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

# FORM 10-Q

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

**For the quarterly period ended June 30, 2012**

OR

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

Commission file number 1-14287

# USEC Inc.

*(Exact name of registrant as specified in its charter)*

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

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

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

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

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

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

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

As of July 25, 2012, there were 124,082,753 shares of the registrant's Common Stock issued and outstanding.

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This quarterly report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I, Item 2, contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 – that is, statements related to future events. In this context, forward-looking statements may address our expected future business and financial performance, and often contain words such as "expects", "anticipates", "intends", "plans", "believes", "will" and other words of similar meaning. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For USEC, particular risks and uncertainties that could cause our actual future results to differ materially from those expressed in our forward-looking statements include, but are not limited to: risks related to the ongoing transition of our business, including uncertainty regarding the transition of the Paducah gaseous diffusion plant and uncertainty regarding continued funding for the American Centrifuge project and the impact of decisions we may make in the near term on our business and prospects; our dependency on the multi-party arrangement with Energy Northwest, the Bonneville Power Administration, the Tennessee Valley Authority and the U.S. Department of Energy ("DOE") to support continued enrichment operations at the Paducah gaseous diffusion plant; risks related to Energy Northwest obtaining the financing needed to complete the multi-party arrangement and the potential for termination of the agreement if such financing is not secured on terms acceptable to Energy Northwest; risks related to the performance of each of the parties under the multi-party arrangement, including the obligations of DOE to timely deliver depleted uranium to Energy Northwest; the impact of the March 2011 earthquake and tsunami in Japan on the nuclear industry and on our business, results of operations and prospects; the impact and potential duration of the current supply/demand imbalance in the market for low enriched uranium; the potential impacts of a decision to cease enrichment

operations at Paducah; uncertainty regarding the timing, amount and availability of additional funding for the research, development and demonstration ("RD&D") program and the dependency of government funding on Congressional appropriations; restrictions in our credit facility on our spending on the American Centrifuge project and the potential for us to demobilize the project; limitations on our ability to provide any required cost sharing under the RD&D program; the ultimate success of efforts to obtain a DOE loan guarantee and other financing for the American Centrifuge project, including the ability through the RD&D program or otherwise to address the concerns raised by DOE with respect to the financial and project execution depth of the project, and the timing and terms thereof; potential changes in our anticipated ownership of or role in the American Centrifuge project; the impact of actions we have taken or may take to reduce spending on the American Centrifuge project, including the potential loss of key suppliers and employees, and impacts to cost and schedule; the impact of delays in the American Centrifuge project and uncertainty regarding our ability to remobilize the project; the potential for DOE to seek to exercise its remedies under the June 2002 DOE-USEC agreement; risks related to the completion of the remaining two phases of the three-phased strategic investment by Toshiba Corporation ("Toshiba") and Babcock & Wilcox Investment Company ("B&W"), including the potential for immediate termination of the securities purchase agreement governing their investments; changes in U.S. government priorities and the availability of government funding, including loan guarantees; uncertainty regarding the continued capitalization of certain assets related to the American Centrifuge Plant and the impact of a potential impairment of these assets on our results of operations; our ability to extend, renew or replace our credit facility that matures on May 31, 2013 and the impact of a failure to timely renew on our ability to continue as a going concern; restrictions in our credit facility that may impact our operating and financial flexibility; our ability to actively manage and enhance our liquidity and working capital and the potential adverse consequences of any actions taken on the long term value of our ongoing operations; our dependence on deliveries of LEU from Russia under a commercial agreement (the "Russian Contract") with a Russian government entity known as Techsnabexport ("TENEX") and on a single production facility and the potential for us to cease commercial enrichment of uranium in the event of a decision to shut down Paducah enrichment operations; limitations on our ability to import the Russian LEU we buy under the new supply agreement into the United States and other countries; our inability under many existing long-term contracts to directly pass on to customers increases in our costs; the decrease or elimination of duties charged on imports of foreign-produced low enriched uranium; pricing trends and demand in the uranium and enrichment markets and their impact on our profitability; movement and timing of customer orders; changes to, or termination of, our contracts with the U.S. government, risks related to delays in payment for our contract services work performed for DOE; our subsidiary NAC may not perform as expected; the impact of government regulation by DOE and the U.S. Nuclear Regulatory Commission; the outcome of legal proceedings and other contingencies (including lawsuits and government investigations or audits); the competitive environment for our products and services; changes in the nuclear energy industry; the impact of volatile financial market conditions on our business, liquidity, prospects, pension assets and credit and insurance facilities; risks related to the underfunding of our defined benefit pension plans and the impact of the potential requirement to accelerate the funding of these obligations on our liquidity; the impact of a potential de-listing of our common stock on the NYSE; the impact of potential changes in the ownership of our stock on our ability to realize the value of our deferred tax benefits; the timing of recognition of previously deferred revenue; and other risks and uncertainties discussed in this and our other filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2011 ("10-K"). Revenue and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year. For a discussion of these risks and uncertainties and other factors that may affect our future results, please see Item 1A entitled "Risk Factors" and the other sections of this report and our 10-K, which are available on our website at www.usec.com. Readers are urged to carefully review and consider the various disclosures made in this report and in our other filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business. We do not undertake to update our forward-looking statements to reflect events or circumstances that may arise after the date of this quarterly report on Form 10-Q except as required by law.

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

| | June 30, 2012 | December 31, 2011 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 229.0 | $ 37.6 |
| Accounts receivable, net | 173.4 | 162.0 |
| Inventories | 1,924.4 | 1,752.0 |
| Deferred costs associated with deferred revenue | 130.8 | 175.5 |
| Other current assets | 67.2 | 64.8 |
| Total Current Assets | 2,524.8 | 2,191.9 |
| Property, Plant and Equipment, net | 1,130.6 | 1,187.1 |
| Other Long-Term Assets | | |
| Deposits for surety bonds | 107.5 | 151.3 |
| Deferred financing costs, net | 11.2 | 12.2 |
| Goodwill | 6.8 | 6.8 |
| Total Other Long-Term Assets | 125.5 | 170.3 |
| Total Assets | **$ 3,780.9** | **$ 3,549.3** |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | $ 111.3 | $ 120.1 |
| Payables under Russian Contract | 141.7 | 206.9 |
| Inventories owed to customers and suppliers | 1,382.8 | 870.1 |
| Deferred revenue and advances from customers | 178.9 | 205.2 |
| Credit facility term loan | 85.0 | 85.0 |
| Convertible preferred stock | 94.4 | 88.6 |
| Total Current Liabilities | 1,994.1 | 1,575.9 |
| Long-Term Debt | 530.0 | 530.0 |
| Other Long-Term Liabilities | | |
| Depleted uranium disposition | 71.7 | 145.2 |
| Postretirement health and life benefit obligations | 213.2 | 207.8 |
| Pension benefit liabilities | 252.5 | 258.3 |
| Other liabilities | 76.8 | 79.7 |
| Total Other Long-Term Liabilities | 614.2 | 691.0 |
| Commitments and Contingencies (Note 12) | | |
| Stockholders' Equity | 642.6 | 752.4 |
| Total Liabilities and Stockholders' Equity | **$ 3,780.9** | **$ 3,549.3** |

See notes to consolidated condensed financial statements.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| Revenue: | | | | |
| Separative work units | $ 347.2 | $ 330.3 | $ 885.1 | $ 638.8 |
| Uranium | 3.6 | 67.8 | 3.6 | 81.8 |
| Contract services | 14.0 | 56.3 | 37.6 | 114.3 |
| Total Revenue | 364.8 | 454.4 | 926.3 | 834.9 |
| Cost of Sales: | | | | |
| Separative work units and uranium | 340.4 | 368.6 | 841.6 | 675.8 |
| Contract services | 12.1 | 52.6 | 33.6 | 112.0 |
| Total Cost of Sales | 352.5 | 421.2 | 875.2 | 787.8 |
| Gross profit | 12.3 | 33.2 | 51.1 | 47.1 |
| Advanced technology costs | 85.7 | 33.5 | 122.5 | 60.2 |
| Selling, general and administrative | 14.8 | 16.7 | 29.7 | 32.2 |
| Special charge for workforce reductions and advisory costs | 3.2 | - | 9.6 | - |
| Other (income) | (10.0) | - | (10.0) | (3.7) |
| Operating (loss) | (81.4) | (17.0) | (100.7) | (41.6) |
| Interest expense | 12.7 | 0.1 | 25.4 | 0.1 |
| Interest (income) | (0.1) | (0.1) | (0.2) | (0.3) |
| (Loss) before income taxes | (94.0) | (17.0) | (125.9) | (41.4) |
| Provision (benefit) for income taxes | (2.0) | 4.2 | (5.1) | (3.6) |
| Net (loss) | **$ (92.0)** | **$ (21.2)** | **$ (120.8)** | **$ (37.8)** |
| Net (loss) per share – basic | $ (.76) | $ (.18) | $ (.99) | $ (.31) |
| Net (loss) per share – diluted | $ (.76) | $ (.18) | $ (.99) | $ (.31) |
| Weighted-average number of shares outstanding: | | | | |
| Basic | 121.7 | 121.1 | 122.0 | 120.3 |
| Diluted | 121.7 | 121.1 | 122.0 | 120.3 |

See notes to consolidated condensed financial statements.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Net (loss) | $ (92.0) | $ (21.2) | $ (120.8) | $ (37.8) |
| Other comprehensive income, before tax: | | | | |
| Amortization of prior service costs (Note 8) | 0.4 | 0.4 | 0.8 | 0.8 |
| Amortization of actuarial losses (Note 8) | 6.0 | 2.8 | 12.0 | 6.0 |
| Other comprehensive income, before tax | 6.4 | 3.2 | 12.8 | 6.8 |
| Income tax (expense) benefit related to items of other comprehensive income | (2.3) | (1.2) | (4.6) | (2.5) |
| Other comprehensive income, net of tax | 4.1 | 2.0 | 8.2 | 4.3 |
| Comprehensive (loss) | **$ (87.9)** | **$ (19.2)** | **$ (112.6)** | **$ (33.5)** |

See notes to consolidated condensed financial statements.

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

| | Six Months Ended June 30, | |
|---|---|---|
| | **2012** | **2011** |
| **Cash Flows from Operating Activities** | | |
| Net (loss) | $ (120.8) | $ (37.8) |
| Adjustments to reconcile net (loss) to net cash provided byoperating activities: | | |
| Depreciation and amortization | 19.5 | 30.2 |
| Transfer of machinery and equipment to U.S. Department of Energy | 44.6 | - |
| Deferred income taxes | (4.6) | 7.3 |
| Other non-cash income on release of disposal obligation | (10.0) | (0.6) |
| Capitalized convertible preferred stock dividends paid-in-kind | 5.8 | 5.1 |
| Gain on extinguishment of convertible senior notes | - | (3.1) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable – (increase) decrease | (11.4) | 174.6 |
| Inventories, net – decrease | 340.3 | 173.9 |
| Payables under Russian Contract – (decrease) | (65.2) | (56.0) |
| Deferred revenue, net of deferred costs – increase | 27.1 | 10.2 |
| Accrued depleted uranium disposition – increase (decrease) | (73.5) | 9.9 |
| Accounts payable and other liabilities – increase (decrease) | 3.6 | (8.2) |
| Other, net | 6.7 | (19.9) |
| Net Cash Provided by Operating Activities | 162.1 | 285.6 |
| | | |
| **Cash Flows Provided by (Used in) Investing Activities** | | |
| Capital expenditures | (4.1) | (91.0) |
| Deposits for surety bonds - decrease | 43.8 | - |
| Net Cash Provided by (Used in) Investing Activities | 39.7 | (91.0) |
| | | |
| **Cash Flows Used in Financing Activities** | | |
| Borrowings under revolving credit facility | 123.6 | - |
| Repayments under revolving credit facility | (123.6) | - |
| Payments for deferred financing costs | (9.8) | (3.7) |
| Common stock issued (purchased), net | (0.6) | (1.7) |
| Net Cash (Used in) Financing Activities | (10.4) | (5.4) |
| Net Increase | 191.4 | 189.2 |
| Cash and Cash Equivalents at Beginning of Period | 37.6 | 151.0 |
| Cash and Cash Equivalents at End of Period | **$ 229.0** | **$ 340.2** |
| Supplemental Cash Flow Information: | | |
| Interest paid, net of amount capitalized | $ 13.2 | $ - |
| Income taxes paid, net of refunds | 0.5 | 2.1 |

See notes to consolidated condensed financial statements.

**USEC Inc.**
**CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(Unaudited)**
**(millions)**

| | Common Stock, Par Value $.10 per Share | Excess of Capital over Par Value | Retained Earnings (Deficit) | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|---|
| **Six Months Ended June 30, 2011** | | | | | | |
| **Balance at December 31, 2010** | $ 12.3 | $ 1,172.8 | $ 329.9 | $ (57.1) | $ (144.1) | $ 1,313.8 |
| Amortization of actuarial losses and prior service costs, net of tax | - | - | - | - | 4.3 | 4.3 |
| Common stock issued in exchange for convertible senior notes | 0.7 | 40.5 | - | - | - | 41.2 |
| Restricted and other common stock issued, net of amortization | - | (2.9) | - | 6.5 | - | 3.6 |
| Net (loss) | - | - | (37.8) | - | - | (37.8) |
| **Balance at June 30, 2011** | **$ 13.0** | **$ 1,210.4** | **$ 292.1** | **$ (50.6)** | **$ (139.8)** | **$ 1,325.1** |
| | | | | | | |
| **Six Months Ended June 30, 2012** | | | | | | |
| **Balance at December 31, 2011** | $ 13.0 | $ 1,212.5 | $ (210.8) | $ (49.4) | $ (212.9) | $ 752.4 |
| Amortization of actuarial losses and prior service costs, net of tax | - | - | - | - | 8.2 | 8.2 |
| Restricted and other common stock issued, net of amortization | - | (13.7) | - | 16.5 | - | 2.8 |
| Net (loss) | - | - | (120.8) | - | - | (120.8) |
| **Balance at June 30, 2012** | **$ 13.0** | **$ 1,198.8** | **$ (331.6)** | **$ (32.9)** | **$ (204.7)** | **$ 642.6** |

See notes to consolidated condensed financial statements.

## 1. BASIS OF PRESENTATION

The unaudited consolidated condensed financial statements as of and for the three and six months ended June 30, 2012 and 2011 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The unaudited consolidated condensed financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial results for the interim period. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been omitted pursuant to such rules and regulations.

Operating results for the three and six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. The unaudited consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and related notes and management's discussion and analysis of financial condition and results of operations included in the annual report on Form 10-K for the year ended December 31, 2011.

*New Accounting Standards*

In May 2011, the Financial Accounting Standards Board ("FASB") amended its guidance on fair value measurements and related disclosures. The amendments represent the converged guidance of the FASB and the International Accounting Standards Board and provide a consistent definition of fair value and common requirements for measurement and disclosure of fair value between GAAP and International Financial Reporting Standards ("IFRS"). The new amendments also change some fair value measurement principles and enhance disclosure requirements related to activities in Level 3 of the fair value hierarchy. The new provisions are effective for fiscal years and interim periods beginning after December 15, 2011 and are applied prospectively. The implementation of the amended guidance in the first quarter of 2012 did not have an effect on USEC's results of operations, cash flows or financial position.

In June and December 2011, the FASB issued guidance on the presentation of comprehensive income. The new guidance requires companies to present the components of net income and other comprehensive income either in a single statement below net income or in a separate statement of comprehensive income immediately following the income statement. The provisions of this new guidance are effective for fiscal years and interim periods beginning after December 15, 2011 and are applied retrospectively for all periods presented. The implementation of the new guidance in the first quarter of 2012 was reflected in USEC's consolidated condensed financial statements and did not have an effect on USEC's results of operations, cash flows or financial position.

In September 2011, the FASB amended its guidance on testing goodwill for impairment. Under the revised guidance, companies testing goodwill for impairment have the option of first performing a qualitative assessment to determine whether further quantitative assessments are warranted. In assessing qualitative factors, companies are to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test prescribed in the existing guidance. The provisions of this new guidance are effective for fiscal years and interim periods beginning after December 15, 2011. USEC evaluates the carrying value of goodwill by performing an impairment test on an annual basis in the fourth quarter or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. USEC expects the adoption of the new guidance will not have a material effect on its results of operations, cash flows or financial position.

**2. ACCOUNTS RECEIVABLE**

| | June 30, 2012 | December 31, 2011 |
|---|---|---|
| | (millions) | |
| Accounts receivable (1): | | |
| Utility customers: | | |
| Trade receivables | $ 82.8 | $ 124.2 |
| Uranium loaned to customer (2) | 53.6 | - |
| | 136.4 | 124.2 |
| Contract services, primarily Department of Energy (3): | | |
| Billed revenue | 34.8 | 18.8 |
| Unbilled revenue | 2.2 | 19.0 |
| | 37.0 | 37.8 |
| | **$ 173.4** | **$ 162.0** |

(1) Accounts receivable are net of valuation allowances and allowances for doubtful accounts totaling $14.1 million at June 30, 2012 and $13.7 million at December 31, 2011.

(2) The loan period ends in the third quarter of 2012 under the agreement with the investment grade-rated utility customer.

(3) Billings for contract services related to the U.S. Department of Energy ("DOE") are generally invoiced based on provisional billing rates approved by DOE. Unbilled revenue represents the difference between actual costs incurred, prior to incurred cost audit and notice by DOE authorizing final billing, and provisional billing rate invoiced amounts. USEC expects to invoice and collect the unbilled amounts as billing rates are revised, submitted to and approved by DOE. USEC has also invoiced certain amounts and subsequently submitted certified claims under the Contract Disputes Act for breach-of-contract amounts equaling unreimbursed costs. USEC believes DOE has breached its agreement by failing to establish appropriate provisional billing and final indirect cost rates on a timely basis.

**3. INVENTORIES**

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

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

Components of inventories follow (in millions):

| | June 30, 2012 | | | December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | Current Assets | Current Liabilities | Inventories, Net | Current Assets | Current Liabilities | Inventories, Net |
| | | (a) | | | (a) | |
| Separative work units | $ 969.0 | $ 547.5 | $ 421.5 | $ 1,048.6 | $ 334.7 | $ 713.9 |
| Uranium | 945.5 | 835.3 | 110.2 | 690.0 | 535.4 | 154.6 |
| Materials and supplies | 9.9 | - | 9.9 | 13.4 | - | 13.4 |
| | **$ 1,924.4** | **$ 1,382.8** | **$ 541.6** | **$ 1,752.0** | **$ 870.1** | **$ 881.9** |

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

The decrease in net inventories in the six months ended June 30, 2012, reflects the high volume of SWU sales during the first quarter of 2012, including orders that USEC and customers have advanced from later in 2012 and from 2013. On March 13, 2012, USEC entered into an agreement with DOE pursuant to which DOE acquired U.S. origin LEU from USEC in exchange for the transfer of quantities of USEC's depleted uranium tails to DOE. This transaction also had the effect of reducing inventory levels. The advancement of orders may increase SWU and uranium inventories owed to fabricators to the extent that fabricators do not accelerate their bulk delivery orders from USEC to a corresponding degree, thereby using their other inventories to satisfy USEC's customer order obligations until future bulk deliveries of LEU from USEC to the fabricators are made.

*Uranium Provided by Customers and Suppliers*

USEC held uranium with estimated values of approximately $2.2 billion at June 30, 2012, and $2.9 billion at December 31, 2011, to which title was held by customers and suppliers and for which no assets or liabilities were recorded on the balance sheet. The reduction reflects a 24% decline in quantities and a 3% decline in the uranium spot price indicator. Utility customers provide uranium to USEC as part of their enrichment contracts. Title to uranium provided by customers generally remains with the customer until delivery of LEU at which time title to LEU is transferred to the customer, and title to uranium is transferred to USEC.

**4. PROPERTY, PLANT AND EQUIPMENT**

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

| | December 31, 2011 | Capital Expenditures (Depreciation) | Transfers and Retirements | June 30, 2012 |
|---|---|---|---|---|
| Construction work in progress | $ 1,111.2 | $ 1.0 | $ (47.0) | $ 1,065.2 |
| Leasehold improvements | 182.9 | - | 0.6 | 183.5 |
| Machinery and equipment | 251.2 | 0.9 | (5.1) | 247.0 |
| | 1,545.3 | 1.9 | (51.5) | 1,495.7 |
| Accumulated depreciation and amortization | (358.2) | (13.8) | 6.9 | (365.1) |
| | **$ 1,187.1** | **$ (11.9)** | **$ (44.6)** | **$ 1,130.6** |

Capital expenditures include items in accounts payable and accrued liabilities at June 30, 2012 for which cash is paid in subsequent periods.

USEC is working to deploy the American Centrifuge technology at the American Centrifuge Plant ("ACP") in Piketon, Ohio. Capital expenditures related to the ACP, which are primarily included in the construction work in progress balance, totaled $1.1 billion at June 30, 2012 and December 31, 2011. Capitalized asset retirement obligations included in construction work in progress totaled $19.3 million at June 30, 2012 and December 31, 2011.

Instead of moving forward with a conditional commitment for a loan guarantee for the American Centrifuge project through the DOE Loan Guarantee Program, in the fall of 2011, DOE proposed a two-year cost share research, development and demonstration ("RD&D") program for the American Centrifuge project. Additional details are provided in Note 12 under "American Centrifuge Plant – Project Funding." As a result of the shift in focus of the American Centrifuge project, beginning in the fourth quarter of 2011, USEC began spending on the American Centrifuge technology at reduced levels with activities concentrating on development and demonstration. As a result, all project costs incurred since the fourth quarter of 2011 have been expensed, including interest expense that previously would have been capitalized. Capitalization of expenditures related to the ACP has ceased until commercial plant deployment resumes.

On June 12, 2012, USEC through its subsidiary entered into a contract with DOE to transfer to DOE title to the centrifuge machines and equipment produced or acquired under the RD&D program. The transferred property for research, development and demonstration activities include specified existing machines and equipment having a cost of $44.6 million that were transferred in the second quarter of 2012.

USEC believes that future cash flows from the ACP will exceed its capital investment. Since USEC believes its capital investment is fully recoverable, no impairment of the balance of capitalized costs is anticipated at this time. USEC will continue to evaluate this assessment as conditions change, including as a result of activities conducted as part of the RD&D program.

**5. DEFERRED REVENUE AND ADVANCES FROM CUSTOMERS**

| | June 30, 2012 | December 31, 2011 |
|---|---|---|
| | (millions) | |
| Deferred revenue | $ 139.4 | $ 181.5 |
| Advances from customers | 39.5 | 23.7 |
| | **$ 178.9** | **$ 205.2** |
| | | |
| Deferred costs associated with deferred revenue | **$ 130.8** | **$ 175.5** |

Advances from customers included $21.2 million as of June 30, 2012 and $22.3 million as of December 31, 2011 for services to be provided to DOE or to be applied to existing receivables balances due from DOE in USEC's contract services segment. DOE funded this work through an arrangement whereby DOE transferred uranium to USEC which USEC immediately sold in the market.

Advances from customers as of June 30, 2012 include $16.4 million representing the balance of $26.4 million of initial funding from DOE under the RD&D program. DOE made the $26.4 million available by taking the disposal obligation for a specific quantity of depleted uranium from USEC, which will enable USEC to release encumbered funds for investment in the American Centrifuge technology that USEC had otherwise committed to future depleted uranium disposition obligations. The $26.4 million in encumbered funds are reflected in other long-term assets as deposits for surety bonds as of June 30, 2012. In the third quarter of 2012, surety bonds and related cash deposits are expected to be reduced at which time USEC will receive the cash. As of June 30, 2012, USEC made qualifying American Centrifuge expenditures under the RD&D program of $12.5 million. DOE's pro-rata share of 80%, or $10.0 million, is recognized as other income in the three and six months ended June 30, 2012.

**6. DEBT**

*Credit Facility*

On March 13, 2012, USEC amended and restated its existing $310.0 million credit facility, scheduled to mature on May 31, 2012, to a $235.0 million credit facility that matures on May 31, 2013. The amended and restated credit facility includes a revolving credit facility of $150.0 million (including up to $75.0 million in letters of credit) and a term loan of $85.0 million. The interest rate on the term loan as of June 30, 2012 was 10.5%. Under the amended and restated credit facility, commencing December 3, 2012, the aggregate revolving commitments and term loan principal will be reduced by $5.0 million per month through the expiration of the credit facility.

Utilization of the current credit facility at June 30, 2012 and the former credit facility at December 31, 2011 follows:

| | June 30, 2012 | December 31, 2011 |
|---|---|---|
| | (millions) | |
| Borrowings under the revolving credit facility | $ - | $ - |
| Term loan due May 31, 2013 | 85.0 | - |
| Term loan due May 31, 2012 | - | 85.0 |
| Letters of credit | 10.8 | 19.6 |
| Available credit | 94.2 | 205.4 |

The revolving credit facility contains various reserve provisions that reduce available borrowings under the facility periodically including a permanent availability block under the new amended and restated credit facility equal to $45.0 million. Borrowings under the credit facility are subject to limitations based on established percentages of eligible accounts receivable and USEC-owned inventory pledged as collateral to the lenders. Available credit reflects the levels of qualifying assets at the end of the previous month less any borrowings or letters of credit and reduced by the availability block.

As with the former facility, the amended and restated credit facility is secured by assets of USEC Inc. and its subsidiaries, excluding equity in, and assets of, subsidiaries created to carry out future commercial American Centrifuge activities. The amended and restated credit facility includes various operating and financial covenants that restrict USEC's ability and the ability of its subsidiaries, to, among other things, incur or prepay other indebtedness, grant liens, sell assets, make investments and acquisitions, consummate certain mergers and other fundamental changes, make certain capital expenditures and declare or pay dividends or other distributions.

The credit facility, as further amended on June 1, 2012, imposes limitations and restrictions on our ability to invest in the American Centrifuge project. Under the amended credit facility, we can invest our 20% share of the costs under the RD&D program (up to $75 million) as long as the amount of expenditures reimbursable to USEC under the RD&D program that have not yet been reimbursed does not exceed $50 million. Aggregate American Centrifuge project expenditures from and after June 1, 2012 may not exceed $375 million and the aggregate amount of American Centrifuge project expenditures from and after June 1, 2012 for which USEC is not entitled to reimbursement under the RD&D program may not exceed $75 million (except for spending needed to carry out a project demobilization or to maintain compliance with legal and regulatory requirements under certain circumstances).

*Convertible Senior Notes due 2014*

Convertible senior notes amounted to $530.0 million as of June 30, 2012 and December 31, 2011. The convertible senior notes are due October 1, 2014. Interest of 3.0% is payable semi-annually in arrears on April 1 and October 1 of each year. The notes were not eligible for conversion to common stock as of June 30, 2012 or December 31, 2011.

*Deferred Financing Costs*

Financing costs are generally deferred and amortized over the life of the instrument. A summary of deferred financing costs for the six months ended June 30, 2012 follows (in millions):

| | December 31, 2011 | Additions | Reductions | June 30, 2012 |
|---|---|---|---|---|
| Other current assets: | | | | |
| Bank credit facilities | **$ 2.4** | **$ 9.2** | **$ (5.0)** | **$ 6.6** |
| | | | | |
| Deferred financing costs (long-term): | | | | |
| Convertible notes | $ 5.5 | $ - | $ (0.9) | $ 4.6 |
| ACP project | 6.7 | - | (0.1) | 6.6 |
| Deferred financing costs | **$ 12.2** | **$ -** | **$ (1.0)** | **$ 11.2** |

**7. FAIR VALUE MEASUREMENTS**

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

*Fair Value Hierarchy*

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

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

*Financial Instruments Recorded at Fair Value*

| | Fair Value Measurements (in millions) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2012 | | | | December 31, 2011 | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | | | | | |
| Cash equivalents (a) | - | $ 228.6 | - | $ 228.6 | - | $ 37.4 | - | $ 37.4 |
| Deferred compensation asset (b) | - | 2.6 | - | 2.6 | - | 2.3 | - | 2.3 |
| **Liabilities:** | | | | | | | | |
| Deferred compensation obligation (b) | - | 2.9 | - | 2.9 | - | 2.6 | - | 2.6 |

(a) Cash equivalents consist of funds invested in institutional money market funds. These investments are classified within Level 2 of the valuation hierarchy because unit prices of institutional funds are not quoted in active markets.

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

*Other Financial Instruments*

As of June 30, 2012 and December 31, 2011, the balance sheet carrying amounts for accounts receivable and accounts payable and accrued liabilities (excluding the deferred compensation obligation described above), and payables under the commercial agreement (the "Russian Contract") with a Russian government entity known as Techsnabexport ("TENEX") approximate fair value because of the short-term nature of the instruments.

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

| | June 30, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Credit facility term loan due May 31, 2013 | $ 85.0 | $ 87.2 | - | - |
| Credit facility term loan due May 31, 2012 | - | - | $ 85.0 | $ 72.8 |
| Convertible preferred stock | 94.4 | 94.4 | 88.6 | 88.6 |
| 3.0% convertible senior notes, due October 1, 2014 | 530.0 | 259.7 | 530.0 | 246.1 |

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

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

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

**8. PENSION AND POSTRETIREMENT HEALTH AND LIFE BENEFITS**

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

| | Defined Benefit Pension Plans | | | | Postretirement Health and Life Benefits Plans | | | |
|---|---|---|---|---|---|---|---|---|
| | Three Months Ended June 30, | | Six Months Ended June 30, | | Three Months Ended June 30, | | Six Months Ended June 30, | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Service costs | $ 3.7 | $ 3.2 | $ 7.3 | $ 8.0 | $ 0.9 | $ 1.4 | $ 1.8 | $ 2.7 |
| Interest costs | 12.0 | 12.5 | 24.1 | 25.1 | 2.8 | 3.1 | 5.6 | 6.1 |
| Expected return on plan assets (gains) | (13.0) | (13.5) | (26.0) | (26.9) | (0.7) | (0.9) | (1.4) | (1.8) |
| Amortization of prior service costs | 0.4 | 0.4 | 0.8 | 0.8 | - | - | - | - |
| Amortization of actuarial losses | 4.9 | 2.2 | 9.8 | 4.7 | 1.1 | 0.6 | 2.2 | 1.3 |
| Curtailment losses | - | - | - | 3.2 | - | 1.9 | - | 1.9 |
| Net benefit costs | **$ 8.0** | **$ 4.8** | **$ 16.0** | **$ 14.9** | **$ 4.1** | **$ 6.1** | **$ 8.2** | **$ 10.2** |

USEC expects to contribute $15.9 million to the defined benefit pension plans in 2012, consisting of $12.5 million of required contributions under the Employee Retirement Income Security Act ("ERISA") and $3.4 million to non-qualified plans. USEC has contributed $11.2 million in the six months ended June 30, 2012. These expected contribution amounts reflect the recently enacted Moving Ahead for Progress in the 21st Century Act (MAP-21) which reduced the required contributions under ERISA in 2012 by an estimated $10.7 million.

There is no required contribution for the postretirement health and life benefit plans under ERISA and USEC expects to contribute $1.4 million later in 2012. Certain contributions to the plans are recoverable under USEC's contracts with DOE. USEC receives federal subsidy payments for sponsoring prescription drug benefits that are at least actuarially equivalent to Medicare Part D.

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

**9. STOCK-BASED COMPENSATION**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | (millions) | | | |
| Total stock-based compensation costs: | | | | |
| Restricted stock and restricted stock units | $ 1.3 | $ 2.1 | $ 2.5 | $ 4.4 |
| Stock options, performance awards and other | 0.2 | 0.3 | 0.5 | 0.8 |
| Less: costs capitalized as part of inventory | (0.1) | (0.1) | (0.1) | (0.4) |
| Expense included in selling, general and administrative and advanced technology costs | **$ 1.4** | **$ 2.3** | **$ 2.9** | **$ 4.8** |
| Total recognized tax benefit | **$ -** | **$ 0.8** | **$ -** | **$ 1.7** |

The total recognized tax benefit is reported at the federal statutory rate net of the tax valuation allowance in 2012.

Stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized over the requisite service period, which is either immediate recognition if the employee is eligible to retire, or on a straight-line basis until the earlier of either the date of retirement eligibility or the end of the vesting period. As of June 30, 2012, there was $4.3 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested stock-based payments granted, of which $3.9 million relates to restricted shares and restricted stock units, and $0.4 million relates to stock options. That cost is expected to be recognized over a weighted-average period of 1.7 years.

On February 15, 2012, USEC's Board of Directors voted to discontinue USEC's employee stock purchase plan effective immediately. Given the recent volatility of USEC stock and the holding requirement for all shares purchased through the plan, the Board determined that it was prudent to discontinue the Program and refund all amounts credited to participants' accounts to date for the offering period January 1, 2012 through June 30, 2012.

**10. NET INCOME (LOSS) PER SHARE**

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | (millions) | | | |
| Numerator: | | | | |
| Net (loss) | $ (92.0) | $ (21.2) | $ (120.8) | $ (37.8) |
| Net interest expense on convertible notes and convertible preferred stock dividends (a) | (b) | (b) | (b) | (b) |
| Net (loss) if-converted | **$ (92.0)** | **$ (21.2)** | **$ (120.8)** | **$ (37.8)** |
| | | | | |
| Denominator: | | | | |
| Weighted average common shares | 124.3 | 122.8 | 123.7 | 122.1 |
| Less: Weighted average unvested restricted stock | 2.6 | 1.7 | 1.7 | 1.8 |
| Denominator for basic calculation | **121.7** | **121.1** | **122.0** | **120.3** |
| | | | | |
| Weighted average effect of dilutive securities: | | | | |
| Stock compensation awards | - | 0.1 | - | 3.1 |
| Convertible notes | 44.3 | 44.3 | 44.3 | 44.6 |
| Convertible preferred stock: | | | | |
| Equivalent common shares (c) | 76.7 | 17.4 | 22.8 | 15.5 |
| Less: share issuance limitation (d) | 53.9 | - | - | - |
| Net allowable common shares | 22.8 | 17.4 | 22.8 | 15.5 |
| Subtotal | 67.1 | 61.8 | 67.1 | 63.2 |
| Less: shares excluded in a period of a net loss | 67.1 | 61.8 | 67.1 | 63.2 |
| Weighted average effect of dilutive securities | - | - | - | - |
| Denominator for diluted calculation | **121.7** | **121.1** | **122.0** | **120.3** |
| | | | | |
| Net (loss) per share – basic | **$ (.76)** | **$ (.18)** | **$ (.99)** | **$ (.31)** |
| Net (loss) per share – diluted | **$ (.76)** | **$ (.18)** | **$ (.99)** | **$ (.31)** |

(a) Interest expense on convertible notes and convertible preferred stock dividends net of amount capitalized and net of tax. The total recognized tax benefit is reported at the federal statutory rate net of the tax valuation allowance in 2012. See note (b) below.

(b) No dilutive effect is recognized in a period in which a net loss has occurred. Net interest expense on convertible notes and convertible preferred stock dividends was $4.8 million in the three months ended June 30, 2012 and $9.5 million in the six months ended June 30, 2012. There was no net interest expense in the three and six months ended June 30, 2011.

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

(d) Prior to obtaining shareholder approval, the preferred stock may not be converted into an aggregate number of shares of common stock in excess of 19.99% of the shares of our common stock outstanding on May 25, 2010 (approximately 22.8 million shares), in compliance with the rules of the New York Stock Exchange. If a share issuance limitation were to exist at the time of share conversion or sale, any preferred stock shares subject to the share issuance limitation would be subject to optional or mandatory redemption for, at USEC's option, cash or SWU consideration. However, USEC's ability to redeem may be limited by Delaware law, and if not limited may result in mandatory prepayment of USEC's credit facility.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Options excluded from diluted net (loss) per share | 2.9 | 2.2 | 2.9 | 2.2 |
| Warrants excluded from diluted net (loss) per share | 6.3 | 6.3 | 6.3 | 6.3 |
| Exercise price of excluded options | $3.72 to $14.28 | $5.00 to $14.28 | $3.72 to $14.28 | $5.00 to $14.28 |
| Exercise price of excluded warrants | $7.50 | $7.50 | $7.50 | $7.50 |

**11. WORKFORCE REDUCTIONS AND ADVISORY COSTS**

USEC's business is in a state of significant transition. In early 2012, USEC initiated an internal review of its organizational structure and engaged a management consulting firm to support this review. Costs for the management consulting firm and other advisors totaled $1.5 million in the second quarter of 2012 and $6.0 million in the six months ended June 30, 2012, and was mostly paid as of June 30, 2012.

Actions taken to-date related to USEC's organizational structure resulted in workforce reductions at the American Centrifuge design and engineering operations in Oak Ridge, Tennessee, at the headquarters operations located in Bethesda, Maryland and at the central services operations located in Piketon, Ohio. The reductions to-date involved 45 employees including two senior corporate officers. A charge of $1.9 million was incurred in the first quarter of 2012 and $1.7 million in the second quarter of 2012 for one-time termination benefits consisting of severance payments, short-term health care coverage and immediate vesting of restricted stock for certain employees. Related cash expenditures of $0.7 million were incurred in the first quarter of 2012 and $2.2 million were incurred in the second quarter of 2012. The remaining cash expenditures are expected primarily in the latter half of 2012. Additional actions affecting employees to align the organization with our evolving business environment are expected.

**12. COMMITMENTS AND CONTINGENCIES**

**Power Contract**

On May 15, 2012, the power purchase agreement with TVA was amended to extend its term and TVA and USEC entered into a supplemental confirmation agreement pursuant to the amended power purchase agreement for USEC to purchase the power needed to operate the Paducah GDP during the one-year term of the depleted uranium enrichment agreement with Energy Northwest. Under this supplemental agreement, USEC has a take or pay obligation to purchase electricity during June - September 2012 at monthly amounts increasing from approximately 750 to 1,250 megawatts and then at 1,500 megawatts for the remaining months of the contract, less a 25% reduction in May 2013 to provide a transition in power delivery. As of June 30, 2012, USEC is obligated to make minimum payments under the supplemental agreement and the amended power purchase agreement of approximately $0.5 billion through May 2013. USEC's costs are subject to monthly fuel cost adjustments to reflect changes in TVA's fuel costs, purchased power costs, and related costs. However, these fuel cost adjustments are passed through to Energy Northwest under the depleted uranium enrichment agreement. USEC has the right to terminate its power purchase obligations under the supplemental agreement if Energy Northwest terminates the depleted uranium enrichment agreement, or fails to deliver depleted uranium or to meet its payment obligations, and USEC ceases enrichment operations at Paducah as a result. In such a case, USEC will agree with TVA on a schedule to reduce to zero over a period of thirty days all power purchases in a manner that ensures safe and reliable operation of Paducah.

**American Centrifuge Plant**

*Project Funding*

USEC needs significant additional financing in order to complete the American Centrifuge Plant ("ACP"). USEC believes a loan guarantee under the DOE Loan Guarantee Program, which was established by the Energy Policy Act of 2005, is essential to obtaining the funding needed to complete the ACP. In July 2008, USEC applied under the DOE Loan Guarantee Program for $2 billion in U.S. government guaranteed debt financing for the ACP. As discussed in Note 4, instead of moving forward with a conditional commitment for a loan guarantee, in the fall of 2011, DOE proposed a two-year RD&D program for the project. DOE indicated that USEC's application for a DOE loan guarantee would remain pending during the RD&D program but has given USEC no assurance that a successful RD&D program will result in a loan guarantee. Additional capital beyond the $2 billion of DOE loan guarantee funding that USEC has applied for and USEC's internally generated cash flow will be required to complete the project. USEC has had discussions with Japanese export credit agencies regarding financing up to $1 billion of the cost of completing the ACP. Additional capital will also be needed and the amount of additional capital is dependent on a number of factors, including the amount of any revised cost estimate and schedule for the project, the amount of contingency or other capital DOE may require as part of a loan guarantee, and the amount of the DOE credit subsidy cost that would be required to be paid in connection with a loan guarantee. USEC has no assurances that it will be successful in obtaining this financing and that the delays it has experienced will not adversely affect these efforts. If conditions change and deployment of the ACP becomes no longer probable or becomes delayed significantly from USEC's current expectations, USEC could expense up to the full amount of previously capitalized costs related to the ACP of up to $1.1 billion. Events that could impact USEC's views as to the probability of deployment or USEC's projections include progress in meeting the technical milestones of the RD&D program, the status of continued DOE funding for the RD&D program, changes in USEC's anticipated ownership of or role in the project, changes in the cost estimate and schedule for the project, and prospects for obtaining a loan guarantee and other financing needed to deploy the project.

The objectives of the RD&D program are (1) to demonstrate the American Centrifuge technology through the construction and operation of a cascade of 120 commercial centrifuge machines and (2) to sustain the domestic U.S. centrifuge technical and industrial base for national security purposes and potential commercialization of the American Centrifuge project. This includes activities to reduce the risks and improve the future prospects of deployment of the American Centrifuge technology. USEC intends to meet these objectives through the construction and operation of one complete demonstration cascade of 120 commercial centrifuge machines and supporting infrastructure. This will enable us to demonstrate redundancy of the primary cascade support systems for commercial plant operation and to complete integrated testing against operational requirements.

USEC began funding the RD&D program in January 2012 and has been building machines and parts for the demonstration cascade. On June 12, 2012, USEC and DOE entered into a cooperative agreement to provide funding for the RD&D program. The cooperative agreement provides for 80% DOE and 20% USEC cost sharing for work performed during the period June 1, 2012 through December 31, 2013 with a total estimated cost of $350 million. DOE's total contribution would be up to $280 million and USEC's contribution would be up to $70 million. USEC's 20% contribution will include investments made by USEC commencing June 1, 2012. DOE's contribution will be incrementally funded and is limited to $87.7 million until DOE provides authorization for additional funding. DOE funding through July 31, 2012 was $26.4 million. On July 31, 2012, DOE authorized an additional $61.3 million of funding (for a total of $87.7 million). The remaining funding of $192.3 million from DOE has not yet been authorized and is subject to Congressional appropriations, Congressional transfer or reprogramming authority to permit the use by DOE of funds previously appropriated for other programs, or other sources available to DOE and therefore it is possible that this additional funding may not be made available.

DOE provided the initial $87.7 million of funding by accepting title to quantities of depleted uranium that will enable USEC to release encumbered funds for approximately 80% of the allowable costs of the RD&D program up to $87.7 million. As described in Note 5, USEC receives the cash when the surety bonds and related cash deposits providing the financial assurance for disposition of this depleted uranium are reduced.

Under the cooperative agreement, USEC and USEC's newly created subsidiary American Centrifuge Demonstration, LLC ("ACD") will carry out the RD&D program. ACD is putting in place a program management and enhanced program execution structure as required by the cooperative agreement. On July 23, 2012, USEC entered into a limited liability company agreement for ACD which, among other things, establishes a board of managers in accordance with the enhanced program execution structure. The seven-person board is comprised of two independent managers, two managers appointed by USEC, and one manager appointed by each of Babcock & Wilcox Technical Services Group, Inc., Toshiba America Nuclear Energy Corporation and Exelon Generation Company, LLC.

The cooperative agreement also includes five technical milestones for the RD&D program. On June 27, 2012, USEC achieved the first technical milestone related to the finalization of a test program plan for the remaining technical milestones and for full system reliability and plant availability. Submittal of a more detailed cost and schedule for the RD&D program, including the dates for the technical milestones, was also a condition to DOE providing funding beyond the initial $26.4 million of funding. On July 24, 2012, USEC submitted the required information. DOE has the right to terminate the cooperative agreement if any of these technical milestones are not met on or before the agreed date for such milestones. DOE also has the right to terminate the cooperative agreement if USEC materially fails to comply with the other terms and conditions of the cooperative agreement. Failure to meet the technical milestones under the cooperative agreement could provide a basis for DOE to exercise its remedies under the 2002 DOE-USEC Agreement (as defined below).

On June 12, 2012, USEC through its subsidiary also entered into a contract with DOE to transfer to DOE title to the centrifuge machines and equipment produced or acquired under the RD&D program. The transferred property includes some existing machines and equipment and, at DOE's option, the machines and equipment produced or acquired under the cooperative agreement. As compensation for the sale of the transferred property, (1) DOE will make the transferred property available for no additional fee as leased personal property under the lease agreement between DOE and USEC for the facilities at Piketon, Ohio for the American Centrifuge Plant, and (2) at financial closing on the financing for the construction of the American Centrifuge Plant, title to the transferred property will transfer to the lessee under and in accordance with the terms of the lease agreement. If USEC abandons the centrifuge technology and returns the premises leased under the DOE lease agreement, DOE will keep the transferred property and would be responsible for its disposal.

*Milestones under the 2002 DOE-USEC Agreement*

On June 12, 2012, USEC and DOE entered into an amendment to the agreement dated June 17, 2002 between DOE and USEC (such agreement, as amended, the "2002 DOE-USEC Agreement"). Under the 2002 DOE-USEC Agreement, USEC and DOE made long-term commitments directed at resolving issues related to the stability and security of the domestic uranium enrichment industry.
The agreement provides that USEC will develop, demonstrate and deploy the American Centrifuge technology in accordance with milestones and provides for remedies in the event of a failure to meet a milestone under certain circumstances. The June 2012 amendment adds two new milestones related to the RD&D program and revises the remaining four milestones under the 2002 agreement relating to the financing and operation of the American Centrifuge Plant to be aligned with the RD&D program.

USEC also granted to DOE an irrevocable, non-exclusive right to use or permit third parties on behalf of DOE to use all American Centrifuge technology intellectual property ("Centrifuge IP") royalty free for U.S. government purposes (which includes completion of the cascade demonstration test program and national defense purposes, including providing nuclear material to operate commercial nuclear power reactors for tritium production). USEC also granted an irrevocable, non-exclusive license to DOE to use such Centrifuge IP developed at USEC's expense for commercial purposes (including a right to sublicense), which may be exercised only if USEC misses any of the milestones under the 2002 DOE-USEC Agreement or if USEC (or an affiliate or entity acting through USEC) is no longer willing or able to proceed with, or has determined to abandon or has constructively abandoned, the commercial deployment of the centrifuge technology. Such commercial purposes licenses are subject to payment of a reasonable royalty to USEC, which shall not exceed $665 million.

The 2002 DOE-USEC Agreement provides DOE with specific remedies if USEC fails to meet a milestone that would materially impact USEC's ability to begin commercial operations of the American Centrifuge Plant on schedule and such delay was within USEC's control or was due to USEC's fault or negligence. These remedies could include terminating the 2002 DOE-USEC Agreement, revoking USEC's access to DOE's U.S. centrifuge technology that USEC requires for the success of the American Centrifuge project and requiring USEC to transfer certain of its rights in the American Centrifuge technology and facilities to DOE, and to reimburse DOE for certain costs associated with the American Centrifuge project. DOE could also recommend that USEC be removed as the sole U.S. Executive Agent under the nonproliferation program between the United States and the Russian Federation known as "Megatons to Megawatts," which could affect USEC's access to Russian LEU under the Megatons to Megawatts program in 2013. Any of these remedies under the 2002 DOE-USEC Agreement could have a material adverse impact on USEC's business.

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

USEC's right to continue operating the Paducah GDP under its lease with DOE is not subject to meeting the ACP milestones. In addition, the new 10-year commercial supply agreement entered into on March 23, 2011 with TENEX is not subject to any of the remedies related to the ACP under the 2002 DOE-USEC Agreement.

**NYSE Listing Notice**

On May 8, 2012, USEC received notice from the New York Stock Exchange ("NYSE") that the average closing price of its common stock was below the NYSE's continued listing criteria relating to minimum share price. Rule 802.01C of the NYSE's Listed Company Manual requires that a company's common stock trade at a minimum average closing price of $1.00 over a consecutive 30 trading-day period. In accordance with the NYSE's rules, on May 14, 2012, USEC provided written notice to the NYSE of its intent to cure this deficiency. USEC is evaluating its options to cure the price deficiency, including a reverse stock split, which would require shareholder approval at or prior to USEC's next annual meeting of shareholders. USEC has six months from receipt of the notice to regain compliance with the NYSE's price criteria (or by no later than USEC's next annual meeting of shareholders if shareholder approval is required). Subject to the NYSE's rules, during the cure period, USEC's common stock will continue to be listed and trade on the NYSE, subject to its continued compliance with the NYSE's other applicable listing rules. USEC is currently in compliance with all other NYSE listing rules.

USEC can regain compliance at any time during the six-month cure period if on the last trading day of a calendar month during the cure period, USEC has a closing share price of at least $1.00 and an average closing share price of at least $1.00 over the 30 trading-day period ending on the last trading-day of that month or on the last day of the cure period. If USEC effectuates a reverse stock split vote by no later than the next annual meeting of shareholders to cure the condition, the condition will be deemed cured if the price promptly exceeds $1.00 per share, and the price remains above the level for at least the following 30 trading days.

**Legal Matters**

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

On June 27, 2011, a complaint was filed in the United States District Court for the Southern District of Ohio, Eastern Division, against USEC by a former Portsmouth GDP employee claiming that USEC owes severance benefits to him and other similarly situated employees that have transitioned or will transition to the DOE decontamination and decommissioning ("D&D") contractor. The plaintiff amended its complaint on August 31, 2011 and February 10, 2012, among other things, to limit the purported class of similarly situated employees to salaried employees at the Portsmouth site who transitioned to the D&D contractor and are allegedly eligible for or owed benefits. USEC believes it has meritorious defenses against the suit and has not accrued any amounts for this matter. An estimate of the possible loss or range of loss from the litigation is difficult to make because, among other things, (i) the plaintiff has failed to state the amount of damages sought, (ii) the plaintiff purports to represent a class of claimants the size and composition of which remains unknown and (iii) the certification of the class is uncertain. However, USEC estimates that the total severance liability for the approximately 400 salaried employees at the Portsmouth site that transitioned to the DOE D&D contractor would have been approximately $14 million if severance was required to be paid to all of these employees. In such an event, DOE would have owed a portion of this amount, estimated at approximately $9 million, assuming DOE was responsible for periods both during which it operated the facility and under which USEC was a direct contractor to DOE.

**13. SEGMENT INFORMATION**

USEC has two reportable segments: the LEU segment with two components, SWU and uranium, and the contract services segment. The LEU segment is USEC's primary business focus and includes sales of the SWU component of LEU, sales of both the SWU and uranium components of LEU, and sales of uranium. The contract services segment includes nuclear energy services and technologies provided by NAC International Inc. as well as work performed for DOE and DOE contractors at the Portsmouth site and the Paducah GDP. Gross profit is USEC's measure for segment reporting. Intersegment sales were less than $0.1 million in each period presented below and have been eliminated in consolidation.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | (millions) | | | |
| **Revenue** | | | | |
| LEU segment: | | | | |
| Separative work units | $ 347.2 | $ 330.3 | $ 885.1 | $ 638.8 |
| Uranium | 3.6 | 67.8 | 3.6 | 81.8 |
| | 350.8 | 398.1 | 888.7 | 720.6 |
| Contract services segment | 14.0 | 56.3 | 37.6 | 114.3 |
| | **$ 364.8** | **$ 454.4** | **$ 926.3** | **$ 834.9** |
| | | | | |
| **Segment Gross Profit** | | | | |
| LEU segment | $ 10.4 | $ 29.5 | $ 47.1 | $ 44.8 |
| Contract services segment | 1.9 | 3.7 | 4.0 | 2.3 |
| Gross profit | 12.3 | 33.2 | 51.1 | 47.1 |
| Advanced technology costs | 85.7 | 33.5 | 122.5 | 60.2 |
| Selling, general and administrative | 14.8 | 16.7 | 29.7 | 32.2 |
| Special charge for workforce reductions and advisory costs | 3.2 | - | 9.6 | - |
| Other (income) (a) | (10.0) | - | (10.0) | (3.7) |
| Operating (loss) | (81.4) | (17.0) | (100.7) | (41.6) |
| Interest expense (income), net | 12.6 | - | 25.2 | (0.2) |
| (Loss) before income taxes | **$ (94.0)** | **$ (17.0)** | **$ (125.9)** | **$ (41.4)** |

(a) Other income in the three and six months ended June 30, 2012 consists of pro-rata cost sharing support from DOE of $10.0 million for partial funding of American Centrifuge activities. See Note 5.

Other income in the six months ended June 30, 2011 includes a gain on debt extinguishment of $3.1 million in connection with USEC's exchange with a noteholder whereby USEC received convertible notes with a principal amount of $45 million in exchange for 6,952,500 shares of common stock and cash for accrued but unpaid interest on the convertible notes.

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

*The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated condensed financial statements and related notes set forth in Part I, Item 1 of this report as well as the risks and uncertainties presented in Part II, Item 1A of this report and Part I, Item IA of the annual report on Form 10-K for the year ended December 31, 2011.*

**Overview**

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

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

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

We produce or acquire LEU from two principal sources. We produce about half of our supply of LEU at the Paducah GDP in Paducah, Kentucky, and we acquire the other portion under a contract with Russia (the "Russian Contract") under the Megatons to Megawatts program. Under the Russian Contract, we purchase the SWU component of LEU derived from dismantled nuclear weapons from the former Soviet Union for use as fuel in commercial nuclear power plants.

