An employee on a temporary assignment shall be returned to his/her group when the temporary assignment is completed or the need is permanently filled as provided elsewhere in Section 6.

(4) Refer to Letter of Intent, regarding groups to minimize temporary transfers, page 94.

Section 7. Returning to the Bargaining Unit

(a) Salary - Hourly

Employees who leave the bargaining unit for a non-bargaining unit position following the adoption of this agreement: 1) if they are employees with less than one year of bargaining unit service, they are without return rights on the basis of the bargaining unit service; 2) if they are employees with one year or more of bargaining unit service, they are with return rights on the basis of the bargaining unit service if they remain in the non-bargaining unit position for less than 31 calendar days. The procedure for returning to the bargaining unit will be in accordance with provisions of Article VIII, Section 6(a)(3)C. For each day spent out of the bargaining unit, the employee losses one (1) day of bargaining unit seniority.

(b) Temporary Supervision

A bargaining unit employee may accept an assignment in a temporary supervisory capacity for fifteen (15) accumulative days each contract year without loss of seniority. Once an employee exceeds the fifteen (15) accumulative days in one contract year he/she would be considered the same as in paragraph (a) above.

(c) Temporary Instructor

A bargaining unit employee may accept an assignment as a temporary instructor. These assignments are viewed differently than other non-bargaining unit positions. Accordingly, paragraphs (a) and (b) above do not apply to temporary instructors.

Section 8. Posting Criteria

A permanent vacancy posting for any classification listed in Appendix C shall list the following: classification, rate range, and minimum of experience. Postings under Section 6(b) and (d) for permanent movements within a classification shall list the following: classification, department, shift, group, immediate supervision, and current working schedule.

Section 9. Seniority List Distribution

Each six (6) months, sixteen (16) current copies of seniority lists, and each month sixteen (16) supplemental lists of new employees shall be furnished the Union General Grievance Committee.

Section 10. Realignment

(a) Determination

In January, the employees within each classification may have a realignment. The Union shall determine whether 50% of employees within a classification prefer a realignment. Such determination will be reviewed with the Company.

(b) Effective Date

(1) If the employee(s) within the classification prefers a realignment, it will become effective the first full week in March. The Union shall initiate a canvass of all employees in the classification in order of their classification seniority to record their preference for assignment among the groups within the classification.

(2) The Company shall furnish to the Union the necessary canvass sheets one week prior to the start of the canvass.

(3) Employees who are on official Leave of Absence or who are not in the classification the Monday of the first full week of the canvass shall not realign.

(4) To allow time for training that may result from realignment movement, canvassing for mutually agreed upon classifications will commence no later than December 1, and be completed within thirty (30) calendar days. No employee shall be moved to a new job until he/she has been adequately trained. Until trained for the new position, an employee will not be placed on the overtime list for the new position. The Company may assign employees for training for up to forty (40) hours prior to movement to a new position.

(5) Unless mutually agreed, the effective date of the realignment shall be in accordance with paragraph (1) above.

(c) Canvass Sheet Designations

The classification realignment canvass sheets shall list and identify all the groups within the classification and their respective department, shift, immediate supervision, and current working schedule.

If there is a change in department, shift, general work content or current working schedule of the above groups as determined by the Company the employees in the affected group(s) shall be permitted a bump, then the procedure outlined in Section 6(d)(4) of this Article will be followed. If there

is a disagreement over whether there is a change in the above, a grievance may be initiated at Step 4 as outlined in Article VII, Section 4. The committeeperson will notify the affected supervisor of employees who desire to exercise a bump.

Section 11. Placement of Occupationally Disabled Employees

When the Company determines that an occupationally disabled employee can perform duties in his/her classification, the Division Committeeperson and respective department manager shall agree upon a group within the employee's classification in which such disabled employee shall be placed consistent with medical restrictions as established by the Company Medical Department. Such group may be considered an excess group and movements made as provided in Section 6(d) of this Article. When such medical restrictions are removed by the Company Medical Department, the employee shall be returned to the group he/she left. Should this create an excess, procedures provided in Article VIII, Section 6(d), starting with Item 3, shall be followed.

If agreement cannot be reached, the employee may be placed consistent with his/her medical restriction. An employee placed consistent with this provision will suffer no reduction in his/her rate as a result of his/her placement. (Refer to Memorandum of Understanding entitled "Physical Examinations," page 95.)

ARTICLE IX

LEAVE OF ABSENCE

Section 1. Qualification and Reinstatement

(a) Personal Reasons

Except as stated in Section 1(e) of this Article, an employee may be granted a leave of absence for personal reasons without pay up to fifteen (15) days upon application to the Company in writing, provided the employee presents evidence acceptable to the Company that such leave of absence is for a reasonable purpose and provided further that such leave of absence shall not unreasonably interfere with operations. Such leave may be extended where necessary upon application for extension in writing and upon presentation of

evidence satisfactory to the Company that such extension is necessary, provided such extension does not unreasonably interfere with operations.

(b) Occupational Disability

An employee shall be granted a leave of absence for the period of an occupational disability upon approval of the Company Medical Department. An employee who returns to work after a leave of absence for an occupational disability shall be reinstated in the classification from which he/she left provided he/she first obtains clearance from the Company Medical Department.

(c) Non-occupational Disability

An employee shall be granted a leave of absence for the period of a nonoccupational disability but not to exceed two years upon presentation

of evidence satisfactory to the Company. An employee who returns to work after a leave of absence for a nonoccupational disability shall be reinstated in the classification from which he/she left, provided first medical clearance is obtained from the Company Medical Department. However, an employee who is cleared for work, within a two-year period, but is unable to perform the work in the classification due to a medical restriction, as determined by the Company Medical Department, shall exercise plantwide seniority to move into any classification which the medical restriction permits, provided he/she is qualified. However, if he/she elects not to exercise plantwide seniority to move, he/she may be terminated for medical reasons. An employee who is not cleared to return to work upon the expiration of a leave of absence for non-occupational disability may be terminated for medical reasons after two (2) years.

(d) Dispute

In the event there is a disagreement between the Company Medical Director and the employee's physician regarding the medical evidence presented at the time of the employee's return from injury or illness, at time of job transfer, or restriction from classification, the question shall be submitted to a third physician selected by the two physicians. The medical opinion of the third physician after examination of the employee and consultation with the other two physicians shall decide such question. The expenses of the third physi-

cian shall be borne jointly by the Company and the Union. In the event the third physician rules in favor of the employee, the employee shall be made whole for all earnings and benefits lost as provided under provisions of this Contract.

(e) Educational Exit

An employee may leave the employ of the Company after completion of one (1) year continuous service and upon approval of the Company in order to attend an accredited college or university, or a recognized trade or vocational school and shall be reinstated upon application provided he/she can qualify under the seniority rules, is physically capable of performing the work required, is granted a clearance and applies for reemployment within thirty (30) days after leaving the college, university, or school. Trade or vocational school for purposes of this clause is one which provides training or a course of study related to jobs performed for the Company. The employee upon reinstatement shall be given the service he/she had when he/she left the Company, plus time spent in school, not to exceed four (4) years. The employee shall notify the employer in writing of the name of the school, the date of entry, and the expected length of the course of study. He/she shall confirm the continuation of his/her school attendance at annual intervals thereafter, subject to quarterly review. It is understood the employee will not be eligible for any Company benefits while on an educational exit. The employee must return to the active payroll before becoming eligible for contractual benefits.

Section 2. Union or Government Official

(a) Union Official - Full Time

Upon written request to the Company made by the Union a reasonable period in advance, an employee certified by the Union to be a full-time Union official shall be granted a leave of absence without pay to engage in work pertaining to the business of the Union. The number of employees

granted such leaves of absence shall not exceed four (4) at any time.

(b) Length of Leave

Each such leave of absence shall be for a period no less than seven (7) days and no longer than one (1) year, and shall be granted only at such times as shall not unreasonably interfere with operations. Leaves of absence shall not be renewable from year to year except as mutually agreed by the parties.

(c) Elected Official - Full Time

Upon written request to the Company an employee shall be granted a leave of absence to serve full-time in an elected or appointed Federal, State, or Local government position for the duration of a single term of office only.

(d) Security Identification

An employee granted such leave of absence must return all security identification issued and shall be issued appropriate identification.

Section 3. Absence Notification

(a) Responsibility

An employee is responsible for notifying the Company, in advance, if possible, when unable to report for work as scheduled, including the reason thereof.

(b) Failure to Notify

An employee who is absent from work for five (5) successive scheduled workdays without notifying the Company, shall be considered to have resigned voluntarily.

Section 4. Failure to Report on Expiration

An employee who does not return to work by the fourth scheduled workday following the expiration of a leave of absence or any extension thereof without notifying the Company shall be considered to have resigned voluntarily.

ARTICLE X

HOURS OF WORK

Section 1. Definitions

Workday means the 24-hour period beginning at 12:00 midnight.

Workweek means the 7-day period beginning at 12:00 midnight on Sunday.

7th Consecutive Day means the 7th consecutive workday in the workweek, i.e., the 24-hour period beginning at 12:00 midnight on Saturday.

Working Schedule means the hours of shifts to be worked by employees and the day or days on which such shifts are to be worked.

Section 2. Standard Workday-Workweek

A standard day's work shall consist of eight (8) hours worked within a workday. A standard week's work shall consist of five (5) standard day's work within a workweek amounting to a total of forty (40) hours. (See also MOU re 10 and 12 Hour Shifts, pp. 122 and 124.)

Section 3. Working Schedule

(See also MOU re 10 and 12 Hour Shifts, pp. 122 and 124.)

(a) Shift Hours

The following shift hours are recognized as standard for regular three-shift continuous operations: Day Shift - 8:00 a.m. to 4:00 p.m.; Afternoon Shift - 4:00 p.m. to Midnight; Night Shift Midnight to 8:00 a.m.

(b) Rotating Shifts

Three-shift or continuous operations are scheduled to be manned by groups or crews of employees designated as A, B, C, D and/or AA, BB, CC, DD Shifts

who are scheduled in accordance with the annual working schedules printed following the Appendices.

(c) X, Y, Z, Shifts

Three-shift rotating operations, Monday through Friday, are to be manned by groups of crews of employees designated as X, Y, and Z shifts. Shift hours are recognized as: day shift (8:00 a.m. to 4:00 p.m.); afternoon shift (4:00 p.m. to 12:00 midnight); and night shift (12:00 midnight to 8:00 a.m.).

(d) "O" Shift

The following hours are recognized as standard for regular one-shift operations: 7:30 a.m. to 4:00 p.m. on any day Monday through Friday. This is designated as "O" Shift.

(e) Irregular Shift

An irregular shift is an eight-hour shift other than Day, Afternoon, Night, or "O" Shifts. Irregular shifts may be established as required.

(f) "R" Shift

Except as otherwise required, "R" Shift is scheduled 8:00 a.m. to 4:00 p.m., Tuesday through Saturday.

(g) Trading Shifts

Employees may trade shifts or days off with the prior approval of their

respective supervision, and provided further that no overtime premium is involved.

(h) Wash-up/Clothes Change

The Company shall continue its practices of allowing employees assigned to red jobs a reasonable amount of time during working hours for wash-up and/or clothes change activity required by the Company.

All other employees shall be ready to work at the start of their shift.

Employees assigned to other than red jobs where coveralls are required will be allowed no more than eighteen (18) minutes for wash-up and/or clothes change activity to be taken at the end of the shift unless otherwise permitted.

Other employees shall be allowed no more than twelve (12) minutes for wash-up and/or clothes change activity at the end of the shift unless otherwise permitted.

(i) Notification of Change

The Union shall be notified in advance when possible of any extended change in the present working schedule; however, the provisions of this Contract shall not be considered as a guarantee by the Company of a minimum number of hours per day or per week or pay in lieu thereof, nor a limitation on the maximum hours per day or per week which may be required to meet operating conditions.

(j) Refer to Memorandum of Understanding "Shift Schedule Steam Plant (X-600)," page 96.

Section 4. Overtime Opportunity

(a) Responsibility

It shall be the responsibility of supervision to keep overtime lists by classification, group, department or departments, according to overtime worked. Lists will be arranged by seniority, and overtime will be offered to the most senior low-hour employee excluding those employees working in a temporary supervisory capacity. Deviations from this procedure will be considered proper and equitable if there is good reason for such deviation and not more than sixteen (16) hours difference among employees exists within an overtime list. There will be no master list in classifications or departments which employ multiple lists, except in those areas which employ the one-list concept. However, the method of offering and charging overtime opportunities will be the same. Any time an overtime list exceeds the sixteen (16) hour balance, all employees out of balance will be charged and paid sufficient number of hours to bring the list in balance.

(1) A. Applicable overtime lists which have been established shall be posted and kept up to date as overtime occurs.

B. Lists shall be posted in an accessible location to enable employees to review.

(2) (Item 2) When determined during a shift that additional employees are needed on the following shift, it shall be offered to those who are currently working on their regularly scheduled shift.

(3) (Item 3) When determined during a working shift that additional employees are needed on that shift, it shall be offered to those who are normally scheduled to work on the oncoming shift.

(4) (Item 4) When determined that overtime shall be utilized to supplement a regular weekly working schedule which cannot be offered according to 2 and 3 above, it shall be offered as established in the first paragraph of this section for departments using a one-list concept, and departments using multiple lists shall offer the overtime to individual(s) in the group(s) currently performing the work who will be available.

(5) In offering overtime, it is understood the Items 2 (off-going shift) or 3 (on-coming shift) shall not take precedence over Item 4 if applying Item 2 or 3 shall result in exceeding the sixteen (16) hour difference between employees within a list.

(6) An employee moving to a new list shall be put on the list according to classification seniority, and if the employee has more hours than the maximum on that list, the hours will be reduced to that maximum. When an employee has fewer hours than the minimum on that list, the minimum hours on that list will be assumed.

When an employee is neither higher nor lower, actual hours will be carried to the new list.

New employees, employees who return to the bargaining unit, and employees who move from one classification to another, shall assume the maximum number of hours on the overtime list on which they have been placed.

(7) Each year after realignment, supervision may readjust the overtime list for easier administration by reducing the hours of the low-hour employees to zero (0) and reduce the remaining employees by the same number of hours.

(8) Employees shall be contacted for overtime except for those on any type of authorized leave of absence, including jury duty and funeral leave. Employees who miss overtime because they are absent for any reason, or who refuse when offered, or who are not readily available by telephone, or working in a temporary supervisory capacity, shall be charged overtime as having been offered the overtime. Employees on any type of authorized leave of absence, including jury duty and funeral leave, shall return from leave in the same relative position within the overtime group as when the absence began. If in offering overtime an employee would exceed the sixteen (16) hour limit due to the fact the employee is working the shift on which the overtime is being worked, sufficient hours will be charged to keep the list in

balance.

(9) A minimum of 2.7 overtime hours shall be charged any time a pay minimum or guarantee of 4 hours is involved. However, if no guarantee is involved, then actual hours and tenths of an hour shall be charged but not less than one hour.

(10) Each year in conjunction with realignment an employee may request that his/her name be removed from the classification, department or group overtime list for call-in purposes only, and in addition once each year at the option of the employee have his/her name either added to, or removed from the call-in overtime list by written application to supervision.

(11) In order to resolve disputes which may occur in the application of the overtime procedure, they shall first be reviewed by a

joint Company-Union committee, made up of two Company and two Union representatives. The establishing, combining, or eliminating of overtime lists will also be subject to the Committee review. Failure to resolve the issue will then make it subject to the grievance procedure.

(12) Whenever overtime is to be offered, supervision has the option of consulting the Committeeperson or Steward and if agreement is reached on who is to be contacted the Company will not be liable for any misapplication.

(13) All overtime opportunities shall be charged when offered (Reference paragraph (8) above). If an overtime opportunity is cancelled, charged hours for that opportunity shall be removed. No more than a maximum of eight hours shall be charged for any one eight-hour work period.

(14) Classifications or groups may establish overtime practices that are not addressed by contract language. However, such practices may be established only by a consensus of two-thirds of the affected classification(s) or group(s) and with the consent of the appropriate supervision.

(15) An employee unable to move to his/her new job due to Article VIII, Section 10(b)(4), shall remain on the overtime list of the present job until he/she is adequately trained and moved to the new job.

Section 5. Overtime or Premium Hours

(a) Duplication of Premium Hours

Overtime or premium payments shall not be duplicated for the same hours under any of the terms of this Contract. Hours that are compensated for as overtime or premium under one provision shall not be counted as hours worked in determining overtime or premium compensation under the same or any other provision, except as provided in Section 5(b). (Refer to MOU regarding overtime opportunities for shift employees, page 97.)

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(b) Crediting of Hours

(1) Jury duty time, vacation, funeral absence, schedule change, Code 95 time, holiday worked, Reporting for Work, Section 12(a)(1)], and 6th consecutive day worked, which are compensated for under other appropriate provisions of this Contract shall be credited as hours worked in computing overtime and in determining days worked for 6th and 7th consecutive day application, except that, to avoid duplication, there shall be credited only eight (8) hours for any one calendar day.

(2) Holiday not worked but paid shall be credited in the same manner.

(c) Offsetting Overtime Hours

An employee shall not be required to take off a corresponding amount of time before the end of his/her regular shift or in any subsequent scheduled workday in the same workweek to offset any overtime worked.

Section 6. Transportation

The Company shall continue its practice of arranging transportation home for employees who work overtime without sufficient prior notice thereof.

Section 7. Overtime or Premium Payments

(a) Time and One-Half

An employee shall be paid at the rate of one and one-half (1-1/2) times base hourly rate of pay and at the rate of one and one-half (1-1/2) times any applicable shift differential for:

(1) All hours worked in excess of eight (8) hours in any twenty-four (24) hour period or for all hours worked in excess of forty (40) hours within the workweek, whichever method of computation provides at the end of the workweek the greater total pay to the employee. (Also see MOU 10 and 12 Hour Shifts, pp. 122 and 124.)

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(2) All hours worked on the sixth (6th) day worked in a workweek, provided he/she has worked or is credited with a minimum of four (4) hours in each of the preceding five (5) workdays of that workweek. (Refer to MOU regarding overtime opportunities for shift employees, page 97.) (Also see MOU 10 and 12 Hour Shifts, pp. 122 and 124.)

(3) Schedule change, payment for the first eight (8) hours worked on a new schedule except when such change is made at the request of or for the convenience of the employee or unless notified thereof in the preceding workweek of a change in an employee's working schedule from one shift to another, from one roll-out day to another, or in scheduled vacation.

(b) Two Times

An employee shall be paid at the rate of two times base hourly rate of pay and at the rate of two times any applicable shift differential for:

(1) All hours worked in excess of sixteen (16) continuous hours, exclusive of the non-paid lunch period for "O" Shift, and for all hours worked on the seventh (7th) consecutive day worked in a workweek, provided he/she has worked or is credited with a minimum of four hours in each of the preceding six workdays of that workweek. (Also see MOU re 10 and 12 Hour Shifts, pp. 122 and 124.)

(2) Schedule change, if such change results in more than eight (8) hours worked in a 24-hour period or more than forty (40) hours worked in a workweek, except when such change is made at the request of or for the convenience of the employee.

(c) Two and One-half Times

An employee shall be paid at the rate of two and one-half (2-1/2) times base hourly rate and at the rate of two and one-half (2-1/2) times any applicable shift differential for:

(1) All hours worked on a day observed as a holiday.

(d) Holiday Call-in

An employee who is required to work on a holiday that was scheduled as a day off shall be paid eight (8) hours at base hourly rate, and shall be paid at the rate of two (2) times base hourly rate and (2) times applicable shift differential for all hours actually worked up to and including eight (8). All hours worked in excess of eight (8) shall be paid under Section 7(c).

(e) Special Consideration-Credited Hours

As an exception to premium payment for hours not worked and for the express purpose of compensating an employee who works an overtime opportunity on his scheduled day(s) off and has prescheduled vacation, jury duty or funeral absence on the sixth or seventh workday of the workweek, all hours worked or credited over forty (40) hours will be paid in accordance with the sixth and seventh workday principle. (Also see MOU re 10 and 12 Hour Shifts, pp. 122 and 124.)

(f) Temporary Work Assignments

An employee who at the request of the Company is temporarily required to work in a classification other than his/her own shall be paid at the rate of one and one-half (1-1/2) times of either the employee's rate of pay, or the rate of the classification to which he/she is assigned, whichever is higher, and at the rate of one and one-half (1-1/2) times any applicable shift differential for all time spent performing such work except in those situations which have been established by long-standing past practice, in emergencies, or when the assigned classification is not available for call-in.

An employee assigned under long-standing past practice, in emergencies, or when the assigned classification is not available for call-in, shall suffer no reduction in rate of pay. When assigned temporarily to do work in a classification having a higher labor grade, the employee shall be paid the maximum rate of the higher labor grade.

(g) Mis-assigned Work

In cases where the Company and the Union mutually agree that work was mis-assigned, the classification whose work was mis-assigned shall be paid one-half straight time base hourly rate for the actual time required to perform the work. The classification who performed the work shall no longer be paid.

Section 8. Holidays

(a) Eleven Holidays

The following holidays shall be observed: New Year's Day, Good Friday, Memorial Day, Independence Day, an additional holiday which shall be the day related to Independence Day, Labor Day, Columbus Day, Thanksgiving, the day after Thanksgiving, Christmas, and a day related to Christmas. The additional holiday shall be observed on a day Monday through Friday as mutually determined. An employee may take either Martin Luther King, Jr.'s birthday or the holiday related to Independence Day as his/her eleventh holiday. Designation of the holiday to be taken must be given to appropriate supervision by the end of December preceding the calendar year during which holidays are to be observed. Martin Luther King, Jr.'s Birthday is observed on the third Monday in January.

(b) Saturday/Sunday

Should one of these holiday fall on a Sunday, the following Monday shall be observed as the holiday, and work on such Sunday shall not be compensated for under the holiday pay rules. Should one of these holidays fall on a Saturday, the preceding Friday shall be observed as the holiday and work on such Saturday shall not be compensated for under the holiday pay rules.

These changes shall not apply for A, B, C, D and/or AA, BB, CC, DD shifts as holidays will be scheduled on work days.

(c) Not Worked

An employee who is not scheduled to work on a day observed as a holiday or who is scheduled to work and reports off before the start of the shift due to illness shall be paid an amount equal to eight (8) times base hourly rate,

provided he/she works a minimum of eight (8) hours in the week in which the holiday is observed or is absent because of funeral leave, jury duty, military leave, Code 95 (for negotiation meetings only), or on an approved vacation for any other day(s) of such week. However, duplicate payment shall not be made for holidays except as provided in Article XIII, Section 5. This provision does not apply to an employee who reports for work after being hired or recalled in the week of, but subsequent to, a holiday.

Section 9. Shift Differential

(a) Afternoon/Night

A shift differential of forty cents (40(cent)) per hour shall be paid for work performed between the hours of 4:00 p.m. and midnight. A shift differential of seventy cents (70(cent)) per hour shall be paid for work performed between the hours of midnight and 8:00 a.m., exclusive of work performed on "O" Shift. (See also MOU re 10 and 12 Hour Shift, pp. 122 and 124.)

(b) Exclusion of Payment

Shift differential shall not be paid for hours paid for but not worked.

Section 10. Weekend Bonus

An employee who works Saturday and/or Sunday shall receive an additional forty cents (40(cent)) per hour for such hours worked on Saturday and sixty cents (60(cent)) per hour for such hours worked on Sunday. In no case shall such payments be applied to hours not worked. (See also MOU 10 and 12 Hour Shifts, pp. 122 and 124.)

Section 11. Lunch Period

(a) Non-paid Lunch Period

Employees working on shifts designated as "O" shall have a non-paid lunch period of thirty (30) minutes to begin not earlier than three and one-half (3- 1/2) hours or later than five (5) hours after the shift begins. For a lunch period outside these hours an additional thirty (30) minutes at base hourly rate shall be paid. If such employees are not permitted a lunch period during the "O" shift, they shall be paid at time and one-half (1-1/2) base hourly rate plus time and one-half (1-1/2) applicable shift differential for the time worked in excess of eight (8) hours. (See also MOU 10 Hour Shift, pp. 122.)

(b) Paid Lunch Period

Employees working on shifts designated as Day, Afternoon, Night, "R," or Irregular shall have no time deducted for a lunch period which shall be as short as possible.

(c) Meal Allowance Premium

An employee who is required to work overtime and who works ten (10) or more continuous and successive hours (excluding the lunch period of an "O" shift worker) shall be paid a meal allowance of four dollars and twenty-five cents ($4.25) which shall be included in the regular paycheck. An additional meal allowance shall be allowed for each four (4) hours of consecutive work performed thereafter. (See also MOU re 10 and 12 Hour Shifts, pp. 122 and 124.)

(1) No time shall be deducted for lunch periods during such overtime work, it is being understood that they shall be made as short as possible.

Section 12. Minimum Guarantee Payments

(a) Reporting for Work

(1) An employee who reports for work at the start of his/her regular shift or at the time appointed by the Company without previously having been notified not to report, shall be given at least four (4) hours work, or if no work is available, four (4) hours pay at base hourly rate, except that if work is unavailable as the result of causes beyond the control of the Company, it shall not be so obligated.

(2) Failure on the part of an employee to keep the Company informed of a current address and telephone number shall relieve the Company of its responsibility under this section of the Contract.

(b) Work Before Shift Start

An employee required to report for work before the regular scheduled starting time shall receive not less than four (4) hours pay at base hourly rate or pay at one and one-half (1-1/2) times base hourly rate plus one and one-half (1-1/2) times applicable shift differential as overtime pay for such work is performed, whichever is greater.

(c) Work After Shift Ends

(1) An employee required to work overtime beyond the end of his/her scheduled shift, shall receive not less than four (4) hours pay at base hourly rate or one and one-half (1-1/2) times base hourly rate plus one and one-half (1-1/2) times applicable shift differential for such work performed, whichever is greater.

(2) It is understood that (1) above does not apply to an employee who may be required to remain on assignment due to the absence or tardiness of another employee who is scheduled to relieve him/her, or to an employee who is held on the job up to the end of the scheduled shift.

(d) Emergency Call-In

An employee who has left the plant and is called in by the Company to perform work shall receive not less than four (4) hours pay at base hourly rate or pay at one and one-half (1-1/2) times base hourly rate as overtime pay for such work performed, whichever is greater. If the work is performed on a day observed as a holiday which the employee was not scheduled to work this guarantee shall be in addition to holiday pay.

(e) Required Training

An employee required to report to plantsite or stay beyond his/her regularly scheduled shift for training purposes shall be entitled to the minimum guarantee of four (4) hours base hourly rate or actual hours worked at one and one-half (1-1/2) base hourly rate, whichever is greater.

Section 13. Jury Duty Pay

Any employee who is required to serve on a municipal, county, or federal, jury, or grand jury, shall be paid the base hourly rate for the time lost from the regularly scheduled work shift by reason of such service subject to the following provisions:

(a) Notification of Supervision

Employees must notify their supervision within 24 hours after receipt of notice of selection for jury duty.

(b) Eligibility

In order to be eligible for such payments, the employee must furnish a written statement from the appropriate public official showing the date and time served and the amount of pay received.

Section 14. Funeral Pay

An employee who is excused from work because of the death of a member of his/her immediate family shall be paid at base hourly rate for time missed up to a maximum of three (3) consecutive scheduled workdays. For the purpose of this section, the

term "a member of the immediate family" shall be defined as and be limited to the following: spouse, children, stepchildren, parents, stepparents, grandparents, grandchildren, brothers, stepbrothers, sisters, stepsisters, sons-in-law, daughters-in-law, brothers-in-law, sisters-in-law, parents-in-law of the employee, grandparents-in-law, and, if they reside in the employee's household, other dependent relatives.

Section 15. Military Pay

An employee who has completed his/her probationary period, who is a member of a reserve component of the Armed Forces and who is required to enter upon active annual temporary training duty, or temporary special service, shall be paid the difference between the amount of base pay received from the Federal or State Government for such duty and the employee's base hourly rate for the time lost while on such duty up to a maximum period, beginning with the first regularly scheduled workday missed, of twenty-eight (28) calendar days per year. This includes one (1) weekend training period per calendar year subject to the maximum of twenty-eight (28) calendar days per year. Reimbursement is subject to

the following provisions:

(a) Orders

An employee must submit to supervision, as soon as possible after receipt, evidence of orders to report for training.

(b) Statement of Service

When the employee returns to work he/she must submit to supervision a statement supporting payment for such duty.

(c) Hours not Credited

Time off from work paid for under this section shall not be counted as hours worked in the computation of overtime or premium pay.

(d) Exclusions in Determining Payment

Such items as subsistence, rental, travel allowance and pay for non-scheduled work-days, shall not be included in determining base pay received from Federal or State governments.

ARTICLE XI

WAGES

Section 1. Base Hourly Rates

The base hourly rates and labor grades as set forth in Appendix D and the job classifications listed in Appendix C, which have been fixed on a permanent basis, shall remain in effect for the duration of this Contract, unless revised by the Joint Classification Committee.

Section 2. Rate Changes

An employee shall receive automatic rate increases from the starting rate to and including the maximum rate of the labor grade in the amount and at the completion of each period of service indicated in Appendix D, except as provided below:

(a) Time Excluded

Period of service shall exclude any absence for which a leave of absence is granted.

(b) Withheld

Unsatisfactory work performance may be cause for withholding an automatic increase. Facts concerning such action shall be furnished in writing to the

employee affected. The withholding of an automatic increase can be a proper subject for the Grievance Procedure.

(c) Advanced

Supervision may approve increases before the completion of any period of service or to the next step rate within the rate range of the labor grade as indicated in Appendix D.

(d) Progression Period

Each increase starts a new period of service for progression to the next step rate within the rate range of the labor grade, measured from the effective date of such increase.

(e) Effective Date

Automatic rate changes shall become effective on Monday of the week in which the new rate is established.

Section 3. Classification Change

(a) Higher Labor Grade

An employee who moves to a classification having a higher labor grade shall begin at the starting rate of the higher labor grade. However, if such starting rate is the same as or less than the existing rate, he/she shall begin at the next step rate of the higher labor grade above the existing rate, but not to exceed the maximum.

An employee who returns to a higher classification under the following conditions:

(1) previously held and had obtained maximum rate for that classification,

(2) returned by job bid shall assume the current maximum rate for that classification. However, should the employee be unable to perform the job during an acclamation period because of

lack of job expertise or knowledge from not working in the classification for period of time, the employee may have his/her rate reduced and applied in accordance with Article XI, Section 3(a), unless supervision determines otherwise. (Language taken from MOU, p. 141 of 1985 Contract.)

(b) Same Labor Grade

An employee who moves to another classification within the same labor grade shall retain his/her existing rate and maintain credit for service for progression in that same labor grade without reduction.

(c) Lower Labor Grade

An employee who moves to a classification having a lower labor grade shall begin at the maximum rate of the lower labor grade or his/her existing rate, whichever is the lower.

(1) Rate changes shall become effective on the first day of work in the new classification.

(2) An employee awarded a vacancy in a trainee or 2nd Class classification who, in the opinion of the Company, is capable of performing the duties of the next higher classification, may become eligible for transfer to that classification in less than one (1) year.

Section 4. Recall to Classification

An employee recalled to a classification shall assume a rate at the same relative position in the rate range as established when placed on the recall list for such classification.

Section 5. Special Shift Change Allowance

Refer to Memorandum of Understanding, "X-326 Shift Change, Computer Based Integrated Security System (CBISS)", page 98.

ARTICLE XII

LAYOFF ALLOWANCE

Section 1. Eligibility

(a) Employees who are laid off by the Company on account of a reduction in force shall be paid a layoff allowance in accordance with the eligibility schedule in paragraph (c) below.

(b) Employees terminated for medical reasons who do not qualify for benefits (excluding vested pensions) under the pension plan referred to in Article XIX or who are laid off without recall rights, shall be paid a termination allowance in accordance with the eligibility schedule.

(c) Layoff Allowance Eligibility Schedule

CONTINUOUS SERVICE ALLOWANCE

Less than 3 months	No allowance
3 months but less than 1 year	1 week (or 40 hours)
1 year but less than 3 years	1-1/2 weeks (or 60 hours)
3 years but less than 5 years	2-1/4 weeks (or 90 hours)

5 years but less than 7 years	3 weeks (or 120 hours)
7 years but less than 10 years	7 weeks (or 280 hours)
10 years but less than 11 years	8 weeks (or 320 hours)
11 years but less than 13 years	9 weeks (or 360 hours)
13 years but less than 15 years	10 weeks (or 400 hours)
15 years but less than 17 years	11 weeks (or 440 hours)
17 years but less than 18 years	11-1/2 weeks (or 460 hours)
18 years or more	Same as for 17 years plus 1/2 week (20 hours) for each added year of service

Section 2. Occupational Disability

An employee who is terminated by the Company on account of reduction in force, who during the course of employment has suffered an occupational disability (as defined in Article XVII, Section 4) for which the Industrial Commission of Ohio has awarded a permanent partial disability of 50% or more prior to the time of termination, shall receive an additional layoff allowance equal to the schedule in Section 1. Such employee shall be deemed to have no right to further employment with the Company.

Section 3. Payments

Calculation of payments under Section 1 above shall be based on the employee's base hourly rate at time of layoff.

Section 4. Recall Eligibility

An employee on layoff who is recalled and subsequently laid off will have his/her layoff allowance computed based on his/her most recent recall date plus any unused portion previously earned.

Section 5. Successor Clause

If, for any reason, Lockheed Martin Utility Services, Inc., ceases to operate the Portsmouth Gaseous Diffusion Plant, and another Company commences operating the Plant, the provisions of this Article will not apply to those employees hired by the new operating company within fifteen (15) calendar days of the date Lockheed Martin Utility Services, Inc., ceases to operate the Plant; provided Lockheed Martin Utility Services, Inc., will pay such transferred employees the difference, if any, between layoff allowance otherwise due under this Article and the layoff allowance for which the new operating company immediately recognizes them as being eligible in the event of future layoff by that company.

ARTICLE XIII

VACATIONS

Section 1. Eligibility

An employee shall be entitled to a vacation with pay in each calendar year worked, based upon the length of continuous service, in accordance with the following schedule:

(a) One (1) year but less than five (5) years of continuous service - ten (10) workdays of vacation.

(b) Five (5) years but less than ten (10) years of continuous service - fifteen (15) workdays of vacation.

(c) Ten (10) years but less than twenty (20) years of continuous service - twenty (20) workdays of vacation.

(d) Twenty (20) years but less than twenty-five (25) years of continuous service - twenty-five (25) workdays of vacation.

(e) Thirty (30) years or more continuous service - thirty (30) workdays of vacation.

However, this change shall not affect the vacation eligibility of present employees on April 1, 1996. (Reference 1988 Contract, pg. 73.)

An employee must complete the full minimum continuous service requirements before becoming eligible to take a vacation or additional vacation.

Section 2. Extended Working Schedule

If a department is on an extended working schedule at the time a vacation is taken, the vacation pay shall be consistent with the employee's department's extended working schedule. However, an employee shall not be charged more than five (5) days vacation for any one workweek. An employee who is on vacation shall receive the base hourly rate at the time the vacation was taken for each hour of vacation for which qualified.

Section 3. Vacation Period

The vacation period shall be on a calendar year basis from January 1 to December 31 inclusive. All vacation shall be taken within the vacation period, except that an employee may defer vacation until the next vacation period.

Section 4. Deferred Vacation

An employee may defer his/her vacation only until the end of the following vacation period. Any employee who is unable to take any deferred vacation due to occupational or non-occupational disability will be paid for any unused portion thereof.

Section 5. Holiday During Vacation Period

If a day observed as a holiday occurs during an employee's vacation, such employee shall receive eight (8) hours pay at base hourly rate in addition to vacation pay, and may elect to take a day of excused absence without pay,

consecutive with the vacation, provided such additional day of absence is scheduled in advance.

Section 6. Scheduling

Vacations are scheduled by the Company to be taken during the vacation period. Preference within a department, shift, or group as to dates shall be given on the basis of classification seniority, provided such preference is indicated prior to April 1. It is understood that such preference shall include vacation deferred from the preceding vacation period. An employee entitled to vacation may divide the vacation days into portions, some of which may be one-half day portions, in accordance with the following schedule:

(a) Less than five (5) years continuous service - 2 days
(b) Five (5) years continuous service but less than ten (10) years continuous service - 4 days
(c) Ten (10) years or more continuous service - 5 days.

Section 7. Existing Employees

An employee who is laid off, released, discharged, or who resigns, shall be paid for vacation earned but not taken at the time employment is terminated.

Section 8. Deceased Employees

In the event an employee who is entitled to a vacation dies before taking that vacation, the person designated as beneficiary of his/her group Life Insurance shall be entitled to the vacation pay in the manner permitted by law.

Section 9. Occupational Disability-Eligibility

An employee who loses time from the active payroll due to an occupational disability shall not have vacation reduced because of time lost due to such disability, but shall be entitled to take vacation after returning to work.

Section 10. Retirees - Pro Rata Vacation

A. Vacation pay at time of retirement

Vacation hours remaining may, at the employee's option, be taken as time off or paid in a lump sum at retirement. In addition, the employee will receive a lump sum payment for a pro rata portion of the following year's vacation based upon the number of full months elapsed prior to the employee's retirement date.

The fraction of a pro rata portion to be paid is determined by dividing by 12, the number of full months from January 1 to the date of retirement.

Exceptions to the general rule governing the calculation of pro rata vacation are:

1. If, because of leave of absence, the employee has not worked during the year in which retirement occurs, the employee nevertheless is eligible for pro rata vacation pay. This pay is determined by the number of full months elapsed from the first of the year in which the employee last worked until the start of the absence.

Since the employee has not worked during the year in which

retirement occurs, no current year's vacation is due.

2. If the employee has worked during the year in which retirement occurs but was on leave of absence for a period immediately preced-

ing retirement, any period of such leave of absence which equals one or more full months is to be deducted in calculating the pro rata vacation payment. (Note: Reinstatement from leave of absence for vacation does not constitute "working").

ARTICLE XIV

HEALTH AND SAFETY

Section 1. Health & Safety Program

(a) The parties agree that health and safety is of the highest priority. The Union and Company recognize the importance of maintaining a safe and healthful work environment and shall cooperate to further improve the health and safety programs and to encourage employees to follow safety policies and procedures as established in order to achieve these

objectives. The Company has adopted and will maintain an ongoing ALARA program.

(b) The Company is responsible for maintaining a safe and healthful work place. The Company shall maintain a monitoring program that effectively determines exposure levels to all chemicals or physical agents which are known to be hazardous in the work place. The present practice of providing the Union with copies of monitoring reports shall be continued. Results of such surveys will be made available to employees who request such information through their supervision.

(c) Employee(s) may present to appropriate supervision or through the suggestion system their recommendations in writing on matters relative to safe, sanitary, and healthful working conditions. They will be advised in writing of the disposition of such written recommendations and may discuss such written recommendations with their Shift Safety Representatives.

(d) No employee shall be required to perform work under conditions which are unsafe beyond the normal hazards of the operation in question. In such cases, the employee may, after discussing the matter with supervision, contact the Shift Safety Representative to discuss the problem. If the problem is not resolved with the employee's immediate supervision, the Shift Safety Representative may contact the Plant Shift Superintendent and/or Subdivision Superintendent for a decision. This decision of the Plant Shift Superintendent and/or Subdivision Superintendent may be reviewed by the Company-Union Health and Safety Committee. Any health or safety problem can be a proper subject for the grievance procedure after it has first been reviewed by the Company-Union Health and Safety Committee.

(e) All employees shall be given Health and Safety training appropriate to their work environment.

(f) The Company/Union Health and Safety Committee members shall receive not less than five (5) days of approved training each calendar year.

Section 2. Shift Safety Representative

(a) One employee from the Union from each of the rotating shifts, straight afternoon, and "O" Shifts shall be designated as a Shift Safety Representative. When a rotating shift or straight afternoon shift Safety Representative is absent from the plant for any reason, the Company shall recognize an alternate certified by the Union. When an "O" Shift Safety Representative is absent from the plant an alternate may be recognized for full-time basis only as specified in the Memorandum of Understanding - "O" Shift Safety Representative (reference p. 99).

Section 3. Company-Union Health and Safety Committee

(a) A joint Company-Union Health and Safety Committee shall be established to consider health and safety matters of mutual concern and make appropriate recommendations. The Committee shall consist of ten (10) members; five (5) members to be selected by the Company, and five (5) members to be selected by the Union, of which four (4) members shall be selected from the Safety Representatives and the fifth (5th) member shall be either the President or the Vice-President. In the absence of any Union member of the Committee the Company shall recognize an alternate certified by the Union who shall attend that meeting of the

Committee. Union attendance at such meetings may consist of the "O" Shift representative and alternate, appropriate rotating shift representative and alternate, and Union President or Vice-President.

(1) Meetings may be held monthly as determined by the Committee.

(2) One (1) of the ten (10) members of the Committee shall act as Secretary and the minutes of the meeting shall be in agreement prior to publication.

(3) Distribution of the minutes of each meeting of the Committee shall include each Shift Safety Representative, the President, Vice-President, each Committeeperson, and each employee whose suggestion or complaint was discussed during the meeting.

(b) (1) The control of radiation and toxic chemical exposure to LMUS employees to levels "As Low As Reasonably Achievable" (ALARA) is a commitment of the LMUS health protection program. In recognition of the understanding, input, and commitment required of all employees for an effective program, a Union-Company LMUSRTM Committee is established. This committee will provide a cooperative forum for the maintenance of a positive health promotion program. It will consist of four (4) members: two (2) LMUS employees from the Union and two (2) LMUS employees from the Company. One of these members should be the "O" Shift Safety Representative.

(2) This committee will review various aspects of employee exposure relative to work activities and will develop ALARA recommendations to be presented to LMUS management. These recommendations may encompass broad areas, such as PAL dose guidelines, engineering controls, and work practices.

(3) A joint review by the President of OCAW, Local 3-689, and the Director of Human Resources will be conducted quarterly to help ensure that LMUSRTM committee recommendations constructively strive to address those concerns.

(4) The Company recognizes that the role of the Union in health and safety matters is strictly an advisory one. (Language taken from MOU regarding Formation of Radiation/Toxic Material Committee, p. 142 of 1985 Contract.)

Section 4. Safety Equipment & Devices

(a) Clothing

The Company shall continue to make provisions for the safety and health of employees while at work. The Company shall continue its practice of

providing safety equipment and devices and such clothing (including shoes) as the Company requires employees to wear for their own

protection. The term "requires" as used herein does not imply that the present policy of making clothes available on certain specified jobs shall be changed.

It is intended, however, that the present policy shall remain flexible to meet changing conditions.

(b) Prescription Glasses

The Company shall continue to furnish prescription safety glasses (tinted or otherwise) to employees as required by job assignment or a prescription approved by an ophthalmologist.

(c) Lockers Provided-Red Job Assignments

Employees assigned to red jobs shall upon request be provided with two (2) lockers.

Section 5. "Guide to Safety" Booklet

The Company will provide each employee a booklet entitled "Guide to Safety" which allows an employee to familiarize him/herself on matters related to safety.

The booklet generally discusses the hazards associated with mechanical, electrical, chemical, and radiological safety and identifies hazards associated with each, and the proper safety precautions to be taken. Listed in the "Guide to Safety" are the Plant Allowable Limits (P.A.L.), as established by the Company, for radiological hazards along with the dangerous properties of gases, acids, and miscellaneous chemicals used at LMUS.

These values are not considered maximum limits but represent the point beyond which certain protective action, such as the use of personal protective gear, establishing of exposure time limits, etc., should be taken. These values meet all established Federal Standards and Regulations.

Section 6. Medical

(a) Records

Records relating to the radiation exposure of employees shall be maintained by the Industrial Hygiene and Health Physics Department. Such records shall be made available to the employee upon written request, or as required by DOE regulations.

(b) Physical Examination

1. Employees shall be scheduled for routine physical examination in the Medical Department each two (2) years on an optional basis. Because of work assignment, some employees may be scheduled for required physical examination more often if deemed necessary by the Medical Department. This may include invivo counting. The employee shall be verbally informed of the results of such examinations by the Medical Department. Upon a written request of the employee the results of an examination shall be mailed to his/ her personal physician.

2. If the required periodic comprehensive physical examination

discloses a medical disability (other than one caused by a non-occupational injury) which is disqualifying, in the judgement of the Medical Department as to the job then held by the employee, but not as to some other job or jobs, to be transferred to a job consistent with his/ her medical restrictions and consistent with his/her length of service.

3. While in such other job, the employee's rate of pay shall be the applicable rate of the job held by him/her at the time of disqualification or the rate of the job to which he/she has been transferred, whichever is the higher.

4. Should the disability be determined by the Medical Department on the basis of the finding of the employee's private physician -- i.e., should such a finding be accepted by the Medical Department in lieu of undertaking its own required periodic comprehensive physical examination - the rate-retention provisions set forth above shall apply equally to that disability.

5. When, in the judgment of the Medical Department, the employee's medical disqualification no longer exists, the employee may be reassigned to a job consistent with his/her seniority rights and shall therewith lose the above-specified rate protection.

Section 7. Miscellaneous

In order to provide for increased Union participation in the planning and review of the health and safety program, the Company shall:

(a) Conduct informal weekly meetings between the Safety Department staff and rotating shift safety representatives currently working Day Shift to provide continual update and improved communications.

(b) Provide for the "O" Shift Safety Representative to participate in the scheduled Comprehensive Building Inspection Program to evaluate health and safety status.

(c) The Company shall maintain a safety reference room, containing safety information, which will be made available for use, during "O" shift, by the Company-Union Health and Safety Committee members.

ARTICLE XV

JOB DESCRIPTIONS

Section 1. Agreement

The agreed upon job descriptions are a part of the Contract. They describe in general terms the general duties, responsibilities, and job content of each of the classifications established in Appendix C.

Section 2. Past Practice

As these job descriptions are general in nature, there shall occur some tasks which are not specifically listed in any of the classifications. There shall be no change as to which classification performs certain work, which has been established by clear past practice, unless changed by the Joint Classification Committee. Unresolved disputes concerning the assignment of unlisted tasks are subject to the Grievance Procedure beginning at Step 4.

Section 3. Joint Classification Committee

A Joint Classification Committee composed of three (3) members each from the Company and the Union is established. This Committee shall evaluate and approve new classifications, modifications and deletions of classifications in Appendix C during the term of this Contract.

A Joint Classification Committee will review and approve job descriptions and rate evaluations as well as defining the assignment of unlisted tasks to the appropriate classification or classifications.

New classifications or changes in classification will not be implemented without the approval of two members representing each party.

Section 4. Memoranda of Understanding

Reference MOU "Emergency Medical Technician-Ambulance, EMT-A Requirements," p.100.

Reference MOU "New Electronic Mechanic Classification," pp. 101.

Reference MOU "New Instrument Mechanic Classification," pp. 103.

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ARTICLE XVI

MISCELLANEOUS

Section 1. Work by Non-Bargaining Unit Personnel

(a) Definition

Non-bargaining unit personnel shall consist of any individual in the employ of Lockheed Martin Utility Services, Inc., who is not represented by Local 3- 689,OCAWIU.

(b) Emergency-Instructional

Non-bargaining unit personnel shall not do work normally performed by the bargaining unit. This does not prevent such non-bargaining unit personnel from performing necessary functions such as operating equipment or processes in emergencies or from instructing employees.

(c) Experimental

Development personnel engaged in work of a development or experimental nature may perform manual work provided that such work does not deprive bargaining unit employees of work normally done by bargaining unit employees.

Section 2. Payday

Tuesday is the regular payday for the workweek ending ten days prior thereto. Weekly paychecks or direct deposit advice statements will be delivered to employees by U.S. mail. The Company shall continue to permit employees whose vacations are scheduled not less than two weeks in advance to be paid their vacation pay on their last scheduled workday prior to the start of such vacation.

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Section 3. Bulletin Boards

The Union shall be permitted the use of a sufficient number of designated Company bulletin boards for notices and announcements of official business. All such notices and announcements shall be submitted to the Company for approval and posting.

Section 4. Union Representatives-Plant Supervision

The Union agrees to furnish the Company with a current list of its accredited representatives. The Company agrees to furnish the Union with a current list of supervision concerned with the administration of the provisions of Article VII. Revisions to such lists are to be furnished as changes are made by either party.

Section 5. Working Shift-Union Representatives

The Company agrees to allow the Local Union President and the members of the General Grievance Committee to work on day shift, as long as each is serving in such representative capacity.

Section 6. Non-Discrimination

No employee shall be discriminated against by reason of race, religion, color, national origin, sex, age, handicap, or veteran status.

Section 7. Written Notice-Policy Changes

The Company shall give the Union prior written notice, where practicable, of changes in policies which directly affect employees of the bargaining unit.

Section 8. Working Conditions

Any benefit, privilege, or working condition, not specifically exempted by this agreement, provided or extended to employees in the past, will not be discontinued without prior discussion between the Company and the Union Negotiating Committees. In the event a mutual agreement cannot be reached, the Company may take action, and the matter may be submitted to Arbitration for a binding decision as to whether the change is a valid and reasonable. (See Letter of Intent, page 163.)

Section 9. Auxiliary Emergency Squad

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Twelve (12) employees on each of the rotating shifts may be selected from among volunteers to assist the employees of the Fire Department in emergencies. If an insufficient number of employees volunteer on any shift, the Company may assign employees with the least plantwide seniority from that shift to such duty. Certain jobs, however, must have coverage at all times and assignment or volunteers from these groups must be totally or partially excluded. The type and frequency of preparatory training for such assistance shall be at the discretion of the Company.

The Company and the Union agree to the following in regard to employees with work restrictions assigned to the Auxiliary Emergency Squad (AES).

(a) Action

(1) An employee with a permanent work restriction should be removed from the AES.

(2) An employee with a temporary work restriction should not be permitted to serve on the AES for the duration of the restriction.

(b) Procedure

(1) The Manager, Plant Shift Superintendents will notify the Medical Department of the name, department and badge number of current AES members and inform them of any change in the current list.

(2) The Medical Department will flag medical records to identify employees serving on the AES.

(3) Employees on the AES will be scheduled for annual mandatory physical examinations.

(4) The Medical Department will notify the Plant Shift Superintendent whenever work restrictions are imposed or removed for a member of the AES. (Language taken from MOU, pp. 133 & 134 1985 Contract.)

Section 10. Educational Assistance

The Company shall provide financial assistance to eligible employees who while still employed and outside of their regular working schedule satisfactorily complete approved courses in accordance with educational assistance programs as established by the Company.

Section 11. Definition - Days

The term "days" as used in this Contract, shall mean consecutive calendar days except as otherwise indicated.

Section 12. Utilization of Work Force

(a) The Company recognizes a responsibility to utilize all its employees and will not subcontract work normally performed by the bargaining unit employees without giving full consideration to the classification that normally performs the work. The bargaining unit employees will perform the work that they normally perform: 1) where time limits for job completion will permit; 2) where sufficient qualified personnel are present; and 3) where resources are available.

(b) If the work load exceeds the staffing or skills of the work normally performed by the employees present within a job classification, work may be subcontracted to supplement the work force within the classification. If such work which has been assigned and begun during the regular work week requires overtime, personnel in the affected classification shall be offered a reasonable amount of overtime so long as the requirements in (a) above are satisfied.

(c) It is understood that bargaining unit employees who normally perform the work in question shall not be displaced or laid off as direct result of work being subcontracted.

(d) If it is necessary to subcontract work normally performed by the

bargaining unit, the Company shall inform the Local Union President. Upon request, the Company shall meet with the Local President to give an explanation of the nature of the work, approximate dates, contractor, and the reasons for the Company's decision to subcontract such work.

(See also MOU re Subcontracting, p. 135.)

Section 13. Smoking Policy

It is agreed that smoking is prohibited in all plant buildings and other enclosed structures. Smoking in government vehicles is not permitted except when smokers are the only occupants and applicable safety regulations are observed. The Company will, however, designate at least one area in Buildings X-326, X-330, X-333, and X- 720 where employees will be permitted to smoke.

ARTICLE XVII

SICKNESS AND ACCIDENT PLAN

Non-Occupational Disability Pay

Section 1. Eligibility

Provided the "Conditions of Payment" outlined in Section 2 below are met, an hourly paid employee shall receive weekly, as due, non-occupational disability payments if he or she:

(a) has three (3) months or more of continuous service as determined in accordance with the rules set forth in Article VIII, Section 2.

(b) provides the Company, if it so requests, with a doctor's certificate as

proof that absence was due to a legitimate non-occupational disability.

(c) is absent in excess of sixteen (16) consecutive scheduled work hours

(d) reports the absence and the cause of absence to immediate supervision within the foregoing sixteen (16) hour period.

Section 2. Conditions of Payment

(a) Exclusions

Non-occupational disability payments shall not be made for:

(1) Any period of incapacity during which the employee is not under treatment by a licensed or practicing physician; or

(2) Any sickness or injury caused directly or indirectly by war or riot; or

(3) Any intentionally self-inflicted injury.

(b) Limitation

Payments under this plan shall be made only to employees whose absence is due to non-occupational disability and shall not be paid to employees who are absent for other reasons.

Section 3. Payment

(a) Waiting Period

No payments shall be made for the first sixteen (16) consecutively scheduled work hours of absence for any non-occupational disability unless the disability continues for twenty-five (25) consecutively scheduled workdays or more, or the employee is admitted to a hospital as an inpatient for medical treatment or surgery, or treated on an outpatient basis and provided services that would otherwise require admission to the hospital as an inpatient during the first two (2) waiting days of a certified non-occupational disability.

For the purposes of non-occupational disability absences and payments, a workday in which less than four (4) hours of work is performed or paid for is considered a workday of absence.

(b) Payment Period

Following the sixteen (16) hour waiting period, payments for any one period of non-occupational disability shall be made for a period of time which is dependent on the length of the employee's continuous service in accordance with the following schedule:

Continuous Service	Maximum Number of Weeks of Payment Per Absence
3 months but less than 1 year	2 weeks
1 year but less than 2 years	4 weeks
2 years but less than 3 years	6 weeks
3 years but less than 4 years	8 weeks

4 years but less than 5 years	10 weeks
5 years but less than 6 years	12 weeks
6 years but less than 7 years	14 weeks

7 years but less than 8 years	16 weeks
8 years but less than 9 years	18 weeks
9 years but less than 10 years	20 weeks
10 years but less than 11 years	22 weeks
11 years but less than 12 years	24 weeks
12 years but less than 13 years	26 weeks
13 years but less than 14 years	28 weeks
14 years but less than 15 years	30 weeks
15 years but less than 16 years	32 weeks
16 years but less than 17 years	34 weeks
17 years and over	36 weeks

(c) Amount of Pay

Excluding the sixteen (16) hour waiting period, the amount of payments shall be 85% of the base hourly rate the employee is receiving for each scheduled work hour of such absence not compensated for under any other provision of this Contract, but not to exceed a total compensation of eight (8) hours for any one workday nor the period of time determined from (b) above, except as provided in Article XIII, Section 4.

Section 4. Occupational Disability Pay

(a) Any employee who is absent from work because of an occupational disability arising out of and in the course of employment, unless purposely self-inflicted, or due to willful misconduct, violation of plant rules, or refusal to use safety appliances, shall be granted a leave of absence in accordance with Article IX. When properly approved by the Company, an employee shall be paid an amount equal to the difference between his/her base hourly rate and any payments received from Workers' Compensation. When there is no question concerning the occupational nature of the disability an estimate may be made of the amount of this difference and payment may be made before Workers' Compensation claim has been approved. An adjustment may be necessary after payments are being made on a regular basis. Such payment shall cease when the employee is determined to be permanently disabled, when the employee becomes eligible for disability retirement benefits under the terms of the Pension Plan provided for in Article XIX of this Contract or when the Company's doctor finds the employee is able to return to work. (See MOU, "Disability Pay," p. 105.)

