SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the fiscal quarter ended September 30, 2002

OR

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

Commission file number 1-14287
USEC Inc.
(Exact name of registrant as specified in its charter)

Delaware	**52-2107911**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
2 Democracy Center, 6903 Rockledge Drive, Bethesda MD	**20817**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code: **(301) 564-3200**

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

As of September 30, 2002, there were 81,659,000 shares of Common Stock, par value $.10 per share, issued and outstanding.

USEC Inc.

Quarterly Report on Form 10-Q
for the Fiscal Quarter Ended September 30, 2002

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This Quarterly Report on Form 10-Q contains forward-looking information (within the meaning of the Private Securities Litigation Reform Act of 1995) that involves risks and uncertainty, including certain assumptions regarding the future performance of USEC. Actual results and trends may differ materially depending upon a variety of factors, including, without limitation, market demand for USEC's products, pricing trends in the uranium and enrichment markets, deliveries under the Russian Contract, the availability and cost of electric power, implementing agreements with the Department of Energy ("DOE") regarding uranium inventory remediation and the use of advanced technology and facilities, satisfactory performance of the technology at various stages of demonstration, USEC's ability to successfully execute its internal performance plans, the refueling cycles of USEC's customers, the outcome of litigation, and the impact of any government regulation. Revenue and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year.

USEC Inc.
CONSOLIDATED CONDENSED BALANCE SHEETS
(millions)

	(Unaudited) September 30, 2002	June 30, 2002
ASSETS		
Current Assets		
Cash and cash equivalents	$ 111.1	$ 279.2
Restricted cash	11.9	—
Accounts receivable – trade	250.1	185.1
Inventories	893.7	889.7
Other	35.5	26.7
Total Current Assets	1,302.3	1,380.7
Property, Plant and Equipment, net	187.4	191.5
Other Assets		
Deferred income taxes	47.7	51.5
Prepayment and deposit for depleted uranium	46.1	46.0
Prepaid pension benefit costs	84.3	82.8
Inventories	402.2	415.5
Total Other Assets	580.3	595.8
Total Assets	**$ 2,070.0**	**$2,168.0**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 162.6	$ 192.8
Payables under Russian Contract	127.7	156.4
Deferred revenue and advances from customers	43.7	74.9
Liabilities accrued for consolidating plant operations	24.2	25.6
Uranium owed to customers	5.8	5.8
Total Current Liabilities	364.0	455.5
Long-Term Debt	500.0	500.0
Other Liabilities		
Deferred revenue and advances from customers	23.9	23.4
Depleted uranium disposition	57.9	58.0
Postretirement health and life benefit obligations	136.1	135.1
Other liabilities	47.4	46.7
Total Other Liabilities	265.3	263.2
Stockholders' Equity	940.7	949.3
Total Liabilities and Stockholders' Equity	**$ 2,070.0**	**$2,168.0**

See notes to consolidated financial statements.

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

	Three Months Ended September 30,	
	2002	**2001**
Revenue:		
Separative work units	$ 343.8	$ 294.5
Uranium	17.0	6.0
Total revenue	360.8	300.5
Cost of sales	336.2	287.3
Gross profit	24.6	13.2
Advanced technology development costs	6.0	2.5
Selling, general and administrative	11.7	11.2
Operating income (loss)	6.9	(.5)
Interest expense	9.3	9.3
Other (income) expense, net	(4.4)	(2.4)
Income (loss) before income taxes	2.0	(7.4)
Provision (credit) for income taxes	.8	(2.7)
Net income (loss)	**$ 1.2**	**$ (4.7)**
Net income (loss) per share – basic and diluted	$ .01	$ (.06)
Dividends per share	$ .1375	$ .1375
Average number of shares outstanding	81.5	80.8

See notes to consolidated financial statements.

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

	Three Months Ended September 30,	
	2002	**2001**
Cash Flows from Operating Activities		
Net income (loss)	$ 1.2	$ (4.7)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	6.5	5.6
Deferred revenue and advances from customers	(30.7)	(14.3)
Deferred income taxes	3.8	(6.5)
Liabilities accrued for consolidating plant operations	(1.4)	(13.4)
Changes in operating assets and liabilities:		
Accounts receivable – (increase)	(65.0)	(37.2)
Inventories – decrease	9.3	13.7
Payables under Russian Contract – increase (decrease)	(28.7)	6.3
Accounts payable and other – net (decrease)	(30.3)	(14.7)
Net Cash Provided by (Used in) Operating Activities	(135.3)	(65.2)
Cash Flows Used in Investing Activities		
Capital expenditures	(5.9)	(7.6)
Restricted cash	(11.9)	—
Net Cash (Used in) Investing Activities	(17.8)	(7.6)
Cash Flows Used in Financing Activities		
Dividends paid to stockholders	(11.2)	(11.1)
Deferred financing costs	(4.7)	—
Common stock issued	.9	1.3
Net Cash (Used in) Financing Activities	(15.0)	(9.8)
Net (Decrease)	(168.1)	(82.6)
Cash and Cash Equivalents at Beginning of Period	279.2	122.5
Cash and Cash Equivalents at End of Period	**$ 111.1**	**$ 39.9**
Supplemental Cash Flow Information:		
Interest paid	$ 16.8	$ 16.6
Income taxes paid (refund)	(6.2)	—

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION

The unaudited consolidated condensed financial statements included herein have been prepared by USEC Inc. ("USEC") pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial results for the interim period. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been omitted pursuant to such rules and regulations.

Operating results for the three months ended September 30, 2002, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2003. The unaudited consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and related notes and management's discussion and analysis of financial condition and results of operations, included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2002.

2. INVENTORIES

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

	(Unaudited) September 30, 2002	June 30, 2002
Current assets:		
Separative work units	$ 716.1	$ 708.1
Uranium	152.0	154.0
Uranium provided by customers	5.8	5.8
Materials and supplies	19.8	21.8
	893.7	889.7
Long-term assets:		
Uranium	237.5	237.5
Highly enriched uranium transferred from Department of Energy	164.7	178.0
	402.2	415.5
Current liabilities:		
Uranium owed to customers	(5.8)	(5.8)
Inventories, reduced by uranium owed to customers	**$ 1,290.1**	**$1,299.4**

USEC has previously reported that limited samples of certain natural uranium transferred to USEC from DOE prior to privatization contain elevated levels of technetium that would put the uranium out of specification for commercial use. The total amount of uranium inventory that may be impacted is approximately 9,500 metric tons with a cost of $237.5 million at September 30, 2002.

Under the DOE-USEC Agreement signed in June 2002, DOE agreed to replace any natural uranium that is determined to be out-of-specification. USEC agreed to operate facilities at the Portsmouth plant at its own expense (other than site infrastructure expenses which are being paid by DOE) for 15 months in order to remove contaminants from a portion of the out-of-specification uranium. USEC expects costs to operate the facilities will total $21.0 million, of which $3.0 million had been incurred in the

three months ended September 30, 2002, and remaining costs of $18.0 million are expected over the twelve month period ending September 30, 2003. To compensate USEC for these clean-up costs, DOE will take title to all depleted uranium generated by USEC at the Paducah plant during fiscal years 2002 and 2003 and half of the depleted uranium generated in fiscal years 2004 and 2005, up to a maximum of 23.3 million kilograms of uranium contained in depleted uranium. The transfer of depleted uranium to DOE reduces USEC's costs for the disposition of depleted uranium. USEC will release the United States from liability with respect to any out-of-specification uranium that is processed or replaced, and in any event will release the United States for liability with respect to at least 2,800 metric tons of natural uranium.

DOE's obligations to replace or remediate all out-of-specification natural uranium continue until all such uranium is replaced or remediated. DOE's obligations to replace or remediate out-of-specification natural uranium are subject to availability of appropriated funds and legislative authority, and compliance with applicable law. Although the parties intend to pursue any such legislative authority, there can be no assurance that Congress will appropriate such funds and pass requisite legislation.

USEC is in the early stages of operating facilities at the Portsmouth plant to remove contaminants from a portion of the out-of-specification uranium and is encountering operational issues in the start up of this processing. USEC can provide no assurances that it will be able to remove contaminants from at least 2,800 metric tons of natural uranium by September 2003. In the event that USEC is not able to remove contaminants from at least 2,800 metric tons prior to its obligation to release the United States from liability with respect to such uranium, an impairment in the valuation of uranium inventory could result. In addition, an impairment in the valuation of uranium inventory would result if DOE fails to exchange, replace, clean up or reimburse USEC for some or all of the out-of-specification uranium for which DOE has assumed responsibility. Depending on the amount of uranium, an impairment could have an adverse effect on USEC's financial condition and results of operations.

3. SHORT-TERM DEBT

There were no short-term borrowings at September 30, 2002, or June 30, 2002. USEC has not drawn on its short-term credit facilities since December 2000 and does not anticipate short-term borrowings in the near future, but believes it is prudent to have a working capital facility in place.

On September 27, 2002, United States Enrichment Corporation, a wholly-owned principal operating subsidiary of USEC, entered into a three-year syndicated revolving credit facility to replace the bank credit facility that had been scheduled to expire in July 2003. USEC terminated the bank credit facility in connection with the new revolving credit facility. The new three-year facility provides up to $150 million in revolving credit commitments (including up to $50 million in letters of credit) and is secured by certain assets of the subsidiary and certain assets of USEC, subject to certain conditions. Borrowings under the new facility are subject to certain limitations based on certain percentages of eligible accounts receivable and inventory. Obligations under the facility are fully and unconditionally guaranteed by USEC.

Outstanding borrowings under the facility bear interest at a variable rate equal to, based on the borrower's election, either (i) the sum of (x) the greater of the JPMorgan Chase Bank prime rate or the federal funds rate plus 1/2 of 1% plus (y) a margin ranging from .75% to 1.25% based upon collateral availability or (ii) the sum of LIBOR plus a margin ranging from 2.5% to 3% based on collateral availability. At September 30, 2002, USEC was in compliance with covenants under the revolving credit facility, including, without limitation, certain cross-default provisions and various operating and financial covenants that are customary for transactions of this type, including, without limitation, restrictions on the incurrence and prepayment of other indebtedness, granting of liens, sales of assets,

making of investments, maintenance of a minimum amount of inventory, and payment of dividends or other distributions. The new facility does not restrict USEC's payment of common stock dividends at its current level, subject to the maintenance of a specified minimum level of collateral. Failure to satisfy the covenants would constitute an event of default.

At September 30, 2002, USEC had set aside restricted cash of $11.9 million as a temporary deposit against letters of credit issued under the former bank credit facility. In October 2002, replacement letters of credit were formally issued under the new revolving credit facility, and the temporary restrictions were lifted.

Deferred financing costs for the revolving credit facility amounted to $4.7 million and are being amortized to interest expense over the three-year term of the facility.

4. STOCKHOLDERS' EQUITY

Changes in stockholders' equity follow (in millions except per share data):

	Common Stock, Par Value $.10 per share	Excess of Capital over Par Value	Retained Earnings	Treasury Stock	Deferred Compensation	Total Stockholders' Equity
Balance at June 30, 2002	$ 10.0	$ 1,066.1	$ 10.6	$(136.8)	$ (.6)	$ 949.3
Restricted and other stock issued, net of amortization	—	—	—	2.5	(1.1)	1.4
Dividends paid to stockholders	—	—	(11.2)	—	—	(11.2)
Net income	—	—	1.2	—	—	1.2
Balance at September 30, 2002	**$ 10.0**	**$ 1,066.1**	**$ .6**	**$(134.3)**	**$ (1.7)**	**$ 940.7**

Changes in the number of shares of common stock outstanding follow (in thousands):

	Shares Issued	Treasury Stock	Shares Outstanding
Balance at June 30, 2002	100,320	(19,010)	81,310
Common stock issued	—	349	349
Balance at September 30, 2002	**100,320**	**(18,661)**	**81,659**

5. SPECIAL CHARGES FOR CONSOLIDATING PLANT OPERATIONS

Changes in accrued liabilities resulting from special charges for consolidating plant operations follow (in millions):

	Balance June 30, 2002	Paid and Utilized	Balance September 30, 2002
Workforce reductions	$ 9.2	$ (.7)	$ 8.5
Lease turnover and other exit costs	16.4	(.7)	15.7
	$ 25.6	**$ (1.4)**	**$ 24.2**

In May 2001, USEC ceased uranium enrichment operations at the Portsmouth plant as an important step in the ongoing efforts to consolidate plant operations. The plans announced in June 2000 for workforce reductions and ceasing uranium enrichment operations at the Portsmouth plant resulted in special charges of $141.5 million in fiscal 2000 ($88.7 million or $.97 per share after tax), including asset impairments of $62.8 million, severance benefits of $45.2 million for workforce reductions, and lease turnover and other exit costs of $33.5 million. In fiscal 2002, USEC recorded a special credit of $6.7 million ($4.2 million or $.05 per share after tax) representing a change in estimate of costs for consolidating plant operations.