**Our View of the Business Today**

The aftermath of the March 2011 earthquake and tsunami in Japan that irreparably damaged four nuclear reactors at Fukushima continues to affect our business. Although long-term forecasts continue to suggest growth in uranium enrichment demand, the impact of Fukushima has resulted in excess supply. Although two reactors have been restarted in Japan, the process of restarting reactors has taken longer than expected and more than 50 reactors were off-line in Japan and Germany during the second quarter. Japan has significantly increased its purchases of fossil fuels, primarily oil and liquefied natural gas, to offset a portion of its unavailable nuclear power capacity, but concerns about a severe power shortage during the summer remain. These prolonged outages have resulted in excess SWU supply in the market, and this imbalance between supply and demand for LEU could increase over time depending on the length and severity of delays or cancellations of deliveries. In addition to the shutdown of reactors in Japan, following the events at Fukushima, Germany shut down eight of its reactors and announced that it will be phasing out all 17 nuclear reactors by 2022. Although we do not serve any of the German reactors, our European competitors that serve the German reactors now have excess nuclear fuel available to sell, further adding to the excess supply in the market. Based on the current lack of near-term demand, excess supply in the market and uncertainty regarding the pace of restarting reactors in Japan, we foresee an unfavorable imbalance between supply and demand for LEU until at least the second half of the decade.

These market conditions have challenged our efforts to continue enrichment operations at the Paducah GDP. On May 15, 2012, we entered into a multi-party arrangement with Energy Northwest, the Bonneville Power Administration, the Tennessee Valley Authority and DOE to support a one-year extension of enrichment operations at the Paducah plant. Additional details are provided below under "Paducah Gaseous Diffusion Plant."

We believe that nuclear power is an essential component of the world's electricity generation mix. There is a global fleet of approximately 430 nuclear reactors that provide about 14% of the world's electricity. The United States has the largest number of reactors with 104 operating units that provide approximately 20% of the nation's electricity. We see continued growth in the number of nuclear power reactors internationally, but that growth may be at a slower pace than previously anticipated and much of the anticipated growth is in emerging markets that may be more difficult for us to enter. According to the World Nuclear Association, six new reactors went on line in 2011 and more than 60 reactors are currently under construction, including 26 that are expected to be operational by the end of 2013. Completing all of the reactors currently under construction would add about 7 million SWU of annual demand, or a 14% increase to annual demand for enrichment. Another 500 reactors have been ordered, planned or proposed to be in operation by 2030. In China alone, two dozen new units are being built and another 50 reactors are in the planning stage.

We have been working to deploy a highly efficient centrifuge plant in Piketon, Ohio to meet the global need for nuclear fuel, provide a path to long-term profitability for our shareholders and assure that the United States has a domestically owned and operated source of uranium enrichment. We are working on a research, development and demonstration ("RD&D") program proposed by DOE for our American Centrifuge technology. We have been funding the RD&D program on our own since January as we worked to secure DOE funding for the program and on June 12, 2012, we finalized a cooperative agreement with DOE to provide the initial phase of this funding. However, DOE has not yet authorized funding for the RD&D program beyond November 2012 and we could demobilize the American Centrifuge project if additional funding for the RD&D program is not obtained this year. We could also take actions to restructure the project that could result in changes in our anticipated ownership of or role in the project. Additional details are provided below under "The American Centrifuge Plant."

By the end of 2013, we will also be completing the highly successful 20-year Megatons to Megawatts program which has provided half of our LEU supply in recent years. In 2011, we entered into a 10-year contract to maintain access to Russian LEU supplies and to assist in the transition from the Paducah GDP to the American Centrifuge Plant ("ACP"). Additional details are provided below under "Russian Supply Transition."

This period of transition from the gaseous diffusion technology used at the Paducah plant to the American Centrifuge technology will be challenging for USEC as we face significant competitive and cost pressures. As we cease enrichment operations at Paducah, we need to attract and retain highly skilled workers to deploy the American Centrifuge technology but we must also address the size of our support structure as we expect to sell significantly less SWU during this transition period. We are evaluating our corporate organizational structure and have taken initial steps to reduce costs. We are also evaluating how best to manage the potential costs associated with a shutdown of Paducah operations, including how to address our pension and post-retirement health and life benefit plan funding obligations and how to minimize other ongoing costs. In light of the uncertainties and challenges facing us and our desire to improve our credit profile and our ability to successfully finance the American Centrifuge project, we may pursue discussions with certain creditors and key stakeholders regarding ways to improve our capital structure, including the potential restructuring of our balance sheet.

**Organizational Structure Review**

During 2011, the company reduced the number of total employees by approximately one-third as we concluded much of the contract services work being performed at the former Portsmouth gaseous diffusion plant and most of these employees transitioned to DOE's decontamination and decommissioning contractor at the site.

In early 2012, we initiated an internal review of our organizational structure and engaged a management consulting firm to support the review. We expect to reduce significantly the size of our workforce and corporate-wide organization costs over time. Actions taken to-date related to our organizational structure resulted in workforce reductions at the American Centrifuge design and engineering operations in Oak Ridge, Tennessee, at the headquarters operations located in Bethesda, Maryland and at the central services operations located in Piketon, Ohio. The reductions to-date involved 45 employees including two senior corporate officers. A charge of $1.9 million was incurred in the first quarter of 2012 and $1.7 million in the second quarter of 2012 for one-time termination benefits consisting of severance payments and short-term health care coverage.

Additional actions affecting employees to align the organization with our evolving business environment are expected, which could result in additional charges. We continue to evaluate opportunities to streamline corporate overhead and anticipate potential workforce reductions at our Paducah site as our operations transition over time. We will also be working to assure that the company has adequate resources to execute and complete the RD&D program, and that we are positioned for commercial deployment of our American Centrifuge technology.

**Paducah Gaseous Diffusion Plant**

Delays in financing construction of the American Centrifuge Plant have made continued efficient operation of our current enrichment plant an important element of our business as we transition to centrifuge production. Without enrichment operations at Paducah, we will cease commercial enrichment of uranium during this transition period and our supply of LEU will be limited to inventory on hand and Russian commercial supply under the commercial agreement we entered into in March 2011 for the supply of commercial Russian LEU (the "Russian Supply Agreement") and inventories of Russian LEU delivered to us under the Russian Contract prior to its completion. As we look to transition Paducah operations, we are seeking to minimize the amount of time we will be without a source of domestic U.S. enrichment production. Absent a definitive timeline for ACP deployment, this could adversely affect our efforts to pursue the American Centrifuge project, to implement the Russian Supply Agreement or to pursue other options, and could threaten our overall viability.

On May 15, 2012, we entered into a multi-party arrangement with (1) Energy Northwest, a West Coast power supplier, (2) the Bonneville Power Administration ("BPA"), a federal agency within DOE, (3) the Tennessee Valley Authority ("TVA"), a federally owned corporation and supplier of power to the Paducah plant, and (4) DOE to enrich depleted uranium. The volume of enrichment under this arrangement is sufficient to support a one-year extension of enrichment operations at the Paducah GDP through May 31, 2013. Under the agreements that are part of this arrangement, DOE will provide high-assay depleted uranium hexafluoride, also known as tails, to Energy Northwest. Energy Northwest has contracted with USEC to enrich the tails into low enriched uranium. We have received approximately 50% of the tails at the Paducah GDP as of the end of July 2012. Energy Northwest will use a portion of the low enriched uranium for its Columbia Nuclear Generating Station and will sell the remainder of the U.S.-origin low enriched uranium to TVA. The fuel will be used in TVA's reactors, including reactors that are used to produce tritium, a vital component for maintaining the U.S. nuclear deterrent. TVA will supply the power for the enrichment under a supplemental confirmation agreement pursuant to the existing USEC-TVA power contract.

During the remainder of 2012, we expect to continue discussions with DOE regarding the future of the Paducah GDP and the transition of Paducah operations. Although we will continue to look for ways to economically extend Paducah enrichment operations, our contract with Energy Northwest under the multi-party arrangement expires on May 31, 2013 and we believe it will be difficult to continue enrichment operations at the Paducah GDP beyond the term of this contract. The plant continues to operate at a very high level of efficiency, but the technology uses significant amounts of electric power and as a result is at an operating cost disadvantage compared to the gas centrifuge plants operated by our competitors. We will be working with DOE to achieve an orderly transition of Paducah operations, as described below under "LEU Segment–Paducah GDP Transition".

We have already made some regulatory submittals to the NRC to support the de-lease of a portion of the Paducah GDP and return of facilities to DOE and expect to be taking additional actions throughout 2012 as our planning continues. Under our lease, DOE has the obligation for decontamination and decommissioning of the Paducah plant. Ceasing enrichment operations at the Paducah GDP could have a material adverse effect on our business and prospects. For a discussion of the potential implications of a shutdown of Paducah enrichment operations, see Item 1A, "Risk Factors" of this report and our 2011 Annual Report on Form 10-K.

**The American Centrifuge Plant**

We are working to deploy the American Centrifuge technology, a highly efficient uranium enrichment gas centrifuge technology. The American Centrifuge technology requires 95% less electricity to produce low enriched uranium on a per SWU unit basis than our existing gaseous diffusion technology. The deployment of this technology would significantly reduce both our production costs and our exposure to price volatility for electricity, the largest production cost component of our current gaseous diffusion technology. We are working to deploy this technology in the ACP in Piketon, Ohio. This new facility would modernize our production capacity and position us to be competitive in the long term.

As of June 30, 2012, we have invested approximately $2.3 billion in the American Centrifuge program, which includes $1.2 billion charged to expense over several years for technology development and demonstration. We began construction on the ACP in May 2007 after being issued a construction and operating license by the NRC. We have operated centrifuges as part of our lead cascade test program for more than 100 machine years since August 2007. This experience gives us confidence in the performance of our technology, and provides operating data and expertise for future commercial deployment. The American Centrifuge technology is a disciplined evolution of classified U.S. centrifuge technology originally developed by DOE and successfully demonstrated during the 1980s.

We need significant additional financing in order to complete the ACP. We applied for a $2 billion loan guarantee under the DOE Loan Guarantee Program in July 2008. Instead of moving forward with a conditional commitment for a loan guarantee, in the fall of 2011, DOE proposed a research, development and demonstration ("RD&D") program. DOE indicated that our application for a DOE loan guarantee would remain pending during the RD&D program but has given us no assurance that a successful RD&D program will result in a loan guarantee. Additional capital beyond the $2 billion of DOE loan guarantee funding that we have applied for and our internally generated cash flow will be required to complete the project. We have had discussions with Japanese export credit agencies regarding financing up to $1 billion of the cost of completing the ACP. Additional capital will also be needed and the amount of additional capital is dependent on a number of factors, including the amount of any revised cost estimate and schedule for the project, the amount of contingency or other capital DOE may require as part of a loan guarantee, and the amount of the DOE credit subsidy cost that would be required to be paid in connection with a loan guarantee. However we have no assurances that we will be successful in obtaining this financing and that the delays we have experienced will not adversely affect these efforts.

The objectives of the RD&D program are (1) to demonstrate the American Centrifuge technology through the construction and operation of a cascade of 120 commercial centrifuge machines and (2) to sustain the domestic U.S. centrifuge technical and industrial base for national security purposes and potential commercialization of the American Centrifuge project. This includes activities to reduce the risks and improve the future prospects of deployment of the American Centrifuge technology. USEC intends to meet these objectives through the construction and operation of one complete demonstration cascade of 120 commercial centrifuge machines and supporting infrastructure. This will enable us to demonstrate redundancy of the primary cascade support systems for commercial plant operation and to complete integrated testing against operational requirements.

*June 2012 Cooperative Agreement with DOE*

We began funding the RD&D program in January 2012 and have been building machines and parts for the demonstration cascade. On June 12, 2012, we and DOE entered into a cooperative agreement to provide funding for the RD&D program. The agreement provides for 80% DOE and 20% USEC cost sharing for work performed during the period June 1, 2012 through December 31, 2013 having a total estimated cost of $350 million. DOE's total contribution would be up to $280 million and our contribution would be up to $70 million. The cooperative agreement will be incrementally funded and DOE funding is limited to $87.7 million until DOE provides authorization for additional funding. DOE funding through July 31, 2012 was $26.4 million. On July 31, 2012, DOE authorized an additional $61.3 million of funding (for a total of $87.7 million). The remaining funding of $192.3 million from DOE has not yet been authorized and is subject to Congressional appropriations, Congressional transfer or reprogramming authority to permit the use by DOE of funds previously appropriated for other programs, or other sources available to DOE and therefore it is possible that this additional funding may not be made available. We will provide cost sharing equal to 20% of the allowable costs of $109.6 million of the RD&D program, or $21.9 million through November 30, 2012. Our 20% contribution will include investments made by us commencing June 1, 2012. DOE provided the initial $87.7 million of funding by accepting title to quantities of depleted uranium that will enable us to release encumbered funds for approximately 80% of the allowable costs of the RD&D program up to $87.7 million. We receive the cash when the surety bonds and related cash deposits providing the financial assurance for disposition of this depleted uranium are reduced.

Under the cooperative agreement, we and our newly created subsidiary American Centrifuge Demonstration, LLC ("ACD") will carry out the RD&D program. ACD is putting in place a program management and enhanced program execution structure as required by the cooperative agreement. On July 23, 2012, we entered into a limited liability company agreement for ACD which, among other things, establishes a board of managers in accordance with the enhanced program execution structure. The seven-person board is comprised of two independent managers, two managers appointed by USEC, and one manager appointed by each of Babcock & Wilcox Technical Services Group, Inc., Toshiba America Nuclear Energy Corporation and Exelon Generation Company, LLC.

The cooperative agreement also includes the following five technical milestones for the RD&D program:

- Milestone 1: DOE and USEC jointly agree upon a test program for the remaining milestones and for full system reliability and plant availability that takes into account human factors, upgraded Lower Suspension Drive Assembly ("LSDA") and overall AC100 reliability, and full cascade separative performance, so as to achieve an overall plant availability and confidence level needed to support commercial plant operations;

- Milestone 2: Confirm the reliability of the LSDA by accumulating 20 machine years of operation at target speed using AC100 centrifuges with upgraded LSDAs with no more than the projected number of LSDA failures;

- Milestone 3: Demonstrate AC100 manufacturing quality by operating the commercial demonstration cascade for a minimum of 20 machine years to provide the confidence level needed to support commercial plant operations;

- Milestone 4: Demonstrate AC100 reliability by accumulating 20 machine years at target speed and design condition with no more than the expected number of infant, steady-state and electronic recycles; and

- Milestone 5: Demonstrate sustained production from a commercially-staged, 120-centrifuge demonstration cascade configuration for 60 days (approximately 20 machine years) in cascade recycle mode with production availability needed during commercial plant operations using an average AC100 centrifuge production of 340 SWU per centrifuge year.

We achieved the first technical milestone related to the finalization of a test program plan for the remaining technical milestones and for full system reliability and plant availability. Submittal of a more detailed cost and schedule for the RD&D program, including the dates for the technical milestones, was also a condition to DOE providing funding beyond the initial $26.4 million of funding. On July 24, 2012, we submitted the required information. We also believe we have met the technical conditions for the achievement of the second milestone, however, certification of achievement is subject to verification by DOE. The remaining three milestones are tied to the completion of the RD&D program and so we have proposed to DOE milestone dates of December 31, 2013 for these milestones. We are awaiting DOE's acceptance of these proposed milestone dates. In addition, we have also agreed to non-binding performance indicators with DOE that are designed to be achieved throughout the RD&D program and ensure that the RD&D program is on track to achieve the remaining three milestones and other program objectives.

DOE has the right to terminate the Cooperative Agreement if any of these technical milestones are not met on or before the agreed date for such milestones. DOE also has the right to terminate the cooperative agreement if we materially fail to comply with the other terms and conditions of the cooperative agreement. Failure to meet the technical milestones under the cooperative agreement could provide a basis for DOE to exercise its remedies under the 2002 DOE-USEC Agreement (as defined below). Additional information regarding the remedies under the 2002 DOE-USEC Agreement can be found below and in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

On June 12, 2012, through our subsidiary we also entered into a contract with DOE to transfer to DOE title to the centrifuge machines and equipment produced or acquired under the RD&D program. The transferred property includes some existing machines and equipment and, at DOE's option, the machines and equipment produced or acquired under the cooperative agreement. As compensation for the sale of the transferred property, (1) DOE will make the transferred property available for no additional fee as leased personal property under the lease agreement between DOE and USEC for the facilities at Piketon, Ohio for the American Centrifuge Plant, and (2) at financial closing on the financing for the construction of the American Centrifuge plant, title to the transferred property will transfer to the lessee under and in accordance with the terms of the lease agreement. If we abandon the centrifuge technology and return the premises leased under the DOE lease agreement, DOE will keep the transferred property and would be responsible for its disposal.

*Amendment to the June 2002 DOE-USEC Agreement*

On June 12, 2012 USEC and DOE entered into an amendment (the "2002 Agreement Amendment") to the Agreement dated June 17, 2002 between DOE and USEC, as amended (the "2002 DOE-USEC Agreement"). The 2002 DOE-USEC Agreement provides that we will develop, demonstrate and deploy the American Centrifuge technology in accordance with milestones and provides for remedies in the event of a failure to meet a milestone under certain circumstances. The 2002 Agreement Amendment adds two new milestones and revises the remaining four milestones under the 2002 DOE-USEC Agreement relating to the financing and operation of the American Centrifuge Plant. These milestone dates are not intended to be representative of management's view of an updated schedule for deployment of the American Centrifuge plant but are a result of negotiations with DOE. During the RD&D program, we will be developing a comprehensive cost estimate and revised schedule for the American Centrifuge project that would form the basis for an update to our loan guarantee application to DOE. The 2002 Agreement Amendment provides that we will submit a revised plan to DOE covering the milestones after November 2014 on or before the date we submit a notice of commitment to proceed with commercial operations, and DOE and USEC will discuss adjustment of these remaining milestones as may be appropriate based on this revised plan.

- The following two new milestones are added:

  May 2014 – Successful completion of the American Centrifuge Cascade Demonstration Test Program

  June 2014 – Commitment to proceed with commercial operation

- The remaining milestones were extended as follows:

  November 2014 – Secure firm financing commitment(s) for the construction of the commercial American Centrifuge Plant with an annual capacity of approximately 3.5 million separative work units ("SWU") per year

  July 2017 – Begin commercial American Centrifuge Plant operations

  September 2018 – Commercial American Centrifuge Plant annual capacity at 1 million SWU per year

  September 2020 – Commercial American Centrifuge Plant annual capacity of approximately 3.5 million SWU per year;

- A portion of our obligations under Article 3 of the 2002 DOE-USEC Agreement (relating to deployment of advanced enrichment technology) may be carried out by ACD as appropriate for ACD in implementing the RD&D program;

- We also granted to DOE an irrevocable, non-exclusive right to use or permit third parties on behalf of DOE to use all American Centrifuge technology intellectual property ("Centrifuge IP") royalty free for U.S. government purposes (which includes completion of the cascade demonstration test program and national defense purposes, including providing nuclear material to operate commercial nuclear power reactors for tritium production); and

- We also granted an irrevocable, non-exclusive license to DOE to use such Centrifuge IP developed at our expense for commercial purposes (including a right to sublicense), which may be exercised only if we miss any of the milestones under the 2002 DOE-USEC Agreement or if we (or an affiliate or entity acting through us) is no longer willing or able to proceed with, or has determined to abandon or has constructively abandoned, the commercial deployment of the centrifuge technology. Such commercial purposes licenses are subject to payment of a reasonable royalty to us, which shall not exceed $665 million.

*Project Spending*

During the first six months of 2012, our spending on the American Centrifuge project has been approximately $12 million per month. This is a reduction from our average monthly rate of spending during most of 2011 of approximately $17 million per month. During October 2011, we suspended a number of contracts with suppliers and contractors involved in the American Centrifuge and adjusted our activities to conserve available resources while we negotiated the RD&D program budget and scope.

The execution of the cooperative agreement in June 2012 satisfies the requirement of our credit facility that we shall have entered into a definitive agreement with DOE for the RD&D program in order to continue spending on the American Centrifuge project. Under the credit facility, we can invest our 20% share of the costs under the RD&D program as long as the amount of expenditures reimbursable to us under the RD&D program that have not yet been reimbursed does not exceed $50 million. In addition to restrictions under our credit facility, continued spending on the ACP remains subject to our available liquidity, additional DOE funding under the RD&D program, our willingness to invest further in the project absent funding commitments to complete the project, our ability following the RD&D program to obtain a DOE loan guarantee and additional capital, and other risks related to the deployment of the ACP.

Beginning with the fourth quarter of 2011, with the shift in focus to the RD&D program, all project costs incurred have been expensed, including interest expense that previously would have been capitalized. Our spending beginning in the fourth quarter of 2011 relates primarily to development and maintenance activities rather than capital asset creation. We also are expensing costs under the RD&D program as incurred. Capitalization of expenditures related to the ACP has ceased until commercial plant deployment resumes.

*Research, Development and Demonstration Activities*

The lead cascade test program in Piketon, Ohio began operations in August 2007 and has accumulated over 100 machine years of runtime. Through the lead cascade test program, we demonstrate the performance of centrifuge machines, demonstrate the reliability of machine components, obtain data on machine-to-machine interactions, verify cascade performance models under a variety of operating conditions, and obtain operating experience for our plant operators and technicians. Data from this testing program has provided valuable assembly, operating and maintenance information, as well as operations experience for the American Centrifuge Plant staff.

Based on data gained during the lead cascade test program, we have modified existing AC100 machines to install a safety enhancement. In April 2012, we notified the NRC that we resumed normal lead cascade operations with UF6 gas. Under the terms of the RD&D program, we have begun manufacturing and operating additional AC100 machines and expect to complete and operate a 120-machine cascade in a commercial plant configuration in 2013. As of July 31, 2012, we have approximately 50 machines built and conditioned with uranium gas, and we continue to build new AC100 machines for the RD&D program's demonstration cascade of commercial centrifuge machines and supporting infrastructure. We have begun installing service modules and other control equipment to support the RD&D commercial cascade.

Continued lead cascade operations will accomplish two of the primary objectives of the RD&D program. The first objective is to demonstrate sufficient run time on the AC100 centrifuges to establish the high confidence level in cascade reliability required by DOE to support loan guarantee financing for the commercial plant. A second objective is to build out and demonstrate the full level of balance of plant system redundancy designed for the commercial plant.

**Russian Supply Transition**

Our purchases under the 20-year Megatons to Megawatts program are expected to be completed in 2013. After that time, the limited quotas imposed under terms of an international agreement with Russia and U.S. law will increase so that Russia will be able to sell LEU directly into the United States equal to approximately 20% of the U.S. demand from 2014 through 2020, with additional quantities eligible to be imported for use in the initial fueling of new U.S. reactors.

Under the terms of our 2011 supply agreement with TENEX, we will purchase Russian LEU over a 10-year period commencing in 2013. Unlike the Megatons to Megawatts program, the quantities supplied under the 2011 supply agreement will come from Russia's commercial enrichment activities rather than from down blending of excess Russian weapons material. Under the terms of the supply agreement, the supply of LEU to USEC will increase until it reaches a level in 2015 that includes a quantity of SWU equal to approximately one-half the level currently supplied by TENEX to USEC under the Megatons to Megawatts program. Beginning in 2015, TENEX and USEC also may mutually agree to increase the purchases and sales of SWU by certain additional optional quantities of SWU up to an amount equal to the amount we now purchase each year under the Megatons to Megawatts program. The LEU that we obtain from TENEX under the 2011 supply agreement will be subject to quotas and other restrictions applicable to commercial Russian LEU that do not apply to LEU supplied to USEC under the Megatons to Megawatts program, which could adversely affect our ability to sell the commercial Russian LEU that we purchase under the new agreement, and absent amendments to the quotas, most of the LEU supplied to us by TENEX under the new agreement will have to be supplied to foreign customers for fabrication into fuel outside the United States. Deliveries under the supply agreement are expected to continue through 2022. We will purchase the SWU component of the LEU and deliver natural uranium to TENEX for the LEU's uranium component. The pricing terms for SWU under the supply agreement are based on a mix of market-related price points and other factors.

The 2011 supply agreement provides us continued access to an important part of our existing supply mix. As we continue to work towards building the ACP, we continue to review structuring options and strategic alternatives to realize long-term shareholder value. In that context and subject to compliance with applicable laws and regulations, we and TENEX have agreed to conduct a feasibility study to explore the possible deployment of an enrichment plant in the United States employing Russian centrifuge technology. Any decision to proceed with such a project would depend on the results of the feasibility study and would be subject to further agreement between the parties and their respective governments.

**LEU Segment**

*Revenue from Sales of SWU and Uranium*

Revenue from our LEU segment is derived primarily from:

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

The majority of our customers are domestic and international utilities that operate nuclear power plants, with international sales constituting 23% of revenue from our LEU segment in 2011. Our agreements with electric utilities are primarily long-term, fixed-commitment contracts under which our customers are obligated to purchase a specified quantity of SWU from us or long-term requirements contracts under which our customers are obligated to purchase a percentage of their SWU requirements from us. Under requirements contracts, a customer only makes purchases when its reactor has requirements for additional fuel. Our agreements for uranium sales are generally shorter-term, fixed-commitment contracts.

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

Customer payments for the SWU component of LEU typically average approximately $20 million per order. As a result, a relatively small change in the timing of customer orders for LEU due to a change in a customer's refueling schedule may cause operating results to be substantially above or below expectations. Customer orders that are related to their requirements for enrichment may be delayed due to outages, changes in refueling schedules or delays in the initial startup of a reactor. Customer requirements and orders are more predictable over the longer term, and we believe our performance is best measured on an annual, or even longer, business cycle. Our revenue could be adversely affected by actions of the NRC or nuclear regulators in foreign countries issuing orders to modify, delay, suspend or shut down nuclear reactor operations within their jurisdictions, including in response to the March 2011 events in Japan.

In order to enhance our liquidity and manage our working capital in light of anticipated sales and inventory levels and to respond to customer-driven changes, we have been working with customers regarding the timing of their orders, in particular the advancement of those orders. Rather than selling material into the limited spot market for enrichment, USEC has advanced orders from 2012 into 2011 and orders from 2013 into 2012. If customers agree to advance orders without delivery, a sale is recorded as deferred revenue. Alternatively, if customers agree to advance orders and delivery, revenue is recorded in an earlier than originally anticipated period. The advancement of orders has the effect of accelerating our receipt of cash from such advanced sales, although the amount of cash and profit we receive from such sales may be reduced as a result of the terms mutually agreed with customers in connection with advancement.

As a result of the lack of near-term demand due to the impacts of the events in Japan on the market, we have not been able to replace many of the order advancements that we have done in the past with additional sales, which has the effect of reducing our sales backlog. Uncertainty regarding the continuation of Paducah plant operations and the American Centrifuge project have also had a negative effect on our backlog as our sales are a function of our future supply, including potential supply from Paducah plant operations and from the American Centrifuge Plant. Looking out into the second half of this decade and beyond, we expect an increase in uncommitted demand that could provide the opportunity to make additional sales to supplement our backlog. However, the amount of any demand and our ability to capture that demand is uncertain.

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

| | June 30, 2012 | December 31, 2011 | June 30, 2011 |
|---|---|---|---|
| Long-term SWU price indicator ($/SWU) | $ 140.00 | $ 148.00 | $ 158.00 |
| $UF_6$: | | | |
| Long-term price composite ($/KgU) | 176.13 | 176.13 | 193.67 |
| Spot price indicator ($/KgU) | 139.00 | 143.25 | 145.50 |

Uranium can be acquired for sale by underfeeding the production process at the Paducah GDP. We may also purchase uranium from suppliers in connection with specific customer contracts, as we have in the past. Underfeeding is a mode of operation that uses or feeds less uranium but requires more SWU in the enrichment process, which requires more electric power. In producing the same amount of LEU, we may vary our production process to underfeed uranium based on the economics of the cost of electric power relative to the prices of uranium and enrichment, resulting in excess uranium that we can sell.

Most of our inventories of uranium available for sale have been sold in prior years as reflected in decreased uranium sales in the six months ended June 30, 2012 as compared to the prior period, and we expect uranium sales to have less of an impact on earnings going forward. Our average unit cost for uranium inventory has risen over the past several years as production costs are allocated to uranium from underfeeding based on its net realizable value.

In a number of sales transactions, title to uranium or LEU is transferred to the customer and USEC receives payment under normal credit terms without physically delivering the uranium or LEU to the customer. This may occur because the terms of the agreement require USEC to hold the uranium to which the customer has title, or because the customer encounters brief delays in taking delivery of LEU at USEC's facilities. In such cases, recognition of revenue does not occur at the time title to uranium or LEU transfers to the customer but instead is deferred until LEU to which the customer has title is physically delivered. The proportion of uranium sales to SWU sales comprising the deferred revenue balance has declined as uranium sales are declining.

*Cost of Sales for SWU and Uranium*

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

We produce about one-half of our SWU supply at the Paducah GDP. Production costs consist principally of electric power, labor and benefits, long-term depleted uranium disposition cost estimates, materials, depreciation and amortization, and maintenance and repairs.

The NRC requires that we guarantee the disposition of our depleted uranium with financial assurance (refer to "Liquidity and Capital Resources – Financial Assurance and Related Liabilities"). However, under the depleted uranium enrichment agreement entered into with Energy Northwest to re-enrich DOE's depleted uranium tails commencing June 1, 2012, we do not take title to the depleted uranium generated from the re-enrichment of DOE's depleted uranium and therefore do not incur costs for its disposition and do not need to provide any financial assurance. In addition, under the cooperative agreement with DOE for the RD&D program, DOE's cost-share is provided by DOE accepting title to quantities of our depleted uranium tails, which enables us to reduce our financial assurance and release encumbered funds.

The gaseous diffusion process uses significant amounts of electric power to enrich uranium. Costs for electric power are approximately 70% of production costs at the Paducah GDP. We purchase most of the electric power for the Paducah GDP under a power purchase agreement with TVA. The monthly quantities of power purchased by USEC under the TVA power contract for the months of January through May for both 2011 and 2012 were fixed at 1,650 megawatts. In addition, we purchased some supplemental power during the period February – May 2012 that was deferred from 2011, and we deferred a small quantity of power that was to be consumed prior to May 31, 2012 to the summer months of 2012.

On May 15, 2012, as part of the multi-party arrangement with Energy Northwest, BPA, TVA and DOE, the power purchase agreement with TVA was amended to extend its term and TVA and USEC entered into a supplemental confirmation agreement pursuant to the amended power purchase agreement for us to purchase the power needed to operate the Paducah GDP during the one-year term of the depleted uranium enrichment agreement. Under this supplemental agreement, we have a take or pay obligation to purchase electricity during June - September 2012 at monthly amounts increasing from approximately 750 to 1,250 megawatts and then at 1,500 megawatts for the remaining months of the depleted uranium enrichment contract, less a 25% reduction in May 2013 to provide a transition in power delivery. We have the right to terminate these power purchase obligations under the supplemental agreement if Energy Northwest terminates the depleted uranium enrichment agreement, or fails to deliver depleted uranium or to meet its payment obligations, and we cease enrichment operations at Paducah as a result.

Our purchase costs under the TVA power contract are subject to monthly fuel cost adjustments to reflect changes in TVA's fuel costs, purchased-power costs, and related costs. The impact of the fuel cost adjustment has imposed an average increase over base contract prices of about 9% in the first six months of 2012, 12% in 2011, 10% in 2010, and 6% in 2009. Effective June 1, 2012, although our purchase costs under the amended TVA contract continue to be subject to a fuel cost adjustment, the fuel cost adjustment is included in the power price component of our sales price billed to Energy Northwest under the depleted uranium enrichment agreement.

Any quantity of uranium that is added to uranium inventory from underfeeding is accounted for as a byproduct of the enrichment process. Production costs are allocated to the uranium added to inventory based on the net realizable value of the uranium, and the remainder of production costs is allocated to SWU inventory costs.

We purchase about one-half of our SWU supply under the Russian Contract. Prices under the contract are determined using a discount from an index of published price points, including both long-term and spot prices, as well as other pricing elements. The pricing methodology, which includes a multi-year retrospective view of market-based price points, is intended to enhance the stability of pricing and minimize the disruptive effect of short-term market price swings. The price per SWU under the Russian Contract for 2012 is 2% higher compared to 2011.

*Paducah GDP Transition*

As described above under "Paducah Gaseous Diffusion Plant," we believe it will be difficult to continue enrichment operations at the Paducah GDP beyond the one-year term of the depleted uranium enrichment arrangement and are working with DOE to plan for the transition of the Paducah GDP. The current lease for the Paducah GDP expires in 2016. However, under the terms of the lease, we can terminate the lease prior to expiration upon two year's prior notice. We can also de-lease portions of the property under lease to meet our changing requirements upon 60 days prior notice with DOE's consent, which cannot be unreasonably withheld.

If we do not continue enrichment operations at the plant beyond May 31, 2013 or continue enrichment for only a short period of time, we would accelerate expenses for certain assets such as previously capitalized leasehold improvements and machinery and equipment related to the Paducah enrichment operations. As of June 30, 2012, net book value of property, plant and equipment included in our consolidated balance sheet was approximately $60 million related to our Paducah operations. These assets are currently being depreciated over their estimated life based on the lease term through 2016. A decision to cease enrichment prior to the end of 2016 would accelerate depreciation and increase our cost of sales, negatively impacting our gross profit in our LEU segment.

We also have significant inventories of SWU and uranium at the Paducah GDP and these inventories are valued at the lower of cost or market. We compare our inventory cost against market prices and if our inventory costs were to exceed market prices, we could be required to record an inventory impairment.

In addition, as of June 30, 2012, we have accrued liabilities for lease turnover costs related to the Paducah GDP of approximately $43 million included in our other long-term liabilities. The lease turnover could be accelerated, depending on the transition schedule, and considered as a current liability if we were to terminate the lease prior to the current expiration date.

Depending on the finalization of a transition plan with DOE, we could also expect to incur significant costs in connection with a shutdown of Paducah enrichment operations, including potential severance costs and curtailment charges related to our defined benefit pension plan and postretirement health and life benefit plans. These costs could place significant demands on our liquidity and we are evaluating alternatives to manage these potential costs.

Depending on the transition of Paducah enrichment operations, we could de-lease the Paducah GDP except for certain facilities used for ongoing operations such as shipping and handling, inventory management and site services, including deliveries to customers of our inventory of LEU and handling of Russian material through 2013 under the Russian Contract, or beyond under the Russian Supply Agreement. We are currently evaluating what facilities would be needed for ongoing operations if we do not continue enrichment operations and the most cost-effective manner of conducting those operations to minimize our ongoing maintenance costs. However, we may not be able to achieve the desired cost savings in the timeframe we expect. For example, we must factor in the need and cost of maintaining facilities in order to handle our inventory in how we plan to transition Paducah operations. As of June 30, 2012, these inventories include approximately $1.4 billion of inventories owed to customers and suppliers that relate primarily to inventories owed to fabricators. These inventories are awaiting delivery to fabricators under deliver optimization arrangements between USEC and domestic fabricators, the timing of transfer of which is uncertain. These inventories have been increasing and could continue to increase to the extent that fabricators continue to use their other inventories to satisfy our customer order obligations. In addition, we have no assurance that DOE would accept facilities that we wish to de-lease in the timeframe desired or on a schedule that would be cost efficient.

**Contract Services Segment**

*Revenue from Contract Services*

We perform services and earn revenue from contract work through our subsidiary NAC and from contract work for DOE and DOE contractors at the Paducah GDP and the Portsmouth site. USEC ceased uranium enrichment at the Portsmouth GDP, located in Piketon, Ohio, in 2001. Over the past decade, we maintained the Portsmouth site and performed services under contract with DOE. On September 30, 2011, contracts for maintaining the Portsmouth facilities and performing services for DOE at Portsmouth expired and we completed the transition of facilities to the decontamination and decommissioning ("D&D") contractor selected by DOE for the site. Consequently, on September 30, 2011, we ceased providing government contract services at the portion of the Portsmouth site related to the former GDP. We will continue to provide some limited services to DOE and its contractors at the Paducah site and at the Portsmouth site related to facilities we continue to lease for the American Centrifuge Plant. Revenue from our contract services segment, however, has decreased significantly and is now comprised primarily of revenue generated by NAC.

Revenue from U.S. government contracts is based on allowable costs for work performed in accordance with government cost accounting standards ("CAS"). Allowable costs include direct costs as well as allocations of indirect plant and corporate overhead costs and are subject to audit by the Defense Contract Audit Agency ("DCAA"), or such other entity that DOE authorizes to conduct the audit. As a part of performing contract work for DOE, certain contractual issues, scope of work uncertainties, and various disputes arise from time to time. Issues unique to USEC can arise as a result of our history of being privatized from the U.S. government and our lease and other contracts with DOE.

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

*Contract Services Receivables*

Payment for our contract work performed for DOE is subject to DOE funding availability and Congressional appropriations. DOE historically has not approved our provisional billing rates in a timely manner. DOE has approved provisional billing rates for 2004, 2006 and 2010 based on preliminary budgeted estimates even though updated provisional rates had been submitted based on more current information. In addition, we have finalized and submitted to DOE the Incurred Cost Submissions for Portsmouth and Paducah contract work for the six months ended December 31, 2002 and the years ended December 31, 2003, 2004, 2005, 2006, 2007, 2008, 2009 and 2010. DCAA historically has not completed their audits of our Incurred Cost Submissions in a timely manner. DCAA has been periodically working on audits for the six months ended December 31, 2002 and the year ended December 31, 2003 since May 2008. In June 2011, a new DOE contractor began an audit for the year ended December 31, 2004. There is the potential for additional revenue to be recognized, based on the outcome of DOE reviews and audits, as the result of the release of previously established receivable related reserves. However, because these periods have not been audited, uncertainty exists and we have not yet recognized this additional revenue.

Our consolidated balance sheet includes receivables, net of valuation allowances, from DOE or DOE contractors of $37.0 million as of June 30, 2012. Of the $37.0 million, $2.2 million represents revenue recorded for amounts not yet billed due to the absence of approved billing rates referenced above (referred to as unbilled receivables). Past due receivables from DOE or DOE contractors were $46.6 million at June 30, 2012. As of June 30, 2012, we have submitted certified claims totaling $38.0 million related to these past due receivables and are in the process of submitting the balance. We believe DOE has breached its agreement by failing to establish appropriate provisional billing and final indirect cost rates on a timely basis.

On December 2, 2011, we submitted a certified claim for $11.2 million under the Contract Disputes Act ("CDA") for payment of breach-of-contract amounts equaling unreimbursed costs for the periods through December 31, 2009. In a letter dated June 1, 2012, DOE's Contracting Officer denied this claim and we have until May 31, 2013 to appeal the denial to the U.S. Court of Federal Claims. In addition, on February 16, 2012, we submitted a second certified claim for $9.0 million under the CDA related to the 2010 historical period. On May 8, 2012, we submitted a third certified claim for $17.8 million under the CDA related to the 2011 historical period. In a letter response dated June 28, 2012, DOE informed us that it will provide a written decision on or before August 15, 2012 related to the second and third claims.

*Portsmouth Contract Closeout Costs*

Contract closeout related costs, as defined by applicable federal acquisition regulations and government cost accounting standards, are anticipated to be billed to DOE and recorded as revenue when contract closeout occurs and amounts are deemed probable of recovery. Our current estimate for these billable costs is approximately $10 million or more, which includes an estimate to complete outstanding DOE audits within a reasonable period of time. Additionally, we believe DOE is responsible for approximately $45 million to $125 million of costs related to pension and postretirement health and life benefit plans. These estimates of contract closeout costs do not include ongoing cost reimbursable work being performed and amounts already included in our receivable balances. The actual amounts of contract closeout costs are subject to a number of factors and therefore subject to significant uncertainty including uncertainty concerning the amount of such costs and the amount that may be reimbursable under contracts with DOE.

**Advanced Technology Costs**

*American Centrifuge*

USEC is working to deploy the American Centrifuge technology at the ACP in Piketon, Ohio. Costs relating to the American Centrifuge technology are charged to expense or capitalized based on the nature of the activities and estimates and judgments involving the completion of project milestones. As of June 30, 2012, cumulative project costs totaled $2.3 billion.

Costs relating to the demonstration of American Centrifuge technology are charged to expense as incurred. Demonstration costs historically have included NRC licensing of the American Centrifuge Demonstration Facility in Piketon, Ohio, engineering activities, and assembling and testing of centrifuge machines and equipment at centrifuge test facilities located in Oak Ridge, Tennessee and at the American Centrifuge Demonstration Facility. As of June 30, 2012, cumulative project costs charged to expense totaled $1.2 billion.

Capitalized costs relating to the American Centrifuge technology have included NRC licensing of the commercial plant, engineering activities, construction of AC100 centrifuge machines and equipment, process and support equipment, leasehold improvements and other costs directly associated with the commercial plant. As of June 30, 2012, cumulative project costs capitalized totaled $1.1 billion, including capitalized interest of $100.5 million, prepayments to suppliers for services not yet performed of $21.7 million, accrued asset retirement obligations of $19.3 million and $7.7 million of accrued costs.

In addition, we have deferred financing costs of approximately $6.6 million for costs related to the ACP project, such as loan guarantee application fees paid to DOE and third-party costs. Deferred financing costs related to the DOE Loan Guarantee Program will be amortized over the life of the loan or, if USEC does not receive a loan, charged to expense.

Instead of moving forward with a conditional commitment for a loan guarantee for the American Centrifuge project through the DOE Loan Guarantee Program, in the fall of 2011, DOE proposed a two-year cost share research, development and demonstration ("RD&D") program for the American Centrifuge project. Additional details are provided above under "The American Centrifuge Plant." As a result of the shift in focus of the American Centrifuge project, beginning in the fourth quarter of 2011, USEC began spending on the American Centrifuge technology at reduced levels with activities concentrating on development and demonstration. As a result, beginning in the fourth quarter of 2011, all project costs incurred have been expensed, including interest expense that previously would have been capitalized. Capitalization of expenditures related to the ACP has ceased until commercial plant deployment resumes.

We believe that future cash flows generated by the ACP will exceed our capital investment and our capital investment is more likely than not to be fully recoverable. We will continue to evaluate this assessment as conditions change, including as a result of activities conducted as part of the RD&D program. If conditions change, including if the current path to commercial deployment were no longer probable or our anticipated role in the project were changed, we could expense up to the full amount of previously capitalized costs related to the ACP of up to $1.1 billion. Events that could impact our views as to the probability of deployment or our projections include an unfavorable determination in any phase of the RD&D program regarding the commercial deployment of the ACP.

Risks and uncertainties related to the financing, construction and deployment of the American Centrifuge Plant and the continued capitalization of the ACP capital investment and potential for a valuation allowance are described in Item 1A, "Risk Factors" of our 2011 Annual Report on Form 10-K.

*MAGNASTOR®*

Advanced technology costs also include research and development efforts undertaken by NAC, relating primarily to its MAGNASTOR dual-purpose spent fuel dry storage and transportation technology. NAC continues to seek license amendments for the expanded use of the storage technology and is pursuing NRC certification of the counterpart transportation cask system, MAGNATRAN.

**Results of Operations – Three and Six Months Ended June 30, 2012 and 2011**

***Segment Information***

We have two reportable segments measured and presented through the gross profit line of our income statement: the LEU segment with two components, SWU and uranium, and the contract services segment. The LEU segment is our primary business focus and includes sales of the SWU component of LEU, sales of both SWU and uranium components of LEU, and sales of uranium. The contract services segment includes nuclear energy services and technologies provided by NAC as well as limited work performed for DOE and its contractors at Paducah and Portsmouth. Intersegment sales between our reportable segments were less than $0.1 million in each period presented below and have been eliminated in consolidation.

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

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2012 | 2011 | Change | % |
| **LEU segment** | | | | |
| Revenue: | | | | |
| SWU revenue | $ 347.2 | $ 330.3 | $ 16.9 | 5% |
| Uranium revenue | 3.6 | 67.8 | (64.2) | (95)% |
| Total | 350.8 | 398.1 | (47.3) | (12)% |
| Cost of sales | 340.4 | 368.6 | 28.2 | 8% |
| Gross profit | $ 10.4 | $ 29.5 | $ (19.1) | (65)% |
| | | | | |
| **Contract services segment** | | | | |
| Revenue | $ 14.0 | $ 56.3 | $ (42.3) | (75)% |
| Cost of sales | 12.1 | 52.6 | 40.5 | 77% |
| Gross profit (loss) | $ 1.9 | $ 3.7 | $ (1.8) | (49)% |
| | | | | |
| **Total** | | | | |
| Revenue | $ 364.8 | $ 454.4 | $ (89.6) | (20)% |
| Cost of sales | 352.5 | 421.2 | 68.7 | 16% |
| Gross profit | $ 12.3 | $ 33.2 | $ (20.9) | (63)% |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2012 | 2011 | Change | % |
| **LEU segment** | | | | |
| Revenue: | | | | |
| SWU revenue | $ 885.1 | $ 638.8 | $ 246.3 | 39% |
| Uranium revenue | 3.6 | 81.8 | (78.2) | (96)% |
| Total | 888.7 | 720.6 | 168.1 | 23% |
| Cost of sales | 841.6 | 675.8 | (165.8) | (25)% |
| Gross profit | $ 47.1 | $ 44.8 | $ 2.3 | 5% |
| | | | | |
| **Contract services segment** | | | | |
| Revenue | $ 37.6 | $ 114.3 | $ (76.7) | (67)% |
| Cost of sales | 33.6 | 112.0 | 78.4 | 70% |
| Gross profit (loss) | $ 4.0 | $ 2.3 | $ 1.7 | 74% |
| | | | | |
| **Total** | | | | |
| Revenue | $ 926.3 | $ 834.9 | $ 91.4 | 11% |
| Cost of sales | 875.2 | 787.8 | (87.4) | (11)% |
| Gross profit | $ 51.1 | $ 47.1 | $ 4.0 | 8% |

*Revenue*

Revenue from the LEU segment declined $47.3 million in the three months and increased $168.1 million in the six months ended June 30, 2012, compared to the corresponding periods in 2011. The volume of SWU sales was flat in the three-month period and increased 35% in the six-month period reflecting the variability in timing of utility customer orders including orders that USEC and customers have advanced from later in 2012 and from 2013. The average price billed to customers for sales of SWU increased 5% in the three-month period and 3% in the six-month period reflecting the particular contracts under which SWU were sold during the periods as well as the general trend of higher prices under contracts signed in recent years. Uranium sales declined significantly in both the three- and six-month periods since most of our inventories of uranium available for sale have been sold in prior years and we expect this trend to continue.

Revenue from the contract services segment declined $42.3 million in the three months and $76.7 million in the six months ended June 30, 2012, compared to the corresponding periods in 2011. Contract service revenues at the Portsmouth site declined $37.2 million (or 98%) in the three-month period and $81.3 million (or 98%) in the six-month period as this work was transferred to DOE's new D&D contractor over the course of 2011. Revenues by NAC decreased $3.6 million in the three-month period and increased $8.3 million in the six-month period primarily as a result of timing in sales related to dry cask storage systems.

*Cost of Sales*

Cost of sales for the LEU segment declined $28.2 million in the three months ended June 30, 2012, compared to the corresponding period in 2011, primarily due to lower uranium sales volumes, partially offset by higher unit SWU costs. Cost of sales for the LEU segment increased $165.8 million in the six months ended June 30, 2012, compared to the corresponding period in 2011, primarily due to higher SWU sales volumes, partially offset by lower uranium sales volumes.

Cost of sales per SWU was 4% higher in the three months and was flat for the six months ended June 30, 2012, compared to the corresponding periods in 2011. Cost of sales was reduced during the current periods for revisions to prior accrued amounts related to estimated disposal costs for depleted uranium, property taxes and power prepayments related to enrichment operations. These accrued estimated amounts had been previously included in our production costs and included in SWU inventory. The total reduction to cost of sales recognized in the six months ended June 30, 2012 was approximately $19.7 million. In addition, prior to the start of 2012, a significant portion of the costs related to pension and postretirement health and life benefit plans were attributed to Portsmouth contract services, based on the employee base performing contract services work. Starting in 2012, ongoing pension costs related to our former Portsmouth employees are charged to the LEU segment rather than the contract services segment based on our continuing enrichment operations that support our active and retired employees. These net benefit costs totaled $6.6 million for the six months ended June 30, 2012 and are directly charged to cost of sales rather than production. Excluding the effects of these items, cost of sales per SWU was approximately 2% higher in the six months ended June 30, 2012 compared to the corresponding period in 2011. Although unit production costs declined in the three and six months ended June 30, 2012, compared to the corresponding periods in 2011 (described below), the SWU unit cost is negatively impacted by the carryforward effect of higher production and purchase costs from prior years.

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

Production costs increased $26.2 million (or 15%) in the three months and $29.4 million (or 8%) in the six months ended June 30, 2012, compared to the corresponding period in 2011. Production volume increased 20% and 11% in the three- and six-month periods, respectively, as we purchased supplemental power from Tennessee Valley Authority ("TVA") that had been deferred from 2011. We had agreed with TVA to ramp down power purchases in 2011 to summer operation levels earlier than planned due to flood conditions near the Paducah plant and to purchase the deferred power in first quarter of 2012. The unit production cost declined 4% and 3% in the three- and six-month periods, respectively, reflecting the lower impact of fixed costs on increased production volumes. The average cost per megawatt hour increased 4% in the three-month period reflecting higher TVA fuel cost adjustments and the fixed, annual increase in the TVA contract price, partially offset by lower unit power costs commencing in June 2012 under the amended TVA power contract. The average cost per megawatt hour decreased 1% in the six-month period reflecting lower TVA fuel cost adjustments in the first quarter of 2012 and the items above.

We purchase approximately 5.5 million SWU per year under the Russian Contract. Purchase costs for the SWU component of LEU under the Russian Contract declined $4.1 million in the six months ended June 30, 2012 compared to the corresponding period in 2011, reflecting decreased volume due to the timing of deliveries partially offset by a 2% increase in the market-based unit purchase cost.

Cost of sales for the contract services segment declined $40.5 million in the three months and $78.4 million in the six months ended June 30, 2012, compared to the corresponding periods in 2011, primarily reflecting reduced contract services work at Portsmouth in connection with the transition of Portsmouth site contract service workers to DOE's D&D contractor.

*Gross Profit*

Gross profit declined $20.9 million in the three months ended June 30, 2012, compared to the corresponding period in 2011. Our gross profit margin was 3.4% in the three months ended June 30, 2012 compared to 7.3% in the corresponding period in 2011. Gross profit for the LEU segment declined $19.1 million in the three-month period due to lower uranium sales volume. Gross profit for the contract services segment declined $1.8 million in the three months ended June 30, 2012 following the completion of Portsmouth site contract service work in the prior period, partially offset by increased gross profit for NAC in the current period.

Gross profit increased $4.0 million in the six months ended June 30, 2012, compared to the corresponding period in 2011. Our gross profit margin was 5.5% in the six months ended June 30, 2012 compared to 5.6% in the corresponding period in 2011. Gross profit for the LEU segment increased $2.3 million in the six-month period due to higher SWU unit gross profits and sales volumes, partially offset by lower uranium sales volumes. Gross profit for the contract services segment increased $1.7 million in the six months ended June 30, 2012 reflecting increased gross profit for NAC.

***Non-Segment Information***

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

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2012 | 2011 | Change | % |
| Gross profit | $ 12.3 | $ 33.2 | $ (20.9) | (63)% |
| Advanced technology costs | 85.7 | 33.5 | (52.2) | (156)% |
| Selling, general and administrative | 14.8 | 16.7 | 1.9 | 11% |
| Special charge for workforce reductions and advisory costs | 3.2 | - | (3.2) | - |
| Other (income) | (10.0) | - | 10.0 | - |
| Operating (loss) | (81.4) | (17.0) | (64.4) | (379)% |
| Interest expense | 12.7 | 0.1 | (12.6) | - |
| Interest (income) | (0.1) | (0.1) | - | - |
| (Loss) before income taxes | (94.0) | (17.0) | (77.0) | (453)% |
| Provision (benefit) for income taxes | (2.0) | 4.2 | 6.2 | 147% |
| Net (loss) | **$ (92.0)** | **$ (21.2)** | **$ (70.8)** | (334)% |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2012 | 2011 | Change | % |
| Gross profit | $ 51.1 | $ 47.1 | $ 4.0 | 8% |
| Advanced technology costs | 122.5 | 60.2 | (62.3) | (103)% |
| Selling, general and administrative | 29.7 | 32.2 | 2.5 | 8% |
| Special charge for workforce reductions and advisory costs | 9.6 | - | (9.6) | - |
| Other (income) | (10.0) | (3.7) | 6.3 | 170% |
| Operating (loss) | (100.7) | (41.6) | (59.1) | (142)% |
| Interest expense | 25.4 | 0.1 | (25.3) | - |
| Interest (income) | (0.2) | (0.3) | (0.1) | (33)% |
| (Loss) before income taxes | (125.9) | (41.4) | (84.5) | (204)% |
| Provision (benefit) for income taxes | (5.1) | (3.6) | 1.5 | 42% |
| Net (loss) | **$ (120.8)** | **$ (37.8)** | **$ (83.0)** | (220)% |

*Advanced Technology Costs*

Advanced technology costs increased $52.2 million in the three months and $62.3 million in the six months ended June 30, 2012, compared to the corresponding periods in 2011, reflecting an expense of $44.6 million related to the title transfer of previously capitalized American Centrifuge machinery and equipment to DOE as provided in the cooperative agreement entered into with DOE for the RD&D program. Additionally, beginning with the start of the fourth quarter of 2011, all American Centrifuge project costs incurred have been expensed. Capitalization of expenditures related to the American Centrifuge project has ceased until commercial plant deployment resumes.