(b) An employee who is scheduled for layoff because of reduction in force while receiving occupational disability make-up payments under this section will have such payments extended to, but not beyond, the date the individual either becomes able to work, reaches maximum (predictable) possible recovery, or six (6) months after the scheduled layoff date due to reduction in force, whichever of these first occurs.

Occupational disability make-up pay will not be extended beyond layoff except to those cases and to the extent described in this Subsection (b). An employee on occupational disability at the time of layoff will be paid layoff allowance in a lump sum.

(c) See MOU "Recall Opportunity for Employees on Temporary Total Occupational Disability," p. 106.

Section 5. Basis of Payment

All disability payments provided for in this Contract shall be reduced by the amount or amounts of any other benefits which might be provided through state or federal legislation for the same type of disability and for the same period of absence.

Section 6. Rate of Pay

Non-occupational and occupational disability payments shall be based on the rate the employee would be receiving if working.

ARTICLE XVIII

INSURANCE

Section 1. Group Life

(a) The Company shall maintain the current group plan of life and accidental death and dismemberment insurance for hourly employees which became effective January 1, 1989 and provides the following Basic and Supplemental Group Life Insurance benefits.

(1) Basic Group Life Insurance benefit will:

A. Provide an employee's beneficiary with an amount equal to at least two years' pay if he/she should die before age 65 while an active employee, or

B. Provide an employee with a monthly income if/she becomes totally and permanently disabled before age 60.

C. Provide an employee with a reduced amount of life insurance after age 65.

D. Provide an employee with continued protection until at least his/her 65th birthday in the event of total disability while employed.

(2) Supplemental Group Life Insurance Benefits will:

A. Provide an employee's beneficiary with an amount equal to at least an additional year's pay in the event of death before age 65 while an active employee.

B. Provide an employee with continued protection until at least his/her 65th birthday in the event of total disability while employed.

(c) Benefits under the Group Life Insurance Plan as amended January 1, 1989, for eligible employees who participate in the plan are set forth in the booklet entitled "Group Insurance Plan - Hourly Employees" attached hereto and made a part thereof. This attachment is hereinafter referred to as the "Insurance Booklet."

(d) Participation in the Group Life Insurance Plan shall be on a voluntary basis.

(e) The costs to employees for Basic Life Insurance and Supplemental Life Insurance are set forth in the Insurance Booklet, and these costs shall not be increased during the term of the Agreement. Each participating active employee shall pay his/her cost of the Group Life Insurance Plan by payroll deduction pursuant to his/her written authorization therefor on a form supplied by the Company. An early retiree who qualifies for and elects the option to continue the full amount of (a) his/her Basic Life Insurance or (b) his/her Basic and Supplemental Life Insurance up to age 65, as set forth in the Insurance Booklet, shall make his/her payments in advance monthly (or quarterly if he/she desires) to the office or postal address designated by the Company.

Section 2. Health Benefits Program

(a) Effective January 1, 1989, the Company will provide a comprehensive plan as setforth in the "Health Benefits Program for Hourly Employees" booklet

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dated September 1, 1987, (such booklet to be considered a part hereof) which shall include:

(1) A comprehensive medical plan providing ninety (90) percent coverage of eligible expenses after a One Hundred Dollar ($100) deductible ($200 for family coverage) with a Six Hundred Dollar ($600) stop loss ($1,200 for family coverage). The Plan provides a One Million Dollar ($1,000,000) maximum Lifetime benefit.

(2) A Vision Care Plan with no deductible which includes an eye examination once every twelve (12) months, one (1) pair of lenses once every twelve (12) months, and one (1) pair of frames once every twenty-four (24) months.

(b) Such plan shall continue in effect through May 2, 2000, under the following terms and conditions:

(1) The Company shall arrange with an insurance company to make available to participating employees in the bargaining unit certain benefits set forth in the booklet entitled "Health Benefits Program for Hourly Employees."

(2) The gross cost of the comprehensive medical plan shall be shared by the Company and participating employees. Each employee who enrolls in the plans shall pay the applicable rate, such rate representing six (6) percent of the total gross cost. The Company shall pay the remaining ninety-four (94) percent of the cost.

(3) Employee participation in the plan shall be on a voluntary basis. Employees who enroll in the plan shall authorize the Company in writing to deduct from their pay the applicable rate.

Section 3. Dental Plan

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(a) The Company shall maintain the current Dental Plan for hourly employees. Effective January 1, 1989, the Dental Plan was amended to provide the following benefits:

(1) Maximum Benefits
- A. $10,000 lifetime maximum, $1,000 in any calendar year
- B. $1,000 lifetime maximum for orthodontics

(2) Deductible Amount
- A. $25 applied against Type B and Type C expenses incurred in any one calendar year
- B. $50 maximum per family

(3) Coverage
- A. Type A Expenses - 100% of R&C charges, no deductible
  1. Dental X-rays
  2. Oral examination
  3. Cleaning
- B. Type B Expenses - 80% of R&C charges, $25 deductible
  1. Routine restoration

2. Treatment of gum disease
3. Root canal therapy
4. Extractions and oral surgery

C. Type C Expenses - 50% of R&C charges, $25 deductible
1. Crowns
2. Bridgework
3. Dentures

D. Type D Expenses - 50% of R&C charges, no deductible
1. Orthodontics ($1,000 lifetime maximum)

(c) Benefits under the Dental Plan as amended January 1, 1989, for eligible employees and dependents who participate in the Plan are set forth in the booklet entitled "Dental Expense Assistance Plan" attached hereto and made a part hereof. The attachment is hereinafter referred to as the "Dental Booklet."

(d) The Dental Plan will be paid for entirely by the Company.

Section 4. Special Accident

(a) Effective January 1, 1989, the Company will make available to eligible hourly employees Special Accident Insurance as set forth in the Booklet entitled "Special Accident Insurance Plan" attached hereto and made a part thereof.

(b) Coverage may be elected from a minimum of $20,000 to a maximum of $500,000 in multiples of $10,000 (Principal Sum). An amount greater than $250,000 may be selected only if it does not exceed 10 times basic earnings.

(c) An employee may insure his spouse and/or dependent children by electing the family plan in accordance with the booklet.

(d) The costs to employees for "Special Accident Insurance" are set forth in the Booklet.

Section 5. General

(a) In the event of the enactment or amendment of any Federal or State law providing for benefits similar in whole or in part, to those covered by this Agreement, and requiring either (a) participation by any employee or the Company; or (b) compulsory payment of taxes or contributions by any employee or the Company; or (c) benefit costs either to any employee or the Company different from those provided for under this Agreement then the parties hereto agree that they will amend this Agreement so as to provide that the total cost to the Company for insurance benefits of whatsoever nature for its employees will not be greater in amount than such costs as provided by law or by this Agreement, whichever costs are greater.

(b) The Company shall arrange through an insurance company(s) or other carrier(s) for coverage providing benefits under the above Plans.

ARTICLE XIX

PENSIONS

1. Effective January 1, 1989, the Pension Plan was amended to provide a pension based upon the largest amount produced by any of the following formulas.

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(a) A Regular Formula providing a monthly benefit of:

1.2% times average straight-time monthly earnings times years and completed months of service credit plus $18.

(b) An Alternate Formula providing a monthly benefit of :

1.5% of average straight-time monthly earnings times years and completed months of service credit less 1.5% of monthly Primary Social Security Benefit times years and completed months of service credit (up to a maximum of 50% of primary Social Security Benefit).

(c) A Minimum Formula providing a monthly benefit of:

$5 for each of your first ten years of service credit;

$7 for each of the eleventh through the twentieth years of service;

$9 for each year in excess of twenty years of service plus;

10% of average straight-time monthly earnings (if less than eight years of service, this will be reduced by 1% for each year less than eight) plus $18.

2. Benefits available under the amended pension plan to eligible employees who retire on or after January 1, 1989, are set forth in the printed booklet entitled "The Retirement Program" which is attached hereto and made a part hereof. This booklet hereinafter is referred to as the "Pension Booklet." (See Letter of Intent p. 107.)

3. It is understood that if any dispute arises from the denial of a Bargaining Unit employee's claim for benefits under the Pension Plan, other than the type of dispute to which Section 3 below pertains, then such dispute may be taken up through the Grievance and Arbitration Procedure of the principal Collective Bargaining Contract then in effect between the parties.

4. If any dispute arises as the result of the denial of a Bargaining Unit employee's claim that he/she is totally and permanently disabled within the meaning of the Pension Plan or that such a disabled former employee contin-

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ues to be so disabled, the dispute shall be resolved in the following manner upon the filing with the Company of a written request for review by such employee or former employee not more than 60 days after receipt of the denial.

The employee shall be examined by a physician appointed for the purpose by the Company and by a physician appointed for the purpose by the Union. If they disagree concerning whether the employee is totally and permanently disabled, the question shall be submitted to a third physician selected by such two physicians. The medical opinion of the third physician, after examination by him/her of the employee and consultation with the other two physicians, shall be final and binding on the Company, the Union and the employee. The fees and expenses of the third physician shall be shared equally by the Company and the Union.

5. It is understood that an employee who retires and commences to receive a Pension Benefit (as distinguished from a Disability Benefit) will have no rights to resume active employment with the Company.

6. The obligation of the Company to maintain the Pension Plan, as herein provided, is subject to the requirement that approval by the Internal Revenue Service for the amended Plan is received and maintained continuously as:

(a) Qualifying under Section 401 of the Internal Revenue Code or any other applicable section of the Federal tax laws (as such Sections are now in effect or are hereafter amended or enacted); and

(b) Entitling the Company to deduction for payments under the Plan pursuant to Section 404 of the Internal Revenue Code or any other applicable section of the Federal tax laws (as such Sections are now in effect or are hereafter amended or enacted).

In the event that any revision in the Pension Plan is necessary to receive and maintain such approval or to meet the requirements of any other applicable Federal law, the Company and the Union shall resume negotiations for the purpose of reaching agreement on such revision, it being understood that such revision shall be held to a minimum, adhering as closely as possible to the intent expressed in the Pension Plan and in this Agreement.

ARTICLE XX

TERM OF CONTRACT

Section 1. Effective Dates

This Contract shall become effective as of April 1, 1996 or the date of ratification by the membership of Local 3-689, whichever is later. It shall continue in effect 12:01 a.m., May 2, 2000 and shall automatically be renewed thereafter from year to year unless written notice is given by either party sixty (60) days prior to the expiration date that it is desired to terminate or amend the Contract. It is agreed that the terms of this Section 1 will be binding upon any employer who may become a successor contractor to LMUS at the Portsmouth plantsite.

Section 2. Renegotiation Notice

Both notice of this request for renegotiation and lists of items to be amended shall be sent by registered mail to the following:

1. Oil, Chemical and Atomic Workers

International Union, Suite 250
2722 Merrilee Drive
Fairfax, Virginia 22031-4400

2. Lockheed Martin Utility Services, Inc.
P.O. Box 628
Piketon, Ohio 45661

ARTICLE XXI

APPROVAL

This Contract between the Company and the Union is subject to ratification by the membership of Local 3-689 and to the approval of the International Union and shall be effective only if so approved.

IN WITNESS WHEREOF the duly chosen representatives of the parties to this Contract have hereunto set their hands this 27th day of August, 1996.

Oil, Chemical and Atomic Workers International Union and its Affiliated Local No. 3-689

/s/ D. Minter
/s/ Mark Lewis
/s/ Jenne Cisco
/s/ L. J. Smith
/s/ M. Neal

Lockheed Martin Utility Services, Inc.
Portsmouth Gaseous Diffusion Plant

/s/ Dale Allen
/s/ B. Wayne McLaughlin
/s/ C. W. Sheward
/s/ Roger D. McDermott
/s/ Barbara J. Baker
/s/ Gary M. Hairston

International Union

/s/ Paul Brown

Lockheed Martin Utility Services, Inc.

/s/ W. E. Thompson
/s/ J. Robert Uhlinger

Martin Marietta Corporation

EXHIBIT 10.14

CONTRACT BETWEEN

LOCKHEED MARTIN UTILITY SERVICES, INC.
PADUCAH GASEOUS DIFFUSION PLANT

HEREINAFTER REFERRED TO AS THE "COMPANY"

AND

INTERNATIONAL UNION
UNITED PLANT GUARD WORKERS
OF AMERICA (UPGWA)

AND ITS

AMALGAMATED PLANT GUARDS
LOCAL NO. 111

HEREINAFTER REFERRED TO AS THE "UNION"

JANUARY 31, 1997 - MARCH 1, 2002

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ARTICLE I
PURPOSE

It is the intent of the parties that this contract will constitute the complete agreement between the parties hereto, and that no additions, waivers, deletions, changes or amendments shall be made during the term of this contract except by written agreement of the parties.

ARTICLE II
RECOGNITION

Section 1. The Company recognizes the Union certified by the National Labor Relations Board in Case No. 9RC-1641, as the exclusive bargaining agent, with respect to rates of pay, hours of work, and conditions of employment, for all hourly paid security policy employees in the Policy Operations Organization of the Paducah Plant of Lockheed Martin Utility Services, Inc., Paducah, Kentucky, excluding all others in the Department such as clerical employees, lieutenants, professional employees, and supervisors.

Section 2. The term employee as used herein will mean any person represented by the Union as described in Section 1 above. For the purpose of this agreement the use of the masculine pronoun or derivative thereof shall be applied as to include both male and female.

Section 3. The Company agrees not to interfere with the right of employees to join or belong to the Union, and the Union agrees not to intimidate or to coerce employees to join the Union. The Company further agrees not to discriminate against any employee on account of Union membership or Union activity and the Union agrees neither to solicit for membership or to collect Union funds on Company time, nor to engage in other Union activity unless specifically provided for in this contract.

Section 4. The Union recognizes that the Company shall continue to exercise its exclusive responsibilities, such as the selection and direction of the working forces, and that the rights to promote, demote, transfer, assign, hire, retire, discipline, discharge, determine job content and to determine the qualifications of an employee to perform work are vested exclusively in the Company, except that the Union rights set forth in this contract shall not be abridged, curtailed, or modified by this clause.

Section 5. The Union agrees that the employees shall discharge their duties as assigned to them impartially and without regard to any Union or nonUnion affiliation of any plant personnel, and that failure to do so constitutes sufficient cause for disciplinary action including discharge.

ARTICLE III
DUES AUTHORIZATION

Section 1. All employees within the Bargaining Unit who are members of the Union upon the execution of this Contract shall, as a condition of employment, maintain their membership to the extent of tendering the periodic dues uniformly required as a condition of retaining membership. All employees in the Bargaining Unit who are not members of the Union upon the execution of this Contract, will within thirty (30) days join the Union, and shall at all times thereafter maintain their membership in the Union as a condition of employment, as set forth above.

Section 2. Upon receipt of proper written authorization from an employee, the Company agrees to deduct from the wages of said employee dues uniformly applicable to all members as certified to the Company by the Union. Payroll deductions of appropriate incremental amounts will be made on a weekly basis until the regular monthly dues amount has been collected unless the employee's paychecks during the month are insufficient to cover the monthly dues amount. Dues deducted and collected for the month will be forwarded to the Financial Secretary of the Union. It is understood that such authorization shall be voluntary on the part of the employee and will be automatically cancelled when the employee leaves the Bargaining Unit or is terminated, or when this contract expires unless the successor contract between the parties provides the same type

of authorization.

Section 3. An employee, while this contract is in effect, may revoke his dues authorization only during the fifteen (15) day period immediately preceding each anniversary date of this contract becoming effective, and each succeeding year that this contract is automatically renewed, by sending written notice to the Company. The Company will notify the Union on receipt of such revocation.

ARTICLE IV
UNION REPRESENTATION

Section 1. The Company agrees to recognize the following number of properly certified Union representatives as the bargaining committee for the purpose of representing employees under this contract and the grievance procedure: the Local Union President, Vice President and three committee persons. It is understood that alternates for each committeeperson will be recognized in the absence of the regular committeeperson and the Local Union Vice-President for the President in his absence. A maximum of five (5) Union representatives including the Vice-President may be present at the third and fourth steps of the grievance procedure.

Section 2. No employee may act as an officer or committeeperson until he has completed his probationary period.

Section 3. International representatives of the Union will be permitted to attend meetings between the bargaining committee and the Company in the Fourth Step of the grievance procedure.

ARTICLE V
GRIEVANCE PROCEDURE

Section 1. All complaints, disputes or misunderstandings involving questions of interpretation or application of any clause of this contract may constitute a grievance.

Section 2. Properly certified Union representatives, as referred to in Article IV, Section 1, shall report to and obtain permission from their immediate manager whenever it becomes necessary to leave their work for the purpose of handling grievances. Such periods of time during working hours shall be without loss of pay, when handling grievances in the four steps of this Grievance Procedure.

Section 3. The procedure for handling a grievance shall be as follows:

First Step: When an employee has a grievance it will be discussed with his immediate manager, and the properly certified Union representative will be notified and may be present at the discussion and settlement thereof.

Second Step: If the matter is not settled in the First Step, it shall be reduced to written form, signed, and presented to the immediate manager who shall reply

in writing within two (2) days. If the grievance is presented by an employee personally, a copy of the reply shall be sent to the properly certified Union representative.

Third Step: A grievance not settled satisfactorily in the Second Step may be appealed to the Employee Relations Department. At a meeting to be held within four (4) days from receipt of the written appeal, an Employee Relations representative will consider the matter and give a written answer within four (4) days. This meeting may be attended by other Company representatives, and properly certified Union representatives.

Fourth Step: Grievances not settled satisfactorily in the Third Step may be appealed to the General Manager through the Employee Relations Department with a meeting to be held within twenty (20) days from receipt of the written appeal. Grievances presented in the Fourth Step will be answered in writing within ten (10) days.

Section 4. Any grievance not taken up with an employee's immediate manager within twenty (20) days after the occurrence of the incident from which the grievance arose cannot thereafter be processed through the Grievance Procedure. A grievance will be considered settled if the decision of the Company is not appealed to the next higher step in the above procedure within five (5) days after a decision has been rendered by the Company except that appeal to the Fourth Step may be made within ten (10) days.

Section 5. Grievances arising out of discharge or disciplinary suspension may be initiated at the Third Step of the above procedure. If a discharge is adjudged to be in error such employee will be returned to work without loss of seniority.

Section 6. Every reasonable effort shall be made to settle grievances promptly. In the calculation of time limits under the Grievance Procedure, Saturdays, Sundays, Holidays, and scheduled days off are excluded.

Copies of all written reprimands shall be given to the employee involved at the time the discipline is imposed.

ARTICLE VI
ARBITRATION

Section 1.

(a) If a grievance is not satisfactorily settled by the procedure outlined in Article V, the grievance may be submitted to arbitration if it involves the meaning or application of the contract.

(b) Any grievance which has not been assigned to and accepted by an arbitrator within two (2) years after the date of appeal to arbitration will be considered withdrawn by mutual consent on a no precedent basis.

Section 2. Within (30) calendar days after the decision rendered by the Company in the Fourth Step of the Grievance Procedure either party desiring to arbitrate a matter which is subject to arbitration under the terms of this contract may request the Director of the Federal Mediation and Conciliation Service to appoint an arbitrator in accordance with the policy of the Service. Simultaneously a copy of such letter will be sent to the other party. The decision rendered in the matter by the arbitrator shall be final and binding on both parties except as provided in the following Section 3.

Section 3. The arbitrator acting under Section 2 of this Article shall not have the power to add to, to disregard, or to modify any of the provisions of this contract, nor shall he have the power to change any penalty imposed by the Company, unless upon the facts of the case presented before him, he finds that the Company has violated the terms of this contract, or has acted in an arbitrary or unreasonable manner.

Section 4.

(a) The expense and compensation of the arbitrator shall be borne by and divided equally between the Union and the Company. Where the arbitration proceedings involve discussion of classified information, the arbitrator shall be cleared by the Government Agency having jurisdiction if the Agency feels that such clearance is required.

(b) The parties will jointly request the Arbitrator to render a decision within thirty (30) days after briefs have been filed.

Section 5. In any proceedings under this Article the Company will make every reasonable effort to release from work employees needed as witnesses.

ARTICLE VII
CONTINUITY OF OPERATION

Section 1. There will be no strikes, lockouts, work stoppages, picket lines, slowdowns, secondary boycotts, or disturbances, even of a momentary nature. The Union agrees to support the Company fully in maintaining operations in every way. Participation by any employee, or employees, in an act violating this provision in any way will be complete and immediate cause for discharge by the Company.

Section 2. It is recognized that all members of the Union and the Company are required to comply with all protective security measures now in effect. If it is found that this contract or any part of this contract in any way violates security measures which are now in effect, or which may be put into effect later, and the Company and the Union are notified by the proper authority as to the Section or Sections of the contract in question, negotiations will begin immediately for the purpose of making required changes.

ARTICLE VIII
SENIORITY

Section 1. The seniority of present employees of the Police Operations Organization shall be determined from their effective date of hire in the plant. The seniority of future employees of the Police Operations Organization shall be determined from their effective date of hire in or transfer to the Police Operations Organization.

Section 2. A new employee shall be considered a probationary employee for the first sixty (60) days worked, and at the end of that period, if he is retained, his name will be placed on the Seniority List and his seniority shall date from the date of hire. A probationary employee shall be subject to layoff, discipline, or discharge at the sole discretion of the Company.

Section 3. When a reduction in force is necessary, probationary employees shall be laid off first. Should further layoffs be necessary they shall be made in accordance with seniority. When additional personnel are required, former employees with seniority will be rehired in reverse order of a layoff.

Section 4. Notice of layoff will be given employees as far ahead as practicable.

Section 5. Employees promoted to management in the Police Operations Organization or transferred out of the Police Operations Organization shall not accumulate seniority while outside the Bargaining Unit but shall retain all seniority rights that they had at the time of promotion or transfer for a period of six (6) months provided he returns to the unit within six (6) months. After one such move seniority will be lost at the time of a promotion or transfer outside the bargaining unit. Such loss of seniority will only apply to promotions or transfers after October 30, 1967.

Section 6. An employee will lose his seniority for the following reasons:

(a) If he quits.

(b) If he is discharged for just cause.

(c) If the employee is absent unexcused three (3) consecutive days. In the event that he reports for work by the starting time of his shift on the fourth (4th) consecutive day, his seniority will be preserved.

(d) An employee who has been laid off due to a reduction in force shall be retained on the recall list for a period not to exceed forty-eight (48) months and shall not accumulate seniority during such period. If not recalled within forty-eight (48) months from the date of layoff such employee will cease to have seniority.

(e) A former employee on the recall listing who declines an offer of reemployment or fails to report for work within five (5) days after receipt of such shall be removed from the recall listing.

(f) Promotion or transfer out of the guard unit as specified in Section 5 preceding.

Section 7. A seniority list will be furnished the Union twice a year.

Section 8. See Administrative Letter regarding filling permanent Security Police Officer Vacancies, pages 133-134.

ARTICLE IX
LEAVE OF ABSENCE

Section 1. Leave of absence without pay, up to fifteen (15) consecutive calendar days shall be granted upon presentation by an employee of evidence acceptable to the Company that such leave of absence is for a reasonable purpose, and provided further that such leave will not interfere with operations. Such leave of absence shall be without loss of seniority.

Section 2.

(a) Upon written guest to the Company made by the Union a reasonable period in

advance, an employee certified by the Union to be a full-time Union official may be granted a leave of absence without pay to engage in work pertaining to the business of the Union. The number of employees granted such leaves of absence may not at any time exceed three (3).

(b) Each such leave of absence shall be for a period no longer than two (2) years and shall be granted only at such times as will not interfere with operations. Leaves of absence shall not be renewable from year to year except as mutually agreed by the parties.

(c) An employee granted such leave of absence must return all security identification issued to him.

Section 3. The Group Insurance of an employee will be continued in force during such authorized leave of absence in case and in such manner as the provisions of the Company Group Insurance contract permit, provided that he pays his share of the Group Insurance premiums at least monthly in advance.

Section 4. Seniority shall accumulate during an approved leave of absence.

Section 5. The Hospitalization and Surgical Plan Insurance of an employee will be continued in force during such authorized leave of absence in case and in such manner as the provisions of the Company Insurance Contract permit provided that he pays the full premium at least monthly in advance.

ARTICLE X
DISABILITY PAY

Section 1. SHORT TERM DISABILITY PLAN

Effective April 1, 1991, an employee disabled and unable to work due to illness, pregnancy, or occupational or nonoccupational injury, will be paid 100% of his basic straight-time hourly rate in accordance with the terms and conditions of the Short Term Disability Plan set forth in the "Disability Benefits" Section of the "Lockheed Martin Your Benefits Employee Handbook", dated October 1, 1996 which provides for payment in accordance with the following schedule:

COMPANY SERVICE CREDIT	MAXIMUM NO. OF MONTHS OF PAYMENT PER ABSENCE
at least one month but less than 2 months	one month
at least two months but less than 3 months	two months
at least three months but less than 4 months	three months
at least four months but less than 5 months	four months
at least five months but less than 6 months	five months

at least six or more months six months

Section 2. LONG TERM DISABILITY PLAN

Effective April 1, 1991, an employee totally disabled for six months will become eligible to receive sixty percent (60%) of his monthly basic straight time rate up to a specified maximum monthly benefit paid in accordance with the terms and conditions of the Long Term Disability Plan set forth in the "Disability Benefits" section of the "Lockheed

Martin Your Benefits Employee Handbook" dated October 1, 1996 referred to in Section 1 above and will be paid, if he is totally and permanently disabled as defined in the above-referenced handbook, until he reaches age 65. Under specified circumstances, such benefits will continue beyond age 65. Such benefits will be reduced by any income benefits the employee is eligible to receive from other sources such as Social Security, Worker's Compensation, other statutory benefits, and other Company benefit plans.

If a dispute arises as a result of an employee's claim that he or she is totally and permanently disabled as defined in the above-referenced handbook or that such employee continues to be totally and permanently disabled the dispute shall be resolved in the following manner upon the filing with the Company of a written request for review by such employee not more than 60 days after receipt of denial:

> The employee shall be examined by a physician appointed for the purpose by the Company and by a physician appointed for the purpose by the Union. If they disagree concerning whether the employee is totally and permanently disabled, the question shall be submitted to a third physician selected by such two physicians. The medical opinion of the third physician, after examination by him or her of the employee and consultation with the other two physicians, shall be final and binding on the Company, the Union, and the employee. The fees and expenses of the third physician shall be shared equally by the Company and the Union.

Section 3. CONDITIONS OF PAYMENTS

(a) Payments under the Short Term and Long Term Disability Plans referred to in Sections 1 and 2 of this Article will not be made for:

(1) Any disability occurring during the first 12 months that the employee's plan coverage is in effect if caused by any condition for which he received treatment during the three month period before his coverage became effective, or

(2) Any period of incapacity beyond the third consecutive calendar day during which the employee is not under treatment by a licensed practicing physician, or

(3) Any disability caused directly or indirectly by war declared or undeclared, or

(4) Any intentionally self-inflicted injury, or

(5) Any disability resulting from commission of a felony, or

(6) Any disability due to willful misconduct, violation of plant rules, or refusal to use safety appliances.

(b) Payments under these plans will be made only to employees whose absence is due to nonoccupational or occupational disability and will not be paid to employees who are absent for other reasons.

(c) Payments will only be made when the Company is provided, if it so requests, with a doctor's certificate, subject to confirmation by a doctor selected by the Company, as proof that the employee's absence was due to legitimate nonoccupational or occupational illness or injury. Under normal circumstances, doctor's certification will not be requested by the Company during the first three consecutive calendar days of the absence. However, certification may be requested by the Company for any or all of the first three days if the Company has reason to question the absence.

(d) Payments will only be made when employees properly report their absence and the cause of their absence to the proper Company representative in a prompt manner.

(e) Payments are applicable only for the normal workweek and normal work day. In case working hours of the plant are changed, it is understood that payment under the above schedule will be changed in direct proportion to the change in working hours.

(f) It is recognized by the Union that the Company has a continuing interest in reducing absenteeism, no matter what the cause.

Section 4. ADMINISTRATION OF PLANS

(a) Short Term Disability Plan: The administration of the Short Term Disability Plan and the payment of benefits under this plan shall be handled by the Company.

(b) Long Term Disability Plan: The administration of the Long Term Disability Plan and the payment of benefits under this Plan shall be handled directly by the

Insurance Company, it being understood that a claimant whose benefits claim is denied may contest such denial with the Insurance Company but that he or she shall have no redress whatsoever against the Company. It is agreed, however, that in any case in which an employee claiming benefits under this Plan and desiring to file such claim with the Insurance Company becomes engaged in a nonmedical factual dispute with the Company in connection with such claim (such as a disagreement over his or her earnings group, eligibility, employment status, amount of Company Service Credit or other nonmedical factual question) such employee and the Union may process a grievance in accordance with the terms of this Contract. It is agreed, however, that any and all medical questions in dispute shall be determined solely by the Insurance Company, except as provided under the second paragraph of Section 2 of this Article. It is understood that the Company shall retain the right to select and arrange with an Insurance Company to provide certain

benefits available under these Plans; and to replace the Insurance Company from time to time as it may deem appropriate.

Section 5. COMPANY SERVICE CREDIT DURING APPROVED NONOCCUPATIONAL OR OCCUPATIONAL ABSENCES

An employee who is disabled and unable to work will receive Company Service Credit for the period of his Short Term Disability approved by the Company and/or the period of his Long Term Disability approved by the Insurance Company.

ARTICLE XI
VACATIONS

An employee must complete one (1) year of Company Service Credit to obtain initial eligibility for two (2) weeks vacation. However, one (1) week of this initial vacation eligibility may be taken after completing Six (6) months of Company Service Credit.

During calendar years in which an employee completes from two (2) years through four (4) years of Company Service Credit, he shall receive two (2) weeks of vacation.

During calendar years in which an employee completes from five (5) through nine (9) years of Company Service Credit, he shall receive three (3) weeks of vacation.

During calendar years in which an employee completes ten (10) through nineteen (19) years of Company Service Credit, he shall receive four (4) weeks of vacation.

During calendar years in which an employee completes from twenty (20) through twenty-nine (29) years of Company Service Credit, he shall receive five (5) weeks of vacation.

During calendar years in which an employee completes thirty (30) or more years of Company Service Credit, he shall receive six (6) weeks of vacation.

The vacation plan shall be administered in accordance with the vacation regulations contained in Appendix A attached hereto and made a part hereof.

ARTICLE XII
MISCELLANEOUS

Section 1. The Company will provide dressing rooms and locker space.

Section 2. Management personnel who are out of the Bargaining Unit shall not regularly perform non-management work of a manual nature which would deprive an employee of work, except in emergencies.

Section 3. The Company will provide heated shelters at all permanent outside posts.

Section 4. The Union shall be permitted to use designated Company bulletin boards for posting notices and announcements of official business. All such notices and announcements shall be submitted to the Company for its approval and posting.

Section 5. The Company will prescribe and maintain uniforms and all items of

equipment.

Section 6. Work assignments will be rotated as equally as practicable on each shift.

Section 7. Company Service Credit will be determined in accordance with Company Service Credit Rules as set forth in "Appendix B."

Section 8. There shall be no discrimination because of race, color, creed, national origin or sex. Nor will there be discrimination against any employee because he is handicapped, a disabled veteran, or a veteran of the Vietnam Era, as these terms are used in applicable federal statutes.

Section 9. The Company will pay one (1) delegate selected by the Union to attend the Governor's Health and Safety Conference. A maximum of eight (8) hours straight- time pay will be allowed for each of the three (3) days.

Section 10. Each April 1, the company will pay to each active employee a pre-tax safety shoe allowance of sixty-five dollars ($65).

ARTICLE XIII
HOURS OF WORK

Section 1. Definitions:

(a) The payroll week consists of seven (7) days extending from midnight Sunday to midnight Sunday the following week.

(b) The normal workweek consists of forty (40) hours within a payroll week.

(c) The normal workday consists of eight (8) hours of work.

(d) The normal hours for rotating-shift workers are 5:50 a.m. to 5:50 p.m. and 5:50 p.m. to 5:50 a.m.

(e) The normal hours for straight-day workers are from 5:50 a.m. to 1:50 p.m. with a (30) minute nonpaid lunch period. No time will be deducted for lunch periods when an employee's scheduled nonpaid lunch period is delayed under the following circumstances:

(1) The delay is ordered by the employee's manager.

(2) The delay causes the employee's lunch period to start five and one-half (5-1/2) hours or more after his starting time.

(3) The minimum amount of time necessary will be taken to eat lunch and in no case to exceed thirty (30) minutes.

(f) The term working schedule means the arrangement of shift hours to be worked and regular shift changes for employees working on shifts and the regularly scheduled arrangement of hours to be worked by straight-day workers.

Section 2.

(a) The provisions of this contract shall not be considered as a guarantee by the Company of a minimum number of hours per day or per week, or pay in lieu thereof, nor a limitation on the maximum hours per day or per week which may be required to meet operating conditions.

(b) The Company may adjust the working schedule of employees in any unit or group to meet operating requirements and employees may be assigned regularly or temporarily to a schedule other than the normal hours.

(c) Employees who work overtime shall not be required to take time off to offset the overtime work.

(d) If a change is made in an employee's work schedule from one established shift to another established shift for the payroll week in which he is notified or less than twenty-four (24) hours prior to the beginning of the payroll week, such employee will be paid for the first eight (8) hours worked on the new schedule at one and one-half (1-1/2) times the employee's straight-time hourly rate, except when such change is made at the request of or for the convenience of the employee. A change in scheduled days off will be considered a shift change.

Section 3. One and one-half (1-1/2) times the straight-time hourly rate shall be paid for all hours worked in excess of eight (8) in any twenty four (24) hour period or for all hours worked in excess of forty (40) within the applicable payroll week as defined in Section 1 of this Article, whichever of these alternatives provides at the end of the payroll week the greater total pay. An employee who is required to work in excess of sixteen (16) continuous hours, excluding the nonpaid lunch hour of a day worker, shall be paid two (2) times the straight-time hourly rate for all such continuous hours worked in excess of sixteen (16).

Section 4. An employee who has left the plant and is called in by the Company to perform work outside of his regular scheduled shift will receive not less than four (4) hours pay at straight time, or pay at one and one-half (1-1/2) times her regular rate as overtime pay for such work performed, whichever is greater.

Section 5.

(a) An employee who reports for work on his regular shift, without previously having been notified not to report, will be given at least four (4) hours' work, or if no work is available, four (4) hours' pay, except that if work is unavailable as the result of causes beyond the control of the Company, it shall not be so obligated.

(b) Failure on the part of an employee to keep the Company informed of his current address will relieve the Company of its responsibility under this Section of the Contract.

Section 6.

(a) Opportunities for overtime work shall be divided among employees as equally as practicable. All overtime worked or refused will be charged. A record of overtime shall be kept and made available to the Union for examination. Refer to Administrative Letter regarding guidelines for overtime, pages 127-132.

(b) Sleeping accommodations will be provided for those employees held over on compulsory overtime assignments and who are without transportation.

(c) Employees held over past their scheduled quitting time will be provided with a minimum of four hours of work except in those instances where tardy relief is the cause of the holdover. When necessary, an employee on tardy relief will be furnished transportation home within a reasonable time.

Section 7.

(a) An employee who is required to work overtime and who works ten (10) or more continuous and successive hours (excluding the noon lunch period of a day worker) will be paid a meal allowance of four dollars and seventy-five ($4.75) which will be included in the employee's regular paycheck. An additional meal allowance will be allowed for each four (4) hours of consecutive work performed thereafter. If an employee is paid a meal allowance and denied time off to eat by his manager, the employee will be credited with thirty (30) minutes additional work time if the employee works beyond the specified hour for meal allowance entitlement.

(b) No time will be deducted for lunch periods during such overtime work, it being understood that they will be made as short as possible and in no case exceed thirty (30) minutes.

Section 8.

(a) The following recognized holidays are:

New Year's Day, Martin Luther King, Jr.'s Birthday, Good Friday, Last Monday in May, Independence Day, Companion to Independence Day, Labor Day, Thanksgiving Day, Friday after Thanksgiving Day, Christmas Eve, and Christmas Day. Companion to Independence Day is observed on Thursday, July 3, 1997; Thursday, July 2, 1998; Tuesday, July 6, 1999; Wednesday, July 5, 2000 and Thursday, July 5, 2001. If any of the above holidays fall on Saturday, the preceding Friday shall be recognized as the holiday except that any employee normally scheduled to work on one of the above recognized calendar holidays that fall on Saturday or Sunday such recognized calendar holiday will be his recognized holiday. If any of the above holidays fall on an employee's scheduled off day, his first succeeding scheduled work day shall be recognized as the holiday except that where Thanksgiving Day or Christmas Eve falls on an employee's scheduled off day it will be recognized on the first preceding scheduled work day.

(b) A rate of two and one-half (2-1/2) times the straight-time hourly rate shall be paid for all hours worked on the eleven (11) recognized holidays.

(c) Employees will be paid for recognized holidays not worked an amount equivalent to eight (8) times the employee's straight-time hourly rate. Payments provided in this subSection (c) shall be subject to the following conditions:

(1) Such pay shall be made to the employee only if the recognized holiday would normally have been worked by the employee if it had not been a holiday.

(2) An employee who is instructed to work on a holiday but who fails to report and does not have an acceptable excuse, will receive no pay for the holiday.

(3) To be eligible for holiday pay an employee must report for work on his last regularly scheduled working day immediately preceding the holiday and the first regularly scheduled workday immediately following this holiday, unless excused by the Company.

Section 9. Double time will be paid for all hours worked on the seventh (7th) consecutive day worked in any payroll week.

Section 10. Overtime premium shall not be duplicated for the same hours under any of the terms of this contract, and to the extent that hours are compensated for at overtime premium rate under one provision they shall not be counted as hours worked in determining overtime compensation under the same or any other provision.

Section 11. Subject to the prior approval of management and provided that the Company will incur no additional overtime or other wage cost, employees may trade scheduled work time in one hour increments within the same work week. It is understood that no trade will involve more than two employees, (only the approved persons may cover a shift). It is understood that the relieving employee will receive a guard mount from the Shift Commander. No additional guard mount premium will result from employees voluntarily trading shifts pursuant to this paragraph. Likewise, an employee will not lose premium pay for guard mount which she/he would have received, but for the trade. In addition, the relieving employee and the relieved employee will conduct a thorough post turnover.

Section 12. An employee who is called for jury duty may be excused from work upon presentation of court notice to his immediate manager. The employee who has been so excused will be paid his normal straight-time earnings and the fees received from the court provided he submits appropriate evidence from the court. Only the number of his scheduled workdays actually spent in court are counted in calculating payment.

Section 13. Employees who are unable to vote because of a conflict between voting hours and scheduled working hours in a national, state, county, or municipal election will be allowed sufficient time off to vote provided that they are eligible to vote. Such employees may be paid for such absence for a period not to exceed two (2) hours.

Section 14. In determining if an employee is to be paid in accordance with Section 3 and Section 9 of this Article XIII, each of the holidays in Section 8 which would ordinarily have been worked, and hours compensated for at time and one-half under Article XIII, Section 2(d), and those days for which an employee is paid by the Company for jury duty in accordance with Section 12 will count as a day worked. Also, fragmented vacation days and funeral leave taken by an employee will count as a day worked in determining if an employee is to be compensated at time and one-half for all hours worked in excess of forty (40) within the applicable payroll week and seventh (7th)

consecutive day. The Company will not pay for time not worked except as specifically provided for in this contract.

Section 15.

(a) An employee excused for such time as may reasonably be needed for the purpose of attending the funeral of a member of his immediate family will be paid his basic straight-time hourly rate for any or all of three (3) regularly

scheduled workdays during the period beginning with the day of death and ending with the day after such funeral. Under the conditions established by the Contract, up to four (4) days will be granted to attend a funeral more than five hundred (500) miles from Paducah, Kentucky.

For the purpose of this Section, the term "member of the employee's immediate family" shall be defined as, and limited to, the following: spouse, children, parents, step-parents, grandparents, brother, sister, half-sister, half-brother, stepbrother, stepsister, parents-in-law, grandparents of the spouse, son-in-law, daughter-in-law, brother-in-law, sister-in-law, grandchildren, stepchildren and step-grandparents of the employee.

(b) If a death occurs in an employee's immediate family while he is on vacation, he shall promptly notify his management. The employee will be permitted to cancel only those whole days of vacation remaining after notification to his supervision providing he qualifies for funeral pay for those days under this Section.

Section 16. The parties agree to a thirty (30) minute, daily Guard Mount prior to the beginning of each respective shift. Employees will report to the Guard Mount properly clothed with all issued equipment. Time spent in the daily Guard Mount will be treated as standard overtime for all shifts.

Section 17. The following is the administrative agreement dealing with the 12-hour shift:

(a) All rotating shift workers (UPGWA) at the Paducah Plant.

(b) Consists of two 40-hour, one 44-hour, and one 36-hour work weeks.

(c) Hours: 5:50 a.m. to 5:50 p.m. and 5:50 p.m. to 5:50 a.m.

(d) In no case will employees working the newly established 12-hour shift schedules receive standard overtime for hours worked in excess of eight in a 24-hour period.

Employees will receive pay for holdover, call-in, and work in excess of 40 hours in a payroll week in accordance with the terms of the contract.

(e) Employees receive four hours at the overtime rate once every three weeks when they work the scheduled 44-hour work week.

(f) Double time pay for all hours worked on the seventh consecutive day worked in any payroll week.

(g) For working 12 hours on holiday, employee receives double time and a half for eight of the hours and straight time for four of the hours.

(h) When two worked holidays fall back to back and an employee begins work at 5:50 p.m. on the first holiday, he will receive 16 hours pay at double time and a half.

(i) Weekend premium will be paid for all hours worked on Saturday and Sunday.

(j) Shift premium will be paid at seventy (70) cents per hour for hours worked between 5:50 p.m. and 5:50 a.m. No shift premium will be paid for hours worked between 5:50 a.m. and 5:50 p.m.

(k) When holdover is necessary, the employee may be held over to work four hours and an employee from the overtime list on off shift will be called in to work.

(l) Meal allowance will be paid after 14 hours of continuous and successive hours.

(m) When an employee works his scheduled day off on an alternate shift, he will receive a meal allowance after ten (10) hours.

(n) Funeral leave allowance will be counted as three 12-hour days.

(o) Vacation, sick, and personal time are accounted for in increments of four and eight hours. Four hours will be one-half day for record purposes and 12 hours will be recorded as one and one-half days of vacation.

(p) These conditions are not all inclusive and unanticipated situations may arise. The company and union will address such occurrences being guided by the intent of this agreement that no employee will receive a windfall under the contract by virtue of working a 12-hour rather than an eight-hour shift.

(q) "R" shift employees will work from 5:50 a.m. to 1:50 p.m. or 9:50 a.m. to 5:50 p.m. Monday through Friday.

ARTICLE XIV
WAGES

Section 1. The wage schedule set out below shall become effective in the manner indicated for the job classifications of Security Officer and Security Police Officer:

(a) All time spent in preparing for work and preparing to leave after work shall be excluded from measured working time and shall not be paid for or considered as compensable time in any regard. Such time includes, but is not limited to, clothes changes, washup, and weapons inspection, post assignment, and transportation by foot or vehicle (either as driver or passenger) to or from the first and last assigned post. It is mutually agreed that all employees shall report to their first post assignment ready for work promptly at the designated shift start time. Employees shall remain on their last assigned post until the end of their designated shift.

In consideration of the above, the wage schedule set forth herein includes five (5) cents per hours.

(b) Wage Schedules

Effective January 31, 1997, three and one-half (3.5) percent increase to all security police officers and security officer rates then in effect.

Effective January 31, 1998, all active security police officers and security officers shall receive a lump sum payment equal to three (3) percent of the straight-time hourly rate then in effect.*

Effective January 31, 1999, three and two-tenths (3.2) percent increase to all security police officers and security officer rates then in effect.

Effective January 31, 2000, all active security police officers and security police officers shall receive a lump sum payment equal to three (3) percent of the straight-time hourly rate then in effect.*

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Effective January 31, 2001, three and one-half (3.5) percent increase to all security police officer and security officer rates then in effect.

*Lump sums are the stated percentage times the straight time hourly rate as of the date shown and annualized based on 2,080 hours per year. Lump sums are payable to persons who are actively employed on the date shown. Lump sum amounts will be pensionable earnings and eligible for savings plan contributions and lump sums will not be deemed part of an employee's annual basic rate of pay for the purpose of computing his/her medical plan deductible or stop loss.

WAGE SCHEDULE

	JOB RATE				
Classi-fication	Start	3 mos.	6 mos.	9 mos.	12 mos.
	EFFECTIVE JANUARY 31, 1997				
Security Officer	12.75	13.43	14.09	14.73	15.38
Security Police Officer	13.28	13.97	14.65	15.33	16.00
	JOB RATE				
Classi-fication	Start	3 mos.	6 mos.	9 mos.	12 mos.

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	EFFECTIVE JANUARY 31, 1999				
Security Officer	13.16	13.86	14.54	15.20	15.87
Security Police Officer	13.70	14.42	15.12	15.82	16.51
	EFFECTIVE JANUARY 31, 2001				
Security Officer	13.62	14.35	15.05	15.73	16.43
Security Police					

Officer	14.18	14.92	15.64	16.37	17.09

Section 2. Employees are given consideration for scheduled rate increases to their respective job rates upon completion of each of the periods of continuous service outlined in the wage schedules set forth in Section 1 above.

Section 3. Such rate increases are granted on a periodic merit progression basis and are granted only if the workmanship and ability of the employee have been satisfactory.

Section 4. If a scheduled merit progression increase is not granted, the immediate manager of the employee thus affected will notify the employee in writing of the reason for such rejection and if the employee feels such action is unjust he may file a grievance. The supervisor may originate such increase at any time thereafter when the workmanship and ability of the employee warrants. Future consideration for advancement within the merit progression scale will be given at each period of three (3) months thereafter until he reaches the job rate.

Section 5. Approved rate changes will become effective on the eligibility date.

Section 6. An employee shall receive a shift premium of forty (40) cents per hour for work performed on the evening shift (1:50 p.m. to 9:50 p.m.) and a shift premium of seventy (70) cents per hour for work performed on the midnight shift (9:50 p.m. to 5:50 a.m.) except that shift premium shall be paid to day shift employees for work performed from 5:50 a.m. to 7:30 a.m.

Section 7. An employee who works Saturday and/or Sunday as part of his normal work week will receive an additional forty (40) cents per hour for such hours worked on Saturday and an additional sixty (60) cents per hour for such hours worked on Sunday. In no case shall such payments be applied to hours paid for at overtime, holiday, or premium rates.

Section 8. Cost of Living Allowance (COLA)

All employees within the bargaining unit as defined in Article II of this Agreement shall be covered by a Cost of Living Allowance as defined and set forth in this Section.

(a) The amount of the Cost of Living Allowance shall be determined and redetermined as provided below in accordance with changes in the Revised Consumer Price Index for Urban Wage Earners and Clerical Workers (1982-84 CPI-W = 100) published by the Bureau of Labor Statistics of the United States Department of Labor, and referred to herein as "Index."

The Cost of Living Allowance shall be based on a one (1) cent per hour adjustment for each full 0.1 point change in the Index as provided herein.

(b) (1) After January 31, 1994, Cost of Living adjustments shall be made and shall be payable quarterly when/and if the Index increases in excess of four (4) percent of the base index described below. The base to calculate the initial adjustment which may be due under this Section shall be the Index for December of 1993 (published in January of 1994). Adjustments shall be made May 2, 1994; August 1, 1994; November 7, 1994; and February 6, 1995 if appropriate.

(2) After January 31, 1995, Cost of Living adjustments shall be made and shall be payable quarterly when/and if the Index increases in excess of four (4) percent of the base index described below. The base shall be the Index for December of 1994 (published in January of 1995). Adjustments shall be made May 1, 1995; August 7, 1995; November 6, 1995; and February 5, 1996 if appropriate.

(3) After January 31, 1996, Cost of Living adjustments shall be made and shall be payable quarterly when/and if the Index increases in excess of four (4) percent of the base index described below. The base to calculate the initial adjustment which may be due under this Section shall be the Index for December of 1995 (published in January of 1996). Adjustments shall be made May 6, 1996; August 5, 1996; and November 4, 1996, if appropriate.

(c) In computing overtime pay, vacation pay, holiday pay, call-in pay, disability pay, jury duty pay, funeral leave pay, and military makeup pay as provided in this Agreement, the amount of any Cost of Living Allowance then in effect shall be included.

(d) In the event that the Bureau of Labor Statistics does not issue the Index on or before the beginning of the pay period referred to in Paragraph (b) above, any adjustment required will be made at the beginning of the first pay period after receipt of the Index.

(e) No adjustment, retroactive or otherwise, shall be made in the amount of the Cost of Living Allowance due to any revision which may later be made in the published figures for the Index for any month on the basis of which the Cost of Living has been determined.

(f) The continuance of the Cost of Living Allowance as herein provided is dependent upon the continued availability of the official monthly Index in its present form and calculated on the same basis as the currently published Revised Consumer Price Index for Urban Wage Earners and Clerical Workers (1982-84 = 100) unless otherwise agreed upon by the Company and the Union.

(g) COLA being paid shall be considered as wages for the purpose of pension, group insurance and savings plan.

ARTICLE XV
LAYOFF ALLOWANCE

Section 1. Layoff allowance for an employee terminated from the payroll on account of a reduction in force or because of occupational or nonoccupational disability shall be in accordance with the following schedule:

Service Credit	Allowance

Under 12 Wks.	No Allowance
12 Wks. - 1 Yr.	Same proportion of 1 week's pay as completed months of service are of 12 months
1 Yr. - 3 Yrs.	1 week (or 40 hours)
3 Yrs. - 5 Yrs.	2 weeks (or 80 hours)
5 Yrs. - 7 Yrs.	3 weeks (or 120 hours)
7 Yrs. - 10 Yrs.	4 weeks (or 160 hours)
10 Yrs.	5 weeks (or 200 hours)
11 Yrs. Or more	Same as for 10 years plus 1 week (or 40 hours) For each added year of service

Section 2. An employee who is rehired and subsequently laid off from the payroll will receive layoff allowance based on his most recent rehire date.

Section 3. A layoff allowance applicable to retirement terminations will be paid in accordance with the table in Section 1 of this Article for Company Service Credit as of December 31, 1965. Retirement layoff allowance will not be applicable to any new employee nor for Company Service Credit of present employees accrued after December 31, 1965.

Section 4. If the contract between the United State Enrichment Corporation and Lockheed Martin Utility Services, Inc. is terminated and not renewed during the term of this contract and an employee becomes the employee of a successor contractor within ten (10) days of the date of change in contractors, layoff allowance will not be payable to such transferred employee by Lockheed Martin Utility Services, Inc. It is understood that any employee who may be so transferred and laid off by the successor contractor during the term of this contract shall suffer no loss of benefits accrued under this Article. If an employee is not transferred to the successor contractor within the above-mentioned ten (10) days and is laid off, he will receive benefits from Lockheed Martin Utility Services, Inc. as set forth in this Article.

ARTICLE XVI
EDUCATIONAL ASSISTANCE PROGRAM

Company will provide financial assistance up to one hundred (100) percent of the cost of tuition, laboratory fees, and required textbooks to employees who are actively employed and outside their regular working hours, satisfactorily complete qualified course of study in recognized schools or colleges related to employee's work. Applications must be field and approved prior to starting of course. An employee who is receiving government financial assistance for education is not eligible for a refund under this program.

ARTICLE XVII
TERM OF CONTRACT

This contract shall become effective as of 12:01 a.m., January 31, 1997, and shall continue in effect until midnight, March 1, 2002, and shall automatically be renewed thereafter from year to year unless either party notifies the other in writing sixty (60) days prior to the expiration date that it desires to terminate or modify this contract. If no agreement is reached during the sixty (60) day period, negotiations shall then cease unless extended by mutual agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be signed by its duly authorized representatives on January 31, 1997.

UNITED PLANT GUARD WORKERS OF AMERICA

INTERNATIONAL REPRESENTATIVE

/s/ J.L. Allen

AMALGAMATED PLANT GUARDS
Local Union No. 111
(UPGWA)

/s/ J.M. Driskill
/s/ D.J. Weatherford
/s/ H.G. Logsdon
/s/ K.R. Ragsdale
/s/ J.C. Stoll

LOCKHEED MARTIN UTILITY SERVICES, INC.

/s/ W.E. Thompson
/s/ R. Uhlinger
/s/ S.A. Williams
/s/ H.C. Anderson
/s/ L.K. Pahl
/s/ C.V. Hicks
/s/ J.E. Dodge
/s/ D.P. Sullivan
/s/ C.T. Hall

EXHIBIT 10.15

AGREEMENT

BETWEEN

LOCKHEED MARTIN UTILITY SERVICES, INC.
PORTSMOUTH GASEOUS DIFFUSION PLANT

AND

INTERNATIONAL UNION, UNITED
PLANT GUARD WORKERS OF AMERICA
AND ITS AMALGAMATED LOCAL NO. 66

EFFECTIVE: August 3, 1997
EXPIRATION: August 4, 2002

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AGREEMENT

This Agreement is made and entered into this 3rd day of August, 1997, by and between Lockheed Martin Utility Services, Inc., Portsmouth Gaseous Diffusion Plant, hereinafter referred to as the "Company" and the International Union, United Plant Guard Workers of America (UPGWA) and its amalgamated Local No. 66, hereinafter referred to as the "Union."

In the event that any of the provisions of this Agreement are found to be in conflict with any valid Federal or State law or DOE or NRC order, regulation, or directive now existing or hereinafter enacted, it is agreed that such law, order, regulation, or directive shall supersede the conflicting provisions within in any way affecting the remainder of these provisions.

ARTICLE I

SCOPE

This Agreement shall constitute the complete agreement between the parties hereto with reference to wages, hours, working conditions and conditions of employment. Any additions, waivers, deletions, changes, amendments or modifications that may be made to this agreement shall be effected through the collective bargaining process between authorized representatives of the Company and the Union, subject to ratification by the membership of Local 66. All other written understandings between the parties not incorporated herein by reference or otherwise, at the effective date of this Agreement, are hereby terminated. Any interpretation of this Agreement or of amendments thereto can be a proper subject for the Grievance Procedure.

Should any part of this Agreement be declared invalid by operation of law or by a tribunal of competent jurisdiction, the remainder of the Agreement will not be affected thereby but will remain in full force and effect.

ARTICLE II

RECOGNITION

Section 1. Establishment and Limitation

The Union having been heretofore certified by the National Labor Relations Board in Case No. 9-RC-2459, as the collective bargaining representative of such employees, the Company hereby recognizes the Union as the sole and exclusive bargaining agent for all hourly rated Security Police Office II Offensive (SPOII/Offensive), Security Police Officer II Defensive (SPOII/Defensive) and Security Officer (SO) employed in the Plant Security Department of the Company, excluding captains, shift commanders, the Plant Protection Force Manager, salaried employees, office clerical employees, professional employees, supervisors, and all other persons employed by the Company, with respect to rates of pay, wages, hours of employment and other conditions of employment.

Section 2. Definition of Employee

The term "employee" as used herein will mean any hourly rated Security Police Officer II/Offensive (SPOII/Offensive), Security Police Officer II/Defensive (SPOII/Defensive) and Security Office (SO) represented by the Union as described in the preceding section.

Section 3. Noninterference

The Company agrees not to interfere with the rights of employees to join or belong to the Union, and the Union agrees not to intimidate or to coerce employees to join the Union. The Company further agrees not to discriminate against any employee on account of Union membership or Union activity, and the Union agrees neither to solicit for membership or to collect Union funds on Company time, nor to engage in other Union activity unless specifically provided for in this Agreement.