The remaining liability accrued for consolidating plant operations amounts to $24.2 million at September 30, 2002, including $8.5 million for severance benefits relating to workforce reductions involving 497 employees and $15.7 million for lease turnover and other exit costs.

In fiscal 2001 and prior years, USEC purchased electric power for the Portsmouth plant from DOE under a contract that USEC concluded with DOE in July 1993. DOE acquired the power that it sold to USEC from the Ohio Valley Electric Corporation ("OVEC") under a power purchase agreement signed in 1952. In September 2000, at USEC's request, DOE notified OVEC that it would terminate the power purchase agreement effective April 30, 2003, and that it would cease taking power after August 2001.

Upon termination of the agreement, DOE will be responsible for a portion of the costs incurred by OVEC for postretirement health and life insurance benefits and for the eventual decommissioning, demolition and shut-down of the coal-burning power generating facilities owned and operated by OVEC. Under its July 1993 contract with DOE, USEC will, in turn, be responsible for a portion of DOE's costs. USEC has accrued its estimate of its share of DOE's costs. Final determinations of USEC's costs will depend on (a) the total cost to DOE of the termination obligations as determined by independent actuaries and engineering consultants, and (b) resolution of differences between DOE and USEC over the portion of DOE's costs that must be reimbursed by USEC. Accordingly, the amount ultimately due from USEC may differ from the amount it has accrued. Any determination of such costs at levels above the estimated amounts accrued by USEC would have an adverse effect on USEC's results of operations.

6. LEGAL MATTERS

Reference is made to information on legal matters reported under Legal Proceedings in Part II Other Information of this Quarterly Report on Form 10-Q.

7. NEW ACCOUNTING STANDARDS

Under Statement of Financial Accounting Standards No. 143 ("FAS 143"), "Accounting for Asset Retirement Obligations," obligations relating to the retirement of tangible long-lived assets and the associated asset retirement costs would be recorded on the balance sheet and measured at fair value using an expected present-value technique and a credit-adjusted risk-free interest rate. Under Statement of Financial Accounting Standards No. 144 ("FAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets", there are new accounting standards for long-lived assets to be held and used, to be disposed of by sale, or to be disposed of by other than sale. FAS 143 and FAS 144 became effective and were adopted by USEC at the beginning of fiscal 2003. Adoption of the new accounting standards did not have a material effect on the consolidated financial position or results of operations.

Under Statement of Financial Accounting Standards No. 146 ("FAS 146"), "Accounting for Costs Associated with Exit or Disposal Activities," new accounting standards are adopted for the recognition, measurement and reporting of costs associated with exit and disposal activities, including restructuring activities. FAS 146 would become effective for exit or disposal activities initiated after December 31, 2002. USEC has not completed its assessment or evaluation of FAS 146 and has not yet determined whether or to what extent the new accounting standards will affect the consolidated financial statements.

USEC Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements and related notes and management's discussion and analysis of financial condition and results of operations included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2002.

Overview

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

The standard measure of enrichment in the uranium enrichment industry is a separative work unit ("SWU"). A SWU represents the effort that is required to transform a given amount of natural uranium into two streams of uranium, one enriched in the U(235) isotope and the other depleted in the U(235) isotope, and is measured using a standard formula based on the physics of uranium enrichment. The amount of enrichment contained in LEU under this formula is commonly referred to as the SWU component.

Critical Accounting Policies

The summary of significant accounting policies and the other notes to the consolidated financial statements included in the Annual Report on Form 10-K provide a description of relevant information regarding USEC's significant and critical accounting policies with respect to the following:

- revenue recognition, including deferred revenue and advances from customers,
- inventories of uranium and SWU and inventory costing methods, classifications and valuations,
- power costs and related contractual commitments,
- assets and liabilities relating to the generation and future disposition of depleted uranium,
- deferred income taxes and related valuation allowance, and
- special charges and liabilities for consolidating plant operations.

Revenue includes estimates and judgments relating to the recognition of deferred revenue and price adjustments under contracts with customers that involve pricing based on inflation rates and customers' nuclear fuel requirements. SWU and uranium inventories include estimates and judgments for production quantities and replacement or remediation of any out-of-specification uranium by DOE. Production costs include estimates of future costs for the storage, transportation and disposition of depleted uranium and the treatment and disposal of hazardous, low-level radioactive and mixed wastes. Income taxes include estimates and judgments for the tax bases of assets and liabilities and the future recoverability of deferred tax items. Judgments and estimates inherent in special charges for consolidating plant operations include the timing and amount of asset impairments, obligations to power suppliers for USEC's pro rata share of decommissioning, demolition and shutdown activities and postretirement health and life benefit obligations, and future costs to complete plant lease turnover and other requirements. Actual results may differ from these estimates and such estimates may change if the underlying conditions or assumptions change.

Results of Operations – Three Months Ended September 30, 2002 and 2001

Revenue

Revenue from sales of the SWU component of LEU amounted to $343.8 million in the three months ended September 30, 2002, an increase of $49.3 million (or 17%) from $294.5 million in the corresponding period of fiscal 2002. The increase was due mainly to the timing and movement of customer orders, and an increase of 2.5% in average prices billed to customers. The volume of SWU sold increased 14% and the number of customer refueling orders was higher. For fiscal 2003, USEC expects SWU volume to be about the same compared with fiscal 2002 while average SWU prices billed to customers are expected to decline 2%. Invoiced prices will be lower as older contracts with higher prices expire and the sales backlog becomes more heavily weighted with contracts negotiated in recent years with flexible quantities and lower prices.

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 are 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 refueling in the spring or fall on an annual, 18-month or 24-month cycle. The timing of larger orders for initial core requirements for new nuclear reactors also can affect operating results.

Nuclear regulators in Japan are conducting reactor inspections and reviewing maintenance records of several reactor operators in Japan after acknowledgements of falsified examination results and unauthorized repairs. As a result, the Japanese nuclear industry is undergoing an evaluation of its management practices and regulatory regime. Japan's Ministry of Economy, Trade and Industry has ordered that one reactor be shut down for a year as a penalty and eight other reactors will be shut down for a month for maintenance and testing. USEC supplies LEU for some of these reactors, and these actions are not expected to have an effect on USEC's revenue or results of operations in fiscal 2003. An extended shutdown of additional reactors in Japan would have an adverse effect on USEC's revenue and results of operations.

Revenue from sales of uranium was $17.0 million in the three months ended September 30, 2002, an increase of $11.0 million from $6.0 million in the corresponding period of fiscal 2002**.** The increase was due to higher volumes. USEC expects revenue from sales of uranium in fiscal 2003 to be about the same as in fiscal 2002.

The percentage of revenue from domestic and international customers follows:

	Three Months Ended September 30,	
	2002	**2001**
Domestic	61%	71%
Asia	30	19
Europe and other	9	10
	100%	**100%**

In the three months ended September 30, 2002, revenue from domestic customers increased $5.9 million (or 3%), revenue from customers in Asia increased $53.5 million (or 96%), and revenue from customers in Europe and other areas was about the same, compared with the corresponding period of fiscal 2002. Changes in revenue and percentages of revenue from domestic and international

customers reflect the timing and the movement of customer orders and higher average prices billed to customers in Asia.

Cost of Sales

Cost of sales is based on the amount of SWU and uranium sold during the period and is determined by a combination of inventory levels and costs, production costs, and purchase costs under the Russian Contract. Production costs consist principally of electric power, labor and benefits, depleted uranium disposition costs, materials, depreciation and amortization, and maintenance and repairs. Under the monthly moving average inventory cost method coupled with USEC's significant inventories of SWU and uranium, an increase or decrease in production or purchase costs will have an effect on inventory costs and cost of sales over future periods.

In recent years, cost of sales per SWU has trended upward. This trend is expected to stabilize in the near term and will improve as the favorable impact of purchases from Russia under the new market-based contract amendment, workforce reductions and plant consolidation initiatives, and lower costs for depleted uranium disposition over time lower inventory costs and improve the cost of sales.

Cost of sales amounted to $336.2 million in the three months ended September 30, 2002, an increase of $48.9 million (or 17%) from $287.3 million in the corresponding period of fiscal 2002. The increase in cost of sales primarily reflects the 14% increase in the volume of SWU sold and the higher volume of uranium sales. Cost of sales per SWU, based on the average cost inventory method, in the three months ended September 30, 2002, benefited from lower costs for depleted uranium disposition resulting from the DOE-USEC Agreement signed in June 2002 and a significant increase in production in the summer of 2002 compared with the corresponding period in fiscal 2002.

Purchase Costs

USEC is the Executive Agent of the U.S. Government under a government-to-government agreement ("Russian Contract") to purchase the SWU component of LEU recovered from dismantled nuclear weapons from the former Soviet Union for use as fuel in commercial nuclear power plants. USEC contracts for purchases under the Russian Contract on a calendar year basis.

Purchases of the SWU component of LEU under the Russian Contract amounted to $182.3 million in the three months ended September 30, 2002, an increase of $9.7 million (or 6%) from $172.6 million in the corresponding period in fiscal 2002. Volume increased 6% and unit costs of $90.42 per SWU, excluding shipping charges, were the same in both periods. Purchases represented 62% of the combined produced and purchased supply mix in the three months ended September 30, 2002, compared with 76% in the corresponding period in fiscal 2002. USEC expects purchases under the Russian Contract will approximate 50% of the supply mix in fiscal 2003.

In June 2002, the U.S. and Russian governments approved implementation of new, market-based pricing terms for the remaining 12 years of the Russian Contract. An amendment to the Russian Contract creates a market-based mechanism to determine prices beginning in calendar year 2003 and continuing through 2013. In consideration for this stable and economic structure for the future, USEC agreed to extend the calendar year 2001 price of $90.42 per SWU through calendar year 2002. Beginning January 2003, prices under the Russian Contract will be determined using a discount from an index of international and U.S. price points, including both long-term and spot prices. Prices in calendar 2003 will be significantly lower than the $90.42 per SWU being paid in calendar 2002. A multi-year retrospective of this index will be used to minimize the disruptive effect of any short-term market price swings. The amendment also provides that, after the end of calendar year 2007, the

parties may agree on appropriate adjustments, if necessary, to ensure that the Russian Executive Agent receives at least $7,565 million for the SWU component over the 20-year term of the Russian Contract.

Under the amended contract, USEC agreed to continue to purchase 5.5 million SWU each calendar year from 2002 through 2012 and such amount in calendar year 2013 as may be required to ensure that over the life of the Russian Contract USEC purchases SWU contained in 500 metric tons of highly enriched uranium. Because purchases were delayed in the first half of calendar 2002 pending government approvals, USEC is purchasing SWU at an accelerated rate from July to December 2002, resulting in USEC purchasing 6.5 million SWU in fiscal 2003. USEC also agreed to purchase over two or more years after 2002 a total of 1.6 million SWU that had been ordered but not delivered to USEC in 1999. Over the life of the 20-year Russian Contract, USEC expects to purchase 92 million SWU contained in LEU derived from 500 metric tons of highly enriched uranium. A significant delay in purchasing, shipping or receiving LEU from Russia would have an adverse effect on USEC's results of operations.

Under the terms of a 1997 memorandum of agreement between USEC and the U.S. Government, USEC can be terminated, or resign, as the U.S. Executive Agent, or one or more additional executive agents may be named. In either event, any new executive agent could represent a significant new competitor that could adversely affect USEC's profitability and sales.

Production Costs

To improve operating efficiency and to facilitate a more rapid return to full production this fall, USEC substantially boosted production in the three months ended September 30, 2002, over the low level maintained in the corresponding period of fiscal 2002. Although USEC used more electric power, it was attractively priced. Since USEC kept most of the production equipment on-line during the summer, production increased and unit costs were lower. USEC expects to reach full production levels sooner during the production ramp up this fall. In addition, year-round production allows USEC to better align production and sales.