Advanced technology costs include expenses by NAC of $0.4 million in the six months ended June 30, 2012 and $0.7 million in the corresponding period in 2011 to develop and expand its MAGNASTOR storage technology and its transportation counterpart, MAGNATRAN.

*Selling, General and Administrative*

Selling, general and administrative expenses declined $1.9 million in the three months and $2.5 million in the six months ended June 30, 2012, compared to the corresponding periods in 2011, reflecting lower salary, employee benefit and other compensation costs and lower consulting costs.

*Special Charge for Workforce Reductions and Advisory Costs*

Our business is in a state of significant transition. In early 2012, we initiated an internal review of our organizational structure and engaged a management consulting firm to support this review. Costs for the management consulting firm and other advisors totaled $1.5 million in the second quarter of 2012 and $6.0 million in the six months ended June 30, 2012.

Actions taken to-date related to our organizational structure resulted in workforce reductions at the American Centrifuge design and engineering operations in Oak Ridge, Tennessee, at the headquarters operations located in Bethesda, Maryland and at the central services operations located in Piketon, Ohio. The reductions to-date involved 45 employees including two senior corporate officers. A charge of $1.9 million was incurred in the first quarter of 2012 and $1.7 million in the second quarter of 2012 for one-time termination benefits consisting of severance payments, short-term health care coverage and immediate vesting of restricted stock for certain employees. Additional actions affecting employees to align the organization with our evolving business environment are expected.

*Other (Income)*

We entered into a cooperative agreement with DOE in June 2012 for pro-rata cost sharing support for continued American Centrifuge activities with a total estimated spending in the initial phase of $33.1 million. DOE made the $26.4 million available by taking the disposal obligation for a specific quantity of depleted uranium from USEC, which will release encumbered funds for investment in the American Centrifuge technology that we had otherwise committed to future depleted uranium disposition obligations. As of June 30, 2012, USEC made qualifying American Centrifuge expenditures of $12.5 million. DOE's pro-rata share of 80%, or $10.0 million, is recognized as other income in the three and six months ended June 30, 2012.

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

*Interest Expense*

Interest expense increased $12.6 million in the three months and $25.3 million in the six months ended June 30, 2012, compared to the corresponding periods in 2011. Beginning with the fourth quarter of 2011, all ACP related project costs incurred have been expensed, including interest expense that previously would have been capitalized. In the three and six months ended June 30, 2011, interest costs of $10.6 million and $21.6 million were capitalized, respectively. Interest expense in the first quarter of 2012 included $1.4 million of previously deferred financing costs related to the former credit facility that were expensed in connection with the amended and restated credit facility obtained in March 2012. Additionally, we incurred interest expense in the three and six months ended June 30, 2012 on borrowings under the revolving credit facility.

*Provision (Benefit) for Income Taxes*

The income tax benefit was $2.0 million in the three months and $5.1 million in the six months ended June 30, 2012. In the fourth quarter of 2011, a full valuation allowance was recorded against deferred tax assets that is expected to continue in 2012. During 2012, any jurisdictions with losses, for which no tax benefit is expected to be recognized, are excluded from the overall effective tax rate, thus limiting a comparison of effective tax rates from year to year. Included in the six months ended June 30, 2012 income tax benefit is $4.6 million related to other comprehensive income and $0.8 million tax benefit for the reversal of previously accrued amounts associated with liabilities for unrecognized benefits. Slightly offsetting these tax benefits is $0.3 million related to jurisdictions where income tax is expected to be owed this year.

*Net (Loss)*

The net loss increased $70.8 million ($0.58 per share) in the three months and $83.0 million ($0.68 per share) in the six months ended June 30, 2012, compared to the corresponding periods in 2011, reflecting the after-tax expense associated with ACP related project costs that have been expensed as part of the RD&D program, including interest expense that previously would have been capitalized. Partially offsetting the ACP related program expenses and interest expense is the after-tax effect of DOE's pro-rata cost sharing support for the RD&D program included in other income. Additional factors negatively impacting net income include the after-tax effects of the special charges related to organizational structuring in the current year.

**2012 Outlook Update**

During the second quarter of 2012, we signed agreements with DOE and others that have enabled us to provide an updated view of financial projections for the remainder of the year. In May, USEC entered into a multi-party arrangement with Energy Northwest, the Bonneville Power Administration, the Tennessee Valley Authority and DOE to extend uranium enrichment operations at the Paducah, Ky. Plant. In June, we also entered into an agreement with DOE regarding a two-year, cooperative research, development and demonstration program for the American Centrifuge technology. The RD&D program includes an 80% DOE and 20% USEC cost-sharing of expenses with a total estimated cost of $350 million. This agreement will be incrementally funded and to date DOE funding is limited to $87.7 million.

Under the Paducah agreement, Energy Northwest is providing USEC with approximately 9,000 metric tons of high-assay depleted uranium. USEC will enrich the depleted uranium tails to make about 480 metric tons of LEU. The program, combined with other USEC commercial obligations, will require approximately 5 million SWU. Production of the LEU, which began in early June, will take about 12 months. The overall tails disposal liability of the U.S. government will be reduced as a result of the agreement and subsequent processing.

USEC's guidance in the first quarter of 2012 did not assume Paducah operations beyond May 31, 2012, and included an expectation that 2012 SWU deliveries would be roughly equivalent to 2011 deliveries. As a result of the new contract, USEC expects to increase SWU deliveries in 2012 by approximately 30% compared to last year and roughly equal to the volume of SWU sold in 2009. Revenue from the sale of SWU is expected to be approximately $1.8 billion, an increase of $300 million to $400 million over first quarter guidance. We anticipate the average price per SWU billed to customers will increase 5% compared to 2011. Uranium revenue in 2012 is expected to be less than $50 million, subject to timing of sales, which is $80 million less than in 2011.

Guidance for the contract services segment is unchanged. Contract services work for DOE at the former Portsmouth GDP was completed in September 2011, and revenue for the segment is expected to decline significantly in 2012. In prior years, contract work at Portsmouth represented approximately three-quarters of revenue for the contract services segment. USEC subsidiary NAC will represent a majority of revenue for the segment going forward and we expect annual revenue for contract services in 2012 of approximately $85 million.

Total revenue is expected to be approximately $1.95 billion. Based on our view of revenue and expense, we expect to earn a gross profit of approximately $140 million, reflecting a gross profit margin in 2012 of approximately 7%, compared to 5% in 2011.

Below the gross profit line, we will have significant expenses related to the American Centrifuge project. Beginning in the fourth quarter of 2011, all project costs incurred have been expensed, including interest expense that previously would have been capitalized. We will expense cost under the RD&D program as incurred. We expect advanced technology expense and the transfer of certain assets to DOE valued at $44.6 million to total approximately $250 million in 2012, with about half of that amount having been expensed prior to the start of the RD&D program in June. Interest expense that previously would have been capitalized is expected to be approximately $40 million. Under the 80%/20% cost share with DOE for the RD&D program, we expect to report Other Income of approximately $105 million for 2012. This assumes additional funding is authorized in addition to the $87.7 million authorized to date.

We have undertaken a review to align our organization with our evolving business environment and to reduce the size of our workforce over time. The recent agreements regarding the RD&D program and a 12-month extension of Paducah operations will stretch out the time period for additional workforce reductions. Further workforce reductions would require us to take additional charges for one-time employee termination benefits. We expect our selling, general and administrative (SG&A) expense to be approximately $58 million in 2012, a $4 million reduction from 2011, as our financial results begin to reflect the benefit of reductions in corporate expenses.

Although we expect to earn a gross profit of approximately $140 million, advanced technology expense, interest expense, and special charges are expected to result in loss for the full year 2012 of approximately $100 million. However, we expect to report cash flow from operations of approximately $30 million and to end the year with a cash balance of approximately $200 million without outstanding loans on the revolving portion of our credit facility, although we will have issued letters of credit. Looking to 2013, we expect the volume of SWU sold will decline by approximately one-third.

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

- Movement and timing of customer orders;
- Changes to SWU and uranium price indicators, and changes in inflation that can affect the price of SWU billed to customers;
- The pace and number of nuclear power reactors in Japan that are restarted following extensive safety inspections;
- Availability of funding for and continuance of the RD&D program;
- Our ability to complete the contract with Energy Northwest to enrich depleted uranium; and
- Potential accelerations of expenses and depreciation and other costs that may be triggered by decisions with respect to the continuation of Paducah enrichment operations beyond May 2013.

**Liquidity and Capital Resources**

We expect our cash balance, internally generated cash from our LEU operations and services provided by our contract services segment, and available borrowings under our revolving credit facility will provide sufficient cash to meet our needs for at least 12 months. This assumes the repayment of our $85 million term loan when due in May 2013 and the renewal of our revolving credit facility at approximately the same level of availability as at the time of renewal. The renewal of our credit facility in March 2012 and the multi-party arrangement entered into in May 2012 that supports a one year extension of Paducah enrichment operations have significantly improved our liquidity view from what was reported in our annual report on Form 10-K for the year ended December 31, 2011.

However, we expect to take a number of actions in 2012 that could have significant consequences for our business and our liquidity. We are in discussions with DOE regarding the transition of Paducah enrichment operations and could determine not to continue enrichment operations after the expiration of the one-year agreement with Energy Northwest that expires in May 2013. As described under "Paducah GDP Transition", we could incur significant costs in connection with a shut-down of Paducah enrichment operations, including potential severance costs and curtailment charges related to our defined benefit pension plan and postretirement health and life benefit plans, and we are evaluating alternatives to manage these potential costs. As described below under "Defined Benefit Plan Funding", we are also currently in discussions with the Pension Benefit Guaranty Corporation ("PBGC") regarding the impact of our de-lease of the Portsmouth gaseous diffusion plant and related transition of employees on our defined benefit plan funding obligations. In addition, DOE has not yet authorized funding for the RD&D program beyond November 2012 and we could demobilize the American Centrifuge project if additional funding for the RD&D program is not obtained. We could also take actions to restructure the project that could result in changes in our anticipated ownership of or role in the project. These actions, as well as actions that may be taken by vendors, customers, creditors and other third parties in response to our actions or based on their view of our financial strength and future business prospects, could give rise to events that individually, or in the aggregate, are likely to impose significant demands on our liquidity. In light of the uncertainties and challenges facing us and our desire to improve our credit profile and our ability to successfully finance the American Centrifuge project, we may pursue discussions with certain creditors and key stakeholders regarding ways to improve our capital structure, including the potential restructuring of our balance sheet.

Key factors that can affect liquidity requirements for our existing operations include the timing and amount of customer sales, power purchases, and purchases under the Russian Contract. We believe our sales backlog in our LEU segment is a source of stability for our liquidity position. Since 2006, we have included in our SWU contracts pricing indices that are intended to correlate with our sources for enrichment supply. Although sales prices under many of these SWU contracts are adjusted in part based on changes in market prices for SWU and electric power, the impact of market volatility in these indices is generally mitigated through the use of market price averages over time. Additionally, changes in the power price component of sales prices in these contracts are intended to mitigate the effects of changes in our power costs. Effective June 1, 2012, although our purchase costs under our power contract with TVA continue to be subject to a fuel cost adjustment, the fuel cost adjustment is included in the power price component of our sales price billed to Energy Northwest under the depleted uranium enrichment agreement.

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

The shutdown of the Japanese reactors and the shutdown of reactors in other countries due to concerns raised by the March 2011 events in Japan have affected supply and demand for LEU. Based on the current lack of near-term demand, excess supply in the market and uncertainty regarding the pace of restarting reactors in Japan, we foresee an unfavorable imbalance between supply and demand for LEU until at least the second half of the decade. This imbalance could increase over time depending on the length and severity of delays or cancellations of deliveries. As a result, we have not been able to replace many of the order advancements that we have done in the past with additional sales, which has the effect of reducing our sales backlog. Uncertainty regarding the continuation of Paducah plant operations and the American Centrifuge project have also had a negative effect on our backlog as our sales are a function of our future supply, including potential supply from Paducah plant operations and from the American Centrifuge Plant. Looking out into the second half of this decade and beyond, we expect an increase in uncommitted demand that could provide the opportunity to make additional sales to supplement our backlog. However, the amount of any demand and our ability to capture that demand is uncertain.

We need significant additional financing in order to complete the American Centrifuge Plant. We applied for a $2 billion loan guarantee under the DOE Loan Guarantee Program in July 2008 and we have had discussions with Japanese export credit agencies regarding financing up to $1 billion of the cost of completing the ACP. Additional capital will also be needed and the amount of additional capital is dependent on a number of factors, including the amount of any revised cost estimate and schedule for the project, the amount of contingency or other capital DOE may require as part of a loan guarantee, and the amount of the DOE credit subsidy cost that would be required to be paid in connection with a loan guarantee.

Instead of moving forward with a conditional commitment for a loan guarantee, in the fall of 2011, DOE proposed the RD&D program for the project. USEC began funding the RD&D program in January 2012 and has been building machines and parts for the demonstration cascade. On June 12, 2012, USEC and DOE entered into a cooperative agreement to provide funding for the RD&D program. The agreement provides for 80% DOE and 20% USEC cost sharing for work performed during the period June 1, 2012 through December 31, 2013 having a total estimated cost of $350 million. DOE's total contribution would be up to $280 million and USEC's contribution would be up to $70 million. The cooperative agreement will be incrementally funded and DOE funding is limited to $87.7 million until DOE provides authorization for additional funding. DOE funding through July 31, 2012 was $26.4 million. On July 31, 2012, DOE authorized an additional $61.3 million of funding (for a total of $87.7 million). The remaining funding of $192.3 million from DOE has not yet been authorized and is subject to Congressional appropriations, Congressional transfer or reprogramming authority to permit the use by DOE of funds previously appropriated for other programs, or other sources available to DOE and therefore it is possible that this additional funding may not be made available. USEC will provide cost sharing equal to 20% of the allowable costs of $109.6 million of the RD&D program, or $21.9 million through November 30, 2012. USEC's 20% contribution will include investments made by USEC commencing June 1, 2012. DOE provided the initial $87.7 million of funding by accepting title to quantities of depleted uranium that will enable USEC to release encumbered funds for approximately 80% of the allowable costs of the RD&D program up to $87.7 million. We receive the cash when the surety bonds and related cash deposits providing the financial assurance for disposition of this depleted uranium are reduced.

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

| | Six Months Ended June 30, | |
|---|---|---|
| | **2012** | **2011** |
| Net Cash Provided by Operating Activities | $ 162.1 | $ 285.6 |
| Net Cash Provided By (Used in) Investing Activities | 39.7 | (91.0) |
| Net Cash (Used in) Financing Activities | (10.4) | (5.4) |
| Net Increase in Cash and Cash Equivalents | **$ 191.4** | **$ 189.2** |

*Operating Activities*

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

*Investing Activities*

Capital expenditures were $4.1 million in the six months ended June 30, 2012, compared with $91.0 million in the corresponding period in 2011. Capital expenditures in the prior period are principally associated with the American Centrifuge Plant. Beginning with the fourth quarter of 2011, all project costs incurred have been expensed. Capitalization of expenditures related to the ACP has ceased until commercial plant deployment resumes. Capital expenditures include prepayments made to suppliers under existing agreements for materials and services not yet provided. Cash collateral deposits of $43.8 million were returned to us following the transfer of certain depleted uranium to DOE in connection with the March 2012 uranium transfer agreement.

*Financing Activities*

Borrowings and repayments under the revolving credit facility totaled $123.6 million in the six months ended June 30, 2012, and the peak amount outstanding was $32.3 million. Cash payments of $9.8 million were made for financing costs.

There were 125.2 million shares of common stock outstanding at June 30, 2012, compared with 123.2 million at December 31, 2011, an increase of 2.0 million shares (or 1.6%).

*Working Capital*

| | June 30, 2012 | December 31, 2011 |
|---|---|---|
| | (millions) | |
| Cash and cash equivalents | $ 229.0 | $ 37.6 |
| Accounts receivable, net | 173.4 | 162.0 |
| Inventories, net | 541.6 | 881.9 |
| Credit facility term loan | (85.0) | (85.0) |
| Convertible preferred stock | (94.4) | (88.6) |
| Other current assets and liabilities, net | (233.9) | (291.9) |
| Working capital | **$ 530.7** | **$ 616.0** |

*Defined Benefit Plan Funding*

USEC expects to contribute $15.9 million to its defined benefit pension plans in 2012, consisting of $12.5 million of required contributions under the Employee Retirement Income Security Act ("ERISA") and $3.4 million to non-qualified plans. USEC has contributed $11.2 million in the six months ended June 30, 2012. These expected contribution amounts reflect the recently enacted Moving Ahead for Progress in the 21st Century Act (MAP-21) which reduced the required contributions under ERISA in 2012 by an estimated $10.7 million. There is no required contribution for the postretirement health and life benefit plans under ERISA and USEC expects to contribute $1.4 million later in 2012. Certain contributions to the plans are recoverable under USEC's contracts with DOE. USEC receives federal subsidy payments for sponsoring prescription drug benefits that are at least actuarially equivalent to Medicare Part D.

In addition to these contributions, we could be required to accelerate funding or take other actions under ERISA Section 4062(e). We are currently in discussions with the Pension Benefit Guaranty Corporation ("PBGC") regarding the impact of our de-lease of the Portsmouth gaseous diffusion facilities and related transition of employees performing government services work to DOE's new decontamination and decommissioning ("D&D") contractor on September 30, 2011. We notified the PBGC of this occurrence and the PBGC has informally advised us of its preliminary view that the Portsmouth site transition is a cessation of operations that triggers liability under ERISA Section 4062(e) and that its preliminary estimate is that the ERISA Section 4062(e) liability (computed taking into account the plan's underfunding on a termination basis, which amount differs from that computed for GAAP purposes) for the Portsmouth site transition could exceed $100 million. We have informed the PBGC that we do not agree that the Portsmouth de-lease and transition of employees constituted a cessation of operations that triggered liability under ERISA Section 4062(e). We also dispute the amount of their preliminary calculation of the potential ERISA Section 4062(e) liability. However, we have not reached a resolution with the PBGC and we have no assurance that the PBGC will agree with us or will not pursue a requirement for us to accelerate funding or take other actions to provide security. We could also face a potential significantly greater liability related to a future decision to discontinue production at Paducah.

*Capital Structure and Financial Resources*

At June 30, 2012, our debt consisted of a term loan of $85.0 million due May 31, 2013 under our credit facility and $530.0 million in 3.0% convertible senior notes due October 1, 2014.

The convertible notes are unsecured obligations and rank on a parity with all of our other unsecured and unsubordinated indebtedness. We are restricted under our credit facility from repurchasing the notes for cash.

Our debt to total capitalization ratio was 52% at June 30, 2012 and 48% at December 31, 2011, including convertible preferred stock which is classified as a liability.

On March 13, 2012, USEC amended and restated its existing $310.0 million credit facility, scheduled to mature on May 31, 2012, to a $235.0 million credit facility that matures on May 31, 2013. The amended and restated credit facility includes a revolving credit facility of $150.0 million (including up to $75.0 million in letters of credit) and a term loan of $85.0 million. Under the amended and restated credit facility, commencing December 3, 2012, the aggregate revolving commitments and term loan principal will be reduced by $5.0 million per month through the expiration of the credit facility.

Utilization of the current credit facility at June 30, 2012 and the former credit facility at December 31, 2011 follows:

| | June 30, 2012 | December 31, 2011 |
|---|---|---|
| | (millions) | |
| Borrowings under the revolving credit facility | $ - | $ - |
| Term loan due May 31, 2013 | 85.0 | - |
| Term loan due May 31, 2012 | - | 85.0 |
| Letters of credit | 10.8 | 19.6 |
| Available credit | 94.2 | 205.4 |

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

The new term loan was funded as of March 13, 2012 and bears interest, at our election, at either:

- the sum of (1) the greater of (a) the JPMorgan Chase Bank prime rate, (b) the federal funds rate plus ½ of 1%, or (c) an adjusted 1-month LIBO Rate (with a floor of 2.0%) plus 1% plus (2) a margin of 7.25%; or
- the adjusted LIBO Rate (with a floor of 2.0%) plus a margin of 9.0%.

The interest rate for the term loan was 10.5% as of June 30, 2012.

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

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

- the sum of the adjusted LIBO Rate (with a floor of 2.0%) plus a margin of 4.5%.

If our gross profit for any three consecutive months beginning June 2012 is a loss, then the margin on the term loan will increase by 2.0% and the margin on the revolving loans will increase by 1.5% retroactive to the first day of such three month period, and continuing for the remaining term of the credit facility.

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

- If USEC demobilizes the American Centrifuge project, USEC may pay the costs and expenses of such demobilization in accordance with a plan previously submitted to the agent for the lenders.

- If, as part of DOE's exercise or remedies under the RD&D program, USEC is required to transfer the American Centrifuge project or the RD&D program assets, in whole or in part, to DOE or its designee, USEC may spend as needed to maintain compliance with legal and regulatory requirements, but may not spend more than $5 million of proceeds of the revolving loans on such expenses.

- USEC may not spend any proceeds of revolving loans on American Centrifuge expenses if a default or event of default has occurred.

The revolving credit facility contains various reserve provisions that reduce available borrowings under the facility periodically including a permanent availability block equal to $45.0 million. The other reserves under the revolving credit facility, such as availability reserves and borrowing base reserves, are customary for credit facilities of this type.

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

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

With limited allowances, the credit facility includes a requirement to maintain a ratio of 1.75:1.0 of certain eligible collateral (less reserves) to the amount of the credit facility. The credit facility also includes various other customary operating and financial covenants, including restrictions on the incurrence and prepayment of other indebtedness, granting of liens, sales of assets, making of investments, and payment of dividends or other distributions. Failure to satisfy the covenants would constitute an event of default under the credit facility.

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

*Deferred Financing Costs*

Financing costs are generally deferred and amortized over the life of the instrument. A summary of deferred financing costs for the six months ended June 30, 2012 follows (in millions):

| | December 31, 2011 | Additions | Reductions | June 30, 2012 |
|---|---|---|---|---|
| Other current assets: | | | | |
| Bank credit facilities | **$ 2.4** | **$ 9.2** | **$ (5.0)** | **$ 6.6** |
| | | | | |
| Deferred financing costs (long-term): | | | | |
| Convertible notes | $ 5.5 | $ - | $ (0.9) | $ 4.6 |
| ACP project | 6.7 | - | (0.1) | 6.6 |
| Deferred financing costs | **$ 12.2** | **$ -** | **$ (1.0)** | **$ 11.2** |

*NYSE Listing Notice*

On May 8, 2012, we received notice from the New York Stock Exchange ("NYSE") that the average closing price of our common stock was below the NYSE's continued listing criteria relating to minimum share price. Rule 802.01C of the NYSE's Listed Company Manual requires that a company's common stock trade at a minimum average closing price of $1.00 over a consecutive 30 trading-day period. In accordance with the NYSE's rules, on May 14, 2012, we provided written notice to the NYSE of our intent to cure this deficiency. We are evaluating our options to cure the price deficiency, including a reverse stock split, which would require shareholder approval at or prior to USEC's next annual meeting of shareholders. We have six months from receipt of the notice to regain compliance with the NYSE's price criteria (or by no later than USEC's next annual meeting of shareholders if shareholder approval is required). Subject to the NYSE's rules, during the cure period, our common stock will continue to be listed and trade on the NYSE, subject to our continued compliance with the NYSE's other applicable listing rules. We are currently in compliance with all other NYSE listing rules.

We can regain compliance at any time during the six-month cure period if on the last trading day of a calendar month during the cure period, USEC has a closing share price of at least $1.00 and an average closing share price of at least $1.00 over the 30 trading-day period ending on the last trading-day of that month or on the last day of the cure period. If we effectuate a reverse stock split vote by no later than the next annual meeting of shareholders to cure the condition, the condition will be deemed cured if the price promptly exceeds $1.00 per share, and the price remains above the level for at least the following 30 trading days.

*Financial Assurance and Related Liabilities*

The NRC requires that we guarantee the disposition of our depleted uranium and stored wastes with financial assurance. We also provide financial assurance for the ultimate decontamination and decommissioning ("D&D") of the American Centrifuge facilities to meet NRC and DOE requirements. Surety bonds for the disposition of depleted uranium and for D&D are partially collateralized by interest earning cash deposits included in other long-term assets.

The financial assurance in place for depleted uranium and stored wastes is based on the quantity of depleted uranium and waste at the end of the prior year plus expected depleted uranium generated over the current year. The financial assurance in place as of December 31, 2011 was based on depleted uranium expected to be generated through the expiration of our power contract in May 2012. Under the depleted uranium enrichment agreement entered into with Energy Northwest to re-enrich DOE's depleted uranium tails commencing June 1, 2012, we do not take title to the depleted uranium generated from the re-enrichment of DOE's depleted uranium and therefore do not incur costs for its disposition and do not need to provide any financial assurance.

On March 13, 2012, USEC entered into an agreement with DOE pursuant to which DOE acquired U.S. origin LEU from USEC in exchange for the transfer of quantities of USEC's depleted uranium tails to DOE. This enabled USEC to receive encumbered funds of approximately $44 million in June 2012 that were previously provided as financial assurance for the disposition of such depleted uranium.

Under the June 2012 cooperative agreement with DOE for the RD&D program, DOE provided the initial $87.7 million of funding by accepting title to quantities of depleted uranium that will enable USEC to release encumbered funds for approximately 80% of the allowable costs of the RD&D program up to $87.7 million.

The amount of financial assurance needed for D&D of the American Centrifuge Plant is dependent on construction progress and decommissioning cost projections. The estimates of completed construction activities supporting the decommissioning funding plan are based on projected percent completion of activities as defined in the baseline construction schedule.

As part of our license to operate the American Centrifuge Plant, we provide the NRC with a projection of the total D&D cost. The total D&D cost related to the NRC and the incremental lease turnover cost related to DOE is uncertain at this time and is dependent on many factors including the size of the plant. Financial assurance will also be required for the disposition of depleted uranium generated from future commercial centrifuge operations. Since we operate the lead cascade in recycle mode, depleted uranium is not generated from lead cascade operations.

A summary of financial assurance, related liabilities and cash collateral follows (in millions):

| | Financial Assurance | | Long-Term Liability | |
|---|---|---|---|---|
| | June 30, 2012 | December 31, 2011 | June 30, 2012 | December 31, 2011 |
| Depleted uranium disposition and stored wastes | $ 159.1 | $ 233.1 | $ 71.7 | $ 145.2 |
| Decontamination and decommissioning of American Centrifuge | 23.0 | 22.2 | 22.6 | 22.6 |
| Other financial assurance | 13.2 | 22.1 | | |
| Total financial assurance | **$ 195.3** | **$ 277.4** | | |
| Letters of credit | **10.8** | **19.6** | | |
| Surety bonds | **184.5** | **257.8** | | |
| Cash collateral deposit for surety bonds | **$ 107.5** | **$ 151.3** | | |

Our level of cash collateral supporting financial assurance and our ability to secure additional financial assurance are subject to a surety bond provider's view of our creditworthiness. Issuers of the surety bonds have the ability, under certain circumstances, to request additional collateral or to cancel the surety bond, which would adversely affect our liquidity. Examples of circumstances that could give a surety bond provider the right to request additional collateral or to cancel the surety bond include a decision to cease Paducah operations or a decision to demobilize the American Centrifuge project that results in a deterioration in our financial condition. Some of these events are outside of our control. If additional collateral is requested, we may not be able to provide that collateral, which could result in a cancellation of the surety bond. We might not be able to replace any surety bonds that are cancelled on satisfactory terms or at all.

*Contractual Obligations Update*

On May 15, 2012, the power purchase agreement with TVA was amended to extend its term and TVA and USEC entered into a supplemental confirmation agreement pursuant to the amended power purchase agreement for us to purchase the power needed to operate the Paducah GDP during the one-year term of the depleted uranium enrichment agreement with Energy Northwest. Under this supplemental agreement, we have a take or pay obligation to purchase electricity during June - September 2012 at monthly amounts increasing from approximately 750 to 1,250 megawatts and then at 1,500 megawatts for the remaining months of the contract, less a 25% reduction in May 2013 to provide a transition in power delivery. As of June 30, 2012, we are obligated to make minimum payments under the supplemental agreement and the amended power purchase agreement of approximately $0.5 billion through May 2013. Our costs are subject to monthly fuel cost adjustments to reflect changes in TVA's fuel costs, purchased power costs, and related costs. However, these fuel cost adjustments are passed through to Energy Northwest under the depleted uranium enrichment agreement. We have the right to terminate our power purchase obligations under the supplemental agreement if Energy Northwest terminates the depleted uranium enrichment agreement, or fails to deliver depleted uranium or to meet its payment obligations, and we cease enrichment operations at Paducah as a result. In such a case, we will agree with TVA on a schedule to reduce to zero over a period of thirty days all power purchases in a manner that ensures safe and reliable operation of Paducah.

*Off-Balance Sheet Arrangements*

Other than the letters of credit issued under the credit facility, surety bonds, contractual commitments and the license agreement with DOE relating to the American Centrifuge technology disclosed in our 2011 Annual Report, there were no material off-balance sheet arrangements, obligations, or other relationships at June 30, 2012 or December 31, 2011.

**New Accounting Standards Not Yet Implemented**

Reference is made to "New Accounting Standards" in Note 1 of the notes to the consolidated condensed financial statements for information on new accounting standards.

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

At June 30, 2012, the balance sheet carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and payables under the Russian Contract approximate fair value because of the short-term nature of the instruments.

We have not entered into financial instruments for trading purposes. At June 30, 2012, our debt consisted of the 3.0% convertible senior notes with a balance sheet carrying value of $530.0 million and a credit facility term loan of $85.0 million. The fair value of the convertible notes, based on the trading price as of June 30, 2012, was $259.7 million. The fair value of the term loan as of June 30, 2012, using the change in market value of an index of loans of similar credit quality based on published credit ratings, was $87.2 million.

The estimated fair value of our convertible preferred stock at June 30, 2012, including accrued paid-in-kind dividends payable July 1, 2012, was equal to the redemption value of $1,000 per share or $94.4 million.

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

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

*Effectiveness of Our Disclosure Controls and Procedures*

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

*Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 1.** ***Legal Proceedings***

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

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

**Investors should carefully consider the updated risk factors below and the other risk factors in Part I, Item 1A of our 2011 Annual Report on Form 10-K, in addition to the other information in our Annual Report and this Quarterly Report on Form 10-Q.**

***Ceasing enrichment operations at the Paducah GDP could have a material adverse effect on our business and prospects.***

During the remainder of 2012, we expect to continue discussions with DOE regarding the future of the Paducah GDP and the transition of Paducah operations. Under our lease, DOE has the obligation for decontamination and decommissioning of the Paducah plant. Although we expect to continue to look for ways to economically extend Paducah enrichment operations, we believe it will be difficult to continue enrichment operations at the Paducah GDP beyond the one-year term of the multi-party arrangement. Ceasing enrichment operations at the Paducah GDP could have a material adverse effect on our business and prospects.

Delays in financing construction of the American Centrifuge Plant have made continued efficient operation of our current enrichment plant an important element of our business as we transition to centrifuge production. Without enrichment operations at Paducah, we will cease commercial enrichment of uranium during this transition period and our supply of LEU will be limited to inventory on hand and Russian commercial supply under the commercial agreement we entered into in March 2011 for the supply of commercial Russian LEU (the "Russian Supply Agreement") and inventories of Russian LEU delivered to us under the Russian Contract prior to its completion. As we look to transition Paducah operations, we are seeking to minimize the amount of time we will be without a source of domestic U.S. enrichment production. Absent a definitive timeline for ACP deployment, this could adversely affect our efforts to pursue the American Centrifuge project, to implement the Russian Supply Agreement or to pursue other options, and could threaten our overall viability.

The shutdown of Paducah enrichment operations could also adversely affect our relationships with a variety of stakeholders, including customers. Customers could ask us to provide additional financial or other assurances of our ability to deliver under existing contracts that could adversely affect our business. Ceasing Paducah enrichment operations could also adversely affect our ability to enter into new contracts with customers, including our ability to contract for the output of the American Centrifuge Plant and for the material we purchase under the Russian Supply Agreement. We maintain substantial inventories of SWU from our production and deliveries under the commercial agreement with the Russian entity TENEX to implement the Megatons to Megawatts program that we carefully monitor to ensure we can meet our commitments. Our ability to maintain inventories and to monetize these inventories in order to meet our liquidity requirements could be adversely affected if we lost our right to lease the portions of the Paducah GDP where the inventories are held and could not find alternative space where inventories could be kept.

If we do not continue enrichment operations at the Paducah GDP or continue enrichment at Paducah for only a short period of time, we would accelerate expenses for certain assets such as previously capitalized leasehold improvements and machinery and equipment related to the Paducah enrichment operations. As of June 30, 2012, net book value of property, plant and equipment included in our consolidated balance sheet was approximately $60 million related to our Paducah operations. These assets are currently being depreciated over their estimated life based on the lease term through 2016. A decision to cease enrichment prior to the end of 2016 would accelerate depreciation and increase our cost of sales, negatively impacting our gross profit in our LEU segment.

We also have significant inventories of SWU and uranium at the Paducah GDP and these inventories are valued at the lower of cost or market. We compare our inventory cost against market prices and if our inventory costs were to exceed market prices, we could be required to record an inventory impairment.

In addition, as of June 30, 2012, we have accrued liabilities for lease turnover costs related to the Paducah GDP of approximately $43 million included in our other long-term liabilities. The lease turnover could be accelerated, depending on the transition schedule, and considered as a current liability if we were to terminate the lease prior to the current expiration date.

Depending on the finalization of a transition plan with DOE, we could also expect to incur significant costs in connection with a shutdown of Paducah enrichment operations, including potential severance costs and curtailment charges related to our defined benefit pension plan and postretirement health and life benefit plans. We could also incur potential liability under ERISA Section 4062(e) as described in the risk factor included in our annual report on Form 10-K: "*We could be required to accelerate the funding of our defined benefit pension plans that could adversely affect our liquidity*."

Depending on the transition of Paducah enrichment operations, we could de-lease the Paducah GDP except for certain facilities used for ongoing operations such as shipping and handling, inventory management and site services, including deliveries to customers of our inventory of LEU and handling of Russian material through 2013 under the Russian Contract or beyond under the Russian Supply Agreement. We are currently evaluating what facilities would be needed for ongoing operations if we do not continue enrichment operations and the most cost-effective manner of conducting those operations to minimize our ongoing maintenance costs. However, we may not be able to achieve the desired cost savings in the timeframe we expect. For example, we must factor in the need and cost of maintaining facilities in order to handle our inventory in how we plan to transition Paducah operations. . As of June 30, 2012, these inventories include approximately $1.4 billion of inventories owed to customers and suppliers that relate primarily to inventories owed to fabricators. These inventories are awaiting delivery to fabricators under deliver optimization arrangements between USEC and domestic fabricators, the timing of transfer of which is uncertain. These inventories have been increasing and could continue to increase to the extent that fabricators continue to use their other inventories to satisfy our customer order obligations. In addition, we have no assurance that DOE would accept facilities that we wish to de-lease in the timeframe desired or on a schedule that would be cost efficient.

We also have no assurance that DOE would allow us to continue to lease portions of the Paducah GDP. Under the 2002 DOE-USEC Agreement, DOE can assume operations of Paducah in the event we cease enrichment operations. There can be no assurance that DOE will not exercise this right. If DOE decides to exercise its right to assume operation of Paducah under the 2002 DOE-USEC Agreement, there is no assurance that their exercise of their rights will not result in additional adverse impacts to us, including interfering with our deliveries to customers, interfering with our ability to sell our inventory and impacting our ability to make sales. All of these factors could have a significant adverse effect on our results of operations and financial condition.

***We are entirely dependent on the multi-party arrangement with Energy Northwest, the Bonneville Power Administration ("BPA"), the Tennessee Valley Authority ("TVA") and the U.S. Department of Energy ("DOE") to support continued enrichment operations at the Paducah gaseous diffusion plant ("GDP") through May 31, 2013 and if we are not successful in executing this transaction, we could make a decision to cease enrichment operations at the Paducah GDP.***

On May 15, 2012, we entered into a multi-party arrangement with (1) Energy Northwest, a West Coast power supplier, (2) BPA, a federal agency within DOE, (3) TVA, a federally owned corporation and supplier of power to the Paducah plant, and (4) DOE to enrich depleted uranium. The volume of enrichment under this arrangement is sufficient to support a one-year extension of enrichment operations at the Paducah GDP through May 31, 2013. Under the agreements that are part of this arrangement, DOE provides high-assay depleted uranium hexafluoride, also known as tails, to Energy Northwest. Energy Northwest has contracted with USEC to enrich the tails into low enriched uranium. Energy Northwest will use a portion of the low enriched uranium for its Columbia Nuclear Generating Station and will sell the remainder of the U.S.-origin low enriched uranium to TVA. The fuel will be used in TVA's reactors. Also as part of this arrangement, TVA supplies the power for the enrichment under a supplemental agreement entered into by TVA and us pursuant to the existing USEC-TVA power contract.

We are entirely dependent on performance of all the agreements in this arrangement for the continuation of enrichment operations at the Paducah GDP through May 31, 2013. We have begun implementing the multi-party arrangement. However the continuation of the successful implementation of this transaction is subject to risks and uncertainties, as described below.

There are many parties involved in the arrangement, and failures in performance by any of the parties could adversely affect our ability to successfully implement the agreements that we entered into in connection with the arrangement and to continue enrichment operations at Paducah. In connection with the arrangement, Energy Northwest entered into an agreement with DOE for the transfer of DOE-owned depleted uranium tails to Energy Northwest that Energy Northwest will deliver to us as the feed material under the depleted uranium enrichment agreement. The timely receipt of this depleted uranium feed material that is within specification is a critical element of the arrangement. We are not a party to the agreement between DOE and Energy Northwest and in the event of failure of performance by DOE our remedies could be limited to termination of the depleted uranium enrichment agreement, as described below.

Energy Northwest issued a short-term note to finance the initial months of purchases under the depleted uranium enrichment agreement and is expected to obtain financing to pay off the short-term note and complete the transaction through the issuance of bonds that are backed by BPA. Energy Northwest has not yet obtained this bond financing. Energy Northwest has the right to terminate the depleted uranium enrichment agreement if it provides prior notice that it is unable to obtain the bond financing for the transaction on terms, in amounts, and/or at times that are acceptable to Energy Northwest or that such proposed bond financing will not receive a specified minimum credit rating. Energy Northwest may also terminate the depleted uranium enrichment agreement under the following circumstances: (1) if the depleted uranium supply arrangements between DOE and Energy Northwest are terminated (other than a termination due to a material breach by Energy Northwest or a termination for convenience); (2) if Energy Northwest is permanently enjoined or otherwise permanently precluded by court order from performing the depleted uranium enrichment agreement; or (3) if the power contract between USEC and TVA is terminated. A termination of the depleted uranium enrichment agreement by Energy Northwest would likely cause us to need to begin ramping down enrichment operations at the Paducah GDP, which could have a material adverse effect on our business and prospects as described in the risk factor, "*A decision to cease enrichment operations at the Paducah GDP could have a material adverse effect on our business and prospects*."

We have the right to terminate the depleted uranium enrichment agreement if we determine that a failure or inability of Energy Northwest to deliver depleted uranium tails or an interruption of power supplied by TVA has an operational impact that cannot be resolved by mutual agreement of Energy Northwest and USEC. If a failure to deliver depleted uranium tails is due to a material breach by Energy Northwest, Energy Northwest may be required to pay a termination fee under certain circumstances. However, this termination fee may not sufficiently cover the damages that would be caused by such breach. In addition, both Energy Northwest and USEC have a right to terminate the depleted uranium enrichment agreement if a force majeure event results in the cessation of enrichment operations at the Paducah GDP.

***Only a portion of the U.S. Government funding for the $350 million cost-share research, development and demonstration ("RD&D") program with DOE has been provided. A lack of approved funding for the balance of the RD&D program or delays in the budget process could adversely affect our ability to implement the RD&D program.***

On June 12, 2012, we entered into a cooperative agreement with DOE to provide funding for a two-year RD&D program for the American Centrifuge project. USEC has been funding the RD&D program since January 2012. The cooperative agreement provides for 80% DOE and 20% USEC cost sharing for work performed during the period June 1, 2012 through December 31, 2013 with a total estimated cost of $350 million. DOE's total contribution would be up to $280 million and our contribution would be up to $70 million. DOE's contribution will be incrementally funded and is limited to $87.7 million until DOE provides authorization for additional funding. DOE funding through July 31, 2012 was $26.4 million. On July 31, 2012, DOE authorized an additional $61.3 million of funding (for a total of $87.7 million). The remaining funding of $192.3 million from DOE has not yet been authorized and is subject to Congressional appropriations, Congressional transfer or reprogramming authority to permit the use by DOE of funds previously appropriated for other programs, or other sources available to DOE. We have no assurance that additional funding will be made available in the timeframe needed or at all.

The President's Fiscal Year 2013 budget includes $150 million for the RD&D program within the DOE budget. The President's budget is currently being considered by Congress and we have no assurance that Congress will fund the RD&D program in the fiscal year 2013 appropriations legislation. In recent years, the U.S. government did not complete its budget process before the end of its fiscal year (September 30), and government operations typically were funded through a continuing resolution that authorizes agencies of the U.S. government to continue to operate. If the fiscal year 2013 appropriation for DOE is not signed into law prior to September 30, 2012 and the U.S. government operates under a continuing resolution for government fiscal year 2013, or a portion of fiscal year 2013, we could experience delays or an interruption of funding for the RD&D program, which would adversely affect the project. In light of our liquidity constraints and restrictions under our credit facility, we will not be able to continue RD&D program spending without U.S. government or other third party funding as the use of our own funds would be limited.

In addition, the $87.7 million of DOE funding that has been authorized, combined with the $150 million included in the President's fiscal year 2013 budget do not provide sufficient funding for DOE's share of the RD&D program of $280 million. Therefore, even if funding for the RD&D program is included in fiscal year 2013 appropriations legislation, additional funding will be needed to complete the RD&D program. Such funding could be provided through Congressional transfer or reprogramming authority to permit the use by DOE of funds previously appropriated for other programs, or other sources available to DOE. However, we have no assurance that any additional funding will be made available.

***Our failure to meet the milestones and other conditions of the RD&D program could result in DOE terminating the cooperative agreement and exercising its remedies under the agreement, including remedies under the 2002 DOE-USEC Agreement.***

Under the cooperative agreement entered into with DOE for the RD&D program, USEC and our newly created subsidiary American Centrifuge Demonstration, LLC ("ACD") will carry out the RD&D program. ACD is putting in place a program management and enhanced program execution structure as required by the cooperative agreement. On July 23, 2012, USEC entered into a limited liability company agreement for ACD which, among other things, establishes a board of managers in accordance with the enhanced program execution structure. The seven-person board is comprised of two independent managers, two managers appointed by USEC, and one manager appointed by each of Babcock & Wilcox Technical Services Group, Inc., Toshiba America Nuclear Energy Corporation and Exelon Generation Company, LLC. This structure limits our ability to direct and control the activities of ACD and consequently the RD&D program.

The cooperative agreement also includes the following five technical milestones for the RD&D program:

- Milestone 1: DOE and USEC jointly agree upon a test program for the remaining milestones and for full system reliability and plant availability that takes into account human factors, upgraded Lower Suspension Drive Assembly ("LSDA") and overall AC100 reliability, and full cascade separative performance, so as to achieve an overall plant availability and confidence level needed to support commercial plant operations;

- Milestone 2: Confirm the reliability of the LSDA by accumulating 20 machine years of operation at target speed using AC100 centrifuges with upgraded LSDAs with no more than the projected number of LSDA failures;

- Milestone 3: Demonstrate AC100 manufacturing quality by operating the commercial demonstration cascade for a minimum of 20 machine years to provide the confidence level needed to support commercial plant operations;

- Milestone 4: Demonstrate AC100 reliability by accumulating 20 machine years at target speed and design condition with no more than the expected number of infant, steady-state and electronic recycles; and

- Milestone 5: Demonstrate sustained production from a commercially-staged, 120-centrifuge demonstration cascade configuration for 60 days (approximately 20 machine years) in cascade recycle mode with production availability needed during commercial plant operations using an average AC100 centrifuge production of 340 SWU per centrifuge year.

We achieved the first technical milestone related to the finalization of a test program plan for the remaining technical milestones and for full system reliability and plant availability. We also believe we have met the technical conditions for the achievement of the second milestone, however, certification of achievement is subject to verification by DOE. We have no assurance that DOE will agree that we have achieved this milestone. The remaining three milestones are tied to the completion of the RD&D program and so we have proposed to DOE milestone dates of December 31, 2013 for these milestones. We are awaiting DOE's acceptance of these proposed milestone dates, however we have no assurance that DOE will accept these milestone dates. In addition, we have also agreed to non-binding performance indicators with DOE that are designed to be achieved throughout the RD&D program and ensure that the RD&D program is on track to achieve the remaining three milestones and other program objectives. However we have no assurance that we will meet these performance indicators.

Our ability to meet remaining milestones is dependent upon the ability of contractors, the AC100 centrifuges and the cascade performing as expected and we have no assurance that they will perform as expected. We must also retain key staff and recruit new positions, and maintain compliance with our NRC license for lead cascade operations. The milestones require completion and operation of the cascade. We rely on contractors to provide components and to perform the construction. We have no assurance that the contractors will perform as required and complete the cascade within the cost and schedule required by the cooperative agreement. Further, the milestones allow for a specified level of failures of the machines and components based on the number of failures assumed in commercial plant operations, however, we could have failures in excess of the permitted amounts. Failures can occur because parts and components do not perform as expected. Failures can also occur due to items outside of our control such as failure of contractors to meet specifications, failure of support systems, or human error. Although we have processes and procedures in place to prevent or mitigate the impact of such issues such as procedures to assure that components are manufactured in accordance with specifications, to prevent or mitigate impacts of failures of support systems and to prevent human error, we have no assurance that they will not occur.

We are also at risk that the costs under the RD&D program could exceed the cost estimate and funding for the RD&D program. The RD&D program is based on a total cost estimate of $350 million; however, that is an estimate and actual costs could be higher than expected which would threaten our ability to successfully meet the milestones and complete the RD&D program. Under our credit facility, our spending on the RD&D program is limited to our 20% cost share under the RD&D program so we would not be able to fund any cost overages ourselves absent approval from our lenders.

DOE has the right to terminate the cooperative agreement if any of these technical milestones are not met on or before the agreed date for such milestones. DOE also has the right to terminate the cooperative agreement if we materially fail to comply with the other terms and conditions of the cooperative agreement. Failure to meet the technical milestones under the cooperative agreement could also provide a basis for DOE to exercise its remedies under the 2002 DOE-USEC Agreement (as described below). Failure to successfully complete the RD&D program would also adversely affect our ability to obtain a loan guarantee and to deploy the American Centrifuge project.

***Our failure to meet milestones under the 2002 DOE-USEC Agreement could result in DOE exercising one or more remedies under the 2002 DOE-USEC Agreement.***

On June 12, 2012 USEC and DOE entered into an amendment to the Agreement dated June 17, 2002 between DOE and USEC, as amended (the "2002 DOE-USEC Agreement"). The 2002 DOE-USEC Agreement provides that we will develop, demonstrate and deploy the American Centrifuge technology in accordance with milestones and provides for remedies in the event of a failure to meet a milestone under certain circumstances. As amended, the 2002 DOE-USEC Agreement contains the following milestones:

May 2014 – Successful completion of the American Centrifuge Cascade Demonstration Test Program

June 2014 – Commitment to proceed with commercial operation

November 2014 – Secure firm financing commitment(s) for the construction of the commercial American Centrifuge Plant with an annual capacity of approximately 3.5 million separative work units ("SWU") per year

July 2017 – Begin commercial American Centrifuge Plant operations

September 2018 – Commercial American Centrifuge Plant annual capacity at 1 million SWU per year

September 2020 – Commercial American Centrifuge Plant annual capacity of approximately 3.5 million SWU per year;

DOE has full remedies under the 2002 DOE-USEC Agreement if we fail to meet a milestone that would materially impact our ability to begin commercial operations of the American Centrifuge Plant on schedule and such delay was within our control or was due to our fault or negligence. These remedies include terminating the 2002 DOE-USEC Agreement, revoking our access to DOE's U.S. centrifuge technology that we require for the success of the American Centrifuge project and requiring us to transfer certain of our rights in the American Centrifuge technology and facilities to DOE, and requiring us to reimburse DOE for certain costs associated with the American Centrifuge project. As part of the June amendment to the 2002 DOE-USEC Agreement, we granted to DOE an irrevocable, non-exclusive right to use or permit third parties on behalf of DOE to use all American Centrifuge technology intellectual property ("Centrifuge IP") royalty free for U.S. government purposes (which includes completion of the cascade demonstration test program and national defense purposes, including providing nuclear material to operate commercial nuclear power reactors for tritium production). We also granted an irrevocable, non-exclusive license to DOE to use such Centrifuge IP developed at our expense for commercial purposes (including a right to sublicense), which may be exercised only if we miss any of the milestones under the 2002 DOE-USEC Agreement or if we (or an affiliate or entity acting through us) are no longer willing or able to proceed with, or has determined to abandon or has constructively abandoned, the commercial deployment of the centrifuge technology. Such commercial purposes licenses are subject to payment of a reasonable royalty to us, which shall not exceed $665 million.

DOE's remedies under the 2002 DOE-USEC Agreement also included recommending that we be removed as the sole U.S. Executive Agent under the Megatons to Megawatts program. The appointment of a substitute or additional executive agent pursuant to the U.S. government's compliance with the terms of the Executive Agent agreement under which USEC is designated the U.S. Executive Agent would require that all or part of the fixed quantity of LEU available each year under the Russian Contract be provided to the substitute or additional executive agent. This would not only reduce our access to LEU under the Russian Contract, but would also create a significant new competitor, which could impair our ability to meet our existing delivery commitments while reducing our ability to bid for new sales. Reduced access to LEU under the Russian Contract could also increase our costs and reduce our gross profit margins. However, under the 1997 memorandum of agreement, we have the right and obligation to pay for and take delivery of LEU that is to be delivered in the year of the date of termination and in the following year if USEC and TENEX have agreed on a price and quantity. We and TENEX have agreed on price and quantity for 2012.

Any of these actions could have a material adverse impact on our business and prospects. Uncertainty surrounding the milestones under the 2002 DOE-USEC Agreement or the initiation by DOE of any action or proceeding under the 2002 DOE-USEC Agreement could adversely affect our ability to obtain financing for the American Centrifuge project.

***Our failure to maintain compliance with the listing requirements of the New York Stock Exchange (NYSE) could result in a delisting of our common stock, which could require us to repurchase our convertible notes for cash and trigger a default under our credit facility.***

On May 8, 2012, we received notice from the New York Stock Exchange ("NYSE") that the average closing price of our common stock was below the NYSE's continued listing criteria relating to minimum share price. Rule 802.01C of the NYSE's Listed Company Manual requires that a company's common stock trade at a minimum average closing price of $1.00 over a consecutive 30 trading-day period. In accordance with the NYSE's rules, on May 14, 2012, we provided written notice to the NYSE of our intent to cure this deficiency. We are evaluating our options to cure the price deficiency, including, if our share price continues to trade below $1.00 per share, a reverse stock split, which would require shareholder approval at or prior to our next annual meeting of shareholders. We have six months from receipt of the notice to regain compliance with the NYSE's price criteria (or by no later than our next annual meeting of shareholders if shareholder approval is required). Subject to the NYSE's rules, during the cure period, our common stock will continue to be listed and trade on the NYSE, subject to our continued compliance with the NYSE's other applicable listing rules. However, there can be no assurance that our shares will remain listed on the NYSE or that any reverse stock split that may be completed will increase our share price sufficiently to permit us to continue to satisfy the NYSE's listing standards.