Section 4. Union Responsibilities

The Union recognizes that it is the responsibility of Security Police II/Offensive (SPOII/Offensive), Security Police II/Defensive (SPOII/Defensive) and Security Officer (SO) to familiarize themselves with the rules established by the Company, and to faithfully report all violations thereof. The Union agrees that the Security Police II/Offensive (SPOII/Offensive), Security Police Office II Defensive (SPOII/Defensive)

and Security Officer (SO) shall discharge the duties assigned to them impartially and without regard to any union or nonunion affiliation of any persons employed by the Company and that failure to do so constitutes sufficient cause for disciplinary action up to and including discharge.

Section 5. Contract Distribution

As a means of informing all employees as to their rights, privileges, and obligations under this Agreement, the Company agrees to furnish a copy of this Agreement to each employee within sixty days after final approval of the printer's draft.

ARTICLE III

MANAGEMENT CLAUSE

The management of the business and the authority to execute all of the various functions and responsibilities incident thereto are vested in the Company. The direction of the work force, the establishment of plant policies, the determination of the processes and means of manufacture, the units of personnel required to perform such processes, and other responsibilities incidental to the operation of the plant are vested in the Company. Such duties, functions and responsibilities shall also include hiring, retirement, disciplining, evaluating the qualifications of employees, and promotions.

The exercise of such authority shall not conflict with the rights of the Union under the terms of this Agreement.

ARTICLE IV

CONTINUITY OF OPERATIONS

There will be no strikes, lockouts, work stoppages, picket lines, slowdowns, secondary boycotts, or disturbances. The Union agrees to support the Company fully in maintaining operations in every way. Participation by any employee or employees in an act violating this provision in any way will be cause for discharge by the Company.

ARTICLE V

PROTECTIVE SECURITY

It is recognized that all members of the Union and the Company are required to

comply with all protective security measures now in effect. If the Company is notified by the DOE and/or NRC that this Agreement in any way violates security measures which are now in effect, or which may be put into effect later, the Company shall in turn immediately notify the Union in writing of the need to renegotiate the section or sections of the Agreement in question for the purpose of making the required changes.

ARTICLE VI

UNION SECURITY AND DEDUCTION OF DUES

Section 1. Dues Requirements

All employees within the bargaining unit who are members of the Union upon the execution of this Agreement shall, as a condition of employment, maintain their membership to the extent of tendering the periodic dues uniformly required as a condition of retaining membership. All employees in the bargaining unit who are not members of the Union upon the execution of this Agreement, but who later elect to join the Union, shall at all times thereafter maintain their membership in the Union as a condition of employment, as set forth above. All employees hired after the execution of this Agreement shall, as a condition of employment, become members of the Union not later than thirty-one (31) days after the date upon which they were hired, and shall thereafter maintain their membership in the Union as a condition of employment, as forth above.

Section 2. Delinquency of Dues

Before any termination of employment pursuant to this Article becomes effective, the employee involved shall first be given notice in writing by the Union to pay delinquent dues. If the employee fails to pay the delinquent dues, the Union shall notify the Company of the delinquency. Upon receipt of such notice in writing, the Company shall then notify the employee to pay the delinquent dues and if such dues are tendered within one (1) calendar week after receipt of this notification from the Company the employee's dismissal under this Article shall not be required.

Section 3. Deduction of Dues

For the convenience of the Union and its members, the Company, during the life of this Agreement, will deduct an initiation fee and regular monthly dues in four (4) equal weekly payments each month for each employee who individually and voluntarily executes and delivers to the Company an Assignment and Authorization in the form set forth in Section 7 of this Article. Such deductions shall be forwarded to the Treasurer of the Local Union with a listing showing the names of those employees, if any, whose paychecks were insufficient to cover the deductions. An Authorization must be

delivered to the Company at least seven (7) days before the second payday of the month in which the first deduction is to be made.

Section 4. Authorization of Deduction

An Authorization and Assignment shall be irrevocable for a period of one year from the date thereof or until termination of this Agreement, whichever occurs sooner, and shall automatically renew itself for successive irrevocable annual periods unless the employee who signed it gives notice to the contrary in

writing by registered mail to both the Company and the Union no less than two (2) days nor more than seventeen (17) days before the expiration of any annual renewal period as the case may be.

Section 5. Make-Up Dues

Upon receipt, from the Treasurer of the Local Union, of Union members' names and amounts of dues that have been missed through payroll deductions, the Company shall deduct the make-up dues in the following month and forward to the Treasurer of the Local Union, in accordance with Section 3.

Section 6. Termination of Deduction

No deduction under this Article shall be made from paychecks from any Union member who has terminated employment or transferred out of the bargaining unit prior to the second payday of the month, unless the employee has worked or received paychecks equivalent to five (5) workdays or more in that month.

Section 7. Voluntary Checkoff

The Union agrees that it will indemnify the Company and save it harmless from any and all claims which may be made against it on account of amounts deducted from wages as provided in this Article.

VOLUNTARY CHECK-OFF AUTHORIZATION

Name: Badge No.:
Department: Date:

I hereby assign to the United Plant Guard Workers of America (UPGWA), Amalgamated Local No. 66 and authorize Lockheed Martin Utility Services, Inc., to deduct from

the wages due me while in the employ of the Company, dues in the amount of $_____ in four equal weekly installments each calendar month, or such dues as the Union's Constitution and By-Laws may be amended to provide. I further authorize the Company to deduct from my wages an initiation fee in the amount of $_____.

This authorization shall be irrevocable for the period of one (1) year from the date hereof, or until the termination of the Agreement between the Company and the Union, whichever occurs sooner. Furthermore, this authorization shall automatically renew itself for successive irrevocable annual periods, unless I gave notice to the contrary in writing by registered mail to both the Company and the Union no less than two (2) days and no more than seventeen (17) days before expiration hereof or before expiration of any annual renewal period, as the case may be.

(Signature) _____

(Address) _____

ARTICLE VII

GRIEVANCE PROCEDURE

Section 1. Intent and Distribution of Answers

The parties to this Agreement recognize that grievances should be settled promptly and as close to their source as possible. Further, both parties will endeavor to present all of the facts relating to the grievance at the first step of the Grievance Procedure in order than an equitable solution may be achieved. The Company, in the Second, Third, and Fourth Steps of the Grievance Procedure, shall give written answers to the grievance within the specified time limits, unless extended by mutual consent. Copies of written answers to grievances shall be distributed to the Local Union President, Grievance Committeeperson, the Steward of the aggrieved employee, and the aggrieved employee.

Section 2. Union Representatives

(a) The Company will recognize the following number of properly certified Union Representatives in the plant for the purpose of Representatives representing employees in the manner specified in the Grievance Procedure:

(1) The President of the Local Union or a designated representative

(2) One Grievance Committeeperson

(3) Five Stewards or Alternate Stewards

(4) The President of the Local Union or a designated representative, and the Grievance Committeeperson shall constitute the General Grievance Committee. It is understood that until January 1, 1999, the duly elected President of Local No. 66, United Plant Guard Workers of America, will be granted a total amount of time, not to exceed forty-two and one-half (42 1/2) hours per week, to handle Company-Union business related to the Contract. If, on or before January 1, 1999, the total number of active employees in the bargaining unit equals or is less than 75, the duly elected President of Local No. 66, United Plant Guard Workers

of America, will be granted a total of 16 hours per week, to be divided into two eight-hour segments to handle Company-Union business related to the Contract. This company paid union time will include all hours used by the President handling grievances. When a properly certified Union Representative is absent from the plant for any reason, the Company will recognize an alternate, certified by the Union.

(b) Employees thus duly certified and recognized as Union Representatives shall report to and obtain permission from their immediate supervision whenever it becomes necessary to leave their work for the purpose of handling grievances, shall inform their supervision of their intended destinations and itinerary, and shall report back to their immediate supervision at the time they return to work. Certified Union Representatives may be excused from work for reasonable periods during their regularly scheduled working hours without loss of pay when handling grievances in the appropriate steps in the Grievance Procedure, excluding arbitration. Permission to leave work as referred to above will be granted, provided such absences do not conflict with efficient operation of the Company's business.

Section 3. Grievance Procedure

(a) When an employee is to be reprimanded, suspended, or discharged for any reason, the employee shall be fully informed of his/her right to bring a Union Representative into the discussion at the time of such reprimand, suspension, or discharge. The Union shall be informed in writing of the action taken. A reprimand can be a proper subject for the Grievance Procedure.

(b) If the employee or the Union files a written grievance protesting a suspension or discharge, within ten (10) days, such grievance shall be initiated at Step 4 of the Grievance Procedure. If such discharge or suspension is found to have been unjustified the employee shall be reinstated to his/her former job and shall be compensated for all earnings lost, less pay for any penalty time decided upon, if any.

(c) Controversies may arise of a nature so general as directly to affect the majority of employees in a classification, or the majority of all employ-

ees. It is agreed that issues of this nature need not be subjected to the entire grievance procedure but may be initiated at Step 3 or Step 4.

(d) Any grievance not taken up with an employee's immediate supervision within fifteen (15) days after the employee, or a certified Union Representative has knowledge of the occurrence of the incident from which the grievance arose, cannot be processed through the grievance procedure.

(e) A grievance will be considered settled or withdrawn if the decision of the Company is not appealed to the next higher step in the Grievance Procedure within ten (10) days after the decision has been rendered by the Company, unless this period is extended by mutual agreement between the parties.

(f) In the calculation of time limits under the grievance provisions, including arbitration, "days" shall mean calendar days excluding Saturdays, Sundays, holidays, vacations, and the scheduled days off of the aggrieved employee or the Company representative, whichever results in the longer period.

(g) A hearing at Step 2 may be postponed by mutual agreement of the Grievance Committeeperson and the Protective Force Section Manager. A hearing at Step 4 may be postponed by mutual agreement between the Local Union President and the Human Resources Manager or his/her designated representative.

(h) Written records of past reprimands and/or suspensions, exclusive of actions resulting from violation of Article IV, shall be reviewed by the end of one year by the employee's supervision to determine whether they should be removed from the employee's personnel file and destroyed as a result of satisfactory performance.

Section 4. Grievance Steps

Any employee with a complaint may discuss the matter with his/her immediate supervision. If the complaint is not settled satisfactorily, the employee may process a grievance through the steps shown below:

Step 1. A discussion will be held between the aggrieved employee, his/her Steward, and his/her immediate supervision. The Company will answer the grievance within two (2) days after the discussion.

Step 2. If the grievance has not been disposed of a Step 1, it shall be reduced to writing on an appropriate form and presented to the Protective Force Section Manager. Such written grievance shall be signed by the aggrieved employee and the Grievance Committeeperson and shall be identified by number. The Union shall, to the best of its ability, state in the written grievance all of the facts justifying the grievance and the provisions of the Agreement involved. A hearing shall be held within five (5) days at a time mutually agreed to by the Grievance Committeeperson and the Protective Force Section Manager. The hearing may be attended by the aggrieved employee, his/her Steward, and his/her Grievance Committeeperson, at the option of the Union; and the immediate supervision of the aggrieved employee, the Protective Force Section Manager and the Superintendent of Security, at the option of the Company. The Company shall answer the grievance within five (5) days after the hearing.

Step 3. If the grievance is not settled satisfactorily at Step 2, it may be appealed at the option of the Union to either Step 3 or Step 4. If appealed to Step 3, the Security Group Manager will review the facts with the Grievance Committeeperson and will determine if a full hearing at Step 3 will be held, if the grievance will be returned to Step 2 for a rehearing (by mutual agreement with the Grievance Committeeperson), or if the appeal will be denied and passed on to Step 4. Replies to the appeal will be made within two (2) days. Hearings at Step 3 will be held within five (5) days after received by the Security Group Manager on a date mutually agreed to by the Grievance Committeeperson and the Security Group Manager or his/her designated representative. Hearings may be attended by the aggrieved employee, the Steward, the Grievance Committeeperson and the President at the option of the Union, and by the Security Group Manager or designated representative, and other representatives of the Company, and may include other affected parties mutually agreed upon in advance between the Grievance Committeeperson and the Security Group Manager, involved. The Company will answer the grievance in writing within ten (10) days if a hearing is held.

Step 4. If the grievance is not settled satisfactorily at Step 2 or Step 3, it may be appealed in writing to the Human Resources Manager or his/her designated representative. Such written appeal shall state the reasons why the decision in the Second or Third Step is not acceptable, shall be signed by the President of the Local Union or his/her designated representative, and shall be presented to the Human Resources Manager or his/her designated representative together with a copy of the grievance. A hearing shall be arranged within five (5) days thereafter at a time mutually agreed upon by the President of the Local Union or his/her designated representative and the Director of Human Resources or his/her designated representative. The hearing may be attended by the Local Union President or his/her designated representative, the Grievance Committeeperson or his/her designated representative, one aggrieved employee, and representatives of the International, at the option of the Union, the Director of Human Resources or his/her designated representative, and other representatives of the Company.

The Company will answer the grievance in writing within ten (10) days after the hearing.

In the event the Company fails to reply to a grievance within the applicable time limits set forth above and fails to request an extension of such time limits, the Union may present the grievance at the next higher step.

Section 5. Monetary Settlements

Any money due an employee in the amount of $500.00 or more as a result of the settlement of a grievance shall be paid by separate check not later than two pay periods following the written grievance settlement answer to this effect.

Section 6. Arbitration

(a) Controversies which may arise concerning discharge or suspension of employees, or controversies concerning the application, interpretation, or alleged violation of this Agreement, which cannot be amicably settled in previous steps in the grievance procedure, may be submitted for settlement to an Impartial Arbitrator. At the option of the Union, the Union President and the Grievance Committeeperson, and if it so wishes, an International Representative may meet with the Human Resources

Manager or his/her designated representative, and the Organization Manager(s) or his/her representative to discuss the grievance prior to submission to arbitration. This step shall be known as the 4 1/2 step of the grievance procedure. Within ten (10) days thereafter, the Local Union President, the Grievance Committeeperson, and/or the International Union Representative shall meet with the representatives of the Company and attempt to agree on an Impartial Arbitrator. Should the parties be unable to agree upon an arbitrator within five (5) days, the parties shall request the Federal Mediation Service to submit a list of seven (7) names of suggested arbitrators who will be available. When the list of seven arbitrators has been received, the Company and the Union shall alternately strike one name from the list until only one name remains, and the remaining arbitrator shall be the arbitrator to hear and decide the controversy.

In the event the grievance is not settled at 4 1/2 step, the Company and the Union may mutually agree to submit the matter to the Federal Mediation and Conciliation Service (FMCS). If the parties agree to submit the matter to the FMCS, the request to the FMCS must be made within ten (10) days of the 4 1/2 step answer. Both the Union and the Company agree that each party will be limited to three (3) representatives during the meeting with FMCS unless both mutually agree otherwise. FMCS mediation rules will apply.

(b) In the event that classified information is to be disclosed in the hearing, the Federal Mediation and Conciliation Service shall be so informed and only the names of cleared arbitrators shall be considered.

(c) The Company and the Union may stipulate the nature of the dispute and the issues involved jointly in one stipulation or singly in separate stipulations. In the event that the parties stipulate the nature and issues of the dispute singly, a copy of such stipulation shall be furnished the other party at the same time the stipulation is submitted to the Arbitrator.

(d) It is agreed by the parties to this Agreement that arbitration cases shall be heard as soon as possible. On a date agreeable to both parties, the date to be set in conformity therewith by the arbitrator, the parties shall at the time and place appointed by the Impartial Arbitrator, appear and present either a written or oral statement of the issues involved for

consideration by the Impartial Arbitrator. In his/her designation of the place, the Impartial Arbitrator shall be restricted to the area in which the plant is situated unless otherwise agreed upon. The Impartial Arbitrator shall schedule hearings of grievances in the order in which such grievances are submitted, unless the Company and the Union agree upon a different order for hearing.

(e) The Impartial Arbitrator shall render a decision on every grievance which has been submitted within thirty (30) calendar days from the date of hearing, unless additional time is requested by the arbitrator and is mutually agreed upon between the Company and the Union.

(f) The decision of the Impartial Arbitrator shall be final and binding upon both parties and shall invoke immediate compliance by the parties. If such decision directs a retroactive wage payment the Company shall notify the Union immediately of the date on which payment, shall be made to the employees entitled to such payment.

(g) Should the Impartial Arbitrator, chosen in accordance with the terms of this Agreement, die, become incapacitated or refuse to act, the parties hereto shall mutually agree upon a successor.

(h) A complete transcript of all argument and testimony presented at the hearing may be made and supplied by either party to the Impartial Arbitrator for information and guidance.

(i) The expense and compensation of the Impartial Arbitrator shall be borne by and divided equally between the Union and the Company.

(j) In all proceedings under this section, the Company shall release from work the following employees when deemed necessary by the Union for a fair and reasonable presentation of its case before the Impartial Arbitrator without loss of earnings:

(1) President

(2) General Grievance Committee

(3) A Steward

(4) Two (2) aggrieved employees.

Additional employees will be released upon request without pay provided that supervision can make arrangements to efficiently continue the work.

(k) The Impartial Arbitrator shall not have the power to make any award changing, amending, or adding to the provisions of this Agreement.

(l) Any grievance which has not been assigned to the agreed-upon Impartial Arbitrator within two (2) years after the date of appeal to arbitration shall be considered withdrawn by mutual consent on a non-precedent basis.

Section 7. Union Representation

It is understood that the duly elected Grievance Committeeperson will be granted a total amount of time, not to exceed eight and one-half (8-1/2) hours per week, for the purpose of legitimate administrative functions in conjunction with

adjusting grievances and legitimate complaints. In addition the duly selected Safety Representative will be granted a total amount of time not to exceed seventeen (17) hours per week for the purpose of adjusting safety and health concerns; and the Union Vice-President will be granted a total amount of time not to exceed seventeen (17) hours per month for the purpose of carrying out the function of that office. However, when warranted by special circumstances, arrangements may be made with the approval of the Protective Force Section Manager for these three Union Officials to be allowed additional time in that week. After January 1, 1999, this Section 7 will have force and effect only when the total number of active employees in the bargaining unit equals or exceeds 85.

ARTICLE VIII

SENIORITY

Section 1. Continuous Service

Except as provided in Section 5 and 6 below, the seniority of an employee shall be equal to the employee's continuous service with the Company, consisting of time actually spent on the payroll in the bargaining unit plus properly approved absences from work, excluding Educational Exit, to be determined under the following rules:

(a) When an employee is on a leave of absence granted by the Company, his/her service will be considered as continuous without any deductions if the absence does not exceed one year.

However, service shall be considered as continuous without any deductions for employees on leave of absence for:

(1) Public office under Article IX, Section 2(c) for the duration of a single term of office only;

(2) Union officials on a full-time International status under Article IX. Section 2(a), not to exceed four (4) years;

(3) Educational Exit under Article IX, Section 1(c).

(b) An employee who leaves the employment of the Company to enter Military Service, either by voluntary enlistment or by induction under the Selective Service System, shall be reinstated under the provisions of applicable Federal Statutes, upon application within the designated period of time following honorable or general discharge, provided the employee qualifies under the seniority rules and is physically capable of performing the work required. Upon reinstatement, such employee shall be given credit for continuous service from the time he/she left the employment of the Company to enter Military Service to the date of reinstatement.

(c) An employee who is laid off because of reduction in force and is recalled within three (3) consecutive years after the date of layoff, will be

credited with continuous service accumulated prior to layoff. If such layoff continues for more than three (3) years, the employee

shall be credited with continuous service accumulated prior to layoff following three (3) years of continuous service from the date of recall. Seniority shall be credited.

(d) An employee will lose continuous service when he/she is discharged, released, resigns, retires, accepts layoff without recall rights, or when he/she is on the recall listing but not on the active payroll and declines or fails to report or make satisfactory arrangements within seven (7) calendar days after being notified of recall. If such employee is later rehired, he/she shall be considered a new employee and continuous service shall date from the date of most recent hire.

An employee shall be considered to be notified of a recall opportunity when an offer of recall has been sent by registered mail to the most recent address as recorded in the Employment Department.

Section 2. Probationary Period

A new employee shall be considered a probationary employee and shall have no seniority rights for the first ninety (90) days of employment. A probationary employee shall be subject to layoff, discipline or discharge at the sole discretion of the Company.

Section 3. Security Clearance Requirement

Should the security clearance granted to any employee be suspended by the Department of Energy, such employee may be discharged immediately and such discharge shall not be subject to the Grievance Procedure. However, if such action by the Department of Energy is later reversed, the employee shall be reinstated without loss of seniority, compensated for all earnings lost, and credited with such time as continuous service.

Section 4. Reduction in Force

(a) When a reduction in force is to be made, probationary employees shall be the first laid off. Should further reduction in force be necessary, the following procedure will apply:

(1) Voluntary Layoff with Recall Rights

When a reduction in force results in a layoff, any employee having more bargaining unit seniority than the employees who are scheduled to be laid off may accept voluntary layoff as provided in paragraph three (3) below. The employee will be placed on the recall list from which he/she is laid off.

employees electing to take voluntary layoff with recall rights will be paid a layoff allowance on a weekly basis up to the eligibility shown in Article XII, Section 1.

(2) Voluntary Layoff Without Recall Rights

When a reduction in force will result in a layoff, any employee therein having more bargaining unit seniority than the employees who are to be laid off may accept a voluntary layoff without recall rights to thereby reduce the personnel units otherwise scheduled to be laid off, provided procedure in paragraph three (3) below is

followed. Employees accepting a voluntary layoff without recall rights will be paid a lump sum layoff allowance consistent with Article XII, Section 1.

(3) Voluntary Layoff Application Procedure

a. Written application must be made to the Employment Department requesting a voluntary layoff.

This application must be presented during the first half of the period between the date of announcement of reduction in force and the effective date of layoff.

b. Form A-1500, "Acknowledgment of the Conditions of layoff", will be signed by employees electing to take voluntary layoff.

(4) The senior employee permitted to accept a voluntary layoff shall not exceed the number scheduled to be surplused.

(5) Should further reduction in force be necessary, employees will be laid off in reverse order of bargaining unit seniority.

(A) employees laid off with recall rights shall be paid a weekly allowance per Article XII, Section 1(a).

(B) Employees scheduled to be laid off under this provision may elect to be laid off without recall rights and will be paid a lump sum termination payment under Article XII, Section 1(b).

(b) When the Police Department is to be increased, laid off employees with bargaining unit seniority will be recalled in order of bargaining unit seniority.

(c) The Company will give employees at least thirty (30) calendar days advance notice of layoff.

Section 5. Returning to the Bargaining Unit

(a) If an employee is a salaried position in the Protect Force Section (Plant Protection Department) returns to the bargaining unit within thirty (30) calendar days, he/shall be credited with total seniority accumulated before leaving the bargaining unit.

(b) If an employee is medically disqualified from the Protective Force Section (Plant Protection Department) due to DOE requirements, then accepts a salary position in another LMUS Department, and later returns to the bargaining unit, he/she shall be credited with bargaining unit seniority accumulated before leaving the bargaining unit.

Section 6. Transfer to Unit

When a vacancy is not filled under Section 4(b) above, personnel not in the bargaining unit may transfer into the bargaining unit, but may not displace a bargaining unit employee. Such employees may be credited with their total seniority up to, but not to exceed, that of the least senior employee in the unit.

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Section 7. Seniority List

A seniority list shall be posted in the Squad Room at all times.

Section 8. Realignment

(a) A department realignment shall be conducted once each year to provide an opportunity for employees to select job classification and shift for the year. Bargaining unit seniority and qualifications at the time of the realignment shall be the determining factors as to each employee's preference (classification and/or shift). After an employee has indicated a preference during the canvass, he/she shall be required to accept the position if he/she has the most bargaining unit seniority and is qualified. Each October 15th, for the duration of this Agreement, supervision shall initiate a canvass of all employees in the bargaining unit in order of bargaining unit seniority to record their classification and shift preference. Employees must have the bargaining unit seniority and qualifications at the time of the canvass to be eligible for the position. Supervision shall accomplish the resulting permanent movement by the first Monday in January or as soon thereafter as possible.

In an effort to expedite the realignment and assure that each officer is prepared to make a selection at the start of realignment, the Company will provide the Union negotiating committee and the Union membership with a copy of the realignment at least ten (10) calendar days prior to the start of the realignment.

An employee is obligated, upon having been contacted via telephone by a member of supervision, to indicate at the time of the contact his/her annual realignment preference(s), to include job classification, shift and vacation(s). Should the employee fail to fulfil this obligation during the telephone contact, the canvassing supervisor will assign the employee to an available job classification and shift vacancy. The employee shall have the opportunity, upon his/her return to work, to select from the vacant shift assignments and the remaining vacation periods.

(b) A realignment within a classification shall be conducted when there is a change in working schedule. When it is determined that there will be

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a change in working schedule(s), supervision will initiate a canvass of all employees in the classification in order of seniority to record their shift preference. The canvass must be completed before the working schedule becomes effective. After an employee has indicated a preference during the canvass, he/shall be required to accept the position if he/she is the most senior.

If the Company changes an employee's work schedule so that a change of roll out day(s) results, the Company will adjust red line vacation to correspond to the employee's originally requested vacation period. This does not apply to changes in the work schedule that result from the absence of employees. However, for vacation year 1998 and 1999, the Company may reschedule by re-bidding in seniority order any scheduled, but unused, red-line vacation in any calendar year as of the date a

reduction-force occurs of more than ten percent (10%) of the workforce.

(c) If during the canvass for realignment an employee cannot be contacted, he/she shall be placed according to his/her bargaining unit seniority and upon his/her return shall be permitted a bump.

Section 9. Shift Preference

Changes in the number of shift personnel during the period between annual realignment will be accomplished in accordance with (a), (b), (c), (d), (e), (f), (g) and (h) below:

(a) When it is determined that a short term medical disability will prevent an employee from working his/her regular job assignment, the Company will not fill the job vacancy for either a maximum of three (3) months, or until the annual realignment is initiated, whichever event should occur first. If the vacancy is filled, it will be awarded to the most senior qualified employee having a bid card on file requesting the shift on which the vacancy exists.

After the vacancy is filled, if the employee who was absent on short term medical disability returns to work, the employee has the option to (1) exercise his/her seniority to return to the position, (2) bump the least senior employee on that shift, or (3) assume an existing vacancy on any shift.

(b) An employee may file a bid card at any time; however, it will not be effective for fifteen (15) days except when a new shift is created. It is the responsibility of the employee to keep bid cards current. When the Company establishes a need to utilize the bid card procedure, supervision will fill one job as it occurs (by seniority). Once the bid card has been utilized, that card will be voided and the next job will be canvassed. When an officer elects more than one choice on a bid card preference, the supervisor will indicate in numerical order in his/her choice.

(c) When the Company establishes a new shift with no additional employees added to that classification, but it creates a decrease to another shift within the classification, a canvass in order of seniority shall be conducted within the classification. Vacancies created by the canvass shall be filled by the bid card procedure as set forth in Subparagraph 9(b) above. The least senior employee(s) on the affected shift(s) may exercise bumping privileges in order of seniority. If the canvass or bumping procedure does not fill the new shift or shift vacancies, the least senior employee(s) within the classification shall be assigned the vacancy.

(d) When the Company determines a need to add to or decrease from an existing shift within a classification without a personnel increase, bid cards will be utilized to fill the designated need. The least senior employee(s) of each affected shift(s) may exercise bumping privileges in order of seniority. If the vacancy has not been filled, the least senior employee(s) within the classification shall be assigned the vacancy.

(e) When the Company determines a need to add to an existing shift with a department personnel increase, bid cards will be utilized to fill the designated need. Before the remaining vacancy is filled with a qualified new hire or a qualified employee

transferring from another LMUS department, an SPOII/Offensive member will be considered for the vacancy.

(f) When the Company determines a need to fill a vacancy in the SPOII/Offensive classification, a canvass in order of seniority of the SPOII/Offensive Reservist shall be conducted to fill the vacancy. If the vacancy is not filled by the canvass, the least senior SPOII/Offensive Reservist shall be assigned to fill the vacancy. In filling a

SPOII/Offensive shift vacancy, the senior qualified employee having a bid card in for the vacancy will be awarded the vacancy, regardless of SPOII/Offensive active or reserve status.

(g) When the Company determines a reduction in a classification with an addition to another classification, the least senior qualified employee of the classification to be reduced will be assigned to the classification which is to be increased. The bid card, bump and assign procedure in (c) above will apply to fill the designated shift need within the classification.

(h) When the Company has determined there is a total reduction in the department, the following procedure will apply:

1. Voluntary layoff in accordance with Article VIII, Section 4, will be honored for the entire department.

2. It may be necessary to assign the least senior qualified employee from the classification to be reduced to the classification where the voluntary layoff occurred.

3. At the conclusion of Step 2, the procedure in (c) above will apply.

4. When there is a total reduction in the department with the reduction(s) occurring in the Security Police Officer II Defensive (SPOII/Defensive) classification, and there is an employee(s) in the Security Police Officer II Offensive (SPOII/Offensive) classification with less departmental seniority than an Security Police Officer II Defensive (SPOII/Defensive):

   A. The least senior employee(s) in the Security Police Officer II Defensive (SPOII/Defensive) classification shall be declared excess.

   B. If the work force is not reduced to the required number after the voluntary layoff provision of the contract (Article VIII, Section 4) has been complied with and there is still an Security Police Officer II Offensive

(SPOII/Offensive) employee(s) with less bargaining unit seniority than an Security Police Officer II Defensive (SPOII(s)/Defensive), the Security Police II Defensive (SPOII(s)/Defensive) shall be permitted to bump the least senior employee(s) in the Security Police Officer II Offensive

(SPOII/Offensive) classification.

C. The affected Security Police Office II Offensive (SPOII/Offensive) employee(s) shall be excessed.

D. A Security Police Officer Defensive (SPOII/Defensive) exercising this option (bump) shall have one-hundred twenty (120) days from the effective date of the bump to qualify as a Security Police Officer II Offensive (SPOII/Offensive).

E. Should the Security Police Officer II Defensive (SPOII(s)/Defensive) be unable to qualify as a Security Police Officer II Offensive (SPOII/Offensive) within the 120-day period, the Security Police Officer II Defensive (SPOII(s)/Defensive) shall be excessed and the most senior qualified Security Police Officer II Offensive (SPOII/Offensive) employee(s) shall be recalled to the Security Police Officer II Offensive (SPOII/Offensive) classification.

(i) Security Officer (SO) vacancies shall be filled with medically disqualified employees (Security Police Officer (SPOII/Defensive) and Security Police Officer II (SPOII/Offensive) who meet the Security Officer (SO) qualifications. If no medically disqualified employee is available, the Security Officer (SO) task may be assigned to a Security Police Officer II (SPOII/Defensive and/or SPOII/Offensive). The number of positions shall be determined by the Company.

Section 10. Disqualification

(a) An employee who is disqualified in his/her current job classification may bump in other classifications for which he/she is qualified, provided that

he/she has enough bargaining unit seniority to displace the least senior employee.

(b) See Memorandum of Understanding entitled "Failure to Meet DOE and/or NRC Standards."

ARTICLE IX

LEAVE OF ABSENCE

Section 1. Qualification and Reinstatement

(a) Except as stated in Section 1(c) of this Article, an employee may be granted a leave of absence for personal reasons without pay up to fifteen (15) days upon application to the Company in writing, provided the employee presents evidence acceptable to the Company that such leave of absence is for a reasonable purpose and provided further that such leave of absence shall not unreasonably interfere with operations. Such leave may be

extended where necessary upon application for extension in writing and upon presentation of evidence satisfactory to the Company that such extension is necessary provided such extension does not unreasonably interfere with operations.

(b) If a dispute arises concerning an employee's physical fitness to return to work under the Short Term Disability Plan, the grievance may be initiated at Step 4 of the Grievance Procedure.

(c) Educational Exit

An employee may leave the employ of the Company after the completion of one year continuous service and upon approval of the Company in order to attend an accredited college or university, or a recognized trade or vocational school and shall be reinstated upon application provided he/she can qualify under the seniority rules, is physically capable of performing the work required, is granted a clearance and applies for reemployment within thirty (30) days After leaving the college, university or school. Trade or vocational school for purposes of this clause is one which provides training of a course of study related to jobs performed for the Company. The employee upon reinstatement shall be given the service he/she had when he/she left the company, plus time spent in school, not to exceed four (4) years. The employee shall notify the employer in writing of the name of the school, the date of entry, and the expected length of the course of study. He/she shall confirm the continuation of his/her school attendance at annual intervals thereafter, subject to quarterly review. It is understood the employee

will not be eligible for any Company benefits while on an educational exit. The employee must return to the active payroll before becoming eligible for contractual benefits.

Section 2. Union or Government Official

(a) Upon written request to the Company made by the Union a reasonable period in advance, an employee certified by the Union, to be a full time Union official shall be granted a leave of absence without pay to engage in work pertaining to the business of the Union. The number of employees granted such leaves of absence may not exceed one (1) at any time.

(b) Each such leave of absence shall be for a period no less than seven (7) days and no longer than one (1) year, and shall be granted only at such times as shall not unreasonably interfere with operations. Leaves of absence shall no be renewable from year to year except as mutually agreed by the parties.

(c) Upon written request to the Company, an employee shall be granted a leave of absence to serve full time in an elected or appointed Federal, State, or Local government position of the duration of a single term of office only.

(d) An employee granted such leave of absence must return all security identification issued and shall be issued appropriate identification.

Section 3. Absence Notification

(a) An employee is responsible for notifying the Company, in advance, if possible, when unable to report for work as scheduled,

including the reason therefore.

(b) An employee who is absent from work for five (5) consecutive scheduled workdays without notifying the Company, shall be considered to have resigned voluntarily unless he/she is incapacitated beyond his/her control.

Section 4. Failure to Report on Expiration

An employee who does not return to work by the fourth scheduled workday following the expiration of a leave of absence or any extension thereof without notifying the Company shall be considered to have resigned voluntarily.

ARTICLE X

HOURS OF WORK

Section 1. Definitions

Workday means the 24-hour period beginning at 11:00 p.m.

Workweek means the 7-day period beginning at 11:00 p.m. on Sunday

7th consecutive Day means the 7th consecutive workday in the workweek, i.e., the 24-hour period beginning at 11:00 p.m. on Saturday.

Working Schedule means the hours of shifts to be worked by employees and the day or days on which such shifts are to be worked.

Section 2. Standard Workday - Workweek

(a) A standard day's work shall consist of eight (8) hours worked within a workday. A standard week's work shall consist of five (5) standard days' work within a workweek amounting to a total of forty (40) hours.

(b) The Company will continue its present practice of paying employees 30 minutes per day worked for required preliminary and postliminary activities.

Section 3. Working Schedule

(a) Standard shift hours for employees working shifts shall be as follows:

Day shift	7:00 a.m. to 3:00 p.m.
Afternoon Shift	3:00 p.m. to 11:00 p.m.
Night Shift	11:00 p.m. to 7:00 a.m.

(b) When the Company determines the need for an extended working schedule, the standard workday and workweek will be posted prior to the effective date of the extended schedule. Article X, Sections 1 (except

last paragraph), 2(a) and 3(a) will be redefined during extended working schedules.

Section 4. Irregular Shift

An irregular shift is an established 8-hour shift with starting time different from the rotating day, afternoon, or night shifts or from the non-rotating shift. Irregular shifts may be established as required with prior discussion with the Union Committee.

Section 5. Notification of Change

The Union will be notified of any extended change in the present work schedule; however, the provisions of this Agreement shall not be considered as a guarantee by the Company of a minimum number of hours per day or per week or pay in lieu thereof, nor a limitation on the maximum hours per day or per week which may be required to meet operating conditions.

Section 6. Military Pay

An employee who has completed his/her probationary period, who is a member of a reserve component of the Armed Forces, and who is required to enter upon active annual temporary training duty or temporal special service shall be paid the difference between the amount of base pay received from the Federal or State government for such duty and his/her base hourly rate, plus allowance for preliminary and postliminary activities, the total of both payments not to exceed a compensation of eight and one-half (8-1/2) hours for any scheduled workday for the time lost while on such duty up to a maximum period, beginning with the first regularly scheduled workday missed, of twenty-eight (28) calendar days per year, (this includes one (1) weekend training period per calendar year subject to the maximum of twenty-eight (28) calendar days per year) subject to the following provisions:

(a) An employee must submit to supervision as soon as possible after receipt, evidence of orders to report for training.

(b) When the employee returns to work he/she must submit to supervision a statement supporting payment for such duty.

(c) Time off from work paid for under this section shall not be counted as hours worked in the computation of overtime of premium pay.

(d) Such items as subsistence, rental, travel allowance and pay for nonscheduled workdays shall not be included in determining base pay received from Federal or State governments.

Bargaining unit personnel who are members of a reserve component of the Armed Forces and whose roll-out days occur on Monday through Friday may be permitted to have their roll-out day(s) exchanged for Saturday and/or Sunday (up to eleven (11) times per calendar year) when required to enter upon active temporary training duty. This shall not exceed a maximum number of 22 days per employee per year. The employee will notify supervision at least two (2) weeks in advance for scheduling purposes.

Section 7. Trades

(a) Employees may not trade shifts or days off except with prior approval of their respective supervision, and provided further that no overtime premium is involved.

(b) Employees may trade job assignment within their classification as long as the trades are made and approved by supervision at least 24 hours prior to the day the trade is to take place. Employees with medical problems will be able to trade up until 15 minutes prior to roll call.

Section 8. Overtime Opportunity

(a) Overtime at the rate of one and one-half (1-1/2) times base hourly rate and at the rate of one and one-half (1-1/2) times any applicable shift differential will be paid to an employee for all hours worked in excess of eight (8) hours in any twenty-four (24) hour period or for all hours worked in excess of forty (40) hours within the workweek, whichever method of computation provides at the end of the workweek the greater total pay to the employee.

(b) An employee who is required to work in excess of sixteen (16) continuous hours, shall be paid at the rate of double the base hourly rate and at the rate of double any applicable shift differential for all such continuous hours worked in excess of sixteen (16).

(c) When an employee is required to work overtime beyond the end of his/her scheduled shift, he/she shall receive not less than four (4) hours

pay at base hourly rate or one and one-half (1-1/2) times base hourly rate for such work performed, whichever is greater.

(d) It is understood that (c) above does not apply to an employee who may be required to remain on his/her assignment due to the absence or tardiness of another employee who is scheduled to relieve him/her, or to an employee who is held on his/her job up to the end of his/her scheduled shift.

(e) An employee will not be required to take off a corresponding amount of time in any subsequent scheduled workdays in the same workweek to offset any overtime worked.

(f) Except in extreme emergencies, an employee may not be forced over on their last scheduled day of work preceding vacation taken or vacation taken in conjunction with days off.

(g) When canvassing for SPOII/Offensive overtime, all SPOII/Offensive active and reservist employees must be canvassed before an SPOII/Offensive employee is required to work the overtime assignment.

(h) An employee required to report to plant site or stay beyond his/her regularly scheduled shift for training purposes or physical fitness qualifications shall be entitled to the minimum guarantee of four (4) hours at base hourly rate or actual hours worked at one and one-half (1 1/2) times the base hourly rate, whichever is greater.

(i) An employee directed to report to plantsite on his/her scheduled day off for medical consultation or testing shall be entitled to the minimum guarantee of four (4) hours at base hourly rate or

actual hours spent on site, at one and one-half (1 1/2) times the base hourly rate, whichever is greater.

Section 9. Work Before Shift Start

An employee required to report for work before his/her regularly scheduled starting time shall receive not less than four (4) hours pay at base hourly rate or pay at one and one-half (1-1/2) times base hourly rate as overtime pay for such work performed, whichever

is greater. Such employee shall not be required to take off a corresponding amount of time before the end of his/her regular shift.

Section 10. Overtime Lists

It shall be the responsibility of supervision to keep overtime in a group according to overtime worked. Initial lists will be arranged by seniority, and overtime opportunities will be offered in turn.

(1) Applicable overtime lists shall be posted in an easily accessible area and secured under glass and lock.

(2) When determined during a shift that additional employees are needed on the following shift, it will be offered to those present on the shift which is working.

(3) When determining during a shift that additional employees are needed on that shift, it will be offered to those scheduled to be present on the oncoming shift who can be personally contacted by phone.

(4) When overtime, which cannot be offered according to Items (2) and (3) is to be scheduled, it shall be offered by reference to the establishment master overtime list of the department.

(5) The movement of an employee from one list to another will not result in any change in the number of opportunities with which he/she has been charged.

(6) If overtime is not obtained using the above procedure, the following will apply:

a. If an individual on the oncoming shift reports he will be absent or tardy, the individual on the tardy officer's job assignment will be held over.

b. If the officer on the preceding shift is ineligible for the holdover, the least senior officer shall be forced over.

c. If an officer is forced to work beyond the end of his/her scheduled shift because supervision failed to remove a red-lined employee from the work schedule, the officer will be paid an addition 1/2 times the Officer's Base Hourly Wage Rate.

(7) Only employees who work or personally refuse overtime will be charged, except those circumstances which are specifically referred to in Article X, Section 10(9); Article X, Section 10(11); and Article X, Section 10(12). While on short term or long term disability leave, employees will not accumulate more than fifteen (15) overtime opportunities.

(8) The Company will furnish the Union with copies of the overtime canvass lists bearing the date, time and signature of the supervisor doing the overtime canvassing.

(9) An employee that accepts an overtime opportunity, and then cancels, will be charged with one refusal for that overtime and will also be charged with one additional overtime opportunity.

(10) The Company will continue the practice of identifying the location and type of work to be performed for overtime opportunity.

(11) If an eligible employee is inadvertently by-passed for an overtime opportunity in accordance with the above procedure, the by-passed employee will be given first preference to work one of the next three overtime opportunities (of the same hours) that occur for which he/she is eligible. A by-passed employee who works one of such next three overtime opportunities, will be paid for that opportunity at the higher of the premium rate applicable to that opportunity or the premium rate applicable to the by-passed overtime opportunity.

(12) In the event of a serious personal hardship consistent with FMLA guidelines and upon written application approved by the Protective Force Section Manager, an employee's name may be removed from the overtime list for a defined period of no less than thirty (30) days. When an employee's name is returned to the overtime list, the employees will be charged with overtime opportunities missed while green pinned. An employee whose name is removed from the overtime list will not be

forced to work overtime except during extreme emergencies as determined by the Company.

Section 11. Overtime - 7th Consecutive Day

An employee will be paid at the rate of two (2) times the base hourly rate of pay and at the rate of two (2) times any applicable shift differential for all hours worked on the seventh (7th) consecutive day worked in the workweek, provided he/she has worked or is credited with a minimum of four (4) hours in each of the preceding six (6) workdays of that workweek. Duplication of premium hours under Section 14 does not apply.

Section 12. Overtime - 6th Consecutive Day

(a) An employee will be paid at the rate of one and one-half (1-1/2) times base hourly rate of pay and at the rate of one and one-half (1-1/2) times any applicable shift differential for all hours worked on the sixth (6th) consecutive day worked in a workweek, provided he/she has worked or is credited with a minimum of four (4) hours in each of the preceding five (5) workdays of that workweek.

(b) An employee shall be paid at the rate of one and one-half (1-1/2) times base hourly rate of pay and at the rate of one and one-half (1-1/2) times any applicable shift differential for all hours

worked on the sixth (6th) day when he/she has worked a holiday or part of his/her first forty (40) hours worked. Time credited under Section 13 does apply.

Section 13. Credited Hours

(a) Jury duty time, vacation, holiday worked, funeral absences, and schedule change, which are compensated for under appropriate provisions of this Agreement and non-compensable absences for Code 95, and subpoenas, except when the employee is the plaintiff or the defendant or in a case involving the Company, shall be credited as hours worked in computing overtime and in determining days worked for sixth and seventh consecutive day application, except that, to avoid duplication, there shall be credited only eight hours plus allowance for preliminary and postliminary of any one calendar day. When vacation is taken during an extended work schedule, all scheduled work hours shall be credited.

(b) Holiday not worked but paid shall be credited in the same manner except for those employees who are normally scheduled to work forty-two and one-half (42-1/2) hours within the workweek excluding the holiday(s) scheduled off.

(c) Special Consideration - Credited Hours

As an exception to premium payment for hours not worked and for the express purpose of compensating an employee who works an overtime opportunity on his scheduled day(s) off and has pre-scheduled vacation, jury duty or funeral absence on the sixth (6th) or seventh (7th) workday of the workweek, all hours worked or credited over forty (40) hours will be paid in accordance with the sixth (6th) and seventh (7th) workday principle.

Section 14. Duplication of Premium Hours

Premium hours that are paid for as minimum four (4) hour guarantees, and over eight (8) hours worked in a twenty-four (24) hour period shall not be duplicated under the terms of this Contract to the extent that hours are compensated for as overtime or premium under one provision they shall not be counted as hours worked in determining overtime or premium compensation under the same or any other provision except as specifically provided in Section 13.

Section 15. Holidays

(a) The following holidays shall be observed: New Years' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Thanksgiving Day, the day after Thanksgiving, Christmas, and a day related to Christmas. An employee may take either Martin Luther King, Jr.'s Birthday or a holiday related to Independence Day designated by the Company as his/her eleventh holiday. Employees must select the optional holiday when they bid the annual realignment preceding the calendar year during which holidays are to be observed. Martin Luther King, Jr.'s Birthday is observed on the third Monday in January.

(b) Should one of these holidays fall on a Sunday, the following Monday will be observed as the holiday, and work on such Sunday shall not be compensated for under the holiday pay rules. Should one of these

holidays fall on a Saturday, the preceding Friday will be observed as the holiday and work on such Saturday shall not be compensated of under the holiday pay rules.

However, as an exception to the foregoing, if one of these holidays occur on a Saturday or Sunday that is also an employee's scheduled day of work, the employee will observe and be paid for that holiday on the actual day on which the holiday occurs.

(c) An employee who works on a day observed as a holiday will be paid at the rate of two and one-half (2-1/2) times base hourly rate and at the rate of two and one-half (2-1/2) times any applicable shift differential for all such hours worked.

(d) An employee who is not scheduled to work on a day observed as a holiday will be paid an amount equal to eight (8) times base hourly rate, plus allowance for preliminary and postliminary activities provided he/she works a minimum of eight (8) hours in the week in which the holiday is observed or is absent because of funeral leave, jury duty, military leave, Code 95 (for negotiations only), or on an approved vacation for any other day(s) of such week. However, duplicate payment shall not be made for holidays except as provided in Article XIII, Section 4. This provision does not apply to an employee who reports for work after being hired or recalled in the week of, but subsequent to, a holiday. An employee who is required to work on a holiday that was scheduled as his/her day off shall be paid eight (8) hours at base hourly rate and shall be paid at the rate of two (2) times base hourly rate for all hours actually worked up to and including eight (8), and two and one-half (2-1/2) times base hourly rate for all hours actually worked in excess of eight (8). Any applicable shift differential will be paid at the rate of two (2) times all hours actually worked up to and including eight (8), and at the rate of two and one-half (2-1/2) times for all hours actually worked in excess of eight (8).

(e) An employee who is scheduled to work on a holiday but who reports off before the start of his/her shift because of illness will be paid as provided in (d).

Section 16. Change in Working Schedule

Unless notified thereof in the preceding workweek, if a change is made in an employee's working schedule from one shift to another, from one roll-out day to another, or scheduled vacation, he/she shall be paid for the first eight (8) hours worked on the new schedule at the rate of one and one-half (1-1/2) times the employee's base hourly rate of pay and at the rate of one and one-half (1-1/2) times any applicable shift differential, except when such change is made at the request of or for the convenience of the employee. If such change results in more than eight (8) hours worked in a 24-hour period or more than forty (40) hours worked in a workweek, such payment shall be at double time.

Section 17. Emergency Call-in

An employee who has left the plant and is called in by the Company to perform work will receive not less than four (4) hours pay at base hourly rate or pay at one and one-half (1-1/2) times base hourly rate as overtime pay for such work performed, whichever is greater.

Section 18. Reporting Pay

(a) An employee who reports for work at the start of his/her regular shift or at a time appointed by the Company without previously having been notified not to report, will be given at least four (4) hours work, or if no work is available, four (4) hours pay, except that if work is unavailable as the result of causes beyond the control of the Company, it shall not be so obligated.

(b) Failure on the part of an employee to keep the Company informed of his/her current address and telephone number will relieve the Company of its responsibility under this Section of the Agreement.

Section 19. Meal Allowance

(a) An employee who is required to work overtime and who works ten (10) or more continuous and successive hours will be paid a meal allowance of four dollars and seventy-five cents ($4.75) which will be included in the regular paycheck. An additional meal allowance will be allowed for each four (4) hours of consecutive work performed thereafter.

(b) No time will be deducted for lunch periods during such overtime work, it being understood that they will be made as short as possible.

(c) The Company will continue its practice of arranging transportation home for employees who are required to work overtime without sufficient prior notice thereof.

Section 20. Jury Duty

An employee who is required to serve on a municipal, county, federal jury, or grand jury, shall be paid the base hourly rate, plus allowance for preliminary and postliminary activities, [the total of both payments not to exceed a compensation of eight and one-half (8 1/2) hours for any scheduled workday] for the time lost from the regularly scheduled work shift by reason of such service subject to the following provisions:

(a) Employees must notify their supervision within twenty-four (24) hours after receipt of notice of selection for jury duty.

(b) In order to be eligible for such payments, the employee must furnish a written statement from the appropriate public official showing the date and time served and the amount of pay received.

Section 21. Funeral Pay

An employee who is excused from work because of death of a member of his/her immediate family shall be paid at base hourly rate, plus allowance for preliminary and postliminary activities, for time missed up to a maximum of three (3) consecutive scheduled workdays. However, any employee who travels more than 400 miles each way from Piketon, Ohio to attend a funeral service for a member of his/her immediate family will be paid for time missed up to a maximum of four (4) scheduled work days. [Payment not to exceed a total compensation of eight and one-half (8-1/2) hours for any scheduled workday.] For the purpose of this section, the term "a member of his/her immediate family" shall be defined as and be limited to the following: spouse, children, stepchildren, parents, grandparents, grandparents-in-law, grandchildren, brothers, stepbrothers, sisters, stepsisters, sons-in-law, daughters-in-law, brothers-in-law, sisters-in-law, parents-in-law, stepparents of the employee, and, if they reside in the employee's household, other dependent relatives.

ARTICLE XI

WAGES

Section 1. Base Hourly Rates

The base hourly rates of pay set forth below have been fixed on a permanent basis and shall remain in effect for the duration of this Agreement.

(a) Effective 8/4/97, Base Hourly Wage Rate (including $1.31 COLA Roll-in).

	SO	SPOII/Defensive	SPOII/ Offensive Reservist
Starting Rate	15.509	15.642	15.948
After 13 Weeks	15.841	15.973	16.279
After 26 Weeks	16.172	16.305	16.611
After 39 Weeks	16.504	16.636	16.942
After 52 Weeks	18.150	18.283	18.739

(b) Effective 8/2/98, Base Hourly Wage Rate.

	SO	SPOII/Defensive	SPOII/ Offensive Reservist
Starting Rate	15.509	15.642	15.948
After 13 Weeks	15.841	15.973	16.279
After 26 Weeks	16.172	16.305	16.611

After 39 Weeks	16.504	16.636	16.942
After 52 Weeks	18.150	18.283	18.889

(c) Effective 8/2/99, Base Hourly Wage Rate.

	SO	SPOII/Defensive	SPOII/ Offensive

			Reservist
Starting Rate	15.974	16.111	16.426
After 13 Weeks	16.316	16.452	16.767
After 26 Weeks	16.657	16.794	17.109
After 39 Weeks	16.999	17.135	17.450
After 52 Weeks	18.695	18.831	19.456

(d) Lump sum payments will be made as follows:

For Active Employees on	Amount
August 4, 1997	$2,000.00
August 3, 1998	$2,000.00*
August 7, 2000	$1,500.00
August 6, 2001	$1,500.00

* Pro-rated for number of months of service between August 1997 and 1998 for any employee laid off after August 4, 1997 and before August 3, 1998.

Section 2. Rate Changes

An employee will receive automatic rate increases from starting rate to and including the maximum rate in the amount and at the completion of each period of service indicated in Section 1 above, except as provided below:

(a) Period of service shall exclude any absence for which a leave of absence is granted.

(b) Unsatisfactory work performance may be cause for withholding an automatic increase. Facts concerning such action will be furnished in writing to the employee affected. The withholding of an automatic increase can be a proper subject for the Grievance Procedure.

(c) Supervision may approve increases before the completion of any period of service or to the next step rate within the rate range indicated in Section 1 above.

(d) Each increase starts a new period of service for progression to the rate range, measured from the effective date of such increase.

(e) Automatic rate changes will become effective on Monday of the week in which the new rate is established.

Section 3. Recall

An employee recalled will assume a rate at the same relative position in the rate range as he/she had established when placed on the recall list but not to exceed the maximum of the classification.

Section 4. Exclusion of Premium Pay

Any premium pay referred to in this Agreement is to be excluded from calculation of pay unless specifically included.

Section 5. Shift Differential

(a) A shift differential of forty cents (40(cent)) per hour shall be paid for work performed between the hours of 3:00 p.m. and 11:00 p.m. A shift differential of seventy cents (70(cent)) per hour shall be paid for work performed between the hours of 11:00 p.m. and 7:00 a.m.

(b) Shift differential will not be paid for hours paid for but not worked.

Section 6. Saturday/Sunday Bonus

An employee who works Saturday and/or Sunday shall receive an additional forty cents (40(cent)) per hour for such hours worked on Saturday, and sixty cents (60(cent)) per hour for such hours worked on Sunday. In no case shall such payments be applied to hours not worked.

ARTICLE XIII

LAYOFF ALLOWANCE

Section 1. Eligibility

(a) Employees who are laid off by the Company on account of a reduction in force shall be paid a weekly layoff allowance in accordance with the eligibility schedule.

(b) Employees terminated for medical reasons who do not qualify for benefits (excluding vested pensions) or who are laid off without recall rights, shall be paid a termination allowance in accordance with the eligibility schedule.

(c) Layoff Allowance Eligibility Schedule

CONTINUOUS SERVICE	ALLOWANCE
Less than 3 months	No allowance
3 months but less than 1 year	1 week (or 40 hours)
1 year but less than 3 years	1-1/2 weeks (or 60 hours)
3 years but less than 5 years	2-1/4 weeks (or 90 hours)
5 years but less than 7 years	4 weeks (or 160 hours)
7 years but less than 9 years	8 weeks (or 320 hours)
9 years but less than 11 years	9 weeks (or 360 hours)
11 years but less than 13 years	10 weeks (or 400 hours)
13 years but less than 15 years	11 weeks (or 440 hours)
15 years but less than 17 years	12 weeks (or 480 hours)
17 years but less than 18 years	13 weeks (or 520 hours)
18 years but less than 19 years	14 weeks (or 560 hours)
19 years but less than 20 years	15 weeks (or 600 hours)
20 years but less than 21 years	16 weeks (or 640 hours)

21 years but less than 22 years	17 weeks (or 680 hours)
22 years but less than 23 years	18 weeks (or 720 hours)
23 years but less than 24 years	19 weeks (or 760 hours)
24 years but less than 25 years	20 weeks (or 800 hours)
25 years but less than 26 years	21 weeks (or 840 hours)

26 years but less than27 years	22 weeks (or 880 hours)
27 years and over	23 weeks (or 920 hours)

Section 2. Payments

Calculation of payments under Section 1 above will be based on the employee's base hourly rate at time of layoff.

Section 3. Recall Eligibility

An employee who is recalled and subsequently laid off from the payroll will receive layoff allowance based on his/her most recent recall date. An employee on layoff who is recalled and subsequently laid off will have his/her layoff allowance eligibility reduced by the number of weeks of payment received prior to recall.