In view of the higher production levels in the three months ended September 30, 2002, production costs were higher. Electric power costs amounted to $82.1 million in the three months ended September 30, 2002, an increase of $38.3 million (or 87%) from $43.8 million in the corresponding period of fiscal 2002. Power costs represented 60% of production costs, compared with 47% in the corresponding period of fiscal 2002. These higher costs were offset in part by lower costs for the future disposition of depleted uranium generated from operations. Under the DOE-USEC Agreement, USEC is transferring title to DOE for depleted uranium generated by USEC at the Paducah plant during fiscal years 2002 and 2003 and half of the depleted uranium generated in fiscal years 2004 and 2005, up to a maximum of 23.3 million kilograms of uranium contained in depleted uranium.

Gross Profit

Gross profit amounted to $24.6 million in the three months ended September 30, 2002, an increase of $11.4 million (or 86%) from $13.2 million in the corresponding period of fiscal 2002. The average SWU price billed to customers increased 2.5% along with higher SWU volume. Gross margin was 7%, compared with 4% in the corresponding period of fiscal 2002 reflecting higher average prices billed to customers.

Advanced Technology Development Costs

Advanced technology development costs amounted to $6.0 million in the three months ended September 30, 2002, compared with $2.5 million in the corresponding period of fiscal 2002. Under the DOE-USEC Agreement reached in June 2002 regarding a variety of domestic issues, USEC is moving ahead with its plan to demonstrate, and, before the end of the decade, deploy, U.S. advanced enrichment

technology. USEC and DOE are working to implement the DOE-USEC Agreement, and DOE has approved a 5-year $121 million Cooperative Research and Development Agreement to deploy a lead cascade test facility that uses U.S. gas centrifuge technology. Preliminary work at centrifuge test facilities in Oak Ridge, Tennessee is underway to support meeting the first two milestones under the DOE-USEC Agreement. Fabrication of a key centrifuge component is complete, and component testing will begin in January 2003.

USEC has received competing proposals from the states of Kentucky and Ohio to locate the lead cascade at the Paducah or Portsmouth plant. USEC plans to announce selection of its lead cascade site later this year. USEC is adding staff to its advanced technology group, which is preparing a license application for the lead cascade that USEC expects to file in early 2003 with the Nuclear Regulatory Commission. USEC expects to begin construction of its lead cascade facility in 2004, with start up of the first centrifuges beginning in 2005. Deployment of a full-scale commercial plant will follow later this decade.

Selling, General and Administrative

Selling, general and administrative expenses amounted to $11.7 million in the three months ended September 30, 2002, about the same as in the corresponding period of fiscal 2002.

Other Income (Expense), Net

Other income includes interest income and income or expense, net, from contract services for DOE and others. Other income amounted to $4.4 million in the three months ended September 30, 2002, compared with $2.4 million in the corresponding period of fiscal 2002. USEC earned the net amount of $2.2 million from contract services, including recovery of $1.0 million from the resolution of a contract billing, in the three months ended September 30, 2002, compared with a net expense of $.9 million in the corresponding period of fiscal 2002.

Accounts receivable at September 30, 2002, includes accrued receivables of $13.8 million for actual costs for contract services incurred by USEC but not yet billed. USEC expects to bill DOE later in fiscal 2003 as soon as revised provisional overhead billing rates are approved by DOE.

Operating Income (Loss)

Operating income amounted to $6.9 million in the three months ended September 30, 2002, compared with a loss of $.5 million in the corresponding period of fiscal 2002. The increase reflects higher gross profit and higher other income, partly offset by higher costs for centrifuge development.

Interest Expense

Interest expense amounted to $9.3 million in the three months ended September 30, 2002, the same as in the corresponding period of fiscal 2002.

Provision (Credit) for Income Taxes

The provision (credit) for income taxes in the three months ended September 30, 2002, reflects an effective income tax rate of 40% compared with 36% in the corresponding period of fiscal 2002.

Net Income (Loss)

Net income was $1.2 million (or $.01 per share) in the three months ended September 30, 2002, compared with a loss of $4.7 million (or $.06 per share) in the corresponding period of fiscal 2002.

Fiscal 2003 Outlook

USEC reiterates its fiscal 2003 earnings guidance of $9 to $12 million. USEC expects the next two quarters' financial results will be breakeven to a loss, with nearly all of fiscal 2003 net income being earned in the fourth quarter. Net income in fiscal 2003 will be driven by USEC's business performance and is dependent upon the following key factors:

- Meeting fiscal 2003 targets for revenue; approximately 95 percent of projected revenue is under contract.
- Further reductions in production costs at the Paducah, Kentucky plant that depend on the timing and completion of cost-reduction initiatives.
- Meeting targets for other income that are primarily dependent on definitization of the cold standby contract at the Portsmouth, Ohio plant, including fee negotiations and legislative approval of DOE funding levels.

At September 30, the cash balance was $111.1 million. USEC anticipates a cash balance on June 30, 2003, in a range of $80 to $100 million. USEC anticipates free cash flow before dividends (cash flow from operations reduced by capital expenditures) to be in a range of negative $130 to $150 million. Cash flow in fiscal 2003 is lower due to USEC catching up on Russian SWU purchases in the July to December 2002 period, customer collections for deliveries late in the fourth quarter of fiscal 2003 that will not be received until fiscal 2004, payment of costs for consolidating plant operations, and deliveries against advances from customers that result in non-cash revenue.

Liquidity and Capital Resources

Liquidity and Cash Flows

Cash and cash equivalents amounted to $111.1 million at September 30, 2002, compared with $279.2 million at June 30, 2002. The significant reduction resulted primarily from increased purchases and cash payments for SWU under the Russian Contract as well as the timing of collections of trade receivables. USEC expects cash and cash equivalents will be $80 to $100 million with no short-term debt at the end of fiscal 2003.

Net cash outflow from operating activities amounted to $135.3 million in the three months ended September 30, 2002, compared with a net cash outflow of $65.2 million in the corresponding period of fiscal 2002. Cash outflow in the three months ended September 30, 2002, reflects higher cash payments under the Russian Contract and the timing of collections of trade receivables. In addition, deliveries against advances from customers resulted in non-cash revenue.

Capital expenditures amounted to $5.9 million in the three months ended September 30, 2002, compared with $7.6 million in the corresponding period of fiscal 2002. Capital expenditures in the three months ended September 30, 2002, include costs for replacement equipment and, in the fiscal 2002 period, included costs to upgrade transfer and shipping facilities at the Paducah plant.

Dividends paid to stockholders amounted to $11.2 million in the three months ended September 30, 2002, about the same as in the corresponding period of fiscal 2002.

Capital Structure and Financial Resources

In January 1999, USEC issued $350.0 million of 6.625% senior notes due January 2006 and $150.0 million of 6.750% senior notes due January 2009. The senior notes are unsecured obligations and rank

on a parity with all other unsecured and unsubordinated indebtedness of USEC Inc.

There were no short-term borrowings at September 30, 2002, or June 30, 2002. USEC has not drawn on its short-term credit facilities since December 2000 and does not anticipate short-term borrowings in the near future, but believes it is prudent to have a working capital facility in place.

On September 27, 2002, United States Enrichment Corporation , a wholly-owned principal operating subsidiary of USEC, entered into a three-year syndicated revolving credit facility to replace the bank credit facility that had been scheduled to expire in July 2003. USEC terminated the bank credit facility in connection with the new revolving credit facility. The new three-year facility provides up to $150 million in revolving credit commitments (including up to $50 million in letters of credit) and is secured by certain assets of the subsidiary and certain assets of USEC, subject to certain conditions. Borrowings under the new facility are subject to certain limitations based on certain percentages of eligible accounts receivable and inventory. Obligations under the facility are fully and unconditionally guaranteed by USEC.

Outstanding borrowings under the facility bear interest at a variable rate equal to, based on the borrower's election, either (i) the sum of (x) the greater of the JPMorgan Chase Bank prime rate or the federal funds rate plus 1/2 of 1% plus (y) a margin ranging from .75% to 1.25% based upon collateral availability or (ii) the sum of LIBOR plus a margin ranging from 2.5% to 3% based on collateral availability. At September 30, 2002, USEC was in compliance with covenants under the revolving credit facility, including, without limitation, certain cross-default provisions and various operating and financial covenants that are customary for transactions of this type, including, without limitation, restrictions on the incurrence and prepayment of other indebtedness, granting of liens, sales of assets, making of investments, maintenance of a minimum amount of inventory, and payment of dividends or other distributions. The new facility does not restrict USEC's payment of common stock dividends at its current level, subject to the maintenance of a specified minimum level of collateral. Failure to satisfy the covenants would constitute an event of default.

At September 30, 2002, USEC had set aside restricted cash of $11.9 million as a temporary deposit against letters of credit issued under the former bank credit facility. In October 2002, replacement letters of credit were formally issued under the new revolving credit facility, and the temporary restrictions were lifted. Deferred financing costs for the revolving credit facility amounted to $4.7 million and are being amortized to interest expense over the three-year term of the facility.

The total debt-to-capitalization ratio was 35% at September 30, 2002, compared with 34% at June 30, 2002.

At September 30, 2002, USEC had contractual commitments to repay long-term debt and to make payments under power purchase commitments for the Paducah plant and purchase commitments for the SWU component of LEU ordered under the Russian Contract, as follows (in millions):

	Payments Due				
	Within One Year	Two to Three Years	Four to Five Years	After Five Years	Total
Long-term debt	$ —	$ —	$ 350.0	$ 150.0	$ 500.0
Power purchase commitments	300.8	539.0	196.1	—	1,035.9
Commitments to purchase SWU component of LEU ordered under Russian Contract	548.9	163.3	—	—	712.2
	$ 849.7	**$ 702.3**	**$ 546.1**	**$ 150.0**	**$2,248.1**

USEC expects that its cash, internally generated funds from operations, and available financing under the revolving credit facility will be sufficient to meet its obligations as they become due and to fund operating requirements of the plants, purchases of the SWU component of LEU under the Russian Contract, capital expenditures, demonstration and deployment of centrifuge technology, interest expense, costs to consolidate plant operations, and quarterly dividends.

A summary of working capital follows (in millions):

	September 30, 2002	June 30, 2002
Cash	$ 111.1	$ 279.2
Accounts receivable	250.1	185.1
Inventories, net	893.7	883.9
Accounts payable and other	(316.6)	(423.0)
Working capital	**$ 938.3**	**$ 925.2**

Quantitative and Qualitative Disclosures about Market Risk

At September 30, 2002, the balance sheet carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and payables under the Russian Contract approximate fair value because of the short-term nature of the instruments.

USEC does not enter into financial instruments for trading purposes. The fair value of long-term debt is calculated based on a credit-adjusted spread over U.S. Treasury securities with similar maturities. The scheduled maturity dates of long-term debt, the balance sheet carrying amounts and related fair values at September 30, 2002, follow (in millions):

	Maturity Dates		September 30, 2002	
	January 2006	January 2009	Balance Sheet Carrying Amount	Fair Value
Long-term debt:				
6.625% senior notes	$350.0		$ 350.0	$308.0
6.750% senior notes		$150.0	150.0	126.0
			$ 500.0	**$434.0**

Legal Proceedings

Environmental Matter

Beginning in 1998, USEC contracted with Starmet CMI ("Starmet") to convert a portion of USEC's depleted uranium into a form that could be used in certain beneficial applications or disposed of at existing commercial disposal facilities. In March 2002, Starmet filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. The South Carolina Department of Health and Environmental Control denied Starmet's application to renew its license and issued an order shutting down Starmet's facility in Barnwell, South Carolina. Starmet appealed the order and requested a stay. The South Carolina court has denied Starmet's request for a stay, indicating that it was not likely that Starmet would prevail on the merits. The EPA has informed USEC that it has initiated cleanup activities at the Barnwell site. EPA has contacted USEC to obtain information and has indicated that, in the event Starmet does not initiate adequate clean up activities, it will name USEC in letters designed to identify potentially responsible parties to pay for and/or undertake cleanup actions at the site under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), as amended. Each potentially responsible party may face assertions of joint and several liability under CERCLA. USEC believes that it has defenses against any potential action seeking to require it to contribute to the cost of clean up at the site or to be involved in the clean up of the site, but whether any such claims will be asserted and the outcome of any such defenses cannot be predicted at this point in time.