We can regain compliance at any time during the six-month cure period if on the last trading day of a calendar month during the cure period, USEC has a closing share price of at least $1.00 and an average closing share price of at least $1.00 over the 30 trading-day period ending on the last trading-day of that month or on the last day of the cure period. If we effectuate a reverse stock split vote by no later than the next annual meeting of shareholders to cure the condition, the condition will be deemed cured if the price promptly exceeds $1.00 per share, and the price remains above the level for at least the following 30 trading days.

We also have no assurance that we will continue to be in compliance with other NYSE listing standards. Our failure to meet any of the following other listing standards of the NYSE could accelerate the NYSE taking actions to delist our common stock from the NYSE: (1) our average market capitalization is less than $50 million over a consecutive 30 trading-day period and, at the same time, our stockholders' equity is less than $50 million; or (2) our average market capitalization is less than $15 million over a consecutive 30 trading-day period. Even if we meet the numerical listing standards above, the NYSE reserves the right to assess the suitability of the continued listing of a company on a case-by-case basis whenever it deems it appropriate and will consider factors such as unsatisfactory financial conditions and/or operating results or inability to meet debt obligations or adequately finance operations.

A delisting of our common stock by the NYSE and the failure of our common stock to be listed on another national exchange could have significant adverse consequences. A delisting would likely have a negative effect on the price of our common stock and would impair shareholders' ability to sell or purchase our common stock. As of June 30, 2012, we had $530 million of convertible notes outstanding. A "fundamental change" is triggered under the terms of our convertible notes if our shares of common stock are not listed for trading on any of the NYSE, the American Stock Exchange, the NASDAQ Global Market or the NASDAQ Global Select Market. Our receipt of a NYSE continued listing standards notification described above did not trigger a fundamental change. If a fundamental change occurs under the convertible notes, the holders of the notes can require us to repurchase the notes in full for cash. We do not have adequate cash to repurchase the notes. In addition, the occurrence of a fundamental change under the convertible notes that permits the holders of the convertible notes to require a repurchase for cash is an event of default under our credit facility. Accordingly, our inability to maintain the continued listing of our common stock on the NYSE or another national exchange would have a material adverse effect on our liquidity and financial condition and would likely require us to file for bankruptcy protection.

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

(c) Second Quarter Issuer Purchases of Equity Securities

| Period | (a) Total Number of Shares (or Units) Purchased(1) | (b) Average Price Paid Per Share (or Unit) | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| April 1 – April 30 | 20,841 | $1.01 | - | - |
| May 1 – May 31 | 165,192 | 0.81 | - | - |
| June 1 – June 30 | 2,637 | 0.99 | - | - |
| **Total** | **188,670** | **$0.84** | **-** | **-** |

(1) These purchases were not made pursuant to a publicly announced repurchase plan or program. Represents 188,670 shares of common stock surrendered to USEC to pay withholding taxes on shares of restricted stock under the Company's equity incentive plan.

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

As permitted by the certificate of designation of the Series B-1 12.75% convertible preferred stock, par value $1.00 per share, our board of directors has the discretion to declare or not to declare any quarterly dividends for the Series B-1 preferred. Dividends on the Series B-1 preferred are payable quarterly (on January 1, April 1, July 1 and October 1), at the Company's election, in cash or in additional shares of Series B-1 preferred. The Company is currently restricted under its credit facility from paying cash dividends. The Company's board of directors did not declare dividends on the Series B-1 preferred on the regular quarterly dividend payment dates of January 1, 2012 and April 1, 2012 and July 1, 2012 and the aggregate arrearage is $8.5 million. The Company has determined to defer declaring any dividends at this time due to the Company's net loss reported for the year ended December 31, 2011 and for the six months ended June 30, 2012. In accordance with the terms of the certificate of designation for the Series B-1 preferred, dividends not declared are added to the liquidation preference for the Series B-1 preferred. As of June 30, 2012, there were 85,903 shares of Series B-1 preferred outstanding with an aggregate liquidation preference of $91.5 million ($94.4 million as of July 1, 2012 after taking into account the July 1, 2012 accrued dividend).

**Item 6.** ***Exhibits***

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

**SIGNATURES**

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

**USEC Inc.**

Date: August 1, 2012

By: /s/ John C. Barpoulis

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

**EXHIBIT INDEX**

| Exhibit No. | Description |
|---|---|
| 10.1 | Agreement dated May 15, 2012 between United States Enrichment Corporation and Energy Northwest. (a) |
| 10.2 | Supplement No. 1 dated March 2, 2006 to Power Contract dated July 11, 2000 between Tennessee Valley Authority and United States Enrichment Corporation. (b) |
| 10.3 | Supplement No. 2 dated March 2, 2006 to Power Contract dated July 11, 2000 between Tennessee Valley Authority and United States Enrichment Corporation. (b) |
| 10.4 | Supplement No. 3 dated March 2, 2006 to Power Contract dated July 11, 2000 between Tennessee Valley Authority and United States Enrichment Corporation. (b) |
| 10.5 | Amendatory Agreement (Supplement No. 9) dated May 15, 2012 to the Power Contract between the Tennessee Valley Authority and the United States Enrichment Corporation, dated July 11, 2000, as amended. (a) |
| 10.6 | Confirmation Letter dated May 15, 2012 between United States Enrichment Corporation and the Tennessee Valley Authority. (a) |
| 10.7 | Amendment No. 20, dated June 5, 2012, to Contract dated January 14, 1994 between United States Enrichment Corporation, Executive Agent of the United States of America, and Joint Stock Company "Techsnabexport", Executive Agent of the Russian Federation. (a) |
| 10.8 | Cooperative Agreement dated June 12, 2012 between the U.S. Department of Energy and USEC Inc. and American Centrifuge Demonstration, LLC concerning the American Centrifuge Cascade Demonstration Test Program. (a) |
| 10.9 | Contract dated June 12, 2012 between the U.S. Department of Energy and American Centrifuge Demonstration, LLC. |
| 10.10 | Modification No. 5 dated June 12, 2012, to the Agreement dated June 17, 2002, between DOE and USEC Inc. |
| 10.11 | Summary Sheet for 2012 Non-Employee / Non-Investor Director Compensation. |
| 10.12 | First Amendment to Fourth Amended and Restated Credit Agreement, dated as of June 1, 2012, among USEC Inc., United States Enrichment Corporation, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative and collateral agent, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on June 1, 2012 (Commission File number 1-14287). |
| 10.13 | USEC Inc. Quarterly Incentive Plan, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on April 19, 2012 (Commission file number 1-14287). |
| 31.1 | Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a). |
| 31.2 | Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a). |
| 32.1 | Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350. |
| 101 | Consolidated condensed financial statements from the quarterly report on Form 10-Q for the quarter ended June 30, 2012, furnished in interactive data file (XBRL) format. |

(a) Certain information has been omitted and filed separately pursuant to a request for confidential treatment under Rule 24b-2.

(b) Includes information previously omitted and filed separately pursuant to confidential treatment under Rule 24b-2.

**EXHIBIT 10.1**

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

# AGREEMENT

# between

# ENERGY NORTHWEST

# and

# UNITED STATES ENRICHMENT CORPORATION

USEC CONTRACT NO. EC-SC01-12UE03133
ENERGY NORTHWEST CONTRACT NO. 335900

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**BUSINESS PROPRIETARY INFORMATION**
**USEC CONTRACT NO. EC-SC01-12UE03133**
**ENERGY NORTHWEST CONTRACT NO. 335900**

# AGREEMENT

This Agreement ("Agreement") is entered into as of this 16th day of May, 2012 (the "Effective Date") by and between Energy Northwest ("Customer"), a joint operating agency and municipal corporation of the State of Washington, and United States Enrichment Corporation ("USEC"), a corporation organized under the laws of Delaware (Customer and USEC being sometimes referred to herein individually as a "Party" and collectively as the "Parties").

W I T N E S S E T H:

**WHEREAS**, USEC leases the PGDP (as defined below) to conduct its business of Enrichment (as defined below) at the PGDP;

**WHEREAS**, the United States Department of Energy ("DOE") holds title to certain quantities of Depleted Uranium (as defined below) located on the reservation where the PGDP is situated;

**WHEREAS**, DOE is making certain quantities of Depleted Uranium available that Customer will deliver to USEC for processing by USEC under this Agreement;

**WHEREAS**, Customer will obtain title from DOE to such Depleted Uranium and to the cylinders holding such Depleted Uranium and will deliver them to USEC for Enrichment pursuant to the terms of this Agreement;

**WHEREAS**, in return, Customer will receive Enriched DU (as defined below) from USEC, subject to the terms of this Agreement;

**WHEREAS**, Customer is concerned about paying for a substantial amount of purchases under this Agreement from current revenues and intends to issue debt to obtain proceeds to enable it to have sufficient funds to fund its purchases under this Agreement;

**WHEREAS,** Customer is not willing to issue debt to enable it to have sufficient funds to make a substantial amount of purchases under this Agreement unless such financing is available on terms, in amounts, and at times acceptable to Customer;

**WHEREAS**, Customer is not willing to subject its credit rating to a downgrade by virtue of this Agreement or any financing to enable it to have sufficient funds to fund its purchases under this Agreement; and

**WHEREAS**, Customer expects to issue a short-term note to finance the initial four months of expected purchases under the Agreement and thereafter expects to issue bonds ("Bonds") to pay off the short-term note, and to obtain proceeds to enable it to have sufficient funds to fund the remainder of the expected purchases under this Agreement.

**NOW**, **THEREFORE**, the Parties hereby agree as follows:

ARTICLE 1 – DEFINITIONS

When used herein with initial capitalization, the following terms shall have the following definitions:

1.1 "Act" means the Atomic Energy Act of 1954, as amended.

1.2 "Article 5 SWU" means the 4,000,000 SWU to be purchased pursuant to Article 3 and delivered as the DU SWU Component of Enriched DU under Article 5 of this Agreement.

1.3 "Article 6 SWU" means the 440,000 SWU to be purchased pursuant to Article 3 and delivered as the LEU SWU Component of Enriched Product under Article 6 of this Agreement.

1.4 "Assay" means the total weight of $^{235}U$ per kilogram of Material divided by the total weight of all uranium isotopes per kilogram of Material, the quotient of which is multiplied by 100 and expressed as a weight percent, which may be indicated by the symbol "w/o."

1.5 "Book Transfer" or "Book Transferred" means the transfer of credits for a given quantity of Material between accounts within USEC's material accounting system, or the accounts of a commercial nuclear fuel fabricator in the United States.

1.6 "Business Day" means a day that is not a Saturday, Sunday or United States Legal Holiday (which is a day for which employees of the United States Federal government are excused from work with pay pursuant to a Federal statute or executive order). Unless qualified by the term "Business," references in this Agreement to "day" or "days" refer to a calendar day or days, respectively.

1.7 "Calendar Year," "CY" or "Year" means a period of twelve (12) months from January 1 through December 31.

1.8 "Cascade" has the meaning ascribed to that term in Section 4.2(c).

1.9 "Conforming Cylinder" means a cylinder meeting the regulatory requirements and industry standards including ANSI 14.1 and USEC-651 (Rev. 9) (The UF6 Manual: Good Handling Practices for Uranium Hexafluoride) applicable on the date of Physical Delivery, that is suitable for feeding into the Cascade.

1.10 "Customer's Truck" shall have the meaning ascribed to that term in Section 1.27.

1.11 "Delivery Period" means (a) with regard to deliveries pursuant to Article 5, a monthly schedule for Physical Delivery of Enriched DU; and (b) with regard to deliveries pursuant to Article 6, means a fourteen (14) day period following the stated delivery dates in Section 6.1.

1.12 "Depleted Uranium" or "DU" means depleted uranium in the form of $UF_6$ with an Assay *****. All DU must be derived from the Enrichment of natural uranium in the form of $UF_6$ which has not been previously irradiated, and was not the result of the enrichment of reprocessed uranium, shall conform to Section 7.3(a), and shall be capable of Enrichment in the Cascade to meet the specification in Section 1.15.

1.13 "DU Account" means an account maintained by USEC to record the amount of Depleted Uranium (in KgU as $UF_6$) credited to Customer.

1.14 "DU SWU Component" means, with respect to a given quantity and Assay of Enriched DU, the amount of SWU required to produce such Enriched DU from a given quantity and Assay of DU, as measured using the formula in Appendix A, as applied to the Enrichment of DU.

1.15 "Enriched DU" or "Enriched Depleted Uranium" means Depleted Uranium in the form of $UF_6$ which has been Enriched to an Assay of at least 0.711 and that conforms to American Society for Testing and Materials' (" ASTM") specification, "Standard Specification for Uranium Hexafluoride Enriched to less than 5 % $^{235}U$," applicable to "Enriched Commercial Grade $UF_6$" (as defined in paragraphs 4 and 5 of the specification), as in effect on the date of delivery (currently C-996-10).

1.16 "Enriched Product" shall have the meaning ascribed to that term in Section 1.22.

1.17 "Enrichment" or "Enrich" means the process, measured in Separative Work Units, by which the Assay of uranium is increased.

1.18 "Facility" means the USEC-leased premises at the Paducah Gaseous Diffusion Plant located in Paducah, Kentucky operated by or for USEC; also referred to as the PGDP.

1.19 "Feed Account" means an account maintained by USEC to record the amount of Natural Uranium (in KgU as $UF_6$) credited to Customer.

1.20 "F.O.B. Facility" means (a) if the origin of a shipment is the Facility, Customer shall, at its own risk and expense, transport from such Facility an item (e.g., Material or a cylinder) Physically Delivered to Customer at such Facility; and (b) if the destination of a shipment is the Facility, Customer shall, at its own risk and expense, transport the item to the Facility for Physical Delivery to USEC. No other definition of "F.O.B." or "Free on Board," including any definition found in INCOTERMS, shall apply.

1.21 "Heavy Heel" means Enriched DU or Enriched Product residue remaining in a parent cylinder of approximately 1,000 pounds after liquid transfer of the Enriched DU or Enriched Product from the 48 inch cylinder to the 30B cylinders.

1.22 "LEU Feed Component" means with respect to a given quantity and Assay of enriched uranium hexafluoride ("Enriched Product"), the amount of Natural Uranium that would have been required to produce such Enriched Product, at a specified Assay and Tails Assay, if it were produced using Natural Uranium in lieu of DU, as calculated by the formula in Appendix A as applicable to the Enrichment of Natural Uranium.

1.23 "LEU SWU Component" means with respect to a given quantity and Assay of Enriched Product the amount of SWU that would have been required to produce such Enriched Product, at a specified Assay and Tails Assay, if it were produced using Natural Uranium in lieu of DU, as calculated by the formula in Appendix A as applicable to the Enrichment of Natural Uranium.

1.24 "Material" means, as the context requires, DU, Enriched DU, Residual Tails, Enriched Product, or Interim Enriched Product (as defined in Section 7.3(b)) or, in the case of Enriched DU, Interim Enriched Product or Enriched Product, the components of such Material including SWU. Where the specific types of Material are listed separately, a reference to "Enriched DU" or "Enriched Product" shall, where consistent with the context, also be deemed to include Interim Enriched Product.

1.25 "Natural Uranium" means natural uranium in the form of $UF_6$, which has not been irradiated, enriched or depleted, with an approximate Assay of 0.711, and which conforms to the provisions of the American Society for Testing and Materials' ("ASTM") "Standard Specification for Uranium Hexafluoride for Enrichment" as in effect on the date of delivery, applicable to "Commercial Natural $UF_6$" (as defined in the specification) (currently C-787-11).

1.26 "Obligation Code" means (a) the code assigned to Material under the Nuclear Material Management & Safeguards System to indicate the foreign obligation(s) applicable to such Material; or (b) the code assigned by USEC to Material to indicate the unobligated status of such Material.

1.27 "Physical Delivery," "Physically Deliver," and "Physically Delivered" mean (a) with respect to the delivery by USEC of a cylinder of Enriched DU, Enriched Product or DU (e.g., rejected DU) to Customer, the loading by USEC of such item onto a truck or other conveyance provided by or on behalf of Customer at the Facility ("Customer's Truck"); (b) with respect to Residual Tails, when the cylinder is set on the saddles in USEC's storage yard inside the security perimeter of the PGDP; and (c) with respect to the delivery of a cylinder of DU to USEC, the unloading by USEC of such item off Customer's Truck. Loading of Customer's Truck shall be deemed completed when (x) the item is physically on Customer's Truck; (y) USEC's loading equipment, if any, is detached from the item; and (z) in the case of Material, any overpack required for transportation of a cylinder containing such Material is sealed by USEC. Unloading of an item shall be deemed to be completed when the item is removed by USEC from Customer's Truck. Unless the context clearly indicates that another meaning was intended, where the term "delivery" is used without initial capitalization, it means collectively, either constructive delivery under Section 5.2(e) or Appendix B, or Physical Delivery.

1.28 "Prime Rate" means the prime rate as published by the *Wall Street Journal,* or in the event the *Wall Street Journal* ceases to publish a prime rate, the Parties shall negotiate in good faith to select a substitute publication and pending agreement on such substitute publication shall use the last prime rate published by the *Wall Street Journal*.

1.29 "Residual Tails" shall have the meaning ascribed to that term in Section 4.6.

1.30 "Separative Work Unit" or "SWU" means the measure of work required for Enrichment.

1.31 "Tails" means the Depleted Uranium residue, the Assay of which has been depleted in the process of providing Enrichment.

1.32 ***** shall have the meaning ascribed to that term in Article 8.

1.33 "Uranium Hexafluoride" or "$UF_6$" means a chemical compound of uranium and fluorine.

1.34 "$^{235}U$" means the fissionable uranium isotope with mass number 235.

1.35 "USEC Service Charges" means USEC's standard charges for services such as handling, sampling, storage, delivery, transfer, packaging or receipt of Material. A copy of USEC Service Charges is attached as Appendix E.

ARTICLE 2 – TERM

This Agreement shall be effective as of the Effective Date and, unless earlier terminated in accordance with the terms hereof, shall remain in force until December 31, 2013, or the date on which all purchase and payment obligations of Customer and supply obligations of USEC hereunder are fulfilled.

ARTICLE 3 – SCOPE

3.1 Purchase and Delivery Obligations. Subject to Section 3.2 below, between June 1, 2012 and May 31, 2013, inclusive, Customer shall purchase from USEC, and USEC shall sell and deliver to Customer, (a) 4,000,000 SWU contained in Enriched DU with an average Assay of ***** delivered to Customer by USEC in accordance with Article 5 and (b) an additional quantity of Enriched Product containing 440,000 SWU delivered to Customer under Article 6. The quantity of Enriched DU containing the 4,000,000 SWU delivered by USEC will vary depending upon the Assay and quantity of DU Physically Delivered to USEC. ***** For the absence of doubt, Customer's purchase obligation for any of the foregoing 4,000,000 SWU contained in Enriched DU with an average Assay of ***** and the Enriched Product containing 440,000 SWU shall arise upon Physical Delivery to Customer or, as the case may be, constructive delivery to Customer in accordance with Article 5, Article 6 or Appendix B, and, Customer shall have no purchase obligation until the time of such Physical Delivery or constructive delivery.

3.2 The Parties acknowledge and agree that:

( a ) Power Requirements. USEC will require a significant amount of electricity to perform its obligations under this Agreement. The Parties shall be released from their obligations under this Agreement (other than the obligations in Article 18) and the Agreement shall be terminated without further liability of either of the Parties in the event that by May 31, 2012, the necessary Tennessee Valley Authority (" TVA") power purchase agreement, on terms and conditions acceptable to USEC in its sole discretion, for the supply of sufficient power for USEC to Enrich all the DU contemplated to be supplied to USEC hereunder by May 31, 2013, has not been executed.

( b ) DU Assurances. Customer shall secure an agreement with DOE that DOE will use reasonable efforts to (i) supply to Customer *****, including any Replacement DU pursuant to Section 4.3; and (ii) promptly replace the DU contained in each cylinder rejected by USEC pursuant to Article 4 ("Rejected DU") with an equal or greater quantity of DU available to DOE from its inventory of DU in Paducah, Kentucky ("Substitute DU"); and the agreement shall provide that Customer will transfer title of the Residual Tails (as defined below) and the cylinders containing the Residual Tails to DOE ("DOE Agreement"). The Parties shall be released from their obligations under this Agreement (other than the obligations in Article 18) and the Agreement shall be terminated without further liability of either of the Parties in the event that by May 31, 2012, Customer has not secured an agreement with DOE to provide all the DU contemplated to be supplied to USEC hereunder, including an obligation by DOE to replace any DU rejected by USEC with Substitute DU, and to take title to Residual Tails.

(c) Customer's Contingencies.

(i) Customer may effect the termination of this Agreement, subject to the terms of this Section 3.2(c), upon occurrence of any of the following, each an "Event":

- Event Number 1. Customer determines that long term financing to enable it to have sufficient funds to pay for the expected purchases to be made by Customer under this Agreement is not available on terms, in amounts, and/or at times acceptable to Customer;

- Event Number 2. Customer receives an indicative rating below ***** by Moody's Investors Service, below ***** by Fitch Ratings Service, and/or below ***** by Standard and Poor's Ratings Services, on proposed Bonds that it expects to issue to obtain proceeds to enable it to have sufficient funds to make expected purchases under this Agreement;

- Event Number 3. Customer is permanently enjoined or otherwise permanently precluded by a court of law with jurisdiction over Customer from further performance under this Agreement;

- Event Number 4. Customer or DOE terminates the DOE Agreement according to its terms for reasons other than Customer's breach or non-performance of the DOE Agreement or Customer's exercise of a right of termination for convenience; and

- Event Number 5. USEC terminates its power purchase agreement referred to in Section 21.13(b)(ii) or TVA ceases to supply electrical power to USEC for production of the Enriched Product under the Depleted Uranium Enrichment Program, except where such termination is a response to Customer's termination or potential termination with respect to Event Number 1, 2, 3 or 4.

(ii) Upon the occurrence of any one or more of the foregoing Events, Customer shall notify USEC promptly of such Event (the "Event Notice"); provided, that, in the case of the Event Notice for Event Number 1 or 2, Customer shall provide such Event Notice at least five (5) days prior to giving any termination notice which termination notice shall in no event be given earlier than August 1, 2012. With regard to the possible occurrence of Event Number 3, Customer shall promptly provide notice to USEC of the filing of any litigation involving Customer which could lead to an order or other adjudication enjoining or otherwise precluding Customer from further performance under this Agreement and Customer shall not unreasonably object to USEC's intervention in any such litigation. With regard Event Number 4 and 5, Customer shall provide the Event Notice at least five (5) days prior to any termination notice.

(iii) Following receipt of an Event Notice, the Parties shall promptly discuss the matter to determine if modifications can be made to

the Agreement, or other measures taken, that will permit performance of all or part of the Agreement, notwithstanding the occurrence of the Event or the underlying reason for the occurrence of the Event. In the case of an Event Notice for Event 1 or Event 2, the Parties will consider as a modification or measure hereunder, reducing the purchases by EN hereunder of SWU contained in Enriched DU under Article 5 of this Agreement and/or Enriched Product containing SWU under Article 6 of this Agreement to an amount that is less than was originally contemplated, which reduced purchases will conform to the amount of Bonds that Customer can issue on terms, in amounts, and/or at times acceptable to Customer in its sole discretion. If the Parties fail to reach agreement on such modifications or measures, or Customer determines, in its sole discretion, that it does not wish to engage in further discussions or seek to implement any proposed modifications or measures, Customer may effect the termination of this Agreement by providing notice of such termination to USEC, with termination effective at the time date specified in its termination notice, provided that:

(A) In the case of Event Number 1, Event Number 2 or Event Number 4, the termination notice may not provide for an effective date of termination fewer than sixty (60) calendar days after receipt by USEC of notice of termination. Notwithstanding any such notice of termination or proposed date of termination, this Agreement shall remain in effect in all respects until the termination date. Absent mutual agreement, in addition to any Article 6 SWU deliveries that are to be made pursuant to Section 6.1 of the Agreement prior to the effective date of termination, USEC shall not deliver more than the maximum amounts of Article 5 SWU permitted by Section 5.2 in the period between the date it receives the termination notice and the effective date of termination. USEC shall not feed into the Cascade more DU than is required to produce the Enriched DU required to meet USEC's delivery obligations prior to termination or to replace Material delivered to Customer in lieu of Enriched DU prior to termination. Subject to the first sentence of this Section 3.2(c)(iv)(A), Customer shall be obligated to purchase and pay for, and USEC shall be obligated to deliver, all the Enriched DU and Enriched Product delivered under Article 5 and Article 6, respectively, prior to the effective date of the termination.

(B) In the case of Event Number 3, Customer shall provide the termination notice not earlier than the issuance of the injunction or other order precluding performance by Customer.

(iv) A termination under this Section 3.2 shall be made in accordance with Article 16 without further liability of either of the Parties except as provided in Article 16 and Section 21.7. Upon termination of this Agreement under this Section 3.2(c), the Parties shall be released from their respective obligations under this Agreement except as provided in Article 16 and Section 21.7.

(v) USEC may mitigate economic losses to it, and USEC shall be excused from any delay in its performance, arising from measures taken by it after notice to Customer, pending the outcome of discussions under this Section 3.2(c).

(vi) If Customer elects to terminate under this Section 3.2(c), the Parties shall, if requested by USEC, adjust delivery schedules to minimize the adverse economic impact upon USEC resulting from the termination of Enrichment of DU at the PGDP.

## ARTICLE 4 – DELIVERY OF DU AND INSPECTION OF CYLINDERS

4.1 Delivery of DU.

(a) Beginning on the Effective Date of this Agreement, and continuing through April 30, 2013, inclusive, in accordance with the schedule noted in Section 4.1(b), Customer shall Physically Deliver to USEC Conforming Cylinders containing ***** meeting the requirements of Section 1.12 and Section 7.3(a).

(b) Beginning on the Effective Date of this Agreement, and continuing through October 31, 2012, inclusive, Customer shall Physically Deliver to USEC by the end of each month, no fewer than ***** full 48 inch cylinders of DU meeting the requirements of Section 1.12. The total amount of KgU of DU to be delivered by Customer or Customer's designee by October 31, 2012 shall be at least *****. Beginning November 30, 2012 through April 30, 2013, Customer shall Physically Deliver to USEC by the end of each month, no fewer than ***** full 48 inch cylinders of DU meeting the requirements of Section 1.12; provided, however, that the number of 48 inch cylinders of DU Physically Delivered to USEC may be less than ***** in the final month of delivery. By April 30, 2013, all KgU of DU required to be delivered to USEC under this Agreement shall have been Physically Delivered. The Physical Deliveries of the cylinders in accordance with this Section shall be coordinated between Customer and USEC and shall be determined by mutual agreement in advance.

(c) Within five (5) Business Days after the date on which DU is Physically Delivered to USEC, USEC shall credit such DU to the DU Account.

4.2 Inspection of Cylinders of DU.

(a) Within three (3) Business Days after the Effective Date of this Agreement, Customer shall make available to USEC all DOE records, including electronic records, made available to Customer by DOE, covering the Conforming Cylinders of DU to be Physically Delivered by Customer ***** and pursuant to Section 4.1 to assist USEC in determining preliminarily whether those cylinders are Conforming Cylinders and contain DU meeting the requirements of Section 1.12. Such records shall include at a minimum: (i) if requested by USEC, a cylinder history card for each such cylinder, if available; (ii) authorization for USEC to have access to the Nuclear Material Control and Accountability records of such cylinders and the DU they contain; and (iii) all available information about the source of the DU contained in the cylinders. Where feasible, USEC may be given an opportunity to visually inspect the cylinders prior to delivery and to propose specific cylinders to be delivered or the order in which cylinders will be Physically Delivered from *****.

(b) After receipt of the information provided in Section 4.2(a), but prior to an actual scheduled Physically Delivery of such cylinder, USEC may reject any cylinder by written notice to Customer if it determines that the records of such cylinder indicate that it may not be a Conforming Cylinder and/or that it may not contain DU meeting the requirements of Section 1.12. Non-conforming cylinders shall be replaced in accordance with Section 4.3.

(c) Customer shall make arrangements to Physically Deliver the cylinders identified pursuant to Section 4.2(a), and not rejected by USEC pursuant to Section 4.2(b), to USEC at Customer's expense at the Facility to which the Parties mutually agree. The delivery schedule noted in Section 4.1(b) is intended to provide for a flow of DU that at least matches USEC's ability to feed the cylinders into the commercial Enrichment cascade operated by USEC at the Facility (the "Cascade"). All cylinders of DU Physically Delivered to USEC shall be accompanied by the DU Documentation required under Appendix B.

(d) USEC shall conduct an examination of each cylinder, and its DU Documentation, before feeding it into the Cascade to determine whether such cylinder is a Conforming Cylinder and whether any such cylinder has been overfilled with DU. USEC shall inspect and document in writing the condition of the cylinders and may reject any cylinder by written notice to Customer that it determines is not a Conforming Cylinder or that it determines

may have been overfilled with DU, or if it otherwise determines that the cylinder, or the Material it contains, is not suitable for feeding into the Cascade, including due to a discrepancy in the DU Documentation. Non-conforming cylinders shall be replaced in accordance with Section 4.3. In the event a cylinder is returned as non-conforming, USEC shall supply Customer with a copy of the written inspection report.

(e) The expense of returning Rejected DU to Customer, DOE or another entity or person in the United States designated by Customer and authorized to possess a rejected cylinder and its contents, shall be borne in all cases by Customer.

(f) USEC's rejection of DU under this Section 4.2 shall not be subject to dispute.

(g) In the event cylinders containing DU are not Physically Delivered to USEC on the date scheduled for Physically Delivery of such DU by the Parties, USEC shall provide notice to Customer of the failure to deliver. Customer shall Physically Deliver the late cylinder of DU within three (3) Business Days after such notice.

(h) Pending Physical Delivery of the late cylinder of DU, USEC's obligation to provide Enriched DU pursuant to Section 5.2(a) shall be subject to adjustment in accordance with the reduced quantity of DU provided.

4.3 Replacement of Cylinders of DU.

(a) The following shall apply to the replacement of Rejected DU:

(i) In all cases, within seven (7) Business Days, Customer shall replace, by Physical Delivery to USEC, the Rejected DU with a Conforming Cylinder of DU conforming to Section 1.12 (the "Replacement DU"). USEC's inspection and rejection rights in Section 4.2 shall also apply to any cylinder of Replacement DU provided hereunder.

(ii) As soon as possible so as to avoid interference in USEC's anticipated rate of production, Customer shall proceed to secure from DOE all additional Conforming Cylinders of DU meeting the requirements of Section 1.12, needed to replace the Rejected DU ***** and pursuant to the DOE Agreement described in Section 3.2(b).

(iii) Customer acknowledges that operation of the Cascade during the term of this Agreement is dependent on (A) the timely supply to USEC of Conforming Cylinders of DU meeting the requirements of Section 1.12, and this Article 4; and (b) timely payments by Customer. Therefore, to ensure a steady flow of DU into the Cascade and payments to USEC, any disagreement between the Parties regarding the performance or interpretation of this Agreement shall not be cause for delay in the immediate provision of Replacement DU under Section 4.3(a)(i) or payments under Article 8.

(b) USEC's right of rejection with respect to a cylinder shall no longer apply once the cylinder has been connected to the Cascade and DU has begun to flow from the cylinder to the Cascade.

4.4 Utilization of DU. Although USEC intends to Enrich all DU supplied by Customer under this Agreement, the operation of the PGDP shall at all times remain within USEC's sole control. *****

4.5 Transfer of Cylinders and Residue in Cylinders. After the DU in a cylinder has been fed into the Cascade, the cylinder shall be disconnected from the Cascade and title to the cylinder and any DU left in such cylinder shall pass to USEC.

4.6 Residual Tails. Customer shall retain title to the DU (except what remains in the cylinder as provided in Section 4.5), Rejected DU and Replacement DU supplied under this Article 4 throughout Enrichment, except as follows: Customer represents that, pursuant to the DOE Agreement, Customer will transfer and DOE will take title to all Tails resulting from the Enrichment of DU ("Residual Tails") upon Physical Delivery to DOE. DOE will take Physical Delivery of the Residual Tails and the 48G, 48H, or 48Y ANSI compliant cylinders (or such other ANSI compliant cylinders agreed by the Parties) containing such Residual Tails by no later than *****. These Residual Tails shall be provided to DOE in the cylinders used by USEC for withdrawal of such Residual Tails *****. For the avoidance of doubt, it is understood that prior to delivery to DOE, Customer, and not USEC, holds title to the Residual Tails.

ARTICLE 5 – ENRICHMENT OF DU AND DELIVERY OF ENRICHED DU

5.1 Enrichment of DU. Between June 1, 2012 and May 31, 2013, inclusive, and subject to the delivery of DU under Article 4 and the delivery of power under the power purchase agreement(s) described in Section 3.2(a), USEC shall Enrich in the Cascade the DU delivered by Customer pursuant to Article 4 to produce Enriched DU containing the Article 5 SWU.

5.2 Delivery of Enriched DU.

(a) Pursuant to the Enrichment of DU under Section 5.1, USEC shall deliver to Customer between June 1, 2012 and May 31, 2013, inclusive, unless otherwise agreed to by the Parties, Enriched DU with an average Assay of *****. Except for Material delivered by constructive delivery as provided in Section 5.2(e) and Appendix B, Enriched DU shall be Physically Delivered, F.O.B. Facility, on a schedule established pursuant to Appendix B, which shall provide for, to the extent feasible, *****. For the avoidance of doubt, the minimum amount may not be met where USEC's failure to meet such minimum is excused under Article 11, and the maximum amounts may be exceeded where USEC needs to make up deliveries that were delayed due to Force Majeure. The exact quantity of Enriched DU to be delivered by the end of this Agreement shall be determined by (i) the quantity and Assay of DU supplied to USEC and (ii) the quantity of Article 5 SWU to be purchased pursuant to Article 3, as determined using the formula in Appendix A.

(b) *****

(c) USEC shall provide the documentation required by Appendices B and F for each delivery of Enriched DU hereunder.

(d) Customer shall pay for services provided by USEC in connection with Physical Delivery in accordance with the USEC Service Charge listed in Appendix E and as noted in Article 8.

(e) If, in any month, Enriched DU containing Article 5 SWU that is ready for Physical Delivery on the date scheduled is not taken by Customer for any reason and also is not taken by Customer by Physical Delivery prior to the end of such month, USEC may treat such Enriched DU as having been

constructively delivered as of the last day of the month in which it was scheduled to be delivered and may include the Article 5 SWU of such Enriched DU in the invoice. USEC shall inform Customer of the constructive delivery in the applicable invoice and shall continue to hold the Enriched DU for Physical Delivery to Customer, which shall occur on a date to be agreed by the Parties. Customer shall take Physical Delivery of all constructively delivered Enriched DU held in storage by USEC *****.

(f) *****

(g) *****, Customer shall use its reasonable efforts to notify USEC in the event that it anticipates that DOE or DOE's contractor will not take Physical Delivery of filled cylinders in a timely manner.

ARTICLE 6 – ADDITIONAL PURCHASE OF SWU

6.1 Purchase of SWU by Customer. In addition to the delivery of Enriched DU, USEC shall sell Customer 440,000 SWU and will deliver to Customer ***** Enriched Product with an average Assay of ***** containing the Article 6 SWU. Customer shall take four (4) deliveries of the Enriched Product, with each delivery having an aggregate of 110,000 Article 6 SWU. The Enriched Product shall be Physically Delivered during the Delivery Period beginning on August 15, 2012, November 15, 2012, February 15, 2013 and April 15, 2013, respectively (the "SWU Deliveries").

6.2 Delivery to Customer of Enriched Product Containing the Article 6 SWU. USEC shall deliver the Enriched Product containing the Article 6 SWU by Physical Delivery in *****, pursuant to the delivery terms of provisions of Article 5 (other than Section 5.2(a)) and Appendix B, or, where applicable, by constructive delivery under Section 5.2(e) or Appendix B, Paragraph 4.

6.3 Delivery of Feed Material to USEC.

(a) At the time of each of the four SWU deliveries described in Section 6.1, *****

(b) If, on the Feed Delivery Date, *****

(c) For these purposes, the term "Spot Market Feed Value" means the average of: (A) the most current month-end price indicator per KgU of natural $UF_6$ published by The Ux Consulting Company LLC in *Ux Weekly* (as referenced in the "NA Value" line of the Ux Price Indicators chart) and (B) the most current month-end price indicator per KgU of natural $UF_6$ (the "$UF_6$ Value") published by TradeTech, LLC in the month-end issue of *Nuclear Market Review*. If a current price indicator is not published by one of these sources, an equivalent published spot market price shall be selected by good faith negotiation between the Parties. If any of the sources to be used pursuant to this Section 6.3(c) publishes a range of prices, the midpoint of the range shall be used as the price.

ARTICLE 7 – TITLE AND RISK OF LOSS; OBLIGATION CODES

7.1 Title to and Risk of Loss of Depleted Uranium.

(a) Customer shall hold title to all DU delivered to USEC and credited to the DU Account and shall transfer title to the Residual Tails to DOE. USEC shall bear risk of loss of the DU held in Customer's DU Account upon its Physical Delivery to USEC until such DU is incorporated into Enriched DU, at which point USEC shall bear risk of loss for the portion of the DU attributed to such Enriched DU, and also for the portion attributed to Residual Tails until (i) in the case of the Enriched DU, the Enriched DU is Physically Delivered to Customer and (ii) in the case of Residual Tails, the Residual Tails are Physically Delivered to DOE (or, if earlier, such Material is transferred to DOE in connection with the termination of USEC's lease of the PGDP). USEC also shall bear risk of loss with respect to any DU remaining in an emptied cylinder of DU to which USEC takes title pursuant to Section 4.5.

(b) At the time that Enriched DU containing the Article 5 SWU is delivered to Customer, the balance in the DU Account shall be reduced by the quantity of DU deemed to have been used in the production of such Enriched DU. The delivery of Enriched DU to Customer shall be deemed to be a delivery to Customer of the portion of the DU attributable to (and deemed to be incorporated in) the Enriched DU, with title to all remaining portions of such DU (i.e., constituting the Residual Tails) held by DOE pursuant to Section 4.6 or USEC pursuant to Section 4.5.

7.2 Title to and Risk of Loss of the Enriched DU Containing Article 5 SWU and Enriched Product Containing Article 6 SWU. Title to and risk of loss for the Enriched DU***** delivered under Article 5 and the Enriched Product delivered under Article 6*****shall pass to Customer upon Physical Delivery to Customer. In the case of constructive delivery pursuant to Section 5.2(e) of Enriched DU containing Article 5 SWU or Enriched Product containing Article 6 SWU, title to the Enriched DU or Enriched Product***** shall pass to Customer upon constructive delivery and USEC shall maintain the risk of loss until such time as the Physical Delivery of the Enriched DU or Enriched Product has been completed.

7.3 Country of Origin/Obligation Codes.

(a) Subject to the DOE Agreement, the DU delivered to USEC by Customer shall be unobligated and bear the country of origin code of the United States.

(b) Subject to delivery by Customer of unobligated U.S. origin DU, Enriched DU delivered by USEC pursuant to Article 5, and Enriched Product delivered by USEC pursuant to Article 6, shall be unobligated and bear the country of origin code of the United States. *****

7.4 Customer Liability for DU in Cascade. Pursuant to the terms of Section 3107 of the USEC Privatization Act, 42 U.S. Code § 2297h-5(d), DOE and not Customer is responsible for environmental and decontamination and decommissioning liabilities at the PGDP as a result of the introduction of DU supplied by Customer into the Cascade.

ARTICLE 8 – PRICES AND TERMS OF PAYMENT

8.1 Price.

(a) Customer shall pay ***** (the "SWU Price") for the Article 5 SWU contained in Enriched DU delivered pursuant to Article 5 of this Agreement and the Article 6 SWU contained in Enriched Product delivered under Article 6 of this Agreement, exclusive of packaging and handling charges, *****.

(b) The total price for the 4,440,000 SWU purchased under Article 3, regardless of any adjustment in quantities of Enriched DU or Enriched Product due to variation in Assay or quantity of DU, plus the applicable packaging and handling charges under Section 8.1(a), during the period ***** provided that USEC has delivered 4,440,000 SWU to Customer under this Agreement by May 31, 2013.

(c) *****

8.2 Fuel Cost Adjustment. In addition to the SWU Price, and other expenses, fees or charges that USEC may invoice under Sections 6.3, 8.1, 8.3, 8.4, 8.5 and 8.6 and the other Articles of this Agreement (such as Article 13), Customer shall also pay the following:

(a) Fuel Cost Adjustment Estimate. On the first invoice for each month, Customer shall be billed for any amount payable during that month to TVA under any power purchase agreement(s) entered into by USEC with TVA (or any amendment to an existing power purchase agreement with TVA) pursuant to Section 3.2(a), for power to Enrich DU delivered by Customer, with respect to estimated Fuel Cost Adjustment ("FCA") charges to be paid during that month by USEC. For example, the estimated FCA charges for June 2012 will be included in the invoice issued on June 5, 2012. FCA is the amount by which the price of energy supplied by TVA to USEC under such power purchase agreement(s) (or amendments) is increased to reflect TVA's fuel costs, purchased power costs and related costs.

(b) Fuel Cost Adjustment True-Up. In addition to Section 8.2(a), Customer's invoice shall include an adjustment for any amounts subsequently billed or credited to USEC to account for changes in the FCA charges billed to Customer pursuant to Section 8.2(a) once actual costs are known ("True Up Charges"). Where a credit is owed to Customer, including where a True Up Charge by TVA actually results in a credit owed to USEC by TVA with respect to FCA charges previously paid by USEC, such credit shall be applied to the next invoice issued to Customer under this Agreement; provided, however, that the Parties shall work cooperatively to ensure that all credits given or anticipated to be given to Customer in connection with this Agreement that have not been used by March 31, 2013, are fully applied in invoices issued under this Agreement in the last months of the term of the Agreement so as to avoid or minimize any outstanding credit owed by USEC to Customer at the end of the Agreement's term. Where there is an unused credit at the end of the Agreement's term, the Parties shall agree upon a means to compensate Customer, which may include the delivery of additional Material or the refund of monies paid.

(c) This Section 8.2 shall result in all amounts payable to TVA for FCA with respect to the power purchased by USEC to Enrich DU supplied by Customer being passed through to Customer, including any True-Up Charges.

8.3 *****

8.4 Sampling and Related Charges. Customer shall pay all costs of sampling and analyses by the independent laboratory in accordance with this Article 8 and also with the provisions of Appendix B, Paragraph 10 as well as the associated cost for *****

8.5 Terms of Payment.

(a) *****

(b) Customer shall pay USEC's invoices by wire transfer of immediately available funds in accordance with USEC's invoice instructions (and without deduction for any amounts owed by USEC with respect to goods and services not covered by the invoice or for any bank fees or any other charges) no later than the "Due Date" which shall be the date such invoice is due under Section 8.5(a).

(c) The interest rate on late invoices shall be a per annum rate equal to *****, such interest to be calculated from the day following the Due Date until the date of payment.

(d) *****

(e) For invoices that are due *****, the invoice shall be paid by such ***** day, and if not paid by that date, interest shall apply on the amounts invoiced from the ***** day (i.e., the day after the Due Date of such invoice).

(f) In the event the Due Date does not fall on a Business Day, then payment shall be due as follows:

(i) If the Due Date falls on a Saturday, payment shall be due on the preceding Business Day.

(ii) If the Due Date falls on a Sunday, payment shall be due on the following Business Day.

(iii) If the Due Date falls on a United States Legal Holiday (as defined in Section 1.6), payment shall be due on the preceding Business Day, unless such United States Legal Holiday falls on a Monday, in which case payment shall be due on the first Business Day following such United States Legal Holiday.

(g) All invoices submitted by USEC shall include documentation to support the charges invoiced, including documentation to demonstrate the quantity of cylinders delivered, the quantity of Enriched Product or Enriched DU they contain, and, in the case of charges for FCA, to verify that TVA is seeking the amount invoiced for such FCA charges. ***** Nothing contained herein shall relieve USEC of its obligation to provide independent laboratory results on all Enriched DU or Enriched Product, even if such results are not received until after Enriched DU and Enriched Product is delivered.

(h) For purposes of invoicing for deliveries of Article 5 SWU contained in Enriched DU or Article 6 SWU contained in Enriched Product, *****.

8.6 Surcharge for Rejected Cylinders. In addition to the payments above, Customer shall pay USEC a surcharge of *****.

8.7 Non-Payment of Invoices. Customer's failure to timely pay in full all undisputed amounts in two or more invoices by the date by which payment is due shall be considered a material breach of this Agreement for which USEC may pursue its remedies under applicable law. Further, without limiting any other remedies of USEC under this Agreement or applicable law, if, after demand for payment, all such invoices are not paid in full within five (5) days after the latest Due Date applicable to any of such invoices, USEC may terminate this Agreement by written notice to Customer effective as of a date set by USEC in the termination notice.

8.8 Failure to Issue an Invoice. Notwithstanding any other provision of this Agreement USEC's failure to issue an invoice in accordance with this Section shall not be deemed to be a waiver by USEC of its right to receive payment pursuant to this Agreement but Customer shall not be obligated to make such payment until an invoice therefor is issued by USEC to Customer.

ARTICLE 9 – TAXES AND OTHER GOVERNMENTAL IMPOSITIONS

(a) All prices, fees, and charges under this Agreement exclude all U.S. federal, state or local sales, use, excise, property or other taxes or governmental impositions, or payments in lieu of such taxes or impositions, including interest and penalties thereon (collectively, "Taxes") levied upon, or measured by, the value, the sale or the sale price of Material, SWU, depleted uranium resulting from the Enrichment of DU, cylinders supplied by or for Customer, or USEC services, all of which shall be borne or reimbursed by Customer without regard to any contrary definition of "F.O.B." under applicable law, custom or trade practice, and without regard to which Party may have responsibility under applicable laws and regulations to collect such Taxes.

(b) Each Party agrees that it will cooperate with, and take reasonable efforts requested by, the other Party, to lawfully minimize Taxes on or connected with any transaction under this Agreement and that it will not unreasonably withhold its consent when requested to produce, execute, or file any documents required to reduce, secure exemption from, obtain refund of, or eliminate Taxes of any kind whatsoever.

(c) Nothing herein shall require USEC to manage its inventories or modify its operations except as it deems appropriate in its sole discretion.

ARTICLE 10 – REPRESENTATIONS, WARRANTIES AND INDEMNIFICATIONS

10.1 USEC Representations. USEC represents to Customer as follows:

(a) This Agreement is a valid and binding obligation of USEC.

(b) USEC has, or will have at the time required, all necessary licenses and governmental approvals required to engage in the transactions contemplated by this Agreement.

(c) All Material furnished to Customer hereunder shall be delivered free and clear of all liens, pledges, encumbrances, security interests or title claims created by USEC, its agents or others acting on its behalf and to the maximum extent permitted by applicable law, USEC shall indemnify, hold harmless and, at Customer's option, defend Customer from any claim contrary to the representations in this Section 10.1(c).

10.2 Customer Representations. Customer represents to USEC as follows:

(a) This Agreement is a valid and binding obligation of Customer.

(b) Customer has, or will have at the time required, all necessary licenses and governmental approvals required to engage in the transactions contemplated by this Agreement.

(c) All Material to which Customer has title, including Depleted Uranium and Feed Material delivered by Customer and Enriched DU and Enriched Product in USEC's possession, shall, at all times while in USEC's possession or control, be free and clear of any lien, pledge, encumbrance, security interest or other claim that could impair USEC's exclusive use of such Material or impair USEC's ability to perform this Agreement and to the maximum extent permitted by applicable law, Customer shall indemnify, hold harmless and, at USEC's option, defend USEC from any claim contrary to the representations in this Section 10.2(c).

10.3 Customer Warranties. Customer warrants to USEC that DU delivered by Customer to USEC shall conform to Section 1.12 and to the quantity, Assay and Obligation Code provided herein.

10.4 USEC Warranties. USEC warrants to Customer that Enriched DU and Enriched Product delivered by USEC to Customer shall conform to the ASTM specification in Section 1.15 and to the quantity, Assay and Obligation Code provided herein. Replacement by USEC of Enriched DU or Enriched Product in accordance with the terms of this Agreement that fails to meet this warranty pursuant to Paragraph 14 of Appendix B shall be Customer's exclusive remedy for (a) any breach of this warranty by USEC; or (b) USEC's failure to deliver Enriched DU or Enriched Product in accordance with the terms of this Agreement.

10.5 Disclaimer. **THE PARTIES' EXPRESS REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT ARE EXCLUSIVE AND THE PARTIES MAKE NO OTHER WARRANTY, EXPRESS OR IMPLIED, INCLUDING ANY REPRESENTATION AND WARRANTY (A) OF MERCHANTABILITY; (B) OF FITNESS FOR ANY PARTICULAR PURPOSE; OR (C) THAT MATERIAL DELIVERED BY EACH PARTY WILL NOT RESULT IN INJURY OR DAMAGE WHEN USED FOR ANY PURPOSE.**

10.6 Recourse. Nothing in this Agreement shall be construed to create a right of recourse by USEC against DOE with respect to Customer's payment obligations hereunder.

ARTICLE 11 - FORCE MAJEURE

11.1 Excused Delays.

(a) A Party shall not be liable for any expense, loss or damage resulting from delay in, or prevention of, performance of its obligations under this Agreement to the extent due to a cause (a "Force Majeure") beyond the reasonable control of that Party (the "Affected Party") including, but not limited to, fires, floods, explosions, earthquakes, hurricanes or other natural elements, acts of God, strikes, labor disputes, work stoppages or walkouts, acts of public enemies, war (declared or undeclared), show of force, revolution, insurrection or riots, civil commotion, sabotage, acts or threatened act of terrorism, transportation delays, perils of the sea, port congestion, drought, acts or failures to act of governmental authorities, third parties, or the other Party (irrespective of whether excused), epidemic, quarantine restrictions, embargos, or inability to secure labor, materials, equipment or utilities; provided, however, that strikes, labor disputes, work stoppages or walkouts resulting from a breach of USEC's obligation to pay workers' wages that USEC has not disputed shall not be considered a Force Majeure. In the event of any delay or prevention of performance arising by reason of a Force Majeure, the time for

performance shall be extended by a period of time equal to the time lost by reason of such delay or prevention of performance. Notwithstanding the above, in no event shall a Force Majeure excuse either Party from the obligation to pay money when due under this Agreement, or require the Affected Party to settle any labor difficulty except as the Affected Party, in its sole discretion, determines appropriate.

(b) USEC shall not be obligated to meet its delivery obligations under this Agreement through sources other than Enriched DU produced from DU delivered by Customer and shall not be obligated to: (i) procure depleted uranium, natural uranium or enriched uranium from any source, including its own inventory; (ii) procure additional power; or (iii) operate the Facility beyond May 31, 2013. This does not limit USEC's obligation to complete, and Customer's obligations to take, deliveries of Enriched DU actually produced under this Agreement prior to May 31, 2013 even if USEC is not producing Enriched DU after that date.

(c) Given that the power supplied to the Facility during the term of this Agreement is primarily for performance of this Agreement and USEC does not generate power or supply power, any disruption in power supplied for any reason other than the failure by USEC to comply with the terms of its power purchase agreements with power suppliers and any equipment failures caused by such power disruption shall also be a Force Majeure.

(d) Given that Customer's ability to deliver DU and Replacement DU under this Agreement is subject to and solely dependent on DOE's performance under the DOE Agreement, any failure by Customer to deliver DU and Replacement DU shall be a Force Majeure; provided Customer has complied with the terms of the DOE Agreement and has not solicited or consented to DOE's nonperformance of the DOE Agreement.

(e) To the extent that an Affected Party determines in good faith that a Force Majeure event (other than the event covered by Section 11.1(d) and Section 13.3) declared by the Affected Party could have an operational impact upon the Affected Party's ability to perform this Agreement according to its terms, then the Affected Party shall notify the other Party of such impact, including the basis for its determination, and each Party may propose measures that would mitigate the impact. Without limiting the foregoing, such measures may include, but are not limited to, adjustment of quantities and schedules under this Agreement to permit full or partial performance thereof by the end of the term of this Agreement in a manner that the Parties determine to be economic. All mitigating measures proposed by a Party shall be subject to mutual agreement of the Parties. If USEC notifies Customer that it will cease Enrichment operations as the result of the Force Majeure, either Party may terminate this Agreement with notice to the other Party and the obligations of each Party shall be in accordance with Section 16.2.

(f) An inability to perform, or a delay in performance, caused or resulting from an equipment failure at the PGDP that is not due to a negligent failure to perform maintenance scheduled by USEC during the term of this Agreement, also shall be treated as a Force Majeure.