Section 4. Successor Clause

If, for any reason, Lockheed Martin Utility Services, Inc., ceases to operate the Portsmouth Gaseous Diffusion Plant, and another company commences operating the Plant, the provisions of this Article will not apply to those employees hired by the new operating company within fifteen (15) calendar days of the date Lockheed Martin Utility Services, Inc., ceases to operate the Plant, provided Lockheed Martin Utility Services, Inc., will pay such transferred employees the difference, if any, between the layoff allowance otherwise due under this Article and layoff allowance for which the new operating company immediately recognizes them as being eligible in the event of future layoff by that company.

ARTICLE II

VACATIONS

Section 1. Eligibility

An employee shall be entitled to a vacation with pay in each calendar year worked, based upon length of continuous service, in accordance with the following schedule:

(a) One (1) year but less than five (5) years of continuous service - ten (10) workdays of vacation.

(b) Five (5) years but less than ten (10) years of continuous service - fifteen (15) workdays of vacation.

(c) Ten (10) years through nineteen (19) years of continuous service - twenty (20) workdays of vacation.

(d) Twenty (20) years through twenty-nine (29) years of continuous service twenty-five (25) workdays of vacation.

(e) Thirty (30) years or more of continuous service - thirty (30) workdays of vacation.

An employee must complete the full minimum continuous service requirements before becoming eligible to take a vacation or additional vacation.

Section 2. Extended Working Schedule

If the department is on an extended working schedule at the time a vacation is taken, the vacation pay shall be consistent with the department's extended working schedule. However, an employee shall not be charged more than five (5) days vacation for any one workweek. An employee who is on vacation shall receive the base hourly rate, plus allowance for preliminary and postliminary activities, at the time vacation was taken for each hour of vacation for which qualified.

Section 3. Vacation Period

The vacation period shall be on a calendar year basis from January 1 to December 31 inclusive. All vacations will be taken within the vacation period, except that an employee may defer vacation until the next vacation period.

Section 4. Holiday During Vacation Period

If a day observed as a holiday occurs during an employee's vacation, such employee shall receive eight (8) hours pay at base hourly rate, plus allowance for preliminary and postlimiary activities, in addition to vacation pay, and may elect to take a day of excused absence without pay, consecutive with vacation, provided such additional day of absence is scheduled in advance.

Section 5. Scheduling

(a) Vacations are scheduled by the Company to be taken during the vacation period. Preference within the department as to dates will be given on the basis of bargaining unit seniority within a classification by shift provided such preference is indicated at the time of the Annual Realignment Canvass under Article VIII, Section 8. Such preference will apply to vacations deferred from the preceding vacation period.

(b) To accomplish the foregoing vacation preference, supervision will initiate each October at the time of the Annual Realignment Canvass under Article VIII, Section 8, a canvass of all employees in the bargaining unit in order of bargaining unit seniority within a classification by shift to record their preference for the next vacation period on the year's vacation calendar. As each employee is canvassed in turn by supervision, the employee will immediately indicate his/her preference among the remaining vacation dates available, or be considered as having waived seniority preference for the balance of that vacation period.

(c) An employee entitled to ten (10) workdays of vacation may divide the vacation into two (2) portions, one of which shall be not less than five (5) consecutive scheduled workdays, and an employee entitled to more than ten (10) workdays of vacation may divide the vacation into three (3) portions, one of which shall

not be less than five (5) consecutive scheduled workdays, except as otherwise authorized by supervision.

An employee may divide vacation days in excess of five (5) into half-day portions which are to be divided into two (2) segments, the first portion to consist of one-half (1/2) the scheduled workday hours and the second portion to consist of one-half (1/2) the scheduled workday plus the one-half (1/2) hour allowance for preliminary and post1iminary activities. These half-day portions must be taken in the same calendar year eligible and upon approval of supervision.

(d) For calendar year 1997, red-line vacation shall remain as currently scheduled, except as provided below. Beginning January 1, 1998, and for the remainder of the term of this contract, during the period beginning with Memorial Day and ending with Labor Day, red line vacation will be limited to eleven percent (11%) of the work force represented by the Union as of the most recent annual realignment date and during the period beginning with Labor Day and ending with Memorial Day, red line vacations will be limited to nine percent (9%) of the work force. In vacation years 1998 and 1999, only the Company may, however, reschedule by re-bidding in seniority order any scheduled, but unused, red line vacation in any calendar year as of the date a reduction in force occurs of more than ten percent (10%) of the workforce. In such event, the above percentages will be applied to the post layoff workforce population to determine the number of red line vacations allowed for the remainder of the year.

Non red-line vacation preferences may be signed at the time the employee signs realignment or at any time during the year. The total red-lined and non red-lined vacation will not exceed the employee's total vacation eligibility.

(e) Subject to operational necessities and efficiencies, the Company shall approve the maximum number of employees to be on vacation.

Section 6. Exiting Employees

An employee who is laid off, released, or discharged, or who resigns will be paid for vacation earned but not taken at the time employment is terminated.

Section 7. Deceased Employees

In the event an employee who is entitled to a vacation dies before taking that vacation, the person designated as beneficiary on a form provided by the Company, shall be entitled to the vacation pay in the manner permitted by law.

Section 8. Deferred Vacation

An employee may defer his/her vacation only until the end of the following vacation period. Any employee who is unable to take any deferred vacation due to an occupational or nonoccupational disability, will be paid for any unused portion.

ARTICLE XIV

GENERAL PROVISIONS

Section 1. Uniforms and Equipment

The Company will prescribe all articles of uniform and equipment. The Company will maintain all uniforms (including footwear), will as necessary replace present uniforms, and will furnish uniforms for new employees. Changes to seasonal uniforms will be made within the workweek starting nearest to April 1 and October 31. It will be the responsibility of the employee to furnish and maintain underwear and socks.

Section 2. Bulletin Board

A bulletin board will be provided in the Squad Room which may be used by the Union for posting notices and announcements of official business. All such notices shall be submitted to the Company for approval and posting.

Section 3. Work by Non-Bargaining Unit Personnel

Non-bargaining unit personnel shall not do work which will deprive bargaining unit employees of jobs normally performed by them. This does not prevent such non-bargaining unit personnel from performing necessary functions such as instruction, or from performing work in emergencies where a regular employee is not immediately available.

Section 4. Relief

The Company will continue to grant employees necessary relief.

Section 5. Non-discrimination

No employee shall be discriminated against by reason of race, religion, color, national origin, sex, age, handicap or veteran status.

Section 6. Payday

Monday is designated as payday. Weekly paychecks or direct deposit advice statements will be delivered to employees by U.S. Mail.

An employee who schedules vacation not less than two weeks in advance may be paid his/her vacation pay on the last scheduled workday prior to the start of the vacation.

Section 7. Health and Safety

(a) The Company will continue to make provisions for the safety and health of employees while at work.

(b) Any health or safety problem can be a proper subject for the Grievance Procedure after it has first been reviewed by the Shift Superintendent in accordance with the established procedure for processing such matters and reviewed by the Company-Union Health and Safety Committee. A Company-Union Health and Safety Committee shall be established consisting of a representative of the Safety Department (chairperson), the Union President, the Union Safety

Representative, the Protective Force Section Manager and the Police Captain, or their alternatives. Meetings will be held monthly as required. The duties of the Committee shall be to make recommendations to the Executive Safety Committee for changes or improvements of Safety. A copy of the minutes of each meeting will be given to the President, the Grievance Committeeperson, and each Shift Safety Representative.

(c) Records relating to the radiation exposure of employees maintained by the Health Physics Group will be made available to the employee upon written request.

(d) Employees who are scheduled for physical examination in the Medical Department will be verbally informed of the results of such an examination by the examining physician. Upon written request of the employee, the results of such an examination will be mailed to the employee's personal physician.

(e) In the event there is a disagreement between the Company Medical Director and the employee's physician regarding the medical evidence presented at the time of the employee's return from injury or illness, at time of job transfer, or restriction from classification, the question shall be submitted to a third physician selected by the two physicians. The medical opinion of the third physician after examination of the employee and consultation of the other two physicians shall decide such question.

The expenses of the third physician shall be borne jointly by the Company and the Union.

Section 8. Prescription Glasses

The Company will furnish prescription and nonprescription safety glasses (tinted or otherwise) to employees as required by job assignment or a prescription, approved by an ophthalmologist, showing evidence of eye deficiency or disease.

Section 9. Rotation

The Company will rotate work assignments within each shift twice each weekly work period, insofar as the efficient operation of the Department will permit.

Section 10. Work Assignments

The Company will continue the general nature of police work assignments. The Company many provide light duty work for medically restricted employees.

Section 11. Changes in Policies

The Company will give the Union prior written notice, where practicable, of changes in policies which directly affect employees of the bargaining unit. Upon request, the Company will negotiate concerning the effects of such changes.

Section 12. Definition - Days

The term "days", as used in this Agreement, shall mean consecutive calendar days except as otherwise indicated.

Section 13. Educational Assistance

The Company shall provide financial assistance to eligible employees who, while still employed and outside of their regular working schedule, satisfactorily

complete approved courses in accordance with educational assistance programs as established by the Company.

Section 14. Change of Condition in Contract

If any unusual condition or emergency arises that warrants special consideration in deviating from this Agreement, the parties will meet in an effort to resolve any differences not covered by the Agreement.

Section 15. Federal Law

The parties will comply with the American with Disabilities Act and the Family and Medical Leave Act.

ARTICLE XV

DISABILITY PAY

Section 1. Short Term Disability Plan

An employee disabled and unable to work due to illness, pregnancy, or occupational or nonoccupational injury, will be paid 100% of his/her basic straight-time hourly rate in accordance with the terms and conditions of the Short Term Disability Plan set forth in the "Disability" section of the "Lockheed Martin, Your Benefits, Employee Handbook", dated October 1, 1996 (pages 88 through 91, inclusive, of such booklet to be considered a part hereof) which provides for payment in accordance with the following schedule:

Service	Maximum No. of Months of Continuous Payment Per Absence
at least 1 mo. but less than 2 mos.	one month
at least 2 mos. but less than 3 mos.	two months
at least 3 mos. but less than 4 mos.	three months
at least 4 mos. but less than 5 mos.	four months
at least 5 mos. but less than 6 mos.	five months
at least 6 or more months	six months

Section 2. Long Term Disability Plan

An employee totally disabled for six months will become eligible to receive sixty percent 60% of his/her monthly basic straight time rate up to a specified maximum monthly benefit paid in accordance with the terms and conditions of the Long Term Disability Plan set forth in the "Disability" section of the "Lockheed Martin, Your Benefits, Employee Handbook", dated October 1, 1996, referred to in Section 1 above and will be paid, if he/she is totally and permanently disabled as defined in the above-referenced handbook, until he/she reaches age 65. Under specified circumstances, such benefits will continue beyond age 65. Such benefits will be reduced by any income benefits, the employee is eligible to receive from other sources such as Social Security, Workers' Compensation, other statutory benefits, and other Company benefit plans.

If a dispute arises as a result of an employee's claim that he or she is totally and permanently disabled as defined in the above-referenced handbook or that such

(Article XV - Cont'd)

employee continues to be totally and permanently disabled, the dispute shall be resolved in the following manner upon the filing with the Company of a written request for review by such employee not more than 60 days after receipt of denial:

The employee shall be examined by a physician appointed for the purpose by the Company and by a physician appointed for the purpose of the Union. If they disagree concerning whether the employee is totally and permanently disabled, the question shall be submitted to a third physician selected by two such physicians. The medical opinion of the third physician, after examination by him or her of the employee and the consultation with the other two physicians, shall be final and binding on the Company, the Union, and the employee. The fees and expenses of the third physician shall be shared equally by the Company and the Union.

In the event a ruling by the insurance company or an employee's application for LTD benefits is delayed for more than 60 days through no fault of the employee, the Company will advance to the employee the monthly payments equal to the employee's monthly LTD benefit provided the employee agrees to a loan agreement to repay the advances at the time a ruling on the LTD application is made. In the event the Company experiences difficulty obtaining payback of such loans, upon notification to the Union, this loan arrangement will be discontinued.

Section 3. Conditions of Payment

(a) Payments under the Short Term and Long Term Disability Plan referred to in Section 1 and 2 of this Article will not be made for:

(1) Any disability occurring during the first 12 months that the employee's plan coverage is in effect if caused by any condition for which he/she received treatment during the three month period before his/her coverage became effective, or

(2) Any period of incapacity beyond the first sixteen (16) consecutive scheduled work hours of absence during which the employee is not under treatment by a licensed practicing physician, or

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(3) Any disability caused directly or indirectly by war declared or undeclared, or

(4) Any intentionally self-inflicted injury, or

(5) Any disability resulting from commission of a felony, or

(6) Any disability due to willful misconduct, violation of plant rules, or refusal to use safety appliances.

(b) Payments under these plans will be made only to employees whose absence is due to nonoccupational or occupational disability and will not be paid to employees who are absent for other reasons.

(c) Payments will only be made when the Company is provided, if it so requests, with a doctor's certificate, subject to confirmation by a doctor selected by the Company, as proof that the employee's absence was due to legitimate nonoccupational or occupational illness or injury. Under normal circumstances, a doctor's certification will not be requested by the Company during the first sixteen consecutively scheduled work hours of the absence. However, certification may be requested by the Company for any or all of the first sixteen hours if the Company has reason to question the absence.

(d) Payments will only be made when employees properly report their absence and the cause of their absence to the proper Company representative in a prompt manner.

(e) Payments are applicable only for the normal workweek and normal work day. In case working hours of the plant are changed, it is understood that payment under the above schedule will be changed in direct proportion to the change in working hours.

(f) It is recognized by the Union that the Company has a continuing interest in reducing absenteeism, no matter what the cause.

Section 4. Administration of Plans

(a) Short Term Disability Plan

The administration of the Short Term Disability Plan and the payment of benefits under this plan shall be handled by the Company.

(b) Long Term Disability Plan

The administration of the Long Term Disability Plan and the payment of benefits under this Plan shall be handled directly by the Insurance Company, it being understood that a claimant whose benefits claim is denied may contest such denial with the Insurance Company but that he or she shall have no redress whatsoever against the Company. It is agreed, however, that in any case in which an employee claiming benefits under this Plan and desiring to file such claim with the Insurance Company becomes engaged in a nonmedical factual dispute with the Company in connection with such claim (such as a disagreement over his or her earnings group, eligibility, employment status, amount of continuous service or other nonmedical factual question) such employee and the Union may process a grievance in accordance with the terms of the Contract. It is agreed, however, that any and all medical questions in dispute shall be determined solely by the Insurance Company, except as provided under the second paragraph of Section 2 of this Article. It is understood that the Company shall retain the right to select and arrange with an Insurance Company to provide certain benefits available under these Plans; and to replace the Insurance Company from time to

time as it may deem appropriate.

Section 5. Continuous Service During Approved Nonoccupational or Occupational Absences

An employee who is disabled and unable to work will receive Continuous Service for the period of his or her Short Term Disability approved by the Company and/or the period of his or her Long Term Disability approved by the Insurance Company.

ARTICLE XVI

INSURANCE

Section 1. Group Life

(a) The Group Plan will provide the following Basic and Supplemental Group Life Insurance Benefits.

(1) Basic Group Life Insurance Benefits will:

A. Provide an employee's beneficiary with an amount equal to at least two years' pay if he/she should die before age 65 while an active employee, or

B. Provide an employee with a reduced amount of life insurance after age 65.

C. Provide an employee with continued protection until at least his/her 65th birthday in the event of total disability while employed.

(2) Supplemental Group Life Insurance Benefits will:

A. Provide an employee's beneficiary with an amount equal to at least an additional year's pay in the event of death before age 65 while an active employee.

B. Provide an employee with continued protection until at least his/her 65th birthday in the event of total disability while employed.

(b) Benefits under the Group Life Insurance Plan for eligible employees who participate in the plan are set forth in the booklet entitled "Lockheed Martin, Your Benefits, Employee Handbook", dated October 1, 1996, "Life and Accident Insurance" Section on pages 92 through 97,

(Article XVI - Cont'd)

inclusive, attached hereto and made a part hereof. This attachment is hereinafter referred to as the "Insurance Booklet".

(c) Participation in the Group Life Insurance Plan shall be on a voluntary basis.

(d) The costs to employees for Basic Life Insurance and Supplemental Life Insurance are set forth in the Insurance Booklet, and these costs shall not be increased during the term of the Agreement. Each participating active employee shall pay his/her cost of the Group Life Insurance Plan by payroll deduction pursuant to his/her written authorization therefore on a form supplied by the Company. An early retiree who qualifies for and elects the option to continue the full amount of (a) his/her Basic Life Insurance or (b) his/her Basic and Supplemental Life Insurance up to age 65, as set forth in the Insurance Booklet, shall make his/her payments in advance monthly (or quarterly if he/she desires) to the office or postal address designated by the Company.

Section 2. Health Benefits Program

Effective October 1, 1997, employees may participate in a medical plan providing benefits as set forth in the "Lockheed Martin, Your Benefits, Employee Handbook" dated October 1, 1996 (pages 28 through 63, inclusive) which includes:

(a) a medical plan designed to pay the major share of covered hospital, surgical and medical expenses, including prescription drug and vision care expenses, while attempting to control health care costs by encouraging the use of cost effective services.

(b) The Company will arrange with an insurance company to make available to participating employees in the bargaining unit certain benefits set forth in the booklet entitled, "Lockheed Martin, Your Benefits, Employee Handbook", dated October 1, 1996.

(Article XVI - Cont'd)

(c) The Company will arrange with an insurer or provider of health care benefits to make available to participating employees in the bargaining unit the benefit options referred to above.

(d) It is agreed that the gross cost of the Health Benefits Program shall be shared by the Company and participating employees. Each employee who enrolls in the Program shall pay the applicable rate, such rate, representing 9%* of the total gross cost. The Company shall pay the remaining 91%* of the cost.

* Employee contributions for the new medical and dental insurance coverage will be the following percentages of the total gross premiums:

Coverage	Effective 10/1/97	Effective 1/1/99
Medical Insurance	6%	9%
Dental Insurance	0%	12%

It is agreed that the Company may offer an alternative medical plan to employees. Employees may elect to enroll in the alternative plan rather than elect coverage as provided above, provided they satisfy the enrollment eligibility requirements and pay the applicable rate for membership in the alternative plan. The applicable rate for employees will represent 9%* of the gross premium of the alternative plan, except that, if the alternative plan gross premium exceeds the gross premium of the coverage provided above, the employee will pay the overage. Initial enrollment will be completed within sixty (60) days after an alternative plan is offered.

Section 3. Dental Plan

Benefits under the Dental Insurance Plan for eligible employees and dependents who participate in the Dental Plan are set forth in the booklet entitled, "Lockheed Martin, Your Benefits, Employee Handbook", dated October 1, 1996, Dental Expense Assistance Plan, on pages 64 through 71, inclusive. It is agreed that the gross cost of the said Dental Plan shall be shared by the Company and participating employees. Effective October 1, 1997, each employee who chooses to enroll in the Dental Plan shall

pay the applicable rate, such rate representing 12%* of the total gross cost. The Company will pay the remaining 88%* of the costs.

Section 4. Special Accident

Benefits under the Special Accident Insurance are available to eligible employees on an optional contributory basis and are set forth in the booklet entitled, "Lockheed Martin, Your Benefits, Employee Handbook", dated October 1, 1996, "Life and Accident Insurance Section", on pages 100 through 105, inclusive, attached hereto and made a part hereof.

Section 5. General

(a) In the event of the enactment or amendment of any Federal or State law providing for benefits similar in whole or part, to those covered by this Agreement, and requiring either (a) compulsory participation by any employee or the Company; or (b) compulsory payment of taxes or contributions by any employee or by the Company; or (c) benefit costs either to any employee or the Company different from those provided for under this Agreement, then the parties hereto agree that they will amend this Agreement so as to provide that the total cost to the Company for insurance benefits of whatsoever nature for its employees will not be greater in amount than such costs as provided by law or by this Agreement, whichever costs are greater.

(b) The Company shall arrange through an insurance company(s) or other carrier(s) for coverage providing benefits under the above Plans.

ARTICLE XVII

PENSIONS

1. The Pension Plan will provide a pension based upon the largest amount produced by any of the following formulas:

(a) A Regular Formula providing a monthly benefit of:

1.2% times average straight-time monthly earnings, times years and completed months of service credit, plus $18.

(b) An Alternate Formula providing a monthly benefit of:

1.5% of average straight-time monthly earnings times years and completed months of service credit, less 1.5% of monthly Primary Social Security Benefit, times years and completed months of service credit, up to 33 1/3 years (up to a maximum of 50% of primary Social Security Benefit).

(c) A Minimum Formula providing a monthly benefit of:

$5 for each of your first ten years of service credit.

$7 for each of the eleventh through the twentieth years of service.

$9 for each year in excess of twenty years of service, plus 10% of average straight-time monthly earnings (If less than eight years of service, this will be reduced by 1% for each year less than eight.) plus $18.

2. Benefits available under the amended pension plan to eligible employees who retire on or after January 1, 1989, are set forth in the printed booklet entitled "Lockheed Martin, Your Benefits, Employee Handbook", dated October 1, 1996, "Retirement Program Section", pages 106 through 121, inclusive, which is attached hereto and made a part hereof. This booklet hereinafter is referred to as the "Pension Booklet".

(Article XVII - Cont'd)

3. It is understood that if any dispute arises from the denial of a Bargaining Unit employee's claim for benefits under the Pension Plan, then such dispute may be taken up through the Grievance and Arbitration Procedure of the principal Collective Bargaining Contract then in effect between the parties.

4. It is understood that an employee who retires and commences to receive a Pension Benefit will have no rights to resume active employment with the Company.

5. The obligation of the Company to maintain the Pension Plan, as herein provided, is subject to the requirement that approval by the Internal Revenue Service for the amended Plan is received and maintained continuously as:

a. Qualifying under Section 401K of the Internal Revenue Code or any other applicable section of the Federal tax laws (as such Sections are now in effect or are hereafter amended or enacted); and

b. Entitling the Company to deduction for payments under the Plan pursuant to Section 404 of the Internal Revenue Code

or any other applicable section of the Federal tax laws (as such Sections are now in effect or are hereafter amended or enacted).

In the event that any revision in the Pension Plan is necessary to receive and maintain such approval or to meet the requirements of any other applicable Federal law, the Company and the Union shall resume negotiations for the purpose of reaching agreement on such revision, it being understood that such revision shall be held to a minimum, adhering as closely as possible to the intent expressed in the Pension Plan and in this Agreement.

ARTICLE XVIII

TERM OF AGREEMENT

Section 1. Effective Dates

This Agreement shall become effective as of 11:59 PM, Sunday, August 3, 1997. It shall continue in effect for a term of approximately five (5) years until 11:59 PM, Sunday, August 4, 2002, and shall automatically be renewed thereafter from year to year unless written notice is given by either party sixty (60) days prior to the expiration date that it is desired to terminate or amend the Agreement.

As its sole responsibility with regard to successorship matters, LMUS will immediately upon learning that its contract for the operation and maintenance of the enrichment operations is being put out to bid, notify known bidders that there is a Collective Bargaining Agreement in effect, and provide those bidders copies of the current bargaining agreement.

Section 2. Renegotiation Notice

Both notice of request for renegotiation and lists of items to be amended will be sent by registered mail to the following:

1. International Union, United Plant Guard Workers of America (UPGWA), 25510 Kelly Road, Roseville, Michigan, 48066.

2. Lockheed Martin Utility Services, Inc.
Box 628, Piketon, Ohio, 45661.

Section 3. Termination of Contract

This Agreement will be automatically terminated upon termination or completion of Contract No. HQ-93-C-0001 entered into between the Company and the United States of America as represented by the United States Enrichment Corporation and covering operations at the Portsmouth Area Plant.

ARTICLE XIX

APPROVAL

This Agreement between the Company and the Union is subject to ratification by the membership of Local No. 66 and to the approval of the International Union, United Plant Guard Workers of America, and shall be effective only if so

approved.

IN WITNESS WHEREOF the duly chosen representatives of the parties to this Agreement have hereunto set their hands this 27th day of October, 1997.

INTERNATIONAL UNION, UNITED PLANT GUARD WORKERS OF AMERICA (UPGWA) and its AMALGAMATED LOCAL NO. 66	LOCKHEED MARTIN UTILITY SERVICES, INC. PORTSMOUTH PLANT
/s/ HENRY CORIELL	/s/ JOHN ATER
Henry Coriell	John Ater
/s/ TOM DOUGLAS	/s/ BARBARA BAKER
Tom Douglas	Barbara Baker
/s/ RON FIKE	/s/ GARY HAIRSTON
Ron Fike	Gary Hairston
/s/ JON GAHM	/s/ DAN HUPP
Jon Gahm	Dan Hupp
/s/ JOHN HABERTHY	/s/ WAYNE MCLAUGHLIN
John Haberthy	Wayne McLaughlin
/s/ GERRY HARTLAGE	/s/ JEAN PARKER
Gerry Hartlage	Jean Parker
/s/ TODD KRICK	/s/ JIM SNODGRASS
Todd Krick	Jim Snodgrass
/s/ KRISTY LANDMAN	/s/ J. ROBERT UHLINGER
Kristy Landman	J. Robert Uhlinger

/s/ DAVE NORMAN	/s/ BILL THOMPSON
Dave Norman	Bill Thompson

EXHIBIT 10.16

JOINT DEVELOPMENT, DEMONSTRATION AND DEPLOYMENT AGREEMENT

between

CAMECO CORPORATION

and

THE UNITED STATES ENRICHMENT CORPORATION

CONTRACT NO. 70031

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JOINT DEVELOPMENT, DEMONSTRATION AND DEPLOYMENT AGREEMENT

This Joint Development, Demonstration and Deployment Agreement (this "Agreement"), dated and effective as of the 26th day of July, 1996 ("Effective Date"), is entered into by and between Cameco Corporation ("Cameco") and the United States Enrichment Corporation, ("USEC"), each hereinafter being referred to individually as a "Party" and, collectively, as the "Parties."

RECITALS

WHEREAS, USEC is developing a new process for uranium enrichment called Atomic Vapor Laser Isotope Separation ("AVLIS") and desires to develop a process for converting natural uranium into a uranium/iron alloy that is suitable for use as a feedstock in the commercial AVLIS uranium enrichment plant being designed by USEC; and

WHEREAS, USEC has certain technical expertise and know-how, and related research and development capabilities suitable for undertaking the development and demonstration of a commercial process for converting natural uranium into a uranium/iron alloy that will be an acceptable feedstock for the commercial AVLIS uranium enrichment plant; and

WHEREAS, Cameco has certain technical expertise and know-how, and related

research and development capabilities and existing facilities suitable for undertaking the development and demonstration of a commercial process for converting natural uranium into a uranium/iron alloy that will be an acceptable feedstock for the commercial AVLIS uranium enrichment plant; and

WHEREAS, Cameco has the required regulatory licenses which allow it to receive, handle, process and convert natural uranium at Cameco's facilities in Port Hope and Blind River, Ontario, Canada and anticipates that it can obtain the required regulatory licenses, permits and approvals to allow it to conduct the development and demonstration activities contemplated by this Agreement; and

WHEREAS, the Parties are interested in jointly developing and demonstrating the Conversion Process (as defined herein) and anticipate that upon the successful demonstration of the Conversion Process, the Parties shall negotiate and enter into the Definitive Documents (as defined herein) necessary to construct and operate

a jointly owned Conversion Facility (as defined herein), all as provided for in this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual obligations set forth herein, and intending to be legally bound, the Parties hereby agree as follows:

ARTICLE I - DEFINITIONS

1.1 General. As used herein, the following terms shall have the meanings given below, unless a different meaning is expressly stated:

"Affiliate" shall mean, with respect to any Party, any Person which, directly or indirectly, (i) controls such Party, (ii) is controlled by such Party, or (iii) is under common control with such Party, for purposes of this definition, "control" shall mean the power to direct the management or policies of such Person or Party, whether through the ownership of voting securities, by contract or otherwise.

"Agreed Rate" shall mean an annual interest rate equal to the Prime Rate plus 1.5% existing as of the date interest commences to accrue.

"Allowable Costs" shall mean those costs and expenses of the type described in Schedule 3 incurred by a Party in accordance with the approved annual budgets adopted by the Management Committee pursuant to the project budget in Schedule 2, and the work plans specified by Schedule 1. In-kind contributions shall only be considered an Allowable Cost to the extent, and in the amount, that such contribution is authorized by the Management Committee in the approved annual budgets.

"Applicable Law" shall mean any law, statute, code, rule, regulation, ordinance, order, decree, injunction, license, permit, approval, interpretation, judgment, directive, guideline, policy, or agreement or similar form of decision of any Governmental Authority having jurisdiction over the matter in question, including without limitation, any and all Environmental Laws.

"AVLIS" shall have the meaning as provided in the first Recital hereto.

"AVLIS Feedstock" shall mean uranium/iron alloy rods suitable for use as feedstock for the commercial AVLIS uranium enrichment plant being designed by USEC.

"Business Day" shall mean a day that is not a Saturday, Sunday or legal holiday in the United States or Canada. Unless qualified by the term "Business", references in this Agreement to "day" or "days" refer to a calendar day or calendar days, respectively.

"Cameco Restricted Proprietary Information" shall have the meaning as provided in Article XIII hereto.

"Cameco Technology" shall mean Technology and related Intellectual Property owned or controlled by Cameco or its Affiliates that was or is acquired by Cameco or its Affiliates independent of the Demonstration Phase and that is useful in the Conversion Process or in the construction, operation and/or maintenance of the Conversion Facility including, but without limitation, the Technology (and related Intellectual Property) described in Schedule 4 attached.

"Conversion Facility" shall have the meaning as provided in Section 9.1 hereto.

"Conversion Process" shall mean the process for converting natural uranium (in the form as determined by the Parties during the Demonstration Phase) into AVLIS Feedstock.

"Definitive Documents" shall have the meaning as provided in Section 9.1(b) hereto.

"Demonstration Phase" shall mean the first phase of the joint activities of the Parties to select and develop a suitable Conversion Process, and to evaluate the technical and economic feasibility of constructing and operating a Conversion Facility.

"Deployment Phase" shall mean the second phase of the joint activities of the Parties, which shall include the process for financing, design, construction, testing, acceptance and operation of, the Conversion Facility.

"Environmental Law" shall mean any and all applicable laws, ordinances, rules, regulations, judgments, orders or other official acts of any Governmental Authority (now or in the future) pertaining to protection of health, safety, or the environment, including without limitation in the United States the following: (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, (ii) the Solid Waste Disposal Act, as amended by the Resources Conservation and Recovery Act of 1976, the Hazardous & Solid Waste Amendments Act of 1984 and any other amendments, (iii) the Clean Air Act, as amended, (iv) the Toxic Substances Control Act, as amended, (v) the

Safe Drinking Water Act, as amended, (vi) the Federal Water Pollution Control Act, as amended, (vii) the Occupational Safety and Health Act of 1970, as amended, (viii) the Hazardous Materials Transportation Act, as amended, (ix) the Rivers and Harbors Act of 1899, as amended, (x) the National Environmental Policy Act, as amended and (xi) the Atomic Energy Act of 1954, as amended, and including in Canada the following: (i) the Canadian Environmental Protection Act (Canada), (ii) the Atomic Energy Act (Canada), (iii) the Fisheries Act (Canada), (iv) the Transportation of Dangerous Goods Act, 1992 (Canada), (v) the Environmental Protection Act (Ontario), (vi) the Occupational Health and Safety Act (Ontario), (vii) the Ontario Water Resources Act and (viii) the Canadian Environmental Assessment Act.

"F.O.B." shall have the meaning as provided in the New York Uniform Commercial Code Law Section 2-319 (Consolidated 1995).

"Governmental Authority" shall mean any federal (except USEC), state, provincial or local government, or any political subdivision thereof or any other governmental, judicial, public or statutory instrumentality, authority, board, agency, bureau or entity with authority to bind a Party pursuant to Applicable Law.

"Improvements" shall mean the Technology developed, in performing activities under this Agreement, by (a) one or both Parties (including the employees, officers or agents of either), or (b) a contractor or subcontractor of either Party.

"Intellectual Property" shall be a collective reference to all statutory or other rights available under Applicable Law to protect or enhance a Person's right to own (or otherwise assert property rights), make, use, license

or sell Technology, including, without limitation, patents, patent applications, copyrights and trade secrets.

"JVC" shall have the meaning as provided in Section 9.1 hereto.

"Management Committee" shall have the meaning as provided in Section 3.2(a) hereto.

"Milestone" shall mean the completion of an activity specified in Section III of Schedule 1 by the completion date set forth in such Section for such activity.

"Person" shall mean any natural person, corporation, partnership, firm, association, Governmental Authority or any other entity whether acting in an individual, fiduciary or other capacity.

"Preliminary Feasibility Study" shall mean a study regarding the Conversion Process prepared in accordance with Section 7.2 which shall evaluate the technical and economic feasibility of constructing and operating a Conversion Facility.

"Prime Rate" means the prime rate of interest per annum announced by Chase Manhattan Bank at New York, New York, as its prime rate of interest for US dollar commercial loans.

"Restricted Proprietary Information" shall mean Cameco Restricted Proprietary Information and USEC Restricted Proprietary Information.

"Specified Substances" shall mean any pollutant, toxic substance, asbestos, hazardous waste, nuclear material (including, but not limited to, any source, special nuclear, by-product, low-level radioactive waste or mixed waste) or any constituent of any such substance, waste or product, whether solid, liquid or gaseous in form, described in, or regulated under, any Environmental Law.

"Target Cost" shall mean the cost determined by agreement of the Parties in accordance with Section II of Schedule l, as such cost is modified by the Parties from time to time.

"Technology" shall mean inventions, discoveries, processes, improvements, modifications, know-how, composition of matter, machines, technical literature, drawings, pictures, technical information, computer software, operating systems, manuals, and the like.

"USEC Restricted Proprietary Information" shall have the meaning as provided in Article XIII hereto.

"USEC Technology" shall mean Technology (and related Intellectual Property) owned or controlled by USEC or its Affiliates that was or is acquired by USEC or its Affiliates independent of the Demonstration Phase and that is useful in the Conversion Process or in the construction, operation and/or maintenance of the Conversion Facility including, but without limitation, the Technology (and related Intellectual Property) described in Schedule 5 attached.

ARTICLE II - OBJECTIVES

2.1 Objectives. The Parties have the following objectives in entering into this Agreement:

(a) Demonstration Phase Objective. The Parties intend to demonstrate, through their joint activities the technical and economic feasibility of the Conversion Process as specified in Paragraphs I and II of Schedule l for the production of a suitable AVLIS Feedstock for the commercial AVLIS uranium enrichment plant being designed by USEC. The activities contemplated to achieve this objective are generally described in Schedule 1, and the provisions for funding this phase are described in Article V.

(b) Deployment Phase Objective. Upon the successful completion of the Demonstration Phase, the Parties intend to jointly design, construct, finance, license, own and operate a Conversion Facility. Certain commercial terms for a joint venture to pursue the Deployment Phase shall be as set forth in the Term Sheets attached hereto as Schedules 6, 7, 8, and 9, but the decision to proceed with the joint venture shall be made, and the definitive terms established, pursuant to the terms of Article IX.

ARTICLE III - DEMONSTRATION PHASE

3.1 Conduct of Activities during the Demonstration Phase.

(a) The Parties shall perform the activities described in Schedule I in accordance with the terms and conditions of this Agreement. The Parties hereby appoint Cameco as manager with responsibility for the day-to-day conduct of the activities required for the Demonstration Phase subject to the oversight and direction of the Management Committee. Cameco agrees to serve as manager of the Demonstration Phase and to carry out the activities required by this Agreement in accordance with Applicable Law and, to the extent not inconsistent with Applicable Law, Schedules 1 and 2, the work plans and annual budgets approved by the Management Committee, any directions or requirements of the Management Committee, and the terms of any final resolution of a dispute under Section 16.7.

(b) Cameco agrees to appoint one of its employees as the project manager for purposes of fulfilling its obligations as the manager of the Demonstration Phase. The appointment of the project manager by Cameco shall be subject to the approval of the Management Committee. If the project manager ends his or her employment with Cameco, or Cameco is directed by the Management Committee to replace the project manager, the project manager shall be replaced by another Cameco employee approved by the Management Committee. Either Party can request that the Management Committee direct Cameco to replace the project manager.

3.2 Management Committee.

(a) The Parties hereby establish a four (4) member Management Committee (the "Management Committee") composed of two (2) representatives of Cameco and two (2) representatives of USEC, which shall meet at least quarterly during the term of this Agreement. Within thirty (30) days of the Effective Date, each Party shall give notice in writing to the other Party of the names, addresses, phone numbers and fax numbers of its representatives. A Party may replace any of its representatives at any time by giving written notice of such replacement to the other Party and its representatives. Replacement of a representative shall not invalidate prior decisions of the Management Committee in which such representative participated.

(b) Each representative of a Party shall have only one vote in any decisions made by the Management Committee. Except as provided in Section 16.7, the Management Committee shall have the power and authority: (i) to review, modify and approve the (A) annual budgets, consistent with the project budget in Schedule 2 and within the funding authorized by Section 5.1, and (B) the work plans proposed by Cameco or USEC; (ii) to review, comment and approve all reports and studies submitted pursuant to this Agreement including, but without limitation, the Preliminary Feasibility Study; (iii) in accordance with Sections 3.2(c) and 16.7, to resolve any disputes that may arise in connection with this Agreement, including, without limitation, those disputes regarding activities to be carried out during the Demonstration Phase; and (iv) to provide oversight and direction to Cameco in its performance as the manager of the Demonstration Phase. Nothing in this Agreement shall be construed as providing the Management Committee or a Party with the authority to control, direct or influence the operation of any facility owned, operated or used by the other Party, including but not limited to, Lawrence Livermore National Laboratory (LLNL) and Cameco's Port Hope and Blind River facilities.

(c) All decisions, approvals and other actions of the Management Committee shall require a unanimous vote of the representatives on the Management Committee. In the event a decision on an issue cannot be reached by the Management Committee within ten (10) Business Days after the first Management Committee meeting at which the issue is raised, the Parties shall resolve the issue in accordance with Section 16.7 (without the necessity of first resubmitting the issue to the Management Committee).

(d) A representative of USEC shall chair the Management Committee. The chair shall give prior written notice of the time, date, location and agenda of any meeting of the Management Committee to each member of the Management Committee at least ten (10) Business Days in advance of such meeting unless otherwise agreed to by the members of the Management Committee. The chair shall call a meeting of the Management Committee upon the written request of either USEC or Cameco.

(e) Attendance at meetings of the Management Committee by a Party's representatives may include attendance by phone. In the event one of the Party's representatives is unable to attend a Management Committee meeting, such Party may appoint an alternative representative to attend and participate in such meeting, so long as such Party provides prior written notice to the other Party and the other Party's representatives of its intent to appoint an alternative representative.

ARTICLE IV - CONDITIONS SUBSEQUENT

4.1 Cameco License.

(a) To the extent permitted by Applicable Law, the Parties shall commence performance under this Agreement immediately upon execution of this Agreement. The obligation of each of Cameco and USEC to perform any of its obligations under this Agreement after November 30, 1996 is subject to the satisfaction of the following condition on or prior to that date Cameco shall obtain an amendment to its license, as required, to permit it to conduct the applicable Demonstration Phase activities at Cameco's facilities located at Port Hope, Ontario, Canada.

(b) Cameco shall use its best efforts to satisfy the condition in Section 4.1(a) on or prior to November 30, 1996 Cameco shall provide notice to USEC when such condition is satisfied. In the event the foregoing condition is not satisfied on or prior to November 30, 1996, this Agreement shall, unless otherwise agreed by the Parties, automatically terminate as of November 30, 1996, and the provisions of Section 16.3 shall apply, except that Cameco shall have no obligation to grant USEC a license to Cameco Technology and related Intellectual Property.

ARTICLE V - FUNDING AND COMMERCIAL TERMS

5.1 Funding. Schedule 2 sets forth the project budget for the Demonstration Phase. Pursuant to this budget, the Parties agree to share equally the Allowable Costs related to completing the Demonstration Phase up to the aggregate amount of $8,000,000. The maximum amount that USEC may be required to expend pursuant to this Article V shall not exceed $4,000,000 and the maximum amount that Cameco may be required to expend pursuant to this Article V shall not exceed $4,000,000. In the event the aggregate amount of costs and expenses required to complete the Demonstration Phase exceed

$8,000,000, the amount in excess may be funded as provided in Section 5.4. Only Allowable Costs shall be credited against the funding obligations of the Parties.

5.2 Third-Party Contracts. Pursuant to annual budgets to be adopted by the Management Committee, certain contracts with third-parties shall be required to complete the Demonstration Phase. Cameco shall develop the requirements and

schedule for such contracts and shall submit them to the Management Committee for review and approval. Each Party shall enter into contracts as designated by the Management Committee with third parties for the requirements established and pursuant to the schedule approved by the Management Committee. The award and terms of any third party contract by a Party for purposes of carrying out the Demonstration Phase must be approved in advance by the Management Committee if the total price or potential liability under such contract exceeds $25,000.

5.3 Personnel.

(a) In accordance with the annual budgets adopted by the Management Committee and the rates set forth in Schedule 3, each Party shall be given credit, as an Allowable Cost, for the costs and expenses associated with the work efforts of certain Cameco and USEC personnel (which include but are not limited to, employees, contractors, subcontractors, agents and representatives of a Party). No credit shall be given to a Party for the costs and expenses of work performed as a member of the Management Committee.

(b) Subject to the Applicable Laws and the procedures governing access and protection of information, each Party shall provide access to its facilities that are used for the Demonstration Phase activities to the other Party. Employees, contractors, subcontractors, agents and representatives of a Party who perform work pursuant to this Agreement at the other Party's facilities shall adhere to the rules and procedures established by such facilities while located at such facilities.

5.4 Cost Overruns. Schedule 2 sets forth the Parties' best estimates of the total funds required to complete the Demonstration Phase. As soon as it is evident to either of the Parties that the aggregate amount of funding specified in Section 5.1 may not be sufficient to complete the Schedule 1 activities, such Party shall bring the potential shortfall and the reasons therefore to the immediate attention of the Management Committee. The project manager shall be directed to submit a proposed revised budget to the Management Committee to cover the potential shortfall in funding. The Parties shall no later than the ninetieth (90th) day after submission of the proposed revised budget to the Management Committee agree on the amount of funding ("Revised Fund") that both Parties are willing to commit to pay for the Demonstration Phase (which amount shall be no less than the amount set forth in Section 5.1), and shall thereupon revise Schedule 1, Schedule 2 and Section 5.1 accordingly. If one Party is unwilling to fund its share of the shortfall, the other Party shall have the option to pay all or any part of the funding shortfall. If the

Revised Fund is different than the amount in the proposed revised budget submitted to the Management Committee pursuant to this Section 5.4, the project manager shall be instructed to further revise the budget to provide for a budget that does not exceed the Revised Fund, even if doing so requires a reduction in the scope of the Demonstration Phase.

5.5 Funding Mechanics.

(a) Each Party shall submit to the Management Committee a statement ("Quarterly Statement") detailing all Allowable Costs (including any approved in-kind contributions) to be credited against its funding obligation under this Agreement, within fifteen (15) days after the last day of each calendar quarter ending after the Effective Date of this Agreement. The statement shall cover the immediately preceding calendar quarter (the "Reporting Period"), but any cost or expense attributable to a Party after the Effective Date and prior to the Reporting Period that has not been previously accounted for under this Article V may also be included by the Party in the statement and shall be considered as being incurred in the Reporting Period. No later than thirty (30) days after receipt of the Quarterly Statements from both Parties the Management Committee shall provide to the Parties a consolidated statement detailing the Allowable Costs to be credited against each Party's funding obligation. At the request of either Party the Management Committee shall provide a full explanation of its determination of the Allowable Costs. Either Party may dispute the Management Committee's determination of Allowable Costs pursuant to Section 16.7.

(b) Based on the Management Committee's consolidated statement the Party that incurred more than one-half of the total Allowable Costs incurred by the end of Reporting Period ("Requesting Party") may submit a request ("Funding Request") to the other Party ("Receiving Party") for payment of the difference between one-half of such total Allowable Costs and the portion of such Allowable Costs incurred by the Requesting Party. If the Requesting Party does not submit a Funding Request within thirty (30) days of its receipt of the Management Committee's consolidated statement then the amount of overpayment by the Requesting Party shall be credited against the Requesting Party's future funding obligations.

(c) Within fifteen (15) Business Days of its receipt of a Funding Request, the Receiving Party shall pay the Requesting Party the amount set forth in the Funding Request, in accordance with directions contained in the funding request. If the Receiving Party disputes all or part of the Funding Request, the Receiving

Party shall pay the undisputed amount and the dispute shall be resolved in accordance with Section 16.7. Any dispute concerning the Funding Request that is not resolved by the SEOs pursuant to Section 16.7 shall be resolved by an independent auditor selected by the Party disputing the Funding Request. In the event that a Party is delinquent for greater than thirty (30) days after the date payment is due (the "Delinquent Party") for any undisputed amounts, or, in the case of an amount that is subject to dispute, the amounts due as determined by the SEOs or independent auditor, that in the aggregate total more than five percent (5%) of the total amount that the Delinquent Party should have funded, the Delinquent Party's representatives on the Management Committee shall no longer be entitled to vote on any matters until the Delinquent Party has paid all amounts due at the time of the vote. In such event, the unanimous vote by the other Party's representatives shall be deemed to be a unanimous vote of the representatives of the Management Committee pursuant to Section 3.2(c).

(d) Subject to Sections 5.6 and 5.7, the proceeds received by either Party in connection with the sale of any equipment, material or other property acquired at joint expense shall be credited equally to the Parties. No such sales shall take place without the prior approval of the Management Committee.

(e) All payments between the Parties shall be made by wire transfer of immediately available U.S. funds to a bank in the United States or Canada designated by the Requesting Party. Interest on late payments shall be paid at 3% above the Prime Rate. Each Party shall bear any fees charged by its own bank in connection with effecting such transfer.

(f) At any time during normal business hours, a Party shall make available to an independent auditor selected by the requesting Party all books, records or other documents reasonably deemed necessary by the auditor to verify the Allowable Costs incurred by such Party in connection with the Demonstration Phase. The cost involved in such independent audit shall remain the liability of the Party requesting the audit and shall not be credited to such Party's funding obligation unless as a result of such audit, the independent auditor determines that the Party being audited has overstated its Allowable Costs in the aggregate by $25,000 or more. In such case, the Parties shall make any necessary adjustments to their respective Allowable Costs, and the Party audited shall be responsible for the costs of such audit.

5.6 Ownership of Equipment and Material.

(a) Except as provided in Section 5.7, Cameco in its capacity as manager of the Demonstration Phase shall take title to all equipment and material purchased for the Demonstration Phase activities at joint expense and shall hold title to such equipment and material for the benefit of Cameco and USEC in equal shares. The risk of loss of such equipment and material shall be shared equally. Cameco shall insure such equipment and material in the amounts and manner directed by the Management Committee (the additional costs, if any, of such insurance shall be a credit against Cameco's funding obligations pursuant to an approved budget and Schedule 3).

(b) Except as provided in Section 5.7, any equipment or material not consumed in the conduct of the Demonstration Phase shall be disposed of as follows:

(i) If the Parties form a JVC to pursue the Deployment Phase, the JVC shall have the right to acquire the equipment and materials without charge, except the JVC shall bear any cost or expense associated with the removal and transportation of such equipment or materials to the JVC.

(ii) Any equipment or material that the JVC elects not to acquire shall either be retained by Cameco or be disposed of by Cameco in its discretion in accordance with Applicable Law. Within sixty (60) days after the completion of the Demonstration Phase, Cameco shall provide USEC with its plan for the disposition of such equipment and material. The proceeds from the sale of any equipment or material shall be credited equally towards the Parties' funding obligations. The costs and expenses of disposal of any equipment and material shall be equally shared by the Parties in accordance with the approved budget. Cameco shall retain title to, assume all risks and be solely responsible for all costs (including decontamination, decommissioning and disposal costs) associated with any equipment or material that has not been sold or disposed of within one (1) year after the completion of the Demonstration Phase.

5.7 Uranium. Cameco shall be the importer of record of any natural uranium shipped by USEC to Canada, with Cameco taking title and risk of loss on

arrival of the uranium at the U S - Canadian border. USEC shall provide and pay transportation (including insurance) costs to deliver to Cameco's facility located at Port Hope, Ontario, Canada, the uranium required to conduct the activities for the Demonstration Phase specified in Schedule 1 in the quantities, form and at the times

directed by the Management Committee. At USEC's request, Cameco shall provide USEC with the UO-3 or UF4 refining services necessary for USEC to meet USEC's obligation to provide uranium under this Agreement. The price and other terms and conditions for providing UO3 refining services are set forth in Schedule 6. The price for providing UF4 refining services are set forth in Schedule 10. Cameco shall deliver AVLIS Feedstock F.O.B the facilities designated by USEC. All costs, expenses and liabilities associated with the transportation of the uranium and AVLIS Feedstock shall remain the sole responsibility of the Party responsible for transporting the material, consistent with the above terms. USEC shall acquire title to all AVLIS Feedstock produced from the activities during the Demonstration Phase specified in Schedule 1 at no cost and without need to account to Cameco for its disposition.

5.8 Depleted Uranium. Unless the Parties agree otherwise, depleted uranium shall not be used in the Demonstration Phase.

5.9 Taxes. To minimize administrative costs in connection with the Demonstration Phase, both Parties agree that they will join in applying to the Department of Finance and Revenue Canada for prescribed status for the joint venture activities of the Parties, for the purposes of accounting for Canadian Goods and Services Tax ("Canadian GST"). If prescribed status is obtained, a GST section 273 election will be made, allowing Cameco to account for all Canadian GST relating to the Demonstration Phase. The Parties further agree that, for the purposes of the Ontario retail sales tax, they will take all necessary steps to have Cameco act as the agent for the joint venture and account for all Ontario retail sales tax on any purchases or imports of items not exempt from such tax during the Demonstration Phase. For any property or equipment of any description to be imported from the U.S. into Canada in connection with the Demonstration Phase activities, title and risk of loss for such items shall be transferred to Cameco not later than arrival of such items at the U.S. - Canadian border and such items shall be imported into Canada by Cameco. Cameco shall include its accounting of Canadian GST and retail sales tax along with its other reports of expenditures under Sections 5.5 and 7.1. If for any reason Cameco and USEC do not enter into a joint venture election for Canadian GST, both Parties will separately account for and report Canadian GST with respect to their individual interests in Demonstration Phase activities. In any event Cameco and USEC agree to supply each other with all required documentation, invoices, copies of agreements and registration numbers, as applicable, in order that each may, if required, properly account for and report Canadian taxes.

ARTICLE VI - [INTENTIONALLY BLANK]

ARTICLE VII - REPORTING

7.1 Monthly Progress Reports. On or before the sixth (6th) Business

Day of each calendar month, each Party shall submit to the project manager a report of its activities pertaining to the Demonstration Phase during the preceding calendar month and all costs and expenses that such Party intends to claim as Allowable Costs for such month. Based on these reports, the project manager shall prepare and submit, on or before the fifteenth (15th) Business Day of each calendar month, to each Party and to each representative on the Management Committee a monthly consolidated progress report which shall contain the following information at a minimum:

(a) A detailed summary of all activities related to and progress made on the Demonstration Phase during the immediately preceding calendar month;

(b) An accounting of the Allowable Costs of each Party during the calendar month period and cumulatively on the Demonstration Phase; and

(c) A material balance of uranium received, processed and shipped.

7.2 Demonstration Phase Preliminary Feasibility Study.

(a) Schedule 1 attached hereto sets forth the schedule for preparing the Preliminary Feasibility Study. Such Schedule may be revised by the Management Committee.

(b) The Preliminary Feasibility Study shall include the following:

(i) process flow diagrams, material balance sheets, and preliminary designs for the Conversion Process building and key full scale process equipment such as the reduction reactors; casting system; reactor feeder; reactor feeding and product withdrawal systems; and the salt treatment system;

(ii) estimates of the capital costs for the design, engineering and construction of the Conversion Facility which shall include estimates of the following: (1) expenditures for designing and constructing all facilities and neces-

sary infrastructure; (2) expenditures for engineering, purchasing and installing all machinery, equipment and other components; (3) expenditures associated with obtaining all necessary regulatory approvals (including but not limited to costs associated with preparing all applications and supporting documentation); and (4) expenditures required to perform all other related work required to commence commercial production of AVLIS Feedstock;

(iii) a start up plan for the Conversion Facility;

(iv) an estimate of the costs to operate the Conversion Facility for the following periods: (1) the start up; (2) the first full year of production by the Conversion Facility; and (3) each subsequent year of production. The estimate for each such period shall include estimates of annual production; personnel required; expenditures for administration, consumables, and maintenance materials; utilities; waste disposal; operating and maintenance labor; taxes, working capital funding requirements; work commitments; environmental compliance costs; reserves for shut down (including decontamination and decommissioning costs); and any other anticipated costs of operation;

(v) a schedule of the dates when required capital costs will be incurred and the anticipated cash flow requirements during the design and construction of the Conversion Facility and the start up and operation of the Conversion facility; and

(vi) a determination as to whether the Conversion Facility will be capable of meeting the technical and economic objectives set forth in Schedule 1.

If the Management Committee determines that the Conversion Facility will be capable of meeting the technical and economic objectives set forth in Schedule 1 then the Preliminary Feasibility Study shall also include the following:

(vii) recommendations and supporting analyses on the preferred capacity of the Conversion Facility and whether it should be located within the United States or Canada;

(viii) proposed criteria for evaluating potential sites for the Conversion Facility;

(ix) any other information that may be required by the Management Committee for proper evaluation of the deployment of the Conversion Facility; and

(x) an updated Target Cost.

ARTICLE VIII - INTELLECTUAL PROPERTY

8.1 Notification of Proprietary Rights. The Demonstration Phase contemplates the use of Cameco Technology listed in Schedule 4 and the use of USEC Technology listed in Schedule 5. Each Party agrees to notify the Management Committee of its intent to utilize Cameco Technology or USEC Technology, as the case may be, in the conduct of the Demonstration Phase activities that the Party has not listed on Schedules 4 and 5, as applicable, prior to use of such Technology during the Demonstration Phase. If the Management Committee agrees to the use of such Technology, the Parties shall modify Schedules 4 and 5, as applicable.

8.2 Technology Rights.

(a) Subject to the provisions of this Agreement that in certain circumstances require a Party to transfer or license its interest in Technology or Intellectual Property to the other Party, all Improvements (and related Intellectual Property) shall be jointly owned by the Parties as tenants in common. Neither Party shall transfer, sell, assign, license, or encumber its interest in the Improvements or in the Intellectual Property covering the Improvements without the prior written consent of the other Party, except as otherwise provided in this Agreement. Nor shall either Party use any Improvements or the Intellectual Property covering the Improvements without the consent of the other Party except in the Demonstration Phase or in connection with the development of the AVLIS uranium enrichment facility, or as otherwise provided in this Agreement.