EPA has informed USEC that, on a very preliminary basis, it estimates that the total cost to clean up the Starmet site is approximately $17 million. Since this is a very preliminary estimate, it could change substantially. USEC believes that other parties, including agencies of the U.S. Government and major corporations, will be responsible for contributing to clean up costs or be required to take part in the clean up, but it is unclear how many other parties will be responsible and what share, if any, of the clean up costs would be allocated to USEC if it is held to be responsible. An allocation of costs to USEC in excess of amounts accrued under the contract with Starmet could have an adverse effect on USEC's results of operations.

Federal Securities Lawsuit

On October 27, 2000, a federal securities lawsuit was filed against USEC. Additional lawsuits of a similar nature were filed and were consolidated. The complaint named as defendants USEC, two of USEC's officers, and the seven underwriters involved in the initial public offering of common stock. The complaint generally alleged that certain statements in the registration statement and prospectus for the July 28, 1998 initial public offering were materially false and misleading because they misrepresented and failed to disclose certain adverse material facts, risks and uncertainties.

In March 2002, the U.S. District Court for the District of Maryland dismissed the lawsuit. In April 2002, the plaintiffs filed a notice of appeal with the U.S. Court of Appeals for the Fourth Circuit. The appeal is now in the briefing phase. USEC continues to believe that the ultimate outcome of these proceedings will not have a material adverse effect on its financial position or results of operations.

Other

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

Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

The President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of a date within 90 days prior to the filing date of this quarterly report ("Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to USEC and its consolidated subsidiaries required to be included in periodic filings under the Exchange Act.

(b) Changes in Internal Controls.

Since the Evaluation Date, there have not been any significant changes in internal controls or in other factors that could significantly affect such controls.

Exhibits and Reports on Form 8-K

(a) Exhibits.

10.58	Cooperative Research and Development Agreement, Development of an Economically Attractive Gas Centrifuge Machine and Enrichment Process, by and between UT-Battelle, LLC, under its U.S. Department of Energy Contract and USEC Inc., dated June 30, 2000, Amendment A, dated July 12, 2002, and Amendment B, dated September 11, 2002
10.59	Revolving credit agreement, dated as of September 27, 2002, among United States Enrichment Corporation, the lenders named therein parties thereto, JPMorgan Chase Bank (as administrative agent, collateral agent and lead arranger), Merrill Lynch Capital (as syndication agent), GMAC Business Credit, LLC (as documentation agent), and Congress Financial Corporation (as managing agent), incorporated by reference to current report on Form 8-K filed October 4, 2002.
10.60	Guarantee, dated as of September 27, 2002, by USEC Inc. in favor of JPMorgan Chase Bank, (as administrative agent and collateral agent), in respect of the obligations of United States Enrichment Corporation under the revolving credit agreement incorporated by reference to current report on Form 8-K filed October 4, 2002.
99.5	Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

There were no reports on Form 8-K filed during the quarter ended September 30, 2002. On October 4, 2002, USEC filed a current report on Form 8-K reporting a new syndicated three-year $150 million revolving credit facility.

SIGNATURE

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

USEC Inc.

October 31, 2002

By /s/ Henry Z Shelton, Jr.
Henry Z Shelton, Jr.
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, William H. Timbers, certify that:

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

October 31, 2002

/s/ William H. Timbers
William H. Timbers
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Henry Z Shelton, Jr., certify that:

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

October 31, 2002

/s/ Henry Z Shelton, Jr.

Henry Z Shelton, Jr.
Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
10.58	Cooperative Research and Development Agreement, Development of an Economically Attractive Gas Centrifuge Machine and Enrichment Process, by and between UT-Battelle, LLC, under its U.S. Department of Energy Contract and USEC Inc., dated June 30, 2000, Amendment A, dated July 12, 2002, and Amendment B, dated September 11, 2002.
99.5	Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 10.58

STEVENSON-WYDLER (15 USC 3710)
COOPERATIVE RESEARCH AND DEVELOPMENT
AGREEMENT (hereinafter "CRADA") No. **ORNL00-0579**

Development of Economically Attractive Gas Centrifuge Machine and Process

BETWEEN

UT-Battelle, LLC
under its U.S. Department of Energy Contract
No. DE-AC05-00OR2275 hereinafter ("Contractor")

AND

United States Enrichment Corporation
(hereinafter "Participant"),

both being hereinafter jointly referred to as the "Parties"

ARTICLE I: DEFINITIONS

A. "Government" means the United States of America and agencies thereof.

B. "DOE" means the Department of Energy, an agency of the United States of America.

C. "Contracting Officer" means the DOE employee administering the Contractor's DOE contract.

D. "Generated Information" means information produced in the performance of this CRADA.

E.-1 "Proprietary Information" means information which embodies (i) trade secrets or (ii) commercial or financial information which is privileged or confidential under the Freedom of Information Act (5 USC 552 (b)(4)), either of which is developed at private expense outside of this CRADA and marked as Proprietary Information

E-2 "Business Sensitive Information" means information which was transferred to Participant pursuant to the USEC Privatization Act (P.L. 104-134) and marked by Participant as Business Sensitive Information which embodies (i) trade secrets or (ii) commercial or financial information which may be privileged or confidential under the Freedom of Information Act (5 USC 552 (b)(4)), and will be presumed to be appropriately marked and treated as such by DOE and Contractor. However, DOE and Contractor reserve the right to challenge such markings.

F. "Protected CRADA Information" means Generated Information which is marked as being Protected CRADA Information by a Party to this CRADA and which would have been Proprietary Information had it been obtained from a non-federal entity.

G. "Subject Invention" means any invention of the Contractor or Participant conceived or first actually reduced to practice in the performance of work under this CRADA.

H. "Intellectual Property" means patents, Trademarks, copyrights, Mask Works, Protected CRADA Information and other forms of comparable property rights protected by Federal Law and other foreign counterparts.

I. “Trademark” means a distinctive mark, symbol or emblem used in commerce by a producer or manufacturer to identify and distinguish its goods or services from those of others.

J. “Service Mark” means a distinctive word, slogan, design, picture, symbol or any combination thereof, used in commerce by a person to identify and distinguish its services from those of others.

K. “Mask Work” means a series of related images, however fixed or encoded, having or representing the predetermined, three-dimensional pattern of metallic, insulating or semiconductor material present or removed from the layers of a semiconductor chip product; and in which series the relation of the images to one another is that each image has the pattern of the surface of one form of the semiconductor chip product. (17 USC 901(a)(2)).

L. “RD&D” means research, development and demonstration performed by the Contractor and the Participant under this CRADA.

M. “Background Intellectual Property” means the Contractor-owned Intellectual Property rights in the items identified by the Parties in Appendix C-1, UT-Battelle (Contractor) Background Intellectual Property, which items were conceived by Contractor or Contractor’s predecessor(s) outside of this CRADA and not first actually reduced to practice under this CRADA. For Contractor-owned inventions conceived outside of this CRADA and first actually reduced to practice under this CRADA, Contractor will retain ownership of such inventions and agrees to provide the Government with an irrevocable, exclusive, paid-up, world-wide license with the right to sublicense, in the field of use of uranium enrichment, unless preexisting licensing proposals, contractual commitments or obligations preclude granting of such license by Contractor. Although the Contractor-owned Intellectual Property Rights are presently unclassified, new applications of such rights may become Classified Information or Unclassified Controlled Nuclear Information during the performance of work under this CRADA, subject to the DOE security and classification provisions applicable to this CRADA. Licensing of Background Intellectual Property, shall be the subject of separate licensing agreements. Background Intellectual Properties are not Subject Inventions or DOE-Owned Related Intellectual Property (See Article XXXIII).

N. Pursuant to 48 CFR 904.404(d) (1) and 48 CFR 952.204-2 the following definitions are also noted:

(1) *Definition of Classified Information*. The term “Classified Information” means Restricted Data, Formerly Restricted Data, or National Security Information.

(2) *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.

(3) *Definition of Formerly Restricted Data*. The term “Formerly Restricted Data” means all data removed from the Restricted Data category under section 142 d. of the Atomic Energy Act of 1954, as amended.

(4) *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.

(5) *Definition of Special Nuclear Material (SNM*). "SNM" means (1) plutonium, uranium enriched in the isotope 233 or in the isotope 235, and any other material which pursuant to the provision 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.

O. Pursuant to 48 CFR 952.204-73 the following definitions are also noted:

(a) "Foreign Interest" is defined as any of the following:

(1) A foreign government, foreign government agency, or representative of a foreign government.

(2) Any form of business enterprise or legal entity organized, chartered or incorporated under the laws of any country other than the United States or its possessions and the trust territories;

(3) Any form of business enterprise organized or incorporated under the laws of the U.S., or a State or other jurisdiction within the U.S., which is owned, controlled, or influenced by a foreign government, agency, firm, corporation, or person; or

(4) Any person who is not a U.S. citizen or national of the United States.

(b) "Foreign Ownership, Control, or Influence (FOCI)" means the situation where the degree of ownership, control, or influence over a contractor by a foreign interest is such that a reasonable basis exists for concluding that compromise of classified information or special nuclear material may result.

P. Pursuant to 10 CFR 1017.3 the following definitions are also noted:

"Unclassified Controlled Nuclear Information (UCNI)" means certain unclassified Government information prohibited from unauthorized dissemination under Section 148 of the Atomic Energy Act as amended, such as information:

(1) Which concerns atomic energy defense programs;

(2) Which pertains to:

(i) The design of production facilities or utilization facilities;

(ii) Security measures (including security plans, procedures, and equipment) for the physical protection of -

(A) Production or utilization facilities;

(B) Nuclear material contained in such facilities; or

(C) Nuclear material in transit; or

(iii) The design, manufacture, or utilization of any nuclear weapon component if the design, manufacture, or utilization of such weapon or component was contained in any information declassified or removed from the Restricted Data category by the Assistant Secretary for Defense

Programs (or the head of the predecessor agency of the Department of Energy) pursuant to Section 142 of the Atomic Energy Act; and

(3) Whose unauthorized dissemination, as determined by a Controlling Official, could reasonably be expected to have a significant adverse effect on the health and safety of the public or the common defense and security by significantly increasing the likelihood of -

(i) Illegal production of nuclear weapons; or

(ii) Theft, diversion, or sabotage of nuclear materials, equipment or facilities.

"Controlling Official" means an individual authorized under 10 CFR 1017.7 (a) to make a determination that specific Government information is, is not, or is no longer UCNI, such determination serving as the basis for determinations by a Reviewing Official that a document or material contains, does not contain, or no longer contains UCNI.

"Reviewing Official" means an individual authorized under 10 CFR 1017.12 (a) to make a determination, based on guidelines which reflect decisions of Controlling Officials, that a document or material contains UCNI.

Q. "Exceptional Circumstance Subject Invention" means any Subject Invention in a technical field determined by DOE to be subject to an exceptional circumstance under Section 35 USC 202 (a)(ii)

ARTICLE II: STATEMENT OF WORK

Appendix A, Statement of Work, is hereby incorporated into this CRADA by reference.

ARTICLE III: TERM, FUNDING AND COSTS

A. The effective date of this CRADA shall be the latter date of (1) the date on which it is signed by the last of the Parties hereto, (2) the date on which it is approved by DOE, or (3) the date on which the advance funding referred to in Article IIIE is received by the Contractor. The work to be performed under this CRADA shall be completed within twelve (12) months from the effective date.

B. The total value of this CRADA is $4,000,000. The Participant's estimated contribution to this effort is $4,000,000 (with $1,860,000 of that amount being total funds-in to ORNL). The Government's estimated contribution, which is provided through the Contractor's contract with DOE, is $0. Additionally, the Participant's funds-in contribution is usually subject to Federal Administrative Charges in the amount of 3 percent. This charge for Participant is waived until October 1, 2000, at which time its continuation will require the approval of the DOE CFO. The total authorized amount to be expended on this CRADA by the Contractor is $1,860,000, of which $0 is programmatic funds, and $1,860,000 is funds-in from the Participant.

C. Neither Party shall have an obligation to continue or complete performance of its work at a contribution in excess of its estimated contribution as contained in Article III B above, including any subsequent amendment.