11.2 Notification. The Affected Party shall notify the other Party in writing of the Force Majeure for which excuse is claimed under Section 11.1 and the expected duration of the resultant delay within a reasonable period of time after it appears that the Force Majeure is likely to prevent or delay the performance of the Affected Party's obligation under this Agreement, and the Affected Party shall keep the other Party informed of any material change in the facts set forth in the notice.

ARTICLE 12 – NUCLEAR LIABILITY

12.1 Required Indemnification and Coverage in the United States.

(a) Pursuant to Section 3107(f) of the USEC Privatization Act, the lease between USEC and DOE for the Facility includes a nuclear hazards indemnification agreement ("DOE Nuclear Hazards Indemnification Agreement") entered into under Sections 170d of the Act. While Material delivered by either Party hereunder remains at the Facility and for so long as the DOE Nuclear Hazards Indemnification Agreement remains in effect, the Parties shall rely upon the DOE Nuclear Hazards Indemnification Agreement for protection against public liability (as defined in the Act) arising from a nuclear incident (as defined in the Act) involving such Material at the Facility.

(b) With respect to each facility (other than the Facility) in the United States at which Material delivered to Customer under this Agreement is to be used or stored, Customer, without expense to USEC, shall, so long as such Material remains in residence at or is in transit to or from such plant or facility:

(i) if the facility is operated by DOE or its contractor, ensure that such facility is subject to an agreement of indemnification under Section 170d. of the Act, and that USEC is a "person indemnified" (as defined in Section 11t of the Act) under such agreement of indemnification; or

(ii) obtain and, except as provided in Section 12.4, maintain in effect an agreement of indemnification contemplated by Section 170 of the Act, and nuclear liability insurance, or other financial protection, in such form and in such amount as will meet the financial protection requirements of the Nuclear Regulatory Commission ("NRC") pursuant to Section 170 of the Act; or

(iii) if there is no agreement of indemnification under Section 170 or Section 170d of the Act covering Nuclear Incidents at such facility (such as a fabricator's plant or facility) and during any portion of the transportation of the Material to or from such plant or facility, ensure that nuclear liability insurance is obtained and maintained in effect that provides for at least $100,000,000 per occurrence for property damage and bodily injury arising from a nuclear incident as defined in the Act that is not subject to an indemnification agreement under Section 170 of the Act and USEC is included within the scope of the insured parties under such nuclear liability insurance to the extent permitted by applicable law or the applicable insurance policy.

12.2 A "Nuclear Incident" means:

(a) with respect to the application of U.S. law, the term "nuclear incident" as defined in the Act; and

(b) with respect to the application of the law of any country other than the United States, the term "nuclear incident" as defined in the law or treaty applicable to the place where the incident occurred, or if no such law or treaty applies, the definition in the Paris Convention on Third Party Liability in the Field of Nuclear Energy of 29 July 1960.

12.3 Substitute Financial Protection.

(a) For purposes of this Section 12.3, USEC shall be the "Responsible Party" with respect to Section 12.1(a) and the "Protected Party" with respect to Section 12.1(b); and Customer shall be the "Protected Party" with respect to Section 12.1(a) and the "Responsible Party" with respect to Section 12.1(b).

(b) If the nuclear liability protection system provided by the Act is repealed, materially decreased in coverage, modified or expires, the Responsible Party shall, without expense to the Protected Party, use its reasonable efforts to obtain and maintain in effect substitute liability protection in order to avoid a material impairment of the protection afforded the Protected Party and its employees and suppliers prior to such repeal, decrease in coverage, modification or expiration under that portion of Section 12.1 for which it is the Protected Party. Such substitute protection may include, at the Responsible Party's option, (i) government indemnity or limitation of liability; or (ii) commercial liability insurance. The Protected Party may suspend its obligations under this Agreement for up to 180 days in order to permit the Responsible Party to implement substitute protection. Additionally, at the end of such suspension period, the Protected Party may terminate this Agreement, in whole or in part, without liability to the Responsible Party if the Protected Party, in its sole discretion, determines that the actions taken by the Responsible Party pursuant to this Section 12.3(b) are not sufficient to avoid such a material impairment of the protection afforded to the Protected Party. The Protected Party shall lose its termination right if, after suspending its obligations hereunder, the Protected Party takes delivery of Enriched DU or Enriched Product (if the Protected Party is Customer) or delivers Enriched DU or Enriched Product (if the Protected Party is USEC). Any suspension by a Party shall be subject to prior agreement on terms for payment of any power purchase agreement entered into by USEC that ensure that the financial burden or expense for USEC under such agreements will not prevent resumption of performance if and when the suspension is lifted, and termination shall be subject to mutually agreed terms to protect USEC from bearing continuing payment obligations for power after termination.

12.4 Insurance. Any insurance required under this Article 12 shall either include USEC and its suppliers as a named insured or include a waiver of all rights of recourse and subrogation by the insured and insurer against USEC and its suppliers.

12.5 Required Assurances for Transfer of Material. Prior to the export of any Material delivered to Customer under this Agreement, or the transfer by Customer to another person of any interest in Material, Customer shall provide USEC with written assurances, in a mutually acceptable form, that the limitation of, and protection against, liability following the proposed transfer will be at least equivalent to that afforded the Parties, their employees and suppliers under the provisions of this Agreement. This Section 12.5 shall not apply to transfers solely incident to mortgages or other documents creating liens or security interests in effect as of the Effective Date (including liens or security interests arising after the Effective Date under such mortgages or other documents). The provisions of this Section 12.5 shall also not limit Customer's right to dispose of spent nuclear fuel containing Material in accordance with applicable legal requirements after such fuel is finally discharged from its reactor(s).

12.6 Property Damage Waiver. Notwithstanding any other provision in this Agreement, in no event shall a Party (the "Supplying Party") or its suppliers be liable to the other Party for loss, damage or loss of use, of any property resulting from a Nuclear Incident involving Material delivered by the Supplying Party hereunder, and the other Party shall use its commercially reasonable efforts to obtain a waiver of such liability running in favor of the Supplying Party and its suppliers, from any person or entity to which the other Party may give an interest in, or the right to possess, such Material. The waiver provided under this Section 12.6 shall apply to the maximum extent permitted by law and without regard to the fault or negligence of either Party.

12.7 Definition of Material. For purposes of this Article, "Material" shall be deemed to include Material delivered to a Party, any cylinders or storage or transportation equipment provided by either Party in connection with such a delivery, nuclear fuel or other products fabricated from, or containing, the Material delivered to Customer, and the services provided by USEC in connection with Material delivered hereunder.

12.8 Suppliers. References in this Article to suppliers of USEC shall be deemed to include any vendor, contractor, subcontractor or other entity, regardless of tier, who supplies equipment, services, material, information or financing to USEC in conjunction with the Material.

ARTICLE 13 – OTHER LIABILITY

13.1 Limitation of Liability.

(a) Neither Party shall be liable to the other Party for any incidental, consequential, special, exemplary, penal, indirect or punitive damages of any nature arising out of or relating to the performance, non-performance, or breach of this Agreement including, but not limited to, replacement power costs, loss of revenue, loss of business opportunities, loss of anticipated profits or loss of use of, or damage to, plant or other property; provided, however, that fees, expenses, penalties or other charges incurred by a Party that are expressly due and owing or reimbursable hereunder by the other Party shall not be considered "damages" for purposes of this Section 13.1(a).

(b) The maximum aggregate liability of either Party to the other Party for any and all claims arising out of or relating to the performance, non-performance, or breach of this Agreement (including, without limitation, claims under Appendix B), whether based upon contract, tort (regardless of degree of fault or negligence), strict liability, warranty, or otherwise, shall in no event exceed *****. This Section 13.1(b) shall not limit the liability of a Party (the "Liable Party") to the other Party (i) to replace Material for which the Liable Party bears the risk of loss under this Agreement, which shall be capped at the value of the Material at issue at the time of loss, (ii) for any failure of the Liable Party to comply with its obligations under Article 12; (iii) for amounts due for Article 5 SWU and the Article 6 SWU delivered (or to be delivered by USEC pursuant to Section 16.2 in the event of a termination or expiration of this Agreement) (including associated packaging and handling charges) hereunder; or (iv) to pay any fee, expense or charge that is specifically payable by the Liable Party under this Article or Articles 4, 5, 6, 8, 9 or 16 or Appendix B of this Agreement.

(c) All claims that a Party (the "Claiming Party") may have against the other Party, whether based upon contract, tort (regardless of degree of fault or negligence), strict liability, warranty, or otherwise, for any losses or damages arising out of, connected with, or resulting from the performance, non-performance or breach of this Agreement shall be limited to specifically identified written claims submitted by the Claiming Party to the other Party prior to the expiration of one (1) year after the Claiming Party knows or should have known of the occurrence of the event or the first of a series of events which gives rise to the claim; provided, however, that this one (1) year limit shall neither (i) bar any counterclaim, setoff or similar cause of action asserted subsequent to the expiration of such one (1) year limit in response to any written claim submitted prior thereto; nor (ii) be construed as extending or waiving any shorter statute of limitations applicable to any claim, counterclaim, or setoff.

(d) Nothing in this Agreement shall be interpreted to limit the rights, obligations or liability of either Party under Article 12.

13.2 Remedies Regarding Payments. Without limiting Customer's obligation to pay interest on late payments, the Parties agree that interest payments are not an adequate remedy for a failure by Customer to make timely payment to USEC for deliveries of Article 5 SWU contained in Enriched DU or Article 6 SWU contained in Enriched Product, and that USEC may pursue any other remedies available under this Agreement or applicable law to assure Customer's timely performance.

13.3 Remedies Regarding Deliveries of DU or Interruptions of Power.

(a) The Parties recognize that Customer's delivery of DU to USEC under this Agreement assumes timely performance of the DOE Agreement and USEC's Enrichment of DU and delivery of Enriched DU and Enriched Product under this Agreement assumes timely delivery to USEC of both DU from Customer and power from TVA.

(b) If due to a Force Majeure under Section 11.1(d), Customer determines that it cannot deliver all the DU (including Replacement DU, where applicable) that Customer is required to deliver under Section 4.1 (or Section 4.3 in the case of Replacement DU), by the date required in Section 4.1(b) (or Section 4.3(b) in the case of Replacement DU), Customer shall notify USEC of such Force Majeure pursuant to Section 11.2 and shall afford USEC the opportunity to propose measures that would mitigate the impact of such Force Majeure so as to permit the Agreement to be performed to the maximum extent practical.

(c) If:

(i) either (A) for any reason whether or not excused under Article 11 (other than a Force Majeure under Section 11.1(d)), or a termination under Section 3.2, Customer does not deliver all the DU (including Replacement DU, where applicable) that Customer is required to deliver under Section 4.1 (or Section 4.3 in the case of Replacement DU), by the date required in Section 4.1(b) (or Section 4.3(a) in the case of Replacement DU); or (B) any of the power to be supplied to USEC for performance of this Agreement is interrupted or curtailed by TVA, through no fault of USEC; and

(ii) USEC determines in good faith that the failure to make timely delivery of DU or the interruption of power supplied to USEC, as the case may be, could have an operational impact upon USEC's ability to perform this Agreement according to its terms (including the monthly schedules agreed by the Parties),

then USEC shall notify Customer of such impact, including the basis for its determination, and may propose measures that would mitigate the impact of such failure. Without limiting the foregoing, such measures may include, but are not limited to, adjustment of quantities and schedules under this Agreement to permit full or partial performance thereof by the end of the term of this Agreement in a manner that USEC proposes would be economic.

(d) All mitigating measures proposed by USEC under this Section 13.3 shall be subject to mutual agreement of the Parties, but if the Parties have not agreed on mitigating measures within ***** after notice is given under Section 13.3(b) or Section 13.3(c), as applicable, then:

(i) In the case of a determination by Customer under Section 13.3(b), each Party shall have the option, at its sole discretion, to terminate this Agreement and Enrichment of DU under this Agreement as of a date specified by the terminating Party; provided, that, in selecting a termination date, Customer shall select a termination date that shall permit USEC to complete, prior to such termination date, Enrichment and delivery of all Enriched DU that USEC can produce with the DU already delivered to USEC as of the date of the notice of Force Majeure; and

(ii) *****

If both USEC and Customer elect to terminate this Agreement under Section 13.3(d)(i), the effective date of termination shall be determined by mutual agreement, but in no event shall it be outside the period bounded by the dates selected by the Parties.

(e) In the event USEC terminates this Agreement and further Enrichment of DU under Section 13.3(c)(i) due to Customer's material breach of its obligation to deliver all required DU, Customer shall pay USEC a termination fee as follows: *****

In no event, however, shall such termination fee, when added to the amounts paid or to be paid to USEC for Article 5 SWU and Article 6 SWU delivered prior to the effective date of termination, exceed *****. Payment by Customer of the termination charges under this Section 13.3 (e), plus payment for Article 5 SWU and Article 6 SWU delivered prior to the effective date of termination (or after termination to the extent permitted pursuant to Section 16.2) and amounts owed pursuant to Section 16.2, shall represent full satisfaction of all charges owing to USEC hereunder.

(f) Determinations by Customer under Section 13.3(b) and by USEC under Section 13.3(c), and any failure to agree by either Party under Section 13.3(d), shall not be subject to dispute.

(g) The availability of the remedies in this Section 13.3 does not limit either Party's ability to invoke its right to excuse performance under Article 11.

13.4 Failure to Take Delivery *****. If Customer fails to take Physical Delivery of all Enriched DU and/or Enriched Product in storage at USEC, as well as all cylinders containing Rejected DU and any unused filled cylinders of DU, and DOE fails to take Physical Delivery of all Residual Tails in storage at USEC and all cylinders of DU in storage at USEC (collectively, the "Stored Items") by *****, Customer shall pay a storage fee thereafter in accordance with the USEC Service Charges in Appendix E until such time as USEC determines that it will de-lease the Facility. USEC's decision to de-lease the Facility shall remain in USEC's sole discretion and shall be made based on its own operational and financial interests and without regard to any obligations to provide storage of the Stored Items. If USEC notifies DOE of its decision to de-lease the portion of the Facility on which the Stored Items are located, Customer shall within sixty (60) days prior to the proposed date of de-lease take Physical Delivery of the Stored Items or agree with DOE on terms for the continued storage by DOE of the Stored Items after the Facility is de-leased so that USEC may relinquish control of the Stored Items to DOE on its proposed date of de-lease. If, for any reason, (a) Customer fails to comply with the preceding sentence or (b) USEC is unable to de-lease on the date it proposed to DOE due, in whole or in part, to the continued presence of the Stored Items on the facilities, USEC shall, at its sole option:

(i) at Customer's expense, remove the Stored Items to another facility licensed to accept and store the Stored Items there; or

(ii) continue to lease and operate the Facility to the extent necessary to store the Stored Items for Customer and Customer shall pay 100% of USEC's direct and indirect costs of maintaining its lease of the portion of the Facility where the Stored Items are located from the date of the proposed de-lease until the actual de-lease of such portion of the Facility by USEC.

Notwithstanding the foregoing, if USEC determines, at its sole option, that the cylinders containing the Residual Tails shall remain at the PGDP for some period of time beyond *****, the storage fees described herein shall not apply during this additional time period.

13.5 Effect of Delivery. Upon completion of a Physical Delivery of Material (including, but not limited to Enriched DU and Enriched Product) to Customer, USEC shall have no responsibility for damages or other claims arising from such Material, Enriched DU or Enriched Product. The foregoing shall

not limit Customer's rights with respect to rejection of Enriched DU or Enriched Product prior to Acceptance (as defined in Appendix B), the check weighing procedure in Appendix B prior to Acceptance, the terms provided in Paragraphs 15 and 16 of Appendix B with respect to resolution of disputes regarding rejected Enriched DU or Enriched Product and in Paragraph 16 of Appendix B with respect to the resolution of disputes regarding the weight of Enriched DU or Enriched Product.

13.6 No Effect on Indemnification Agreements under the Act. Nothing contained in this Agreement shall deprive USEC or Customer of any rights under indemnification agreements entered into pursuant to the Act.

13.7 Scope of Protection. The provisions of this Article and of the other Articles of this Agreement that provide for limitation or protection against liability of, or indemnification of, or a waiver of claims against, a Party shall (a) also protect such Party's employees and agents, and, to the extent they are acting on behalf of such Party, such Party's affiliates, contractors, subcontractors, suppliers and vendors of every tier; (b) apply regardless of fault or negligence to the full extent permitted by law; and (c) survive termination of this Agreement, as well as the fulfillment of the obligations of the Parties hereunder.

ARTICLE 14 – GOVERNMENTAL AUTHORIZATIONS AND REQUIREMENTS

Each Party shall (a) obtain (or cause its agents to obtain) all permits, licenses or approvals required for performance of its obligations under this Agreement, including any special nuclear material licenses and those required for the possession, storage and/or transportation by it of Material; and (b) comply with all applicable treaties, conventions and similar international agreements to which the United States is a party.

ARTICLE 15 – ENTIRE AGREEMENT; TERMINATION OF PRIOR AGREEMENTS

The terms and conditions set forth herein are intended by Customer and USEC to constitute the final, complete and exclusive statement of their agreement, and all prior proposals, communications, negotiations, understandings, representations, contracts and agreements (the "Prior Agreements"), whether oral or written, relating to the subject matter of this Agreement (but without regard to whether the term of this Agreement is equivalent to the term of any such Prior Agreement), are hereby terminated and superseded and the Parties hereby mutually release each other from any claim, liability or obligation under or arising from such Prior Agreements. Except as otherwise stated in this Agreement, such termination or release shall not affect any obligation of Customer to pay for Material delivered or services furnished to Customer under a Prior Agreement for which Customer has not previously paid, nor shall such termination or release affect any limitation of liability, or confidentiality obligation, of either Party under any Prior Agreement. Customer expressly waives any claim it may have against USEC with respect to the propriety of prices charged for Enrichment or services furnished under any Prior Agreement.

ARTICLE 16 – TERMINATION

16.1 Right to Terminate. In addition to any other rights it may have under this Agreement, and subject to applicable law, a Party shall have the right, at no fee or liability to such Party, to terminate this Agreement in whole or in part, by written notice to the other Party, in the event the other Party enters into any voluntary or involuntary receivership, bankruptcy or insolvency proceeding, with the exception of reorganization under Chapter 11 of the Federal Bankruptcy Act; provided, however, that in the case of an involuntary proceeding, the right to terminate shall arise only if the proceeding has not been dismissed within sixty (60) days of the initiation thereof.

16.2 Obligations upon Termination or Expiration. USEC shall not be required to Enrich or deliver Enriched DU under Article 5 or Enriched Product under Article 6 on or after the effective date of any termination or expiration of this Agreement, but may complete the Enrichment of any DU previously supplied to USEC and fed into the Cascade prior to the effective date of termination or expiration (as well as Enrichment of any additional amounts of DU permitted by the next sentence of this Section 16.2). USEC shall not continue to feed DU into the Cascade after the effective date of termination or expiration of this Agreement except to the extent necessary to produce Material to replace Material that USEC delivered from its inventory to Customer prior to the effective date of termination or expiration. Customer shall pay USEC for SWU, Enrichment, FCA, FCA True-Up, ***** or services (as listed in USEC's standard service charges list) furnished in connection with deliveries of Enriched DU and/or Enriched Product in accordance with the terms of this Agreement (which, in the case of a termination under Section 3.2(c)(iii)(A), shall be subject to the limitation on deliveries stated therein) completed before such date or commenced before such date using DU previously supplied to USEC and subsequently completed *****. Customer shall also pay for ongoing services (e.g., storage services), and for any services required to return Material to Customer pursuant to Section 16.3. USEC shall pay Customer all amounts of FCA previously paid to USEC that cannot, due to termination, be properly associated with enrichment of product delivered to Customer. Notwithstanding termination or expiration of this Agreement, USEC shall pay Customer any amounts of FCA True-Up overpaid by Customer and properly associated with power used for Enrichment of DU delivered by Customer.

16.3 Return of Material. Upon termination or expiration of this Agreement, the Parties shall agree upon a schedule for the delivery to Customer of any Stored Items (as defined in Section 13.4) still in USEC's possession on the effective date of such termination or expiration (which delivery shall be completed no later than December 31, 2013). Nothing herein shall require USEC to continue to lease the Facility for any longer than it determines is in its own operational and financial interest, in order to keep or protect such Stored Items for Customer.

ARTICLE 17 – ASSIGNMENT AND TRANSFER OF INTEREST

17.1 General. Except as provided in this Article 17, this Agreement shall not be assigned by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Any purported assignment that does not comply with the terms of Sections 17.1 and 17.2 shall be void *ab initio*. As used in this Article 17, the terms "assign" or "assignment," in reference to this Agreement, shall include any transfer, sale, pledge, encumbrance or assignment of this Agreement or any rights or obligations hereunder.

17.2 Permitted Assignments.

(a) Neither Party's consent shall be required for an assignment of the right to receive any payment owed to the assigning Party hereunder, or any further assignment thereof; provided that the assignee receives no greater rights under this Agreement than the assignor.

(b) Neither Party's consent shall be required for an assignment (in whole or in part) to an affiliate or entity that succeeds to substantially all of the assets or business of the assigning Party; provided that (i) the assignor notifies the non-assigning Party in writing that this Agreement has been assigned; (ii) the assignee notifies the non-assigning Party in writing that it agrees to be bound by this Agreement; (iii) the assignee's rights and obligations hereunder shall be subject to any defenses or claims of the non-assigning Party under this Agreement; (iv) the assignment does not reduce the amount of SWU purchased from USEC under this Agreement; and (v) the assigning Party shall not be released from its obligations under this Agreement. For purposes of this

Section 17.2, "affiliate" of a Party means an entity that, through one or more intermediaries, controls, is controlled by, or is under common control with, such Party. Assignments solely for financing purposes of the right to receive, or take title to, Enriched DU or Enriched Product is not subject to this Section 17.2(b).

(c) Any assignment to an affiliate, successor or other person or entity permitted under this Section 17.2 shall include the right for that permitted assignee to further assign the Agreement, and all rights and obligations received by such permitted assignee as a result of a permitted assignment, to an affiliate or successor under Section 17.2(b).

(d) Neither the disposition of a Party's stock by merger or otherwise shall be construed as an assignment or otherwise require consent of the other Party.

17.3 Successors. Subject to Sections 17.1 and 17.2, this Agreement shall be binding upon and shall inure to the benefit of the legal representatives, successors and permitted assigns of the Parties hereto. Any person or entity that succeeds to all of the rights and obligations of a Party under this Agreement, whether by operation of law or by permitted assignment and assumption of all such rights and obligations, shall replace such Party for all purposes hereunder, and all references herein to such Party shall thereafter be deemed to refer to such successor.

17.4 Transfer of Interest. Customer's purchase obligations under this Agreement shall not be affected by any transfer of Customer's interests in or operating licenses for its reactor.

ARTICLE 18 – CONFIDENTIALITY

18.1 Business Proprietary Information.

(a) USEC and Customer shall treat this Agreement, its terms and conditions, and appendices, including all modifications, and all related communications as "Business Proprietary Information."

(b) Except as provided in Section 18.1(c) or as required by law, a Party shall not disclose any part of such Business Proprietary Information to any other person or entity other than officers, directors, or employees of a Party, and accountants and legal counsel acting on behalf of such Party, (provided such accountants and legal counsel have agreed in writing to maintain such Business Proprietary Information in confidence or are otherwise subject to an obligation of confidentiality that will provide at least the level of protection afforded by this Article 18), without the prior written consent of an authorized representative of the other Party (which consent shall not be unreasonably withheld), except as such disclosure may be required (i) by court order, subpoena, or other appropriate governmental authority; (ii) to fulfill obligations under this Agreement (including communications by either Party with fabricators, contractors, transporters or others concerning matters necessary to effect a delivery of, or payment for, Material) or obligations under a Party's agreements with financial institutions; (iii) to secure or maintain financing (including guarantees) for the Parties, their affiliates, or to implement Article 17; or (iv) to enforce either Party's rights hereunder. In all cases under this Section 18.1(b), the disclosing Party shall take reasonable precautions to protect the confidentiality of the disclosed Business Proprietary Information. Further, if disclosure of Business Proprietary Information is required under item (i) above, the disclosing Party shall promptly notify the other Party of the requirement, and shall take such further measures as necessary to minimize or oppose the disclosure, if requested by the other Party.

(c) The fact that the Parties have entered into this Agreement and the term of this Agreement shall not be treated as Business Proprietary Information. Further, the Parties recognize that USEC shall be required to disclose this Agreement in its public filings with the Securities and Exchange Commission and that, while USEC will seek to protect from disclosure provisions of the Agreement where disclosure could cause competitive harm to USEC, the SEC may not permit USEC to withhold disclosure of all provisions requested by USEC. The Parties agree that those provisions of the Agreement that USEC determines it is permitted to withhold from disclosure shall be maintained in confidence as Business Proprietary Information, and those provisions of the Agreement that USEC determines it must disclose in its SEC filings shall be considered public information that is not subject to protection under Section 18.1(b) or the Confidentiality Agreement between Customer, USEC, Bonneville Power Administration and TVA. For purposes of this Section 18.1(c), the "Agreement" shall include any future amendment, modification or supplement of the Agreement, or other documents or information related to the Agreement, that USEC determines must be disclosed in its SEC filings.

(d) The Parties recognize that Customer may receive a request for Business Proprietary Information pursuant to the Washington State Public Records Act. To the extent Customer receives such a request, Customer shall provide USEC with timely written notice of such request, and its intent to disclose the Business Proprietary Information. Customer and USEC shall cooperate with each other to prevent the public disclosure of Business Proprietary Information to minimize the effect of such disclosure, to the extent legally allowed. However, if it is determined by Customer's legal counsel that a disclosure is legally required in response to a public request, then Customer shall promptly notify USEC and Customer may choose to approve the release of the Business Proprietary Information, negotiate protection for the Business Proprietary Information or seek injunctive or other relief, at its sole expense, to prevent disclosure of the Business Proprietary Information proposed to be released.

(e) Customer is authorized and may provide a copy of this Agreement to DOE which shall be marked as "Business Proprietary Information to DOE/United States Enrichment Corporation and Energy Northwest request that this document not be released to persons outside the U.S. Government."

18.2 Applicability. The provisions of this Article are applicable to all officers, directors, employees, and agents of each Party. Each Party shall be responsible for ensuring the compliance with the terms hereof by all such officers, directors, employees, and agents.

ARTICLE 19 – DISPUTE RESOLUTION

19.1 Disputes.

(a) Except for disputes and disagreements that may be resolved under Section 4.3 and under the provisions of Paragraphs 15 and 16 of Appendix B (which procedures shall, to the fullest extent possible, be the sole means of resolving such disputes and disagreements), this Article 19 shall provide the exclusive means of resolving any other dispute, claim, controversy or failure to agree arising out of, relating to, or connected with this Agreement or the breach, termination, or validity thereof (a "Dispute").

(b) Either Party may invoke the provisions of this Article by giving written notice thereof to the other Party with a detailed description of the matters involved in the Dispute. The Parties shall attempt to resolve such Dispute through good faith negotiations, including one or more meetings between senior executive representatives of the Parties, during the thirty (30) days following such notice. The thirty (30) day period for negotiation may be shortened

or lengthened by mutual agreement. The failure to conduct such negotiations for any reason shall not bar the referral of the Dispute to arbitration pursuant to the remaining provisions of this Article.

(c) If, as a result of the resolution of such dispute, it is determined that Customer failed to pay USEC any amount that was owed ("Underpayment") or paid USEC any amount that was not owed ("Overpayment"), then an appropriate payment adjustment shall be made within thirty (30) days of final resolution of such dispute. At the same time as such payment adjustment is made, interest shall be paid on any Underpayment from the date that such Underpayment was originally due or, as the case may be, from the date such Overpayment was originally due, to the date of the adjustment payment, using a daily interest rate based upon the annual interest rate used for calculating late payment charges under Section 8.5.

19.2 Arbitration Rules. If the Parties have not resolved such Dispute within the aforesaid thirty (30) day period, either Party may submit the Dispute to final and binding arbitration. Arbitration shall be governed by the American Arbitration Association (" AAA") under its Commercial Arbitration Rules (the "Rules"), as modified by this Article 19, and by the United States Arbitration Act, 9 U.S.C. §§ 1 et seq. (the "Arbitration Act"). The Parties agree that time is of the essence in resolving any Dispute arising under this Article and the Parties agree to use any practice or procedure available pursuant to the Rules providing for the swiftest resolution available; provided, however, to the extent the arbitrator permits pre-hearing discovery, the arbitrator shall be guided by a conservative interpretation of the Federal Rules of Civil Procedure and, in particular, the limitations imposed on discovery as provided in those rules. Judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof in accordance with Section 19.4 below. The place of the arbitration shall be New York, New York. There shall be a single arbitrator selected in accordance with the Rules. The Parties shall select an arbitrator who has experience in complex commercial matters involving the application of New York law.

19.3 Hearings and Award. All hearings shall be held, if possible, within ninety (90) days following the appointment of the arbitrator. At a time designated by the arbitrator, each Party shall simultaneously submit to the arbitrator and exchange with each other its final proposed award; provided, however, that in no event shall the arbitrator award any damages prohibited under Article 13 hereof, or make any award that is otherwise inconsistent with the terms and conditions of this Agreement or exceeds the dollar caps on liability imposed hereunder. Unless the arbitrator determines that extraordinary circumstances require additional time or both Parties jointly request an extension in writing, the arbitrator shall issue the final and binding award, which shall not be subject to appeal, no later than thirty (30) days after completion of the hearings, and judgment on any award may be entered in any court having jurisdiction thereof. Nothing herein shall limit the rights of either Party under the Arbitration Act.

19.4 Jurisdiction and Venue. To the extent that the Parties are permitted under this Article 19 or the Rules to pursue a judicial remedy, each Party consents and submits to (and waives any objection to) the personal and subject matter jurisdiction of and venue in the federal courts located in New York, New York (or, in case the federal court does not have jurisdiction, the state courts located in New York, New York). Such jurisdiction and venue shall be exclusive except as to an action brought solely for the purpose of enforcing an order of a New York federal or state court obtained pursuant to the preceding sentence, or enforcing an award of the arbitrator. Each Party consents to service of the notice of arbitration, and any other paper in the arbitration or in any proceeding brought pursuant to this Agreement, by registered mail or personal delivery at its address specified in Article 20.

19.5 Confidentiality. The fact that either Party has invoked the provisions of this Article 19, the arbitration proceedings and related communications or disclosures, and the decision of the arbitrator, shall all be considered Business Propriety Information under Article 18, and the Parties shall ensure that the arbitrator agrees not to make disclosure of any Business Proprietary Information that would not be permitted to be disclosed by a Party under the terms of Article 18.

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

19.7 Effect of Arbitration on Performance. The fact that either Party has invoked the provisions of this Article 19 shall not relieve either Party of any obligations it may otherwise have to continue performance in accordance with the provisions of the Agreement.

19.8 Waiver. To the extent either Party has or hereafter may acquire any immunity (including sovereign immunity) from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Party hereby irrevocably waives such immunity in respect of its obligations and liabilities under, or in connection with, this Agreement.

19.9 Fees. Each Party shall pay its own fees and charges of arbitration, including the fees for its legal representation and assistance and costs of any experts or other witnesses utilized by such Party, and shall share equally the common fees and charges for the arbitration, including any fees of the arbitrator.

ARTICLE 20 – NOTICES AND ADDRESSES

20.1 Notices.

(a) Any notice, request, demand, claim or other communication related to this Agreement must be in writing and delivered by hand, registered mail (return receipt requested), overnight courier, sent in .pdf format by electronic mail, or transmitted by facsimile. Any notice given by electronic mail or facsimile shall only be effective if a confirming copy is promptly delivered to the other Party by one of the other foregoing methods (or by first class mail) at the following addresses and numbers:

**Customer:**
Energy Northwest
Fuel Procurement Program Manager
Mail Drop PE10
P.O. Box 968
Richland, Washington 99352-0968
*****

**USEC:**
United States Enrichment Corporation
6903 Rockledge Drive, Suite 400
Bethesda, Maryland 20817
ATTENTION: Vice President, Sales, Marketing and Power

*****

Either Party may change its address, email address, or facsimile number for receiving notices by giving written notice of such change to the other Party no later than ten (10) Business Days prior thereto.

(b) All notices, requests, demands, claims and other communications hereunder shall be deemed given upon actual receipt thereof.

20.2 Designated Facilities. The Facility shall be the delivery point for all Physical Deliveries of cylinders and Material.

ARTICLE 21 – GENERAL

21.1 Reports and Documentation. During the term of this Agreement, USEC shall periodically provide Customer with reports which summarize deliveries hereunder and the amounts credited to the DU Account, and transactions regarding such accounts made on Customer's behalf pursuant to this Agreement.

21.2 Governing Law. The validity, performance, and all matters relating to interpretation and effect of this Agreement and any amendment hereto shall be governed by the laws of the State of New York, including Articles 1 and 2 of New York's Uniform Commercial Code, except to the extent superseded by federal law; provided, however, that, in the event the Parties' choice of New York law is deemed ineffective by a court or arbitrator, Maryland law, including Maryland Commercial Law Titles 1 and 2, shall apply in place of New York law.

Notwithstanding the foregoing, in the event Customer receives a request for Business Proprietary Information pursuant to the Washington Public Records Act, Washington law shall govern such request and corresponding response to the request, including any request for redaction or confidential treatment required to comply with Article 18. Any action under the Washington State Public Records Act shall be brought in the appropriate venue in accordance with Washington law.

21.3 Captions and Headings of No Effect. The captions and headings in this Agreement are inserted for convenience only and shall not affect the interpretation or construction of this Agreement or any provision hereof.

21.4 Invalid or Unenforceable Provisions. If any provision of this Agreement is or becomes invalid or unenforceable, the remainder of this Agreement shall not be affected. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, only as to such jurisdiction, be ineffective only to the extent of the prohibition or unenforceability. The Parties shall cooperate to negotiate mutually acceptable terms to replace any invalid or unenforceable provision.

21.5 No Waiver. The failure of either Party to enforce any of the provisions of this Agreement, or to require at any time strict performance by the other Party of any of the provisions hereof, shall in no way be construed to be a waiver of such provisions, nor in any way to affect the validity of this Agreement or any part hereof, or the right of such Party thereafter to enforce each and every such provision.

21.6 Contractors.

(a) USEC may fulfill its obligations under this Agreement through one or more contractors. No such contractor and/or subcontractor is authorized to modify the terms of this Agreement, waive any requirement hereof, or settle any claim or dispute arising hereunder.

(b) References in this Agreement to the liability of a Party for its negligence or intentional acts shall be deemed to include the negligence or intentional acts or omissions of the Party's contractors, subcontractors, employees or agents if, under applicable law, the Party would be vicariously liable for such acts or omissions.

21.7 Survival. This Article and the provisions relating to definitions, title and risk of loss and obligation codes, prices and terms of payment, taxes, Parties' representations, liability (including nuclear liability), government authorizations, termination or suspension provisions, confidentiality, dispute resolution (including governing law, interpretation, agents, no third party beneficiaries), and notice provisions shall survive termination or expiration of this Agreement.

21.8 Amendment. No modification or amendment of this Agreement shall be effective unless it is in writing and signed by both Parties.

21.9 No Third Party Beneficiaries. With the exceptions of Sections 12.8 and 13.7, nothing in this Agreement shall be interpreted as creating any right of enforcement of any provision herein by any person or entity that is not a Party to this Agreement.

21.10 Consent to be Reasonably Given. Where a Party must give its consent under this Agreement, such consent may not be unreasonably withheld or delayed unless the Agreement provides that such consent is at the sole discretion of such Party.

21.11 Characterization for U.S. International Trade Law Purposes. The Parties are entering into this Agreement for their mutual benefit and not for use as evidence in any pending or future proceeding under the U.S. antidumping or countervailing duty laws. Accordingly, neither Party shall seek to characterize this Agreement as a contract for the sale of services or merchandise for purposes of those laws without the consent of the other Party.

21.12 Reasonable Efforts. When used in this Agreement (including in any amendment, supplemental agreement or correspondence between the Parties related to this Agreement) and unless specifically defined in another provision of this Agreement, terms such as "best efforts," "reasonable efforts," and "commercially reasonable efforts" shall be deemed to mean efforts that are considered to be commercially reasonable under the circumstances prevailing at the time, taking into account the economic condition of the Party making such efforts, the information actually available to such Party at the time the efforts are made, the economic, legal and political circumstances prevailing in the country where the efforts are to made, and the internal resources and employees available to such Party to make such efforts. In no event shall it require a Party to undertake measures, which in its reasonable judgment, could materially jeopardize its ability to perform its other legal or contractual obligations to others (including to the other Party) or to comply with applicable law or regulations.

21.13 Execution and Counterparts; Effectiveness.

(a) This Agreement may be executed in multiple counterparts, which taken together shall constitute an original without the necessity of all Parties signing the same page or the same documents, and may be executed by signatures to electronically or telephonically transmitted counterparts in lieu of original printed or photocopied documents. Signatures transmitted by facsimile shall be considered original signatures.

(b) Notwithstanding any other provision of this Agreement, the execution and delivery of all of the following agreements, on or before May 16, 2012, shall be a condition precedent to the obligations of the Parties under this Agreement:

(i) Agreement between Customer and the Department of Energy, titled "Agreement Between the U.S. Department of Energy and Energy Northwest For the Transfer of Depleted Uranium Hexafluoride and the Storage of Low Enriched Uranium," EN Contract number 335903;

(ii) Agreement between Customer and TVA, titled "Enriched Product and UF6 Supply Agreement," EN Contract number 335901; and

(iii) Letter agreement between TVA and USEC for the purchase and sale of power used to produce the Enriched DU.

If such agreements have not been executed and delivered by each and all of the parties thereto on or before May 16, 2012, this Agreement shall, without any further action of the Parties, terminate automatically effective as of 12:00 midnight, Eastern Time, on May 16, 2012. In the event of any such termination of this Agreement, this Agreement shall be null and void and without any further force or effect whatsoever, other than the confidentiality obligations of the Parties under Article 18, and no Party shall have any obligation or liability whatsoever to any other Party under or in connection with this Agreement other than the aforementioned confidentiality obligations.

(c) Customer shall promptly notify USEC when all parties to the agreements in Section 21.13(b)(i) and (ii) have executed and delivered such agreements and USEC shall promptly notify Customer when all parties to the agreement in Section 21.13(b)(iii) have executed and delivered such agreement. Upon receipt by each Party of the notice from the other Party under the preceding sentence, the condition precedent in Section 21.13(b) shall be fulfilled.

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be signed in two (2) originals by their duly authorized officers as of the Effective Date.

| ENERGY NORTHWEST | UNITED STATES ENRICHMENT CORPORATION |
|---|---|
| By: /s/ Dale K. Atkinson | By: /s/ Robert Van Namen |
| Name: Dale K. Atkinson | Name: Robert Van Namen |
| Title: V.P. Empl. Dev./Corp. Services | Title: Senior V.P., Uranium Enrichment |

APPENDIX A: EQUATIONS USED TO CALCULATE COMPONENTS OF ENRICHED URANIUM PRODUCT PRODUCED FROM FEED MATERIAL OR FROM DEPLETED URANIUM

1. Feed Material, or Depleted Uranium, per unit of product (feed factor):

   $F = (X_P - X_w) / (X_f - X_W)$

   where F = Feed Material or DU quantity per unit of resulting Enriched Uranium or Enriched DU

   $X_p$ = Product Assay (in weight % $^{235}U$)

   $X_w$ = Tails Assay (in weight % $^{235}U$)

   $X_f$ = Feed Material/DU Assay (in weight % $^{235}U$)

2. Separative work per unit of product (SWU factor):

   $SWU = [V(X_p) – V(X_w)] – F[V(X_f) – V(X_w)]$

   Where $V(X_p) = [2 (X_p) – 1] [1n [(X_p) / (1-X_p)]]$

   $V(X_w) = [2 (X_w) - 1] [1n [(X_w) / (1-X_w)]]$

   $V(X_f) = [2 (X_f) – 1] [1n [(X_f) / (1-X_f)]]$

   where $(X_p)$, $(X_w)$, and $(X_f)$ are defined above and 1n = natural logarithm (base e)

3. The weight percents ("weight %") must be converted to decimal fractions for use in the separative work equations. These formulas can be generalized to multiple Feed Material Assays and Product Assays.

4. For the application of the above formulas:

   -Uranium quantity is expressed in kilograms of $UF_6$, rounded to the gram (third decimal place).

   -Assay expressed in % is rounded to the fourth significant figure.

   -Intermediate calculations are carried to at least eight significant figures.

   -Feed and SWU factors are rounded to the third decimal place.

   -Separative work, expressed in kilograms SWU, is rounded to the third decimal place (1/1000 Kg SWU).

   -Rounding is done by the standard rounding procedure.

APPENDIX B: PROVISIONS FOR PHYSICAL DELIVERY

This Appendix B shall apply to Physical Deliveries of Enriched DU and the Enriched Product, of cylinders for filling with Enriched DU and Enriched Product and, unless otherwise agreed, of other Material or equipment under this Agreement.

1. Designated Facilities. The Facility at PGDP shall be the delivery point for all Physical Deliveries of cylinders and Material by either Party.

2 . Delivery Schedule. The schedule for deliveries during which Physical Delivery will occur shall be established by mutual agreement. For Physical Delivery of Enriched DU and Enriched Product, USEC shall submit a delivery schedule to Customer on the 15th of the month prior to the month of delivery ("Delivery Schedule"). The Delivery Schedule shall take into account the following:

(a) the nominal quantities and Assays of Enriched DU that USEC has available to deliver to Customer from among standard Assays of ***** and the nominal quantity and Assay of Enriched Product that USEC shall deliver to Customer will be the standard Assay of *****;

(b) *****

(c) the destination for any shipment by Customer of the Enriched DU or Enriched Product from the Facility, which shall be provided by Customer to USEC prior to the 15th day of the month prior to the month of delivery;

(d) the proposed schedule for arrival of Customer's overpacks (if needed by Customer to ship the Enriched DU or Enriched Product from the Facility) and trucks;

(e) potential conflicts with USEC's need to fill orders from other customers; and

(f) other factors affecting the availability of manpower, equipment and other requirements to implement the proposed delivery.

The actual quantity and Assay of Enriched DU or Enriched Product delivered to Customer may differ from the quantity and Assay listed in the Delivery Schedule.

*****

APPENDIX C: *****

*****

APPENDIX D: *****

*****

APPENDIX E: USEC SERVICE CHARGES – AS OF THE EFFECTIVE DATE

*****

APPENDIX F: FORM OF QUALITY CONFIRMATION

**Certificate of**
## Quality and Quantity
## For Enriched Uranium Hexafluoride

| | |
|---|---|
| Customer: | Contract No: |
| Receiver: | Order No.: |
| $UF_6$ Cylinder No: | Assay (wt%) |

| | | | |
|---|---|---|---|
| Gross Weight: | pounds | Uranium Mass: | kg |
| Tare Weight: | pounds | Isotope Mass ($^{235}U$): | kg |
| Net Weight: | pounds | | |

| Isotopic Composition | ASTM C996-10 Specification Value | Analyzed Values |
|---|---|---|
| U-235 | Less than or equal to: 5.0% | |
| U-232 | Less than or equal to: 0.0001 micrograms/gU or U236 less than 125 micrograms/gU235, then N/A | |
| U-234 | Less than or equal to: $11.0 \times 10^3$ micrograms/gU235 | |
| U-236 | Less than or equal to: 250micrograms/gU235 | |

| Impurity Elements | |
|---|---|
| Boron | Less than or equal to 4 micrograms /gU |
| Silicon | Less than or equal to 250 micrograms/gU |
| Tc-99 | Less than or equal to 0.01 micrograms/gU |

| |
|---|
| Purity (U content %) |
| $UF_6$ Concentration |
| Molar content of hydrocarbons, chlorocarbons and partially substituted Halohydrocarbons |

The samples for analysis were obtained during filling while the UF6 was in liquid phase.

Date: Signature:

EXHIBIT 10.2

March 2, 2006

#1012780
TV-05356W, Supp. No. 1

Mr. Robert Van Namen
Marketing and Operations VP
United States Enrichment Corporation
Two Democracy Center, Tenth Floor
6903 Rockledge Drive
Bethesda, MD 20817-1818

Dear Mr. Namen:

This letter will confirm arrangements agreed upon between representatives of United States Enrichment Corporation ("USEC") and the Tennessee Valley Authority ("TVA") for TVA to make available, and for USEC to take, Additional Energy as provided for under subsection 2.2(e) of the Power Contract numbered TV-05356W and dated July 11, 2000 ("Power Contract"). This letter also confirms related arrangements to replace Article IV of the Power Contract with the new Article IV attached hereto.

It is understood and agreed that:

1. As set forth in the following table, TVA will make available, and USEC will take, Additional Energy in the amounts of the specified additional availability amounts at the specified prices during the specified hours of the specified Supply Period:

| Supply Period | Additional Availability Amount | Additional Energy Price |
|---|---|---|
| 06/01/06 HE 0100 CDT to 08/31/06 HE 2400 CDT | 600 MW All Hours | $66.00/MWh All Hours |

(a total of 1,324,800 MWh)

2. During the Supply Periods, the total amounts of power available to USEC under the Power Contract will be increased by the sum of the additional availability amounts designated by TVA in accordance with section 1 above and USEC shall take such increased amounts; provided, however, that it is expressly recognized that the Additional Energy made available under the arrangements described by this confirmation will be subject to suspension as Interruptible Baseline Energy in accordance with Attachment 2 to the Power Contract.

3. For billing purposes, USEC's minimum energy takings under the Power Contract shall be deemed to have been increased by the additional availability amounts so designated by TVA and the Additional Energy price specified in section 1 above shall be applied to the resulting additional minimum energy takings in accordance with subsection 2.6(b) of the Power Contract to increase the Power Bill.

4. From and after the meter-reading time on June 1, 2006, the Power Contract is further supplemented and amended by replacing Article IV thereof with the substitute Article IV attached to this letter agreement. Further, it is expressly recognized that the credit assurance provisions of the attached Article IV shall apply with respect to any obligations under the Power Contract as it may be amended, including, without limitation, the Additional Energy arrangements provided for by this letter agreement and, unless otherwise agreed, with respect to any subsequent Additional Energy arrangements entered into under the Power Contract.

5. It is recognized that TVA and USEC have agreed in principal to Quantity and Pricing of Baseline Energy for the first annual period of Period Two, subject to the final approval of the TVA Board of Directors and the execution of final documents to reflect that agreement. It is further recognized and agreed that nothing related to any failure to complete such final documents shall excuse the performance of either party under this letter agreement.

If the foregoing satisfactorily states the understanding between us, please have a duly authorized representative execute this Confirmation on behalf of USEC and return by facsimile an executed copy to Mike Davis at (423) 751-3387. Also please return one executed copy by mail to Mike Davis, Tennessee Valley Authority, 1101 Market Street MR 2A, Chattanooga, Tennessee 37402.

Sincerely,

/s/ Clyde S. Harmon
Clyde S. Harmon
Sr., Manager, Origination

/s/ Bruce S. Schofield
Bruce S. Schofield
Vice President, Industrial Marketing and Account Management

Accepted and agreed to as of
the date first above written.

UNITED STATES ENRICHMENT CORPORATION

By: /s/ Robert Van Namen
Name: Robert Van Namen
Title: Marketing and Operations VP

[ATTACHMENT ON FOLLOWING PAGE]

**ATTACHMENT**

ARTICLE IV

FINANCIAL RESPONSIBILITY AND INFORMATION

**Section 4.1 – ADDITIONAL DEFINITIONS**

In addition to the terms defined in Article I above, the following additional defined terms shall be applicable for purposes of applying the provisions of this Article IV.

4.1.1 "Commercial Credit Rating" shall mean a credit rating assigned by Standard and Poor's (S&P), Moody's Investor Services, Inc. (Moody's), or Fitch Ratings (Fitch) (such agencies are hereafter individually referred to as a Rating Agency or collectively referred to as Rating Agencies) to a rated entity's unsecured, senior long-term debt obligations (not supported by third party credit enhancements), or if such entity does not have a rating for its senior unsecured long-term debt obligations, then the rating assigned to such entity as an issuer rating by S&P, Moody's or Fitch.

4.1.2 "CRR" shall mean the customer risk rating assigned by TVA under TVA's credit policy for the purpose of classifying its customers, suppliers, and vendors according to the level of risk deemed by TVA to be associated with their financial condition. Such ratings are assigned by TVA, and updated from time to time, as a result of quantitative financial analysis, as well as consideration of subjective judgments about both the entity being rated and market conditions. In the event of any change in Company's CRR which will cause a change in the amount of Performance Assurance, if any, that Company is obligated to provide to TVA under section 4.5 of this Article, TVA will promptly give Company written notice of the revised CRR and, for purposes of this contract, such revised CRR will be deemed to be effective:

(a) as of the date of such notice, if the revised CRR is a higher rating than Company's previously effective CRR, or

(b) 5 business days after the date of such notice, if the revised CRR is a lower rating than Company's previously effective CRR.

4.1.3 The following CRRs referred to as "Superior," "Strong," "Satisfactory," "Acceptable," and "Below Investment Grade Rating," shall be defined and assigned to Company under the following framework:

(a) If a Commercial Credit Rating is not assigned by the Rating Agencies, then TVA shall determine the appropriate CRR in its sole discretion under its credit policy.

(b) If a Commercial Credit Rating is assigned by a Rating Agency or Rating Agencies, then the CRR will be deemed to be as is shown on the chart below, unless there are multiple Rating Agencies and their Commercial Credit Ratings are not equivalent under TVA's CRR system, in which case subsection (c) will apply.

(c) If more than one Rating Agency provides a Commercial Credit Rating and such ratings do not provide equivalent CRRs under the below chart, then the following will apply:

(i) if two Rating Agencies provide a Commercial Credit Rating and those ratings equate to different CRRs (according to the chart below), then the lower CRR will govern;

(ii) if three Rating Agencies provide a Commercial Credit Rating and those ratings equate to three different CRRs (according to the chart below) then the middle CRR will govern;

(iii) if three Rating Agencies provide a Commercial Credit Rating and those ratings equate to two different CRRs (according to the chart below) then the two equivalent CRRs will govern.

**Chart Comparing TVA CRR Ratings to the Commercial Credit Ratings of Rating Agencies**

| TVA CRR | S&P Commercial Credit Rating | Moody's Commercial Credit Rating | Fitch Commercial Credit Rating |
|---|---|---|---|
| Superior | AAA | Aaa | AAA |
| Strong | AA+ to AA- | Aa1 to Aa3 | AA+ to AA- |
| Satisfactory | A+ to A- | A1 to A3 | A+ to A- |
| Acceptable | BBB+ to BBB- | Baa1 to Baa3 | BBB+ to BBB- |
| Below Investment Grade Rating | BB+ or lower | Ba1 or lower | BB+ or lower |

4.1.4 "Credit Risk" shall mean:

(a) an amount reasonably determined by TVA as approximating all charges applicable for a 75-day period either under this contact or any previous power arrangement, including, but not limited to, all amounts Company owes or will owe for power and energy made available for, or delivered during, that period and without regard to whether or not a bill has been rendered for such amounts, less,

(b) the amount of credit risk protection afforded to TVA by any then-existing Performance Assurance already covering TVA's risk of non-payment of the amount designated by TVA;

Provided, however, that during any period when Company is deemed to have a CRR that is equal to a Below Investment Grade Rating so that the payment obligations provided for below in paragraph b of section 4.5 are applicable, the 75-day period provided for in (a) above shall be reduced to

45-days to reflect the revised payment obligations provided for in said paragraph.

4.1.5 "Collateral Threshold" shall mean the dollar amount or amounts specified in section 4.3 of this Article to reflect the amount of credit that will be extended to Company without Performance Assurance being provided by Company.

4.1.6 "Performance Assurance" shall mean collateral in the form of either:

(a) a cash deposit,

(b) a Letter of Credit, in form and substance acceptable to TVA, issued by a financial institution which has and maintains at least a Satisfactory CRR.

(c) other security acceptable to TVA and agreed to in writing by the parties to this contract, including, without limitation, a corporate guaranty, in form and substance acceptable to TVA, by an entity which has and maintains at least an Acceptable CRR; provided however, that such a guaranty will only be acceptable to secure Performance Assurance equal to the Collateral Threshold which TVA would assign to such entity if it were the party contracting with TVA for the power supply arrangements that are provided for in this contract.

**SECTION 4.2 – CRR AS OF CONTRACT EXECUTION**

As of the date that this contract was executed, Company has been determined by TVA to have a CRR which qualifies as a Below Investment Grade Rating.