(b) With regard to Improvements made by a Party's employees, officers, agents, or contractors, such Party (the "Inventing Party") shall:

(i) promptly disclose such Improvements to the other Party in writing;

(ii) take whatever steps are reasonably prudent to promptly establish, if so directed by the Management Committee, Intellectual Property rights in such Improvements under Applicable Law in the United States and Canada. If the Inventing Party fails to take such steps, the other Party as the joint owner may, regardless of the instructions of the Management Committee, take reasonable steps to establish Intellectual Property rights in such Improvements under Applicable Law. If such other Party is successful in obtaining Intellectual Property rights in such Improvements, the Inventing Party shall, within sixty (60) days after the Parties both give notice pursuant Section 9.1(b) of their decision to proceed with the Deployment Phase, pay such other Party one-half of the costs reasonably incurred by such other Party in obtaining such Intellectual Property rights. If the Inventing Party fails to pay the other Party in accordance with the above, the Inventing Party shall, upon demand of the other Party, assign all of its rights, title and interest in and to such Intellectual Property, and the Improvements on which such Intellectual Property is based, to such other Party; and in such case, if USEC is the Inventing Party, the Intellectual Property and the Improvements on which such Intellectual Property is based shall thereafter, for all purposes other than Section 8.5 of this Agreement, be deemed to be Cameco Technology, and if Cameco is the Inventing Party, the Intellectual Property and the Improvements on which such Intellectual Properly is based shall thereafter be deemed to be USEC Technology;

(iii) promptly transfer or otherwise provide the other Party with joint ownership in the Intellectual Property covering such Improvement;

(iv) with respect to Improvements which are inventions that are or may be patentable but for which the Inventing Party does not desire to seek patent coverage in a particular country, the other Party may, but is not obligated, to file for a patent with respect to such country, and the Inventing Party shall cooperate with the other Party in its efforts to obtain patent coverage in such country and sign (or to cause its employees or subcontractor's employees to sign) any documents necessary for the filing or prosecution of one or more patent applications in such country by the requesting Party; and

(v) keep complete and accurate records with respect to each Improvement.

A Party's costs and expenses in establishing Intellectual Property rights and in providing technical documentation for Improvements shall be an Allowable Cost of the Demonstration Phase funded by the Parties in accordance with Schedules 1, 2

and 3 of Article V. Any disputes concerning the Improvements or the Intellectual Property in them shall be submitted for resolution in accordance with Section 16.7.

(c) Upon the formation of the JVC pursuant to Article IX, each Party shall contribute, license or otherwise provide to the JVC sufficient Intellectual Property rights in all Improvements necessary or useful for the JVC to carry out the purposes for which it was formed.

(d) In the event either Party obtains information concerning the alleged infringement of a patent or of any Intellectual Property right that is

related to Improvements, or misappropriation of Improvements jointly owned by the Parties, the Party obtaining such information shall promptly notify the other Party in writing. Unless both Parties agree that the information is insufficient to warrant seeking an injunction and damages against the alleged infringement or misappropriation, the Parties shall take the following action:

(i) The Inventing Party, if it deems it to be warranted, shall initiate an infringement, trade secret or other action and shall promptly notify and keep the other Party informed about such action. If the Inventing Party does not initiate suit, the other Party shall have the option to bring such suit. Upon notification by a Party that it has elected to bring an infringement action hereunder, the other Party shall cooperate to the extent necessary for the Party to bring such action, including joining such action as a party, if necessary and including any action initiated in third countries.

(ii) If a Party agrees to jointly share in the cost of an action undertaken pursuant to this Section, the resulting damage award, if any, shall be shared equally by the Parties. Otherwise, the costs (both external and internal) of the action shall be the sole responsibility of the Party bringing the action and the damage award, if any, shall belong solely to such Party.

(e) In the event that any infringement action is brought by a third party against a Party or its Affiliate during the performance of the Demonstration Phase, the Parties shall jointly determine how to proceed and how the cost of defending such action shall be allocated to the Parties. If the third party infringement action is not related to the joint activities of the Parties hereunder, the Party receiving notice of its alleged infringement shall promptly notify the other Party and shall keep the other Party informed of the progress of any such action.

8.3 Nondisclosure of Improvements. Except to the extent that disclosure is required by Applicable Law or as may be necessary to obtain patent coverage for an item of Technology, all Improvements shall be kept confidential by the Parties and shall not be disclosed to any third party unless (i) such disclosure is necessary to perform this Agreement, (ii) the disclosure is approved by the Management Commit tee, and (iii) the Party disclosing such Improvements (x) obtains from such third party a written agreement to abide by the terms of this in the same manner, and to the same extent, that the Parties are bound hereunder and to assign all rights to any Improvements to the Parties and (y) provides the other Party with a copy of such written agreement. The above restrictions on the disclosure of Improvements shall not include information that was or becomes generally available to the public other than through the breach of this Agreement and shall not apply to a Party acquiring all rights in such Technology.

8.4 Transfer of Background Technology to JVC. If the Parties proceed with the Deployment Phase:

(a) Cameco agrees to: (i) disclose to the JVC all Cameco Technology; (ii) license to the JVC, upon the JVC's request, Cameco Technology for use in the design, construction, operation or maintenance of the Conversion Facility; (iii) grant a license in the Intellectual Property covering Cameco Technology for a period covering the useful life of the Conversion Facility or Conversion Facilities constructed and operated by the JVC; and (iv) provide, upon request from the JVC, technical assistance to the JVC in the design and operation of such Conversion Facilities upon the payment of reasonable costs and expenses for this service.

(b) USEC agrees to: (i) disclose to the JVC all USEC Technology; (ii) license to the JVC, upon the JVC's request, USEC Technology for use in the design, construction, operation or maintenance of the Conversion

Facility; (iii) grant a license in the Intellectual Property covering USEC Technology for a period covering the useful life of the Conversion Facility or Conversion Facilities constructed and operated by the JVC; and (iv) provide, upon request from the JVC, technical assistance to the JVC in the design and operation of such Conversion Facilities upon the payment of reasonable costs and expenses for this service.

8.5 Export Restriction. Notwithstanding anything in this Agreement to the contrary, Cameco shall not export, disclose, assign, license or otherwise transfer any rights or interest in or to any Improvements or USEC Technology, or to any Intellectual Property related either to Improvements or to USEC Technology, to any

third party outside of the United States, or for use outside of the United States, without USEC's prior written consent, which consent shall not be withheld if such disposition has been authorized by the appropriate Governmental Authorities under Applicable Law. The restrictions in this Section 8.5 shall survive any termination or expiration of this Agreement and shall apply to Improvements and related Intellectual Property regardless of whether USEC has transferred and assigned to Cameco, pursuant to Section 9.1(e) or otherwise, all of USEC's right, title and interest in and to the Improvements and related Intellectual Property.

ARTICLE IX - DEPLOYMENT PHASE

9.1 Decision Whether to Proceed With Deployment Phase.

(a) Within thirty (30) days after the receipt of the final Preliminary Feasibility Study, the Management Committee shall assess and evaluate whether the Preliminary Feasibility Study and the results of the Demonstration Phase meet the objectives specified in Section 2.1(a) and report in writing to the Parties its recommendation.

(i) If the Management Committee determines that the results of the final Preliminary Feasibility Study and the Demonstration Phase do not meet the objectives specified in Section 2.1(a) and do not otherwise justify proceeding with the Deployment Phase, then the Management Committee shall recommend that the Parties terminate this Agreement.

(ii) If the Management Committee decides that the final Preliminary Feasibility Study and the results of the Demonstration Phase meet the objectives specified in Section 2.1(a) or otherwise justify proceeding with the Deployment Phase, then the Management Committee shall notify the Parties that the Management Committee recommends proceeding with the Deployment Phase (the date that the Parties are so notified being referred to herein as the "Deployment Decision Date").

(b) The Parties, in their sole discretion, may accept or reject the Management Committee's recommendation under Section 9.1(a). Within sixty (60) days of the Deployment Decision Date, each Party shall provide the other Party with written notice of its decision whether to proceed with the Deployment Phase. If a Party has not paid for one-half of the total Allowable Costs incurred by the end of the

Reporting Period which ended immediately prior to the receipt by the Management Committee of the final Preliminary Feasibility Study (the "Deficient Party"), it shall not be eligible to elect to proceed with the Deployment Phase until it has paid the other Party two hundred percent (200%) of the difference between the amount actually paid by the Deficient Party and one-half of such total Allowable Costs on or before the date that the Deficient Party executes the Definitive Documents. In the event that the Deficient Party fails to pay the full amount owed to the other Party on or before the day the Deficient Party executes the Definitive Documents, then the Deficient Party shall be deemed to have withdrawn, and the Agreement shall be terminated in accordance with Section 16.3 if Cameco is the Deficient Party, and under Section 9.1(e) if USEC is the Deficient Party. A Party that fails to provide written notice of its decision whether to proceed shall be deemed to have elected not to proceed. If both Parties elect not to proceed, or if USEC elects to proceed but Cameco elects not to proceed, then Cameco shall be deemed to have withdrawn, and this Agreement shall be terminated in accordance with Section 16.3. If Cameco elects to proceed but USEC elects not to proceed, then USEC shall be deemed to have withdrawn from the project, and Cameco shall have the termination options set forth in Section 9.1(d). If both Parties elect to proceed, then the Parties shall negotiate, in good faith, the following agreements (collectively, the "Definitive Documents"):

(i) a deployment agreement between USEC and Cameco incorporating the terms in Schedule 8 hereto and providing for the solicitation of proposals for the construction and financing of a facility (the "Conversion Facility") that incorporates Cameco Technology, and/or USEC Technology and the Improvements (if any) to convert uranium into AVLIS Feedstock using all or part of the Conversion Process; the selection of a mutually agreed site in the United States or Canada for the Conversion Facility; and the formation of a joint venture company, partnership or other entity or arrangement as mutually agreed by the Parties ("JVC") which shall own and undertake the construction, financing and operation of the Conversion Facility;

(ii) a UO-3 refining services agreement incorporating the terms in Schedule 6 hereto;

(iii) an AVLIS Feedstock sales agreement incorporating the terms in Schedule 7 hereto;

(iv) a Technology agreement between the JVC, USEC and Cameco providing for the transfer of Technology in accordance with Sections 8.2 and 8.4;

(v) an operating agreement between the JVC and Cameco providing for the operation of the Conversion Facility and incorporating the terms in Schedule 9 hereto; and

(vi) such other agreements as the Parties deem necessary or desirable.

(c) If the Parties, acting in good faith, are unable to agree upon the provisions of any of the Definitive Documents within a period of 120 days after the Deployment Decision Date, such disagreement(s) shall be resolved by USEC developing, in good faith, its final position in regard to such provision or provisions, consistent with the terms in Schedules 6, 7, 8, and 9 ("Final Position"), and advising Cameco thereof in writing within 150 days

after the Deployment Decision Date. Cameco shall have thirty (30) days from and after receipt of USEC's Final Position to advise USEC whether it accepts USEC's Final Position. If Cameco notifies USEC that Cameco accepts USEC's Final Position within said thirty (30) day period, the Parties shall execute the Definitive Documents incorporating such Final Position within thirty (30) days after Cameco's acceptance. If Cameco notifies USEC that Cameco rejects USEC's Final Position, or if Cameco fails to give USEC notice of acceptance within thirty (30) days after receipt of USEC's Final Position, or if Cameco fails to execute the Definitive Documents within sixty (60) days after receipt of USEC's Final Position, this Agreement shall be terminated in accordance with Section 16.3. If USEC fails to advise Cameco of USEC's Final Position within 150 days after the Deployment Decision Date, or if Cameco accepts USEC's Final Position within thirty (30) days of receipt thereof but USEC refuses to execute the Definitive Documents which incorporate its Final Position within thirty (30) days after receiving Cameco's notice of acceptance of USEC's Final Position, USEC shall be deemed to have withdrawn from the project, and Cameco shall have the termination options set forth in Section 9.1(e).

(d) If USEC is deemed to have withdrawn from the project pursuant to Section 9.1(b), Cameco shall have the option of (i) terminating this Agreement in accordance with Section 16.3, or (ii) terminating this Agreement, paying USEC a lump sum equal to the aggregate of all Allowable Costs funded by USEC requiring USEC to grant Cameco an irrevocable and transferrable (including

the right to sublicense) license to the USEC Technology and related Intellectual Property incorporated into or necessary to use the Improvements for the purpose of constructing, operating and maintaining a Conversion Facility to supply AVLIS Feedstock, provided that for Cameco's use of the USEC Technology, Cameco pays USEC a royalty at one percent (1%) of the cash-based disbursements for operation of the Conversion Facility, including payroll, reagents, utility expenses and property taxes, excluding depreciation, indirect overhead and financing costs, and any UO-3 or UF4 refining costs for USEC Technology. If Cameco elects option (ii) above, USEC shall, subject to Section 8.6, concurrent with its receipt of the lump sum payment transfer and assign to Cameco all of USEC's right, title and interest in and to the Improvements and related Intellectual Property free and clear of any encumbrances arising through USEC and this Agreement shall be terminated in accordance with Sections 16.3(a), (c) and (d). Cameco shall give USEC notice of its election of option (i) or (ii) above within ninety (90) days after USEC's failure to provide Cameco with USEC's Final Position or USEC's refusal to execute the Definitive Documents incorporating the Final Position whichever is later, or shall otherwise be deemed to have elected option (i) above.

(e) If USEC is deemed to have withdrawn from the project pursuant to Section 9.1(c), this Agreement shall be terminated in accordance with Section 16.3 and USEC shall, in addition to its obligations under Section 16.3, pay Cameco a royalty on the first 100,000 metric tons of uranium ("MTU") contained in all AVLIS Feedstock, produced for use in an AVLIS enrichment facility, whether produced by USEC or its affiliates, licensees, assignees or contractors ("Royalty"). The Royalty shall be in lieu of the 1% cash operating royalty stipulated in Section 16.3. The license referred to in Section 16.3 to the Cameco Technology and related Intellectual Property shall become fully paid up once the Royalty is paid. The Royalty rate and its method of payment shall be determined as follows:

(i) The initial amount of the Royalty shall be fifty cents ($0.50) per kilogram of uranium contained in all AVLIS Feedstock produced for use in an AVLIS enrichment facility whether produced by USEC or its affiliates, licensees, assignees or contractors, payable annually in arrears.

(ii) Within ninety (90) days after the end of each year,

USEC shall provide Cameco (or will cause its affiliates, licensees, assignees or contractors, as the case may be, to provide Cameco) with a certificate signed by a senior financial officer of USEC confirming the quantity of AVLIS Feedstock produced in such year, expressed in kilograms of uranium contained therein, and the

amount of the Royalty payment due to Cameco. Payment of the amount due shall accompany such statement.

(iii) Cameco may retain an independent auditor to conduct an audit of USEC, or the affiliate, licensee, assignee or contractor producing the AVLIS Feedstock, to verify the amount of Royalty payable. The costs of any such audit shall be borne by Cameco unless such audit results in an adjustment of the amount of the Royalty payment due in favor of Cameco in an amount equal to or greater than $25,000.

(iv) The initial amount of the Royalty of fifty cents ($0.50) per kilogram of uranium contained shall be adjusted for each year following the first year in which such Royalty accrues using the Implicit Price Deflator for the U S. Gross Domestic Product ("IPD-GDP") as published by the U.S. Department of Commerce in accordance with the formula set forth below:

$$R = R1 + (R1)\frac{(IN - IBASE)}{IBASE}, \text{ where}$$

R = The Royalty rate to be determined for a year following the first year in which the Royalty accrues

R1 = The initial amount of the Royalty rate, which is U.S. $0.50

IN = The first final index of the Implicit Price Deflator for the U S. Gross Domestic Product ("IPD-GDP") published by the U.S. Department of Commerce for the last calendar quarter of the year immediately preceding the year for which the Royalty rate is being determined

IBASE = The first final IPD-GDP for the first quarter of 1996.

(f) The Parties may decide that it is necessary or desirable to commence a more definitive feasibility study prior to the execution of the Definitive Documents, and if both Parties agree, this Agreement shall be modified as appropriate to provide for such a study.

9.2 Definitive Documents.

(a) This Agreement does not include all of the terms and conditions regarding the implementation of the Deployment Phase. Such terms and conditions shall be contained in the Definitive Documents. The Definitive Documents and any other agreements relating to implementation of the Deployment Phase shall be subject in all respects to the approval of each of the Parties in its sole discretion.

(b) Each Party shall be responsible for its own costs of negotiating the Definitive Documents.

9.3 Cancellation of AVLIS Enrichment Plant.

(a) If, prior to the execution and delivery of the Definitive Documents referred to in Section 9.1, USEC decides to cancel its planned commercial AVLIS uranium enrichment plant, USEC shall promptly notify Cameco of such decision (the "Cancellation Notice") and this Agreement shall be terminated in accordance with Section 16.3.

(b) If, within ten (10) years after the date of the Cancellation Notice, USEC decides to deploy a commercial AVLIS uranium enrichment plant, it shall notify Cameco that it intends to do so (the "Deployment Notice"). If, within thirty (30) days of the date of the Deployment Notice, Cameco notifies USEC that it wishes to proceed with the Deployment Phase for the Conversion Facility, then the Parties shall negotiate in good faith the Definitive Documents in accordance with Section 9.1 except that the time periods specified in Section 9.1 shall commence on the date of the Deployment Notice.

(c) If Cameco does not notify USEC that it wishes to proceed with the Deployment Phase for the Conversion Facility pursuant to Section 9.3(b), the obligations of the Parties under this Section 9.3 shall be terminated.

9.4 Delay of AVLIS Enrichment Plant.

(a) If, prior to the execution and delivery of the Definitive Documents referred to in Section 9.1, USEC decides to delay the date on which the commercial AVLIS uranium enrichment plant is expected to commence operation (the "Estimated Start-Up Date") beyond January 1, 2005, USEC shall so notify Cameco (the "Delay Notice"). At any time, Cameco may request USEC to provide Cameco with USEC's most current Estimated Start-Up Date, and USEC shall do so

within thirty (30) days of such request. To the extent a delay is due, in whole or in part, to a Force Majeure, the Estimated Start-Up Date shall be extended as provided in Section 16.8. The Delay Notice shall include USEC's then current Estimated Start-Up Date. USEC may update its estimate at any time thereafter. During the period (the "Delay Period") from the date of the Delay Notice to the date that is four (4) years before the Estimated Start-Up Date set forth in the Delay Notice or the most recent update, this Agreement shall not be terminated but rather the obligations of the Parties under this Article IX shall be suspended. USEC shall pay Cameco interest for the Delay Period at the Agreed Rate on the aggregate of all Allowable Costs funded by Cameco as of the beginning of the Delay Period. Such interest shall be payable monthly in arrears. The obligations of the Parties under this Article IX shall thereafter resume as of the last day of the Delay Period.

(b) At any time during the Delay Period, Cameco may provide a Cancellation Notice to USEC of its election to terminate this Agreement. Upon receipt of Cameco's Cancellation Notice, this Agreement shall terminate in accordance with Section 16.3. USEC shall notify Cameco at least thirty (30) days, but no more than one-hundred and eighty (180) days prior to the end of the Delay Period of its intent to deploy a commercial AVLIS uranium enrichment plant and the current Estimated Start-Up Date. If, within thirty (30) days of the date of the Deployment Notice, Cameco notifies USEC that it wishes to proceed with the Deployment Phase for the Conversion Facility then the Parties shall negotiate in good faith the Definitive Documents as specified in Section 9.1 except that the time periods specified in Section 9.1 shall commence on the date of the Deployment Notice.

9.5 Transition.

As of the execution of this Agreement, Cameco sells UF6 and provides uranium concentrates to UF6 conversion services. Cameco's customers for UF6

and uranium concentrates to UF6 conversion services consist of entities that operate nuclear electrical generating facilities. Such customers typically contract for their UF6 and UF6 conversion services requirements three to five years in advance. A number of Cameco's customers for UF6 and UF6 conversion services have contracts with USEC for the provision of enrichment services. As contemplated by this Agreement, USEC plans to construct and operate an enrichment facility based on AVLIS technology to replace existing enrichment facilities which are based on gaseous diffusion technology. As a consequence of this, USEC will be asking its enrichment services customers to switch from obtaining enrichment services from USEC's gaseous diffusion enrichment facilities to USEC's proposed AVLIS enrich-

ment facility. Customers of USEC that decide to obtain enrichment services from USEC's proposed AVLIS enrichment facility will no longer need to provide USEC with UF6 but will only have to provide USEC with uranium concentrates. Cameco recognizes that USEC's prospective customers for enrichment services from the proposed AVLIS enrichment facility will be concerned about the risks of not having a sufficient supply of UF6 under contract should USEC not proceed with the proposed AVLIS enrichment facility, and the corresponding risk of entering into contracts for the supply of UF6 where such UF6 supply may become redundant. In order to assist USEC's enrichment services customers in making the transition, Cameco and USEC will cooperate in identifying and implementing mechanisms that will alleviate the potential risks to such customers described above. Such cooperation may consist, by way of example only, of allowing prospective AVLIS enrichment services customers to withdraw, on favorable terms, from UF6 conversion services agreements concurrent with such customers receiving enrichment service under the AVLIS enrichment service contracts for corresponding quantities of uranium.

ARTICLE X - REPRESENTATIONS AND WARRANTIES

10.1 Representations and Warranties of Cameco. Cameco represents and warrants to USEC as follows:

(a) Cameco is organized, validly existing and in good standing under the laws of Canada with full power and authority to execute, deliver and perform this Agreement, to consummate the transactions contemplated herein, to take all actions required to be taken by it pursuant to the provisions hereof, to own and lease its properties and to conduct its business as the same exists.

(b) This Agreement constitutes the valid and binding obligation of Cameco and is enforceable against Cameco in accordance with its terms, except to the extent such enforceability is subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other law affecting or relating to creditors' rights generally and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) This Agreement has been duly authorized by all necessary action on the part of Cameco.

(d) Cameco has not hired, retained or dealt with any broker or finder in connection with the transactions contemplated by this Agreement.

(e) Neither Cameco's execution and delivery of this Agreement or any documents executed in connection herewith, nor Cameco's consummation of the transactions contemplated herein, does or shall violate, conflict with, result in breach of, or require notice or consent under any law, judgment, writ, decree, order, permit, certificate, license, regulation, certificate of incorporation, bylaw, certificate of limited partnership or limited partnership agreement or under any provision of any agreement or instrument to which Cameco is a party or to which it or any of its properties is subject.

(f) To its knowledge the Intellectual Property covering Cameco Technology does not infringe any third party's patent rights and ownership rights. Cameco is not aware of any third party interests in any of the Intellectual Property associated with any of the Cameco Technology necessary for the performance of the transactions contemplated by this Agreement, and has not received notice of any allegations that Cameco is infringing or has misappropriated the Intellectual Property covering Cameco Technology necessary for the construction, operation and/or maintenance of a Conversion Facility.

(g) Subject to Article IV, Cameco has, or shall obtain prior to commencing operations, all government approvals, permits, licenses and clearances necessary for the conduct of the Demonstration Phase activities at Cameco's facilities.

(h) The representations and certificates submitted by Cameco to USEC pursuant to the clauses set forth in Appendix B have been duly authorized, made and executed and are true, correct and complete as if made herein and as of the date hereof.

10.2 Representations and Warranties of USEC. USEC represents and warrants to Cameco as follows:

(a) USEC is organized, validly existing and in good standing under the laws of the United States of America, with full power and authority to execute, deliver and perform this Agreement, to consummate the transactions contemplated herein, to take all actions required to be taken by it pursuant to the

provisions hereof, to own and lease its properties and to conduct its business as the same exists.

(b) This Agreement constitutes the valid and binding obligation of USEC and is enforceable against USEC in accordance with its terms, except to the extent such enforceability is subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other law affecting or relating to creditors' rights generally and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) This Agreement has been duly authorized by all necessary corporate action on the part of USEC.

(d) USEC has not hired, retained or dealt with any broker or finder in connection with the transactions contemplated by this Agreement.

(e) Neither USEC's execution and delivery of this Agreement or any documents executed in connection herewith, nor USEC's consummation of the transactions contemplated herein, does or shall violate, conflict with, result in breach of, or require notice or consent under any law, judgment, writ, decree, order, permit, certificate, license or regulation or under any provisions of any agreement or instrument to which USEC is a party or to which it or any of its properties is subject.

(f) To its knowledge the Intellectual Property covering USEC Technology does not infringe any third party's patent rights and ownership rights. USEC is not aware of any third party claims on any Intellectual Property associated with any of the USEC Technology necessary for the performance of the transactions contemplated by this Agreement, and has not received notice of any allegations that USEC is infringing or has misappropriated the Intellectual Property covering USEC Technology necessary for the construction, operation and/or maintenance of a Conversion Facility.

ARTICLE XI - INDEMNIFICATION AND LIMITATION OF LIABILITY

11.1 General Indemnity.

(a) Cameco shall indemnify USEC (and its Affiliates, employees, officers and directors) against, and hold each of them harmless from, any and all

claims, actions, causes of action, arbitrations, proceedings, losses, damages, liabilities, fines, judgments and expenses (including, without limitation, reasonable attorneys' fees) sustained by such Person, arising out of or resulting from: (i) acts or omissions by Cameco (or any of its Affiliates, employees officers, directors, contractors, subcontractors, agents or vendors) during the Demonstration Phase at a Cameco owned, operated or controlled site; (ii) the transport of uranium from a Cameco owned or controlled site or the transport of uranium contrary to decisions of the Management Committee or without the knowledge and consent of the Management Committee, and (iii) the failure by Cameco (or any of its Affiliates, employees, officers, directors, contractors, subcontractors, agents or vendors) to comply with any Environmental Law with respect to the subject matter of this Agreement or the past, present or future presence, remediation or clean-up of, or exposure to, any Specified Substances at any facility owned, operated or controlled by Cameco or any of its Affiliates, contractors, subcontractors or vendors.

(b) USEC shall indemnify Cameco (and its respective Affiliates, employees, officers and directors) against, and hold each of them harmless from, any and all claims, actions, causes of action, arbitrations, proceedings, losses, damages, liabilities, fines, judgments and expenses (including, without limitation, reasonable attorneys' fees) sustained by any such Person and arising out of or resulting from: (i) acts or omissions by USEC (or any of its Affiliates, employees, officers, directors, contractors, subcontractors, agents or vendors) during the Demonstration Phase at a USEC owned, operated or controlled site; (ii) the transport of uranium from a USEC owned or controlled site or the transport of uranium contrary to decisions of the Management Committee or without the knowledge and consent of the Management Committee, and (iii) the failure by USEC (or any of its Affiliates, employees, officers, directors, contractors, subcontractors, agents or vendors) to comply with any Environmental Law with respect to the subject matter of this Agreement or the past, present or future presence, remediation or clean-up of, or exposure to, any Specified Substances at any facility owned, operated or controlled by USEC or any of its Affiliates, contractors, subcontractors or vendors; provided, however, that for as long as USEC is an executive agency of the United States Government, USEC's obligations under this Section 11.1(b) shall be subject to the availability of appropriated funds.

11.2 Consequential and Indirect Damages. In no event shall USEC or Cameco (or any of their Affiliates, employees, officers, directors, contractors, subcontractors, agents or vendors) by reason of their respective acts or omissions be liable whether in contract, tort, warranty, negligence,

strict liability or otherwise for

any special, indirect, incidental, consequential, or punitive damages arising out of or in connection with this Agreement; provided, however, that this provision shall in no way limit any indemnity provided by either Cameco or USEC under this Agreement.

11.3 Waiver of Nuclear Liability. Neither Party (nor any of its Affiliates, employees, officers, directors, contractors, subcontractors, agents or vendors) shall have any liability to the other Party (or any of its Affiliates, employees, officers, directors, contractors, subcontractors, agents or vendors) for Nuclear Damage resulting from activities pursuant to this Agreement to any property located at a site owned by the other Party. "Nuclear Damage" means any loss, damage, or loss of use, which in whole or in part is caused by, arises out of, results from or is in any way related, directly or indirectly, to the hazardous properties of source, special nuclear or byproduct material.

11.4 Survival. The provision of this Article and of the other Articles of this Agreement providing for limitation of or protection against liability shall apply to the full extent permitted by law and regardless of fault and shall survive either termination pursuant to this Agreement or cancellation, as well as completion of the work hereunder.

ARTICLE XII - INCORPORATION OF ADDITIONAL CLAUSES

12.1 Pre-Privatization.

(a) Additional Clauses and Provisions. The additional contract clauses set forth in Appendix A are incorporated herein by reference and, to the extent inconsistent with the provisions of Articles I through XVI hereof, shall take precedence over such provisions during the period prior to the privatization of USEC, as contemplated by the Atomic Energy Act of 1954, as amended. After the privatization of USEC, the additional contract clauses set forth in Appendix A shall be deemed to be deleted and shall thereafter no longer apply to this Agreement.

(b) References in the clauses listed in Appendix A and Appendix B to the contracting Party shall be deemed to refer to Cameco, references to Contracting Officer shall be deemed to refer to USEC's representative, references to the Contracting agency shall be deemed to be references to USEC, and references to the Government or the U.S. Government shall be deemed to include USEC, except if the context in such clause indicates otherwise. Except for the clauses in Appendix A and

Appendix B, the Federal Acquisition Regulations at 48 C.F.R. Chap. 1 ("FAR") shall not apply to this Agreement.

12.2 Adjustments. To the extent any change in the applicability of the additional clauses set forth and incorporated into this Agreement by Article XII materially varies the obligations or risks of either Party, requires expenditures not included in the budget, or obviates the need for expenditures

included in the budget, such change in applicability shall permit either Party to propose to the Management Committee an amendment to the budget, as set forth in Schedule 2.

ARTICLE XIII - PROPRIETARY INFORMATION

13.1 USEC Restricted Proprietary Information. Except as required by Applicable Law, or this Agreement, any information that Cameco or its representative acquires or to which otherwise gains access from USEC, during performance of this Agreement, that has been specifically identified by an appropriate marking or stamp as being confidential, proprietary or business sensitive by USEC or of which Cameco has been otherwise notified pursuant to Section 13.11 by USEC that any further use or disclosure of such information is restricted, as well as any analyses, findings or conclusions made by any Cameco Representative (written or oral) in connection with or related to the Demonstration Phase that discloses such information from USEC ("USEC Restricted Proprietary Information"), shall be kept confidential and shall not be:

(a) used for any purpose not related directly to this Agreement;

(b) disclosed to any employee of Cameco, unless (i) disclosure is necessary to perform this Agreement and (ii) disclosure is limited to only the specific information that is necessary to perform the activities contemplated herein; or

(c) disclosed to any third party or provided to any agent or representative of Cameco, unless (i) disclosure is necessary to perform under this Agreement, (ii) disclosure is limited to only the specific information that is necessary to perform the activities contemplated herein and (iii) to the extent such disclosure is to a third party, prior to disclosure, Cameco (x) obtains from such third party a written agreement to abide by the terms of this Article XIII in the same manner as, and to the same extent that, Cameco is bound hereunder, (y) provides USEC with a

copy of such written agreement between Cameco and the third party, and (z) receives USEC's written consent to such disclosure.

13.2 Exceptions to USEC Restricted Proprietary Information.

USEC Restricted Proprietary Information shall not include information that:

(a) at the time of its disclosure to Cameco is generally available in the public domain;

(b) enters the public domain and becomes generally available at any time after its disclosure to Cameco other than through an act or omission of Cameco;

(c) Cameco can demonstrate, by written records, was already known to it prior to its disclosure by USEC; or

(d) after its disclosure to Cameco by USEC, is disclosed to Cameco by a third Party if such third Party has the right to make such disclosure.

Cameco shall bear the burden of proof of establishing that any information that Cameco or its representative acquires, receives or otherwise gains access to during the performance hereof is not USEC Restricted

Proprietary information.

13.3 Relinquishment of USEC Restricted Proprietary Information. Unless otherwise instructed by USEC in writing, Cameco shall turn over to USEC all USEC Restricted Proprietary Information within thirty (30) days of the date of termination of this Agreement; provided, however, that if Cameco has no obligation to license Cameco Technology or related Intellectual Property to USEC under the terms of this Agreement, Cameco may retain copies of the Preliminary Feasibility Study, the monthly progress reports delivered pursuant to Section 7.1 and other documents prepared under this Agreement.

13.4 Government Ordered Disclosure. In the event Cameco receives a judicia1, congressional or administrative order, request, subpoena or similar legal inquiry to disclose USEC Restricted Proprietary Information, Cameco shall immediately notify and consult with USEC. In the event USEC determines that such information, or any portion thereof, should not be disclosed, Cameco and any

Cameco representatives shall cooperate with USEC's legal counsel to seek relief from the requested disclosure or to secure confidential treatment and minimization of any such information that ultimately must be disclosed to the governmental authority.

13.5 No License. Except as may be expressly provided in this Article or Article VIII, nothing contained in this Agreement shall be construed as granting or conferring to Cameco, any Cameco representative or any other Person any rights by license or otherwise to any USEC Restricted Proprietary Information.

13.6 Cameco Restricted Proprietary Information. Except as required by Applicable Law, or this Agreement, any information that USEC or its representative acquires or to which otherwise gains access from Cameco, during performance of this Agreement, that has been specifically identified by an appropriate marking or stamp as being confidential, proprietary or business sensitive by Cameco or of which USEC has been otherwise notified pursuant to Section 13.11 by Cameco that any further use or disclosure of such information is restricted, as well as any analyses, findings or conclusions made by any USEC representative (written or oral) in connection with or related to the Demonstration Phase that discloses such information from Cameco ("Cameco Restricted Proprietary Information"), shall be kept confidential and shall not be:

(a) used for any purpose not related directly to this Agreement;

(b) disclosed to any employee, agent or representative of USEC, unless (i) disclosure is necessary to perform this Agreement and (ii) disclosure is limited to only the specific information that is necessary to perform the activities contemplated herein; or

(c) disclosed to any third party or provided to any other USEC Representative, unless (i) disclosure is necessary to perform under this Agreement, (ii) disclosure is limited to only the specific information that is necessary to perform the activities contemplated herein and (iii) to the extent such disclosure is to a third party, prior to disclosure, USEC (x) obtains from such third party a written agreement to abide by the terms of this Article XIII in the same manner as, and to the same extent that, USEC is bound hereunder, (y) provides Cameco with a copy of such written agreement between USEC and the third party, and (z) receives Cameco's written consent to such disclosure.

13.7 Exceptions to Cameco Restricted Proprietary Information.

Cameco Restricted Proprietary Information shall not include information that:

(a) at the time of its disclosure to USEC is generally available in the public domain;

(b) enters the public domain and becomes generally available at any time after its disclosure to USEC other than through an act or omission of USEC;

(c) USEC can demonstrate, by written records, was already known to it prior to its disclosure by Cameco; or

(d) after its disclosure to USEC by Cameco, is disclosed to USEC by a third Party if such third Party has the right to make such disclosure.

USEC shall bear the burden of proof of establishing that any information that USEC or a USEC representative acquires, receives or otherwise gains access to during the performance hereof is not Cameco Restricted Proprietary Information.

13.8 Relinquishment of Cameco Restricted Proprietary Information. Unless otherwise instructed by Cameco in writing, USEC shall turn over to Cameco all Cameco Restricted Proprietary Information within thirty (30) days of the date of termination of this Agreement, except for the Preliminary Feasibility Study, the monthly progress reports delivered pursuant to Section 7.1 or any other documents prepared under this Agreement.

13.9 Government Ordered Disclosure. In the event USEC receives a judicial, congressional or administrative order, request, subpoena or similar legal inquiry to disclose Cameco Restricted Proprietary Information, USEC shall immediately notify and consult with Cameco. In the event Cameco determines that such information, or any portion thereof, should not be disclosed, USEC and any USEC representatives shall cooperate with Cameco's legal counsel to seek relief from the requested disclosure or to secure confidential treatment and minimization of any such information that ultimately must be disclosed to the governmental authority.

13.10 No License. Except as may be expressly provided in this Article or Article VIII, nothing contained in this Agreement shall be construed as granting or conferring to USEC, any USEC representative or any other Person any rights by license or otherwise to any Cameco Restricted Proprietary Information.

13.11 Oral Disclosure. If Restricted Proprietary Information of a Party is initially disclosed orally or by demonstration by such Party (including its employees, agents, contractors or subcontractors) to the other Party, the disclosing Party shall, at the time of disclosure, identify such information as confidential, proprietary or business sensitive information, or otherwise indicate that use or disclosure should be restricted by the receiving Party. Within thirty (30) days thereafter the contents of the disclosure shall be recorded in written or tangible form by the disclosing Party, and identified by an appropriate marking or stamp as being confidential, proprietary or business sensitive to the disclosing Party. The recorded disclosure shall

specify the date of the disclosure and a copy thereof shall be provided to the receiving Party within such thirty (30) day period. All protections of this Agreement for Restricted Proprietary Information shall apply during such thirty (30) day period and thereafter upon the receipt of the recorded disclosure. If at any time, the receiving Party is informed that any previously furnished information of the disclosing Party is Restricted Proprietary Information but was not appropriately marked or identified as such, the receiving Party shall permit the disclosing Party to provide appropriately marked copies of such information and the receiving Party shall maintain it in accordance with this Agreement, except there shall be no liability to a Party or any release or disclosure made prior to receipt of notice that the information was not appropriately marked or identified.

13.12 Relationship to Article VIII. The provisions of Article VIII shall take precedence over the provisions of this Article XIII.

ARTICLE XIV - NOTICES

14.1 Notices. Notices or other communication between the Parties shall be in writing and be deemed properly delivered when duly sent by registered or certified mail, express mail (or other overnight courier service) to a Party at its address indicated below, or by facsimile transmission at the number indicated below, or to such other address or number as either of the Parties may, by a similar written notice, designate to the other Party.

If to Cameco:

Cameco Corporation
2121 11th Street West
Saskatoon, Saskatchewan S7M1J3
Canada
Attn: Gerald W. Grandey, Senior VP, Marketing and Corporate Development
Phone:(306) 956-6285
Fax: (306) 956-6302

If to USEC:

United States Enrichment Corp.
Two Democracy Center
6903 Rockledge Drive
Bethesda, MD 20817
U.S.A.
Attn: J. William Bennett, VP Advanced Technology
Phone:(301)564-3307
Fax: (301) 564-3208

ARTICLE XV - INSURANCE

15.1 Nuclear Liability Insurance. Cameco shall carry Nuclear Liability Insurance covering nuclear liability resulting from operations at its facility in an amount of Can. $41 million, and while material is in transport from its facility, in the amount of Can. $25 million.

15.2 Other Insurance. Cameco shall obtain and maintain the following types of insurance:

(a) General liability insurance in the amount of Can. $1 million combined single limit.

(b) Auto liability insurance in the amount of Can. $1 million combined single limit.

(c) Workers' compensation and employer's liability in the amount required by statute for workers' compensation and Can. $1 million per occurrence for contingent employer's liability.

(d) Umbrella liability covering above general, auto, and contingent employer's liability in the amount of Can. $45 million.

(e) Environmental impairment liability in the amount of Can. $5 million.

(f) Property insurance on an "all risk" form and replacement cost basis covering feedstock while in the possession of Cameco and during transportation from Cameco. Cameco agrees to have its insurer waive all rights of subrogation against USEC.

15.3 Certificates of Insurance. Cameco shall cause the insurers under the policies of insurance required by this Article to issue to USEC certificates evidencing that such policies are in effect. Such certificates shall provide that USEC shall be notified at least thirty (30) days in advance of any termination or suspension of much policies or any material decrease in coverage under such policies. Without regard to whether notice is given to USEC, in the event the insurance required by this Article is not obtained, or, if obtained, is terminated or suspended, or the coverage of such insurance is materially reduced, Cameco shall indemnify and hold harmless USEC for any loss that it would not have suffered if such insurance had been in effect to the full extent required hereunder; provided, however, that if the insurance policies required hereunder are in effect at all relevant times but through no fault of Cameco an insurer is unable to pay a claim in accordance with such policy. Cameco shall not be liable for the amount that the insurer is obligated but unable to pay under the policy.

15.4 Additional Insured. Cameco shall use its best efforts to cause USEC to be named as an additional insured on all policies of insurance required hereunder. To the extent USEC is not insured under such a policy, Cameco shall use its best efforts to obtain a waiver of all rights of recourse and subrogation against USEC from the insurer.

15.5 Responsibility for Costs. The cost of any insurance obtained pursuant to Section 15.1 and 15.2 that was not in effect as of the Effective Date and that Cameco can establish would not otherwise have been obtained by Cameco had this

Agreement not been executed, shall be included in the budget in Schedule 2. USEC shall solely bear the full cost of any fee charged to Cameco by an insurer to comply with Section 15.3 or Section 15.4.

ARTICLE XVI - MISCELLANEOUS

16.1 Public Statements. Subject to Applicable Law, neither Party shall issue any press release or make any public statement regarding this Agreement or the performance hereof without the prior written consent of the other Party.

16.2 Relationship of the Parties. Nothing contained in this Agreement shall constitute either Party as the partner of the other Party nor, except as otherwise herein expressly provided, constitute either Party as the agent or legal representative of the other Party, nor create any fiduciary relationship between or among the Parties. It is not the intention of the Parties to create, nor shall this Agreement be construed as creating, a general partnership. Neither Party shall have any authority to act for or to assume any obligation or responsibility on behalf of the other Party. The rights, duties, obligations and liabilities of the Parties shall be several and not joint or collective. Each Party shall be responsible only for its obligations as herein set forth and shall be liable only for its share of the costs and expenses as provided in this Agreement.

16.3 Termination of Agreement.

Except as otherwise provided in this Agreement, the following provisions shall apply to any termination of this Agreement:

(a) No later than thirty (30) days after termination, each Party shall submit to the other Party its final statement of all previously unreported Allowable Costs incurred during the term of the Agreement prior to termination and all Allowable Costs incurred in connection with termination that are payable under Section 16.3(c). No later than sixty (60) days after termination, the Parties shall agree upon a final accounting of Allowable Costs funded by each.

(b) Cameco shall transfer and assign to USEC all of Cameco's right, title and interest in and to the Improvements and related Intellectual Property free and clear of any encumbrances arising through Cameco. Concurrent with receipt of Cameco's right, title and interest in and to the Improvements and related Intellectual Property, USEC shall pay Cameco a lump sum equal to the aggregate of

all Allowable Costs funded by Cameco, without interest. Cameco shall grant USEC an irrevocable and transferable (including the right to sublicense) license to the Cameco Technology and related Intellectual Property incorporated into or necessary to use the Improvements for any purpose; provided USEC pays Cameco for such license a royalty at one percent (1%) of the of the cash-based disbursements for operation of the Conversion Facility, including payroll, reagents, utility expenses and property taxes, excluding depreciation, indirect overhead and financing costs, and any UO-3 or UF4 refining costs.

(c) Promptly after termination, Cameco, as the manager, shall take all action necessary to wind up the Demonstration Phase activities in accordance with the approved work plans and budget, if applicable, and all costs and expenses incurred in accordance with the approved work plan and budget in connection with termination of the Demonstration Phase shall be an Allowable Cost chargeable to the Parties. The equipment, materials, uranium and any other assets acquired for the Demonstration Phase shall be disposed of pursuant to Sections 5.6 and 5.7 as applicable.

(d) Upon termination of this Agreement, neither Party shall have any further obligation to the other Party with respect to the subject matter hereof, except as may be set forth in the Definitive Documents, if executed, and except as provided in Articles VIII, IX, XI, and XIII and Sections 16.7 and 16.10, each of which shall survive termination.

16.4 Milestones. Notwithstanding any other provision to the contrary, in the event that Cameco fails to meet any Milestone set forth in Section III of Schedule 1 by the Completion Date set forth therein and fails to cure within thirty (30) days of its receipt of a notice from USEC specifying the failure to meet a Milestone, USEC may terminate this Agreement at any time. Upon receipt of USEC's notice to terminate, this Agreement shall terminate in accordance with Section 16.3.

16.5 Appendices. The appendices and schedules hereto are hereby incorporated by reference into this Agreement. In the event of an inconsistency between the contents of the Schedules and the provisions of Articles I through XVI of this Agreement, the provisions of Articles I through XVI shall govern and control the interpretation of the Parties' rights, obligations, and liabilities. The additional contract clauses set forth in Appendix A and Appendix B shall be interpreted according to the terms of Article XII.

16.6 Governing Law. This Agreement shall be governed by the federal laws of the United States and, to the extent not superseded by the federal law, the laws of the State of New York. Cameco and USEC each consent to venue and personal jurisdiction in the courts of the State of New York in the County of New York or of the United States for the Southern District of New York, should any dispute relating to this Agreement occur; provided, however that nothing herein shall be deemed to limit jurisdiction of the Court of Federal Claims over claims against USEC for as long as USEC is an executive agency of the United States government. Each Party hereby irrevocably waives its rights to a trial by jury.

16.7 Dispute Resolution. All disputes among the Parties in connection with this Agreement shall first be presented to the Management Committee for resolution and shall be considered by the Management Committee at the first meeting held by the Management Committee after receiving notification of the dispute. If the Management Committee fails to resolve the dispute within ten (10) Business Days after such meeting, each Party shall notify its Senior Executive Officer ("SEO") of the nature of the dispute; the SEOs, or their authorized representatives, shall meet within two (2) weeks to attempt to resolve the dispute. If the SEOs or their authorized representatives fail to resolve the dispute, at USEC's option, the activities in the Demonstration Phase shall continue, but any continuation of activities disputed by Cameco shall be at USEC's sole expense, shall be carried out as directed by USEC and shall not be subject to the Management Committee's authority. For purposes of this Section, Cameco designates its Senior Vice President, Marketing and Corporate Development as its SEO; and USEC designates its Vice President, Advanced Technology as its SEO.

16.8 Force Majeure. Neither Party shall be liable for any delay in, or prevention of, performance of its obligations under this Agreement to the extent due to a "Force Majeure". For purposes of this Agreement "Force Majeure" is defined as any event arising from causes beyond the control of a Party that could not be overcome by the Party using reasonable efforts and that delays or prevents the performance of any obligation hereunder, including but not limited to fires, floods, adverse weather conditions, natural disasters or other acts of God; strikes, labor actions, work stoppages or transportation delays; acts of war, civil unrest, or sabotage; acts or failures to act of Governmental Authority, and acts or failures to act of the other Party or third parties. In the event of a delay due to a Force Majeure, the applicable schedule, deadline, date or period of performance, shall be extended by a period equal to the period of delay due to the Force Majeure. A Party which experiences a delay due to a Force Majeure shall notify the other Party in writing no later

than Ten (10) Business Days after the beginning of a delay caused by an event that the Party contends constitutes a Force Majeure. Such notice shall provide a description of the Force Majeure event, an explanation and description of the delay including its anticipated duration, all actions taken or to be taken to prevent or minimize the delay, and a revision to any affected schedule, deadline, date or period of performance.

16.9 Entire Agreement. This Agreement embodies the entire agreement between the Parties in relation to the subject matter herein and supersedes all prior understandings or agreements, oral or written, between the Parties and, upon satisfaction of the conditions in Article IV, supersedes the Confidentiality Agreement dated May 2, 1995, between the Parties.

16.10 No Oral Modifications. This Agreement may not be amended or modified except by written agreement of the Parties.

16.11 Assignment. Neither Party may assign this Agreement without the prior written consent of the other Party, such consent not to be unreasonably with held, provided, however, that no such consent shall be required in connection with any such assignment made in connection with the privatization of USEC, nor shall consent be required in connection with an assignment by either Party to an Affiliate of the Assigning Party if the Assigning Party guarantees the performance of all obligations of the Affi1iate-assignee.

16.12 Effect of Privatization. In the event USEC is privatized as contemplated by the Atomic Energy Act of 1954, as amended, and the duties and obligations of USEC are assumed by a private corporation or other entity pursuant to such privatization or transfer: (a) this Agreement shall survive such privatization and be transferred to such private corporation or other entity without the need for Cameco or USEC to take any further action under this Agreement or otherwise, (b) the name of such private corporation shall be substituted for that of USEC in this Contract and (c) Cameco and USEC shall take whatever further action is required to transfer to such private corporation or other entity any agreements, instruments or documents related to this Agreement and entered into by Cameco and USEC on or after the date hereof which cannot be transferred to such private corporation by the operation of their terms.

16.13 USEC Privatization. Cameco recognizes that USEC may need to disclose Cameco Restricted Proprietary Information or other information developed

under or concerning this Agreement to prospective investors, their representatives and other parties in connection with the privatization of USEC pursuant to 42 U.S.C. Sections 2297d & 2297d-1, or otherwise. Accordingly, Cameco agrees that, notwithstanding Article XIII, USEC may disclose this Agreement and any Cameco Restricted Proprietary Information or other information developed under or concerning this Agreement (a) to a third party in connection with such privatization, provided that USEC takes reasonable precautions to protect the confidentiality of the Cameco Restricted Proprietary Information, or (b) to the extent required by law, including in connection with an offering of its securities or sale of its business.

16.14 U.S. Funds. All monetary units in this Agreement and in any related document (including all Schedules and Appendices hereto) shall be denominated in United States dollars unless specifically stated otherwise. Accordingly, all references in this Agreement and related documents to the term "dollar" or

the symbol "$" shall be deemed to refer to United States dollars, unless specified as Canadian (or as "Can."), in which case such references shall be to Canadian dollars.

16.15 Conversion. Cameco shall convert Allowable Costs incurred in Canadian or other non-U.S. currency into U.S. dollars for the purpose of invoicing hereunder at the conversion rate published in The Wall Street Journal's "World Value of the Dollar," on Monday of the week (or if The Wall Street Journal is not published on such Monday, the first day of such week on which such World Value of the Dollar is published) immediately preceding the week (Monday through Sunday) in which the expense was incurred.

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

16.17 Counterparts. This Agreement may be signed in two or more counter parts, each of which shall be treated as an original but all of which, when taken together, shall constitute one and the same instrument.

16.18 Disclosure of Audit Information. Either Party's right under this Agreement to have an independent auditor review books, records or other documents relating to the activity undertaken pursuant to this Agreement shall be subject to the execution of a satisfactory confidentiality agreement between the auditor and both

Parties hereto limiting disclosure of the information obtained through such audit without the prior written consent of both Parties hereto.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

CAMECO CORPORATION

By /s/ Rita M. Mirwald

Name: Rita M. Mirwald
Title: Vice President
Human Resources & Corporate Relations

By /s/ Manfred G. Neven

Name: Manfred G. Neven
Title: Vice President
Fuel Services Division

UNITED STATES ENRICHMENT CORPORATION

By /s/ George P. Rifakes

Name: George P. Rifakes
Title: Executive Vice President

EXHIBIT 10.17

CONFIDENTIAL INFORMATION OMITTED AND
FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.
ASTERISKS DENOTE SUCH OMMISSIONS.

UNITED STATES ENRICHMENT CORPORATION
WASHINGTON, D.C.

CONTRACTOR: TECHSNABEXPORT CO. LTD.
109180 MOSCOW, STAROMONETY
PER. 26, RUSSIA

INITIAL IMPLEMENTING CONTRACT FOR THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE RUSSIAN FEDERATION CONCERNING THE DISPOSITION OF HIGHLY ENRICHED URANIUM EXTRACTED FROM NUCLEAR WEAPONS

THIS CONTRACT HAS BEEN ENTERED INTO THIS 14 DAY OF JANUARY, 1994, BY AND BETWEEN THE UNITED STATES ENRICHMENT CORPORATION, EXECUTIVE AGENT OF THE UNITED STATES OF AMERICA, AND TECHSNABEXPORT, EXECUTIVE AGENT OF THE MINISTRY OF ATOMIC ENERGY, EXECUTIVE AGENT OF THE RUSSIAN FEDERATION. ENGLISH AND RUSSIAN LANGUAGE VERSIONS OF THIS CONTRACT WILL BE SIGNED BY THE PARTIES. IN THE EVENT OF INCONSISTENCY BETWEEN ANY TERMS, THE ENGLISH VERSION SHALL CONTROL.

UNITED STATES ENRICHMENT CORPORATION

By: /s/ William H. Timbers, Jr.
William H. Timbers, Jr.
Transition Manager

TECHSNABEXPORT CO. LTD.

By: /s/ Albert A. Shishkin
Albert A. Shishkin
President

/s/ Alexei A. Grigoriev
Alexei A. Grigoriev
Director
URANSERVIS

PART I
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PART I

SECTION B

SUPPLIES OR SERVICES AND PRICES/COSTS

B.01 DEFINITIONS

(a) The term "DOE" means the United States Department of Energy.

(b) The term "TECHSNABEXPORT" or "TENEX" means Techsnabexport Co., Ltd., a joint-stock company organized and existing under the laws of the Russian Federation.

(c) The term "MINATOM" means the Ministry of the Russian Federation of Atomic Energy.

(d) The term "persons acting on behalf of DOE" includes authorized employees and contractors of DOE, and employees of such contractors, who implement or participate in the implementation of this contract pursuant to their employment or their contracts with DOE.

(e) The term "persons acting on behalf of Techsnabexport Co., Ltd." includes employees and contractors of Techsnabexport Co., Ltd., and employees of such contractors, who implement or participate in the implementation of this contract pursuant to their employment or their contracts with Techsnabexport Co., Ltd.

(f) The term "Government", unless otherwise specified, means DOE.

(g) The term "Contractor" means TENEX.

(h) The term "HEU" means uranium enriched to ninety (90) percent or greater in the isotope 235.

(i) The term "LEU" means uranium enriched to less than five (5) percent in the isotope 235.

(j) The term "Offeror" or "apparently successful offeror" is understood to mean TENEX.

(k) The term "Government-Furnished Property or Government Property" as used in Part II, Section I, Clause 48 shall be understood to mean United States Government property.

(l) The term "Contracting Officer" means the person representing the U.S. having authority to enter into, administer, or terminate contracts and make related determinations and findings.

(m) The term "Contracting Officer's Representative" or "COR" means the person authorized by the Contracting Officer to issue technical direction to TENEX during the performance of this contract.

(n) The term "tails material" means uranium produced as a result of the performance of enrichment Operations and with an isotope 235 assay less than 0.711 weight percent U-235 in total uranium.

(o) The term "fiscal year" refers to the U.S. Government fiscal year beginning October 1 each year and ending September 30 of the following year.

(p) The term "Government-to-Government Agreement" means the Agreement between the Government of the United States of America and the Government of the Russian Federation Concerning the Disposition of Highly Enriched Uranium Extracted from Nuclear Weapons of February 18, 1993, provided as Attachment 9 to the contract.

(q) The term "calendar year" refers to the period beginning with January 1 and ending with December 31 of each respective year.

(r) The term "importer", for the purposes of this contract, means DOE unless otherwise specified.

(s) The term "Separate Work Unit" (SWU) means the standard U.S. measure of enrichment services that represents the effort expended to separate uranium into a stream containing a higher concentration of the fissionable U-235 isotope and a stream containing a lower concentration of U-235.

(t) The term "natural uranium" refers to uranium containing 0.711 percent of the isotope 235.

(u) The term "delivery order" means a document obligating TENEX to supply and DOE to receive the delivered material.

(v) The term "schedule of delivery" means a document which includes in it agreed-upon quantities and months of delivery in the current fiscal year.

(w) The term "Natural Uranium Component" means non-irradiated uranium with natural assay of isotope uranium-235, i.e. 0,711 weight percent, in the form of natural uranium hexaflouride, in the quantity necessary for the production of the LEU determined quantity.

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B.02 AGREEMENT

This contract, signed this _____ day of _____, 1994, by and between the UNITED STATES DEPARTMENT OF ENERGY (DOE) Executive Agent of the UNITED STATES OF AMERICA, and TECHSNABEXPORT CO., LTD (TENEX), agent of the MINISTRY OF ATOMIC ENERGY, Executive Agent of the RUSSIAN FEDERATION, shall enter into force pursuant to Clause H. 07.