D. Each Party agrees to provide at least thirty (30) days' notice to the other Party if the actual cost to complete performance will exceed its estimated cost.

E. The Participant will provide $310,000 in advanced funding at the execution of this CRADA and then provide funding the first of each month thereafter according to the schedule outlined in Appendix A, Statement of Work. Failure by the Participant to provide funding as agreed in Appendix A will result in the Contractor immediately stopping work.

ARTICLE IV: PERSONAL PROPERTY

All tangible personal property produced or acquired under this CRADA shall become the property of the Participant or the Government depending upon whose funds were used to obtain it. Such property is identified in Appendix A, Statement of Work. Personal property shall be disposed of as directed by the owner at the owner's expense. All jointly funded property shall be owned by the Government.

ARTICLE V: DISCLAIMER

THE GOVERNMENT, THE PARTICIPANT, AND THE CONTRACTOR MAKE NO EXPRESS OR IMPLIED WARRANTY AS TO THE CONDITIONS OF THE RESEARCH OR ANY INTELLECTUAL PROPERTY OR PRODUCT MADE, OR DEVELOPED UNDER THIS CRADA, OR THE OWNERSHIP, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE RESEARCH OR RESULTING PRODUCT. NEITHER THE GOVERNMENT, THE PARTICIPANT, NOR THE CONTRACTOR SHALL BE LIABLE FOR SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES ATTRIBUTED TO SUCH RESEARCH OR RESULTING PRODUCT, INTELLECTUAL PROPERTY, OR PRODUCT MADE OR DEVELOPED UNDER THIS CRADA.

ARTICLE VI: PRODUCT LIABILITY

Except for any liability covered by any indemnification under the Price Anderson Act, 42 USC 2210, and any liability resulting from any negligent acts or omissions of Contractor, Participant indemnifies the Government and the Contractor for all damages, costs and expenses, including attorney's fees, arising from personal injury or property damage occurring as a result of the making, using or selling of a product, process or service by or on behalf of the Participant, its assignees or licensees, which was derived from the work performed under this CRADA. In respect to this Article, neither the Government nor the Contractor shall be considered assignees or licensees of the Participant, as a result of reserved Government and Contractor rights. The indemnity set forth in this paragraph shall apply only if Participant shall have been informed as soon and as completely as practical by the Contractor and/or the Government of the action alleging such claim and shall have been given an opportunity, to the maximum extent afforded by applicable laws, rules, or regulations, to participate in and control its defense, and the Contractor and/or Government shall have provided all reasonably available information and reasonable assistance requested by Participant. No settlement for which Participant would be responsible shall be made without Participant's consent unless required by final decree of a court of competent jurisdiction.

For licenses granted or assignments made by Contractor to any third party in Intellectual Property derived from Generated Information, such licenses shall include the requirement that the third party shall indemnify the Government, Contractor, and Participant for all damages, costs and expenses, including attorney's fees, arising from personal injury or property damage occurring as a result of the making, using or selling of a product, process or service by or on behalf of such third party, its assignees or licensees, provided however, such third parties shall not be required to indemnify the Participant for any negligent or intentional acts or omissions of the Participant.

ARTICLE VII: OBLIGATIONS AS TO PROPRIETARY INFORMATION OR BUSINESS SENSITIVE INFORMATION

A. If Proprietary Information or Business Sensitive Information is orally disclosed to a Party, it shall be identified as such, orally, at the time of disclosure and confirmed in a written summary thereof appropriately marked by the disclosing party within thirty (30) days as being Proprietary Information or Business Sensitive Information.

B. Each Party agrees to not disclose Proprietary Information or Business Sensitive Information provided by another Party to anyone other than the CRADA Participant and Contractor without written approval of the providing Party, except to Government employees who are subject to the statutory provisions against disclosure of confidential information set forth in the Trade Secrets Act (18 USC 1905).

C. All Proprietary Information or Business Sensitive Information shall be returned to the provider thereof, upon request by the disclosing Party at the conclusion of this CRADA at the provider's expense.

D. All Proprietary Information or Business Sensitive Information shall be protected for a period of five (5) years from the date of execution of this CRADA, unless and until such Proprietary Information or Business Sensitive Information shall become publicly known without the fault of the recipient, shall come into recipient's possession without breach of any of the obligations set forth herein by the recipient, or shall be independently developed by recipient's employees who did not have access to such Proprietary Information or Business Sensitive Information.

E. In no case shall the Contractor provide Proprietary Information or Business Sensitive Information of Participant to any person or entity for commercial purposes, unless otherwise agreed to in writing by such Participant.

F. Obligations of the Parties with respect to protection of Classified Information or Unclassified Controlled Nuclear Information shall survive as required by DOE security and classification provisions until expressly relieved of that obligation by the appropriate DOE classification authority.

ARTICLE VIII: OBLIGATIONS AS TO PROTECTED CRADA INFORMATION

A. Each Party may designate as Protected CRADA Information, as defined in Article I, any Generated Information produced by its employees and, with the agreement of the other Party, designate any Generated Information produced by the other Party's employees. All such designated Protected CRADA Information shall be appropriately marked.

B. For a period of five (5) years from the date Protected CRADA Information is produced, Parties agree not to further disclose such Protected CRADA Information except:

(1) as necessary to perform this CRADA;

(2) as provided in Article XI [REPORTS AND ABSTRACTS];

(3) as requested by the DOE Contracting Officer to be provided to other DOE facilities for use only at those DOE facilities with the same protection in place; or

(4) as mutually agreed by the Parties in advance; or

(5) as required to comply with the requirements of reporting and filing Subject Inventions under Articles XIV and XVI.

C. The obligations of (B) above shall end sooner for any Protected CRADA Information which shall become publicly known without fault of either Party, shall come into a Party's possession without breach by that Party of the obligations of (B) above, or shall be independently developed by a Party's employees who did not have access to the Protected CRADA Information.

D. Obligations of the Parties with respect to protection of Classified Information or Unclassified Controlled Nuclear shall survive as required by DOE security and classification provisions until expressly relieved of that obligation by the appropriate DOE classification authority.

ARTICLE IX: RIGHTS IN GENERATED INFORMATION

The Government shall have unlimited rights in all Generated Information produced or provided by the Parties under this CRADA, except for information which is disclosed in a Subject Invention disclosure being considered for patent protection, protected as a mask work right, or marked as being copyrighted, Protected CRADA Information, or Proprietary Information. The Government does not have unlimited rights in the identified classes of information until their respective periods of protection provided for in the Agreement have expired.

ARTICLE X: EXPORT CONTROL/FOREIGN OWNERSHIP, CONTROL OR INFLUENCE

A. THE PARTIES UNDERSTAND THAT MATERIALS AND INFORMATION RESULTING FROM THE PERFORMANCE OF THIS CRADA MAY BE SUBJECT TO EXPORT CONTROL LAWS AND THAT EACH PARTY IS RESPONSIBLE FOR ITS OWN COMPLIANCE WITH SUCH LAWS. THE PARTIES ARE HEREBY PUT ON NOTICE THAT EXPORT OF SUCH MATERIAL AND INFORMATION FROM THE UNITED STATES OR DISCLOSURE TO ANY NON-RESIDENT ALIEN MAY REQUIRE SOME FORM OF EXPORT LICENSE FROM THE UNITED STATES GOVERNMENT. FAILURE TO OBTAIN NECESSARY EXPORT LICENSES MAY RESULT IN CRIMINAL LIABILITY.

B. The Participant has a continuing obligation to provide the Contractor written notice of any changes in the nature and extent of Foreign Ownership, Control, or Influence over the Participant which would affect the Participant's answers to the previously completed FOCI certification. Participant asserts such FOCI certification is on file with DOE.

ARTICLE XI: REPORTS AND ABSTRACTS

A. The Parties agree to produce the following deliverables:

(1) an initial abstract suitable for public release at the time the CRADA is approved by DOE;

(2) other abstracts (final when work is complete, and others as substantial changes in scope and dollars occur);

(3) a final report, upon completion or termination of this CRADA, to include a list of Subject Inventions;

(4) other topical/periodic reports where the nature of research and magnitude of dollars justify; and

(5) computer software in source and executable object code format as defined within the Statement of Work or elsewhere within the CRADA documentation.

B. It is understood that the Contractor has the responsibility to provide the above information at the time of its completion to the DOE Office of Scientific and Technical Information.

C. Participant agrees to provide the above information to the Contractor to enable full compliance with paragraph B. of this Article.

D. It is understood that the Contractor and the Department of Energy have a need to document the long-term economic benefit of the cooperative research being done under this agreement. Therefore, the Participant acknowledges a responsibility to respond to reasonable requests, during the term of this CRADA and for a period of two (2) years thereafter from the Contractor for pertinent information.

ARTICLE XII: PRE-PUBLICATION REVIEW

A. The Parties agree to secure pre-publication approval from each other which shall not be unreasonably withheld or denied beyond thirty (30) days. The only basis for not approving a publication shall be that it contains and would disclose Proprietary Information or Protected CRADA Information or would create potential statutory bars to filing the U.S. or corresponding foreign patent applications, or would disclose Classified Information or Unclassified Controlled Nuclear Information.

B. The Parties agree that neither will use the name of the other Party or its employees in any promotional activity, such as advertisements, with reference to any product or service resulting from this CRADA, without prior written approval of the other Party.

ARTICLE XIII: COPYRIGHTS

A. The Parties may assert copyright in any of their Generated Information except for Generated Information which discloses Classified Information or Unclassified Controlled Nuclear Information. Assertion of copyright generally means to enforce or give any indication of an intent or right to enforce such as by marking or securing Federal registration.

B. Copyrights arising under this CRADA which are authored solely by employees of Participant shall be owned by Participant.

Where copyrights have been authored solely by employees of Contractor and where DOE has granted Contractor the right to assert copyright, such copyrights shall be owned by Contractor.

For copyrights arising under this CRADA authored by employees of both Parties, each Party shall have undivided rights in ownership of such copyrights, provided the copyrights are generated with the intention that the Parties' contributions be merged into inseparable or independent parts of a unitary whole. Jointly owned rights in copyrights shall be without accounting.

C. For Generated Information, the Parties acknowledge that the Government has for itself and others acting on its behalf, a royalty-free, nontransferable, nonexclusive, irrevocable worldwide copyright license to reproduce, prepare derivative works, distribute copies to the public, and perform publicly and display publicly, by or on behalf of the Government, all copyrightable works produced in the performance of this CRADA, subject to the restrictions this CRADA places on publication of Proprietary Information and Protected CRADA Information.

D. For all copyrighted computer software produced in the performance of this CRADA the Party owning the copyright will provide source code, an expanded abstract as described in Appendix B, and the object code and the minimum support documentation needed by a competent user to understand and use the software to DOE's Energy Science and Technology Software Center, P.O. Box 1020, Oak Ridge, TN 37831. The expanded abstract will be treated in the same manner as Generated Information in subparagraph C of this Article. The only basis for not providing such source code and expanded abstract shall be that it contains or would disclose Classified Information or Unclassified Controlled Nuclear Information.

E. The Contractor and the Participant agree that, with respect to any copyrighted computer software produced in the performance of this CRADA, DOE has the right, at the end of the period set forth in paragraph B of Article VIII hereof and at the end of each two-year interval thereafter, to request the Contractor and the Participant and any assignee or exclusive licensee of the copyrighted software to grant a nonexclusive, partially exclusive, or sole commercial license to a responsible applicant upon terms that are reasonable under the circumstances, provided such grant does not cause a termination of any licensee's right to use the copyrighted computer software. If the Contractor or the Participant or any assignee or exclusive licensee refuses such request, the Contractor and the Participant agree that DOE has the right to grant the license if DOE determines that the Contractor, the Participant, assignee, or licensee has not made a satisfactory demonstration that it is actively pursuing commercialization of the copyrighted computer software.

Before requiring licensing under this paragraph E, DOE shall furnish the Contractor/Participant written notice of its intentions to require the Contractor/Participant to grant the stated license, and the Contractor/Participant shall be allowed thirty (30) days (or such longer period as may be authorized by the cognizant DOE Contracting Officer for good cause shown in writing by the Contractor/Participant) after such notice to show cause why the license should not be required to be granted.

The Contractor/Participant shall have the right to appeal the decision by the DOE to the grant of the stated license to the Invention Licensing Appeal Board as set forth in paragraphs (b)-(g) of 10 CFR 781.65, "Appeals".