**SECTION 4.3 – COLLATERAL THRESHOLD**

At all times that Company has and maintains at least an Acceptable CRR, the amount of the Collateral Threshold will be the applicable amount set forth in the table below as corresponding to Company's then existing CRR. At any other times, the amount of the Collateral Threshold shall be deemed to be zero. Company and TVA agree that from time to time exceptional circumstances may occur that merit either an increase or a decrease in Company's Collateral Threshold amounts. Accordingly, at any such time, TVA may in its discretion revise the Collateral Threshold amounts upward or downward upon 30 days' written notice to Company.

| COMPANY'S CRR | COLLATERAL THRESHOLD |
|---|---|
| Superior | $0 |
| Strong | $0 |
| Satisfactory | $0 |
| Acceptable | $0 |

As set out in the above table, Company's current Collateral Threshold is zero. At such time, if any, that Company determined to have an Acceptable CRR or higher, TVA will determine a Collateral Threshold appropriate to Company's CRR.

**SECTION 4.4 – FINANCIAL INFORMATION**

(a) For TVA's use in evaluating Company's financial condition, at TVA's request, Company shall provide to TVA:

(i) within 120 days following the end of each Company fiscal year, a copy of Company's annual report containing consolidated financial statements for such fiscal year;

(ii) within 60 days after the end of each of its first three fiscal quarters of each such fiscal year, a copy of Company's quarterly report containing consolidated financial statements for such fiscal quarter; and

(iii) such different or additional financial information as TVA may from time to time reasonably request for TVA's use in evaluating Company's financial condition;

provided, however, Company shall not be required to provide TVA with such information if:

(i) the information is publicly available and accessible by TVA, or

(ii) Company is rated by S&P, Moody's or Fitch.

(b) In all cases the statements to be provided under (a) above shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be a breach of this contract so long as Company diligently pursues the preparation, certification and delivery of the statements. Further, it is expressly recognized that TVA prefers the financial statements provided under (a)(i) above to be audited financial statements and the unavailability of audited statements may be considered by TVA to be a negative factor in evaluating Company's CRR.

**SECTION 4.5 – PERFORMANCE ASSURANCE OBLIGATION**

(a) If at any time during the term of this contract the then-applicable Credit Risk exceeds the then-applicable Collateral Threshold, a Performance Assurance Deficiency in the amount of the excess shall exist. Upon written notice from TVA of such Performance Assurance Deficiency, Company shall be obligated to promptly provide Performance Assurance or additional Performance Assurance as applicable, to TVA in an amount equal to the amount of such Performance Assurance Deficiency.

(b) In addition, if at any time during the term of this contract, Company is deemed to have a CRR that is equal to a Below Investment Grade Rating, the following shall apply:

(i) Notwithstanding Section 2 of the Terms and Conditions of the Power Contract, Company shall pay by using one of the electronic methods approved by TVA, all charges applicable under the Power Contract within ten (10) days after the date of any bill; provided, however, if the tenth day after the day of the bill is a non-business day, then payment shall be made by no later than the next business day. If such charges are not paid within such period, then TVA may, upon 5 days' written notice, discontinue supply of power to Company. Any such discontinuance of supply shall not relieve company of its liability for minimum monthly charges or payment of past due amounts.

(ii) Notwithstanding sections 2(b) and 2(c) of the Terms and Conditions, the late payment charges provided for in section 2(b) shall be applicable to any amount remaining unpaid after the end of the payment period provided for in subsection (i) above.

(iii) Notwithstanding sections 2(b) and 2(c) of the Terms and Conditions, the early payment credit shall be applied as follows: For any month that that Company pays its bill in full prior to the payment date established in subsection (i) above, TVA shall apply the amount of the Average Short Term Interest Rate (as defined in the Terms and Conditions) to the amount of such early payment for each day prior to the payment date for which the bill is paid. No early payment credits shall be applicable for any payment that is not made prior to the payment date provided for in subsection (i) above.

**SECTION 4.6 – FAILURE TO PROVIDE PERFORMANCE ASSURANCE**

In the event of any Performance Assurance Deficiency arising under 4.5 above:

(a) If Company does not fully remedy the Performance Assurance Deficiency by the date falling 10 days after the date when TVA gives notice of such deficiency under 4.5 above (or such later date as may be agreed upon), TVA shall have the right, upon 5 days' notice, to discontinue the supply of power, and may refuse to resume delivery as long as Performance Assurance has not been provided to fully remedy the deficiency. Discontinuance of supply under this paragraph (a) shall not relieve Company of its liability for minimum monthly charges or payment of past due amounts.

(b) If Company does not fully remedy the Performance Assurance Deficiency by the date falling 30 days after the date when TVA gives a notice of such deficiency under 4.5 above, TVA shall have the right to consider the contract breached and to cancel the contract upon written notice that if full Performance Assurance is not received within 5 days (or such longer period as may be specified) after the date of said notice, the contract shall be deemed permanently breached and canceled; and such cancellation by TVA shall be without waiver of any amounts which may be due or of any rights, including the right to damages for such breach, which may have accrued up to and including the date of such cancellation.

**SECTION 4.7 – SECURITY INTEREST**

To the extent Company provides any Performance Assurance under section 4.5 of this Article, Company grants to TVA a present and continuing security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether now or hereafter held by, on behalf of, or for the benefit of, TVA, and Company agrees to take such action as TVA may reasonably require in order to perfect TVA's first-priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof. It is expressly recognized and agreed, however, that:

(a) any security interest provided for under this section 4.7 above shall only apply to the specific collateral that is provided as Performance Assurance to meet Company's obligations under this Article IV; and

(b) by virtue of this section 4.7, TVA will have no security interest of other preferred interest in any other property of Company or in any other property of any other entity providing the Performance Assurance. It is expressly recognized and agreed that this paragraph shall not affect any security interest that may be provided for under a separate agreement.

**SECTION 4.8 – REMEDIES**

Upon failure of Company to pay all charges applicable under this contract within 30 days after the date of any bill, or any shorter period for final payment or for correcting a Performance Assurance Deficiency applicable under any provision of this contract or any amendment or supplement to this contract, it is expressly recognized and agreed that TVA may do any one or more of the following:

(a) exercise any of its rights and remedies with respect to such failure to pay and any of its rights and remedies with respect to Performance Assurance, including any such rights and remedies under law then in effect;

(b) exercise its rights of setoff against any and all property of Company in the possession of TVA;

(c) draw on any outstanding letter of credit issued for its benefit; and

(d) liquidate all Performance Assurance then held by or for the benefit of TVA, free from any claim or right of any nature whatsoever of Company or other pledgor of Performance Assurance, including any equity or right of purchase or redemption by Company or any such pledgor.

EXHIBIT 10.3

March 2, 2006 TV-05356W, Supp. No. 2

Mr. Robert Van Namen
Marketing and Operations VP
United States Enrichment Corporation
Two Democracy Center, Tenth Floor
6903 Rockledge Drive
Bethesda, MD 20817-1818

Dear Mr. Van Namen:

In accordance with the provisions of Power Contract TV-05356W, as amended (Power Contract), TVA has determined that United States Enrichment Corporation (Company) presently has a CRR equal to a Below Investment Grade Rating. Accordingly, this letter is to confirm the arrangements agreed upon between representatives of TVA and Company, regarding Company's Performance Assurance to be provided and maintained by Company:

It is understood and agreed that until such time, if any, that Company's CRR and corresponding Collateral Threshold is such that no Performance Assurance is due from Company under the Power Contract, and in accordance with Article IV of the Power Contract, the parties have agreed that the provisions below shall be applicable to provide for the Performance Assurance to be provided and maintained by Company.

1. Letter of Credit. Company shall provide TVA an Irrevocable Letter of Credit, in a form acceptable to TVA, in the amount of $11,000,000.00 not later than March 15, 2006. Company shall at all times keep such Letter of Credit in full force and effect. The Letter of Credit may be utilized by TVA to cover any obligations arising after June 1, 2006, for which the Power Contract provides and for which payments are not made by Company, including, but not limited to, minimum bill obligations. Notwithstanding hereunder, Company will remain obligated to make all payments as they become due under the Power Contract.

2. Weekly Prepayments. Notwithstanding the provision of section 2.6 of the Power Contract, Company shall pay TVA a designated sum of money per week in advance for power and energy used under the Power Contract (Weekly Prepayment). On or before May 26, 2006, Company shall pay TVA the amount of $4,000,000.00. Beginning on June 2, 2006, and each Friday thereafter, Company shall pay TVA a Weekly Prepayment in the amount of $11,000,000.00 per week. Such Weekly Prepayments shall be made no later than 3 p.m. CST or CDT, whichever is currently effective, on each Friday and shall be made electronically through Automated Clearing House to TVA's account. TVA's monthly bill for power and energy shall reflect the cumulative Weekly Prepayments for that month as a credit to be applied against that monthly bill. Company shall have seven (7) days from the date of the monthly bill, or until the next Weekly Prepayment (whichever comes later) to pay any amount that is not covered by the cumulative Weekly Prepayments for that month. In the event that the cumulative Weekly Prepayments for any month exceed the amount of that monthly bill, TVA shall notify Company of the overpayment and credit such amount to Company's next Weekly Prepayment.

3. Adjustments to Performance Assurance. The Performance Assurance provided for in this letter agreement is based on the price and usage of power and energy taken by Company and may be adjusted by TVA as provided in the Power Contract. If TVA determines that any adjustment is necessary, TVA will provide Company with written notice of any increased or decreased amount of Performance Assurance required under the Power Contract. Within ten (10) days after such notice is given, Company shall provide TVA with the amount of the adjusted Performance Assurance required.

4. Early Payment Credits. Notwithstanding Section 2 of the Terms and Conditions set forth in Attachment 4 of the Power Contract, for any Billing Month, in which Company fails to make a Weekly Prepayment on or before a Weekly Prepayment Due Date falling within that Billing Month, Company shall not be entitled to any early payment credit that would otherwise apply with respect to early payments for usage in that Billing Month.

5. Default. Failure to comply with any of the above provisions shall constitute an immediate default under this contract. Upon such default, TVA shall have the right to immediately discontinue the supply of power, upon 5 days' written notice, to Company.

Discontinuance of supply under this letter agreement shall not relieve Company of its liability for minimum monthly charges or payment of past due amounts. TVA's election of any remedies under this letter agreement shall be without waiver of any other rights, including, without limitation, the right to damages for such default.

The Power Contract, as supplemented and amended by this letter agreement, is hereby ratified and confirmed as the continuing obligation of the parties.

If this letter satisfactorily sets forth the understandings between us, please have a duly authorized representative execute two copies on behalf of Company and return them to TVA. Upon completion by TVA, one fully executed copy will be returned to you.

Sincerely,

/s/ Bruce S. Schofield
Bruce S. Schofield for
Kenneth R. Breeden
Executive Vice President
Customer Service and Marketing

Accepted and agreed to as of the
date first above written:

UNITED STATES ENRICHMENT CORPORATION

/s/ Robert Van Namen
By: Robert Van Namen

Marketing and Operations VP

EXHIBIT 10.4

**AMENDATORY AGREEMENT**
**Between**
**TENESSEE VALLEY AUTHORITY**
**And**
**UNITED STATES ENRICHMENT CORPORATION**

Date: April 3, 2006 TV-05356W, Supp. No. 3

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

**W I T N E S S E T H:**

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

WHEREAS, the parties wish to amend the 2000 Contract to provide for the pricing and quantity of power and energy for the time period commencing on June 1, 2006, and ending on May 31, 2007;

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

**SECTION 1 – DEFINITIONS**

1.1 Defined Terms. Initial capped terms used in this agreement which are defined in Article I of the 2000 Contract shall have the meaning there defined.

1.2 References to the 2000 Contract. References to "this contract" in any section of or attachment to this agreement shall be deemed to refer to the 2000 Contract as amended by TV-05356W, Supp. No 1, dated March 2, 2006, TV-05356W, Supp. No 2, dated March 2, 2006, and this agreement.

**SECTION 2 – QUANTITY OF ENERGY**

Subject to the terms and conditions of this contract, Baseline Energy, in the monthly MW amounts set forth in Exhibit A, shall be made available to USEC for the first year of Period Two (June 1, 2006, through May 31, 2007). Of each monthly amount, 300 MW would continue to be Firm Baseline Energy and any remaining amount would be Interruptible Baseline Energy, as provided in the 2000 Contract.

**SECTION 3 – BASE CHARGES**

Pursuant to section 2.3(b) and in accordance with section 2.4 of the 2000 Contract, the Baseline Energy Price during the first year of Period Two shall be as follows:

(i) $68.67 per MWh from June 1, 2006, through August 31, 2006, and

(ii) $35.57 per MWh from September 1, 2006, through May 31, 2007.

**SECTION 4 – FUEL COST ADJUSTMENT**

The Baseline Energy Prices as set forth in section 3 above of this agreement are subject to the TVA Fuel Cost Adjustment (FCA) as calculated under Exhibit B, attached hereto and hereby incorporated herein. The FCA shall mean the per-MWh amount by which the Baseline Energy Prices under section 3 above of this agreement are increased or decreased from time to time in accordance with the formula designed to reflect changes in TVA's fuel costs, purchased power costs, and related costs as shown in Exhibit B. It is recognized that TUm (as defined in Exhibit B) has a lag integrated into the formula and that unless otherwise agreed between the parties, any such amount shall remain an obligation even though the payment of the bill for power taken during May of 2007 has been made.

**SECTION 5 – RATIFICATION OF THE 2000 CONTRACT**

This contract is ratified and confirmed as the continuing obligation of the parties.

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

**UNITED STATES ENRICHMENT CORPORATION**

By /s/ Robert Van Namen
Title: Senior Vice President
Uranium Enrichment

**TENESSEE VALLEY AUTHORITY**

By /s/ Kenneth R. Breeden
Executive Vice President

**EXHIBIT A**

**BASELINE ENERGY**
**JUNE 1, 2006, THROUGH MAY 31, 2007**

**(TOTAL OF FIRM AND INTERRUPTIBLE BASELINE ENERGY IN MW)***

| | 2006 | 2007 |
|---|---|---|
| January | | 1,550 |
| February | | 1,525 |
| March | | 1,540 |
| April | | 1,540 |
| May | | 1,400 |
| June | 300 | |
| July | 300 | |
| August | 300 | |
| September | 1,450 | |
| October | 1,560 | |
| November | 1,600 | |
| December | 1,590 | |

* The monthly MW amounts shall be multiplied by the number of hours in that month to determine the required quantities of Baseline Energy. The actual hourly MW amounts shall be essentially constant except during ramp up/ramp down periods and will be scheduled in accordance with operating procedures jointly developed under section 2.2(f) of the 2000 Contract.

**EXHIBIT B**

## FUEL COST ADJUSTMENT

In accordance with the formula below, the Fuel Cost Adjustment amount (FCA) shall be determined for each month by applying data from TVA's forecasts of TVA's actual operations, as well as actual data when it becomes available. The FCA consists of two parts. The first part is the monthly adjustment (Am) (as defined below), which is an adder to be applied to each Megawatthour (MWh). TVA will publish the amount of Am no later than 15 days in advance of the month of application, and the formula will be applied as part of the monthly USEC bill. In addition to the Am, there is a monthly true-up to bring TVA's forecasts to actual amounts (TUm) (as defined below) that will add or credit a lump sum amount on the monthly bill once actual data is collected.

[Missing Graphic Reference]

m = a particular month.

Am = The FCA adjustment to be applied to the MWh sales during the current billing period and computed to the nearest cent per MWh.

CF = The core FCA adjustment amount. $CF = FF_m/SF_m - B_m$

FF = TVA's estimate of FA (as described below) for month m, based on the latest TVA Financial Forecast.

SF = TVA's estimate of SA (as described below) for month m, based on the latest TVA Financial Forecast.

B = The monthly per MWh Base Fuel Rates (as shown in the table below).

| | |
|---|---|
| June | $16.07 |
| July | $20.40 |
| August | $17.21 |
| September | $15.96 |
| October | $14.36 |
| November | $14.57 |
| December | $13.28 |
| January | $14.02 |
| February | $13.62 |
| March | $13.59 |
| April | $14.17 |
| May | $14.30 |

TUm = The true-up adjustment amount necessary to reconcile prior estimates to actual data, which shall be computed with the formula below. The true-up will be a dollar payment or credit on the bill two months after a forecast FCA month.

$$(FA_{m-2}/SA_{m-2}-FF_{m-2}/SF_{m-2})*USECS_{m-2}/.95$$

FA = Actual total fuel and purchased power expenses (in dollars) under the framework and accounts provided below (or such similar or successor accounts as may be proscribed by FERC in the future).

(1) Fossil Fuel Expense – Account 501 – Direct cost of fuel burned in TVA coal plants, including transportation and fuel treatments. Costs to be excluded are lease payments for rail cars, maintenance on rail cars, sampling and fuel analysis, and fuel handling expenses in unloading fuel from shipping media and the handling of fuel up to the point where fuel enters the bunker or other boiler-house structure.

(2) Reagents Expense – Account 501.L – Cost of emission reagents such as limestone and ammonia that are directly related to the level of generation output.

(3) Emission Allowance Expense – Account 509 – Cost of emission allowance expense such as SO2 and NOx that are directly related to the level of generation output.

(4) Nuclear Fuel Expense – Account 518 – Cost of nuclear fuel amortization expense dependent upon burn, including DOE spent fuel disposal charges.

(5) Gas Turbine Fuel Expense – Account 547 – Direct cost of gas and oil delivered to TVA plants, including transportation. Costs to be excluded are costs of gas storage facilities and sampling and fuel analysis that do not vary with changes in generation volume.

(6) Purchased Power Expense – Account 555 – Energy cost of purchased power to serve native load demand or to displace higher cost generation. Costs to be excluded are fixed demand or capacity payments in tolling agreements and purchased power agreements that do not vary with volume and costs of purchased power linked to off-system sales transactions.

SA = Actual total TVA energy sales (in MWh) for month m, as determined from TVA's General Ledger with specific accounts 442, 445, 447, 447.1, and 448 (or such similar or successor accounts as may be proscribed by FERC in the future), excluding any displacement sales reflected in account 447.1.

USECSm = USEC actual sales in a particular month, excluding Additional Energy sales (as defined in Power Contract number TV-05356W between USEC and TVA dated July 4, 2000) unless otherwise agreed between the parties.

**EXHIBIT 10.5**

**Proprietary Information**

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

# AMENDATORY AGREEMENT
## Between
## TENNESSEE VALLEY AUTHORITY
## And
## UNITED STATES ENRICHMENT CORPORATION

Date: May 15, 2012 TV-05356W, Supp. No. 9

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

**W I T N E S S E T H:**

WHEREAS, USEC has been purchasing power from TVA under Power Contract TV-05356W, dated July 11, 2000, as amended (Power Contract), for the operation of the USEC uranium enrichment facilities near Paducah, Kentucky that USEC leases from the United States Department of Energy (DOE); and

WHEREAS, the parties wish to extend the term of the Power Contract in order to permit USEC to enrich DOE-owned depleted uranium supplied to USEC by Energy Northwest for the benefit of the Bonneville Power Administration and TVA; and

WHEREAS, the parties also wish to amend the performance assurance provisions of the Power Contract;

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

**SECTION 1 - DEFINITIONS**

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

**SECTION 2 - EXTENSION OF THE POWER CONTRACT**

Effective as of the date first above written (Effective Date), section 2.1 of the Power Contract is hereby replaced with the following:

> "This Contract shall become effective as of the date first above written and shall continue in effect through September 30, 2013; provided, however, that, subject to the last sentence of this section, this Contract may be terminated by either Party upon completion of all transactions for Additional Energy entered into pursuant to section 2.2(e) of this Contract. Furthermore, it is expressly recognized and agreed that a Party seeking to terminate this Contract prior to September 30, 2013 in accordance with the preceding sentence shall provide 30 days' written notice prior to termination and that this Contract shall not terminate prior to September 30, 2012."

**SECTION 3 - PERFORMANCE ASSURANCE OBLIGATIONS**

In accordance with the provisions of the Power Contract, TVA has determined that USEC presently has a CRR equal to a Below Investment Grade Rating. It is understood and agreed that until such time, if any, that USEC's CRR and corresponding Collateral Threshold is such that no Performance Assurance is due from USEC under the Power Contract, and in accordance with Article IV of the Power Contract, the parties have agreed that the provisions below shall be applicable to provide for the Performance Assurance to be provided and maintained by USEC.

3.1 Letter of Credit. USEC shall provide TVA an irrevocable Letter of Credit, in a form acceptable to TVA. It is recognized that as of the Effective Date, USEC has provided a Letter of Credit in the amount of *****. USEC shall at all times keep such Letter of Credit in full force and effect. The Letter of Credit may be utilized by TVA to cover any obligations for which the Power Contract provides and for which payments are not made by USEC, including, but not limited to, minimum bill obligations. Notwithstanding such Letter of Credit, USEC will remain obligated to make all payments as they become due under the Power Contract.

3.2 Weekly Prepayments. Notwithstanding the provisions of section 2.6 of the Power Contract, USEC shall pay TVA a designated sum of money per week in advance for power and energy used under the Power Contract (Weekly Prepayment). As of the Effective Date, USEC shall pay TVA a Weekly Prepayment in the amount of ***** per week. Such Weekly Prepayments shall be received by TVA no later than 12 noon CST or CDT, whichever is currently effective, on each Friday and shall be made electronically through Federal Reserve Fedwire Funds Service to TVA's account with the U.S. Treasury ***** or through Automated Clearing House to TVA's account. TVA's monthly bill for power energy shall reflect the cumulative Weekly Prepayments for that month as a credit to be applied against that monthly bill. USEC shall have seven (7) days from the date of the monthly bill, or until the next Weekly Prepayment (whichever comes later) to pay any amount that is not covered by the cumulative Weekly Prepayments for that month. In the event that the cumulative Weekly Prepayments for any month exceed the amount of that monthly bill, TVA shall notify USEC of the overpayment and credit such amount to USEC's next Weekly Prepayment(s) until the overpayment is fully exhausted.

3.3 Adjustments to Performance Assurance. The Performance Assurance provided for in this agreement is based on the price and usage of power and energy taken by USEC and may be adjusted by TVA as provided in the Power Contract. If TVA determines that any adjustment is necessary, TVA will provide USEC with written notice of any increased or decreased amount of Performance Assurance required under the Power Contract. When an adjustment is required in the amount of the Letter of Credit, by no later than the date specified by TVA in such written notice, which in no case shall be less than ten (10) days after such notice is given, USEC shall provide TVA with a Letter of Credit in the adjusted amount stated in the notice. Furthermore, when an adjustment is required in the amount of Weekly Prepayments, by no later than the date specified by TVA in such written notice, which in no case shall be less than five (5) days after such notice is given, USEC shall provide TVA with the amount of the adjusted Weekly Prepayment.

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

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

3.5 Default. Failure to comply with any of the above provisions shall constitute an immediate default under this contract. Upon such default, TVA shall have the right to immediately discontinue the supply of power, upon 5 days' written notice, to USEC.

3.6 Performance Assurance Obligation. It is acknowledged and understood that USEC's issuance to TVA of Performance Assurance in any form is a contemporaneous exchange for new value given, and among other things, is necessary to allow USEC to receive current and future power deliveries under the terms of the Power Contract.

Discontinuance of supply under this section 3 shall not relieve USEC of its liability for minimum monthly charges or payment of past due amounts. It is expressly recognized that in determining whether either party shall be entitled to terminate the Power Contract as provided in Section 2 of this agreement, a discontinuance of supply in accordance with this section 3 shall not be considered a completion of any transaction for Additional Energy that has been entered into pursuant to section 2.2(e) of the Power Contract. It is further expressly recognized that the terms set out in this section 3 shall apply to any power made available to USEC as Additional Energy in accordance with section 2.2(e) of the Power Contract. TVA's election of any remedies under this agreement shall be without waiver of any other rights, including, without limitation, the right to damages for such default.

**SECTION 4 - TERMINATION OF AGREEMENT**

As of the Effective Date of this agreement, Supp. No. 7 to the Power Contract is hereby terminated.

**SECTION 5 - RATIFICATION OF THE POWER CONTRACT**

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

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

**UNITED STATES ENRICHMENT CORPORATION**

By _/s/ Robert Van Namen_____
Title: Senior Vice President, Uranium Enrichment

**TENNESSEE VALLEY AUTHORITY**

By __/s/ Tom Kilgore_____
Title: President and Chief Executive Officer

**EXHIBIT 10.6**

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

Proprietary Information

**Tennessee Valley Authority**, 1101 Market Street, Chattanooga, Tennessee 37402

May 15, 2012

Mr. Robert Van Namen
Senior Vice President - Uranium Enrichment
United States Enrichment Corporation
c/o USEC, Inc.
6903 Rockledge Drive
Bethesda, Maryland 20817

Dear Mr. Van Namen:

By execution of this letter ("Confirmation"), United States Enrichment Corporation ("USEC") and Tennessee Valley Authority ("TVA" and collectively with USEC, the "Parties") hereby agree upon arrangements, as more fully described below and in support of USEC's performance of a contract to enrich uranium for Energy Northwest for the benefit of the Bonneville Power Administration and TVA, pursuant to which TVA shall sell to USEC and USEC shall buy from TVA, Additional Energy, pursuant to subsection 2.2(e) of the Power Contract numbered TV-05356W and dated July 11, 2000, as amended ("Power Contract"), which shall, for Force Majeure and buyback purposes be treated as Baseline Energy, and a portion of which shall, for suspension purposes, be treated as Firm Baseline Energy as more fully described below. Capitalized terms not otherwise defined herein shall have the same meaning as in the Power Contract.

It is understood and agreed that:

1. TVA shall provide all of USEC's power requirements for the tails enrichment program, except during any period of curtailment, suspension or interruption by TVA of the Additional Energy made available under this Confirmation. During any such period of curtailment, suspension or interruption by TVA, USEC may purchase replacement power from a third party to replace the Additional Energy curtailed, suspended or interrupted by TVA. For avoidance of doubt, it is expressly recognized by the Parties that USEC may not purchase replacement power from a third party to replace any reduction in the availability of Additional Energy provided for under section 6 below.

   Beginning with Hour Ending ("HE") 0100 June 1, 2012, and continuing through HE 2400 May 31, 2013 ("Supply Period"), TVA shall make available, and USEC shall take, Additional Energy, as follows:

   (a) During the period of HE 0100 June 1, 2012, through HE 2400 June 30, 2012: 900 MWh of Additional Energy each hour for a total of 648,000 MWh, with the first 300 MWh each hour priced at *****/MWh, plus applicable Fuel Cost Adjustment ("FCA"), and the remaining 600 MWh each hour priced at *****/MWh;

   (b) During the period of HE 0100 July 1, 2012, through HE 2400 July 31, 2012: 900 MWh of Additional Energy each hour for a total of 669,600 MWh, with the first 300 MWh each hour priced at *****/MWh, plus FCA, and the remaining 600 MWh each hour priced at *****/MWh;

   (c) During the period of HE 0100 August 1, 2012, through HE 2400 August 31, 2012: 900 MWh of Additional Energy each hour for a total of 669,600 MWh, with the first 300 MWh each hour priced at *****/MWh, plus FCA, and the remaining 600 MWh each hour priced at *****/MWh;

   (d) During the period of HE 0100 September 1, 2012, through HE 2400 September 30, 2012: 1,250 MWh of Additional Energy each hour for a total of 900,000 MWh, with the first 550 MWh each hour priced at *****/MWh, plus FCA, and the remaining 700 MWh each hour priced at *****/MWh;

   (e) During the period of HE 0100 October 1, 2012, through HE 2400 April 30, 2013: 1,480 MWh of Additional Energy each hour for a total of 7,530,240 MWh of Additional Energy, with the first 740 MWh each hour priced at *****/MWh, plus FCA, and the remaining 740 MWh each hour priced at *****/MWh; and

   (f) During the period of HE 0100 May 1, 2013, through HE 2400 May 31, 2013: 1,100 MWh of Additional Energy each hour for a total of 818,400 MWh, with the first 750 MWh each hour priced at *****/MWh, plus FCA, and the remaining 350 MWh each hour priced at *****/MWh.

   If during or following an interruption or curtailment of the availability of power under section 5.1 of the Power Contract or if power amounts are adjusted in accordance with section 6 below, the total amount of power made available in any hour in (d) – (f) above, as supplemented by section 4 below (if applicable), is reduced, the amount of power in excess of 300 MWh for that hour priced at *****/MWh, plus FCA, and the amount priced at *****/MWh, with no FCA, and the amount priced at *****, with no FCA, shall be adjusted to maintain the ratio between the amount of interruptible power at each price and the total amount of power in excess of 300 MWh made available in that hour. For example, assuming the amounts have not been supplemented by section 4, if following an interruption in the availability of power, the total amount of power to be taken each hour under (f) were reduced from 1,100 MWh to 1,050 MWh, then the portion of the power to be taken each hour priced at *****/MWh, plus FCA, above 300 MWh shall be reduced from 450 MWh to 422 MWh, and the power to be taken each hour priced at *****/MWh would be reduced from 350 MWh to 328 MWh.

2. During the Supply Period, the total amounts of power available to USEC under the Power Contract will be increased from zero by the amounts in section 1 above as supplemented by section 4, modified by section 6 below, or modified by any other transactions pursuant to subsection 2.2(e) of the Power Contract (if applicable), and, USEC shall take such amounts; provided, however, that it is expressly agreed that (i) all amounts taken by USEC up to and including 300 MW during any hour during any of the periods in (a) – (f) of section 1 above, shall, for suspension purposes, be treated as Firm Baseline Energy; and (ii) all amounts above 300 MWh per hour during any of the periods in (a) – (f) of section 1 above shall be subject to suspension as Interruptible Baseline Energy in accordance with Attachment 2 to the Power Contract, as amended by TV-05356W, Supp. No. 8.

3. For billing purposes, USEC's minimum energy takings under the Power Contract during the Supply Period shall be increased by the Additional Energy amounts made available to USEC pursuant to section 1 above and, if applicable, section 4 below (as modified by section 6 below if applicable), and the Additional Energy prices specified in section 1 above and, if applicable, section 4 below (as modified by section 6 below if applicable), shall be applied to such Additional Energy amounts for the Supply Period and shall be reflected in the Power Bill. It is recognized that as of the date of execution of this Confirmation, all power to be made available to USEC under the Power Contract after June 1, 2012, is provided for in this Confirmation.

4. USEC may elect to take up to an additional 125 MWh per hour of Additional Energy at *****/MWh during the period HE 0100 October 1, 2012, through HE 2400 May 31, 2013. For billing purposes, this amount would be treated as the last power made available and taken each hour during those periods. USEC must provide notice to TVA by September 1, 2012, of the amount, if any, requested for that period. It is expressly recognized that in the event that USEC elects to take Additional Energy under this section, USEC shall designate a single amount of power that TVA will make available in accordance with this section, and that same amount of power shall be made available as Additional Energy during each hour of each month between October 2012 and May 2013.

5. It is recognized by the Parties that under sections 6 and 7 of the letter agreement, dated April 25, 2011, between the Parties ("April 2011 Confirmation"), as modified by section 4 of the letter agreement, dated September 14, 2011, between the Parties ("September 2011 Confirmation"), as further modified by section 4 of the letter agreement, dated February 15, 2012, between the Parties ("February 2012 Confirmation"), as further modified by section 4 of the letter agreement, dated March 9, 2012, between the Parties ("March 9, 2012 Confirmation"), and as further modified by the Additional Energy amounts taken by USEC under section 1 of the letter agreement, dated March 21, 2012, between the Parties ("March 21, 2012 Confirmation"), USEC is obligated to buy, pursuant to section 2 of the March 21, 2012 Confirmation, 164,081 MWh of Additional Energy from TVA from HE 0100 June 1, 2012 through HE 2400 September 30, 2012. The Parties hereby agree that the first 164,081 MWh of power purchased by USEC under section 1 above shall be deemed to be the purchase of the power covered by section 2 of the March 21, 2012 Confirmation and that following the completion of the purchase of such 164,081 MWh of Additional Energy, USEC's continuing obligation to purchase Additional Energy from TVA under the April 2011, September 2011, February 2012, and March 9 and 21, 2012 Confirmations shall be fulfilled. Further, it is expressly recognized that the March 21, 2012 Confirmation shall terminate effective June 1, 2012.

6. It is expressly recognized that Energy Northwest ("EN") may (i) terminate the Agreement between EN and USEC (USEC Contract No. [EC-SC01-12UE03133]) (the "Agreement") or (ii) fail to supply USEC with sufficient conforming depleted uranium ("DU") for enrichment during the Supply Period, or to pay USEC for the enrichment of DU during the Supply Period and that such termination or failure to deliver or pay may lead USEC to cease enrichment of uranium at the Paducah Facility. Upon notification by USEC of a (i) termination of the Agreement by EN or (ii) of the date by which USEC will cease enrichment as a result of such failure provided for in the immediately preceding sentence, USEC and TVA shall agree upon a schedule to reduce all power takings under this Confirmation in a manner that ensures safe and reliable operation of the Paducah Facility while also reducing the amount of power taken under this Confirmation to zero within thirty (30) days after USEC's notice; provided, however, that if EN terminates the Agreement due to a failure to reach agreement with TVA for the sale of enriched depleted uranium, SWU (as defined below) or enriched product, then the schedule shall, at USEC's option, reduce the amount of power taken under this Confirmation to zero within ten (10) days. Such notice by USEC shall include a copy of the notice of termination delivered by EN to USEC or the notice of non-performance delivered by USEC to EN under the Agreement, as applicable. In accordance with the intent of the Parties that USEC take all power requirements for the tails enrichment program from TVA but not be obligated to purchase any power not needed if USEC ceases enrichment of uranium at the Paducah facility, it is expressly recognized and agreed that USEC shall not be entitled under this paragraph to reduce its obligations under this Confirmation unless either (i) EN terminates the Agreement or (ii) a non-performance under the EN Agreement as described in the first sentence of this section results in USEC ceasing its enrichment operations.

   If, during the term of this Confirmation, EN reduces or delays its delivery to USEC of the amounts of DU that EN is required to deliver to USEC under the Agreement and, as a result of such reduction or delay, the quantity and/or schedule of separative work units ("SWU") to be supplied by USEC under the Agreement is adjusted, then in lieu of USEC ceasing to enrich uranium at the Paducah Facility as provided for under the immediately preceding paragraph, USEC may submit to TVA a proposed revised schedule of power takings under this Confirmation which reflects such reduced or delayed deliveries of DU. The proposed revised schedule of power takings may include a reduction in section 1 monthly volumes and/or a reduction in section 1 monthly volumes with an equivalent increase in other section 1 months' volumes. USEC shall provide TVA with written certification of the adjustment in quantity and/or schedule of SWUs to be supplied by USEC. The proposed revised schedule of power takings shall be subject to mutual agreement of the Parties. Nothing in this paragraph shall limit USEC's rights set forth in the first paragraph of this section 6.

   Should the amounts of Additional Energy specified in section 1 of this Confirmation, as adjusted by section 4 above if applicable, be adjusted as a result of the actions taken under this section 6, then TVA shall be released of its obligation to sell, and USEC shall be released from its obligation to buy, any Additional Energy in excess of the reduced amounts determined in accordance with this section 6. When a reduction in section 1 monthly volumes, as adjusted by section 4, if applicable, occurs under this section, pricing for remaining power shall be determined in accordance with the final paragraph of section 1 above as though such reduction was the result of an interruption or curtailment. When a decrease in a month's volumes occurs with an equivalent increase in another month's volumes under this section, pricing for the month with the decreased volumes shall be determined in accordance with the final paragraph of section 1 above as though such reduction was the result of an interruption or curtailment. For the month with equivalent increased volumes, the amounts of Additional Energy added at *****/MWh, plus FCA, at *****/MWh, and at *****/MWh shall be the same MWh amounts as reduced at the specified prices under the immediately preceding sentence; provided, however, that where the FCA is applied, the FCA for the month in which power is delivered shall apply.

7. It is expressly recognized that for the purposes of any calculation of a Fuel Cost Adjustment (FCA) true-up (TUm), the Additional Energy amounts taken by USEC that are priced at *****/MWh, plus FCA, shall be treated as Baseline Energy. It is further recognized that FCA only applies to prices for which it is expressly applicable under the terms of this Confirmation.

8. For purposes of billing, the methodology used in the Operating Procedures provided for under subsection 2.2(f) of the Power Contract to calculate Unscheduled Energy shall apply to the power taken under this Confirmation such that all such energy shall be treated as Baseline Energy for purposes of such calculation. Further, a price of *****/MWh shall apply to any Excess Baseline Energy (as defined in the Operating Procedures) taken by USEC during any month of the Supply Period.

9. It is expressly recognized that the performance assurance provisions of the Power Contract shall apply with respect to any payment obligations under this Confirmation.

10. It is expressly understood and agreed by TVA that, notwithstanding the terms of Attachment 5 to the Power Contract, USEC shall be permitted to file this Confirmation as an exhibit to its public filings with the Securities and Exchange Commission with pricing information redacted and, where applicable, to disclose modifications to the schedule of power takings under any section of this Confirmation.

If the foregoing satisfactorily states the understanding between us, please have a duly authorized representative execute this Confirmation on behalf of USEC and return an executed copy to me. This agreement shall, subject to execution of the Agreement by USEC and EN and delivery of the same (excluding proprietary information) to TVA, become effective as of the date accepted and agreed to by TVA below and shall remain in effect until all obligations of the Parties under this agreement have been fulfilled.

Accepted and agreed to as of the
15th day of May, 2012.

TENNESSEE VALLEY AUTHORITY

By _/s/ Tom Kilgore_____
Tom Kilgore
President and Chief Executive Officer

Accepted and agreed to as of the
15th day of May, 2012.

UNITED STATES ENRICHMENT CORPORATION

By ___/s/ Robert Van Namen_____
Robert Van Namen
Senior Vice President - Uranium Enrichment

**EXHIBIT 10.7**

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

DE-AC01-93NE50067,
08843672/50067-02
Amendment No. 020

AMENDMENT No. 020, signed as of June 5, 2012, to Contract No. DE-AC01-93NE50067,08843672/50067-02 entered into January 14, 1994 (the "Contract") by and between United States Enrichment Corporation ("USEC"), Executive Agent of the United States of America, and Joint Stock Company "Techsnabexport" ("TENEX"), Executive Agent of the State Atomic Energy Corporation "Rosatom" ("Rosatom"), Executive agent of the Russian Federation. USEC and TENEX, acting in their capacities as Executive Agents, are referred to herein individually as a "Party" and collectively as the "Parties". Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Contract.

Pursuant to Part I, Section H.12(c) of the Contract, USEC and TENEX hereby agree as follows:

SECTION 1. The last three sentences at the end of the first paragraph of Part I, Section B.05 shall be replaced by the following:

> "Notwithstanding anything to the contrary in this Contract and subject to Section 3 of Amendment No. 020 to the Contract, in calendar year 2013 TENEX shall deliver, and USEC shall take delivery of, all remaining amounts of LEU-from-HEU (including all LEU contained in the 8.7 MT of HEU that was not delivered for calendar year 1999 (the "1999 Material")), as may be required to ensure that over the term of the Contract, TENEX has delivered, and USEC has taken delivery of, LEU contained in 500 MT of HEU, in accordance with the Government-to-Government Agreement (Attachment 9 to the Contract) and the terms of this Contract before December 31, 2013."

SECTION 2. Notwithstanding anything to the contrary in the Contract (including but not limited to Appendix A to Amendment No. 019 to the Contract), *****. In particular, the Parties confirm and agree as follows:

(a) The 1999 SWU Quantity means the quantity of SWU contained in 8,700.000 kg of HEU.

(b) The exact and final 1999 SWU Quantity ***** shall be determined in accordance with Appendix A to this Amendment No. 020 to the Contract.

(c) The 1999 SWU Quantity shall be deemed to be contained in type 30B cylinders only and shall not be deemed to be contained in the relevant type 1S (or other type if applicable) sample bottles.

(d) The 1999 SWU Quantity contained in the 1999 Material shall be the first SWU to be invoiced by TENEX, and paid by USEC, in CY2013. ***** Due to the high level of package traffic during the period of September-November 22, 2013, the September-November 2013 deliveries, as envisaged by the CY2013 USEC-TENEX Schedule (as defined below) may be shifted between months, but not beyond November 22, 2013. Any such shift shall not prejudice the treatment of the deliveries ordered by USEC for delivery in September-November 2013 as being subject to Section 4 for payment purposes, even if such deliveries are shifted to an earlier month.

(e) *****

SECTION 3. The Parties shall establish in the schedule of LEU deliveries in CY2013 (the "CY2013 USEC-TENEX Schedule") that the first delivery under the Contract shall be effected by TENEX and taken by USEC not later than May 31, 2013 and all LEU deliveries under the Contract, including but not limited to the last LEU delivery, shall be effected by TENEX and taken by USEC not later than November 22, 2013. Subject to force majeure, all LEU deliveries under the Contract, including but not limited to the last LEU delivery, shall be imported by USEC into the United States not later than December 30, 2013 to ensure the completion of the Government-to-Government Agreement before December 31, 2013.

(a) Only for purposes of performance by USEC of its importation obligation as stated above, "force majeure" shall include, in addition to the circumstances described in Part I, Section H.13, of the Contract, any disruption or delay of transportation of LEU to or from, or clearance of LEU at, through or from, any port that is not due to the negligent act or omission of USEC. In no event shall acts or omissions of third parties that are not solicited or caused by USEC be considered to be acts or omissions of USEC in evaluating whether USEC may claim force majeure, including, but not limited to, acts or omissions of persons or entities acting as transporters, shipping agents, freight forwarders, Customs Brokers, warehouses, contractors or subcontractors of USEC in effecting transportation to or from, or clearance of shipments at, through or from, any port, nor shall USEC's force majeure claim be rejected on the grounds that USEC selected the third party whose acts or omissions caused the force majeure.

(b) In case, through no fault of TENEX or the government or agencies of the Russian Federation, all LEU delivered by TENEX under the Contract in CY2013 has not been imported into the United States by December 30, 2013 for any reason whatsoever, including but not limited to force majeure circumstances, USEC shall apply its best efforts to assist TENEX in securing a joint determination of the U.S. Secretary of Energy and Secretary of State under paragraph (c)(4) of Section 3112A of the USEC Privatization Act with respect to waiver of the import limitations under paragraph (c)(1) of Section 3112A. This Section 3(b) shall be the exclusive remedy against USEC with respect to the failure to import such LEU by December 30, 2013. Such remedy shall be applied also if the failure to import such LEU by December 30, 2013 will be caused by force majeure.

SECTION 4. *****

SECTION 5. This Section 5 and Section 6 and Section 8 of this Amendment No. 020 shall take effect immediately upon execution by both Parties of this Amendment No. 020. Sections 1 through 4 and Section 7 of this Amendment No. 020 shall enter into full force and effect and the rights and obligations of the Parties under such Sections 1 through 4 and Section 7 of this Amendment No. 020 shall become effective and the Parties shall be bound by the aforementioned Sections 1 through 4 and Section 7 as of the first day by which the Parties have notified each other in writing, which notices shall not be withheld or delayed and shall indicate the date of the relevant approval or endorsement, that this Amendment No. 020 has been approved or endorsed by the notifying Party's Government. Each Party shall promptly after execution by both Parties of this Amendment No. 020 (or earlier if possible) apply to the respective Party's Government for approval of this Amendment No. 020 and shall use its reasonable efforts to secure its Government's approval of this Amendment No. 020 as soon as possible. If by September 1, 2012 any one or both of the Parties' Governments have neither (i) approved or endorsed this Amendment No. 020 nor (ii) denied such approval or endorsement in writing, the Parties shall immediately enter into consultations to agree on measures to obtain the relevant Governmental approval(s) or endorsement(s) of this Amendment No. 020 and how to proceed with the implementation of the Contract in the context of the absence of the respective Governmental approval(s) or endorsement(s) of this Amendment No. 020, but if they fail to agree on such measures by September 15, 2012 and approval(s) or endorsement(s) from both Governments still have not been received by that date, Sections 1 through 4 and Section 7 of this Amendment No. 020 shall be null and void. A Party shall immediately notify the other Party if the relevant Party's Government denies approval or endorsement of this Amendment No. 020. If any one or both of the Parties' Governments deny approval or endorsement of this Amendment No. 020 Sections 1 through 4 and Section 7 of this Amendment No. 020 shall be null and void.

SECTION 6. Each Party may disclose to third parties the existence of this Amendment No. 020, but shall not disclose its terms, in whole or in part, to any third party without the consent of the other Party, which shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, either Party may disclose the terms of this Amendment No. 020 (a) to the extent such disclosure is required (i) to secure an approval or endorsement required by Section 5 hereof; (ii) by law, regulation, order of a court or government agency, including to fulfill disclosure requirements of the Securities and Exchange Commission; or (iii) to fulfill such Party's duties as Executive Agent under the Contract; (b) on a confidential basis to such Party's parent companies, outside legal counsel, creditors, investors, advisors and organizations providing book-keeping, accounting and tax reporting services for either Party (including, but not limited to, Closed Joint Stock Company "Greenatom"); or (c) on a confidential basis to such Party's production plants or for customs clearance purposes. A Party who makes a disclosure under the preceding sentence shall mark the information as "proprietary business information" and, in the case of disclosures to government organizations (including the Russian production plants) who are not subject to a signed confidentiality agreement with the disclosing Party, shall seek to invoke any procedures available to protect the disclosed information from further disclosure.

SECTION 7. Except as amended hereby, the Contract shall remain unchanged and in full force and effect.

SECTION 8. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment as of the date first written above.

| | |
|---|---|
| UNITED STATES ENRICHMENT CORPORATION | JOINT STOCK COMPANY "TECHSNABEXPORT" |
| By: /s/ Philip G. Sewell | By: /s/ Alexey A. Grigoriev |
| Name: Philip G. Sewell | Name: Alexey A. Grigoriev |
| Position: Senior Vice President | Position: General Director |

Appendix A: Calculation of 1999 SWU Quantity

The Parties shall determine the exact and final 1999 SWU Quantity at the time they execute the binding delivery order for CY2013 and CY2013 USEC-TENEX Schedule, in accordance with the following formula:

$Q^{1999}_{SWU} = (Q^{1999}_{HEU} / Q^{T}_{HEU})$ x $Q^{T}_{SWU}$ , where:

$Q^{1999}_{SWU}$ is the 1999 SWU Quantity;

$Q^{1999}_{HEU}$ is the quantity of HEU representing the 1999 Material, which equals to 8,700.000 kg HEU;

$Q^{T}_{HEU}$ is the total quantity of HEU to be blended down and delivered to USEC as LEU in accordance with the binding delivery order for CY2013 and CY2013 USEC-TENEX Schedule, which shall comply to the terms of the Contract, including this Amendment No. 020 (for avoidance of doubt, $Q^{T}_{HEU}$ shall be equal to the remaining quantity of HEU to be blended down and delivered to USEC as LEU pursuant to the Government-to-Government Agreement and the Contract in CY2013 to ensure that the total quantity of HEU blended down and delivered to USEC as LEU pursuant to the Government-to-Government Agreement and the Contract is not less than 500 metric tonnes of HEU);

$Q^{T}_{SWU}$ is the total quantity of SWU contained in LEU derived from $Q^{T}_{HEU}$ and ordered by USEC for delivery in CY2013 in accordance with the binding order and the CY2013 USEC-TENEX Schedule.

In making the calculations in accordance with the above formula, the Parties shall round $Q^{T}_{HEU}$ to the nearest gram of HEU, $Q^{T}_{SWU}$ to three decimal places (one-thousandth part of SWU), the result of each intermediary individual arithmetic operation (division or multiplication, as the case may be) to three decimal places and the resulting $Q^{1999}_{SWU}$ to three decimal places (one-thousandth part of SWU).

In making the calculation of 50% of the 1999 SWU Quantity ($Q^{1999}_{SWU}$) the Parties shall multiply $Q^{1999}_{SWU}$ by 0.50 and round the resulting $Q^{1999}_{SWU}$ to three decimal places (one-thousandth part of SWU).

In rounding, where the number in the fourth decimal place is 1, 2, 3 or 4, the number is discarded without changing the number in the third decimal place, and where the number in the fourth decimal place is 5, 6, 7, 8 or 9, the number in the third decimal place is increased by 1. Thus, the number 0.0124 would be rounded to 0.012 while the number 0.0125 would be rounded to 0.013.

**EXHIBIT 10.8**

DE-NE0000530

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

COOPERATIVE AGREEMENT

BETWEEN

DEPARTMENT OF ENERGY

AND

USEC Inc.
6903 Rockledge Drive
Bethesda, MD 20817

AND
American Centrifuge Demonstration, LLC
3930 US Route 23 South
Piketon, OH 45661

CONCERNING

THE AMERICAN CENTRIFUGE CASCADE DEMONSTRATION TEST PROGRAM

1. Agreement No.: DE-NE0000530
2. Amendment No.: 000
3. Budget Period 1: From: June 1, 2012 To: November 30, 2012
4. Budget Period 2: From: December 1, 2012 To: December 31, 2013
5. Project Period: From: June 1, 2012 To: December 31, 2013
6. Total Estimated Cost of the Agreement: $350,000,000
    a) Budget Period 1 Cost: $109,587,730
    b) Budget Period 2 Cost: $240,412,270
7. Total Estimated Government Share of the Agreement: $280,000,000
    a) Budget Period 1 Government Share: $87,670,184*
    b) Budget Period 2 Government Share: $192,329,816
8. Total Estimated Recipient Share of the Agreement: $70,000,000
    a) Budget Period 1 Recipient Share: $21,917,546
    b) Budget Period 2 Recipient Share: $48,082,454
9. Funds Obligated This Action: $87,670,184 equal to up to 39,200MT DUF6
10. Funds Obligated Prior Actions: $000
11. Total Government Funds Obligated: $87,670,184 equal to up to 39,200 MT DUF6
12. Authority: 42 U.S.C. 7256(a) and 42 U.S.C. 2011 et seq.
13. Appropriation Data: Not applicable

*The Government Share will be fulfilled through DOE assumption of title and liability for up to 39,200 MT of Depleted Uranium Hexafluoride (DUF6), which the parties agree will be treated as the Government providing $87,670,184 in cost share contributions (80% of the total estimated cost of the agreement for Budget Period 1).

This Cooperative Agreement, (hereinafter called the "Agreement" or "Award"), is entered into between the Department of Energy, (hereinafter called the "DOE" or the "Government"), and Recipient. As used herein, Recipient means, jointly: USEC Inc. (hereinafter called "USEC", which includes where applicable its subsidiaries, affiliates, and successor entities), and American Centrifuge Demonstration, LLC (hereinafter "ACD").

| FOR USEC INC. | FOR THE DEPARTMENT OF ENERGY |
|---|---|
| (Signature) | (Signature) |
| /s/ Philip G. Sewell | /s/ Beth A. Tomasoni |
| Philip G. Sewell, Senior Vice President | Beth A. Tomasoni, Contracting Officer |
| 6-12-12 | 6/12/2012 |

(Date) (Date)

FOR AMERICAN CENTRIFUGE DEMONSTRATION, LLC

(Signature )

/s/ Peter B. Saba
Peter B. Saba
6-12-12
(Date)

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**PART I – GENERAL AND ADMINISTRATIVE INFORMATION**

**ARTICLE 1 – PURPOSE**

The purpose of this Agreement is to provide support for the continued development and demonstration of the American Centrifuge Cascade Demonstration Test Program (Project) and to facilitate the design and construction of key systems to be operated at the scale for full commercialization. Under this Agreement, the Recipient will conduct a series of tests to establish the capability of the American Centrifuge Technology to enrich uranium at a commercial scale.

**ARTICLE 2 – DEFINITIONS**

The terms defined in 10 CFR Part 600 apply to this Agreement. In addition, the following terms apply:

2.01 “American Centrifuge Technology” means the advanced gas centrifuge technology that is being developed by USEC based on technology licensed to USEC by DOE.

2.02 “American Centrifuge Plant” means the commercial plant being constructed by USEC using its American Centrifuge Technology in Piketon, Ohio

which will produce low enriched uranium using AC100 centrifuge machines that, when complete, will have an estimated capacity of 3.5 million separative work units per year.

2.03 “American Centrifuge Demonstration Facility” or “Lead Cascade” means the test facility constructed by USEC and being operated in Piketon, Ohio using its American Centrifuge Technology.

2.04 “Atomic Energy Act” means the Atomic Energy Act of 1954, as amended, 42 U.S.C. §§ 2011 et. seq.

2.05 “Equipment Contract” means contract number DE-NE0000488.

2.06 “Commercialization” means to operate as a business to supply enriched uranium under commercial contracts to civilian nuclear power reactors.

2.07 “Cylinder” means a container containing Depleted Uranium Hexafluoride.

2.08 “Depleted Uranium Hexafluoride” (“DUF6”) means DUF6 generated as a result of operation of the Gaseous Diffusion Plants.

2.09 “Effective Date” means the date this Agreement has been signed by both Parties.