WITNESSETH THAT:

WHEREAS, this contract constitutes the initial implementing contract under the Government-to-Government Agreement and is subject to the terms and conditions therein, and

WHEREAS, DOE is authorized to enter into contracts for the purchase of Russian LEU by the Atomic Energy Act of 1954, as amended; the Department of Energy Organization Act (P.L. 95-91); and other applicable law, and

WHEREAS, TENEX is authorized to enter into contracts for the sale of Russian Low Enriched Uranium (LEU), on behalf of MINATOM, to the DOE pursuant to Ukase of the President of the Russian Federation "About Ministry of the Russian Federation of Atomic Energy" No. 61 of January 29, 1992; and other applicable law:

DOE AND TENEX HAVE AGREED AS FOLLOWS.

B.05 SUPPLIES, OR SERVICES AND PRICES/COSTS

TENEX shall be obligated to deliver the quantities specified by DOE during each annual review. DOE may order LEU up to the amount of LEU contained in 10 MT of HEU each year for the first 5 years, and at the amount of LEU contained in 30 MT of HEU each year thereafter in accordance with paragraph 2. (iii) of Article 2 of the Government-to-Government Agreement. Additional annual amounts may be ordered subject to mutual agreement in the annual reviews (See section H.08).

ITEM	DESCRIPTION	QTY (KgU)	UNIT PRICE (FY 93 $'S)	TOTAL AMOUNT
0001	In FY 1994 thru 2013 purchases of LEU having an assay of 4.4 percent in the isotope 235, derived from blending 500 metric tons of HEU having an assay of 90 percent in the isotope 235	15,258,620	$780.00	$11,901,724,000

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with LEU containing no greater than 1.5 percent in the isotope 235.

(See Clauses B.06 and B.07)

MAXIMUM AMOUNT OF CONTRACT (IN FY 93 $'S): $11,901,724,000

Deliveries are carried out after receipt by TENEX of DOE orders for deliveries in accordance with F.01 of the contract.

B.06 DELIVERY ORDER PRICING

The total amount of dollars for 4.4 percent U-235 derived from HEU will be $780.00 per kilogram of each delivery order placed in the FY 1994. For the purpose of pricing each delivery order, one (1) KgU of LEU consists of 6.0386 SWUs at $82.10 per SWU and 9.9757 KgUs of natural uranium at $28.50 per KgU. DOE will notify TENEX on a quarterly basis of the total quantity of natural uranium which has been used for overfeeding or has been resold during this period. When the natural uranium component is ordered by DOE, the price to be paid for this component will be the price agreed upon at the annual review which will be established based upon U.S. inflation and changes in international market conditions for the fiscal year in which the order is placed. It is understood that by the end of the period of performance, DOE will have purchased and paid for all quantities of natural uranium component of the LEU delivered by TENEX during this period.

Prices for future years will be adjusted as part of the annual review. In the event that agreement on price is not reached at the annual review meeting, the price for the previous year shall apply in any orders placed for the following year. In the event that agreement on price is not reached at the next annual review meeting, delivery orders, if any, shall not be placed until agreement is reached, therefore, there would be no obligation under the contract for TENEX to deliver LEU in the absence of an agreement on price. Furthermore, in the event agreement is not reached on the issue of price, there would be no liability for any damages under the contract for either party arising out of such a failure to agree.

B.07 ECONOMIC PRICE ADJUSTMENT OF THE TOTAL DOLLAR AMOUNT FOR DELIVERY ORDER(S)

The total dollar amount of the LEU having an assay of 4.4 percent in the isotope U-235 for each delivery order shall be adjusted for U.S. inflation and changes in international market conditions during the annual review, with respect to prices for orders placed in the following year.

B.20 PAYMENT CONDITIONS

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No payment shall be made under this contract prior to issuance of Delivery Orders, nor in any event, prior to July 1, 1993. Payments for the uranium component of LEU ordered shall be made when the uranium is used to overfeed the DOE Enrichment Plants and/or when the uranium is resold. Should the amounts of LEU ordered by DOE or its successor, the United States Enrichment Corporation, be less than the quantity of LEU derived from 10 MT of HEU per year for the first 5 years and 30 MT per year thereafter, then the difference may be ordered by DOE or its successor in subsequent years. DOE shall effect payment for the natural uranium component on the basis of the price levels agreed upon at the annual review, as it is indicated in B.06.

SECTION C

DESCRIPTION/SPECIFICATIONS/WORK SHEET

C.03 DESCRIPTION/SPECIFICATIONS OF SUPPLIES

The Description/Specifications of Supplies are contained in Attachment (2) of this contract.

SECTION D

PACKAGING AND MARKING

D.01 PACKAGING

Packaging shall be marked in conformance with Instructions identified in Attachment 3.

D.02 MARKING

(a) Shipping containers shall be marked in conformance with Attachment 3.

(b) Additionally, each package, report or other deliverable shall be accompanied by a letter or other document which:

(1) Identifies the contract by number under which the item is being delivered;

(2) Identifies the deliverable Item Number or Report Requirement which requires the delivered item(s); and

(3) Indicates whether the Contractor considers the delivered item to be a partial or full satisfaction of the requirement.

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(c) For any package, report or other deliverable being delivered to a party other than the Contracting Officer, a copy of the document required in (b) above shall be simultaneously provided to the office administering the contract, as identified in Section G of the contract, or if none, to the Contracting Officer.

SECTION E

INSPECTION AND ACCEPTANCE

E.01 INSPECTION

Inspection of all items under this contract shall be performed by the (COR), or any other duly authorized Government representative and will be conducted in accordance with Attachment 4.

E.02 ACCEPTANCE

Acceptance of all deliverables under this contract (including "Reporting Requirements," if any) shall be carried out by the Contracting Officer, or any duly designated representative of the Contracting Officer in accordance with Attachment 4.

SECTION F

DELIVERIES OR PERFORMANCE

F.01 DELIVERY SCHEDULE

Beginning with FY 1995 deliveries, the annual delivery schedule will be agreed upon six (6) months prior to the fiscal year. Delivery orders will be issued in accordance with the delivery schedule at least six (6) months prior to the desired LEU delivery month. The quantity of the delivery order can vary within plus or minus 10 percent against planned quantities defined in the deliver schedule. Enrichment assays can not be changed against those specified in the deliver schedule.

F.02 POINT OF DELIVERY

Deliveries of LEU derived from HEU under this contract shall be made F.O.B. vessel, St. Petersburg, in the Russian Federation.

Deliveries of Government furnished equipment listed in Attachment 6 will be made F.O.B. destination, St. Petersburg, Russia, which means that DOE will bear all the costs and risks

associated with the delivery of this equipment to St. Petersburg, Russia, in accordance with the terms of the contract.

F.03 PERIOD OF PERFORMANCE

All deliveries under this contract shall be received within 20 years from the effective date of this contract.

F.11 (FAR 52.212-9) VARIATION IN QUANTITY (APRIL 1984)

(a) A variation in the quantity of any item called for by this contract will not be accepted unless the variation has been caused by conditions of loading, shipping or packing, or allowances in manufacturing processes, and then only to the extent, if any, specified in paragraph (b), below.

(b) The permissible variation in total annual quantity of LEU to be delivered for each order under this contract shall not exceed +/-300 kilograms of the total annual LEU quantity. This flexibility will be regulated by the last delivery.

F.12 FAR 52.212-10 DELIVERY OF EXCESS QUANTITIES (SEP 1989)

The Contractor is responsible for the delivery of each annual quantity within allowable variations, if any. If the Contractor delivers and the Government receives annual quantities in excess of the quantity called for (after considering any allowable variation in quantity), such excess quantities will be treated as being delivered for the convenience of the Contractor. The Government may retain such excess quantities up to $250 in value without compensating the Contractor therefor, and the Contractor waives all right, title, or interest therein. Quantities in excess of $250 will, at the option of the Government, either be returned at the Contractor's expense or retained and paid for by the Government at the contract unit price.

F.16 FAR 52.247-29 F.O.B. VESSEL, PORT OF SHIPMENT (JUNE 1988)

(a) The term F.O.B. vessel, port of shipment*, as used in this clause, means free of expense to the Government loaded, stowed, and trimmed on board the ocean vessel at the specified port of shipment.

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* This is consistent with the term Free on Board...named port of shipment as defined in "INCOTERMS 1990" provided as Attachment 8.

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(b) The Contractor shall-

(1)(i) Pack and mark the shipment to comply with contract specifications; or

(ii) In the absence of specifications, prepare the shipment for ocean transportation in conformance with carrier requirements to protect the goods and to ensure assessment of the lowest applicable transportation charge;

(2)(i) Deliver the shipment on board the ocean vessel in good order and condition on the date or within the period fixed; and

(ii) Pay and bear all charges incurred in placing the shipment actually on board;

(3) Provide a clean ship's receipt or on-board ocean bill of lading;

(4) Be responsible for any loss of and/or damage to the goods occurring before delivery of the shipment on board the ocean vessel; and

(5) At the Government's request and expense, assist in obtaining the documents required for (i) exportation or (ii) importation at destination.

F.21 ACCELERATED DELIVERIES

The quantities set forth in Part I Section B.05 are minimum quantities to be provided each year by TENEX. The DOE and the Contractor agree to explore all opportunities to accelerate deliveries under this contract. The parties shall, on or about October 1, 1993, and thereafter each year, at the Annual Review Meeting (see Clause H.08), review the schedule to identify potential acceleration of deliveries.

SECTION G

CONTRACT ADMINISTRATION DATA

G.01 CORRESPONDENCE PROCEDURES (JAN 1992)

To promote timely and effective administration, correspondence submitted under this contract shall include the contract number and shall be subject to the following procedures:

(a) Technical Correspondence. Technical correspondence (as used herein, this term excludes technical correspondence where patent or technical data issues are involved and correspondence which proposes or otherwise involves waivers, deviations, or modifications to

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the requirements, terms, or conditions of this contract) shall be addressed to the DOE Contracting Officer's Representative (COR), with an information copy of the correspondence to the DOE Contracting Officer (see paragraph (c), below).

(b) Other Correspondence.

(1) If no Government Contract Administration Office is designated on the Contract Form of this contract, all correspondence, other than technical correspondence, shall be addressed to the DOE Contracting Officer, with information copies of the correspondence to the DOE COR, and to the DOE Patent Counsel (where patent or technical data issues are involved).

(2) If a Government Contract Administration Office is designated on the contract form of this contract, all administrative correspondence, other than technical correspondence, shall be addressed to the Government Contract Administration Office so designated, with information copies of the correspondence to the DOE Contracting Officer, DOE COR, and to the DOE Patent Counsel (where patent or technical data issues are involved).

(c) The DOE Contract Specialist for the contract is located at the address in (d) below and is as follows:

Contract Specialist:	Elizabeth Faye Warchal
Telephone Number:	(202) 634-4428
FAX Number:	(202) 634-4436
Telex Number:	710 822-0176

The Contractor shall use the DOE Contract Specialist as the focal point for all matters regarding this contract except technical matters (see (a) above for definition of technical matters).

(d) DOE Contacting Officer Address. The Contracting Officer address is as follows:

Contracting Officer
Department of Energy
Office of Placement and Administration
Attn: Ms. Carol M. Rueter/PR-322.4
1000 Independence Avenue, SW
Washington, DC 20585

Attn: Contract No. DE-ACO1-93NE50067

Telephone Number:	(202) 634-4457
Telex Number:	710 822-0176

(e) TENEX Contact Address. The contact point at TENEX is as follows:

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Mr. Alexei A. Grigoriev
Director of Uranium Department
Techsnabexport Co., Ltd.
109180 Moscow, Staromonetny

Per. 26, Russia
Telephone Number: 095 239-2008 or 095 239-2005

(f) Invoices and Technical Reports. Procedures for invoices and technical reports are described in attachments to the contract listed at Section J.

G.02 BILLING INSTRUCTIONS

(a) The Contractor shall submit the original and three copies of invoices or vouchers in accordance with the Payments provisions of this contract to:

Department of Energy
Headquarters Procurement Operations
PR-34
P.O. Box 2500
Washington, DC 20013-2500

(b) Each invoice or voucher submitted shall include the following:

(1) Contract Number
(2) Contractor Name
(3) Date of Invoice
(4) Invoice Number
(5) Amount of Invoice
(6) Period Covered or Items Delivered
(7) Cumulative Amount Invoiced to Date

(c) For billing purposes only, use the following formula for calculation of invoice amount:

_____ SWUs in LEU x Unit Price + _____ KgUs of natural uranium used and/or resold x Unit Price = Invoice Amount

G.03 DOE CONTRACTING OFFICER'S REPRESENTATIVE ADDRESS

(a) The COR's address is as follows:

U.S. Department of Energy

ATTN: Philip G. Sewell
Office Symbol: NE-30
1000 Independence Ave., S.W.
Washington, D.C. 20585
Telephone Number: (301) 903-4321
FAX: (301) 903-4765

(b) The Contractor shall use the COR as the point of contact on technical matters (See clause G.01(a), above, for definition), subject to the restrictions in clause H.11 entitled "Technical Direction."

G.04 REMITTANCE

Payments under this contract shall be made in U.S. currency (by electronic transfer). Payment will be made within 60 days of receipt of a properly submitted invoice (in accordance with Attachment 5). The 60 day period will begin upon notification by the COR that the transfer of title of goods at St. Petersburg has been accomplished, provided that a properly submitted invoice

has been received by DOE (in accordance with Attachment 5). Notification will be made by the COR within 32 hours of this transfer of title. A copy of this notification will be provided to TENEX. However, best efforts will be made to issue payment in 30 days.

Should DOE fail to make payment within 60 days of receipt of a properly submitted invoice, the interest penalty shall be at the rate established by the U.S. Secretary of Treasury under Section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611) that is in effect on the day after the due date, except where the interest penalty is prescribed by other governmental authority. The rate is referred to as the "Renegotiated Board Interest Rate", and it is published in the Federal Register semiannually on or about January 1 and July 1. The interest penalty shall accrue daily on the invoice payment amount approved by the Government and shall be compounded in 30 day increments inclusive from the first day after the due date through the payment date.

Payments shall be made to bank accounts to be mutually agreed upon by the parties. DOE shall not be liable for interest penalties in the event that a bank account has not been mutually agreed upon for payment prior to the issuance of a properly submitted invoice.

SECTION H

SPECIAL CONTRACT REQUIREMENTS

H.01 CONSECUTIVE NUMBERING

Due to automated procedures employed in formulating this document, clauses and provisions contained within may not always be consecutively numbered.

H.02 FINANCIAL EXPERTISE

The DOE shall, to the extent of their ability, provide information and advice at no cost to the Russian Federation Government in arranging any commercial sources of advance payment that they may wish to pursue. Assistance to be provided by the DOE shall be on a "best efforts" basis with no liability to DOE.

H.03 PEACEFUL AND NON-EXPLOSIVE USES OF LOW ENRICHED URANIUM

(a) LEU provided under this contract and any special nuclear material produced through the use of such LEU:

(1) shall be used only for peaceful, non-explosive purposes and not for any military purpose;

(2) shall be subject at all times to physical protection measures providing at least the level of physical protection recommended by the International Atomic Energy Agency (IAEA) Document INFCIRC/225 rev 2. or subsequent revisions thereto) ; and

(3) shall not be exported from the U.S. unless the U.S. has obtained assurances from the recipient at least equivalent to the provisions of (1) and (2) and an assurance that any such exported material will be subject to a safeguards agreement between the recipient and the IAEA.

(b) The United States will fulfill all of its obligations under the Treaty on the Non-Proliferation of Nuclear Weapons with respect to the LEU provided under this contract. DOE will make appropriate application for such

assurances to the U.S. Department of State and then the U.S. Department of State will notify TENEX that the DOE is in compliance with this article.

(c) Should the U.S. Government fail to comply with the provisions of paragraph (a) and (b) of this Article, TENEX shall have the right to suspend deliveries of LEU under this contract until the U.S. is in compliance with the above provisions.

H.04 SETTLEMENT OF BUSINESS DISPUTES

Settlement is a desirable solution for business disputes of an international character. Accordingly, DOE and TENEX agree to use a procedure or combination of procedures voluntarily used to resolve issues in controversy without the need to resort to litigation. These procedures include, but are not limited to:

(a) Settlement negotiations;
(b) Conciliation;
(c) Facilitation;

(d) Mediation; and
(e) Non-binding arbitration (upon agreement of the parties arbitration may take place in a neutral country).

Furthermore, DOE and TENEX may each use a neutral person to serve as mediator, fact-finder, or arbitrator, or otherwise function to assist in resolving issues in controversy. A neutral person may be a permanent or temporary officer or employee of the U.S. Government or any other individual who is acceptable to appropriate official of DOE and TENEX. A neutral person shall have no official, financial, or personal conflict of interest with respect to the issues in controversy, unless such interest is fully disclosed in writing, and DOE and TENEX agree that the neutral person may serve.

At an annual review within the first 3 years of this contract, held pursuant to Clause H.08, DOE and TENEX may revisit the subject of dispute settlement procedures and select a revised forum that may involve a neutral country in the event negotiations fail to resolve any business dispute. Any revised forum and terms selected for a dispute settlement procedure shall be consistent with U.S. law.

"Issue in controversy" means a material disagreement between DOE and TENEX related to a claim or which could result in a claim. An issue in controversy can be all or part of a claim.

H.05 TIMES OF ACCESS

The term "reasonable times", as contained in Part II, Section I, Clause I.48 GOVERNMENT PROPERTY - ALTERNATIVE I, (DEAR 952.245-2) paragraph (f), is defined as at least four (4) weeks from the date the contractor receives notice that the Government and/or its designees shall require access to the premises in which any Government property is located for the purpose of inspecting the Government property.

H.06 GOOD FAITH EFFORT TO RESOLVE INCONSISTENCY BETWEEN ENGLISH TEXT AND ANY TRANSLATION THEREOF

In the event any inconsistency should arise between the English text and any Russian translation of the contract, DOE and TENEX shall endeavor in good faith to achieve a uniform interpretation of the contract through the use of a neutral interpreter/translator. Clause I.24 (FAR 52.225-14) shall only take

effect if such good faith efforts fail to resolve the inconsistency.

H.07 ENTRY INTO FORCE

This contract shall enter into force upon the conclusion of agreements between the parties to the Government-to-Government Agreement and pursuant to paragraphs 10 and 11 of Article 5 thereof concerning both (a) detailed provisions on transparency, including provisions for nuclear

materials accounting, control and access, and, (b) entry and exit, liability, status of personnel, applicable law, and exemptions for taxes and other duties. In this regard, and in order to ensure the achievement of the objectives of the Government-to-Government Agreement, DOE and TENEX agree that:

(a) there shall be no conversion or blending of materials subject to the Contract prior to its entry into force;

(b) discussions to conclude the above described agreements shall reconvene without delay upon signature of the Contract; and,

(c) "conclusion" of the Contract for purposes of paragraphs 10 and 11 of Article 5 of the Government-to-Government Agreement shall be understood to mean entry into force of the Contract.

H.08 ANNUAL REVIEWS

On or about October 1 each year, beginning with October 1, 1993, an Annual Review Meeting will be held between DOE and TENEX, at a mutually agreeable location.

(a) The areas listed below will be subject to adjustment at the annual review meetings:

(1) The annual delivery quantities specified by DOE for the year under review.

(2) Assay levels for the LEU product and tails material. However, in no event will adjustments of the product assay be made beyond the range of 2.8 to 4.95% or adjustments of the tails assay be made beyond the range of 0.2% to 0.3%. Also adjustment below 0.3% tails assay will be subject to an appropriate adjustment in the price per SWU.

(3) Prices for the following year will be established to account for U.S. inflation and changes in international market conditions.

(4) Amounts of natural uranium delivered in the LEU but not ordered by DOE in the previous fiscal year.

(5) Discussion of any new laws applicable to this contract.

H.10 REPRESENTATIONS, CERTIFICATIONS AND OTHER STATEMENT OF THE CONTRACTOR

The Representations, Certifications and Other Statements of the Contractor, dated April 1, 1993, for this contract are hereby incorporated by reference. This also includes the letter dated March 31, 1993, designating TENEX to act as agent for MINATOM.

H.11 TECHNICAL DIRECTION

(a) Performance of the work under this contract shall be subject to the technical direction of the COR identified elsewhere in this contract. The term "technical direction" is defined to include:

(1) Directions to the Contractor which redirect the contract effort, shift work emphasis between work areas or tasks, require pursuit of certain lines of inquiry, fill in details or otherwise serve to accomplish the contractual Statement of Work;

(2) Provision of written information to the Contractor which assists in the interpretation of drawings, specifications or technical portions of the work description; and

(3) Review and, where required by the contract, approval of technical reports, drawings, specifications and technical information to be delivered by the Contractor to the Government under the contract.

(b) Technical direction must be within the scope of work stated in the contract. The COR does not have the authority to, and shall not, issue any technical direction which:

(1) Constitutes an assignment of additional work outside the Statement of Work;

(2) Constitutes a change as defined in Attachment 1, Clause 25, entitled "Changes";

(3) Causes an increase or decrease in the total price or the time required for contract performance;

(4) Changes any of the expressed terms, conditions or specifications of the contract; or

(5) Interferes with the Contractor's right to perform the terms and conditions of the contract.

(c) All technical directions shall be issued in writing by the COR.

(d) The Contractor shall proceed promptly with the performance of technical directions duly issued by the COR in the manner prescribed by this article and within his authority under the provisions of this clause. If, in the opinion of the Contractor, any instruction or direction by the COR falls within one of the categories defined in (b) (1) through (5) above, the Contractor shall not proceed but shall notify the Contracting Officer in writing within fifteen

(15) working days after receipt of any such instruction or direction and shall request the Contracting Officer to modify the contract accordingly. Upon receiving the notification from the Contractor, the Contracting Officer shall:

(1) Advise the Contractor in writing within thirty (30) days after receipt of the Contractor's letter if DOE or its successor determines the

technical direction to be within the scope of the contract effort and does not constitute a change under the "Changes" clause of the contract with respect to:

(a) Drawings, designs, or specifications when the supplies to be furnished are to be specially manufactured for the Government in accordance with drawings, designs, or specification;

(b) Method of shipment or packing;

(c) Place of delivery; or

(2) Advise the Contractor within a reasonable time, but not later than thirty (30) days, whether or not the Government will issue a written change order.

(e) A failure of the Contractor and Contracting Officer to agree that the technical direction is within the scope of the contract, or a failure to agree upon the contract action to be taken with respect thereto shall be subject to the provisions of clause H.04. In the event disputes cannot be resolved in accordance with Clause H.04, resolution shall be subject to the Clause entitled "Disputes Alternate I" of the Contract Clauses located in Attachment 1.

H.12 MODIFICATION AUTHORITY

Notwithstanding any of the other provisions of this contract, the Contracting Officer shall be the only individual authorized to:

(a) accept nonconforming work;

(b) waive any requirement of this contract; or

(c) modify any term or condition of this contract. Any changes other than administrative changes will be made bilaterally by contract modification.

H.13 FORCE MAJEURE

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A Party will not be liable for a failure to perform if the failure to perform arises from causes beyond the control and without the fault or negligence of the Party that have arisen after the entry into force of the contract.

In such a case the time stipulated for the performance of an obligation under the contract is extended corresponding to the duration of these circumstances and their immediate and direct consequences.

The Party for which the performance of obligation became impossible shall immediately notify in writing the other Party of the beginning, expected duration and cessation of the above circumstances.

H.14 GOVERNMENT PROPERTY AND DATA

(a) Government-Furnished Property and Data.

Except as otherwise authorized by the Contracting Officer in writing, only that property and data specifically included in the List of Government Property Furnished, Attachment 6 shall be furnished.

H.I5 USE OF PROCEEDS OF SALE

In accordance with paragraph 2(vi) of Article 2 of the Government-to-Government Agreement, a portion of the proceeds from the sale of LEU converted from HEU shall be used by the Russian Federation for the Conversion of defense enterprises, enhancement of the safety of nuclear power plants, environmental clean-up of polluted areas and the construction and operation of facilities in the Russian Federation for the conversion of HEU to LEU.

H.16 CLARIFICATION OF GOVERNMENT DELAY OF WORK

Notwithstanding anything to the contrary, in this clause or any other clause of this contract, the Contracting Officer may take into account causes of Force Majeure as stated in Clause H.13 entitled "Force Majeure".

H.17 PROVISION REGARDING STATUS OF TENEX

Should the status of TENEX as agent of MINATOM change such that TENEX no longer serves, as a matter of fact or law, as agent of MINATOM, MINATOM or its designated agent shall assume, without qualification, condition, modification or delay, all the rights and obligations of TENEX under the Contract.

H.18 CLARIFICATION OF DUTY FREE ENTRY

It is understood that in accordance with U.S. Law, the importer is responsible for any duty associated with the import of this product.

H.25 PROPOSAL TO CREATE A JOINT RUSSIAN-AMERICAN COMPANY

Both parties agree to seek the establishment, as soon as possible, of a Joint Venture including enterprises and private businesses of the United States and the Russian Federation, to facilitate implementation as appropriate of the terms of this purchase contract.

H.26 ARRANGEMENTS FOR CYLINDERS, OVERPACKS, AND TRANSPORTATION

DOE will provide clean 30B cylinders, 21PF-1 overpacks, and 1S sample cylinders no later than one hundred and thirty (130) days before the projected delivery date of the enriched product. The empty clean 30B cylinders and the empty clean 1S sample cylinders shall be delivered filled with dry nitrogen under pressure of 1,300 mbars, which fact shall be recorded in the shipping documentation. DOE will also provide, as appropriate, spare 1S sample cylinders, valves and plugs. DOE will provide other equipment (i.e., seapacks, tamper-indicating devices) as listed in Attachment 6 as necessary to support the delivery schedule.

If any of the aforementioned property does not meet the required specifications, or has unacceptable damage, or is otherwise in unacceptable condition, TENEX shall not accept the Government-furnished equipment. The DOE will provide an acceptable substitute to replace the rejected property. In this case, TENEX shall have the right to postpone the delivery of the enriched product for the relevant number of days.

H.27 POSSIBLE RETURN OF NATURAL URANIUM COMPONENT TO TENEX

For the amount of natural uranium that is delivered in the LEU but not ordered by DOE in the previous fiscal year TENEX will have the option at the annual

review to request that all or part of such natural uranium be returned to TENEX. DOE would have the option to order this amount of natural uranium. If DOE does not choose to exercise its option then TENEX would have the right to take possession of the natural uranium in accordance with mutually satisfactory arrangements. In the event TENEX exercises this right, it shall be responsible for all costs associated with removal of the material from the enrichment site.

H.28 TERMINATIONS

Without prejudice to the application of Clause 30 of Part III, Section J, Attachment 1, should the Government-to-Government Agreement expire or be terminated by the respective Governments, either party shall be entitled, at any time, to then decide to give written notice to terminate the contract in accordance with the Government-to Government Agreement and its termination provision.

H.29 CONSEQUENTIAL DAMAGES

Prior to acceptance of all deliverables under this contract in accordance with Clause E.02, in no event, whether under contract, tort (including negligence or strict liability), warranty or otherwise, shall either party to this contract be liable to the other party to this contract for any incidental, special, or consequential damages of any nature, arising out of, connected with, or resulting from the performance of or failure to perform this contract, including, without limitation, lost profits, loss of use of facilities, cost of capital, or cost of replacement power. However, this clause will not be applicable in the case of a material breach of contract by either party. In the event of untimely delivery due to the fault or negligence of the contractor, the contractor agrees to reimburse the Department of Energy for any additional costs incurred by the Department to meet its contractual responsibilities with customers dependent on the shipments from the seller. The Department of Energy will use its best efforts to obtain suitable replacement material at the same or lower cost to meet its contractual commitments.

In Witness Whereof, the parties have executed this Agreement:

UNITED STATES ENRICHMENT CORPORATION	TECHSNABEXPORT CO. LTD.
By: /s/ William H. Timbers, Jr.	/s/ Albert A. Shishkin
William H. Timbers, Jr. Transition Manager	Albert A. Shishkin President
Date: 14 January 1994	Date: 14 January 1994
	/s/ Alexei A. Grigoriev
	Alexei A. Grigoriev Director URANSERVIS

Date: 14 January 1994

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ADDENDUM

As contemplated in Article III of the Agreement Between the Government of the United States of America and the Government of the Russian Federation Concerning the Disposition of Highly Enriched Uranium Extracted from Nuclear Weapons of February 18, 1993, the United States of America has designated the United States Enrichment Corporation as its Executive Agent for purposes of said Agreement, replacing the United States Department of Energy.

By virtue this designation, the United States Enrichment Corporation is Executive Agent for the United States of America for purposes of this contract, currently referenced as contract DE-AC01-93NE50067. The United States Enrichment Corporation's Contracting Officer, pursuant to authority provided under section H.12 of this contract, shall make all necessary administrative changes to this contract resulting from the change by the United States of America of its Executive Agent from the United States Department of Energy to the United States Enrichment Corporation.

UNITED STATES ENRICHMENT CORPORATION	TECHSNABEXPORT CO. LTD.
By: /s/ William H. Timbers, Jr.	/s/ Albert A. Shishkin
William H. Timbers, Jr. Transition Manager	Albert A. Shishkin President
Date: 14 January 1994	14 January 1994
	/s/ Alexei A. Grigoriev
	Alexei A. Grigoriev Director URANSERVIS

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PREAMBLE TO SECTION I

The Contractor shall accept the application of the following FAR provisions included into this contract taking into consideration the assurance of DOE that U.S. law and regulations provide that these provisions are to be included by statute or regulation in the contract with a foreign entity.

If later the Parties find that any or all of these provisions are not required by statute or regulation to be included as part of the contract, the Contractor shall be free of the obligations arising from any or all such provisions.

PART II

SECTION I

CONTRACT CLAUSES

THE FOLLOWING ARE ADDITIONAL CONTRACT CLAUSES WHICH SUPPLEMENT ATTACHMENT 1, CLAUSE SERIES 301.

I.10 FAR 52.212-15 GOVERNMENT DELAY OF WORK (APR 1984)

(a) If the performance of all or any part of the work of this contract is delayed or interrupted (1) by an act of the Contracting Officer in the administration of this contract that is not expressly or impliedly authorized by this contract, or (2) by a failure of the Contracting Officer to act within the time specified in this contract, or within a reasonable time if not specified, an adjustment (excluding profit) shall be made for any increase in the cost of performance of this contract caused by the delay or interruption and the contract shall be modified in writing accordingly. Adjustment shall also be made in the delivery or performance dates and any other contractual term or condition affected by the delay or interruption. However, no adjustment shall be made under this clause for any delay or interruption to the extent that performance would have been delayed or interrupted by any other cause, including the fault or negligence of the Contractor, or for which an adjustment is provided or excluded under any other term or condition of this contract.

(b) A claim under this clause shall not be allowed (1) for any costs incurred more than 20 days before the Contractor shall have notified the Contracting Officer in writing of the act or failure to act involved, and (2) unless the claim, in an amount stated, is asserted in writing as soon as practicable after the termination of the delay or interruption, but not later than the day of final payment under the contract.

I.11 FAR 52.232-28 ELECTRONIC FUNDS TRANSFER PAYMENT METHODS (APR 1989)

Payment under this contract will be made by the government either by check or electronic funds transfer (though the Treasury Fedline Payment System [(FEDLINE) or the Automated Clearing House (ACH)], at the option of the government. After award, but no later than 14 days before an invoice or contract financing request is submitted, the Contractor shall designate a financial institution for receipt of electronic funds transfer payments, and shall submit this designation to the Contracting Officer or other Government official, as directed.

(a) For payment through FEDLINE, the Contractor shall provide the following information:

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(1) name, address, and telegraphic abbreviation of the financial institution receiving payment.

(2) The American Bankers Association 9-digit identifying number for wire transfers of the financing institution receiving payment if the institution has access to the Federal Reserve Communications System.

(3) Payee's account number at the financial institution where funds are to be transferred.

(4) If the financial institution does not have access to the Federal Reserve Communications System, name address, and telegraphic abbreviation of the correspondent financial institution through which the financial institution receiving payment obtains wire transfer activity. Provide the telegraphic abbreviation and American Bankers Association identifying number for the correspondent institution.

(b) For payment through ACH, the Contractor shall provide the following information:

(1) Routing transit number of the financial institution receiving payment (same as American Bankers Association identifying number used for FEDLINE),

(2) Number of account to which funds are to be deposited.

(3) Type of depositor account ("C" for checking, "S" for savings),

(4) If the Contractor is a new enrollee to the ACH system, a "Payment Information Form," SF 3881, must be completed before payment can be processed.

(c) In the event the Contractor, during the performance of this contract, elects to designate a different financial institution for the receipt of any payment using electronic funds transfer procedures, notification of such changes and the required information specified above must be received by the appropriate Government official 30 days prior to the date such change is to become effective.

(d) The documents furnishing the information required in this clause must be dated and contain the signature, title, and telephone number of the Contractor official authorized to provide it, as well as the Contractor's name and contract number.

(e) Contractor failure to properly designate a financial institution or to provide appropriate payee bank account information may delay payments of amounts otherwise properly due.

I.12 FAR 52.216-18 ORDERING (APR 1984)

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(a) Any supplies and services to be furnished under this contract shall be ordered by issuance of delivery orders by the individuals or activities designated to the Schedule. Such orders may be issued within 20 years from the effective date of the contract.

(b) All delivery orders are subject to the terms and conditions of this contract. In the event of conflict between a delivery order and this

contract, the contract shall control.

(c) If mailed, a delivery order is considered "Issued" when the Government deposits the order by registered or certified mail. Orders may be issued orally or by written telecommunications only if authorized in the Schedule.

I.14 DEFINITE QUANTITY (FAR 52.216-20) (APR 1984)

(a) This is an definite-quantity contract for the supplies or services specified, and effective for the period stated, in the Schedule.

(b) The Government shall order the quantity of supplies or services specified in the Schedule, and the Contractor shall furnish them when ordered. Delivery or performance shall be at location designated in orders issued in accordance with the Ordering clause and the Schedule.

(c) Except for any limitations on quantities in the Delivery-Order Limitations clause or in the Schedule, there is no limit on the number of orders requiring delivery to multiple destinations or performance at multiple locations.

(d) Any order issued during the effective period of this contract and not completed within that time shall be completed by the Contractor within the time specified in the order. The contract shall govern the Contractor's and Government's rights and obligations with respect to that order to the same extent as if the order were completed during the contract's effective period; provided, that the Contractor shall not be required to make any deliveries under this contract after September 30, 2013.

I.15 FAR 52.216-19 DELIVERY ORDER LIMITATIONS (APR 1984)

(a) Minimum order. When the Government requires supplies or services covered by this contract in an amount less than (See Clause B.05) the Government is not obligated to purchase, nor is the Contractor obligated to furnish, those supplies or services under the contract.

(b) Maximum order. The Contractor is not obligated to honor any order for LEU derived from HEU which requires the contractor to deliver in excess of (See Clause B.05) during any given 12 month period.

I.20 FAR 52.223-3 HAZARDOUS MATERIAL IDENTIFICATION AND MATERIAL SAFETY DATA - ALTERNATE I (NOV 1991)

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(a) "Hazardous material", as used in this clause, includes any material defined as hazardous under the latest version of Federal Standard No. 313 (including revisions adopted during the term of the contract).

(b) The offeror must list any hazardous material, as defined in paragraph (a) of this clause, to be delivered under this contract. The hazardous material shall be properly identified and include any applicable identification number, such as National Stock Number or Special Item Number. This information shall also be included on the Material Safety Data Sheet submitted under this contract.

Material	Identification Number

Enriched Uranium	Class UN 2977

(c) The apparently successful offeror, by acceptance of the contract, certifies that the list in paragraph (b) of this clause is complete. This list must be updated during performance of the contract whenever the Contractor determines that any other material to be delivered under this contract is hazardous.

(d) The apparently successful offeror agrees to submit, for each item as required prior to award, a Material Safety Data Sheet, meeting the requirements of 29 CFR 1910.1200(g) and the latest version of Federal Standard No. 313, for all hazardous material identified in paragraph (b) of this clause. Data shall be submitted in accordance with Federal Standard No. 313, whether or not the apparently successful offeror is the actual manufacturer of these items. Failure to submit the Material Safety Data Sheet prior to award may result in the apparently successful offeror being considered not responsible and ineligible for award.

(e) If, after award, there is a change in the composition of the item(s) or a revision to Federal. Standard No. 313, which renders incomplete or inaccurate the data submitted under paragraph (d) of this clause or the certification submitted under paragraph (c) of this clause, the Contractor shall promptly notify the Contracting Officer and resubmit the data.

(f) Neither the requirements of this clause nor any act or failure to act by the Government shall relieve the Contractor of any responsibility or liability for the safety of Government, Contractor, or subcontractor personnel or property.

(g) Nothing contained in this clause shall relieve the Contractor from complying with applicable Federal, State, and local laws, codes, ordinances, and regulations (including the obtaining of licenses and permits) in connection with hazardous material.

(h) The Government's rights in data furnished under this contract with respect to hazardous material are as follows:

(1) To use, duplicate and disclose any data to which this clause is applicable. The purposes of this right are to --

(i) Apprise personnel of the hazards to which they may be exposed in using, handling, packaging, transporting, or disposing of hazardous materials;

(ii) Obtain medical treatment for those affected by the material; and

(iii) Have others use, duplicate, and disclose the data for the Government for these purposes.

(2) To use, duplicate, and disclose data furnished under this clause, in accordance with subparagraph (h) (1) of this clause, in precedence over any other clause of this contract providing for rights in data.

(3) The Government is not precluded from using similar or identical data acquired from other sources.

(i) Except as provided in paragraph (i) (2), the

Contractor shall prepare and submit a sufficient number of Material Safety Data Sheets (MSDS's), meeting the requirements of 29 CFR 1910.1200(g) and the latest version of Federal Standard No. 313, for all hazardous materials identified in paragraph (b) of this clause.

(1) For items shipped to consignees, the Contractor shall include a copy of the MSDS's with the packing list or other suitable shipping document which accompanies each shipment. Alternatively, the Contractor is permitted to mail MSDS's to consignees in advance of receipt of shipments by consignees, if authorized in writing by the Contracting Officer.

(2) For items shipped to consignees identified by mailing address as agency depots, distribution centers or customer supply centers, the Contractor shall provide one copy of the MSDS's in or on each shipping container. If affixed to the outside of each container, the MSDS's must be placed in a weather resistant envelope.

I.22 FAR 52.225-10 DUTY-FREE ENTRY (APR 1984)

(a) Except as otherwise approved by the Contracting Officer, no amount is or will be included in the contract price for any duties on supplies specifically identified in the Schedule to be accorded duty-free entry. *

(b) Except for supplies listed in the Schedule to be accorded duty-free entry, and except as provided under any other clause of this contract or in paragraph (c) below, the following procedures apply:

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* The importer is responsible for any U.S. import duties associated with LEU purchases by the importer pursuant to this contract.

(1) The Contractor shall notify the Contracting Officer in writing of any purchase of foreign supplies (including, without limitation, raw materials, components, and intermediate assemblies) in excess of $10,000 that are to be imported into the customs territory of the United States for delivery to the Government or for incorporation into end items to be delivered under this contract. The notice shall be furnished to the Contracting Officer at least 20 days before the importation and shall identify (i) the foreign supplies, (ii) the estimated amount of duty, and (iii) the country of origin.

(2) If the Contracting Officer determines that these supplies should be entered duty-free, the Contracting Officer shall notify the Contractor within 10 days.

(3) Except as otherwise approved by the Contracting Officer, the contract price shall be reduced (or the allowable cost shall not include) the amount of duty that would be payable if the supplies were not entered duty-free.

(c) Paragraph (b) above shall not apply to purchases of foreign supplies if (1) they are identical in nature with items purchased by the Contractor or any subcontractor in connection with its commercial business and (2) segregation of these supplies to ensure use only on Government contracts containing duty-free entry provisions is not economical or feasible.

(d) The Contractor warrants that all supplies for which duty-free entry is to be claimed are intended to be delivered to the Government or incorporated into the end items to be delivered under this contract, and that

duty shall be paid to the extent that these supplies, or any portion of them, are diverted to non-Governmental use, other than as scrap or salvage or as a result of a competitive sale authorized by the Contracting Officer.

(e) The Government agrees to execute any required duty-free entry certificates for items specified in this contract or approved by the Contracting Officer and to assist the Contractor in obtaining duty-free entry of the supplies.

(f) All shipping documents covering the supplies to be entered duty-free shall consign the shipments to the contracting agency in care of the Contractor and shall include the delivery address of the Contractor (or contracting agency, if appropriate). The documents shall bear the following information:

(1) Government prime contract number.

(2) Identification of carrier.

(3) "The UNITED STATES GOVERNMENT," Duty-free entry to be claimed pursuant to Item No. 422.50-52, Tariff Schedules of the United States (19 U.S.C. 1202). Upon arrival of shipment at port of entry, District Director of Customs, please release shipment under 19 CFR 142

and notify the Department of Energy, Headquarters Procurement Operations, for execution of Customs Forms 7501 and 7501-A and any required duty-free entry certificates."

(4) Gross weight in pounds (if freight is based on space tonnage, state cubic feet in addition to gross shipping weight).

(5) Estimated value in United States dollars.

(g) The Contractor agrees to instruct the foreign supplier to consign the shipment as specified in (f) above, to mark all packages with the words "UNITED STATES GOVERNMENT" and the title of the contracting agency, and to accompany the shipment with at least two copies of the bill of lading (or other shipping document) for use by the District Director of Customs at the port of entry.

(h) The Contractor agrees to notify in writing the cognizant contract administration office immediately upon notification from the Contracting Officer that duty-free entry will be accorded (or, if the duty-free supplies were listed in the contract Schedule, upon award by the Contractor to the overseas supplier). The notice shall identify (1) the foreign supplies, (2) the country of origin, (3) the contract number, and (4) the scheduled delivery date(s).

(i) The Contractor agrees to insert the substance of this clause in any subcontract under which --

(1) There will be imported into the customs territory of the United States supplies identified in the Schedule as supplies to be accorded duty-free entry; or

(2) Other foreign supplies in excess of $10,000 may be imported into the customs territory of the United States.

I.23 FAR 52.225-11 RESTRICTIONS ON CERTAIN FOREIGN PURCHASES (MAY 1992)

(a) Unless advance written approval of the Contracting Officer is obtained, the Contractor shall not acquire for use in the performance of this contract --

(1) Any supplies or services originating from sources within the communist areas of North Korea, Vietnam, Cambodia, or Cuba;

(2) Any supplies that are or were located in or transported from or through North Korea, Vietnam, Cambodia, or Cuba;

(3) Arms, ammunition, or military vehicles produced in South Africa, or manufacturing data for such articles; or

(b) The Contractor shall not acquire for use in the performance of this contract supplies or services originating from sources within Iraq, any supplies that are or were located in or transported from or through Iraq, or any supplies or services from entities controlled by the Government of Iraq.

(c) The Contractor agrees to insert the provisions of this clause, including this paragraph (c), in all subcontracts hereunder.

I.24 FAR 52.225-14 INCONSISTENCY BETWEEN ENGLISH TEXT TRANSLATION THEREOF (AUG 1989)

In the event of inconsistency between any terms of this contract and any translation thereof into another language, the English language meaning shall control.

I.33 FAR 52.229-7 TAXES--FIXED-PRICE CONTRACTS WITH FOREIGN GOVERNMENTS (JAN 1991)

(a) "Contract date," as used in this clause, means the date set for bid opening or, if this is a negotiated contract or a modification, the effective date of this contract or modification.

(b) The contract price, including the prices in any subcontracts under this contract, does not include any tax or duty that the Government of the United States and the Government of the Russian Federation have agreed shall not apply to expenditures made by the United States in the Russian Federation, or any tax or duty not applicable to this contract or any subcontracts under this contract, pursuant to the laws of the Russian Federation. If any such tax or duty has been included in the contract price, through error or otherwise, the contract price shall be correspondingly reduced.

(c) If, after the contract date, the Government of the United States and the Government of the Russian Federation agree that any tax or duty included in the contract price shall not apply to expenditures by the United States in the Russian Federation, the contract price shall be reduced accordingly.

(d) No adjustment shall be made in the contract price under this clause unless the amount of the adjustment exceeds $250.

I.48 DEAR 952.245-2 GOVERNMENT PROPERTY (FIXED-PRICE CONTRACTS) (DEC 1989) - ALTERNATE I (APR 1984)

(a) Government - furnished property.

(1) The Government shall deliver to the Contractor, for use in connection with and under the terms of this contract, the Government-furnished property described in the Schedule or specifica-

tions together with any related data and information that the Contractor may request and is reasonably required for the intended use of the property (hereinafter referred to as "Government-furnished property").

(2) The delivery or performance dates for this contract are based upon the expectation that Government-furnished property suitable for use (except for property furnished "as-is") will be delivered to the Contractor at the times stated in the Schedule or, if not so stated, in sufficient time to enable the Contractor to meet the contract delivery or performance dates.

(3) If Government-furnished property is received by the Contractor in a condition not suitable for the intended use, the Contractor shall, upon receipt of it, notify the Contracting Officer, detailing the facts, and, as directed by the Contracting Officer and at Government expense, either repair, modify, return, or otherwise dispose of the property. After completing the directed action and upon written request of the Contractor, the Contracting Officer shall make an equitable adjustment as provided in paragraph (h) of this clause.

(4) If Government-furnished property is not delivered to the Contractor by the required time, the Contracting Officer shall, upon the Contractor's timely written request, make a determination of the delay, if any, caused the Contractor and shall make an equitable adjustment in accordance with paragraph (h) of this clause.

(b) Changes in Government-furnished property.

(1) The Contracting Officer may, by written notice, (i) decrease the Government-furnished property provided or to be provided under this contract, or (ii) substitute other Government-furnished property for the property to be provided by the Government, or to be acquired by the Contractor for the Government, under this contract. The Contractor shall promptly take such action as the Contracting Officer may direct regarding the removal, shipment, or disposal of the property covered by such notice.

(2) Upon the Contractor's written request, the Contracting Officer shall make an equitable adjustment to the contract in accordance with paragraph (h) of this clause, if the Government has agreed in the Schedule to make the property available for performing this contract and there is any:

(i) Decrease or substitution in this property pursuant to subparagraph (b) (1) above; or

(ii) Withdrawal of authority to use this property, if provided under any other contract or lease.

(c) Title in Government property.

(1) The Government shall retain title to all Government-furnished property.

(2) All Government-furnished property and all property acquired by the Contractor, title to which vests in the Government under this paragraph (collectively referred to as "Government

property"), are subject to the provisions of this clause. However, special tooling accountable to the contract is subject to the provisions of the Special Tooling clause is not subject to the provisions of this clause. Title to Government property shall not be affected by its incorporation into or attachment to any property not owned by the Government, nor shall Government property become a fixture or lose its identity as personal property by being attached to any real property.

(3) Title to each item of facilities and special test equipment acquired by the Contractor for the Government under this contract shall pass to and vest in the Government when its use in performing this contract commences or when the Government has paid for it, whichever is earlier, whether or not title previously vested in the Government.

(4) If this contract contains a provision directing the Contractor to purchase material for which the Government will reimburse the Contractor as a direct item of cost under this contract:

(i) Title to material purchased from a vendor shall pass to and vest in the Government upon the vendor's delivery of such material; and

(ii) Title to all other material shall pass to and vest in the Government upon:

(A) Issuance of the material for use in contract performance;

(B) Commencement of processing of the material or its use in contract performance; or

(C) Reimbursement of the cost of the material by the Government, whichever occurs first.

(d) Use of Government property. The Government property shall be used only for performing this contract, unless otherwise provided in this contract or approved by the Contracting Officer.

(e) Property administration.

(1) The Contractor shall be responsible and accountable for all Government property provided under this contract and shall comply with Federal Acquisition Regulation (FAR) Subpart 45.5 and DOE Acquisition Regulation Subpart 945.5, as in effect on the date of this contract.

(2) The Contractor shall establish and maintain a program for the use, maintenance, repair, protection, and preservation of Government property in accordance with sound industrial practice and the applicable provisions of Subpart 45.5 of the FAR and DOE Acquisition Regulation Subpart 945.5.

(3) If damage occurs to Government property, the risk of which has been assumed by the Government under this contract, the Government shall replace the items or the Contractor shall make

such repairs as the Government directs. However, if the Contractor cannot effect such repairs within the time required, the Contractor shall dispose of the property as directed by the Contracting Officer. When any property for which the Government is responsible is replaced or repaired, the Contracting Officer shall make an equitable adjustment in accordance with paragraph (h) of this clause.

(4) The Contractor represents that the contract price does not include any amount for repairs or replacement for which the Government is responsible. Repair or replacement of property for which the Contractor is responsible shall be accomplished by the Contractor at its own expense.

(f) Access. The Government and all its designees shall have access at all reasonable times to the premises in which any Government property is located for the purpose of inspecting the Government property.

(g) Limited risk of loss.

(1) The term "Contractor's managerial personnel," as used in this paragraph, means the Contractor's directors, officers, and any of the Contractor's managers, superintendents, or equivalent representatives who have supervision or direction of:

(i) All or substantially all of the Contractor's business;

(ii) All or substantially all of the Contractor's operation at any one plant or separate location at which the contract is being performed; or

(iii) A separate and complete major industrial operation connected with performing this contract.

(2) The Contractor shall not be liable for loss or destruction of, or damage to, the Government property provided under this contract (or, if an educational or nonprofit organization, for expenses incidental to such loss, destruction, or damage), except as provided in subparagraphs (3) and (4) below.

(3) The Contractor shall be responsible for loss or destruction of, or damage to, the Government property provided under this contract (including expanses incidental to such loss, destruction, or damage):

(i) That results from a risk expressly required to be insured under this contract, but only to the extent of the insurance required to be purchased and maintained, or to the extent of insurance actually purchased and maintained, whichever is greater;

(ii) That results from a risk that is in fact covered by insurance or for which the Contractor is otherwise reimbursed, but only to the extent of such insurance or reimbursement;

(iii) For which the Contractor is otherwise responsible under the express terms of this contract;

(iv) That results from willful misconduct or lack of good faith on the part of the Contractor's managerial personnel; or

(v) That results from a failure on the part of the Contractor, due to willful misconduct or lack of good faith on the part of the Contractor's managerial personnel, to establish and administer a program or system for the control, use, protection, preservation, maintenance, and repair of Government property as required by paragraph (e) of this clause.

(4)(i) If the Contractor fails to act as provided in paragraph (g) (3) (v) above, after being notified (by certified mail addressed to one of the Contractor's managerial personnel) of the Government's disapproval, withdrawal of approval, or nonacceptance of the system or program, it shall be conclusively presumed that such failure was due to willful misconduct or lack of good faith on the part of the Contractor's managerial personnel.

(ii) In such event, any loss or destruction of, or damage to, the Government property shall be presumed to have resulted from such failure unless the Contractor can establish by clear and convincing evidence that such loss, destruction, or damage:

(A) Did not result from the Contractor's failure to maintain an approved program or system; or

(B) Occurred while an approved program or system was maintained by the Contractor.

(5) If the Contractor transfers Government property to the possession and control of a subcontractor, the transfer shall not affect the liability of the Contractor for loss or destruction of, or damage to, the property as set forth above. However, the Contractor shall require the subcontractor to assume the risk of, and be responsible for, any loss or destruction of, or damage to, the property while in the subcontractor's possession or control, except to the extent that the subcontract, with the advance approval of the Contracting Officer, relieves the subcontractor from such liability. In the absence of such approval, the subcontract shall contain appropriate provisions requiring the return of all Government property in as good condition as when received, except for reasonable wear and tear or for its use in accordance with the provisions of the prime contract.

(6) Upon loss or destruction of, or damage to, Government property provided under this contract, the Contractor shall so notify the Contracting Officer and shall communicate with the loss and salvage organization, if any, designated by the Contracting Officer. With the assistance of any such organization, the Contractor shall take all reasonable action to protect the Government property from further damage, separate the damaged and undamaged Government property, put all the affected Government property in the best possible order, and furnish to the Contracting Officer a statement of:

(i) The lost, destroyed, or damaged Government property;

(ii) The time and origin of the loss, destruction, or damage;

(iii) All known interests in commingled property of which the Government property is a part; and

(iv) The insurance, if any, covering any part of or interest in such commingled property.

(7) The Contractor shall repair, renovate, and take such other action with respect to damaged Government property as the Contracting Officer directs. If the Government property is destroyed or damaged beyond practical repair, or is damaged and so commingled or combined with property of others (including the Contractor's) that separation is impractical, the Contractor may, with the approval of and subject to any conditions imposed by the Contracting Officer, sell such property for the account of the Government. Such sales may be made in order to minimize the loss to the Government, to permit the resumption of business, or to accomplish a similar purpose. The Contractor shall be entitled to an equitable adjustment in the contract price

for the expenditures made in performing the obligations under this subparagraph (g) (7) in accordance with paragraph (h) of this clause. However, the Government may directly reimburse the loss and salvage organization for any of their charges. The Contracting Officer shall give due regard to the Contractor' s liability under this paragraph (g) when making any such equitable adjustment.

(8) The Contractor represents that it is not including in the price and agrees it will not hereafter include in any price to the Government any charge or reserve for insurance (including any self-insurance fund or reserve) covering loss or destruction of, or damage to, Government property, except to the extent that the Government may have expressly required the Contractor to carry such insurance under another provision of this contract.

(9) In the event the Contractor is reimbursed or otherwise compensated for any loss or destruction of, or damage to, Government property, the Contractor shall use the proceeds to repair, renovate, or replace the lost, destroyed, or damaged Government property or shall otherwise credit the proceeds to or equitably reimburse the Government, as directed by the Contracting Officer.

(10) The Contractor shall do nothing to prejudice the Government's rights to recover against third parties for any loss or destruction of, or damage to, Government property. Upon the request of the Contracting Officer, the Contractor shall, at the Government's expense, furnish to the Government all reasonable assistance and cooperation (including the prosecution of suit and the execution of instruments of assignment in favor of the Government) in obtaining recovery. In addition, where a subcontractor has not been relieved from liability for any loss or destruction of, or damage to, Government property, the Contractor shall enforce for the benefit of the Government the liability of the subcontractor for such loss, destruction, or damage.

(h) Equitable adjustment. When this clause specifies an equitable adjustment, it shall be made to any affected contract provision in accordance with the procedures of the Changes clause. When appropriate, the Contracting Officer may initiate an equitable adjustment in favor of the Government. The right to an equitable adjustment shall be the Contractor's exclusive remedy. The Government shall not be liable to suit for breach of contract for:

(1) Any delay in delivery of Government-furnished property;

(2) Delivery of Government-furnished property in a condition not suitable for its intended use;

(3) A decrease in or substitution of Government-furnished property; or

(4) Failure to repair or replace Government property for which the Government is responsible.

(i) Final accounting and disposition of Government property. Upon completing this contract, or at such earlier dates as may be fixed by the Contracting Officer, the Contractor shall submit, in a form acceptable to the Contracting Officer, inventory schedules covering all items of Government property (including any resulting scrap) not consumed in performing this contract or delivered to the Government. The Contractor shall prepare for shipment, deliver f.o.b. origin, or dispose of the Government property as may be directed or authorized by the Contracting Officer. The net proceeds of any such disposal shall be credited to the contract price or shall be paid to the Government as the Contracting Officer directs.

(j) Abandonment and restoration of Contractor's premises. Unless otherwise provided herein, the Government:

(1) May abandon any Government property in place, at which time all obligations of the Government regarding such abandoned property shall cease; and

(2) Has no obligation to restore or rehabilitate the Contractor's premises under any circumstances (e.g., abandonment, disposition upon completion of need, or upon contract completion) . However, if the Government-furnished property (listed in the Schedule or specifications) is withdrawn or is unsuitable for the intended use, or if other Government property is substituted, then the equitable adjustment under paragraph (h) of this clause may properly include restoration or rehabilitation costs.

(k) Communications. All communications under this clause shall be in writing.