F. The Parties agree to place copyright and other notices, as appropriate for the protection of copyright in Generated Information which do not include Classified Information or UCNI, in human readable form onto all physical media, and in digitally encoded form in the header of machine readable information recorded on such media such that the notice will appear in human readable form when the digital data are off-loaded or the data are accessed for display or printout.

ARTICLE XIV: <u>REPORTING SUBJECT INVENTIONS</u>

A. The Parties agree to disclose to each other and maintain in confidence each and every Subject Invention which may be patentable or otherwise protectable under the Patent Act sufficient to preserve U.S. and foreign filing rights as necessary. The Parties acknowledge that the Contractor will disclose all Subject Inventions to the DOE within two (2) months after the inventor first

discloses the Subject Invention in writing to the person(s) responsible for patent matters of the disclosing Party. The Participant agrees that it will promptly disclose its Subject Inventions to Contractor to facilitate disclosure of such Subject Inventions by the Contractor to DOE within the above stated period.

B. These disclosures should be in such detail as to be capable of enabling one skilled in the art to make and use the Subject Invention under 35 USC 112. The disclosure shall also identify any known actual or potential statutory bars, i.e., printed publications describing the Subject Invention or the public use or on sale of the Subject Invention in this country. The Parties further agree to disclose to each other any subsequently known actual or potential statutory bar that occurs for a Subject Invention disclosed but for which a patent application has not been filed. All Subject Invention disclosures shall be marked as confidential under 35 USC 205.

ARTICLE XV: TITLE TO SUBJECT INVENTIONS

Whereas the Participant and the Contractor have been granted the right to elect to retain title to Subject Inventions, except those by the Contractor which are Exceptional Circumstance Subject Inventions. For such Contractor Exceptional Circumstance Subject Inventions the DOE will retain title. For all other Subject Inventions wherein the Contractor and/or Participant have the right to obtain title:

A. Each Party shall have the first option to elect to retain title to any Subject Invention made by its employees where the Party has an ownership interest in the Subject Invention. If a Party elects not to retain title to any Subject Invention of its employees, then the other Party shall have the second option to obtain title by assignment of such Subject Invention. The DOE shall retain title to any Subject Invention which is not retained by any Party. Each Party shall have the option to elect to retain title to its undivided rights in any Subject Invention made jointly by employees of Contractor and employees of Participant.

B. The Parties acknowledge that the DOE may obtain title to each Subject Invention reported under Article XIV for which a patent application or applications are not filed pursuant to Article XVI and for which any issued patents are not maintained by any Party to this CRADA.

C. The Parties acknowledge that the Government retains a nonexclusive, nontransferable, irrevocable, paid-up license to practice or to have practiced for or on behalf of the United States every Subject Invention throughout the world.

Any patent license agreements shall be subject to all applicable DOE classification and security restrictions as well as nonproliferation safeguards including DOE certification and approval prior to field testing or deployment of gas centrifuge technology or distribution of materials or information resulting from this CRADA outside of DOE safeguarded facilities. The U.S. Competitiveness Clause shall apply to all such Agreements.

All disclosures of Subject Inventions and corresponding patent applications shall be reviewed to determine whether they contain Classified Information or Unclassified Controlled Nuclear Information in accordance with established DOE standards and procedures and shall be subject to all applicable classification and security restrictions including Secrecy Orders where appropriate.

ARTICLE XVI: FILING PATENT APPLICATIONS

A. The Parties agree that the Party initially indicated as having an ownership interest in any Subject Inventions (Inventing Party) shall have the first opportunity to file U.S. and foreign patent applications. If the Contractor or Participant does not file such applications within one year after

election, then the other Party to this CRADA exercising an option pursuant to Article XV may file patent applications on such Subject Inventions. If a patent application is filed by the other party (Filing Party), the Inventing Party shall reasonably cooperate and assist the Filing Party, at the Filing Party's expense, in executing a written assignment of the Subject Invention to the Filing Party and in otherwise perfecting the patent application, and the Filing Party shall have the right to control the prosecution of the patent application. The Parties shall agree between themselves as to who will file patent applications on any joint Subject Invention. The Parties shall share equally in the costs for the prosecution, filing and maintenance of joint Subject Inventions where both Parties elect to retain title to their undivided rights.

B. The Parties agree that DOE has the right to file patent applications in any country if neither Party desires to file a patent application for any Subject Invention. Notification of such negative intent shall be made in writing to the DOE Contracting Officer within three (3) months of the decision of the non-inventing party to not file a patent application for the Subject Invention pursuant to Article XV, or not later than 60 days prior to the time when any statutory bar might foreclose filing of a U.S. patent application.

C. A Party electing title or filing a patent application in the United States or in any foreign country shall advise the other Party and the DOE if it no longer desires to continue prosecution or retain title in the United States or any foreign country. The other Party and then the DOE will be afforded the opportunity to take title and retain the patent rights in the United States or any such foreign country.

D. Every twelve (12) months from the date of the CRADA, each Party shall deliver to the other Party interim reports listing the Subject Inventions, if any, it has produced during the preceding twelve (12) month period. If a Party has produced no Subject Invention for any twelve (12) month period, the Party's interim report for that period will explicitly state so.

ARTICLE XVII: TRADEMARKS

The Parties may seek to obtain Trademark/service mark protection on products or services generated under this CRADA in the United States or foreign countries. The Parties hereby acknowledge that the Government shall have the right to indicate on any similar goods or services produced by or for the Government that such goods or services were derived from and are a DOE version of the goods or services protected by such Trademark/service mark with the Trademark/service mark and the owner thereof being specifically identified. In addition, the Government shall have the right to use such Trademark/service mark in print or communications media.

ARTICLE XVIII: MASK WORKS

The Parties may seek to obtain legal protection for Mask Works fixed in semiconductor products generated under this CRADA as provided by Chapter 9 of Title 17 of the United States Code. The Parties hereby acknowledge that the Government or others acting on its behalf shall retain a nonexclusive, paid-up, worldwide, irrevocable, nontransferable license to reproduce, import, or distribute the covered semiconductor product by or on behalf of the Government, and to reproduce and use the Mask Work by or on behalf of the Government.

ARTICLE XIX: COST OF INTELLECTUAL PROPERTY PROTECTION

Each Party shall be responsible for payment of all costs relating to copyright, Trademark and Mask Work filing, U.S. and foreign patent application filing and prosecution, and all costs relating to maintenance fees for U.S. and foreign patents hereunder which are owned by that Party. Government/DOE laboratory

funds contributed as DOE's cost share to a CRADA cannot be given to Participant for payment of Participant's costs of filing and maintaining patents or filing for copyrights, Trademarks and Mask Works.

ARTICLE XX: REPORTS OF SUBJECT INVENTION USE

Participant agrees to submit, for a period of two (2) years and upon request of DOE, a non-proprietary report no more frequently than annually on efforts to utilize any Intellectual Property arising under the CRADA.

ARTICLE XXI: DOE MARCH-IN RIGHTS

The Parties acknowledge that the DOE has certain march-in rights to any Subject Inventions in accordance with 48 CFR 27.304-1(g) and 15 USC 3710a (b)(1)(B) and (C).

ARTICLE XXII: U.S. COMPETITIVENESS

The Parties agree that a purpose of this CRADA is to provide substantial benefit to the U.S. economy.

In exchange for the benefits received under this CRADA, the Participant therefore agrees to the following:

A. Products embodying Intellectual Property developed under this CRADA shall be substantially manufactured in the United States;

B. Processes, services, and improvements thereof which are covered by Intellectual Property developed under this CRADA shall be incorporated into the Participant's manufacturing facilities in the United States either prior to or simultaneously with implementation outside the United States. Such processes, services, and improvements, when implemented outside the U.S., shall not result in reduction of the use of the same processes, services, or improvements in the United States; and

C. The Contractor agrees to a U.S. Industrial Competitiveness clause in accordance with its prime contract with respect to any licensing and assignments of its intellectual property arising from this CRADA, except that any licensing or assignment of its intellectual property rights to the Participant shall be in accordance with the terms of Paragraphs A. and B. of this Article.

ARTICLE XXIII: ASSIGNMENT OF PERSONNEL

A. It is contemplated that each Party may assign personnel to the other Party's facility as part of this CRADA to participate in or observe the research to be performed under this CRADA. Such personnel assigned by the assigning Party shall not during the period of such assignments be considered employees of the receiving Party for any purpose.

B. The receiving Party shall have the right to exercise routine administrative and technical supervisory control of the occupational activities of such personnel during the assignment period and shall have the right to approve the assignment of such personnel and/or to later request their removal by the assigning Party.

C. The assigning Party shall bear any and all costs and expenses with regard to its personnel assigned to the receiving Party's facilities under this CRADA. The receiving Party shall bear facility costs of such assignments.

D. Participant agrees that only employees and others acting on its behalf who are U.S. citizens with proper security clearances and a valid "need to know" will have access to Classified Information or UCNI in this CRADA, and if any such employees or others acting on its behalf have dual citizenship, those employees will be especially advised of the Export Control restrictions applicable to this CRADA. Participant will also provide access to Classified Information and UCNI to DOE and other Federal personnel as required by relevant DOE security and classification provisions.

ARTICLE XXIV: FORCE MAJEURE

No failure or omission by Contractor or Participant in the performance of any obligation under this CRADA shall be deemed a breach of this CRADA or create any liability if the same shall arise from any cause or causes beyond the control of Contractor or Participant, including but not limited to the following, which, for the purpose of this CRADA, shall be regarded as beyond the control of the Party in question: Acts of God, acts or omissions of any government or agency thereof, compliance with requirements, rules, regulations, or orders of any governmental authority or any office, department, agency, or instrumentality thereof, fire, storm, flood, earthquake, accident, acts of the public enemy, war, rebellion, insurrection, riot, sabotage, invasion, quarantine, restriction, transportation embargoes, or failures or delays in transportation.

ARTICLE XXV: ADMINISTRATION OF CRADA

It is understood and agreed that this CRADA is entered into by the Contractor under the authority of its prime contract with DOE. The Contractor is authorized to and will administer this CRADA in all respects unless otherwise specifically provided for herein. Administration of this CRADA may be transferred from the Contractor to DOE or its designee with notice of such transfer to the Participant, and the Contractor shall have no further responsibilities except for the confidentiality, use and/or nondisclosure obligations of this CRADA.

ARTICLE XXVI: RECORDS AND ACCOUNTING FOR GOVERNMENT PROPERTY

The Participant shall maintain records of receipts, expenditures, and the disposition of all Government property in its custody related to the CRADA.

ARTICLE XXVII: NOTICES

A. Any communications required by this CRADA, if given by postage prepaid first class U.S. Mail addressed to the Party to receive the communication, shall be deemed made as of the day of receipt of such communication by the addressee, or on the date given if by verified facsimile. Address changes shall be given in accordance with this Article and shall be effective thereafter. All such communications, to be considered effective, shall include the number of this CRADA.

B. The addresses, telephone numbers and facsimile numbers for the Parties are as follows:

Contractor:
Business Manager
Technology Transfer and Economic Development
UT-Battelle, LLC
P. O. Box 2008
Oak Ridge, Tennessee 37831-6499

Telephone:
(865) 574-4495
Facsimile:
(865) 576-9465

Participant:

J. William Bennett
Vice President Advanced Technology
United States Enrichment Corporation
6903 Rockledge Drive
Bethesda, Maryland 20817

Telephone:
(301) 564-3307
Facsimile No.
(301) 897-3143

ARTICLE XXVIII: DISPUTES

The Parties shall attempt to jointly resolve all disputes arising from this CRADA. If the Parties are unable to jointly resolve a dispute within a reasonable period of time, the dispute shall be decided by the DOE Contracting Officer, who shall reduce his/her decision to writing within sixty (60) days of receiving, in writing, the request for a decision by either Party to this CRADA. The DOE Contracting Officer shall mail or otherwise furnish a copy of the decision to the Parties. The decision of the DOE Contracting Officer is final unless, within one hundred and twenty (120) days, the Participant brings an action for adjudication in a court of competent jurisdiction in the State of Tennessee. To the extent that there is no applicable U.S. Federal law, this CRADA and performance thereunder shall be governed by the law of the State of Tennessee.