2.10 “Gaseous Diffusion Plants” or “GDPs” means the gaseous diffusion plants at Paducah, Kentucky and Piketon, Ohio owned by DOE, portions of which are leased to the United States Enrichment Corporation (a wholly owned subsidiary of USEC).

2.11 “Party” and/or “Parties” means the executing entities to this Agreement, consisting of the U.S. Department of Energy (“DOE”), American Centrifuge Demonstration, LLC (“ACD”) and USEC Inc. (“USEC”). USEC includes where applicable its subsidiaries, affiliates, and successor entities.

2.12 “PGDP” means the Paducah Gaseous Diffusion Plant.

2.13 “Project” means the American Centrifuge Cascade Demonstration Test Program.

2.14 “Project Execution Plan” means the Project Execution Plan attached as Attachment B.

2.15 “Project Scope” means the scope of the project subject to this Agreement as described in Attachment B.

2.16 “Recipient” means USEC Inc. and American Centrifuge Demonstration, LLC jointly.

2.17 “Total Estimated Cost” is the sum of the estimated project costs attributable to contributions by DOE and USEC under the terms of this Agreement as set forth in Article 9.

2.18 “Transferred Material” means DUF6 and the cylinders in which the DUF6 is contained that is transferred from USEC to DOE under the terms of this Agreement.

**ARTICLE 3 – ORDER OF PRECEDENCE**

3.01 In the event of any inconsistency between the terms of this Agreement and the Attachments, the inconsistency shall be resolved by giving precedence in the following order: (1) this Agreement and (2) Attachments to this Agreement.

3.02 Any apparent inconsistency between Federal statutes and regulations and the terms and conditions contained in this award must be referred to the DOE Award Administrator identified in Block 26 of this Agreement cover page for guidance.

**ARTICLE 4 – AGREEMENT ADMINISTRATORS**

4.01 Unless otherwise provided in this Agreement, approvals permitted or required to be made by DOE may be made only by the DOE Contracting Officer. Administrative and contractual matters under this Agreement shall be referred to the following representatives of the Parties:

DOE Award Administrator/Contracting Officer: Beth A. Tomasoni, Contracting Officer, U.S. Department of Energy, 1000 Independence Ave. SW, Washington, DC. Telephone: (202) 287-1536. Email: beth.tomasoni@hq.doe.gov.

Questions regarding intellectual property matters should be referred to: John T. Lucas, Esq., Assistant General Counsel for Technology Transfer and Intellectual Property, U.S. Department of Energy, 1000 Independence Ave. SW, Washington, DC 20585. Telephone: (202) 586-2939. Email: john.t.lucas@hq.doe.gov.

USEC Administrator: Charles Kerner, Director of Procurement and Contracts, 6903 Rockledge Dr., Bethesda, MD 20817. Telephone: (301) 564-3323. Email: KernerC@usec.com,

ACD Administrator: Deputy Project Manager, 3930 US Route 23 South, Piketon, OH 45661. Telephone: To be provided Email: To be provided

4.02 Technical matters under this Agreement shall be referred to the following representatives:
DOE Program Manager: William N. Szymanski, Director, Uranium Management and Policy, Office of Nuclear Energy, U.S. Department of Energy, 1000 Independence Ave. SW, Washington, DC 20585. Telephone: (202) 586-4553. Email: william.szymanski@hq.doe.gov

DOE Project Officer: J.T. Howell, Assistant Manager for Nuclear Fuel Supply U.S. Department of Energy, Oak Ridge Office, 200 Administration Road, Oak Ridge, TN 37830, Telephone: (865)574-3981, Email: howelljt@oro.doe.gov

USEC: Paul Sullivan, Vice President, American Centrifuge and Chief Engineer, 6903 Rockledge Dr., Bethesda, MD 20817. Telephone: (301) 564-3301. Email: sullivanp@usec.com,

ACD: Deputy Project Manager, 3930 US Route 23 South, Piketon, OH 45661. Telephone: To be provided Email: To be provided

4.03 Each Party may change its representatives named in this Article by written notification to the other Party.

**PART II – PROJECT**

**ARTICLE 5 – SCOPE OF AGREEMENT**

5.01 The Project Scope, included as Attachment B, describes the overall vision for the project, including purpose, objectives, work to be performed, project plan, and commercial goals. The Recipient must perform the development and demonstration in accordance with the Project Scope. Any significant change to the Project Scope must be issued as an amendment to this Agreement by the DOE Contracting Officer and executed by both Parties.

5.02 USEC must submit or otherwise provide all documentation required by Attachment C, Reporting Requirements.

**ARTICLE 6 – MANAGEMENT OF THE PROJECT**

6.01 Responsibilities. DOE and Recipient are bound to each other by a duty of good faith in performing their respective responsibilities. The responsibilities of the Parties are:

a. Recipient is responsible for the overall management of the project, including technical, programmatic, reporting, financial and administrative matters.

b. The DOE Project Officer will attend and fully participate in technical and project quarterly status meetings. Other DOE personnel, and/or DOE's designated representatives, as deemed appropriate by the DOE Project Officer, may also participate in technical and project status meetings.

c. DOE representatives will be subject to appropriate obligations of confidentiality with respect to Recipient proprietary, export control, and classified information.

d. Project Review. Recipient is responsible for establishing a schedule of regular technical meetings. Recipient is responsible for meeting with DOE, and/or DOE's designated representatives, on a monthly basis to update progress and discuss any special advances or problems. The monthly project review meetings may be combined with other meetings with DOE related to the review of the Project. Recipient shall notify the DOE Project Officer of the meeting schedule.

e. Modifications.

(i) If the results of the Project indicate that a change in the Project Scope would be beneficial to program objectives, Recipient may submit a written request to modify this Agreement or its Attachments to the DOE Contracting Officer, with a copy to the DOE Project Officer. The request must provide justifications to support any changes to the Project Scope and detail the technical, chronological, and financial impact of the proposed changes to the Project. A revised Project Scope is not authorized under this Agreement unless and until the Project Scope is formally revised by the DOE Contracting Officer and made part of this Agreement.

(ii) The DOE Contracting Officer is the only individual who can amend this Agreement or commit DOE. A commitment by other than the DOE Contracting Officer, either explicit or implied, is invalid.

6.02 Understanding of the Parties. The Recipient represents that it will take all necessary steps to establish and stand up ACD for the purposes of carrying out the Project, including acquiring all permits and approvals required to carry out this Cooperative Agreement. The Recipient shall cooperate with DOE/NRC with respect to the FOCI review including (i) participating in discussions or meetings where requested to do so and (ii) timely providing information, data, and documents when requested by DOE/NRC in connection with consideration thereof. The Recipient further agrees to take all reasonable steps to obtain such cooperation from the Other Participants (as defined in Attachment F).The Recipient represents that it intends to organize ACD with a governance structure as set forth in its application and included in this Agreement for reference as Attachment F. The parties agree that the Recipient's plan for governance structure of ACD is critical to further the goals and administration of the Agreement. This Agreement may only be novated or assigned from the Recipient to ACD with DOE written approval. No Party has the right to unilaterally assign or novate this agreement, and any Party may refuse approval of novation or assignment for any reason

**ARTICLE 7 – STATEMENTS OF FEDERAL STEWARDSHIP AND SUBSTANTIAL DOE INVOLVEMENT**

7.01 Stewardship. DOE will exercise normal Federal stewardship in overseeing the Project activities performed under this award. Stewardship activities include, but are not limited to, conducting site visits; reviewing performance and financial reports; providing technical assistance and/or temporary intervention in unusual circumstances to correct deficiencies which develop during the project; assuring compliance with terms and conditions; and reviewing technical performance during and after project completion to ensure that the award objectives have been accomplished. The Recipient is required to provide any information, documents, or other assistance requested by DOE reasonably necessary for the purpose of its Federal stewardship or substantial involvement.

7.02 Substantial Involvement. DOE shall be substantially involved in the Project. DOE responsibilities include reviewing technical reports and other information in a timely manner, and providing suggestions or advice if the activities do not address DOE needs; participating in the initial review of the Recipient's Project baseline; attending and fully participating in quarterly program review meetings to ensure that the work accomplishes the program and

project objectives; and reviewing and approving any modifications to the Project Scope, if such modifications are deemed to be in the best interest of the project. DOE substantial involvement also includes DOE review and approval prior to replacing key personnel and/or first tier contractors identified in Attachment G. DOE also exercises Federal stewardship and has substantial involvement in work performed under this Award by first tier subcontractors identified in Attachment G. The Recipient may not restrict DOE's communications, interaction, or access to first tier subcontractors identified in Attachment G. Nothing contained in this Agreement shall be construed to permit DOE to direct any employee, or subcontractor of Recipient or to interfere with implementation of the Project by Recipient.

7.03 Technical Milestones and Deliverables. Attachment B to this Award establishes Technical Milestones and deliverables. If the Recipient fails to achieve any Technical Milestones and deliverables, DOE may renegotiate the statement of project objectives or schedule of Technical Milestones and deliverables in Attachment B to this Award. In the alternative, DOE may deem the Recipient's failure to achieve Technical Milestones set forth in Attachment B to be material noncompliance with the terms and conditions of this Award and suspend or terminate the Award. Allowability of costs shall be handled in accordance with the applicable regulations. *See, e.g.,* 10 CFR 600.25 and 10 CFR 600.352.

7.04 Technology Transfer and Outreach. DOE may provide guidance or assistance to the Recipient to accelerate the commercial deployment of DOE-funded technologies.

7.05 General Release. The Recipient understands that any technical or other guidance or assistance provided by DOE may result in positive or negative outcomes and may have unintended or unanticipated consequences. The Recipient agrees to release the Federal Government, Federal officers and employees, contractors, and agents from any and all liability, responsibility, and claims arising out of or relating to technical or other guidance or assistance under this Award. Notwithstanding any other provision of this Agreement, any failure to meet a Technical Milestone or failure to provide a deliverable as a direct result of Recipient's acceptance and/or implementation of DOE's guidance or assistance shall not form the basis for a conclusion that the Recipient has materially failed to comply with the terms and conditions of the award, provided that the Recipient has notified DOE in writing within ten business days after the receipt of guidance or assistance that identifies that the implementation and/or acceptance of guidance or assistance creates the potential noncompliance and describes with specificity the manner in which it does so.

7.06 Notwithstanding any other provision of this Agreement, the Recipient shall not be deemed to have failed to comply with a requirement of this Agreement (including a Technical Milestone) if DOE has not made available the full amount of the Government Cost Share through the Budget Period that includes the date by which such requirement or Technical Milestone must be achieved.

**PART III – FINANCIAL MATTERS**

**ARTICLE 8 – FUNDING, ACCEPTANCE, TRANSFER & DELIVERY**

8.01 The maximum amount of liability assumed from the Recipient by DOE, which is made available through DOE assumption of Depleted Uranium Hexafluoride (DUF6) title and liability, shall be as set forth in the table below. For each of the periods set forth below, the Recipient is prohibited from incurring costs for which DOE reimbursement will be sought in excess of the following amounts; provided, however, that unutilized funds made available in any period may be made available to reimburse costs incurred in any subsequent period.

| Award Period | DOE Incremental Amount of Liability Assumed in DUF6 | Maximum DOE Incremental Amount of Liability Assumed in Cost Share Dollars |
|---|---|---|
| Budget Period 1 Funding Period 1 6/1/12-7/31/12 | 11,813 MT of DUF6 | $26,410,272 |
| Budget period 1 Funding Period 2 8/1/12-11/30/12 | up to 27,387 MT of DUF6 | $61,259,912 |
| Total for Budget Period 1 | up to 39,200 MT of DUF6 | $87,670,184 |
| Budget Period 2 12/1/12-12/31/13 | | $192,329,816 |

Budget Period 1 is divided into two funding periods. DOE will accept title to DUF6 for the initial period (6/1/12-7/31/12) after award of this Agreement to allow the Recipient to begin work on approved activities. Upon satisfying the conditions set forth in this Article 8.01 below, the Contracting Officer will issue written authorization allowing the Recipient to incur costs during the remainder of Budget Period 1and DOE shall assume the remainder of the DUF6 liability to be assumed for Budget Period 1. DOE cost share for Budget Period 1 will be fulfilled through DOE's assuming title and liability for up to 39,200 MT of Depleted Uranium Hexafluoride (DUF6), which the parties agree will be treated as the Government providing $87,670,184 in cost share contributions (80% of the total estimated cost of the agreement for Budget Period 1).

Among other requirements set forth elsewhere in this Agreement, DOE will not assume liability from the Recipient incurred beyond 7/31/12 unless (a) the Equipment Contract (Contract No. DE-NE0000488) has been executed and title to the Transferred Property (as defined therein) has been transferred to DOE and (b) the Recipient provides a revised application for financial assistance under this award to DOE no later than 7/24/12 that includes: (1) cost, schedule, Performance Indicator/Milestone detailed estimate (to Work Breakdown Structure level 3) for the Project; (2) a report detailing ACD's efforts to implement a governance structure demonstrating capability to provide overall management of the project (see Article 6.02) and demonstrating that the ACD has submitted to the Nuclear Regulatory Commission (NRC) a complete package requesting a Foreign Ownership, Control or Influence (FOCI) determination in a form acceptable to the NRC; and (3) a revised Attachment B that includes proposed Technical Milestone dates.

Among other requirements set forth elsewhere in this Agreement, DOE's cost share for Budget Period 2 is conditioned upon the availability of appropriations or other source of consideration. In the event DOE authorizes funds above the assumption of DUF6 title and liability provided in Section 8.01 (Additional Funding), DOE and Recipient shall promptly amend this Agreement to reflect such funding and to provide invoicing procedures therefor. DOE will not assume liability or otherwise reimburse costs incurred by the Recipient under this Agreement during Budget Period 2 without first issuing written authorization permitting the Recipient to incur costs under this Agreement during Budget Period 2. DOE will not issue written authorization permitting incurrence of costs under this Agreement during Budget Period 2 unless the Recipient submits the following to DOE no later than 9/21/12: (1) documentation evidencing the existence of ACD with, subject to obtaining necessary regulatory approvals, the governance structure referenced in Article 6.02; and (2) revised cost, schedule, Performance Indicator/Milestone detailed estimate (to Work Breakdown Structure level 3) for the American Centrifuge Cascade Demonstration Test Program.

In addition to other available remedies in the event the conditions in this Section 8.01 for the continued funding of the program are not met, the Contracting Officer may suspend or terminate this award without recourse through corrective action by Recipient. In the case of such a suspension or termination, costs shall be addressed as set forth in 10 CFR § 600.24.

8.02 For DOE's cost-share contribution for Budget Period 1, DOE has agreed to accept title to certain quantities of DUF6 that will enable USEC to release encumbered funds. DOE shall be responsible for eighty percent (80%) of the allowable costs of the project for Budget Period 1. DOE cost share contributions for Budget Period 1 will be fulfilled through DOE assuming disposal responsibilities for up to 39,200 MT of DUF6, which will be treated as $87,670,184 in cost share contributions. DOE will accept title to, but not possession or custody of, Transferred Material on the date specified in Section 8.03 below. The maximum Government obligation to the Recipient is limited to accepting no more than 39,200 MT of DUF6. The Parties agree that the transfer of this amount of DUF6 shall provide a present value equal to $87,670,184. The Parties agree that the transfer of DUF6 shall be from and accomplished by the Recipient through USEC's subsidiary the United States Enrichment Corporation.

8.03 Schedule and Effective Date of Transferred Material Title Transfer. Subject to adjustment as provided in Section 9.03, the Recipient will transfer title to no more than 39,200 MT of DUF6 and the cylinders in which the DUF6 is contained AS IS (the "Transferred Material") to DOE and DOE will accept title to, and responsibility for the disposition of, such Transferred Material as of the effective date of this Agreement. After title is transferred to DOE, the Recipient shall remain responsible for custody, possession and the safe and secure storage of the Transferred Material at the Recipient's own expense, and in accordance with the Recipient's procedures and applicable NRC regulatory requirements, until DOE takes custody and possession of the material.

8.04 Schedule for Transfer of Custody and Possession. At the Recipient's cost and expense, the Recipient shall transfer custody and possession of, and DOE will accept custody and possession of and responsibility for safe and secure storage of, the Transferred Material, at the date that is the earlier of either: (i) sixty (60) days after the Recipient's receipt of notice from DOE of the date DOE deems appropriate to disposition the Transferred Material; (ii) December 1, 2013; or (iii) at the date of the United States Enrichment Company's return of the portion of the property covered by the "Lease Agreement Between The United States Department of Energy and The United States Enrichment Corporation" (GDP Lease) housing the cylinder yard where the Transferred Material is currently stored.

8.05 Identification of Cylinders, Right of Inspection, and Acceptance. All Transferred Material and the cylinders containing the Transferred Material shall be provided AS IS. The Recipient shall provide DOE with a preliminary list of the cylinders of the Transferred Material within ten (10) days of the effective date of this Agreement and shall provide a final list within sixty (60) days after the termination, completion or expiration of this Agreement. DOE shall have the right to inspect the cylinders. The Recipient shall configure the cylinders as required by NRC.

8.06 Delivery. When DOE accepts custody and possession and responsibility for the safe and secure storage of the Transferred Material and/or cylinders as provided in Sections 8.04 and 8.05, the Recipient shall deliver the cylinders to DOE at a mutually agreed location at Paducah Gaseous Diffusion Plant (GDP) and mutually agreed upon schedule. At the Recipient's option, delivery may also be made by the United States Enrichment Corporation's return the cylinder yard at the Paducah GDP in which the cylinder is stored, provided such return of that area is pursuant to the terms and consistent with the United States Enrichment Corporation's obligations for such return under the GDP Lease. The delivery must be completed no later than the date of the return of the portion of the property covered by the GDP Lease housing the cylinder yard where the Transferred Material is stored, unless agreed otherwise.

8.07 Records. After the Recipient provides the list of cylinders as required in Section 8.05, and prior to transferring custody and possession of cylinders as provided in Section 8.06, the Recipient shall provide copies of all records associated with inspection, storage, and management of the Transferred Material and the cylinders, including, but not limited to, all manufacturers records in its possession and all Nuclear Material Control and Accountability records for each cylinder.

8.08 Effective date of transfer of possession and custody. The effective date of transfer of custody and possession for any Transferred Material will be the date the Transferred Material is delivered to DOE as provided in Section 8.06.

8.09 Responsibility for cylinders. The Recipient is responsible for ensuring that the cylinders remain in the same condition as of the date of this Agreement until such cylinders are transferred to DOE. The Recipient shall bear all expense of cylinder surveillance and maintenance, and such costs are not allowable costs under this Agreement. The Recipient shall indemnify DOE, and hold DOE harmless, from any and against all claims, demands, fines, suits, actions, proceedings, orders, decrees and judgments of any kind and from and against all cost and expenses, including reasonable attorney fees, resulting from the cylinders failing to be in the same condition as they were on the date of this Agreement during the time period where title to the cylinders has passed to DOE but the cylinders were in the Recipient's custody and possession.

**ARTICLE 9 – COST SHARING**

9.01 Total Estimated Cost is the sum of the Government share and Recipient share of the estimated project costs. The Recipient's cost share must come from non-federal sources unless otherwise allowed by law. By accepting this award, Recipient agrees that it is liable for its percentage share of total allowable project costs, even if the project is terminated early. The cost share of DOE is eighty percent (80%) and the cost share of the Recipient is twenty percent (20%). The Total Estimated Cost for the project through the end of the project is $350,000,000. In no event will the Government's cost share be greater than eighty percent (80%).

9.02 If the Recipient discovers that it may be unable to provide cost sharing of at least the amount identified in Section 9.01, it shall immediately provide written notification to the DOE Contracting Officer indicating whether it will continue or phase out the project. If the Recipient plans to continue the project, the notification must describe how replacement cost sharing will be secured. If the Recipient decides to phase out the project, then this Agreement will be terminated in accordance with Article 27.

9.03 In the event the total costs incurred for the project are less than $109,587,730, either due to termination of this Agreement or for other reasons, the total amount of DUF6 transferred to DOE under Article 8 will be adjusted on a pro rata basis to equal DOE's share of the total project costs to the nearest full cylinder, provided that in no circumstance shall DOE's share exceed 80% of the total costs incurred. Following termination or expiration of this Agreement, Recipient must submit an accounting of costs incurred until the point of termination or expiration to DOE's Contracting Officer within ninety (90) days of the date of termination or expiration. Within thirty (30) days of the delivery of the accounting of the total costs of the project, DOE shall notify the Recipient of the need to return title to some or all of the Transferred Material and identify the cylinders to be returned. Only title to material previously transferred by the Recipient under Section 8.04 is eligible to be transferred back to the Recipient. The Recipient will notify DOE of any objection to the return of title to the cylinders identified within ten (10) days of receiving DOE's notice. DOE shall transfer and the Recipient shall accept title to such material on the later of (i) the eleventh day after the Recipient's receipt of DOE's notice if no objection is delivered to DOE; (ii) the date DOE and the Recipient agree to the transfer; or (iii) the date any dispute is resolved under Article 21. In no event, however, shall any cylinders be returned after the date of de-lease of the Paducah Gaseous Diffusion Plant.

9.04 Recipient must maintain records of all project costs that it claims as cost sharing, including in-kind costs. Such records are subject to audit.

**ARTICLE 10 – MAXIMUM OBLIGATION**

The maximum Government obligation to the Recipient is limited to accepting no more than 39,200 MT of DUF6 plus the Additional Funding if provided by DOE. The Recipient is not obligated to continue performance of the project after the maximum Government obligation and the Recipient's share of the project costs are expended.

**ARTICLE 11 – FINANCIAL SYSTEM AND RECORDS**

Prior to the submission of cost reports to DOE, the Recipient shall have and maintain an established accounting system which complies with Generally Accepted Accounting Principles, and with the requirements of this Agreement, and shall ensure that appropriate arrangements have been made for receiving, distributing and accounting for Federal funds and Recipient cost sharing, including any in-kind costs. Consistent with this, an acceptable accounting system will be one in which all funds, cash receipts, and disbursements are controlled and documented properly. Such records are subject to audit.

**ARTICLE 12 – ALLOWABLE COSTS**

Allowable costs are determined in accordance with the cost principles in 48 CFR Part 31 in the Federal Acquisition Regulation as applicable to for-profit entities in accordance with 10 CFR 600.317.

**ARTICLE 13 – USE OF PROGRAM INCOME**

13.01 Program income earned during the project period may be retained by the Recipient and added to the funds committed to the award and used to further eligible project objectives.

13.02 The Recipient may retain program income earned:

a. From license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under the Agreement.
b. After the end of the project period.

**ARTICLE 14 – RECOGNITION OF PRE-AWARD COSTS**

At USEC's request, DOE may consider authorizing inclusion of pre-award costs in accordance with 10 CFR 600.317(b).

**PART IV – ADMINISTRATIVE REQUIREMENTS**

**ARTICLE 15 – TITLE AND DISPOSITION OF PROPERTY**

15.01 Title to real property and equipment acquired by the Recipient under this Agreement shall vest in USEC Inc. or ACD. Title shall vest only in an entity that is legally permitted to hold title to such real property and equipment. Real property and equipment acquired by the Recipient shall be subject to the rules set forth in 10 CFR 600.321. DOE and the Recipient acknowledge and agree that title to the Equipment as defined in the Equipment Contract (Contract No. DE-NE0000488) acquired by the Recipient under this Agreement may be transferred by the Recipient to DOE pursuant to the Equipment Contract (Contract No. DE-NE0000488).

15.02 Consistent with the goals and objectives of this project, the Recipient may continue to use real property or equipment purchased in whole or in part under this award for its authorized purpose beyond the Period of Performance without obligation to make payment to DOE to extinguish DOE's interest to such real property or equipment as described in 10 CFR 600.321, subject to the following: (a) the Recipient continues to utilize such property for the objectives of the project (demonstrate centrifuge technology); and (b) DOE retains the right to periodically ask for, and the Recipient agrees to provide, reasonable information concerning the use and condition of the real property or equipment. The provisions of 10 CFR 600.321 shall cease to apply to any

property upon transfer to DOE of title to such property.

15.03 The Parties agree that use of the real property or equipment on other projects or programs would interfere with the work on the project under this Agreement.

15.04 Consistent with 10 CFR 600.321(b)(2), Recipient may request that the DOE Contracting Officer consider approving encumbrance of real property or equipment purchased in whole or in part under this Agreement.

15.05 ACD Access to Classified Information (including Restricted Data). Notwithstanding any other provision of this Agreement, ACD shall not have access to classified information, as that term is defined in paragraph 29.01(c) herein, and specifically shall not have access to Restricted Data unless and until ACD receives a Facility Clearance and a favorable Foreign Ownership, Control and Influence (FOCI) determination, and complies with all other applicable legal requirements.

**ARTICLE 16 – INTELLECTUAL PROPERTY**

The intellectual property requirements applicable to this Agreement are provided in Attachment D.

**ARTICLE 17 – RECORD RETENTION AND ACCESS TO RECORDS**

17.01 The Recipient must keep records related to this Agreement for a period of three (3) years after submission of the final report, except records for any real property or equipment acquired with project funds must be kept for three years after final disposition.

17.02 The DOE Contracting Officer, the DOE Inspector General, and the Comptroller General of the United States, or any of their duly authorized representatives, shall have unrestricted access to any books, documents, papers or other records of the Recipient that are pertinent to the work performed under this Agreement in order to make audits. Such audit, examination, or access shall be performed during business hours on business days upon prior written notice and shall be subject to the security requirements of the audited Party.

**ARTICLE 18 – REPORTING**

18.01 The reporting requirements for this award are identified on the Federal Assistance Reporting Checklist, DOE F 4600.2, attached to this award as Attachment C. Failure to comply with these reporting requirements is considered a material noncompliance with the terms of the award. Noncompliance may result in withholding of future payments, suspension or termination of the current award, and withholding of future awards. A willful failure to perform, a history of failure to perform, or unsatisfactory performance of this and/or other financial assistance awards may also result in a debarment action to preclude future awards by Federal agencies.

18.02 Dissemination of scientific/technical reports. Scientific/technical reports submitted under this award will be disseminated on the Internet via the DOE Information Bridge (www.osti.gov/bridge), unless the report contains proprietary data, patentable material, protected data or SBIR/STTR data. Citations for journal articles produced under the award will appear on the DOE Energy Citations Database (www.osti.gov/energycitations).

18.03 Restrictions. Reports submitted to the DOE Information Bridge must not contain any Protected Personal Identifiable Information (PII), limited rights data (proprietary data), classified information, information subject to export control classification, or other information not subject to release.

**ARTICLE 19 – FEDERAL, STATE, AND MUNICIPAL REQUIREMENTS**

The Recipient must obtain any required permits and comply with applicable Federal, state, and municipal laws, codes, and regulations for work performed under this Agreement.

**ARTICLE 20 – SITE VISITS**

DOE and/or DOE authorized representatives have the right to make site visits at reasonable times to review project accomplishments. The Recipient must provide, and must require its contractors performing project work to provide, reasonable access to facilities, office space, resources, and assistance for the safety and convenience of DOE and its representatives in the performance of their duties. All site visits and evaluations must be performed in a manner that does not unduly interfere with or delay the work.

**ARTICLE 21 – CLAIMS, DISPUTES AND APPEALS**

21.01 The Recipient must submit claims arising out of or relating to this Agreement in writing to the DOE Contracting Officer and must specify the nature and basis for the relief requested and include all data that supports the claim. DOE will attempt to resolve such claims informally at the DOE Contracting Officer level. All disputes and appeals will be resolved in accordance with the procedures set forth in 10 CFR 600.22.

21.02 Claims for damages of any nature whatsoever pursued under this Agreement shall be limited to direct damages only up to the aggregate amount of Government funding disbursed as of the time the dispute arises. In no event shall the Government be liable for claims for consequential, punitive, special and

incidental damages, claims for lost profits, or other indirect damages.

**ARTICLE 22 – FOREIGN ACCESS TO TECHNOLOGY**

The Parties understand that technology developments resulting from the performance of this Agreement may be subject to U.S. laws and regulations limiting access. Any transfer of technology developed under this Agreement must be consistent with these laws and regulations, including the Department of Energy Regulations at 10 CFR Part 810 and DOE Guidelines on Export Control and Nonproliferation, as applicable. The Recipient shall comply with these laws and regulations.

**ARTICLE 23 – NATIONAL POLICY ASSURANCES**

National Policy Assurances are incorporated into this award and are provided as Attachment E.

**ARTICLE 24 – INSOLVENCY, BANKRUPTCY OR RECEIVERSHIP**

24.01 Recipient shall immediately notify the DOE Administrator identified in Block 26 of this Agreement cover page of the occurrence of any of the following events: (i) Recipient or Recipient's parent's filing of a voluntary case seeking liquidation or reorganization under the Bankruptcy Act; (ii) Recipient's consent to the institution of an involuntary case under the Bankruptcy Act against Recipient or Recipient's parent; (iii) the filing of any similar proceeding for or against Recipient or Recipient's parent, or its consent to, the dissolution, winding-up or readjustment of Recipient's debts, appointment of a receiver, conservator, trustee, or other officer with similar powers over Recipient, under any other applicable state or federal law; or (iv) Recipient's insolvency due to Recipient's inability to pay Recipient's debts generally as they become due.

24.02 Such notification shall be in writing and shall: (i) specifically set out the details of the occurrence of an event referenced in the paragraph above; (ii) provide the facts surrounding that event; and (iii) provide the impact such event will have on the project being funded by this award.

24.03 Upon the occurrence of any of the four events described in the first paragraph, DOE reserves the right to conduct a review of Recipient's award to determine Recipient's compliance with the required elements of the award (including such items as cost share, progress towards technical project objectives, and submission of required reports). If the DOE review determines that there are significant deficiencies or concerns with Recipient's performance under the award, DOE reserves the right to impose additional requirements, as needed, including (i) change Recipient's payment method; or (ii) institute payment controls.

24.05 Failure of the Recipient to comply with this provision may be considered a material noncompliance of this financial assistance award by the Contracting Officer.

**ARTICLE 25 – LOBBYING RESTRICTIONS**

By accepting funds under this award, Recipient agrees that none of the funds obligated on the award shall be expended, directly or indirectly, to influence congressional action on any legislation or appropriation matters pending before Congress, other than to communicate to Members of Congress as described in 18 U.S.C. 1913. This restriction is in addition to those prescribed elsewhere in statute and regulation.

**ARTICLE 26 – NOTICE REGARDING THE PURCHASE OF AMERICAN-MADE EQUIPMENT AND PRODUCTS -- SENSE OF CONGRESS**

It is the sense of the Congress that, to the greatest extent practicable, all equipment and products purchased with funds made available under this award should be American-made.

**PART V – TERMINATION AND ENFORCEMENT**

**ARTICLE 27 – TERMINATION AND ENFORCEMENT**

Termination and enforcement of this Agreement shall follow the procedures at 10 CFR 600.350 through 600.353, and the terms set forth in this Agreement.

The Parties agree to terminate this Agreement in the event Recipient receives a Loan Guarantee from DOE.

The Recipient's responsibilities related to the Transferred Materials set forth under this Agreement DE-NE0000530 and the previous Cooperative Agreement DE-SC0006472 and DE-SC0003997 shall survive termination or expiration of this Agreement.

**ARTICLE 28 – MISCELLANEOUS**

28.01 Entire Agreement. This Agreement contains the entire understanding of DOE and the Recipient with respect to the subject matter of this Agreement. This Agreement does not modify, alter or change any other agreements between DOE and the Recipient including, but not limited to, Equipment

Contract (Contract No. DE-NE0000488),the Agreement Between the U.S. Department of Energy and USEC Inc. dated June 17, 2002, as amended; the Lease Agreement entered into as of July 1, 1993 between the U.S. Department of Energy and the United States Enrichment Corporation, as amended (the "Lease Agreement"); the Supplemental Agreement No. 1 to the Lease Agreement dated as of December 7, 2006, as amended; and the Non-Exclusive Patent License granted by U.S. Department of Energy to USEC dated as of December 7, 2006.

28.02 Applicable Law. This Agreement shall be governed and construed in accordance with the laws of the United States of America.

28.03 Further Assistance. DOE and the Recipient shall provide such information, execute and deliver any agreements, instruments and documents and take such other actions as may be reasonably necessary or required, which are not inconsistent with the provisions in this Agreement and which do not involve the assumption of obligations other than those provided for in this Agreement, in order to give full effect to this Agreement and to carry out its intent. This provision does not encompass, and DOE makes no commitment regarding, the issuance of any loan guarantees by DOE to any entity including to USEC or a USEC affiliate.

**ARTICLE 29 – SECURITY REQUIREMENTS**

29.01 Security.

(a) Responsibility. It is the Recipient's duty to protect all classified information, special nuclear material, and other DOE property. The Recipient shall, in accordance with DOE security regulations and requirements, be responsible for protecting all classified information and all classified matter (including documents, material and special nuclear material) which are in the Recipient's possession in connection with the performance of work under this award against sabotage, espionage, loss or theft. Except as otherwise expressly provided in this award, the Recipient shall, upon completion or termination of this award, transmit to DOE any classified information and classified matter or special nuclear material in the possession of the Recipient or any person under the Recipient's control in connection with performance of this award. If retention by the Recipient of any classified information and classified matter is required after the completion or termination of the award, the Recipient shall identify the items and classification levels and categories of matter proposed for retention, the reasons for the retention, and the proposed period of retention. If the retention is approved by the Contracting Officer, the security provisions of the award shall continue to be applicable to the classified matter retained. Special nuclear material shall not be retained after the completion or termination of the award.

(b) Regulations. The Recipient agrees to comply with all security regulations and award requirements of DOE as incorporated into the award.

(c) Definition of Classified Information. The term Classified Information means information that is classified as Restricted Data or Formerly Restricted Data under the Atomic Energy Act of 1954, or information determined to require protection against unauthorized disclosure under Executive Order 12958, Classified National Security Information, as amended, or prior executive orders, which is identified as National Security Information.

(d) Definition of Restricted Data. The term Restricted Data means all data concerning design, manufacture, or utilization of atomic weapons; production of special nuclear material; or use of special nuclear material in the production of energy, but excluding data declassified or removed from the Restricted Data category pursuant to 42 U.S.C. 2162 (Section 142, as amended, of the Atomic Energy Act of 1954).

(e) Definition of Formerly Restricted Data. The term "Formerly Restricted Data" means information removed from the Restricted Data category based on a joint determination by DOE or its predecessor agencies and the Department of Defense that the information- (1) relates primarily to the military utilization of atomic weapons; and (2) can be adequately protected as National Security Information. However, such information is subject to the same restrictions on transmission to other countries or regional defense organizations that apply to Restricted Data.

(f) Definition of National Security Information. The term "National Security Information" means information that has been determined, pursuant to Executive Order 12958, Classified National Security Information, as amended, or any predecessor order, to require protection against unauthorized disclosure, and that is marked to indicate its classified status when in documentary form.

(g) Definition of Special Nuclear Material. The term "special nuclear material" means- (1) plutonium, uranium enriched in the isotope 233 or in the isotope 235, and any other material which, pursuant to 42 U.S.C. 2071 (section 51 as amended, of the Atomic Energy Act of 1954) 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.

(h) Access authorizations of personnel.

(1) The Recipient shall not permit any individual to have access to any classified information or special nuclear material, except in accordance with the Atomic Energy Act of 1954, and the DOE's regulations and award requirements applicable to the particular level and category of classified information or particular category of special nuclear material to which access is required.

(2) The Recipient must conduct a thorough review, as defined at 48 CFR 904.401, of an uncleared applicant or uncleared employee, and must test the individual for illegal drugs, prior to selecting the individual for a position requiring a DOE access authorization.

(i) a review must verify an uncleared applicant's or uncleared employee's educational background, including any high school diploma obtained within the past five years, and degrees or diplomas granted by an institution of higher learning; contact listed employers for the last three years and listed personal references; conduct local law enforcement checks when such checks are not prohibited by state or local law or regulation and when the uncleared applicant or uncleared employee resides in the jurisdiction where the Recipient is located; and conduct a credit check and other checks as appropriate.

(ii) Recipient reviews are not required for an applicant for DOE access authorization who possesses a current access authorization from DOE or another Federal agency, or whose access authorization may be reapproved without a federal background investigation pursuant to Executive Order 12968, Access to Classified Information (August 4, 1995), Sections 3.3(c) and (d).

(iii) In collecting and using this information to make a determination as to whether it is appropriate to select an uncleared applicant or uncleared employee to a position requiring an access authorization, the Recipient must comply with all applicable laws, regulations, and Executive Orders, including those- (A) governing the processing and privacy of an individual's information, such as the Fair Credit Reporting Act, Americans with Disabilities Act (ADA), and Health Insurance Portability and Accountability Act; and (b) prohibiting discrimination in employment, such as under the ADA, Title VII and the Age Discrimination in Employment Act, including with respect to pre- and post-offer of employment disability related questioning.

(iv) In addition to a review, each candidate for a DOE access authorization must be tested to demonstrate the absence of any illegal drug, as defined in 10 CFR 707.4. All positions requiring access authorizations are deemed testing designated positions in accordance with 10 CFR part 707. All employees possessing access authorizations are subject to applicant, random or for cause testing for use of illegal drugs. DOE will not process candidates for a DOE access authorization unless their tests confirm the absence from their system of any illegal drug.

(v) When an uncleared applicant or uncleared employee receives an offer of employment for a position that requires a DOE access authorization, the Recipient shall not place that individual in such a position prior to the individual's receipt of a DOE access authorization, unless an approval has been obtained from the head of the cognizant local security office. If the individual is hired and placed in the position prior to receiving an access authorization, the uncleared employee may not be afforded access to classified information or matter or special nuclear material (in categories requiring access authorization) until an access authorization has been granted.

(vi) The Recipient must furnish to the head of the cognizant local DOE Security Office, in writing, the following information concerning each uncleared applicant or uncleared employee who is selected for a position requiring an access authorization-

A. The date(s) each Review was conducted;

B. Each entity that provided information concerning the individual;

C. A certification that the review was conducted in accordance with all applicable laws, regulations, and Executive Orders, including those governing the processing and privacy of an individual's information collected during the review;

D. A certification that all information collected during the review was reviewed and evaluated in accordance with the Recipient's personnel policies; and

E. The results of the test for illegal drugs.

(i) Criminal liability. It is understood that disclosure of any classified information relating to the work or services ordered hereunder to any person not entitled to receive it, or failure to protect any classified information, special nuclear material, or other Government property that may come to the Recipient or any person under the Recipient's control in connection with work under this award, may subject the Recipient, its agents, employees, or SubRecipients to criminal liability under the laws of the United States (see the Atomic Energy Act of 1954, 42 U.S.C. 2011 et seq.; 18 U.S.C. 793 and 794).

(j) Foreign Ownership, Control, or Influence. (1) The Recipient shall immediately provide the cognizant security office written notice of any change in the extent and nature of foreign ownership, control or influence over the Recipient which would affect any answer to the questions presented in the Standard Form (SF) 328, Certificate Pertaining to Foreign Interests, executed prior to award of this award. In addition, any 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 Contracting Officer.

(2) If a Recipient has changes involving foreign ownership, control, or influence, the cognizant security office must determine whether the changes will pose an undue risk to the common defense and security. In making this determination, the cognizant security office will consider proposals made by the Recipient to avoid or mitigate foreign influences.

(3) If the cognizant security office at any time determines that the Recipient is, or is potentially, subject to foreign ownership, control, or influence, the Recipient shall comply with such instructions as the Awarding Officer shall provide in writing to protect any classified information or special nuclear material.

(4) The Contracting Officer may terminate this award either if the Recipient fails to meet obligations imposed by this article or if the Recipient creates a foreign ownership, control, or influence situation in order to avoid performance or a termination. The Contracting Officer may terminate this award if the Recipient becomes subject to foreign ownership, control, or influence and for reasons other than avoidance of performance of the award, cannot, or chooses not to, avoid or mitigate the foreign ownership, control, or influence problem.

(k) Employment announcements. When placing announcements seeking applicants for positions requiring access authorizations, the Recipient shall include in the written vacancy announcement, a notification to prospective applicants that reviews, and tests for the absence of any illegal drug as defined in 10 CFR 707.4, will be conducted by the employer and a background investigation by the Federal government may be required to obtain an access authorization prior to employment, and that subsequent reinvestigations may be required. If the position is covered by the Counterintelligence Evaluation Program regulations at 10 CFR 709, the announcement should also alert applicants that successful completion of a counterintelligence evaluation may include a counterintelligence-scope polygraph examination.

(l) Flow down to subawards. The Recipient agrees to insert terms that conform substantially to the language of this article, including this paragraph, in all subawards under its award that will require Subrecipient employees to possess access authorizations. Additionally, the Recipient must require such Subrecipients to have an existing DOD or DOE facility clearance or submit a completed SF 328, Certificate Pertaining to Foreign Interests, as required in 48 CFR 952.204-73, Facility Clearance, and obtain a foreign ownership, control and influence determination and facility clearance prior to award of a subaward. Information to be provided by a Subrecipient pursuant to this clause may be submitted directly to the Contracting Officer. For purposes of this article, Subrecipient means any Subrecipient at any tier and the term "Contracting Officer" means the DOE Contracting Officer. When this article is included in a subaward, the term "Recipient" shall mean Subrecipient and the term "award" shall mean subaward.

The requirements in this Section 29.01 to return to DOE classified information or matter or special nuclear material shall apply only to government furnished classified information or matter or special nuclear material provided by DOE specifically for use in the Project and shall not apply to classified information or matter or special nuclear material in the possession of the Recipient prior to the effective date of this Award or generated during the Award.

29.02 Classification/Declassification

In the performance of work under this award, the Recipient or Subrecipient shall comply with all provisions of the Department of Energy's regulations and mandatory DOE directives which apply to work involving the classification and declassification of information, documents, or material. In this section, "information" means facts, data, or knowledge itself; "document" means the physical medium on or in which information is recorded; and "material" means a product or substance which contains or reveals information, regardless of its physical form or characteristics. Classified information is "Restricted Data" and "Formerly Restricted Data" (classified under the Atomic Energy Act of 1954, as amended) and "National Security Information" (classified under Executive

Order 12958 or prior Executive Orders). The original decision to classify or declassify information is considered an inherently Governmental function. For this reason, only Government personnel may serve as original classifiers, i.e., Federal Government Original Classifiers. Other personnel (Government or Recipient) may serve as derivative classifiers which involves making classification decisions based upon classification guidance which reflect decisions made by Federal Government Original Classifiers.

The Recipient or Subrecipient shall ensure that any document or material that may contain classified information is reviewed by either a Federal Government or a Recipient Derivative Classifier in accordance with classification regulations including mandatory DOE directives and classification/declassification guidance furnished to the Recipient by the Department of Energy to determine whether it contains classified information prior to dissemination. For information which is not addressed in classification/declassification guidance, but whose sensitivity appears to warrant classification, the Recipient or Subrecipient shall ensure that such information is reviewed by a Federal Government Original Classifier.

In addition, the Recipient or Subrecipient shall ensure that existing classified documents (containing either Restricted Data or Formerly Restricted Data or National Security Information) which are in its possession or under its control are periodically reviewed by a Federal Government or Recipient Derivative Declassifier in accordance with classification regulations, mandatory DOE directives and classification/declassification guidance furnished to the Recipient by the Department of Energy to determine if the documents are no longer appropriately classified. Priorities for declassification review of classified documents shall be based on the degree of public and researcher interest and the likelihood of declassification upon review. Documents which no longer contain classified information are to be declassified. Declassified documents then shall be reviewed to determine if they are publicly releasable. Documents which are declassified and determined to be publicly releasable are to be made available to the public in order to maximize the public's access to as much Government information as possible while minimizing security costs.

The Recipient or Subrecipient shall insert this article in any subaward which involves or may involve access to classified information.

29.03 Facility Clearance

(a) Use of Certificate Pertaining to Foreign Interests, Standard Form 328.

(1) The work to be conducted under this Agreement will require access to classified information and classified matter (including special nuclear material) as defined in section 29.01 herein. Such access will require a Facility Clearance for Recipient and access authorizations (security clearances) for personnel working with the classified information classified matter. To obtain a Facility Clearance, Recipient must submit a Certificate Pertaining to Foreign Interests, Standard Form 328, and all required supporting documents to form a complete Package, to the cognizant security agency.

(2) Information submitted by Recipient on Standard Form 328 will be used solely for the purposes of evaluating FOCI and will be treatedby the cognizant security agency, to the extent permitted by law, as proprietary business or financial information submitted in confidence.

(3) Following submission of a Standard Form 328, Recipient shall immediately submit to the cognizant security agency written notification of any changes in the extent and nature of FOCI which alter Recipient’s answers to the questions in Standard Form 328. Following execution of the Agreement, Recipient must immediately submit to the cognizant security agency written notification of any changes in the extent and nature of FOCI which alter the Recipient’s answers to the questions in Standard Form 328. 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 must also be furnished concurrently to the cognizant security agency.

(b) Definitions.

(1) Foreign Interest means any of the following--

(i) A foreign government, foreign government agency, or representative of a foreign government;

(ii) 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 trust territories; and

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

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

(c) Facility Clearance means an administrative determination by the cognizant security agency that a facility is eligible to access, produce, use or store classified information or classified matter. A Facility Clearance is based upon a determination that satisfactory safeguards and security measures are carried out for the activities being performed at the facility. Approval for a Facility Clearance shall be based upon--

(1) A favorable FOCI determination based upon the Contractor's response to the ten questions in Standard Form 328 and any required, supporting data provided by Recipient;

(2) Approved safeguards and security plans which describe protective measures appropriate to the activities being performed at the facility;

(3) An established Reporting Identification Symbol code for the Nuclear Materials Management and Safeguards Reporting System if access to nuclear materials is involved;

(4) A survey conducted no more than 6 months before the Facility Clearance date, with a composite facility rating of satisfactory, if the facility is to possess classified matter at its location;

(5) Appointment of a Facility Security Officer, who must possess or be in the process of obtaining an access authorization equivalent to the Facility Clearance; and, if applicable, appointment of a Materials Control and Accountability Representative; and

(6) Access authorizations for key management personnel which will be determined on a case-by-case basis, and equivalent to the level of the Facility Clearance.

(d) A Facility Clearance is required prior to Recipient having access to classified information and the granting of any access authorizations under the

Agreement. In order for Recipient to be granted a Facility Clearance, the cognizant security agency must determine that Recipient will not pose an undue risk to the common defense and security as a result of access to classified information or classified matter in the performance of the Agreement..

(e) A Facility Clearance is required under this Agreement even if the work to be performed does not require Recipient to receive, process, reproduce, store, transmit, or handle classified information or classified matter, but which requires DOE access authorizations for Recipient's employees to perform work at a DOE location. This type facility is identified as a non-possessing facility.

(f) Except as otherwise authorized in writing by the cognizant security agency, pursuant to this Agreement Recipient must insert provisions similar to the foregoing in all subcontracts, purchase orders and applicable agreements. Any subcontractors requiring access authorizations for access to classified information or classified matter shall be directed to provide responses to the questions in Standard Form 328, Certificate Pertaining to Foreign Interests, directly to Recipient or the cognizant security agency.

Notice to Offerors -- Contents Review (Please Review Before Submitting)

Prior to submitting the Standard Form 328, required by paragraph (a)(1) of this clause, Recipient should review a FOCI submission to ensure that:

(1) The Standard Form 328 has been signed and dated by an authorized official;

(2) If publicly owned, Recipient's most recent annual report, and its most recent proxy statement for its annual meeting of stockholders have been attached; or, if privately owned, the audited, consolidated financial information for the most recently closed accounting year has been attached;

(3) A copy of Recipient's articles of incorporation and an attested copy of Recipient's by-laws, or similar documents filed for Recipient's existence and management, and all amendments to those documents;

(4) A list identifying Recipient's owners, officers, directors, and executive personnel, including their names, social security numbers, citizenship, titles of all positions they hold within the organization, and what access authorizations, if any, they possess or are in the process of obtaining, and identification of the government agency(ies) that granted or will be granting those access authorizations; and

(5) A summary FOCI data sheet.

Note: A FOCI submission must be attached for each tier parent organization (i.e., ultimate parent and any intervening levels of ownership). If any of these documents are missing, a Facility Clearance will not be granted.

29.04 The Contractor Requirements Document Attachment 1 to DOE Order DOE O 470.4B Safeguards and Security Program is hereby incorporated by reference.

# Research, Development & Demonstration Project

# Detailed Cost and Schedule Estimate

# July 24, 2012

USEC Proprietary Information

# Contents


- RD&D Project Cost Estimate

o Cost at WBS Level 1 with Level 2 Detail

o Cost at WBS Level 2 with Level 3 Detail

o Cost at WBS Level 2 with Level 3 Detail by Cost Element

- RD&D Project Schedule Estimate

o DOE Technical Milestones, Performance Indicators and Project Level 1 & 2 Milestones

o Management Summary Schedule

o Summary Schedule

- DOE SF-424A

# Research, Development & Demonstration Project

# Cost at WBS Level 1 with Level 2 Detail

*****

# Research, Development & Demonstration Project

# Cost at WBS Level 2 with Level 3 Detail

*****

# Research, Development & Demonstration Project

# Cost at WBS Level 2 with Level 3 Detail by Cost Element

*****

# Research, Development & Demonstration Project

# Project Milestones, Performance Indicators and Schedule Detail

*****

# Research, Development & Demonstration Project

# DOE Form SF-424A

*****

# Attachment B
# Project Scope
# Cooperative Agreement for the American Centrifuge Cascade Demonstration Program
# June 12, 2012

**Statement of Project Objectives**

The American Centrifuge Cascade Demonstration Program has two primary objectives:

Objective 1: Demonstrate the American Centrifuge technology through the construction and operation of one or more demonstration cascades of 120 AC-100 centrifuges. To fulfill this objective, the Program will accomplish five (5) defined Milestones and five (5) Performance Indicators. Milestones represent a significant event wherein the documented accomplishment of that event satisfies a condition of section 7.03 of the Cooperative Agreement. Performance Indicators represent events wherein the documented accomplishment of that event indicates measurable progress towards successful completion of the project objectives, but for which failure to complete by the target date therefore shall not be a material noncompliance with the terms and conditions of the Award. The Milestones and Performance Indicators to be completed by the Program are:

**MILESTONE 1 -** DOE and USEC jointly agree upon a test program for the remaining Milestones and for full system reliability and plant availability that takes into account human factors, upgraded Lower Suspension Drive Assembly (LSDA) and overall AC100 reliability, and full cascade separative performance, so as to achieve an overall plant availability of at least ***** with at least a ***** confidence level.

**Milestone 1 is to be achieved by the date outlined in the Program schedule.**

**MILESTONE 2 -** Confirm the reliability of the Lower Suspension Drive Assembly (LSDA) by accumulating 20 machine-years of operation at target speed using AC100 centrifuges with upgraded LSDAs with no more than ***** LSDA failures.

**Milestone 2 is to be achieved by the date outlined in the Program schedule.**

**PERFORMANCE INDICATOR A** – Demonstrate AC100 operational readiness by accumulating 10-machine years ***** at target speed on gas.

**PERFORMANCE INDICATOR B** – Demonstrate AC100 production capability by manufacturing, assembling and providing 78 centrifuges to Operations.

**PERFORMANCE INDICATOR C** – Complete AC100 production capability by manufacturing, assembling and providing 120 centrifuges to Operations.

**PERFORMANCE INDICATOR D** – Demonstrate robustness of plant support systems by successfully completing Integrated Systems Test Program to fully test plant support systems backup and redundant capability to ensure continuous cascade operation or safe shutdown of cascade operation in the event of loss of normal power or other system casualties.

**PERFORMANCE INDICATOR E** – Demonstrate robustness of AC100 design to stress transients through validated analytical models, simulation and drills (e.g. physical tests) that demonstrate the ability of the cascade to withstand loss of power or other loss of Balance of Plant support system scenarios using a technical evaluation of time and actions to restore support systems and its effect on the AC100 centrifuge starting from steady-state operations.

**MILESTONE 3 -** Demonstrate AC100 manufacturing quality by operating the Commercial Demonstration Cascade at a confidence level of at least ***** for a minimum of 20 machine-years.

**Milestone 3 is to be achieved by the date outlined in the Program schedule.**

**MILESTONE 4-** Demonstrate AC100 reliability by accumulating 20 machine-years ***** at target speed and design condition with no more than the expected number of infant, steady-state and electronic recycles.

**Milestone 4 is to be achieved by the date outlined in the Program schedule.**

**MILESTONE 5 -** Demonstrate sustained production from commercially-staged, 120-centrifuge demonstration cascade configuration for 60 days (~20 machine years) in cascade recycle mode with at least ***** production availability using an average AC100 centrifuge production of 340 SWU per centrifuge-year.