(l) Overseas contracts. If this contract is to be performed outside of the U.S., its territories, or possessions, the words "Government" and "Government-furnished" (wherever they appear in this clause) shall be construed as "United States Government" and "United States Government-furnished," respectively.

I.68 FAR 52.246-23 LIMITATION OF LIABILITY (APRIL 1984)

(a) Except as provided in paragraphs (b) and (c) below, and except for remedies expressly provided elsewhere in this contract, the Contractor shall not be liable for loss of or damage to property of the Government (excluding the supplies delivered under this contract) that (1) occurs after

Government acceptance of the supplies delivered under this contract and (2) results from any defects or deficiencies in the supplies.

(b) The limitation of liability under paragraph (a) above shall not apply when a defect or deficiency in, or the Government's acceptance of, the supplies results from willful misconduct or lack of good faith on the part of any of the Contractor's managerial personnel. The term Contractor's managerial personnel, as used in this clause, means the Contractor's directors, officers, and any of the Contractor's managers, superintendents, or equivalent representatives who have supervision or direction of -

(1) All or substantially all of the Contractor's business;

(2) All or substantially all of the Contractor's operations at any one plant, laboratory, or separate location at which the contract is being performed; or

(3) A separate and complete major industrial operation connected with the performance of this contract.

(c) If the Contractor carries insurance, or has established a reserve for self-insurance covering liability for loss or damage suffered by the Government through purchase or use of the supplies required to be delivered under this contract, the Contractor shall be liable to the Government, to the extent of such insurance or reserve, for loss of or damage to property of the Government occurring after Government acceptance of, and resulting from any defects or deficiencies in, the supplies delivered under this contract.

(d) The Contractor shall include this clause, including this

paragraph (d), supplemented as necessary to reflect the relationship of the contracting parties, in all subcontracts.

I.69 FAR 52.252-6 AUTHORIZED DEVIATIONS IN CLAUSES (APR 1984)

(a) The use in this solicitation or contract of any Federal Acquisition Regulation (48 CFR Chapter 1) clause with an authorized deviation is indicated by the addition of "(DEVIATION)" after the date of the clause.

(b) The use in solicitation or contract of any Department of Energy Acquisition Regulation (DEAR) (48 CFR Chapter 9) clause with an authorized deviation is indicated by the addition of "(DEVIATION)" after the name of the regulation.

I.92 FAR 52.253-1 COMPUTER GENERATED FORMS (JAN 1991)

(a) Any data required to be submitted on a Standard or Optional Form prescribed by the Federal Acquisition Regulation (FAR) may be submitted on a computer generated version of the

form, provided there is no change to the name, content, or sequence of the data elements on the form, and provided the form carries the Standard or Optional Form number and edition date.

(b) Unless prohibited by agency regulations, any data required to be submitted on an agency unique form prescribed by an agency supplement to the FAR may be submitted on a computer generated version of the form provided there is no change to the name, content, or sequence of the data elements on the form and provided the form carries the agency form number and edition date.

(c) If the Contractor submits a computer generated version of a form that is different than the required form, then the rights and obligations of the parties will be determined based on the content of the required form.

I.93 FAR 52.223-7 NOTICE OF RADIOACTIVE MATERIALS (NOVEMBER 1991)

(a) The Contractor shall notify the Contracting Officer or designee, in writing, sixty (60) days prior to delivery of, or prior to completion of any servicing required by this contract of, items containing either (1) radioactive material requiring specific licensing under the regulations issued pursuant to the Atomic Energy Act of 1954, as amended, as set forth in Title 10 of the Code of Federal Regulations, in effect on the date of this contract, or (2) other radioactive material not requiring specific licensing in which the specific activity is greater than 0.002 microcuries per gram or the activity per item equals or exceeds 0.01 microcuries. Such notice shall specify the part or parts of the items which contain radioactive materials, a description of the materials, the name and activity of the isotope, the manufacturer of the materials, and any other information known to the Contractor which will put users of the items on notice as to the hazards involved (OMB No. 9000-0107).

(b) If there has been no change affecting the quantity of activity, or the characteristics and composition of the radioactive material from deliveries under this contract or prior contracts, the Contractor may request that the Contracting Officer or designee waive the notice requirement in paragraph (a) of this clause. Any such request shall --

(1) Be submitted in writing;

(2) Contain a certification that the quantity of activity, characteristics, and composition of the radioactive material have not changed; and

(3) Cite the contract number on which the prior notification was submitted and the contracting office to which it was submitted.

(c) All items, parts, or subassemblies which contain radioactive materials in which the specific activity is greater than 0.002 microcuries per gram or activity per item equals or exceeds 0.01 microcuries, and all containers in which such items, parts or subassemblies are delivered to the Government shall be clearly marked and labeled as required by the latest revision of MIL-STD 129 in effect on the date of the contract.

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(d) This clause, including this paragraph (d), shall be inserted in all subcontracts for radioactive materials meeting the criteria in paragraph (a) of this clause.

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AMENDMENT NO. 001

The purpose of this amendment to the above numbered Contract is to provide for advance payments under the Contract to the Contractor up to a total of $60,000,000. Accordingly, by mutual agreement of the parties, the Contract is amended as follows:

1. In Part I, Section B.20 delete the first sentence of the paragraph and redesignate the paragraph as paragraph (b). Add the following new paragraph (a) to Section B.20:

(a)(1) The Contractor may request advance payments under this Contract up to a total of $60,000,000, on the dates and in the amounts stated below, by submission of properly certified invoices on said dates to USEC Accounts Payable at 6903 Rockledge Drive, Fourth Floor, Bethesda, MD 20817. Within 15 days after the approval of such requests by the Contracting Officer, USEC shall make the advance payments.

Date	Amount
April 04, 1994	$15,000,000
April 29, 1994	$15,000,000
May 31, 1994	$15,000,000
June 30, 1994	$15,000,000
Total	$60,000,000

Advance payments shall be made in U.S. currency (by electronic transfer) to the following account: **** The

Contractor shall provide the proper Russian Passport Number, if applicable, for the Techsnabexport Co. Ltd account in the certified invoices.

(2) The Contractor agrees that it shall use such advance payments to pay expenses for the dismantling of strategic warheads from Ukraine and the production, and transportation to Ukraine, of fuel assemblies for use in commercial nuclear power plants. The Contractor shall furnish the Contracting Officer monthly statements specifying its use of the advance payments made under this Contract.

(3) If this Contract is terminated, pursuant to Part II, Clause 30 or 31, USEC's obligation to make advance payments shall end on the date of termination and USEC shall be entitled to deduct from any amounts due the Contractor upon such termination, the amount of unliquidated advance payments made under this Contract. If, upon such termination, the amount of unliquidated advance payments made under this Contract exceed any amounts due the Contractor, the Contractor shall repay the excess to USEC upon demand.

(4) USEC shall order LEU under this Contract equal to the total amount of advance payments provided to Contractor by April 30, 1995. The dollar amount of the advance payments made by USEC under this Contract shall be credited against the Contractor's invoices for payment for the deliveries of LEU ordered under this Contract until the dollar amount of advance payments made to the Contractor has been liquidated. After the full liquidation of the dollar amount of such advance payments, USEC shall resume to make payments for the delivery of LEU as required by this Contract.

2. Add the following paragraph to Part I, Section G.02:

(d) The Contractor shall subtract from the invoice amount the unliquidated amount of advance payments made by USEC pursuant to Part I, Section B.20 until USEC has been credited for the full amount of the advance payments made under this Contract.

All other terms and conditions of the Contract shall remain in full force and effect.

This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

In Witness Whereof, the parties have executed this Agreement:

UNITED STATES ENRICHMENT CORPORATION	TECHSNABEXPORT CO., Ltd.
By: /s/ William H. Timbers, Jr.	By: /s/Albert A. Shishkin
William H. Timbers, Jr. President & Chief Executive Officer	Albert A. Shishkin Director General
Date: April 6, 1994	Date: 5.04.94

By: /s/Alexei A. Grigoriev

Alexei A. Grigoriev
Director

Date: 5.04.94

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AMENDMENT NO. 002

The purpose of this amendment to the above numbered Contract is to (i) clarify the specification that will be met by the low enriched uranium (LEU) supplied by the Contractor; (ii) specify the action to be taken if the LEU supplied by the Contractor, upon arrival at the Portsmouth Plant, fails to meet specification or assay requirements; and (iii) amend the schedule for the Contractor providing samples to the Government representative. Accordingly, by mutual agreement of the parties, the Contract is amended as follows:

1. In Part III, Section J, Attachment 2 add the following language to the end of the existing second paragraph:

> , which is provided in Addendum A to this Attachment 2 and which shall remain applicable until such time as it is amended by the ASTM

2. In Part III, Section I, Attachment 4, paragraph numbered 3 "Material Verification," delete the last sentence of paragraph 3(b) and replace with the following language:

> Sixty (60) days aver the contents of the 30B cylinder from which the Verification Samples were taken have arrived at the Portsmouth Plant, the UF6 that comprises the Verification Samples may be utilized by TENEX. USEC will advise TENEX of the date of the arrival of the cylinders at the Portsmouth plant.

3. In Part III, Section J, Attachment 4, paragraph numbered 3 "Material Verification," delete the last sentence of the first paragraph of paragraph 3(c) and replace with the following language

> The UF6 samples in the IS cylinder shall be provided by TENEX to the Government representative at least thirty (30) days prior to the projected shipping date of the 30B cylinder. Not later than 5 days before the due date of 30B cylinders shipping, the Customer will inform the Supplier about the permission (or non-permission) for cylinders shipping. In case of absence of this information, the Customer will bear the responsibility for not keeping the delivery time.

4. In Part III, Section J, Attachment 4, paragraph numbered 5 "Acceptance in St. Petersburg," delete the last two sentences of the second paragraph and replace with the following language:

> In addition, further tests may be concluded to verify that the UF6 meets the material assay and specification requirements as provided in Attachment 2 of this contract. If a discrepancy is noted as a result of these activities with regard to material assay, USEC shall notify TENEX and the parties shall seek to agree on a reasonable settlement.

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If a discrepancy is noted as a result of these activities with regard to specification requirements, acceptance of the UF6 shall be deemed not to have occurred, USEC shall notify TENEX and the parties shall seek to agree on a reasonable settlement. In the case of a disagreement which is not resolved by mutual agreement, the Verification Samples identified in paragraph 3(b) above shall be submitted for analysis to an independent third party, mutually agreed upon by the parties. The results of analysis conducted by the independent third party shall be conclusive on both parties if such results are within the range determined by TENEX's and the Government representatives' results. If the analysis results of the independent third party are outside of the range determined by TENEX's and the Government representatives' results, USEC and TENEX shall accept the results nearer to the independent third party's results. If the analysis results of the Verification Samples by the independent third party are not within specification limits, and if the material reasonably can be brought into specification by blending, either USEC will enter the disputed material into the cascade at the Portsmouth Plant or TENEX will provide USEC with material to blend with the disputed material sufficient for the resulting blended material to meet the specification requirements provided in Attachment 2, which option to exercise shall be determined by mutual agreement of the parties, except that if agreement is not reached within 60 days following USEC's receipt of the independent third party's results, USEC shall enter the disputed material into the cascade at the Portsmouth Plant and shall notify TENEX when the disputed material has been so entered, with the associated costs to USEC being included in said notification. TENEX shall be responsible for all costs associated with the exercise of either of the options stated in the preceding sentence. If an option is selected by mutual agreement of the parties, USEC shall provide TENEX with a statement of the costs to USEC associated with the selected option at its earliest convenience. If neither of the above options is exercised, TENEX shall, at its cost, remove the material that is not within specification limits and replace it with material within specification promptly.

- USEC will pay the "analysis costs" of the independent third party if the results are within specification limits, and TENEX will pay the "analysis costs" if the results are not within specification limits.

- As used in this subsection, the phrase "analysis costs" means the independent third party's charges, plus the additional cost, if any, of the packaging, handling, and transportation of the official Verification Samples to and from the independent third party. In the event that the independent third party is to employ an official Verification Sample for more than one determination, the foregoing analysis costs shall be allocated to such determination as mutually agreed by the parties prior to the furnishing of the official Verification Sample to the independent third party, or in the absence of such agreement, as determined by the independent third party.

In Part I, Section E.02 add the following sentence at the end of the current paragraph:

However, if LEU is determined by Government representatives not to meet the specification requirements provided in Attachment 2, upon testing at the Portsmouth

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Plant as provided in Attachment 4, acceptance of said LEU shall be deemed not to have occurred until the LEU has been brought within the specification requirements in accordance with the procedures provided in Attachment 4.

6. In Part III, Section J, Attachment 5, paragraph numbered 2 "Invoice Requirements," delete ", and" at the end of subsection "e" replace the same with a period "." and add the following language to the end of the provision, distinct from subsection "e":

Notwithstanding the foregoing, an invoice shall not constitute a proper invoice upon notice being provided to the Contractor, pursuant to Attachment 4, that the LEU shipped to the Portsmouth Plant has been determined by Government representatives not to meet the specification requirements provided in Attachment 2. In such an instance, an invoice issued in accordance with this Attachment, subsequent to the LEU being brought within the specification requirements in accordance with the procedures provided in Attachment 4, shall constitute a proper invoice.

7. In Part I, Section G.02 add the following paragraph:

(e) The Contractor shall subtract from the invoice amount any costs that the Contractor has agreed to reimburse to USEC in amounts and quantities to be mutually agreed upon until USEC has been credited for the full amount to be reimbursed.

All other terms and conditions of the Contract shall remain in full force and effect.

This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

In Witness Whereof, the parties have executed this Agreement

UNITED STATES ENRICHMENT CORPORATION

By: /s/ George P. Rifakes
George P. Rifakes
Executive Vice President

Date: 2/1/95

TECHSNABEXPORT CO., Ltd.

By: /s/ Albert A. Shishkin
Albert A. Shishkin
General Director

Date:

By: /s/ Alexei A. Grigoriev
Alexei A. Grigoriev
Director

Date: 2/1/95

AMENDMENT NO. 003

The purpose of this amendment to the above numbered Contract is to provide for an additional advance payment under the Contract to the Contractor up to a total of an additional $100,000,000. Accordingly, by mutual agreement of the parties, the Contract is amended as follows:

1. In Part I, Section B.20 redesignate existing paragraphs (a) and (b) as paragraph (b) and (c), respectively. Add the following new paragraph (a) to Section B.20:

(a)(1) The Contractor may request an advance payment under this Contract up to a total of $100,000,000, during July, 1995, by submission of a properly certified invoice on said date to USEC Accounts Payable at 6903 Rockledge Drive, Fourth Floor, Bethesda, MD 20817. Within 15 days after the approval of such request by the Contracting Officer, USEC shall make the requested advance payment in U.S. currency (by electronic transfer) to the following account:
**** The Contractor shall provide the proper Russian Passport Number, if applicable, for the Techsnabexport Co. Ltd account in the certified invoice.

(2) The Contractor agrees that the advance payments made under this paragraph (a) is for the purpose of facilitating the delivery of nuclear fuel to Ukraine in implementation of the Trilateral Statement by the Presidents of the United States, Russia and Ukraine, signed on January 14, 1994.

(3) USEC and the Contractor cannot take actions to terminate the Contract until all obligations under this Amendment, and Amendment 001, including the repayment of all outstanding advance payments and carrying costs have been met.

(4) If this Contract is terminated, USEC shall deduct from any amounts due the Contractor upon such termination the amount of unliquidated advance payments made under part I, Section B.20, paragraph (b) of this Contract, and, after deducting the unliquidated advance payments made under said paragraph (b), shall deduct the amount of the unliquidated advance payment made under this paragraph (a) plus accrued carrying costs related thereto of *** per year from the date such advance payment is made. If, upon such termination, the amount of unliquidated advance payments made under either Part I, Section B. 20, paragraph (b) of this Contract, or this paragraph (a) plus accrued carrying costs, exceeds any amounts due the Contractor, the Contractor shall deliver to USEC an amount of LEU enriched to 4.4% U-235 either within 90 days of such termination date or within 90 days of the date of delivery by USEC of empty clean 30B cylinders necessary for delivery of the abovementioned amount of LEU, whichever is later, equal in value to this excess. For the purposes of meeting this obligation to USEC, the LEU enriched to 4.4% U-235 shall be priced at $780 per kg.

(5) In calendar year 1996, subsequent to the full liquidation of the advance payments totaling $60 million provided to the Contractor under Part I, Section B.20, paragraph (b) of this Contract, the dollar amount of the advance payment made by USEC under this paragraph (a), plus accrued carrying costs of *** per year related to the unliquidated amount of the advance payment from the date such advance

payment is made, shall be credited against 50 percent of each of the Contractor's invoices for payment of LEU delivered under this Contract until a dollar amount equal to $50 million plus accrued carrying costs has been liquidated. In calendar year 1997, the dollar amount of the outstanding balance of the advance payment made by USEC under this paragraph (a), plus accrued carrying costs of *** per year related to the unliquidated amount of the advance payment from the date such advance payment is made, shall be credited against 50 percent of each of the Contractor's invoices for payment of LEU delivered under this Contract until the dollar amount of the advance payment made to the Contractor plus accrued carrying costs has been fully liquidated.

(6) USEC and the Contractor agree that, if Amendment No. 004 to this Contract is not effective prior to November 1, 1995 providing for payment by USEC for the value of the uranium component of LEU delivered under this Contract simultaneous with payment for the SWUs from said LEU, then USEC and the Contractor will seek an alternative mechanism by which to liquidate the advance payment made by USEC under this paragraph (a).

2. In Part I, Section G.02 amend paragraph (d) to read as follows:

(d) The Contractor shall subtract from the invoice amount the unliquidated amount of advance payments made by USEC pursuant to part I, Section B.20, consistent with paragraphs (a)(4), (a)(5) and (b)(4) of said Section B.20, until USEC has been credited for the full amount of the advance payment plus, to the extent specified in such paragraphs, accrued carrying costs.

All other terms and conditions of the Contract shall remain in full force and effect.

This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together shall, constitute one and the same instrument.

In Witness Whereof, the parties have executed this Agreement:

UNITED STATES ENRICHMENT CORPORATION	TECHSNABEXPORT CO., Ltd
By: /s/	By: /s/
Date: June 30, 1995	Date: 30.06.95
	By: /s/
	Date: 30.06.95

AMENDMENT NO. 004

WHEREAS, the parties desire to amend Contract No. DE-AC01-93NE50067 to provide for payment to the Contractor for the value of the uranium component of LEU delivered under the Contract simultaneous with payment for the SWU component of said LEU, subject to the occurrence of specific conditions which

will permit USEC to release the natural uranium component of LEU delivered or its equivalent into the U.S. marketplace; and

WHEREAS, the parties believe that such conditions will be met by November 1, 1995, and desire to adopt the contractual modifications necessary to provide for payment to the Contractor for the value of the uranium component of LEU delivered under the Contract on a simultaneous basis with payment for SWU as soon as these conditions have been achieved.

THEREFORE, USEC and TENEX have agreed as follows:

1. Conditions Precedent.

The effectiveness of the provisions in Section 2 of this Amendment is conditioned upon the following circumstances:

(a) U.S. legislation has been enacted and is in force authorizing the President of the United States to waive trade restrictions otherwise applicable to the natural uranium component of LEU delivered under this Contract and the corresponding utility-owned uranium product delivered to USEC pursuant to enrichment services contracts that are affected by the deliveries of LEU to USEC by the Contractor; and

(b) All actions necessary to enable USEC to implement a tiered sales approach to releasing into the U.S. marketplace the natural uranium component of LEU delivered under this Contract and the corresponding utility-owned uranium product delivered to USEC pursuant to enrichment services contracts that are affected by deliveries of LEU to USEC under this Contract, as contemplated in the Protocol in Furtherance of the Initial Implementing Contract for the Agreement Between the Government of the United States of America and the Government of the Russian Federation concerning the Disposition of Highly Enriched Uranium Extracted from Nuclear Weapons signed by the President and Chief Executive Officer of the United States Enrichment Corporation and the Minister of the Russian Ministry of Atomic Energy on June 30, 1995, have been taken and completed; and

(c) USEC provides written notification to the Contractor whether the above conditions have been satisfied by November 1, 1995.

2. Modifications.

The Contract is amended as follows:

A.01. Modify Part I, Section B.06 DELIVERY ORDER PRICING as follows:

(1) In the first paragraph of Section B.06, replace 1994 with 1995 in the first sentence and delete the provisions of the paragraph following the second sentence thereof, and add the following thereto:

"The price to be paid for SWU and the natural uranium component of LEU delivered after FY 1995 will be the prices agreed upon at the annual review held pursuant to Part I, Section H.08. Such prices will be established based upon U.S. inflation and changes in international market conditions for the fiscal year in which the order is placed.

A.02. Modify Part I, Section B.20 PAYMENT CONDITIONS as follows:

(1) Delete the first sentence of Section B.20, paragraph (c) and substitute therefor the following:

"Payment for the SWUs and the natural uranium component of the LEU ordered

shall be made upon the delivery of the LEU ordered pursuant to the terms of this contract."

(2) Delete the last sentence of Section B.20, paragraph (c).

A.03. Modify Part I, Section G.02 BILLING INSTRUCTIONS as follows:

(1) Substitute the following for paragraph (c) of Section G.02:

"(c) For billing purposes only, use the following formula for calculating the invoice amount:

____SWUs in the LEU x Unit Price for SWU + _____ KgUs of the natural uranium component in the LEU x Unit Price for the natural uranium component = Invoice Amount."

A.04. Delete Part I, Section H.08, ANNUAL REVIEWS, paragraph (a)(4) and renumber paragraph (a)(5) as (a)(4).

A.05. Delete Part I, Section H.27 POSSIBLE RETURN OF NATURAL URANIUM COMPONENT TO TENEX.

All other terms and conditions of the Contract shall remain in full force and effect.

This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement.

UNITED STATES ENRICHMENT CORPORATION	TECHSNABEXPORT Co., Ltd.
By: /s/	By: /s/
Date: June 30, 1995	Date: 30.06.95
	By: /s/
	Date: 30.06.95

AMENDMENT NO. 005

AMENDMENT NO. 005, dated as of October 25, 1995, to Contract No. DE-AC01-93NE50067 entered into January 14, 1994 (Contract) by and between the United States Enrichment Corporation (USEC), Executive Agent of the United

States of America, and Techsnabexport Co., Ltd. (TENEX), Executive Agent of the Ministry of Atomic Energy, Executive Agent of the Russian Federation.

WHEREAS, pursuant to the annual review contemplated under Part I, Section H.08 of the Contract, USEC and TENEX desire to establish certain prices, quantities for delivery and other matters under the Contract.

WHEREAS, USEC and TENEX recognize that the legislation contemplated in Amendment No. 004 to the contract will not be enacted as of November 1, 1995 as contemplated by such Amendment; and

NOW, THEREFORE, USEC and TENEX agree as follows:

1. For calendar year 1996, USEC may order LEU up to the amount of LEU contained in 12 MT of HEU.

2. The first sentence of Part I, Section B.06 of the Contract is amended to read as follows:

"The total amount of dollars for (i) 4.0% U-235 derived from HEU will be $689.72 per kilogram and (ii) 4.95% U-235 derived from HEU will be $905.44 per kilogram of each delivery order placed in calendar year 1996."

3. The references in Amendment Nos. 003 and 004 to the Contract to the date November 1, 1995 are hereby changed to December 15, 1995.

4. All other terms and conditions of the Contract shall remain in full force and effect.

5. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

UNITED STATES ENRICHMENT CORPORATION

By: /s/

TECHSNABEXPORT CO., Ltd.

By: /s/

By: /s/

AMENDMENT NO. 006, dated as of February 13, 1996, to Contract No. DE-AC01-93NE50067 entered into January 14, 1994 (Contract) by and between the United States Enrichment Corporation (USEC), Executive Agent of the United States of America, and Techsnabexport Co., Ltd. (TENEX), Executive Agent of the Ministry of Atomic Energy, Executive Agent of the Russian Federation.

WHEREAS, USEC and TENEX desire to amend the Contract in order to clarify certain administrative matters.

NOW, THEREFORE, USEC and TENEX agree as follows:

1. The second sentence of Part 1, Section B.06 of the contract is amended to read as follows:

"For the purpose of pricing each delivery order, (i) one KgU 4.0% U-235 LEU consists of 5.276 SWUs at $82.10 per SWU and 9.002 KgUS of natural uranium at $28.50 per KgU, and (ii) one KgU 4.95% U-235 LEU consists of 7.101 SWUs at $82.10 per SWU and 11.314 KgUs of natural uranium at $28.50 per KgU.".

2. The first sentence of the third paragraph of Section G.04 of the Contract is amended to read as follows:

"Until otherwise agreed upon by the parties, all payments to TENEX shall be made to the following account: ***

3. For administrative purposes internal to the Russian Federation only, TENEX will include on all correspondence and other documents related to the Contract the following dual contract number: "DE-AC01-93NE50067, 08843672/50067-02".

4. All other terms and conditions of the contract shall remain in full force and effect.

5. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

UNITED STATES ENRICHMENT CORPORATION	TECHSNABEXPORT CO., Ltd.
By: /s/	By: /s/
	By: /s/

AMENDMENT NO. 007, dated as of July 30, 1996, to Contract No. DE-AC01-93NE50067. 08843672/50067-02 entered into January 14, 1994 (Contract) by and between the United States Enrichment Corporation (USEC), Executive Agent of the United States of America, and Techsnabexport Co., Ltd. (TENEX), Executive Agent of the Ministry of Atomic Energy, Executive Agent of the Russian Federation.

WHEREAS, USEC and TENEX desire to amend the Contract in order to clarify certain issues.

NOW, THEREFORE, USEC and TENEX agree as follows:

1. USEC may substitute one or more P-10 sample cylinders, but not more than the number agreed upon in the Working Document, for each 1S sample cylinder contemplated for use under the Contract.

2. All sample cylinders, including 1S and P-10 sample cylinders, filled under the Contract shall be filled by TENEX free of charge.

3. USEC shall pay for all of the LEU material contained in 1S and P-10 sample cylinders delivered to USEC under the Contract.

4. The price for the SWU component of LEU material contained in sample cylinders shall be the same as the price for the SWU component of the corresponding material delivered in 30B cylinders. The price for the natural uranium component of LEU material contained in sample cylinders shall be $28.50 per KgU.

5. TENEX shall issue one invoice for the total amount of LEU material contained in sample cylinders delivered to USEC through July 29, 1996, starting from Delivery 1 of 1995 through Delivery 6 of 1996, inclusive. USEC shall remit payment of the amount properly invoiced by wire transfer in accordance with Part I, Section G.04 of the contract.

6. For all deliveries of sample cylinders to USEC on or after July 29, 1996, TENEX shall invoice USEC, and USEC shall effect payment for LEU contained in sample cylinders, in accordance with the Contract billing and remittance terms and conditions.

7. All other terms and conditions of the contract shall remain in full force and effect.

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8. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

UNITED STATES ENRICHMENT CORPORATION	TECHSNABEXPORT CO., Ltd.
By: /s/	By: /s/

By: /s/

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AMENDMENT NO. 008

AMENDMENT NO. 008, dated as of September 4, 1996, to Contract No. DE-AC01-93NE50067, 08843672/50067-02 entered into January 14, 1994 (Contract) by and between the United States Enrichment Corporation (USEC), Executive Agent of the United States of America, and Techsnabexport Co., Ltd. (TENEX), Executive Agent of the Ministry of Atomic Energy, Executive Agent of the Russian Federation. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Contract.

WHEREAS, the USEC Privatization Act (Pub. L. 104-134, Title III, Ch. 1, Subch. A) was recently enacted in the United States and contain provisions regarding the disposition of the natural uranium component of LEU delivered under the Contract; and

WHEREAS, USEC and TENEX desire to amend the Contract to reflect TENEX's desire, consistent with the provisions of Pub. L. 104-134, to take delivery of natural uranium hexafluoride equivalent to the natural uranium component of LEU delivered under the Contract beginning in calendar year 1997; and

WHEREAS, the parties wish to address certain other administrative matters related to the Contract.

NOW, THEREFORE, USEC and TENEX agree as follows:

SECTION 1. With respect to each shipment of LEU ordered and delivered under the Contract during calendar year 1996, USEC shall order and make payment for the natural uranium component thereof at the price for the natural uranium component set forth in the Contract and at the same time that USEC is required under the terms of the Contract to pay for the SWU component of such LEU.

SECTION 2. The Contract is hereby amended as follows:

(a) The last three sentences of the first paragraph of Part 1, Section B.06 are deleted and replaced by the following:

"USEC shall have no obligation to pay for the natural uranium component of any LEU delivered after calendar year 1996.".

(b) The first and last sentences of paragraph (c) of Part I, Section B.20 are deleted.

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(c) Section C "Description/Specifications/Work Sheet" of the Contract is amended by adding at the end thereof a new section as follows:

"C.04 GOOD AND MARKETABLE TITLE

"TENEX represents and warrants to USEC that TENEX will convey to USEC good and marketable title to the LEU delivered to USEC pursuant to this contract free and clear of any liens, encumbrances, security interests or other adverse claims.".

(d) Paragraph (c) of Part I, Section G.02 is amended to read in full as follows:

"For billing purposes only, use the following formulas for calculation of invoice amounts:

(1) With respect to invoices for material delivered in calendar year 1996:

_____ SWUs in LEU x Unit Price + _____ KgUs of natural uranium in LEU x Unit Price = Invoice Amount

(2) With respect to invoices for material delivered after calendar year 1996:

_____ SWUs in LEU x Unit Price = Invoice Amount.".

(e) Paragraph (a)(4) of Part I, Section H.08 is deleted and paragraph (a)(5) is redesignated as paragraph (a)(4).

(f) Part I, Section H.18 is amended by adding at the end thereof the following:

"In the event of the imposition of any duty associated with the import of LEU under this contract, all deliveries of LEU hereunder shall be immediately suspended until such time as the parties mutually agree to resume such deliveries.".

(g) Part I, Section H.27 is amended to read as follows:

"H.27 DELIVERY OF NATURAL URANIUM TO TENEX

"(a) With respect to each shipment of LEU delivered to USEC under this contract after calendar year 1996, USEC shall deliver to TENEX natural uranium in the form of natural uranium hexafluoride (UF6nat) in an amount equal to the natural uranium component of such LEU. USEC shall deliver such UF6nat to TENEX at any North American facility designated by TENEX provided that such facility is properly licensed and authorized to receive and hold such material. TENEX shall provide written notice to USEC of the facility or facilities at which it is electing to take delivery of UF6nat with respect to each shipment of LEU under the contract at least 120

days prior to the start of the month during which delivery of such LEU is scheduled to occur.

"(i) If TENEX elects to take delivery of such UF6nat by book transfer at one of USEC's gaseous diffusion plants, or another facility at which USEC has an uncommitted quantity of material sufficient to cover such delivery to TENEX (a "Book Transfer Facility"),

then such UF6nat shall be delivered to TENEX by book transfer on the same date that title to such LEU passes to USEC pursuant to this contract. If USEC owns or operates the Book Transfer Facility, then USEC and TENEX shall, prior to such delivery, enter into a storage agreement setting forth the terms and conditions pursuant to which USEC will store such UF6nat on behalf of TENEX. The terms and conditions of such storage agreement shall be no less favorable to TENEX than USEC offers to its other customers for the same services.

"(ii) If TENEX elects to take delivery of such UF6nat at a facility that is not a Book Transfer Facility, then such UF6nat shall be delivered to TENEX on a date to be agreed to by TENEX and USEC taking into account TENEX's responsibility to arrange for cylinders to complete such delivery and a reasonable time for USEC to arrange for the transfer of such material. In such event, TENEX shall reimburse USEC, in accordance with subsection (d), for any expenses incurred by USEC to deliver such UF6nat to such facility. USEC shall use reasonable efforts to minimize such reimbursable expenses.

"(b) Whether TENEX elects to take delivery at a facility under subsection (a)(i) or (a)(ii), title to and the risk of loss of UF6nat delivered to TENEX pursuant to this section shall pass to TENEX when title to the associated LEU being delivered to USEC in St. Petersburg, Russia passes to USEC. TENEX shall hold and dispose of all UF6nat delivered to TENEX pursuant to this section in accordance with all applicable laws, including Pub. L. 104-134.

"(c) UF6nat delivered to TENEX pursuant to this section shall conform to ASTM designation C-787-90, which shall remain applicable until such time as it is amended by the ASTM. USEC represents and warrants to TENEX that USEC will convey to TENEX good and marketable title to the UF6nat delivered to TENEX pursuant to this section free and clear of any liens, encumbrances, security interests or other adverse claims.

"(d) USEC shall submit invoices, accompanied by documentary evidence of expenses where applicable, to TENEX for expenses reimbursable under subsection (a)(ii). TENEX shall remit payment for each such invoice in U.S. dollars by electronic funds transfer within 60 days of receipt of such invoice to an account designated by USEC in writing to TENEX.

"(e) Except as provided in Part I, Section H.18, any taxes, tariffs, duties or similar charges imposed on UF6nat delivered to TENEX pursuant to this section prior to the delivery of such UF6nat to TENEX shall be paid by USEC.

"(f) USEC and TENEX agree to cooperate to facilitate the delivery of UF6nat as provided in this Amendment.".

SECTION 3. Except as amended hereby, the Contract shall remain unchanged and in full force and effect. In the event that any conflict arises between this Amendment and the Contract, TENEX and USEC shall resolve such conflict consistent with the purpose of this Amendment as set forth in the

recitals herein.

SECTION 4. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

UNITED STATES ENRICHMENT CORPORATION	TECHSNABEXPORT CO., Ltd.
By: /s/	By: /s/
	By: /s/

AMENDMENT NO. 009

AMENDMENT NO. 009, dated as of November 14, 1996, to Contract No. DE-AC01-93NE50067, 08843672/50067-02 entered into January 14, 1994 (Contract) by and between the United States Enrichment Corporation (USEC), Executive Agent of the United States of America, and Techsnabexport Co., Ltd. (TENEX), Executive Agent of the Ministry of Atomic Energy (MINATOM), Executive Agent of the Russian Federation. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Contract.

WHEREAS, in connection with the annual review contemplated under Part I, Section H.08 of the contract, USEC and TENEX desire to establish prices and quantities for deliveries in calendar years 1997, 1998, 1999, 2000 and 2001 under the Contract; and

WHEREAS, TENEX has requested an advance payment of $100 million to be used only for the purposes set forth in Section 2(vi) of Article II of the Government-to-Government Agreement; and

WHEREAS, the parties wish to address certain other administrative matters related to the Contract.

NOW, THEREFORE, USEC and TENEX agree as follows:

SECTION 1. The Contract is hereby amended as follows:

(a) The first paragraph of Part I, Section B.05 is amended to read in full as follows:

> "TENEX will deliver the quantities of LEU specified by USEC in each delivery order. USEC may order the LEU contained in (i) 18 MT of HEU in calendar year 1997, (ii) 24 MT of HEU in calendar year 1998, and (iii) 30 MT of HEU in calendar year

1999 and in each year thereafter in accordance with Section 2(iii) of Article 2 of the Government-to-Government Agreement. Additional annual amounts may be ordered subject to mutual agreement (See Section H.08).".

(b) In Part I, Section B.06, designate the existing first and second paragraphs as paragraphs (a) and (c), respectively, and insert after paragraph 9a) the following new paragraph:

"(b)(1) For SWU delivered in calendar year 1997, the price will be $84.50 per SWU. For SWU delivered in calendar years 1998, 1999, 2000 and 20001, the price will be $84.50 per SWU escalated from the second quarter of calendar year 1996 through the second quarter of the calendar year prior to the calendar year in which delivery is

made using the Implicit Price Deflator for the U.S. Gross Domestic Product as published by the U.S. Department of Commerce, in accordance with the formula set forth in Appendix A hereto.

"(b)(2) For the purpose of pricing each delivery order, one KgU 4.0% U-235 LEU consists of 5.276 SWUs, one KgU 4.4% U-235 LEU consists of 6.039 SWUs and one KgU 4.95% U-235 LEU consists of 7.101 SWUs. In the event that USEC and TENEX agree on the delivery of LEU of another assay, then the parties shall agree on the number of SWU contained in one KgU of such material.

"(b)(3) In calendar year 2000, the parties shall meet to review prices under the contract in light of contract quantities and international market conditions and may agree on quantities and commit to prices for an additional five-year period or periods beginning with calendar year 2002.".

(c) In Part I, Section B.06, amend the first sentence of paragraph (c) to read in full as follows:

"In the event that the parties do not establish prices for an additional five-year period or periods pursuant to paragraph (b)(3), then the prices for calendar years after calendar year 2001 will be adjusted as part of the annual review.".

(d) In Part I, Section B.20, redesignate existing paragraph (c) as paragraph (d) and insert after paragraph (b) the following new paragraph:

"(c)(1) TENEX may request an advance payment under this contract up to a total of $100,000,000 by submission of a properly certified invoice to USEC. Within 15 days after the approval of such request by the Contracting Officer, USEC shall make the requested advance payment to TENEX in accordance with Part I, Section G.04. Approval of such request will be made subsequent to notification from the U.S. Department of State that the transparency and other related issues currently being discussed between MINATOM and the U.S. Government have been satisfactorily resolved.

"(2) TENEX agrees that the advance payment made under this paragraph shall be used only in accordance with the purposes set forth in Section 2(vi) of Article II of the Government-to-Government Agreement.

"(3) The unliquidated amount of the advance payment made under this paragraph shall accrue interest at the rate of *** per year, the lender's financing cost applicable for the duration of the advance payment, compounded annually from the date such advance payment is made. USEC shall be entitled to credit an aggregate of $50 million, plus all accrued interest, against 50% of each invoice submitted by TENEX for payment of SWU delivered under this contract in calendar year 1998. USEC shall

be entitled to credit the unliquidated amount of such advance payment, plus all remaining accrued interest thereon, against 50% of each invoice submitted by TENEX for payment of SWU delivered under this contract in calendar year 1999, and in subsequent years if the advance payment is not fully liquidated in 1999, until such advance payment and all accrued interest has been fully liquidated.

"(4) Neither USEC nor TENEX shall take any action to terminate this contract until all obligations under this Section B.20, including the repayment of all outstanding advance payments and accrued interest and carrying costs, have been met.

"(5) If this contract is terminated, USEC shall deduct from any amounts due TENEX upon such termination the amount of all unliquidated advance payments made under this Section B.20, together with any accrued interest and carrying costs. If, upon such termination, the amount of such unliquidated advance payments and accrued interest and carrying costs exceeds any amounts due TENEX, then TENEX shall deliver to USEC an amount of LEU, enriched to an assay specified by USEC, which is equal in value to such excess. TENEX shall deliver such LEU by the later of 90 days after (i) the date of such termination and (ii) the date of delivery by USEC of empty clean 30B cylinders necessary for delivery of such LEU. USEC shall return the natural uranium component of such LEU to TENEX in accordance with Part I, Section H.27. For purposes of calculating the value of material to be delivered, the parties shall use a price of $84.50 per SWU escalated from the second quarter of calendar year 1996 through the second quarter of the calendar year prior to the calendar year in which delivery shall be made using the Implicit Price Deflator for the U.S. Gross Domestic Product as published by the U.S. Department of Commerce, in accordance with the formula set forth in Appendix A hereto.".

(e) In Part I, Section G.02, amend paragraph (d) to read in full as follows:

"(d) The Contractor shall subtract from the invoice amount the unliquidated amount of advance payments made by USEC pursuant to Part I, Section B.20, consistent with the terms of such section, until USEC has been credited for the full amount of all advance payments plus, to the extent specified in such section, carrying costs and accrued interest."

SECTION 2. Unless both parties otherwise agree, in the event that USEC does not make an advance payment of $100 million to TENEX by December 31, 1996 in accordance with the contract as amended by Section 1(d), then the

amendments to the contract set forth in Sections 1(a) through (e) shall cease to be effective and the price for deliveries in calendar years 1997 and 1998 shall be $85 per SWU.

SECTION 3. It is the parties' intention that USEC, and any successor to USEC, acting in its capacity as Executive Agent for the United States Government not be liable for (i) any claims arising from the performance of the Contract for indirect, direct or consequential damages to property owned

by the Russian Federation or (ii) any third-party claims in any court or forum arising from the performance of the Contract for injury or damage occurring within or outside the territory of the Russian Federation that results from a nuclear incident occurring within the territory of the Russian Federation. At or prior to the next annual review meeting under the Contract, the parties shall take appropriate action to effectuate the purpose of this provision.

SECTION 4. Except as amended hereby, the Contract shall remain unchanged and in full force and effect. In the event that any conflict arises between this Amendment and the Contract, TENEX and USEC shall resolve such conflict consistent with the purpose of this Amendment as set forth in the recitals herein.

SECTION 5. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

UNITED STATES ENRICHMENT CORPORATION	TECHSNABEXPORT CO., Ltd.
By: /s/	By: /s/
	By: /s/

AMENDMENT NO. 009

APPENDIX A

ESCALATION FORMULA

(a) For purposes of calculating the price for SWU to be purchased in calendar years 1998, 1999, 2000 and 2001:

P = 84.50(L(n)/I(o)) where

P	=	The price to be charged for SWU in LEU delivered to USEC in a given calendar year.
I(n)	=	The first final Implicit Price Deflator for the U.S. Gross Domestic Product ("IPD-GDP") for the second quarter (the "Second Quarter") of the calendar year immediately preceding the calendar year for which price is being calculated. In the event that the first final IPD-GDP for the Second Quarter is not available, the most recent first final published IPD-GDP for a quarter prior to the Second Quarter shall be used. All prices shall be subject to readjustment based on the first final IPD-GDP for the Second Quarter, once such value is published.
I(o)	=	The IPD-GDP for the second quarter of calendar year 1996, which is 109.5.

(b) If the IPD-GDP is discontinued or the basis of its calculation is substantially modified, another index which has substantially the same purpose as the IPD-GDP shall be proposed by USEC to TENEX and such proposal shall become the new index unless, within thirty (30) days after receiving USEC's proposal, TENEX proposes a different index to USEC that TENEX believes is more likely to produce the same result as the IPD-GDP, in which case the parties shall mutually agree upon a new index.

(c) A change in the base year of the IPD-GDP in itself shall not be construed as a substantial modification for purposes of paragraph (b) and, after such a change is adopted, the IPD-GDP values produced as a result of such change shall be used by the parties in accordance with paragraph (a).

AMENDMENT NO. 010

AMENDMENT NO. 010, dated as of December 22, 1997, to Contract No. DE-AC01-93NE50067, 08843672/50067-02 entered into January 14, 1994 (Contract) by and between the United States Enrichment Corporation (USEC), Executive Agent of the United States of America, and Techsnabexport Co., Ltd. (TENEX), Executive Agent of the Ministry of Atomic Energy (MINATOM), Executive Agent of the Russian Federation. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Contract.

WHEREAS, the parties desire to amend the Contract to reflect changing delivery and economic conditions.

NOW, THEREFORE, USEC and TENEX agree as follows:

SECTION 1. The Contract is hereby amended as follows:

(a) In Part I, Section B.06, amend paragraph (b)(1) to read as follows:

"(b)(1) For SWU ordered for delivery in calendar year 1997, the price will be $84.50 per SWU. For SWU ordered for delivery in calendar year 1998, the price will be $85.50 per SWU. Subject to paragraph (b)(4), for SWU ordered for

delivery in calendar year 1999, the price will be $86.50 per SWU. Subject to paragraph (b)(5), for SWU ordered for delivery in calendar years 2000 and 2001, the price will be $84.50 per SWU escalated from the second quarter of calendar year 1996 through the second quarter of the calendar year prior to the calendar year for which delivery has been ordered. Prices in calendar years 2000 and 2001 will be escalated as contemplated in this paragraph using the Implicit Price Deflator for the U.S. Gross Domestic Product as published by the U.S. Department of Commerce ("IPD-GDP"), in accordance with the formula set forth in Appendix A hereto.".

(b) In Part I, Section B.06, insert the following subparagraphs at the end of paragraph (b):

"(4) The price set forth in paragraph (b)(1) for SWU ordered for delivery in calendar year 1999 was established in part based on an assumption that the first final IPD-GDP for the second quarter of calendar year 1998 (the "1998 deflator") will be 114.0. If the 1998 deflator is not 114.0, USEC will notify TENEX and adjust the calendar year 1999 price set forth in paragraph (b)(1) by the same percentage difference between the actual 1998 deflator and 114.0.

"(5) Beginning with SWU ordered for delivery in calendar year 1998, USEC shall be entitled to purchase a minimum of 4,421,000 SWU at the calendar year 1998 price of $85.50 per SWU and a minimum of 5,528,000 SWU at the calendar year 1999 price of $86.50 per SWU. If for any reason the number of SWU delivered by TENEX in respect of delivery orders for calendar years 1998 and 1999 is not sufficient to satisfy USEC's minimum entitlements in the foregoing sentence, then USEC shall have the right to satisfy such entitlements at the prices set forth in the foregoing sentence (rather than the escalated price) with respect to SWU ordered for delivery in calendar year 2000 or in subsequent years if necessary.".

(c) In Part I, Section B.20, amend paragraph (c)(3) to read as follows:

"(3) In respect of the advance payment made under this paragraph, USEC shall be entitled to credit an aggregate of $48 million against 50% of each invoice submitted by TENEX for payment of SWU ordered for delivery under this contract in calendar year 1998. USEC shall be entitled to credit an aggregate of $50 million against 50% of each invoice submitted by TENEX for payment of SWU ordered for delivery under this contract in calendar year 1999, and in subsequent years until an aggregate of $98 million has been credited against TENEX invoices.".

SECTION 2. Except as amended hereby, the Contract shall remain unchanged and in full force and effect. In the event that any conflict arises between this Amendment and the contract, TENEX and USEC shall resolve such conflict consistent with the purpose of this Amendment as set forth in the recitals herein.

SECTION 3. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

UNITED STATES ENRICHMENT CORPORATION	TECHSNABEXPORT CO., Ltd.
By: /s/	By: /s/
	By: /s/

APPENDIX A

ESCALATION FORMULA

(a) For purposes of escalating prices for calendar years 2000 and 2001 as contemplated in paragraph (b)(1) of Section B.06:

P=84.50(I(n)/I(o)) where

P	=	The price to be charged for SWU in LEU ordered for delivery to USEC in a given calendar year.
I(n)	=	The first final Implicit Price Deflator for the U.S. Gross Domestic Product ("IPD-GPD") for the second quarter (the "Second Quarter") of the calendar year immediately preceding the calendar year for which price is being calculated. In the event that the first final IPD-GPD for the Second Quarter is not available, the most recent first final published IPD-GDP for a quarter prior to the

Second Quarter shall be used. All prices shall be subject to readjustment based on the first final IPD-GDP for the Second Quarter, once such value is published.

I(o) = The IPD-GDP for the second quarter of calendar year 1996, which is 109.5.

(b) If the IPD-GDP is discontinued or the basis of its calculation is substantially modified, another index which has substantially the same purpose as the IPD-GDP shall be proposed by USEC to TENEX and such proposal shall become the new index unless, within thirty (30) days after receiving USEC's proposal. TENEX proposes a different index to USEC that TENEX believes is more likely to produce the same result as the IPD-GDP, in which case the parties shall mutually agree upon a new index.

(c) A change in the base year of the IPD-GDP in itself shall not be construed as a substantial modification for purposes of paragraph (b) and, after such a change is adopted, the IPD-GDP values produced as a result of such change shall be used by the parties in accordance with paragraph (a).

EXHIBIT 10.18

MEMORANDUM OF AGREEMENT
BETWEEN THE OFFICE OF MANAGEMENT AND BUDGET
AND THE UNITED STATES ENRICHMENT CORPORATION
RELATING TO POST-PRIVATIZATION LIABILITIES

THIS MEMORANDUM OF AGREEMENT is entered into as of the 6th day of April, 1998, by and between the OFFICE OF MANAGEMENT AND BUDGET ("OMB") and the UNITED STATES ENRICHMENT CORPORATION ("USEC" or the "CORPORATION").

RECITALS

WHEREAS, the Energy Policy Act of 1992, Public Law 102-486 (the "Energy Policy Act"), amended the Atomic Energy Act of 1954 by establishing USEC as a wholly-owned government corporation to take over the operation of the United States Department of Energy's uranium enrichment enterprise; and

WHEREAS, Subchapter A of Title III of Public Law 104-134, the USEC Privatization Act, in Section 3103, authorized the Corporation's Board of Directors, with approval of the Secretary of the Treasury, to transfer the interest of the United States in the Corporation to the private sector in a manner that provides for the long-term viability of the Corporation, provides for the continuation by the Corporation of the operation of DOE's Gaseous Diffusion Plants (the "GDP's"), provides for the protection of the public interest in maintaining a reliable and economical domestic source of uranium mining, enrichment and conversion services, and, to the extent not inconsistent with such purposes, secures the maximum proceeds to the United States; and

WHEREAS, the USEC Privatization Act further provides, in Section 3109, that except for certain specified liabilities which shall remain the direct liabilities of the Secretary of Energy and except as otherwise provided in a memorandum of agreement entered into by the Corporation and OMB prior to the date on which the ownership of the Corporation is transferred to private investors (the "Privatization Date"), all liabilities arising out of the operation of the Corporation between July 1, 1993, and the Privatization Date shall remain the direct liabilities of the United States; and

WHEREAS, in order to fulfill the requirements of Section 3109 of the USEC Privatization Act in a manner that is consistent with the purposes of the Energy Policy Act and of the USEC Privatization Act, OMB and USEC have entered into this Memorandum of Agreement;

NOW, THEREFORE, under the authority of the USEC Privatization Act, the Energy Policy Act, the Atomic Energy Act and other law, OMB and USEC hereby agree as follows:

ARTICLE 1 DEFINITIONS

The following terms when capitalized and used in this Agreement shall have the meanings indicated below.

"Corporation" means the United States Enrichment Corporation or "USEC," as defined below.

"DOE" means the United States Department of Energy, any employee or

contractor thereof (other than USEC), or any authorized agent thereof (other than USEC).

"EEI" means Electric Energy, Inc., which provides power to the Paducah, Kentucky Gaseous Diffusion Plant under contract with DOE.

"Energy Policy Act" means the Energy Policy Act of 1992, Title IX of Public Law 102-486.

"Gaseous Diffusion Plants" or "GDP's" means the gaseous diffusion plants at Paducah, Kentucky and Portsmouth, Ohio owned by DOE, portions of which are leased to USEC.

"LMUS" means Lockheed Martin Utility Services, Inc., a private corporation which provides certain operation, maintenance and other services at the GDP's under contract to USEC, and includes all its predecessors, successors and assigns, including but not limited to Martin Marietta Utility Services and Martin Marietta Energy Systems.

"OMB" means the Office of Management and Budget of the United States, any employee or contractor thereof, or any authorized agent.

"OVEC" means the Ohio Valley Electric Corporation, which provides power to the Portsmouth, Ohio Gaseous Diffusion Plant under contract with DOE.

"Pre-privatization Period" means the period beginning on July 1, 1993, and ending on the Privatization Date.

"Privatization Date" means the date on which 100 percent of the ownership of the Corporation has been transferred to private investors pursuant to the USEC Privatization Act.

"Secretary" means the Secretary of Energy.

"USEC" means the United States Enrichment Corporation and its successors and assigns, including, but not limited to, the private company created pursuant to Section 3105 of the USEC Privatization Act and to which the assets of USEC will be transferred and the successors and assigns of such private company.

"Waste" means solid, hazardous, low-level radioactive, and mixed waste that was generated by USEC during the Pre-privatization period and that is stored at the GDP's and identified as USEC's as of the Privatization Date.

"USEC Privatization Act" means Title III of Public Law 104-134.

ARTICLE 2 POST-PRIVATIZATION LIABILITIES

Section 2.1 Post-Privatization Liabilities of USEC. In accordance with Section 3109 of the USEC Privatization Act, the following liabilities, as described and defined below, shall remain with and continue to be the liabilities of USEC subsequent to the Privatization Date, to the extent such liabilities have not been paid or satisfied prior to that date:

(a) LMUS pension benefits: This liability shall consist of USEC's pro-rata share, attributable to the Pre-privatization Period, of pension benefits for LMUS employees to be paid under the terms of LMUS's Contract No. USEC-96-C-0001 for the operation of the GDP's.

(b) LMUS post-retirement health benefits: This liability shall consist of USEC's pro-rata share, attributable to the Pre-privatization Period, of post-retirement health benefits for LMUS employees to be paid under the terms of LMUS's Contract No. USEC-96-C-0001 for the operation of the GDP's.

(c) LMUS severance benefits: This liability shall consist of USEC's pro-rata share, attributable to the Pre-privatization Period, of LMUS severance program costs under the terms of LMUS's Contract No. USEC-96-C-0001 for the operation of the GDP's.

(d) OVEC plant post-retirement health benefits: This liability, based on provisions in the power contracts negotiated by DOE with OVEC (Contract No. DE-AC05-76ORO1530), shall consist of USEC's pro-rata share, attributable to the Pre-privatization Period, of post-retirement health benefits for employees working at the OVEC power plant.

(e) Power plant shutdown and demolition costs: This liability, based on provisions in the power contracts negotiated by DOE with OVEC and EEI (Contract No. DE-AC05-760R01530 and Contract No. DE-AC05-760R01312, respectively), shall consist of USEC'S pro-rata share, attributable to the Pre-privatization Period, of the shutdown and demolition costs for the OVEC and EEI power plants.

(f) Disposal of stored waste: Title to the Waste that was generated by USEC during the Pre-privatization Period and that is stored at the GDP's as of the Privatization Date shall be transferred with USEC. Nothing herein shall be construed as transferring or limiting the liability of the Secretary as set forth in Section 3109 (a) (3) of the USEC Privatization Act.

Section 2.2 Estimated Amount of USEC Post-Privatization Liabilities. In order to further define and identify the liabilities set forth in Section 2.1 of this Agreement, OMB and USEC agree that the Schedule attached hereto as Attachment 1 reflects the estimated amounts of the liabilities described in Section 2.1 as of December 31, 1997. The amount of such liabilities at the Privatization Date shall be determined at that time.

Section 2.3 Other USEC Post-Privatization Liabilities. In accordance with Section 3109 of the USEC Privatization Act, it is understood and agreed that USEC shall have no liabilities attributable to its activities prior to the Privatization Date, except as specified in Section 2.1 of this Agreement.

Section 2.4 Other Agreements. Nothing contained in this Agreement shall modify or supersede the assignment of liabilities or other terms of other agreements which have been entered into between USEC and other government entities as of the Privatization Date including, but not limited to, those agreements listed in Attachment 2, except insofar as such agreements assign to USEC liabilities attributable to activities prior to the Privatization Date. In accordance with Section 3109 of the Privatization Act, other than those liabilities specified in Section 2.1, all such liabilities attributable to activities prior to the Privatization Date shall remain the direct liabilities of the United States.

ARTICLE 3 APPLICABLE LAW

This Agreement shall be governed and construed in accordance with the Federal laws of the United States of America.

IN WITNESS WHEREOF, OMB and USEC have caused this Agreement to be executed and delivered as of the date first above written and hereby affix the signatures of their duly authorized representatives:

OFFICE OF MANAGEMENT AND BUDGET

By: /s/ Franklin D. Raines

Franklin D. Raines
Director

AND

UNITED STATES ENRICHMENT CORPORATION

By: /s/ William H. Timbers, Jr.

William H. Timbers, Jr.
President and Chief Executive Officer

EXHIBIT 10.19

MEMORANDUM OF AGREEMENT
BETWEEN THE UNITED STATES DEPARTMENT OF ENERGY
AND THE UNITED STATES ENRICHMENT CORPORATION
RELATING TO DEPLETED URANIUM
GENERATED PRIOR TO THE PRIVATIZATION DATE

THIS MEMORANDUM OF AGREEMENT is entered into as of the 18 day of May, 1998, by and between the UNITED STATES DEPARTMENT OF ENERGY ("DOE") and the UNITED STATES ENRICHMENT CORPORATION ("USEC" or the "Corporation").