ARTICLE XXIX: ENTIRE CRADA AND MODIFICATIONS

A. It is expressly understood and agreed that this CRADA with its Appendices contains the entire agreement between the Parties with respect to the subject matter hereof and that all prior representations or agreements relating hereto have been merged into this document and are thus superseded in totality by this CRADA. This CRADA shall not be effective until approved by DOE.

B. Any agreement to materially change any terms or conditions of this CRADA or the Appendices shall be valid only if the change is made in writing, executed by the Parties hereto, and approved by DOE.

ARTICLE XXX: TERMINATION

This CRADA may be terminated by either Party upon thirty (30) days written notice to the other Party. This CRADA may also be terminated by the Contractor in the event of failure by the Participant to provide the necessary advance funding, as agreed in Article III.

In the event of termination by either Party, each Party shall be responsible for its share of the costs incurred through the effective date of termination, as well as its share of the costs incurred after the effective date of termination, and which are related to the termination. The confidentiality, use, and/or nondisclosure obligations and provisions concerning Intellectual Property of this CRADA shall survive any termination of this CRADA.

ARTICLE XXXI: (SECURITY OCT. 1987)

Pursuant to 48 CFR 904.404(d)(1) and 48 CFR 952.204-2, the following provisions are also made a part of this CRADA:

A. *Responsibility*. It is the Contractor's and Participant's duty to safeguard all Classified Information, special nuclear material (SNM), UCNI, and other DOE property. The Contractor and Participant shall, in accordance with DOE security regulations and requirements, be responsible for safeguarding all Classified Information, UCNI, and protection against sabotage,

espionage, loss and theft, of the classified documents and material in the Contractor's and Participant's possession in connection with the performance of work under this CRADA. Except as otherwise expressly provided in this CRADA, the Contractor and Participant shall, upon completion or termination of this CRADA, transmit to DOE any classified matter or UCNI in the possession of the Contractor or Participant or any person under the Contractor's or Participant's control in connection with performance of this CRADA. If retention by the Contractor or Participant of any classified or UCNI matter is required after the completion or termination of the CRADA and such retention is approved by the Contracting Officer, the Contractor or Participant will complete a certificate of possession to be furnished to DOE specifying the classified or UCNI matter to be retained. The certification shall identify the items and types of 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 CRADA will continue to be applicable to the matter retained. Special nuclear material (SNM) will not be retained after the completion or termination of the CRADA.

B. *Regulations*. The Contractor and Participant agree to conform to all security regulations and requirements of DOE.

C-G. These definitions are included above in Sections N-P of Article I.

H. *Security clearance of personnel.* The Contractor or Participant 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 12958 and 12968 and the DOE's regulations or requirements applicable to the particular level and category of Classified Information to which access is required.

I. *Criminal liabilit*y. 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 Contractor or Participant or any person under the Contractor's or Participant's control in connection with work under this CRADA, may subject the Contractor or Participant, its their 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 E.O. and 12968.)

J. *Subcontractors and purchase orders.* Except as otherwise authorized in writing by the Contracting Officer, the Contractor and Participant shall insert provisions similar to the foregoing in all subcontracts and purchase orders under this CRADA.

ARTICLE XXXII: <u>CLASSIFICATION (APR. 1984) AND UNCLASSIFIED CONTROLLED NUCLEAR INFORMATION</u>

A. Pursuant to 48 CFR 904.404(d)(2) and 48 CFR 952.204-70 the following provisions are also made a part of this CRADA:

In the performance of the work under this CRADA, the Contractor and Participant shall ensure that an Authorized Original Classifier or Derivative Classifier shall assign classifications to all documents, material, and equipment originated or generated under the CRADA in accordance with classification regulations and guidance furnished to the Contractor and Participant by the DOE. Every subcontract and purchase order issued hereunder involving the origination or generation of classified documents, material, or equipment shall include a provision to the effect that in the performance of such subcontract or purchase order, the subcontractor or supplier shall

ensure that an Authorized Original Classifier or Derivative Classifier shall assign classifications to all such documents, materials, and equipment in accordance with classification regulations and guidance furnished to such subcontractor or supplier by the Contractor or Participant.

B. (1) Participant agrees that should it receive or generate any Unclassified Controlled Nuclear Information it will abide by the restrictions for its access, protection, and transmittal in accordance with 10 CFR 1017.

(2) It is understood that any person who violates Section 148 of the Atomic Energy Act or any regulation or order of the Secretary issued under Section 148 of the Atomic Energy Act, including regulations regarding Unclassified Controlled Nuclear Information, is subject to a civil penalty. The Assistant Secretary for Defense Programs may recommend to the Secretary imposition of this civil penalty, which shall not exceed **$**110,000 for each violation.

ARTICLE XXXIII: DOE-OWNED RELATED INTELLECTUAL PROPERTY

The Participant acknowledges that there exists a series of DOE-owned invention disclosures as well as DOE-owned patent applications related to the subject of this CRADA which have been filed with the U.S. Patent Office (USPTO) by the Department of Energy. Many of these have received Notice of Allowability from the USPTO but patent issuance is being withheld pending declassification and removal of Secrecy Orders. The processes and/or products disclosed and/or claimed in these patent applications and/or disclosures may be disclosed and identified to the Participant during the performance of this CRADA. The Parties agree to refrain from disclosure to others, practice, or use of this Related Intellectual Property except as required for performance under this CRADA.

Contractor hereby reaffirms that it does not presently own or control any of the DOE-owned Related Intellectual Property. Contractor does not make any advance representation as to what, if any rights to practice or license DOE's Related Intellectual Property might be granted to Contractor or Participant in the future.

ARTICLE XXXIV: FACILITY CLEARANCE

NOTICES

Statute prohibits the award of a contract under a national security program to a company owned by an entity controlled by a foreign government unless a waiver is granted by the Secretary of Energy.

If the Participant has either a Department of Defense or Department of Energy facility clearance, the Participant generally needs not resubmit the following FOCI information unless specifically requested to do so, instead, provide your DOE facility clearance code or your DOD assigned commercial and government entity (CAGE) code.

(a) Use of the Certificate Pertaining to Foreign Interests, FOCI Certification

(1) The work anticipated in this CRADA will require access to classified information or special nuclear material. Such access will require a facility clearance for the Participant and access authorizations (security clearances) for Participant personnel working with the classified information or special nuclear material. For such facility clearance the Participant has on file with DOE a FOCI Certification.

(2) Information submitted by the Participant in response to the FOCI Certification

shall be used solely for the purposes of evaluating FOCI and shall be treated by the DOE, to the extent permitted by law, as business or financial information submitted in confidence.

(3) Participant shall immediately submit to the Contractor and Contracting Officer written notification of any changes in the extent and nature of FOCI which could affect the Participant's answers to the questions in the FOCI Certification. Notice of changes in ownership or control which are required to be reported to the Securities and Exchange Commission, the Federal Trade Commission, or the Department of Justice shall also be furnished concurrently to the Contractor and Contracting Officer.

(b) These definitions are included above in Section O of Article I.

(c) A "Facility Clearance" is an administrative determination that a facility is eligible for access to classified information or special nuclear materials. A Facility Clearance shall be based upon a determination that satisfactory safeguards and security measures are afforded the activities being performed at the facility. It is DOE policy that all Parties requiring access to classified information or special nuclear material be processed for a Facility Clearance at the level appropriate to the activities being performed at the facility. Approval for a Facility Clearance shall be based upon:

(1) A Favorable foreign ownership, control, or influence (FOCI) determination. This determination will be based upon the Participant's response to the questions in FOCI Certification and any supporting data provided by the Participant. Prior to execution of the CRADA, the DOE must determine that execution of a CRADA with the Participant will not pose an undue risk to the common defense and security as a result of it's access to classified information or special nuclear material in the performance of the CRADA. The Contracting Officer may require the Participant to submit such additional information as deemed pertinent to this determination.

(2) A CRADA containing the appropriate security clauses.

(3) Approved safeguards and security plans which describe protective measures appropriate to the classified activities being performed at the facility.

(4) If access to nuclear materials is involved, an established Reporting Identification Symbol code for the Nuclear Materials Management and Safeguards Reporting System.

(5) For a facility to possess classified matter or special nuclear material at its location, a survey conducted no more than 6 months before the facility clearance date, with a composite facility rating of satisfactory.

(6) Appointment of a Facility Security Officer, and, if applicable, a Materials Control and Accountability Representative. The Facility Security Officer must possess an access authorization equivalent to the Facility Clearance.

(7) Access authorizations for key management personnel. Key management personnel, who will be determined on a case-by-case basis, must possess access authorizations equivalent to the level of the Facility Clearance.

(d) A Facility Clearance is required even for contracts which do not require Participant's offices to receive, process, reproduce, store, transmit, or handle classified information or special nuclear material, but which require DOE access authorizations for the Participant's employees to perform work at a DOE location. This type facility is identified as a non-possessing facility.

(e) Facility Clearances are required prior to the granting of an access authorization under a contract.

(f) Except as otherwise authorized in writing by the Contracting Officer, the Contractor and Participant shall insert provisions similar to the foregoing in all subcontracts and purchase orders. Any subcontractors requiring access authorizations for access to classified information or special nuclear material shall be directed to provide responses to the questions in Standard Form 328 of this provision directly to the local Office of Safeguards and Security cognizant of the prime contract.

ARTICLE XXXV: AWARDS/COMPENSATION

Participant agrees that it will not assert a claim for pecuniary award or compensation under the provisions of the Atomic Energy Act of 1954, as amended, or apply for compensation or damage under Section 183 of 35 U.S.C. for any damage caused by issuance of a secrecy order with respect to any invention or discovery made or conceived in the course of or under this CRADA. In addition, Participant understands that future commercialization efforts involving gas centrifuge technology may be severely curtailed as a result of DOE classification, safeguards and nonproliferation considerations and agrees that it will not assert a claim for pecuniary award or compensation based on DOE or Contractor actions arising out of such considerations.

ARTICLE XXXVI: UNDERSTANDING CONCERNING FUTURE LICENSING OF INTELLECTUAL PROPERTY TO PARTICIPANT

It is the understanding of the Parties and DOE that, prior to or upon a decision to proceed with commercial use of the gas centrifuge technology to enrich uranium by Participant, DOE will provide Participant with at least a nonexclusive license to DOE-owned Related Intellectual Property and any Contractor-owned Intellectual Property in which DOE has been granted an exclusive license with the right to sublicense (See Article I, Paragraph M) in the field of use of gas centrifuge technology for the production of enriched uranium. Separate license agreements between Contractor and Participant will include any Contractor Subject Invention, and Contractor Background Intellectual Property if there are no pre-existing licensing proposals, contractual commitments or obligations by Contractor with a third party in such Background Intellectual Property. Determinations concerning ownership of Contractor Subject Inventions and negotiation of appropriate royalty provisions will be deferred pending future commercialization decisions.

ARTICLE XXXVII: IDENTIFICATION OF CONTRACTOR BACKGROUND/DOE OWNED RELATED INTELLECTUAL PROPERTY

The Contractor and DOE agree that efforts will be made to compile a complete list of Contractor Background Intellectual Property and DOE-Owned Related Intellectual Property which may be useful in

performance of this CRADA and of possible interest to Participant for future licensing in the event that a decision is made to proceed with commercial use of the gas centrifuge to enrich uranium. Such list will be provided to Participant no later than twelve (12) months from the date of execution of this Agreement.

FOR CONTRACTOR:

By: /s/ Janis E. Haerer

Name: Janis E. Haerer

Title: Director, Technology Transfer and Economic Development

Date: June 23, 2000

FOR PARTICIPANT:

By: /s/ J.W. Bennett

Name: J.W. Bennett

Title: Vice President, Advanced Technology

Date: June 30, 2000

AMENDMENT A

To

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT

(hereinafter "CRADA") No. ORNL00-0579

Development of an Economically Attractive Gas Centrifuge Machine and Enrichment Process

By and Between

UT-Battelle, LLC
Under its U. S. Department of Energy (DOE) Contract No. DE-AC05-00OR22725
(hereinafter "Contractor")

And

USEC Inc. (hereinafter "Participant")

both being hereinafter jointly referred to as the "Parties."

The Parties agree to amend the CRADA No. ORNL00-0579 as follows:

1. Appendix A, Statement of Work dated June 30, 2000, is deleted and replaced by Appendix A Statement of Work Amendment A attached hereto.