WHEREAS, the USEC Privatization Act provides, in Section 3109(a)(3), that "[a]ll liabilities arising out of the disposal of depleted uranium generated by the corporation between July 1, 1993, and the privatization date shall become the direct liabilities of the Secretary [of Energy]" and in order to fulfill the requirements of Section 3109(a)(3) of the USEC Privatization Act in a manner that is consistent with the purposes of the Energy Policy Act and of the USEC Privatization Act, DOE and USEC have entered into this Memorandum of Agreement;

NOW, THEREFORE, under the authority of the USEC Privatization Act, the Energy Policy Act, the Atomic Energy Act and other law, DOE and USEC hereby agree as follows:

ARTICLE 1 DEFINITIONS

The following terms when capitalized and used in this Agreement shall have the meanings indicated below.

"Energy Policy Act" means the Energy Policy Act of 1992, Title IX of Public Law 102-486.

"Gaseous Diffusion Plants" or "GDP's" means the gaseous diffusion plants at Paducah, Kentucky and Portsmouth, Ohio owned by DOE, portions of which are leased to USEC.

"Lease Agreement" means the Lease Agreement Between the United States Department of Energy and the United States Enrichment Corporation, dated July 1, 1993, as amended.

"Pre-privatization Period" means the period beginning on July 1, 1993, and ending on the Privatization Date.

"Privatization Date" means the date on which 100 percent of the ownership of the Corporation has been transferred to private investors pursuant to the USEC Privatization Act.

"Secretary" means the Secretary of Energy.

"USEC Privatization Act" means Title III of Public Law 104-134.

ARTICLE 2 DEPLETED URANIUM

Nothing in this Agreement shall be construed as transferring or limiting the liability of the Secretary for disposal of depleted uranium as set forth in Section 3109(a)(3) of the USEC Privatization Act. Subject to Article 3,

the parties to this Agreement agree to implement Section 3109(a)(3) of the USEC Privatization Act as follows:

(i) Title to depleted uranium generated by USEC during the Pre-privatization Period shall be transferred to DOE on the Privatization Date.

(ii) Within 14 days of the Privatization Date, USEC shall provide DOE a listing by cylinder number of the cylinders of depleted uranium generated by USEC during the Pre-privatization Period.

(iii) USEC shall be responsible for all costs associated with the storage of the depleted uranium until title is transferred to DOE as specified in this section. On or before the Privatization Date, USEC shall pay to DOE $16 million in complete satisfaction of USEC's obligation for any and all costs associated with the storage of the depleted uranium following the transfer of the depleted uranium to DOE.

(iv) The Secretary shall be responsible for all costs associated with disposal of the depleted uranium generated by USEC during the Pre-privatization Period, including any treatment or conversion required by law or regulatory authority associated with such disposal.

(v) Upon transfer of title to DOE, USEC, at USEC's option, shall: (1) permit DOE to continue to store the depleted uranium in the portions of the GDP's

leased to USEC where the cylinders are located as of the date title is transferred (and continue to use the cylinder saddles); or (2) delease the area pursuant to Section 3.4 of the Lease Agreement (and transfer title to the cylinder saddles to DOE) where the cylinders are stored. Also upon transfer of title to DOE, USEC shall provide copies of all USEC records associated with inspection, storage, and management of the depleted uranium and the cylinders, including, but not limited to, all manufacturers' records in its possession and the "Change Cylinder Check Sheet (Form A-3931)" for each cylinder.

(vi) USEC and DOE shall consult and coordinate concerning the management and disposition of this depleted uranium and shall actively pursue the beneficial use of this depleted uranium. Pursuant to the Anti-Deficiency Act, DOE's commitment under this subsection (vi) is subject to the availability of appropriated funds.

ARTICLE 3 EXPIRATION OF AGREEMENT

In the event that the Privatization Date does not occur by June 30, 1999, this Agreement shall be terminated and all of its terms shall be null and void.

IN WITNESS WHEREOF, DOE and USEC have caused this Agreement to be executed and delivered as of the date first above written and hereby affix the signatures of their duly authorized representatives:

US DEPARTMENT OF ENERGY	UNITED STATES ENRICHMENT CORP.
By: /s/ Michael L. Telson	By: /s/ Henry Z. Shelton, Jr.
Michael L. Telson	Henry Z. Shelton, Jr.
Chief Financial Officer	Vice President and Chief Financial Officer
Date: 5/15/98	Date: 5/18/98

EXHIBIT 10.20

THIS MEMORANDUM OF AGREEMENT FOR TRANSFER OF NATURAL URANIUM AND HIGHLY ENRICHED URANIUM AND FOR BLEND-DOWN OF HIGHLY ENRICHED URANIUM (the "Agreement") is entered into as of April 20, 1998, between THE UNITED STATES DEPARTMENT OF ENERGY ("DOE"), and THE UNITED STATES ENRICHMENT CORPORATION ("USEC").

WITNESSETH:

WHEREAS, Section 3112(c) of the USEC Privatization Act, Pub. L. 104-134, provides that DOE shall transfer to USEC without charge up to 50 metric tons of enriched uranium and up to 7,000 metric tons of natural uranium from DOE's stockpile;

WHEREAS, DOE has agreed to transfer a certain quantity of its uranium inventories to USEC;

WHEREAS, USEC has agreed to accept this uranium and to blend down the highly enriched uranium component to low enriched uranium;

NOW THEREFORE, DOE and USEC hereby agree as follows:

ARTICLE 1 DEFINITIONS

Section 1.1 Definitions. The following terms when capitalized and used in the Agreement shall have the meanings indicated below. All meanings specified are applicable to both the singular and the plural.

"Assay" means the total weight of (235)U per kilogram of material divided by the total weight of all uranium isotopes per kilogram of material the quotient of which is multiplied by 100 and expressed as a weight percent.

"Available HEU" means the portion of HEU, as specified in the availability schedule in Attachment A, that is available for transfer to USEC.

"Availability Date" means the later of (i) the date DOE has specified in the availability schedule in Attachment A that the last pertinent HEU Shipment for a given

allotment of material will be available for delivery to USEC; or (ii) the date the last pertinent HEU Shipment is actually made available by DOE for delivery to USEC.

"Blending Facility" means a DOE facility or a Nuclear Regulatory Commission-licensed facility.

"Delivery" means (i) with respect to the HEU, the unloading by USEC or its designated agent of the HEU off the DOE Safe Secure Transport at the facility designated by USEC; and (ii) with respect to HEU rejected or returned, the loading by USEC or its designated agent of such rejected HEU onto the DOE Safe Secure Transport at the facility designated by USEC. Unloading of the material shall be deemed to be completed when the item is physically removed by USEC or its designated agent from the DOE Safe Secure Transport. Loading shall be deemed to be completed when (a) the rejected or returned HEU is physically on the DOE Safe Secure Transport; and (b) USEC's loading equipment, if any, is

detached from the container.

"Derived LEU" means the low enriched uranium resulting after the blend-down of the HEU to LEU.

"Fiscal Year" means the U.S. government's fiscal year (October l to September 30).

"Gaseous Diffusion Plants" means the Paducah Gaseous Diffusion Plant in Paducah, Kentucky and the Portsmouth Gaseous Diffusion Plant in Portsmouth, Ohio.

"Highly Enriched Uranium" or "HEU" means the equivalent (in terms of uranium and enrichment content) of 50 metric tons of uranium with an average Assay of approximately forty percent (40%) as either metal (hollow cylinders, broken or sheared pieces, and other small pieces) or oxide (either UO(3) or U(3)O(8).

"HEU Shipment" means the portion of Available HEU to be shipped by DOE to USEC at a specified time.

"Low-Enriched Uranium" or "LEU" means uranium with an Assay of greater than 0.711 percent and less than twenty percent (20%).

"Natural Uranium" means 7,000 metric tons (in terms of uranium content) of natural-uranium as UF6 located at Paducah Gaseous Diffusion Plant in Paducah, Kentucky.

ARTICLE 2 TRANSFER OF NATURAL URANIUM

Section 2.1 Natural Uranium Mode and Date of Transfer. DOE shall transfer title to, risk of loss and possession of the Natural Uranium and cylinders in which the Natural Uranium is contained to USEC on the date on which this Agreement is executed by the second of the two Parties to execute it.

ARTICLE 3 TRANSFER OF HIGHLY ENRICHED URANIUM

Section 3.1 Dates of Availability. DOE shall make available for delivery to USEC the HEU in accordance with the availability schedule in Attachment A. DOE shall promptly notify USEC if it has reason to believe that the HEU will not be made available for delivery according to the schedule in Attachment A. USEC shall promptly notify DOE if it has reason to believe that it will not be able to accept delivery according to the schedule in Attachment A.

Section 3.2 Transfer of Title. DOE shall transfer title to the HEU on the date on which this Agreement is executed by the second of the two Parties to execute it. Possession and risk of loss of the HEU shall remain with DOE until HEU is delivered to USEC in accordance with Section 3.3.

Section 3.3 Delivery and Transportation.

(a) No later than 60 days after signing this Agreement, DOE and USEC shall agree to a schedule of shipments for Fiscal Years 1998 and 1999. For subsequent years, by March 30 of each year, DOE and USEC shall agree to a schedule of shipments for the following fiscal year.

(b) Unless otherwise agreed, DOE shall provide USEC with six (6) months advance notice of any shipment of HEU, except for the first five (5) metric tons. At the time DOE provides such advance notice, it shall also provide USEC with all available information concerning the isotopic and chemical composition of the material to be shipped. DOE shall deliver the HEU to USEC at one or more blending facilities designated by USEC via DOE Safe Secure

Transport.

(c) DOE shall use reasonable efforts to deliver to USEC HEU of a quality that when down blended by ordinary means to achieve the desired LEU Assay will result in

a Derived LEU product that will meet the then current American Society for Testing and Materials C996 specification for Enriched Commercial Grade Uranium.

(d) USEC shall notify DOE as soon as practicable in advance if it is unable to accept delivery of an HEU Shipment. DOE shall notify USEC as soon as practicable in advance if it is unable to deliver an HEU Shipment. In the event DOE is unable to deliver or USEC is unable to accept delivery, DOE and USEC shall agree upon an alternative shipment date for the affected HEU Shipment.

(e) Possession and risk of loss of the HEU will transfer from DOE to USEC or its designated NRC-licensed agent at the time HEU is Delivered at the designated Blending Facility for blending.

(f) Prior to each HEU Shipment, DOE will provide a statistical analysis to USEC concerning the isotopic and chemical properties of the HEU that will be shipped to USEC. It is agreed that, except as provided in 3.3(b), DOE will provide this analysis only if requested by USEC and only to the extent that DOE has operating facilities capable of performing the sampling and analysis within the period required to meet the availability schedule in a cost effective manner. USEC and DOE will agree on the sampling analysis plan and the costs of the sampling and analysis prior to DOE doing the work. The purpose of the sample analysis will be to determine the suitability of the HEU for blending into commercially acceptable LEU. To the extent consistent with the foregoing and with Section 3.3(b), the following information shall be provided:

(i) level of all uranium isotopes (ug/g ^{235}U);

(ii) ^{99}Tc levels (ug/g ^{235}U);

(iii) alpha activity from Neptunium and Plutonium (Bq/gU);

(iv) gamma activity from fission products (for each detectable gamma emitting fission product the values obtained by multiplying the activity (Bq/kgU) of each parent nuclide species by the appropriate mean gamma energy per disintegration (Mev/d) shall be summed (MevBq/dkgU). The presence of all identified gamma emitting fission product nuclides will be recorded and each contribution included in the total); and

(v) element impurities (ug/gU) for Boron and Silicon.

Section 3.4 Blend down. USEC shall be responsible for and pay the costs of blending down the HEU to Derived LEU. The Derived LEU shall have an Assay equal to or less than 10% (ten percent). USEC shall use best efforts to begin blending down the HEU delivered by DOE within one year of the date of signing this Agreement and to complete blend down of all the HEU delivered by DOE by March

31, 2005, provided DOE has delivered the HEU in accordance with the availability schedule in Attachment A and a licensed blending facility is available on commercially reasonable terms. Unless otherwise agreed, if USEC is unable to blend down all of the HEU contained in an HEU Shipment within 18 months after date of its Delivery, DOE may require USEC to return the unblended portion of the HEU Shipment to DOE. USEC shall report the progress of blending the HEU on a monthly basis to DOE. USEC shall not be required to return any HEU that it has commenced to blend down on or before the date it receives notification from DOE requiring the return of the HEU. Title to that unblended HEU will revert to DOE upon Delivery. USEC shall not be liable for any damages if it fails to blend down the HEU by the dates specified in this Agreement.

Section 3.5 Costs.

(a) DOE shall remain responsible for the safeguards and security costs, including costs associated with the International Atomic Energy Agency (IAEA) inspection regime, associated with an HEU Shipment until (i) the Availability Date for that HEU Shipment; or (ii) the date that the HEU Shipment is Delivered to USEC, whichever is sooner. After the Availability Date for that HEU Shipment or the date that the HEU Shipment is Delivered to USEC, whichever is sooner, USEC shall assume such costs. In the event that the HEU Shipment is shipped to USEC after the Availability Date, USEC must pay for USEC's pro rata share of the safeguard and security costs and IAEA inspection costs reasonably incurred by DOE during the period from the Availability Date until the HEU Shipment is shipped to USEC. A description and estimate of such safeguards and security costs and IAEA costs are set forth in Attachment C.

(b) USEC shall provide funding in advance for the cost of transporting the HEU Shipments from DOE's facility to the Blending Facility designated by USEC. If USEC returns any portion of the HEU for any reason, USEC shall reimburse DOE for the cost of transporting the HEU to the facility designated by DOE. A description and estimate of such transportation costs are set forth in Attachment C.

(c) USEC shall provide funding in advance for the costs of changing the shape or form of the material to satisfy any special requests by USEC. If requested by USEC, DOE shall provide USEC with an estimate of such costs prior to performing such work.

(d) USEC shall provide funding in advance for the agreed costs incurred by DOE for sampling and analysis required by section 3.3(f) which would not have been performed in the absence of such requirement.

Section 3.6 NEPA Compliance. DOE shall assume any responsibility for compliance with the National Environmental Policy Act (NEPA) associated with the delivery of the HEU or the Derived LEU to USEC for commercial use.

Section 3.7 Right of Rejection. USEC may reject all or any portion of an HEU Shipment for any reason, but, unless otherwise agreed by the parties, DOE shall have no obligation to replace the rejected material. If USEC decides not to accept an HEU Shipment, it shall notify DOE. If the HEU was delivered to USEC, DOE shall arrange for Delivery of the rejected HEU to a DOE facility within 90 days of receipt of USEC's notice.

(a) If the rejected HEU was delivered to USEC, title to, possession and risk of loss for the rejected HEU will pass to DOE upon Delivery of the rejected HEU to DOE. USEC shall have no further obligation or responsibility for the rejected HEU or the costs associated with it after DOE takes Delivery of it, except as provided in Section 3.5(b).

(b) If the rejected HEU was not delivered to USEC, title will revert to DOE upon receipt of notice of rejection and possession and risk of loss will remain with DOE, and USEC shall have no obligation or responsibility for the rejected HEU or the costs associated with it.

Section 3.8 Custody. DOE or a designated Nuclear Regulatory Commission-licensed blending contractor of USEC authorized to possess the HEU shall retain custody of the HEU until it is blended down to an Assay of no more than 10% (ten percent).

ARTICLE 4 PRICE-ANDERSON INDEMNIFICATION AND REQUIRED INSURANCE COVERAGE

Article 4 is contained in Attachment B and should be treated as if it were contained expressly in this Agreement.

ARTICLE 5 MODIFICATIONS AND PRIVATIZATION

Section 5.1 Amendments. Except for changes made pursuant to Section 5.2 hereof, no change to this Agreement shall be valid or binding unless such change is agreed to in writing by the parties

Section 5.2 Privatization. If USEC is privatized and its duties and obligations are assumed by a private corporation pursuant to such privatization, this Agreement shall survive and shall be transferred to such private corporation without the need for DOE or USEC to take any further action. In such event, the name of such private corporation shall be substituted for that of USEC in this Agreement. In addition, DOE and USEC shall take whatever further action is required to transfer to such private corporation any memorandum of agreement or other documents related to this Agreement and entered into by DOE and USEC on or after the date hereof which cannot be transferred to such private corporation by the operation of their terms.

ARTICLE 6 MISCELLANEOUS

Section 6.1 HEU Handling. USEC shall ensure that the HEU delivered shall remain in the possession of and be processed only by organizations licensed to possess and process HEU. USEC shall provide DOE with information concerning the following:

(a) the qualifications of any USEC contractor or subcontractor that may handle any HEU to perform its assigned function;

(b) the location of any HEU at all points in time from Delivery to USEC until the completion of blend-down, including its routing, storage and ultimate destination for blend-down;

(c) the schedule for blending down any HEU;

(d) the nature of the safeguards measures to be taken with respect to the HEU in the possession of USEC or any of its contractors or subcontractors; and

(e) liability insurance provisions, including Price-Anderson indemnification, applicable to any USEC contractor or subcontractor that will handle the material received from DOE.

USEC shall cooperate with DOE to ensure that matters described in subsections 6. l (a)-(e) are adequately addressed.

Section 6.2 Force Majeure. A Party shall not be liable for any delay in, or prevention of, performance of its obligations under this Agreement to the extent due to a "Force Majeure." A Force Majeure shall mean any event arising from causes beyond the control of a Party that causes a delay in or prevents the performance of any obligation by that Party under this Agreement, including, acts of God; fire; war; insurrection; civil disturbance; explosion; acts or a failure to act by the other Party; unanticipated breakage or accident to machinery, equipment or lines of pipe despite reasonably diligent maintenance; other circumstances that represent an imminent danger to human health, safety or the environment; adverse weather conditions that could not be reasonably anticipated; unusual delay in transportation; restraint by court order or order of public authority; delays caused by compliance with applicable statutes or regulations governing contracting, procurement or acquisition procedures, despite the exercise of reasonable diligence; and, in the case of performance by DOE, insufficient appropriated finds to perform its obligations under this Agreement, despite the exercise of reasonable diligence. Force Majeure shall not include increased costs or expenses.

Section 6.3 Entire Agreement. This Agreement contains the entire understanding of DOE and USEC with respect to the subject matter of this Agreement.

Section 6.4 Notices. Unless otherwise agreed by the parties, communications concerning this Agreement shall be made to the following:

For DOE:

Howard R. Canter
Acting Director, Office of Fissile Materials Disposition
U. S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585
Fax: (202) 586-2710

For USEC:

George P. Rifakes
Executive Vice President, Operations
United States Enrichment Corporation

2 Democracy Center
6903 Rockledge Drive
Bethesda, MD 20817
Fax: (301) 564-3208

The effective date of any communication shall be the date of the receipt of such communication by the addressee.

Section 6.5 Applicable Law. This Agreement shall be governed and construed in accordance with the laws of the United States of America.

Section 6.6 Further Assistance. DOE and USEC shall provide such information, execute and deliver any agreements, instruments and documents and take such other actions as may be reasonably necessary or required, which are not inconsistent with the provisions in this Agreement and which do not involve the assumption of obligations other than those provided for in this Agreement, in order to give full effect to this Agreement and to carry out its intent and the intent of the Act. Any request by a Party for reimbursement or funding in advance of costs pursuant to this Agreement shall include adequate documentation of the basis for the request, including the amount and nature of the cost by

category, along with supporting third party invoices. Upon request, the Party requesting reimbursement or funding in advance shall permit the other Party access to any records maintained that support the request for payment of reimbursable costs.

Section 6.7 Survival. The provisions set forth in Articles 4 (Attachment B), 5, and 6 shall survive termination of this Agreement.

IN WITNESS WHEREOF, DOE and USEC have caused this Agreement to be executed and delivered as of the date first written, and hereby affix the signatures of their duly authorized representatives:

UNITED STATES DEPARTMENT OF ENERGY

By: /s/ Ernest J. Moniz 4/21/98

Ernest J. Moniz
Under Secretary of Energy

AND

UNITED STATES ENRICHMENT CORPORATION

By: /s/ William H. Timbers, Jr. 4/20/98

William H. Timbers, Jr.
President and Chief Executive Officer

EXHIBIT 10.21

AGREEMENT REGARDING POST-CLOSING CONDUCT

THIS AGREEMENT, dated as of _____, 1998, is by and between the United States Department of the Treasury ("Treasury") on behalf of the United States Government, the United States Enrichment Corporation ("USEC"), a federally chartered corporation, the outstanding capital stock of which is held by the Secretary of the Treasury, on behalf of the United States Government, United States Enrichment Corporation, a Delaware corporation ("USEC Delaware"), USEC Inc., a Delaware corporation ("USEC Inc."), and USEC Services Corporation, a Delaware corporation ("USEC Services") (USEC Delaware, USEC Inc. and USEC Services collectively, the "USEC Companies" and each a "USEC Company"). References herein to USEC shall be references solely to the corporation itself and not to the United States Government or any other agencies or instrumentalities thereof.

WHEREAS, pursuant to the Atomic Energy Act of 1954, as amended by the Energy Policy Act of 1992 (Pub. L. No. 102-486, 106 Stat. 2776) (the "Energy Policy Act"), and the USEC Privatization Act, as enacted in the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Pub. L. No. 104-134, 110 Stat. 1321, 1321-335) (the "Privatization Act") (collectively, the "Privatization Legislation"), the Board of Directors of USEC (the "Board") has determined that the transfer of ownership of the assets and obligations of USEC to a private corporation and the transfer of the interest of the United States in USEC to the private sector by means of an initial public offering (the "Offering") will satisfy the conditions precedent to privatization established by the Privatization Legislation, and the Secretary of the Treasury has approved such determination; and

WHEREAS, in connection with the Offering, it is contemplated that (i) USEC will be merged into USEC Delaware, with USEC Delaware as the surviving corporation, pursuant to a merger agreement (the "USEC Merger Agreement"); (ii) each outstanding share of the common stock of USEC will be converted into shares of the common stock of USEC Delaware; (iii) all of the outstanding shares of capital stock of USEC Delaware will be sold to certain underwriters (the "Underwriters") to be named in an underwriting agreement among Treasury, USEC, USEC Inc., USEC Delaware and the Underwriters (the "Underwriting Agreement"), at the time and on the date specified in the Underwriting Agreement (the "Closing"); (iv) USEC Delaware will be merged with a wholly owned subsidiary of USEC Inc. formed solely for the purpose of such merger, with USEC Delaware as the surviving corporation, pursuant to a merger agreement (the "USEC Delaware Merger Agreement"); (v) each outstanding share of the common stock of USEC Delaware will be converted into shares of the common stock of USEC Inc.; and (vi) the shares of common stock of USEC Inc. will be offered to the public by the Underwriters; and

WHEREAS, the USEC Companies desire to enter into a contractually binding commitment to operate until at least January 1, 2005 the two gaseous diffusion plants leased to

the USEC Companies by the Department of Energy (each a "Plant" and collectively the "Plants") (subject to the terms and conditions specified in this Agreement) and to undertake any workforce reductions at the Plants during the first two

years after the date of this Agreement in the manner described in this Agreement; and

WHEREAS, Treasury, USEC and the USEC Companies desire to set forth certain additional agreements among themselves relating to the Offering;

NOW, THEREFORE, in consideration of the foregoing and the agreements contained herein, and as one of the inducements for the Secretary of the Treasury to approve the decision of the Board to privatize USEC by means of the Offering, the parties hereto hereby agree as follows:

1. Post-Closing Conduct.

(a) USEC and the USEC Companies acknowledge that certain obligations are imposed upon USEC and the USEC Companies under the Privatization Legislation. USEC and the USEC Companies shall abide by and comply with the Privatization Legislation, including without limitation, Section 3111(b) of the Privatization Act.

(b) From and after the Closing until the third anniversary of the Closing, the USEC Companies shall not sell, assign, transfer or otherwise dispose of, in a single transaction or a series of related transactions, all or substantially all of the uranium enrichment assets and properties or uranium enrichment operations of the USEC Companies, other than to USEC Inc. or an entity that is directly or indirectly wholly owned by USEC Inc.

(c) USEC and the USEC Companies acknowledge that the provisions of the Privatization Act provide that the Board, with the approval of the Secretary of the Treasury, shall transfer the interest of the United States in USEC to the private sector in a manner that provides for the continuation of the operation of the Plants. Accordingly, from and after the Closing until at least January 1, 2005, the USEC Companies shall continue Operation of both of the Plants; provided, however, that this paragraph shall not restrict the termination by the USEC Companies of the Operation of a Plant if a Significant Event has occurred with respect to such Plant. For the purpose of this paragraph, (i) "Operation" shall mean the use of the Plants for the provision of enrichment services, at a level reasonably determined appropriate by the USEC Companies, and (ii) a "Significant Event" shall mean: (u) any event beyond the reasonable control of the USEC Companies including, but not limited to, fires, floods, acts of God, transportation delays, acts or failures to act of government authorities or third parties, or inability to secure labor, materials, equipment or utilities that prevents the continued Operation of a Plant by the USEC Companies, (v) that the Operating Margin of USEC Inc. is less than 10% in a twelve consecutive month period, (w) that the long-term corporate credit rating of USEC Inc. is, or is reasonably expected in the next twelve months to be, downgraded below an investment grade rating, (x) the Operating Interest Coverage Ratio of USEC Inc. is less than 2.5x in a twelve consecutive month period, (y) a decrease in annual worldwide demand for Separative Work Units to less than 28 million

Separative Work Units, or (z) a decrease in the average price for long-term firm contract delivery of Separative Work Units to less than $80 per Separative Work Unit (in 1998 dollars). For purposes of this paragraph, (i) "Operating Margin" shall mean (x) earnings plus interest and taxes divided by (y) total revenue, (ii) "Operating Interest Coverage Ratio" shall mean (x) earnings plus interest and taxes divided by (y) gross interest expense. Nothing contained in this Agreement shall be construed to modify any obligation that USEC or the USEC Companies may have with respect to the Plants under the Lease Agreement between USEC and the Department of Energy dated as of July 1, 1993, as amended,

or under any state or federal law, rule, regulation, order or permit applicable thereto.

(d) USEC's Strategic Plan dated September 1997 and adopted by the Board in January 1998 (the "Strategic Plan") contemplates certain reductions in the workforce at the Plants through USEC Inc.'s fiscal year 2000. To the extent commercially practicable, the USEC Companies shall (i) take steps reasonably calculated in good faith to ensure that workforce reductions at the Plants through USEC Inc.'s fiscal year 2000 are conducted in a manner consistent with the Strategic Plan, do not exceed 500 employees, and are effected in substantially equal parts in each of USEC Inc.'s fiscal years 1999 and 2000, (ii) in each of USEC Inc.'s fiscal years 1999 and 2000, seek to achieve such workforce reductions through a program of voluntary separation before instituting a program of involuntary separation, (iii) with respect to such workforce reductions, provide benefits and take other measures to minimize workforce disruptions that are no less favorable to the workforce than would have been the case prior to the privatization of USEC and that are in accordance with the agreement between USEC and the Department of Energy concerning worker assistance to be entered into prior to the Closing. The foregoing provisions (w) shall not be construed to limit employee terminations for cause or workforce reductions through normal employee attrition, (x) shall be subject to any applicable collective bargaining agreements involving the Plants' workforce, (y) shall not be construed to create any third-party beneficiary rights, (z) shall terminate on the second anniversary of the date of this Agreement.

(e) From the Closing until the third anniversary of the Closing, the USEC Companies shall not grant any option, right or warrant to purchase, acquire, or otherwise receive any direct or indirect interest in, or economic benefit from, any shares of the stock of USEC Inc. or any securities convertible into or exercisable or exchangeable for the stock of USEC Inc., either through any bonus, profit sharing, compensation, severance, stock option, stock appreciation right, stock purchase agreement, retirement, deferred compensation, employment, or other employee benefit agreement, plan, or other arrangement for the benefit or welfare of any director, officer or employee of the USEC Companies or otherwise, unless such grant is made pursuant to an agreement, plan or other arrangement that has been validly approved by the shareholders of USEC Inc. at a meeting held at least 180 days after the Closing.

(f) From the Closing until 180 days after the Closing, the USEC Companies shall not (1) adopt any new, or amend any existing, compensation, employment or consulting agreements or arrangements for the benefit or welfare of any person who is listed as an Executive

Officer in USEC Inc.'s Registration Statement on Form S-1, or (2) increase the compensation or fringe benefits of any such person as in effect as of the Closing.

(g) USEC and the USEC Companies shall enter into agreements with each of their respective officers and directors, under which each such officer and director shall agree not to, and to use his or her best efforts to cause members of his or her respective immediate family not to, purchase shares of the Common Stock of USEC Inc. or otherwise acquire or receive any direct or indirect interest in, or economic benefit from, any shares of the Common Stock of USEC Inc. or any securities convertible into or exercisable or exchangeable for the Common Stock of USEC Inc. during a period from the Closing until 180 days after the Closing. Copies of all such agreements shall be provided to Treasury at least 5 business days prior to the Closing.

(h) From the Closing until the second anniversary of the Closing, the USEC Companies shall not hire, contract with, or provide compensation, employment, or other arrangements for the benefit of (i) persons who are or have been members of the Board of USEC on or prior to the date of this Agreement, or (ii) entities in which such persons have a direct or indirect material interest; provided, however, that this Section 1(h) shall not be construed to limit or alter rights of indemnification or contribution provided by any written agreements in effect on the date of this Agreement. For purposes of this Section 1(h), the parties intend that the term "direct or indirect material interest" shall be construed with reference to Item 404(a) of SEC Regulation S-K (17 C.F.R. Section 229.404(a)) and the Instructions thereunder.

(i) For a period of two years after the Closing, the USEC Companies shall not engage, hire, contract with, or provide compensation, employment or other arrangement for the benefit of the financial advisors or law firms that advised the USEC Board of Directors as to the manner and method of transfer of the United States Government's interest in USEC to the private sector without the approval of the Board of Directors of USEC Inc.; provided, however, that this provision shall take effect with respect to each such advisor or law firm only after the expiration of the terms of their respective contracts that are in effect on the date hereof; and provided further, that nothing in this provision shall act to amend, waive or cancel existing contractual limitations on the provision of services to the USEC Companies by such advisors or law firms.

2. Cooperation. The USEC Companies shall provide the Treasury and any other agencies or instrumentalities of the United States Government with such assistance and information, books, records and other material documents of USEC existing on the Closing ("Records"), without charge, as may be reasonably requested by such parties in connection with (i) claims relating to the period prior to the Closing for which the United States Government may have liability, or (ii) the privatization of USEC. Such cooperation shall be provided to the requesting party promptly upon its request and shall include making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The USEC Companies shall retain all Records for a period of six (6) years following the Closing.

3. Governing Law; Consent to Jurisdiction. This Agreement, and the rights and obligations of the parties hereunder, shall be governed by, and construed and interpreted in accordance with, federal law and not the law of any state or locality. USEC, the USEC Companies and the Treasury hereby irrevocably and unconditionally consent and submit to and waive any objection to the personal and subject matter jurisdiction of, and venue in, the United States District Court of the District of Columbia or the United States Court of Federal Claims in any action or preceding arising out or relating to this Agreement. USEC, the USEC Companies and Treasury agree that such jurisdiction and venue shall be exclusive with respect to any such action or proceeding brought by it hereunder. USEC, the USEC Companies and Treasury consent to the service of copies of the summons and complaint and any other such process which may be served in any such action or proceeding by certified mail, return receipt requested, or by any other method permitted by law.

4. Amendment; Waiver. This Agreement may only be amended by an instrument in writing signed by the parties hereto. Any failure by USEC or the USEC Companies to comply with any obligation, covenant or agreement herein may be waived by Treasury, and any failure by Treasury to comply with any obligation, covenant or agreement herein may be waived by USEC or USEC Inc.;

provided, however, that any such waiver may be made only by a written instrument signed by the party granting such waiver. Any waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition by a party hereto shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure by any other party hereto.

5. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the specific subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the specific subject matter hereof.

6. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

7. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by facsimile or by registered or certified mail (postage prepaid, return receipt requested), to the other party as follows:

If to Treasury:

Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220
Attention: Assistant Secretary (Financial Markets)

If to USEC or the USEC Companies:

United States Enrichment Corporation
2 Democracy Center
6903 Rockledge Drive
Bethesda, MD 20817
Attention: General Counsel

or to such other address as the person to whom notice is given may have previously furnished to the other in writing in the manner set forth above.

8. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf by its duly authorized representative, all as of the day and year first above written.

THE UNITED STATES OF AMERICA, acting through the Secretary of the Treasury, through his duly authorized designate

By: _____

Name:

Title:

UNITED STATES ENRICHMENT CORPORATION,
a federally chartered corporation

By:

Name:

Title:

UNITED STATES ENRICHMENT CORPORATION,
a Delaware corporation

By:

Name:

Title:

USEC INC., a Delaware corporation

By:

Name:

Title:

USEC SERVICES CORPORATION, a Delaware
corporation

By:

Name:

Title:
_____

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EXHIBIT 10.22

AGREEMENT

THIS AGREEMENT is made and entered into as of June 19, 1998, by and between the United States Department of Energy ("Energy"), an agency of the Government of the United States of America (the "United States"), and the United States Enrichment Corporation (the "Corporation"), a Government corporation established by section 1301 of the Atomic Energy Act of 1954 (42 U.S.C. 2297b) (the "Atomic Energy Act"), as enacted in section 901 of the Energy Policy Act of 1992 (Pub. L. No. 102-486, 106 Stat. 2776, 2923) (the "Energy Policy Act").

WHEREAS, the Corporation (i) is engaged in the business of providing uranium fuel enrichment services for commercial nuclear power plants, (ii) leases certain gaseous diffusion plants ("GDPs") owned by Energy to use in its business, and (iii) has received exclusive commercial rights to use Atomic Vapor Laser Isotope Separation ("AVLIS") technology developed by the United States; and

WHEREAS, the United States, acting by and through the United States Departments of State and Energy, entered into an agreement (the "Executive Agent MOA") with the Corporation defining the Corporation's role as Executive Agent for the United States under the Agreement Between the United States and Russian Federation Concerning the Disposition of Highly Enriched Uranium Extracted from Nuclear Weapons (the "Russian HEU Agreement"), and the Executive Agent MOA requires USEC to provide the United States with information related to its performance as Executive Agent for the United States under the Russian HEU Agreement; and

WHEREAS, sections 1501 and 1502 of the Atomic Energy Act direct the Corporation to prepare a strategic plan for transferring ownership of the Corporation to private investors (the "Privatization Plan"), and permit the Corporation to implement the Privatization Plan if certain conditions specified in section 1502 of the Atomic Energy Act are satisfied; and

WHEREAS, the conditions specified in section 1502 of the Atomic Energy Act include the requirement that the Corporation determine, in consultation with appropriate agencies of the United States, that privatization will, (i) result in a return to the United States at least equal to the net present value of the Corporation, (ii) not result in the Corporation being owned, controlled, or dominated by an alien, a

foreign corporation, or a foreign government, (iii) not be inimical to the health and safety of the public or the common defense and security, and (iv) provide reasonable assurance that adequate enrichment capacity will remain available to meet the needs of the domestic electric utility industry; and

WHEREAS, section 3103 of the USEC Privatization Act (as enacted in the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Pub. L. No. 104-134, 110 Stat. 1321, 1321-335)) (the "Privatization Act") directs the Board of Directors of the Corporation, with the approval of the Secretary of the Treasury, to transfer the interest of the United States in the Corporation to the private sector in a manner that (i) provides for the long-term viability of the Corporation, (ii) provides for the continuation by the Corporation of the operation of Energy's gaseous diffusion plants, (iii) provides for the protection of the public interest in maintaining a reliable and economical domestic source of uranium mining, enrichment and conversion services, and (iv) to the extent not inconsistent with such purposes, secures the maximum proceeds to the United States, and section 3104 of the Privatization Act imposes similar

conditions governing the selection of the method and terms and conditions of privatization; and

WHEREAS, the Corporation has prepared a Privatization Plan and has commenced the process of implementing it; and

WHEREAS, the United States has determined that the establishment of an Enrichment Oversight Committee ("EOC") to monitor and coordinate United States efforts with respect to the privatized Corporation and any successor entities involved in uranium enrichment and related businesses is necessary in order to further the national security and other interests of the United States, and to allow the implementation of the Privatization Plan; and

WHEREAS, the EOC has been established by an Executive Order dated May 26, 1998 (the "Executive Order"); and

WHEREAS, the Executive Order provides, inter alia, that the EOC shall collect information (including proprietary information) from the Corporation (including any successor entity) as necessary to fulfill the EOC's oversight functions and in a manner so as to minimize disruption to the normal functioning of the Corporation; and

WHEREAS, the United States has determined that entering into this Agreement is necessary to allow the implementation of the Privatization Plan and the fulfillment of the EOC's oversight functions, and has further determined that Energy is an appropriate agency to enter into this Agreement with the Corporation;

WHEREAS, the United States and the Corporation have determined that the Agreement is authorized and contemplated by the Executive order;

NOW, THEREFORE, under the authority of the Executive order, the Atomic Energy Act, the Privatization Act and other law, and in consideration of the mutual representations, warranties and covenants provided herein, as well as other consideration, the value and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Reports by the Corporation to Energy.

1.1 Annual Reports. The Corporation shall provide annual reports to Energy, which shall consist of the information set forth in Schedule A of this Agreement (the "Annual Report"). Each Annual Report shall be delivered no later than 100 calendar days after the conclusion of the Corporation's fiscal year. Schedule A may be amended from time to time in accordance with Sections 4.2 of this Agreement.

1.2 Quarterly Reports. For each quarter of the Corporation's fiscal year other than the fourth quarter, the Corporation shall provide quarterly reports to Energy, which shall consist of the information set forth in Schedule B of this Agreement (the "Quarterly Report"). Each Quarterly Report shall be delivered no later than 50 calendar days after the conclusion of each quarter of the Corporation's fiscal year other than the fourth quarter. Schedule B may be amended from time to time in accordance with Section 4.2 of this Agreement.

1.3 Special Reports. The Corporation shall provide to Energy the reports specified in Schedule C of this Agreement ("Special Reports") whenever

any of the events specified in Schedule C transpire. Each Special Report shall be delivered as soon as possible after the occurrence of the event giving rise to the duty to provide such Special Report, and in no event later than 15 calendar days after the occurrence of such event. Schedule C may be amended from time to time in accordance with Section 4.2 of this Agreement.

2. Additional Information.

2.1 Requests for Additional Information. If the EOC determines that, in order to allow the EOC fulfill its functions and objectives (as set forth in the Executive Order), there is a need to receive information relating to the Corporation that the Corporation is not at that time required to provide under this Agreement ("Additional Information"), Energy may from time to time deliver a written request to the Corporation that specifies the Additional Information being requested, the reasons for requesting such Additional Information and a date for delivery of such Additional Information. Except as provided in Section 2.2, the Corporation shall provide all Additional Information requested by Energy by the date so specified. A request for Additional Information may include, without limitation, a request for delivery of information that will be contained in an Annual Report, a Quarterly Report or a Special Report in advance of the date otherwise specified for delivery of such report.

2.2 Limitations. If the Corporation's Chief Executive Officer determines that compliance with the scope or timing of a request for Additional Information would disrupt the normal functioning of the Corporation, the Corporation shall immediately provide Energy with a written notice that specifies the factual basis for such determination and, if possible, provides suggestions for modifications to the scope or timing of Energy's request. Both parties shall then negotiate in good faith to determine if there is a mutually acceptable basis for compliance by the Corporation with Energy's request. Negotiations between the parties shall include discussions of the reasons for Energy's request, the basis for the Corporation's determination that the request would disrupt the normal functioning of the Corporation, the advisability of amending this Agreement or its Schedules to alter the scope or the timing of information provided hereunder, and such other matters as the parties may deem relevant.

2.3 Determination by the Secretary of Energy. Notwithstanding anything contained elsewhere in this Agreement, if the Secretary of Energy, in consultation with the members of the EOC, determines that a significant threat to the national security or economic interests of the United States exists that requires immediate access to Additional Information that is necessary to fulfill the EOC's functions and objectives (as set forth in the Executive Order), Energy may direct the Corporation to provide such Additional Information as Energy may specify in writing, by the date specified by Energy, and the Corporation shall provide such Additional Information by the date so specified; provided, however, that the authority to make a determination under this Section 2.3 may not be delegated by the Secretary of Energy; and

provided further, that the Secretary of Energy shall personally consult with the Chief Executive Officer of the Corporation as to the scope and timing of Additional Information to be provided under this Section 2.3 if the Chief

Executive Officer of the Corporation requests. Additional Information to be provided under this Section 2.3 may include, without limitation, information that will be contained in an Annual Report, a Quarterly Report or a Special Report in advance of the date otherwise specified for delivery of such report.

3. Use of Information and Confidentiality of Proprietary Information.

3.1 EOC. The Corporation understands and acknowledges that information provided under this Agreement will be made available by Energy to the EOC and the agencies of the United States that comprise the EOC (including, without limitation, the Nuclear Regulatory Commission to the extent provided in the Executive Order) for the purpose of allowing the EOC to perform its functions and objectives (as set forth in the Executive Order).

3.2 Designation of Information by the Corporation. The Corporation may designate information provided under this Agreement as proprietary information, disclosure of which may impact its competitive position or reveal its trade secrets, by affixing the legend "Contains USEC Trade Secret/Proprietary Information" to pages containing such information.

3.3 Protection from Disclosure. Except as provided in Section 3.3.1, the United States will keep all information designated by the Corporation under Section 3.2 (the "Proprietary Information") in confidence, will not disclose it, and will use it solely for the purpose of allowing the EOC to perform its functions and objectives (as set forth in the Executive Order), unless the Corporation has provided its prior consent. For purposes of this Section 3.3, providing Proprietary Information to agencies of the United States other than the agencies that comprise the EOC (including, without limitation, the Nuclear Regulatory Commission to the extent provided in the Executive Order) shall constitute disclosure. Energy shall provide a copy of this Agreement to each agency of the United States that receives Proprietary Information hereunder, and Energy shall use its best efforts to ensure that all agencies receiving Proprietary Information abide by the disclosure and use limitations of this Section 3.3.

3.3.1 Circumstances Allowing Disclosure. The United States may disclose an item of Proprietary Information or use it for a purpose not specified by the Executive Order without the Corporation's prior consent if:

(i) such item of Proprietary Information is or becomes publicly available other than as a result of a disclosure by the United States,

(ii) disclosure of such item of Proprietary Information is required by a Law that is applicable to the United States; provided, however, that the United States shall disclose or use such item of Proprietary Information only to the extent required by such Law, or

(iii) the chairperson of the EOC determines that such item of Proprietary Information may provide evidence of a Violation of a Law by the Corporation or any other person or a Violation of a Contractual Obligation by the Corporation, and the chairperson of the EOC further determines that disclosure of such item of Proprietary Information is necessary in order to allow the United States to take action with respect to such Violation, which action may include, without limitation, investigating, prosecuting, enjoining, or restraining such Violation, or seeking damages or other legal or equitable relief in connection with such Violation; provided, however, that the United States shall disclose or use such item of Proprietary Information only to the

extent necessary to take such action with respect to such Violation.

3.3.2 Definitions. As used in this Agreement, the capitalized terms listed below shall have the following meanings:

(i) "Contractual Obligation" means any provision of any contract, agreement, lease, memorandum of agreement or other instrument to which (a) the United States is a party and (b) to which the Corporation is a party or by which it or any of its assets is bound or to which it or any of its assets is subject;

(ii) "Law" means any constitution, treaty, statute, law, rule, regulation, order, authorization, consent, approval, permit, license, decision, judgment, award or decree; and

(iii) "Violation", as applied to any Law or Contractual Obligation, means any actual or threatened violation or breach.

3.3.3 Advance Notice of Proposed Disclosure. The United States shall provide the Corporation with advance notice, pursuant to Executive Order 12600, prior to releasing any Proprietary Information under the Freedom of Information Act (5 U.S.C. Section 552a).

4. Miscellaneous.

4.1 Notices.

4.1.1 Addresses of the Parties. All notices and other communications hereunder (including, without limitation, reports under Section 1 and Additional Information under Section 2) shall be in writing and shall be addressed as follows:

If to Energy:

Ernest Moniz, Under Secretary
United States Department of Energy
1000 Independence Avenue, SW.
Washington, D.C. 20585
Attn: Elwood Holstein
Telephone number: (202) 586-6210
Facsimile number: (202) 586-7644

If to the Corporation:

United States Enrichment Corporation
6903 Rockledge Drive
Bethesda, MD 20817-1818
Attn: Philip G. Sewell
Telephone number: (301) 564-3305
Facsimile number: (301) 564-3201

The address or telephone numbers for either party may be changed at any time and from time to time upon written notice given to the other party hereto.

4.1.2 A properly addressed notice or other communication shall not be deemed to have been delivered for purposes of this Agreement until:

(a) if made by personal delivery, the date of such personal delivery;

(b) if mailed by first class mail, registered or certified mail, express mail or any other overnight commercial courier service, the date that such mailing is received; and

(c) if sent by facsimile (fax) transmission, the date that such transmission and a call advising of such transmission is received.

4.1.3 Any notice containing information designated as classified by the United States shall be delivered in accordance with all Laws governing such classified information.

4.2 Amendments. No provision of this Agreement may be amended, modified, waived, supplemented, discharged or terminated orally but only by an instrument in writing duly executed by the parties hereto. Each party shall negotiate in good faith concerning all amendments to this Agreement proposed by the other party, including, without limitation, amendments to the Schedules attached to this Agreement and the provisions specifying the timing for delivery of reports under Section 1.

4.3 No Effect on Executive Agent MOA or Other Agreements. The Corporation understands and acknowledges that certain information provided by the Corporation hereunder regarding the Corporation's performance as Executive Agent for the United States under the Russian HEU Agreement may also be provided pursuant to the terms of the Executive Agent MOA. Nothing in this Agreement shall be deemed to alter or amend the rights and reponsibilities of the parties to the Executive Agent MOA or any other agreement between the Corporation and the United States.

4.4 Termination. This Agreement may not be terminated except by an instrument in writing duly executed by the parties hereto.

4.5 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. The successors and assigns of the Corporation shall be deemed to include, without limitation, any person, corporation, partnership, trust, limited liability company, unincorporated organization, or other entity or organization, (i) that succeeds to all or

any significant portion of the business conducted by the Corporation on the date of this Agreement, or (ii) that is or has been an affiliate of the Corporation or any of the foregoing and that engages in uranium enrichment or a related business. The parties shall take all actions necessary to ensure that this Agreement is binding upon and inures to the benefit of their respective successors and assigns, including, without limitation, requiring that their successors and assigns execute and deliver an agreement comparable to this Agreement.

4.6 Governing Law Jurisdiction. This Agreement, and the rights and obligations of the parties hereunder, shall be governed by, and construed and interpreted in accordance with, federal law and not the law of any state or locality. Any and all disputes among the parties which may arise pursuant to

this Agreement shall be heard and determined in the appropriate federal court located in the District of Columbia, and not elsewhere. The parties hereto acknowledge that such court has the jurisdiction to interpret and enforce the provisions of this Agreement and the parties waive any and all objections that they may have as to jurisdiction or venue in such court.

4.7 Specific Performance. The parties acknowledge that remedies at law will not be adequate to protect the interest of the parties in specific performance of this Agreement. In the event of a breach or threatened breach of any of the terms, covenants or conditions of this Agreement by either of the parties hereto, the other party shall, in addition to other remedies, be entitled to a temporary and/or permanent injunction, without showing any actual damage or that monetary damages would not provide an adequate remedy, and/or a decree for specific performance, in accordance with the provisions hereof.

4.8 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not of itself invalidate or render unenforceable such provision in any other jurisdiction.

4.9 Incorporation of Schedules. Schedules A, B and C collectively form an integral part of this Agreement and are incorporated herein by reference.

4.10 Headings. The descriptive headings of the various sections and subsections of this Agreement were formulated and inserted for convenience only

and shall not be deemed to affect the meaning or construction of the provisions hereof.

4.11 Counterparts. This Agreement may be executed in separate counterparts, each of which when so executed and delivered shall be an original, but all of which together shall constitute but one and the same instrument.

4.12 Waiver. No waiver of any breach of any of the provisions of this Agreement or the right to receive any entitlement hereunder shall be held deemed to be a waiver of any other or subsequent breach or right, and the failure of a party to enforce at any time any provision hereof shall not be deemed a waiver of any right of any such party to subsequently enforce such provision or any other provision hereof.

4.13 Further Assurances. Energy and USEC shall provide such information, execute and deliver such agreements, instruments and documents, and take such other actions as may be reasonably necessary or required, which are not inconsistent with the provisions of this Agreement and which do not involve the assumption of obligations other than those provided for in this Agreement in order to give full effect to this Agreement and carry out its intent.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first written above.

UNITED STATES OF AMERICA,
acting by and through
the Secretary of Energy ("Energy")

By: /s/ FREDERICO F. PENA

Frederico F. Pena

UNITED STATES ENRICHMENT
CORPORATION (the "Corporation")

By: /s/ WILLIAM H. TIMBERS, JR.

William H. Timbers, Jr.
President and Chief Executive
Officer

EXHIBIT 10.24

INDEMNIFICATION AGREEMENT

AGREEMENT, effective as of [DATE], between USEC Inc., a Delaware corporation (the "Company"), and [INDEMNITEE] (the "Indemnitee").

WHEREAS, it is essential to the Company to retain and attract as directors and officers the most capable persons available;

WHEREAS, Indemnitee is a director or officer of the Company;

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in today's environment;

WHEREAS, the Certificate of Incorporation ("Certificate") and By-laws of the Company require the Company to indemnify and advance expenses to its directors and officers to the fullest extent authorized or permitted by law and the Indemnitee has been serving and continues to serve as a director or officer of the Company in part in reliance on such Certificate and By-laws;

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and in part to provide Indemnitee with specific contractual assurance that the protection promised by the aforesaid Certificate and By-laws will be available to Indemnitee (regardless of, among other things, any amendment to or revocation of such Certificate and By-laws or any change in the composition of the Company's Board of Directors or acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is obtained or maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

NOW, THEREFORE, in consideration of the premises and of Indemnitee continuing to serve the Company directly or, at its request, another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain Definitions:

(a) Change in Control: shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or

other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 20% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason

to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company's assets.

(b) Claim: any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation, whether instituted by the Company or any other party, that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil, criminal, administrative, investigative or other.

(c) Expenses: include attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event.

(d) Indemnifiable Event: any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or is or was serving at the request of the Company

as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of anything done or not done by Indemnitee in any such capacity.

(e) Independent Legal Counsel: an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(f) Reviewing Party: (i) the Company's Board of Directors by a majority vote of directors who were not parties to the particular Claim for which Indemnitee is seeking indemnification, or (ii) if there are no such directors, or if such directors so direct, then Independent Legal Counsel, or (iii) the stockholders.

(g) Voting Securities: any securities of the Company which vote generally in the election of directors.

2. Basic Indemnification Arrangement. (a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts

paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim. Notwithstanding anything in this Agreement to the contrary, prior to a Change in Control, Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee unless the Board of Directors has authorized or consented to the initiation of such Claim. If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee (an "Expense Advance").

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) shall be subject to the

condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the State of Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Except with respect to litigation commenced in accordance with the preceding sentence, any determination by the Reviewing Party under this Section 2 shall be conclusive and binding on the Company and Indemnitee.

3. Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and

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damages arising out of or relating to this Agreement or its engagement pursuant hereto.

4. Indemnification for Additional Expenses. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for (i) indemnification or advance payment of Expenses by the Company under this Agreement or any other agreement or Company By-law now or hereafter in effect relating to Claims for Indemnifiable Events and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

5. Partial Indemnity, Etc. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

6. Burden of Proof. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. No Presumptions. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee's claim or create a

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presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. Nonexclusivity, Etc. The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Company's Certificate and By-laws or the Delaware General Corporation Law or otherwise. To the extent that a change in the Delaware General Corporation Law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Company's Certificate and By-laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its

or their terms, to the maximum extent of the coverage available for any Company director or officer.

10. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

11. Amendments, Etc. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

12. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

13. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under

any insurance policy, By-law or otherwise) of the amounts otherwise indemnifiable hereunder.

14. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer or director of the Company or of any other enterprise at the Company's request.

15. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.

16. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this ____ day of _____, 1998.

USEC INC.

By

Name:
Title:

Name: [Indemnitee]

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation in this registration statement of our reports dated May 18, 1998, except with respect to the matters discussed in Note 16, as to which the date is June [ ], 1998 related to the United States Enrichment Corporation's balance sheets as of June 30, 1997 and 1996, and the related statements of income and cash flows for each of the three years in the period ended June 30, 1997 and to all references to our Firm included in this registration statement.

/s/ Arthur Andersen LLP

Washington, D.C.

June 29, 1998

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EXHIBIT 23.3

CONSENT OF PERSON ABOUT TO BECOME A DIRECTOR

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I, William H. White, hereby consent to be named as a person about to become a director of USEC Inc. in the Registration Statement on Form S-1 being filed by USEC Inc. with the Securities and Exchange Commission, as such Registration Statement may be amended from time to time.

Signature: /s/ BILL WHITE

Dated: 6/11 1998
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CONSENT OF PERSON ABOUT TO BECOME A DIRECTOR

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I, James R. Mellor, hereby consent to be named as a person about to become a director of USEC Inc. in the Registration Statement on Form S-1 being filed by USEC Inc. with the Securities and Exchange Commission, as such Registration Statement may be amended from time to time.

Signature: /s/ JAMES R. MELLOR

Dated: MAY 15 1998
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CONSENT OF PERSON ABOUT TO BECOME A DIRECTOR

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I, Frank V. Cahouet, hereby consent to be named as a person about to become a director of USEC Inc. in the Registration Statement on Form S-1 being filed by USEC Inc. with the Securities and Exchange Commission, as such Registration Statement may be amended from time to time.

Signature: /s/ FRANK V. CAHOUET

Dated: 5/21 1998
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CONSENT OF PERSON ABOUT TO BECOME A DIRECTOR

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I, Joyce F. Brown, hereby consent to be named as a person about to

become a director of USEC Inc. in the Registration Statement on Form S-1 being filed by USEC Inc. with the Securities and Exchange Commission, as such Registration Statement may be amended from time to time.

Signature: /s/ JOYCE F. BROWN

Dated: May 16, 1998

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CONSENT OF PERSON ABOUT TO BECOME A DIRECTOR

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I, Dan T. Moore III, hereby consent to be named as a person about to become a director of USEC Inc. in the Registration Statement on Form S-1 being filed by USEC Inc. with the Securities and Exchange Commission, as such Registration Statement may be amended from time to time.

Signature: /s/ Dan T. Moore III

Dated: 6/16, 1998

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CONSENT OF PERSON ABOUT TO BECOME A DIRECTOR

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I, John R. Hall, hereby consent to be named as a person about to become a director of USEC Inc. in the Registration Statement on Form S-1 being filed by USEC Inc. with the Securities and Exchange Commission, as such Registration Statement may be amended from time to time.

Signature: /s/ John R. Hall

Dated: June 19, 1998

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CONSENT OF PERSON ABOUT TO BECOME A DIRECTOR

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I, William H. Timbers, Jr., hereby consent to be named as a person about to become a director of USEC Inc. in the Registration Statement on Form S-1 being filed by USEC Inc. with the Securities and Exchange Commission, as such Registration Statement may be amended from time to time.

Signature: /s/ WILLIAM H. TIMBERS, JR.

Dated: June 25, 1998