2. ARTICLE III, TERM FUNDING AND COSTS, Paragraph A, last sentence is amended to read as follows:

   "The work to be performed under this CRADA shall be completed within twenty-four (24) months from the effective date with an expiration date of September 30, 2002."

3. ARTICLE III, TERM FUNDING AND COSTS, Paragraph B is amended to read as follows:

   The total value of this CRADA is $7,000,000. The Participant's estimated contribution to this effort is $7,000,000 (with a maximum $3,710,000 of that amount being total funds-in to the Contractor). The Government's estimated contribution, which is provided through the Contractor's contract with DOE, is $0. Additionally, the Participant's funds-in contribution is usually subject to Federal Administrative Charges in the amount of 3 percent. This charge for Participant has been waived until October 1, 2001, and upon approval of the DOE CFO will continue to be waived until September 30, 2002. The total authorized amount to be expended on this CRADA by the Contractor cannot exceed $3,710,000 of which $0 is programmatic funds, and $3,710,000 is funds-in from the Participant.

4. ARTICLE III, TERM FUNDING AND COSTS, Paragraph E is amended by deleting the entire Paragraph E,

"The Participant will provide $310,000 in advanced funding at the execution of this CRADA and then provide funding the first of each month thereafter according to the schedule outlined in Appendix A, Statement of Work. Failure by the Participant to provide funding as agreed in Appendix A will result in the Contractor immediately stopping work."

and adding the following new paragraph E,

"The Contractor acknowledges the Participant has provided $310,000 in advanced funding at the execution of this CRADA and then provided funding the first of each month thereafter according to the schedule outlined in the original Appendix A, Statement of Work. For the duration of Amendment "A" the Participant will provide a minimum of $135,000 no later than the first of each month. In the event additional expenditures are anticipated beyond such minimum, Contractor will supply Participant with a funding request specifying the amount the Participant needs to wire along with an explanation plus actual expenditures from the previous month. Failure by the Participant to provide funding as agreed will result in the Contractor immediately stopping work."

5. ARTICLE IV, PERSONAL PROPERTY, is amended by deleting the first sentence,

"All tangible personal property produced or acquired under this CRADA shall become the property of the Participant or the Government depending upon whose funds were used to obtain it."

and adding the following sentence at the beginning of the paragraph,

"All tangible personal property used in the performance of this CRADA will be presumed to be owned by the Government unless documentation is provided by the Participant showing its funds were used to obtain it."

6. ARTICLE VIII, OBLIGATIONS AS TO PROTECTED CRADA INFORMATION, Paragraph B subparagraph (4) is amended by deleting the word "or" at the end of the sentence.

7. ARTICLE VIII, OBLIGATIONS AS TO PROTECTED CRADA INFORMATION, Paragraph B subparagraph (5) is amended by deleting the period "." and adding "; or" at the end of the sentence.

8. ARTICLE VIII, OBLIGATIONS AS TO PROTECTED CRADA INFORMATION, Paragraph B is amended by adding the new sub paragraph (6) which reads as follows:

"(6) as deemed necessary by the DOE to initiate a Government centrifuge program. Use and disclosure, for commercial purposes, of Participant's Protected CRADA Information, during its period of protection, shall be for reasonable compensation."

9. ARTICLE XXXVI, UNDERSTANDING CONCERNING FUTURE LICENSING OF INTELLECTUAL PROPERTY TO PARTICIPANT, is amended by:

(a) changing the Article XXXVI title to "UNDERSTANDING CONCERNING FUTURE LICENSING OF INTELLECTUAL PROPERTY TO PARTICIPANT AND BY PARTICIPANT" and,

(b) at the end of the paragraph adding the following sentences, "In the event that DOE initiates a Government sponsored centrifuge program, Participant's Subject Inventions will be subject to the Government license as set forth in Article XV of this Agreement. For subsequent nongovernmental use, Participant agrees to license, for reasonable compensation to participants in the Government program."

10. ARTICLE XXVII, NOTICES, Paragraph B is amended by changing Participant's contact as follows:

Participant:
Daniel P. Stout
Director, Enrichment Technology
United States Enrichment Corporation Inc.
6903 Rockledge Drive
Bethesda, Maryland 20817

Telephone:
(301) 564-3350
Facsimile No:
(301) 564-3208

11. ARTICLE XXXVII, IDENTIFICATION OF CONTRACTOR BACKGROUND/DOE OWNED RELATED INTELLECTUAL PROPERTY, is amended by deleting the last sentence,

"Such list will be provided to Participant no later than twelve (12) months from the date of execution of this Agreement."

and adding the following sentence at the end of the paragraph,

"Such list will be provided to Participant no later than one (1) month after the completion or termination of this Agreement."

12. New ARTICLE XXXVIII, is added as follows:

"ARTICLE XXXVIII: <u>WORK ASSIGNMENTS OF CONTRACTOR PERSONNEL IN THE EVENT OF A GOVERNMENT CENTRIFUGE PROGRAM</u>

Participant acknowledges that in the event a future Government centrifuge program is established, the Contractor has a right to assign employees to perform similar or identical services as described in the statement of work for other participants in that program as long as the Participant's Proprietary Information is not utilized."

13. ARTICLE XXIX, ENTIRE CRADA AND MODIFICATIONS, is amended by adding new paragraph "C" as follows:

"C Notwithstanding any other provision of this CRADA, this CRADA is subject to the provisions of the Agreement between the U.S. Department of Energy ("DOE") and USEC Inc., ("USEC"), dated June 17, 2002 (the "Agreement of June 17, 2002"). In the event of

any inconsistency between the Agreement of June 17, 2002 and this CRADA, the Agreement of June 17, 2002 shall take precedence."

14. All other terms of the CRADA remain unchanged. This Amendment shall be effective on the later of the dates of: (1) the signatures below or, (2) until approved by DOE.

IN WITNESS WHEREOF, the Parties have executed two originals of this Amendment through their duly authorized representatives.

FOR CONTRACTOR:

By: /s/ Janis E. Haerer

Name: Janis E. Haerer, Director

Title: Technology Transfer and Economic Development

Date: July 12, 2002

FOR PARTICIPANT:

By: /s/ Dennis Spurgeon

Name: Dennis Spurgeon

Title: Executive Vice President and Chief Operating Officer

Date: June 28, 2002

AMENDMENT B

To

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT

(hereinafter "CRADA") No. ORNL00-0579

Development of an Economically Attractive Gas Centrifuge Machine and Enrichment Process

By and Between

UT-Battelle, LLC
Under its U. S. Department of Energy (DOE) Contract No. DE-AC05-00OR22725
(hereinafter "Contractor")

And

USEC Inc. (hereinafter "Participant")

both being hereinafter jointly referred to as the "Parties."

The Parties agree to amend the CRADA No. ORNL00-0579 as follows:

1. Appendix A, Statement of Work **"Amendment A,"** is deleted and replaced by Appendix A Statement of Work "Amendment B" attached hereto.

2. ARTICLE II, STATEMENT OF WORK, is amended by adding the following sentence at the end of the paragraph:

   "The Parties recognize that Participant's operations in buildings K-1600 and K-101 at the East Tennessee Technology Park in support of this CRADA do not extend beyond January 2006 or such later date as may be provided in the DOE lease for those buildings."

3. ARTICLE III, TERM FUNDING AND COSTS, Paragraph A, last sentence is amended to read as follows:

   "The work to be performed under this CRADA shall be completed within eighty-four (84) months from the effective date."

4. ARTICLE III, TERM FUNDING AND COSTS, Paragraph B is amended to read as follows:

   The total value of this CRADA is $121,000,000. The Participant's estimated contribution to this effort is $121,000,000 (with a maximum $28,520,000 of that amount being total funds-in to the Contractor). The Government's estimated contribution, which is provided through the Contractor's contract with DOE, is $0. Additionally, the Participant's funds-in contribution is usually subject to Federal Administrative Charges in the amount of three percent. This charge for Participant is waived until June 30, 2003, at which time its continuation will require approval of the DOE CFO. The total authorized amount to be expended on this CRADA by the Contractor cannot exceed $28,520,000 of which $0 is programmatic funds, and $28,520,000 is funds-in from the Participant.

5. ARTICLE III, TERM FUNDING AND COSTS, Paragraph E is amended by deleting the entire Paragraph E,

"The Contractor acknowledges the Participant has provided $310,000 in advanced funding at the execution of this CRADA and then provided funding the first of each month thereafter according to the schedule outlined in the original Appendix A, Statement of Work. For the duration of Amendment "A" the Participant will provide a minimum of $135,000 no later than the first of each month. In the event additional expenditures are anticipated beyond such minimum, Contractor will supply Participant with a funding request specifying the amount the Participant needs to wire along with an explanation plus actual expenditures from the previous month. Failure by the Participant to provide funding as agreed will result in the Contractor immediately stopping work."

and adding the following new paragraph E,

The Participant will provide $750,000 in advanced funding at the execution of this Amendment B and then provide $375,000 no later than the first of each month thereafter according to the schedule in Appendix A, Statement of Work "Amendment B." Failure by the Participant to provide funding as agreed in Appendix A will result in the Contractor immediately stopping work except that, in the event that the Contractor is unable to provide the requisite appropriate number of personnel, a corresponding reduction in funding by Participant will not be considered a failure to provide funding.

6. ARTICLE IV, PERSONAL PROPERTY, is amended by deleting the first sentence,

"All tangible personal property used in the performance of this CRADA will be presumed to be owned by the Government unless documentation is provided by the Participant showing its funds were used to obtain it."

and adding the following sentence at the beginning of the paragraph,

"All tangible personal property produced or acquired under this CRADA shall become the property of the Participant or the Government depending upon whose funds were used to obtain it."

7. ARTICLE XXIX, ENTIRE CRADA AND MODIFICATIONS, Paragraph C, is amended by adding the following language at the end of the first sentence: "and any modifications to the DOE-USEC June 17, 2002, Agreement that have been agreed to in writing by the Parties."

8. **ARTICLE XXIX, ENTIRE CRADA AND MODIFICATIONS, Paragraph C, is amended by adding the following language at the end of the paragraph:**
"A copy of the Agreement is attached as Appendix D."

9. ARTICLE XXVII, NOTICES, Paragraph B is amended by changing Participant's contact as follows:

Participant:
Daniel P. Stout
Director, Enrichment Technology
United States Enrichment Corporation Inc.
6903 Rockledge Drive
Bethesda, Maryland 20817

Telephone:
(301) 564-3350
Facsimile No:
(301) 564-3208

10. ARTICLE XXXVI, UNDERSTANDING CONCERNING FUTURE LICENSING OF INTELLECTUAL PROPERTY TO PARTICIPANT AND BY PARTICIPANT, is amended by deleting the language "prior to or" in the first sentence of the paragraph, and

at the end of the paragraph deleting the last sentence:

"For subsequent nongovernmental use, Participant agrees to license, for reasonable compensation to participants in the Government program."

and at the end of the paragraph adding the following sentence:

"For subsequent nongovernmental use, Participant agrees to license to participants in the Government program, pursuant to appropriate terms and conditions, including reasonable compensation."

11. **Appendix D entitled:**

"AGREEMENT BETWEEN THE U.S. DEPARTMENT OF ENERGY ("DOE")
AND
USEC INC. ("USEC")"

is attached.

IN WITNESS WHEREOF, the Parties have executed two originals of this Amendment through their duly authorized representatives.

FOR CONTRACTOR:

By: /s/ Lee L. Riedinger

Name: Lee L. Riedinger

Title: Deputy for Science and Technology

Date: September 11, 2002

FOR PARTICIPANT:

By: /s/ Dennis Spurgeon

Name: Dennis Spurgeon

Title: Executive Vice President and Chief Operating Officer

Date: September 11, 2002

EXHIBIT 99.5

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of USEC Inc. for the fiscal quarter ended September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, William H. Timbers, President and Chief Executive Officer, and Henry Z Shelton, Jr., Senior Vice President and Chief Financial Officer, each hereby certifies, that, to the best of his knowledge:

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

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

October 31, 2002

/s/ William H. Timbers

William H. Timbers
President and Chief Executive Officer

October 31, 2002

/s/ Henry Z Shelton, Jr.

Henry Z Shelton, Jr.
Senior Vice President and Chief Financial Officer

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed for purposes of §18 of the Securities Exchange Act of 1934, as amended.