**Milestone 5 is to be achieved by the date outlined in the Program schedule.**

**Objective 2**: Sustain the domestic U.S. centrifuge technical and industrial base for national security purposes and potential commercialization of the American Centrifuge Project (ACP). The Program will also conduct activities to reduce the risk and improve the future prospects of deployment of the American Centrifuge. The Program will aim to retain the majority of employment of over 800 high-skilled jobs primarily in Ohio, Tennessee, West Virginia, Indiana, Pennsylvania and Maryland while advancing a project that achieves important energy security and national security objectives combined with the potential to create thousands of direct and indirect jobs over the next several years.

**Budget**

The Program Budget will be in accordance with a baseline budget developed in the initial phase of the Program. Pending completion of the baseline budget, the interim program budget[1] for the Budget Period 1 will be as follows:

| Report in Million Dollars | 1 Jun-30 Sep 2012 | 1 Oct-30 Nov 2012 | |
|---|---|---|---|
| ***** | | | |
| Total | $ 68.8 | $ 41.2 | $110.0 |

[1] The budget sets out the expected spending during the period. Actual spending may vary.

**Scope of Research, Development and Deployment**

The Program will support the following major areas of activity:

Machine Technology.
Demonstration of AC100 commercial plant machine manufacturing by American Centrifuge Manufacturing
Demonstration of AC100 Lead Cascade Operations Cascade Operations, and Support Systems
Engineering, Procurement and Construction activities
Process Engineering, Technology and Equipment activities
Program management

Each activity is discussed separately below.

**Machine Technology**

Technical Support will be provided for all manufacturing, lead cascade and other project activities including design agent functions, SWU performance and value engineering, troubleshooting, testing and operations demonstration activities, manufacturing specialty components, laboratory support, and auxiliary equipment. This includes continuation of ACP activities at the Oak Ridge Centrifuge Technology Center and K-1600 test facility to support the cascade demonstration, AC100 centrifuge manufacturing, and other activities under the project. *****

**Demonstration of AC100 Commercial Plant Machine Manufacturing**

American Centrifuge Manufacturing, LLC (ACM) will manufacture AC100 centrifuge components and subassemblies to complete the retrofit of the existing 42 AC100 machines in the lead cascade to include a safety feature, and manufacture new AC100 centrifuges to complete the demonstration cascade. Once the centrifuges for the first cascade are complete, ACM will continue to manufacture additional centrifuges as the budget permits. ACM will also continue efforts to improve manufacturing processes, reduce machine costs, and enhance and facilitize the supplier base for high volume manufacturing.

**Demonstration of AC100 Lead Cascade Operation and Cascade Operations**

Continue the operation of AC100 Centrifuges in the lead cascade until construction activities for the Demonstration Cascade necessitate suspension of operations. Continue development of operational procedures, training, and conduct of operations to assure operational enhancements that reduce risk during demonstration, cascade operations and that position the Project for successful commercial operations. The number of operating centrifuges will be expanded with the addition of new centrifuges until all 67 positions in the current lead cascade are operational, at which point additional new machines will be cycled in to replace existing machines and condition them for operation in the Demonstration Cascade. Lead cascade operations will be shut down ***** at the beginning of 2013 for the construction of the Demonstration Cascade infrastructure and integrated systems testing required to commission the 120 Centrifuge Demonstration cascade and any additional machines constructed and assembled during the project. Once complete, 120 or more AC100 centrifuges will be installed and operated in a commercial plant cascade configuration (the “Demonstration Cascade”).

**Engineering, Procurement and Construction**

Engineering, Procurement and Construction (EPC) activities within the scope include design, material procurement, and construction required for the Demonstration Cascade. EPC may also maintain the required management, engineering, procurement, construction, and industrial base to support timely transition to the commercial plant, through design advancement, and other related activities.

**Process Engineering, Technology and Equipment**

Process Engineering, Technology and Equipment (PETE) activities will support the continuation of commercial plant feed and withdrawal equipment design, manufacturing and delivery. Specifically, PETE may continue limited-rate fabrication of the cold box subassemblies, autoclaves and $UF_6$ cylinder transporters required for ACP to sustain highly specialized suppliers of equipment needed for future deployment of the ACP technology.

The PETE and EPC organizations will also collaborate on an evaluation of ***** feed and withdrawal *****.

**Program Management**

Program Management will continue to provide overall project direction of Machine Technology, ACM, Operations, and EPC, and conduct activities that reduce the overall risk of transitioning to commercial deployment. Program Management will encompass an improved program management structure and includes other participants, administrative requirements of the Cooperative Agreement, project oversight and reporting requirements to DOE in accordance with the Cooperative Agreement. The Program Management organization will lead the effort to develop the project baseline against which performance will be measured using earned value management techniques.

**Attachment CU.S. Department of EnergyFEDERAL ASSISTANCE REPORTING CHECKLISTAND INSTRUCTIONS**
DOE F 4600.2(08/09)All other editions are obsolete

2. Program/Project Title:
American Centrifuge Cascade Demonstration Test Program

1. Identification Number:
DE-NE0000530

3. Recipient:
USEC Inc. and American Centrifuge Demonstration, LLC

| 4. Reporting Requirements: | | Frequency | No. of Copies | Addressees |
|---|---|---|---|---|
| **A. MANAGEMENT REPORTING** | | | | |
| Progress Report | | | | |
| Special Status Report | | M | 1 | https://www.fedconnect.net/fedconnect/default.aspx |
| | | | | https://www.fedconnect.net/fedconnect/default.aspx |
| **B. SCIENTIFIC/TECHNICAL REPORTING** | | | 1 | |
| (Reports/Products must be submitted with appropriate DOE F 241. The 241 forms are available at www.osti.gov/elink.) | | | | |
| Report/Product | Form | | | |
| Final Scientific/Technical Report | DOE F 241.3 | | | http://www.osti.gov/elink-2413<br>http://www.osti.gov/elink-2413 |
| Conference papers/proceedings* | DOE F 241.3 | F | 1 | http://www.osti.gov/estsc/241-4pre.jsp |
| Software/Manual | DOE F 241.4 | | 1 | |
| Other (see special instructions) | DOE F 241.3 | | 1 | https://www.fedconnect.net/fedconnect/default.aspx |
| ** Scientific and technical conferences only* | | | | |
| **C. FINANCIAL REPORTING** | | Once every | | https://www.fedconnect.net/fedconnect/default.aspx |
| SF-425 Federal Financial Report | | 6 months | | https://www.fedconnect.net/fedconnect/default.aspx |
| | | | 1 | https://www.fedconnect.net/fedconnect/default.aspx |
| **D. CLOSEOUT REPORTING** | | | | |
| Patent Certification | | | | |
| Property Certification | | | | https://www.fedconnect.net/fedconnect/default.aspx |
| Other | | | 1 | https://www.fedconnect.net/fedconnect/default.aspx |
| | | | | https://www.fedconnect.net/fedconnect/default.aspx |
| **E. OTHER REPORTING** | | | 1 | |
| Annual Indirect Cost Proposal | | | | http://www.federalreporting.gov |
| Annual Inventory of Federally Owned Property, if any | | | 1 | |
| Other | | | | |
| **F. AMERICAN RECOVERY AND REINVESTMENT ACT REPORTING** | | | | |
| Reporting and Registration Requirements | | | 1 | |
| | | | 1 | |
| | | O | | |
| | | | 1 | |
| | | | 1 | |

FREQUENCY CODES AND DUE DATES:
A - Within 5 calendar days after events or as specified.
M - Monthly
F - Final; 90 calendar days after expiration or termination of the award.
Y - Yearly; 90 days after the end of the reporting period.
S - Semiannually; within 30 days after end of reporting period.
Q - Quarterly; within 30 days after end of the reporting period.
Y180 – Yearly; 180 days after the end of the recipient's fiscal year
O - Other; See instructions for further details.
OMB Reporting Help

Special Instructions:

All reports, except for those in B and F above, should be submitted through FedConnect.

See attached.

**U.S. Department of Energy**

**Federal Assistance Reporting Checklist**

**And Instructions**

5. Special Instructions

The Recipient ACP Project Leadership will meet with DOE and/or DOE's designated representatives monthly to update progress and discuss unusual incidents, special advances or problems.

Within 30 days following each month of the project and at the conclusion of the project, the Recipient will provide the DOE Program Manager and Project Officer a non-public written report containing project accomplishment metrics, as well as a summary of progress, problems, and deviations from the plan.

A summary version of the non-public written report will be provided to the DOE Program Manager and Project Officer within 30 days following each month of the project and at the conclusion of the project. The report will provide meaningful information regarding the status of activities that can be released to the public.

**Federal Assistance Reporting Instructions (09/09)**

## A. MANAGEMENT REPORTING

### Progress Report

The Progress Report must provide a concise narrative assessment of the status of work and include the following information and any other information identified under Special Instructions on the Federal Assistance Reporting Checklist:

The DOE award number and name of the recipient.

The project title and name of the project director/principal investigator.

Date of report and period covered by the report.

A comparison of the actual accomplishments with the goals and objectives established for the period and reasons why the established goals were not met.

A discussion of what was accomplished under these goals during this reporting period, including major activities, significant results, major findings or conclusions, key outcomes or other achievements. This section should not contain any proprietary data or other information not subject to public release. If such information is important to reporting progress, do not include the information, but include a note in the report advising the reader to contact the Principal Investigator or the Project Director for further information.

Cost Status. Show approved budget by budget period and actual costs incurred. If cost sharing is required break out by DOE share, recipient share, and total costs.

Schedule Status. List milestones, anticipated completion dates and actual completion dates. If you submitted a project management plan with your application, you must use this plan to report schedule and budget variance. You may use your own project management system to provide this information.

8. Any changes in approach or aims and reasons for change. Remember significant changes to the objectives and scope require prior approval by the contracting officer.

9. Actual or anticipated problems or delays and actions taken or planned to resolve them.

10. Any absence or changes of key personnel or changes in consortium/teaming arrangement.

11. A description of any product produced or technology transfer activities accomplished during this reporting period, such as:

Publications (list journal name, volume, issue); conference papers; or other public releases of results. Attach or send copies of public releases to the DOE Program Manager identified in Block 15 of the Assistance Agreement Cover Page.

Web site or other Internet sites that reflect the results of this project.

Networks or collaborations fostered.

Technologies/Techniques.

Inventions/Patent Applications

Other products, such as data or databases, physical collections, audio or video, software or netware, models, educational aid or curricula, instruments or equipment.

### Special Status Report

The recipient must report the following events by e-mail as soon as possible after they occur:

Developments that have a significant favorable impact on the project.

Problems, delays, or adverse conditions which materially impair the recipient's ability to meet the objectives of the award or which may require DOE to respond to questions relating to such events from the public The recipient must report any of the following incidents and include the anticipated impact and remedial action to be taken to correct or resolve the problem/condition:

Any single fatality or injuries requiring hospitalization of five or more individuals.

Any significant environmental permit violation.

Any verbal or written Notice of Violation of any Environmental, Safety, and Health statutes.

Any incident which causes a significant process or hazard control system failure.

Any event which is anticipated to cause a significant schedule slippage or cost increase.

Any damage to Government-owned equipment in excess of $50,000.

Any other incident that has the potential for high visibility in the media.

**B. SCIENTIFIC/TECHNICAL REPORTS**

**Final Scientific/Technical Report**

Content. The final scientific/technical report must include the following information and any other information identified under Special Instructions on the Federal Assistance Reporting Checklist:

1. Identify the DOE award number; name of recipient; project title; name of project director/principal investigator; and consortium/teaming members.

2. Display prominently on the cover of the report any authorized distribution limitation notices, such as patentable material or protected data. Reports delivered without such notices may be deemed to have been furnished with unlimited rights, and the Government assumes no liability for the disclosure, use or reproduction of such reports.

3. Provide an executive summary, which includes a discussion of 1) how the research adds to the understanding of the area investigated; 2) the technical effectiveness and economic feasibility of the methods or techniques investigated or demonstrated; or 3) how the project is otherwise of benefit to the public. The discussion should be a minimum of one paragraph and written in terms understandable by an educated layman.

4. Provide a comparison of the actual accomplishments with the goals and objectives of the project.

5. Summarize project activities for the entire period of funding, including original hypotheses, approaches used, problems encountered and departure from planned methodology, and an assessment of their impact on the project results. Include, if applicable, facts, figures, analyses, and assumptions used during the life of the project to support the conclusions.

Identify products developed under the award and technology transfer activities, such as:

a. Publications (list journal name, volume, issue), conference papers, or other public releases of results. If not provided previously, attach or send copies of any public releases to the DOE Program Manager identified in Block 15 of the Assistance Agreement Cover Page;

b. Web site or other Internet sites that reflect the results of this project;

Networks or collaborations fostered;

Technologies/Techniques;

Inventions/Patent Applications, licensing agreements; and

Other products, such as data or databases, physical collections, audio or video, software or netware, models, educational aid or curricula, instruments or equipment.

7. For projects involving computer modeling, provide the following information with the final report:

a. Model description, key assumptions, version, source and intended use;

b. Performance criteria for the model related to the intended use;

c. Test results to demonstrate the model performance criteria were met (e.g., code verification/validation, sensitivity analyses, history matching with lab or field data, as appropriate);

Theory behind the model, expressed in non-mathematical terms;

e Mathematics to be used, including formulas and calculation methods;

f. Whether or not the theory and mathematical algorithms were peer reviewed,
and, if so, include a summary of theoretical strengths and weaknesses;

g. Hardware requirements; and

Documentation (e.g., users guide, model code).

Electronic Submission. The final scientific/technical report must be submitted electronically-via the DOE Energy Link System (E-Link) accessed at http://www.osti.gov/elink-2413.

Electronic Format. Reports must be submitted in the ADOBE PORTABLE DOCUMENT FORMAT (PDF) and be one integrated PDF file that contains all text, tables, diagrams, photographs, schematic, graphs, and charts. Materials, such as prints, videos, and books, that are essential to the report but cannot be submitted electronically, should be sent to the DOE Administrator at the address listed in Block 16 of the Assistance Agreement Cover Page.

Submittal Form. The report must be accompanied by a completed electronic version of DOE Form 241.3, "U.S. Department of Energy (DOE), Announcement of Scientific and Technical Information (STI)." You can complete, upload, and submit the DOE F.241.3 online via E-Link. You are encouraged not to submit patentable material or protected data in these reports, but if there is such material or data in the report, you must: (1) clearly identify patentable or protected data on each page of the report; (2) identify such material on the cover of the report; and (3) mark the appropriate block in Section K of the DOE F 241.3. Reports must not contain any limited rights data (proprietary data), classified information, information subject to export control classification, or other information not subject to release. Protected data is specific technical data, first produced in the performance of the award that is protected from public release for a period of time by the terms of the award agreement.

**Conference Papers/Proceedings**

Content: The recipient must submit a copy of any conference papers/proceedings, with the following information: (1) Name of conference; (2) Location of conference; (3) Date of conference; and (4) Conference sponsor.

Electronic Submission. Scientific/technical conference paper/proceedings must be submitted electronically-via the DOE Energy Link System (E-Link) at http://www.osti.gov/elink-2413. Non-scientific/technical conference papers/proceedings must be sent to the URL listed on the Reporting Checklist.

Electronic Format. Conference papers/proceedings must be submitted in the ADOBE PORTABLE DOCUMENT FORMAT (PDF) and be one integrated PDF file that contains all text, tables, diagrams, photographs, schematic, graphs, and charts. If the proceedings cannot be submitted electronically, they should be sent to the DOE Administrator at the address listed in Block 16 of the Assistance Agreement Cover Page.

Submittal Form. Scientific/technical conference papers/proceedings must be accompanied by a completed DOE Form 241.3. The form and instructions are available on E-Link at http://www.osti.gov/elink-2413. This form is not required for non-scientific or non-technical conference papers or proceedings.

**Software/Manual**

Content. Unless otherwise specified in the award, the following must be delivered: source code, the executable object code and the minimum support documentation needed by a competent user to understand and use the software and to be able to modify the software in subsequent development efforts.

Electronic Submission. Submissions may be submitted electronically-via the DOE Energy Link System (E-Link) at http://www.osti.gov/estsc/241-4pre.jsp. They may also be submitted via regular mail to:

Energy Science and Technology Software Center
P.O. Box 1020
Oak Ridge, TN 37831

Submittal Form. Each software deliverable and its manual must be accompanied by a completed DOE Form 241.4 "Announcement of U.S. Department of Energy Computer Software." The form and instructions are available on E-Link at http://www.osti.gov/estsc/241-4pre.jsp.

**Protected Personally Identifiable Information (PII). Management Reports or Scientific/Technical Reports must not contain any *Protected* PII. PII is any information about an individual which can be used to distinguish or trace an individual's identity. Some information that is considered to be PII is available in public sources such as telephone books, public websites, university listings, etc. This type of information is considered to be Public PII and includes, for example, first and last name, address, work telephone number, e-mail address, home telephone number, and general educational credentials. In contrast, *Protected* PII is defined as an individual's first name or first initial and last name in combination with any one or more of types of information, including, but not limited to, social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, criminal, medical and financial records, educational transcripts, etc.**

**C. FINANCIAL REPORTING**

Recipients must complete the SF-425 as identified on the Reporting Checklist in accordance with the report instructions. A fillable version of the form is available at http://www.whitehouse.gov/omb/grants/grants_forms.aspx.

**D. CLOSEOUT REPORTS**

**Final Invention and Patent Report**

The recipient must provide a DOE Form 2050.11, "PATENT CERTIFICATION." This form is available at http://www.directives.doe.gov/pdfs/forms/2050-11.pdf and http://grants.pr.doe.gov.

**Property Certification**

The recipient must provide the Property Certification, including the required inventories of non-exempt property, located at http://grants.pr.doe.gov.

**E. OTHER REPORTING**

**Annual Indirect Cost Proposal and Reconciliation**

Requirement. In accordance with the applicable cost principles, the recipient must submit an annual indirect cost proposal, reconciled to its financial statements, within six months after the close of the fiscal year, unless the award is based on a predetermined or fixed indirect rate(s), or a fixed amount for indirect or facilities and administration (F&A) costs.

Cognizant Agency. The recipient must submit its annual indirect cost proposal directly to the cognizant agency for negotiating and approving indirect costs. If the DOE awarding office is the cognizant agency, submit the annual indirect cost proposal to the DOE Administrator at the address listed in Block 16 of the Assistance Agreement Cover Page.

**Annual Inventory of Federally Owned Property**

Requirement. If at any time during the award the recipient is provided Government-furnished property or acquires property with project funds and the award specifies that the property vests in the Federal Government (i.e. federally owned property), the recipient must submit an annual inventory of this property to the DOE Administrator at the address listed in Block 16 of the Assistance Agreement Cover Page no later than October 30th of each calendar year, to cover an annual reporting period ending on the preceding September 30th.

Content of Inventory. The inventory must include a description of the property, tag number, acquisition date, location of the property, and acquisition cost, if purchased with project funds. The report must list all federally owned property, including property located at subcontractor's facilities or other locations.

**F. AMERICAN RECOVERY AND REINVESTMENT ACT REPORTING**

See Special Award Term entitled Reporting and Registration Requirement under Section1512 of the Recovery Act. The reports are due no later than ten calendar days after each calendar quarter in which the recipient receives the assistance award funded in whole or in part by the Recovery Act. Additional information on complying with this requirement can be found at Department of Energy – OMB Reporting Help.

**Attachment D**

**INTELLECTUAL PROPERTY REQUIREMENTS**

**01.** In the Agreement Between the U.S. Department of Energy and USEC Inc. dated June 17, 2002, as amended ("June 17th Agreement") USEC and DOE have agreed to USEC's transfer to DOE of certain rights in enrichment-related intellectual property (IP) and the delivery of associated technical data. The Intellectual Property Requirements in this Attachment D shall be read and construed in a manner consistent with the IP provisions in the June 17th Agreement, and any inconsistency shall be resolved by giving precedence to the June 17th Agreement.

**02. FAR 52.227-1 Authorization and Consent (JUL 1995)-Alternate I (APR 1984)**

(a) The Government authorizes and consents to all use and manufacture of any invention described in and covered by a United States patent in the performance of this contract or any subcontract at any tier.

(b) The Contractor agrees to include, and require inclusion of, this clause, suitably modified to identify the parties, in all subcontracts at any tier for research and development expected to exceed the simplified acquisition threshold; however, omission of this clause from any subcontract, including those at or below the simplified acquisition threshold, does not affect this authorization and consent.

(End of clause)

**03. FAR 52.227-2 Notice and Assistance Regarding Patent and Copyright Infringement (AUG 1996)**

(a) The Contractor shall report to the Contracting Officer, promptly and in reasonable written detail, each notice or claim of patent or copyright infringement based on the performance of this contract of which the Contractor has knowledge.

(b) In the event of any claim or suit against the Government on account of any alleged patent or copyright infringement arising out of the performance of this contract or out of the use of any supplies furnished or work or services performed under this contract, the Contractor shall furnish to the Government, when requested by the Contracting Officer, all evidence and information in possession of the Contractor pertaining to such suit or claim. Such evidence and information shall be furnished at the expense of the Government except where the Contractor has agreed to indemnify the Government.

(c) The Contractor agrees to include, and require inclusion of, this clause in all subcontracts at any tier for supplies or services (including construction and architect-engineer subcontracts and those for material, supplies, models, samples, or design or testing services) expected to exceed the simplified acquisition threshold at FAR 2.101. (End of clause)

**04. FAR 52.227-3 Patent Indemnity (APR 1984)**

(a) The Contractor shall indemnify the Government and its officers, agents, and employees against liability, including costs, for infringement of any United States patent (except a patent issued upon an application that is now or may hereafter be withheld from issue pursuant to a Secrecy Order under 35 U.S.C. **181)** arising out of the manufacture or delivery of supplies, the performance of services, or the construction, alteration, modification, or repair of real property (hereinafter referred to as "construction work") under this contract, or out of the use or disposal by or for the account of the Government of such supplies or construction work.

(b) This indemnity shall not apply unless the Contractor shall have been informed as soon as practicable by the Government of the suit or action alleging such infringement and shall have been given such opportunity as is afforded by applicable laws, rules, or regulations to participate in its defense. Further, this indemnity shall not apply to—

(1) An infringement resulting from compliance with specific written instructions of the Contracting Officer directing a change in the supplies to be delivered or in the materials or equipment to be used, or directing a manner of performance of the contract not normally used by the Contractor;

(2) An infringement resulting from addition to or change in supplies or components furnished or construction work performed that was made subsequent to delivery or performance; or

(3) A claimed infringement that is unreasonably settled without the consent of the Contractor, unless required by final decree of a court of competent jurisdiction.

(End of clause)

**05. Rights in Data**

Rights in Data—Programs Covered Under Special Data Statutes

(a) Definitions

*Computer Data Bases,* as used in this clause, means a collection of data in a form capable of, and for the purpose of, being stored in, processed, and operated on by a computer. The term does not include computer software.

*Computer software,* as used in this clause, means (i) computer programs which are data comprising a series of instructions, rules, routines, or statements, regardless of the media in which recorded, that allow or cause a computer to perform a specific operation or series of operations and (ii) data comprising source code listings, design details, algorithms, processes, flow charts, formulae and related material that would enable the computer program to be produced, created or compiled. The term does not include computer data bases.

*Data,* as used in this clause, means recorded information, regardless of form or the media on which it may be recorded. The term includes technical data and computer software. The term does not include information incidental to administration, such as financial, administrative, cost or pricing or management information.

*Form, fit, and function data,* as used in this clause, means data relating to items, components, or processes that are sufficient to enable physical and functional interchangeability as well as data identifying source, size, configuration, mating and attachment characteristics, functional characteristics, and performance requirements except that for computer software it means data identifying source, functional characteristics, and performance requirements but specifically excludes the source code, algorithm, process, formulae, and flow charts of the software.

*Limited rights data,* as used in this clause, means data (other than computer software) developed at private expense that embody trade secrets or are commercial or financial and confidential or privileged.

*Restricted computer software,* as used in this clause, means computer software developed at private expense and that is a trade secret; is commercial or financial and confidential or privileged; or is published copyrighted computer software; including modifications of such computer software.

*Protected data,* as used in this clause, means technical data or commercial or financial data first produced in the performance of the award which, if it had been obtained from and first produced by a non-federal party, would be a trade secret or commercial or financial information that is privileged or confidential under the meaning of 5 U.S.C. 552(b)(4) and which data is marked as being protected data by a party to the award.

*Protected rights,* as used in this clause, mean the rights in protected data set forth in the Protected Rights Notice of paragraph (g) of this clause.

*Technical data,* as used in this clause, means that data which are of a scientific or technical nature. Technical data does not include computer software, but does include manuals and instructional materials and technical data formatted as a computer data base.

*Unlimited rights,* as used in this clause, means the right of the Government to use, disclose, reproduce, prepare derivative works, distribute copies to the public, and perform publicly and display publicly, in any manner and for any purpose whatsoever, and to have or permit others to do so.

(b) Allocation of Rights

(1) Except as provided in paragraph (c) of this clause regarding copyright, the Government shall have unlimited rights in-

(i) Data specifically identified in this agreement as data to be delivered without restriction;

(ii) Form, fit, and function data delivered under this agreement;

(iii) Data delivered under this agreement (except for restricted computer software) that constitute manuals or instructional and training material for installation, operation, or routine maintenance and repair of items, components, or processes delivered or furnished for use under this agreement; and

(iv) All other data delivered under this agreement unless provided otherwise for protected data in accordance with paragraph (g) of this clause or for limited rights data or restricted computer software in accordance with paragraph (h) of this clause.

(2) The Recipient shall have the right to-

(i) Protect rights in protected data delivered under this agreement in the manner and to the extent provided in paragraph (g) of this clause;

(ii) Withhold from delivery those data which are limited rights data or restricted computer software to the extent provided in paragraph (h) of this clause;

(iii) Substantiate use of, add, or correct protected rights or copyrights notices and to take other appropriate action, in accordance with paragraph (e) of this clause; and

(iv) Establish claim to copyright subsisting in data first produced in the performance of this agreement to the extent provided in subparagraph (c)(1) of this clause.

(c) Copyright

(1) Data first produced in the performance of this agreement. Except as otherwise specifically provided in this agreement, the Recipient may assert, without the prior approval of the Contracting Officer, asserted to copyright subsisting in any data first produced in the performance of this agreement. If claim to copyright is made, the Recipient shall affix the applicable copyright notice of 17 U.S.C. 401 or 402 and acknowledgment of Government sponsorship (including agreement number) to the data when such data are delivered to the Government, as well as when the data are published or deposited for registration as a published work in the U.S. Copyright Office. Except for Protected Data under paragraph g, for such copyrighted data, including computer software, the Recipient grants to the Government, and others acting on its behalf, a paid-up nonexclusive, irrevocable, worldwide license to reproduce, prepare derivative works, distribute copies to the public, and perform publicly and display publicly, by or on behalf of the Government, for all such data.

(2) Data not first produced in the performance of this agreement. The Recipient shall not, without prior written permission of the Contracting Officer, incorporate in data delivered under this agreement any data that are not first produced in the performance of this agreement and that contain the copyright notice of 17 U.S.C. 401 or 402, unless the Recipient identifies such data and grants to the Government, or acquires on its behalf, a license of the same scope as set forth in subparagraph (c)(1) of this clause; provided, however, that if such data are computer software, the Government shall acquire a copyright license as set forth in subparagraph (h)(3) of this clause if included in this agreement or as otherwise may be provided in a collateral agreement incorporated or made a part of this agreement.

(3) Removal of copyright notices. The Government agrees not to remove any copyright notices placed on data pursuant to this paragraph (c), and to include such notices on all reproductions of the data.

(d) Release, Publication and Use of Data

(1) The Receipt shall have the right to use, release to others, reproduce, distribute, or publish any data first produced or specifically used by the Recipient in the performance of this contract, except to the extent such data may be subject to the Federal export control or national security laws or regulations, or unless otherwise provided in this paragraph of this clause or expressly set forth in this contract.

(2) The Recipient agrees that to the extent it receives or is given access to data necessary for the performance of this agreement which contain restrictive markings, the Recipient shall treat the data in accordance with such markings unless otherwise specifically authorized in writing by the Contracting Officer.

(e) Unauthorized Marking of Data

(1) Notwithstanding any other provisions of this agreement concerning inspection or acceptance, if any data delivered under this agreement are marked with the notices specified in subparagraph (g)(2) or (g)(3) of this clause and use of such is not authorized by this clause, or if such data bears any other restrictive or limiting markings not authorized by this agreement, the Contracting Officer may at any time either return the data to the Recipient or cancel or ignore the markings. However, the following procedures shall apply prior to canceling or ignoring the markings.

(i) The Contracting Officer shall make written inquiry to the Recipient affording the Recipient 30 days from receipt of the inquiry to provide written justification to substantiate the propriety of the markings;

(ii) If the Recipient fails to respond or fails to provide written justification to substantiate the propriety of the markings within the 30-day period (or a longer time not exceeding 90 days approved in writing by the Contracting Officer for good cause

shown), the Government shall have the right to cancel or ignore the markings at any time after said period and the data will no longer be made subject to any disclosure prohibitions.

(iii) If the Recipient provides written justification to substantiate the propriety of the markings within the period set in subdivision (e)(1)(i) of this clause, the Contracting Officer shall consider such written justification and determine whether or not the markings are to be cancelled or ignored. If the Contracting Officer determines that the markings are authorized, the Recipient shall be so notified in writing. If the Contracting Officer determines, with concurrence of the head of the contracting activity, that the markings are not authorized, the Contracting Officer shall furnish the Recipient a written determination, which determination shall become the final agency decision regarding the appropriateness of the markings unless the Recipient files suit in a court of competent jurisdiction within 90 days of receipt of the Contracting Officer's decision. The Government shall continue to abide by the markings under this subdivision (e)(1)(iii) until final resolution of the matter either by the Contracting Officer's determination become final (in which instance the Government shall thereafter have the right to cancel or
ignore the markings at any time and the data will no longer be made subject to any disclosure prohibitions), or by final disposition of the matter by court decision if suit is filed.

(2) The time limits in the procedures set forth in subparagraph (e)(1) of this clause may be modified in accordance with agency regulations implementing the Freedom of Information Act (5 U.S.C. 552) if necessary to respond to a request thereunder.

(f) Omitted or Incorrect Markings

(1) Data delivered to the Government without either the limited rights or restricted rights notice as authorized by paragraph *( g )* of this clause, or the copyright notice required by paragraph (c) of this clause, shall be deemed to have been furnished with unlimited rights, and the Government assumes no liability for the disclosure, use, or reproduction of such data. However, to the extent the data has not been disclosed without restriction outside the Government, the Recipient may request, within 6 months (or a longer time approved by the Contracting Officer for good cause shown) after delivery of such data, permission to have notices placed on qualifying data at the Recipient's expense, and the Contracting Officer may agree to do so if the Recipient-

(i) Identifies the data to which the omitted notice is to be applied; (ii) Demonstrates that the omission of the notice was inadvertent;

(iii) Establishes that the use of the proposed notice is authorized; and

(iv) Acknowledges that the Government has no liability with respect to the disclosure, use, or reproduction of any such data made prior to the addition of the notice or resulting from the omission of the notice.

(2) The Contracting Officer may also:

(i) Permit correction at the Recipient's expense of incorrect notices if the Recipient identifies the data on which correction of the notice is to be made, and demonstrates that the correct notice is authorized; or

(ii) Correct any incorrect notices. (g) Rights to Protected Data

(1) The Recipient may, claim and mark Protected Data, as defined in paragraph a, any data first produced in the performance of this award. Any such claimed "Protected Data" will be clearly marked with the following Protected Rights Notice, and will be treated in accordance with such Notice by DOE, subject to the provisions of paragraphs (e) and (f) of this clause.

PROTECTED RIGHTS NOTICE

These protected data were produced under agreement no. DE-SC0003997 with the U.S. Department of Energy and may not be published, disseminated, or disclosed to others outside the Government for a period of 5 years after submittal of data to DOE, unless express written authorization is obtained from the recipient. Upon expiration of the period of protection set forth in this Notice, the Government shall have unlimited rights in this data. This Notice shall be marked on any reproduction of this data, in whole or in part.

(End of notice)

(2) Any such marked Protected Data may be disclosed by DOE under obligations of confidentiality for the following purposes:

(a) For evaluation purposes under the restriction that the "Protected Data" be retained in confidence and not be further disclosed; or

(b) To subcontractors or other team members performing work under the USEC's American Centrifuge Program of which this award is a part, for information or use in connection with the work performed under their activity, and under the restriction that the Protected Data be retained in confidence and not be further disclosed.

(3) Except as provided in paragraph c, the obligations of confidentiality and restrictions on publication and dissemination by DOE shall end for any Protected Data:

(a) At the end of the protected period;

(b) If the data becomes publicly known or available from other sources without a breach of the obligation of confidentiality with respect to the Protected Data;

(c) If the same data is independently developed by someone who did not have access to the Protected Data and such data is made available without obligations of confidentiality; or

(d) If the Recipient disseminates or authorizes another to disseminate such data without obligations of confidentiality.

(4) However, the Recipient agrees that the following types of data are not considered to be protected and shall be provided to the Government when required by this award without any claim that the data are Protected Data. The parties agree that notwithstanding the following lists of types of data, nothing precludes the Government from seeking delivery of additional data in accordance with this award, or from making publicly available additional non-protected data, nor does the following list constitute any admission by the Government that technical data not on the list is Protected Data.

The monthly and final summary report s of the project which is available for release to the public. (5) The Government's sole obligation with respect to any protected data shall be as set
forth in this paragraph (g).

(h) Protection of Limited Rights Data

When data other than that listed in subparagraphs (b)(1)(i), (ii), and (iii) of this clause are specified to be delivered under this agreement and such data qualify as either limited rights data or restricted computer software, the Recipient, if the Recipient desires to continue protection of such data, shall withhold such data and not furnish them to the Government under this agreement. As a condition to this withholding the Recipient shall identify the data being withheld and furnish form, fit, and function data in lieu thereof.

(i) Subaward/Contract

The Recipient has the responsibility to obtain from its subrecipients/contractors all data and rights therein necessary to fulfill the Recipient's obligations to the Government under this agreement, including those obligations under the June 17th Agreement. Where Recipient employs third party intellectual property in the performance of uranium enrichment activities under this agreement, it shall acquire rights in the third party intellectual property necessary to enable the United States Government to practice the intellectual property consistent with the licenses contained in the June 17th Agreement. If a subrecipient/contractor refuses to accept terms affording the Government such rights, the Recipient shall promptly bring such refusal to the attention of the Contracting Officer and not proceed with subaward/contract award without further authorization.

(j) Additional Data Requirements

In addition to the data specified elsewhere in this agreement to be delivered, the Contracting Officer may, at anytime during agreement performance or within a period of 1 year after acceptance of all items to be delivered under this agreement, request delivery to DOE of any data first produced or specifically used in the performance of this agreement. Such request shall not

unreasonably be denied. This clause is applicable to all data ordered under this subparagraph. Nothing contained in this subparagraph shall require the Recipient to deliver any data the withholding of which is authorized by this clause or data which are specifically identified in this agreement as not subject to this clause. When data are to be delivered under this subparagraph, the Recipient will be compensated for converting the data into the prescribed form, for reproduction, and for delivery.

(k) The Recipient agrees, except as may be otherwise specified in this agreement for specific data items listed as not subject to this paragraph, that the Contracting Officer or an authorized representative may, up to three years after acceptance of all items to be delivered under this contract, inspect at the Recipient's facility any data withheld pursuant to paragraph (h) of this clause, for purposes of verifying the Recipient's assertion pertaining to the limited rights or restricted rights status of the data or for evaluating work performance. Where the Recipient whose data are to be inspected demonstrates to the Contracting Officer that there would be a possible conflict of interest if the inspection were made by a particular representative, the Contracting Officer shall designate an alternate inspector.

Alternate I:

(h)(2) Notwithstanding subparagraph (h)(1) of this clause, the agreement may identify and specify the delivery of limited rights data, or the Contracting Officer may require by written request the delivery of limited rights data that has been withheld or would otherwise be withholdable. If delivery of such data is so required, the Recipient may affix the following "Limited Rights Notice" to the data and the Government will thereafter treat the data, in accordance with such Notice:

LIMITED RIGHTS NOTICE

(a) These data are submitted with limited rights under Government agreement No.

(and

subaward/contract No.

, if appropriate). These data may be reproduced and used by the

Government with the express limitation that they will not, without written permission of the Recipient, be used for purposes of manufacture nor disclosed outside the Government; except that the Government may disclose these data outside the Government for the following purposes, if any, provided that the Government makes such disclosure subject to prohibition against further use and disclosure:

(1) Use (except for manufacture) by Federal support services contractors within the scope of their contracts;

(2) This "limited rights data" may be disclosed for evaluation purposes under the restriction that the "limited rights data" be retained in confidence and not be further disclosed;

(3) This "limited rights data" may be disclosed to other contractors participating in the
Government's program of which this Recipient is a part for information or use (except for

manufacture) in connection with the work performed under their awards and under the restriction that the "limited rights data" be retained in confidence and not be further disclosed;

(4) This "limited rights data" may be used by the Government or others on its behalf for emergency repair or overhaul work under the restriction that the "limited rights data" be retained in confidence and not be further disclosed; and

(5) Release to a foreign government, or instrumentality thereof, as the interests of the United States Government may require, for information or evaluation, or for emergency repair or overhaul work by such government. This Notice shall be marked on any reproduction of this data in whole or in part.

(b) This Notice shall be marked on any reproduction of these data, in whole or in part. (End of noti

Alternate II:

(h)(3)(i) Notwithstanding subparagraph (h)(1) of this clause, the agreement may identify and specify the delivery of restricted computer software, or the Contracting Officer may require by written request the delivery of restricted computer software that has been withheld or would otherwise be withholdable. If delivery of such computer software is so required, the Recipient may affix the following “Restricted Rights Notice” to the computer software and the Government will thereafter treat the computer software, subject to paragraphs (d) and (e) of this clause, in accordance with the Notice:

RESTRICTED RIGHTS NOTICE

(a) This computer software is submitted with restricted rights under Government Agreement No. ____ (and subaward/contract ____, if appropriate). It may not be used, reproduced, or disclosed by the Government except as provided in paragraph (c) of this Notice or as otherwise expressly stated in the agreement.

(b) This computer software may be—

(1) Used or copied for use in or with the computer or computers for which it was acquired, including use at any Government installation to which such computer or computers may be transferred;

(2) Used or copies for use in a backup computer if any computer for which it was acquired is inoperative;

(3) Reproduced for safekeeping (archives) or backup purposes;

(4) Modified, adapted, or combined with other computer software, provided that the modified, combined, or adapted portions of the derivative software are made subject to the same restricted rights;

(5) Disclosed to and reproduced for use by Federal support service Contractors in accordance with subparagraphs (b)(1) through (4) of this clause, provided the Government makes such disclosure or reproduction subject to these restricted rights; and

(6) Used or copies for use in or transferred to a replacement computer.

(c) Notwithstanding the foregoing, if this computer software is published copyrighted computer software, it is licensed to the Government, without disclosure prohibitions, with the minimum rights set forth in paragraph (b) of this clause.

(d) Any other rights or limitations regarding the use, duplication, or disclosure of this computer software are to be expressly stated in, or incorporated in, the agreement.

(e) This Notice shall be marked on any reproduction of this computer software, in whole or in part.

(End of notice)

(ii) Where it is impractical to include the Restricted Rights Notice on restricted computer software, the following short-form Notice may be used in lieu thereof:

RESTRICTED RIGHTS NOTICE

Use, reproduction, or disclosure is subject to restrictions set forth in Agreement No. ____ (and subaward/contract ____, if appropriate) with ____ (name of Recipient and subrecipient/contractor).

(End of notice)

(iii) If restricted computer software is delivered with the copyright notice of 17 U.S.C. 401, it will be presumed to be published copyrighted computer software licensed to the Government without disclosure prohibitions, with the minimum rights set forth in paragraph (b) of this clause, unless the Recipient includes the following statement with such copyright notice: "Unpublished—rights reserved under the Copyright Laws of the United States."

(End of clause)

**06. Patent Rights - Waiver as modified by 10 C.F.R. 784, DOE Patent Waiver Regulations**

(a) Definitions.
As used in this clause:

Background patent means a domestic patent covering an invention or discovery which is not a Subject Invention and which is owned or controlled by the Contractor at any time through the completion of this contract:
(i) Which the Contractor, but not the Government, has the right to license to others without obligation to pay royalties thereon, and
(ii) Infringement of which cannot reasonably be avoided upon the practice of any specific process, method, machine, manufacture or composition of matter (including relatively minor modifications thereof) which is a subject of the research, development, or demonstration work performed under this contract.

Contract means any contract, grant, agreement, understanding, or other arrangement, which includes research, development, or demonstration work, and includes any assignment or substitution of parties.

DOE patent waiver regulations means the Department of Energy patent waiver regulations at 10 CFR Part 784.

Invention as used in this clause, means any invention or discovery which is or may be patentable or otherwise protectable under Title 35 of the United States Code or any novel variety of plant that is or may be protectable under the Plant Variety Protection Act (7 U.S.C. 2321 et seq.).

Made when used in relation to any invention means the conception or first actual reduction to practice of such invention.

Nonprofit organization means a university or other institution of higher education or an organization of the type described in section 501(c)(3) of the Internal Revenue Code of 1954 (26 U.S.C. 501(c)) and exempt from taxation under section 501(a) of the Internal Revenue Code (26 U.S.C. 501(a)) or any nonprofit scientific or educational organization qualified under a state nonprofit organization statute.

Patent Counsel means the Department of Energy Patent Counsel assisting the procuring activity.

Practical application means to manufacture, in the case of a composition or product; to practice, in the case of a process or method; or to operate, in the case of a machine or system; and, in each case, under such conditions as to establish that the invention is being utilized and that its benefits are, to the extent permitted by law or Government regulations, available to the public on reasonable terms.

Secretary means the Secretary of Energy.

Small business firm means a small business concern as defined at Section 2 of the Pub. L. 85-536 (15 U.S.C. 632) and implementing regulations of the Administrator of the Small Business Administration. For the purpose of this clause, the size standards for small business concerns involved in Government procurement and subcontracting at 13 CFR 121.3-8 and 13 CFR 121.3-12, respectively, will be used.

Subject invention means any invention of the Contractor conceived or first actually reduced to practice in the course of or under this contract, provided that in the case of a variety of plant, the date of determination (as defined in section 41(d) of the Plant Variety Protection Act (7 U.S.C. 2401(d)) must also occur during the period of contract performance.

(b) Allocation of principal rights.
Whereas DOE has granted a waiver of rights to subject inventions to the Contractor, the Contractor may elect to retain the entire right, title, and interest throughout the world to each subject invention subject to the provisions of this clause and 35 U.S.C. "202 and 203. With respect to any subject invention in which the Contractor elects to retain title, the Federal Government shall have a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States the subject invention throughout the world.

(c) Invention disclosure, election of title, and filing of patent applications by Contractor.

(1) The Contractor shall disclose each subject invention to the Patent Counsel within six months after conception or first actual reduction to practice, whichever occurs first in the course of or under this contract, but in any event, prior to any sale, public use, or public disclosure of such invention known to the Contractor. The disclosure to the Patent Counsel shall be in the form of a written report and shall identify the inventors and the contract under which the invention was made. It shall be sufficiently complete in technical detail to convey a clear understanding, to the extent known at the time of the disclosure, of the nature, purpose, operation, and physical, chemical, biological, or electrical characteristics of the invention. The disclosure shall also identify any publication, on sale, or public use of the invention and whether a manuscript describing the invention has been submitted for publication and, if so, whether it has been accepted for publication at the time of disclosure. In addition, after disclosure to the Patent Counsel, the Contractor shall promptly notify the Patent Counsel of the acceptance of any manuscript describing the invention for publication or of any on sale or public use planned by the Contractor.

(2) The Contractor shall elect in writing whether or not to retain title to any such invention by notifying the Patent Counsel at the time of disclosure or within 8 months of disclosure, as to those countries (including the United States) in which the Contractor will retain title; provided, that in any case where publication, on sale, or public use has initiated the 1-year statutory period wherein valid patent protection can still be obtained in the United States, the period of election of title may be shortened by the Agency to a date that is no more than 60 days prior to the end of the statutory period. The Contractor shall notify the Patent Counsel as to those countries (including the United States) in which the Contractor will retain title not later than 60 days prior to the end of the statutory period.

(3) The Contractor shall file its United States patent application on an elected invention within 1 year after election, but not later than at least 60 days prior to the end of any statutory period wherein valid patent protection can be obtained in the United States after a publication, on sale, or public use. The Contractor shall file patent applications in additional countries (including the European Patent Office and under the Patent Cooperation Treaty) within either 10 months of the corresponding initial patent application or 6 months from the date permission is granted by the Commissioner of Patents and Trademarks to file foreign patent applications where foreign filing has been prohibited by a Secrecy Order.

(4) Requests for extension of the time for disclosure to the Patent Counsel, election, and filing may, at the discretion of DOE, be granted, and will normally be granted unless the Patent Counsel has reason to believe that a particular extension would prejudice the Government's interest.

(d) Conditions when the Government may obtain title notwithstanding an existing waiver.
The Contractor shall convey to DOE, upon written request, title to any subject invention--

(1) If the Contractor elects not to retain title to a subject invention;

(2) If the Contractor fails to disclose or elect the subject invention within the times specified in paragraph (c) of this clause (provided that DOE may only request title within 60 days after learning of the Contractor's failure to report or elect within the specified times);

(3) In those countries in which the Contractor fails to file patent applications within the times specified in paragraph (c) of this clause; provided, however, that if the Contractor has filed a patent application in a country after the times specified in paragraph (c) of this clause, but prior to its receipt of the written request of DOE, the Contractor shall continue to retain title in that country;
(4) In any country in which the Contractor decides not to continue the prosecution of any application for, to pay the maintenance fees on, or defend in reexamination or opposition proceeding on, a patent on a subject invention; or

(5) If the waiver authorizing the use of this clause is terminated as provided in paragraph (p) of this clause.

(e) Minimum rights to Contractor when the Government retains title.

(1) The Contractor shall retain a nonexclusive, royalty-free license throughout the world in each subject invention to which the Government obtains title under paragraph (d) of this clause except if the Contractor fails to disclose the subject invention within the times specified in paragraph (c) of this clause. The Contractor's license extends to its domestic subsidiaries and affiliates, if any, within the corporate structure of which the Contractor is a part and includes the right to grant sublicenses of the same scope to the extent the Contractor was legally obligated to do so at the time the contract was awarded. The license is transferable only with the approval of DOE except when transferred to the successor of that part of the Contractor's business to which the invention pertains.

(2) The Contractor's domestic license may be revoked or modified by DOE to the extent necessary to achieve expeditious practical application of the subject invention pursuant to an application for an exclusive license submitted in accordance with applicable provisions in 37 CFR part 404 and DOE licensing regulations. This license shall not be revoked in that field of use or the geographical areas in which the Contractor has achieved practical application and continues to make the benefits of the invention reasonably accessible to the public. The license in any foreign country may be revoked or modified at the discretion of DOE to the extent the Contractor, its licensees, or its domestic subsidiaries or affiliates have failed to achieve practical application in that foreign country.

(3) Before revocation or modification of the license, DOE shall furnish the Contractor a written notice of its intention to revoke or modify the license, and the Contractor shall be allowed 30 days (or such other time as may be authorized by DOE for good cause shown by the Contractor) after the notice to show cause why the license should not be revoked or modified. The Contractor has the right to appeal, in accordance with applicable agency licensing regulations and 37 CFR part 404 concerning the licensing of Government-owned inventions, any decision concerning the revocation or modification of its license.

(f) Contractor action to protect the Government's interest.

(1) The Contractor agrees to execute or to have executed and promptly deliver to DOE all instruments necessary to:

(i) establish or confirm the rights the Government has throughout the world in those subject inventions to which the Contractor elects to retain title, and

(ii) convey title to DOE when requested under paragraphs (d) and (n)(2) of this clause, and to enable the Government to obtain patent protection throughout the world in that subject invention.

(2) The Contractor agrees to require, by written agreement, its employees, other than clerical and nontechnical employees, to disclose promptly in writing to personnel identified as responsible for the administration of patent matters and in a format suggested by the Contractor each subject invention made under contract in order that the Contractor can comply with the disclosure provisions of paragraph (c) of this clause, and to execute all papers necessary to file patent applications on subject inventions and to establish the Government's rights in the subject inventions. This disclosure format should require, as a minimum, the information required by paragraph (c)(1) of this clause. The Contractor shall instruct such employees through employee agreements or other suitable educational programs on the importance of reporting inventions in sufficient time to permit the filing of patent applications prior to U.S. or foreign statutory bars.

(3) The Contractor shall notify DOE of any decision not to continue the prosecution of a patent application, pay maintenance fees, or defend in a reexamination or opposition proceeding on a patent, in any country, not less than 30 days before the expiration of the response period required by the relevant patent office.

(4) The Contractor agrees to include, within the specification of any United States patent application and any patent issuing thereon covering a subject invention, the following statement: "This invention was made with Government support under (identify the contract) awarded by DOE. The Government has certain rights in this invention."

(5) The Contractor shall establish and maintain active and effective procedures to assure that subject inventions are promptly identified and disclosed to Contractor personnel responsible for patent matters within 6 months of conception and/or first actual reduction to practice, whichever occurs first in the course of or under this contract. These procedures shall include the maintenance of laboratory notebooks or equivalent records and other records as are reasonably necessary to document the conception and/or the first actual reduction to practice of subject inventions, and records that show that the procedures for identifying and disclosing the inventions are followed. Upon request, the Contractor shall furnish the Patent Counsel a description of such procedures for evaluation and for determination as to their effectiveness.

(6) The Contractor agrees, when licensing a subject invention, to arrange to avoid royalty charges on acquisitions involving Government funds, including funds derived through Military Assistance Program of the Government or otherwise derived through the Government; to refund any amounts received as royalty charges on the subject invention in acquisitions for, or on behalf of, the Government; and to provide for such refund in any instrument transferring rights in the invention to any party.

(7) The Contractor shall furnish the Patent Counsel the following:

(i) Interim reports every 12 months (or such longer period as may be specified by the Patent Counsel) from the date of the contract, listing subject inventions during that period and stating that all subject inventions have been disclosed or that there are no such inventions.

(ii) A final report, within 3 months after completion of the contracted work, listing all subject inventions or stating that there were no such inventions, and listing all subcontracts at any tier containing a patent rights clause or certifying that there were no such subcontracts.

(8) The Contractor shall promptly notify the Patent Counsel in writing upon the award of any subcontract at any tier containing a patent rights clause by identifying the subcontractor, the applicable patent rights clause, the work to be performed under the subcontract, and the dates of award and estimated completion. Upon request of the Patent Counsel, the Contractor shall furnish a copy of such subcontract, and no more frequently than annually, a listing of the subcontracts that have been awarded.

(9) The Contractor shall provide, upon request, the filing date, serial number and title, a copy of the patent application (including an English-language version if filed in a language other than English), and patent number and issue date for any subject invention for which the Contractor has retained title.

(10) Upon request, the Contractor shall furnish the Government an irrevocable power to inspect and make copies of the patent application file.

(g) Subcontracts.

(1) Unless otherwise directed by the Contracting Officer, the Contractor shall include the clause at 48 CFR 952.227-11, suitably modified to identify the parties, in all subcontracts, regardless of tier, for experimental, developmental, or research work to be performed by a small business firm or nonprofit organization, except where the work of the subcontract is subject to an Exceptional Circumstances Determination by DOE. In all other subcontracts, regardless of tier, for experimental, developmental, demonstration, or research work, the Contractor shall include the patent rights clause at 48 CFR 952.227-13 (suitably modified to identify the parties).

(2) The Contractor shall not, as part of the consideration for awarding the subcontract, obtain rights in the subcontractor's subject inventions.

(3) In the case of subcontractors at any tier, the Department, the subcontractor, and Contractor agree that the mutual obligations of the parties created by this clause constitute a contract between the subcontractor and the Department with respect to those matters covered by this clause.

(4) The Contractor shall promptly notify the Contracting Officer in writing upon the award of any subcontract at any tier containing a patent rights clause by identifying the subcontractor, the applicable patent rights clause, the work to be performed under the subcontract, and the dates of award and estimated completion. Upon request of the Contracting Officer, the Contracting Officer shall furnish a copy of such subcontract, and, no more frequently than annually, a listing of the subcontracts that have been awarded.

(h) Reporting on utilization of subject inventions.

The Contractor agrees to submit on request periodic reports no more frequently than annually on the utilization of a subject invention or on efforts at obtaining such utilization that are being made by the Contractor and any of its licensees or assignees. Such reports shall include information regarding the status of development, date of first commercial sale or use, gross royalties received by the Contractor, and such other data and information as DOE may

reasonably specify. The Contractor also agrees to provide additional reports as may be requested by DOE in connection with any march-in proceedings undertaken by DOE in accordance with paragraph (j) of this clause. To the extent data or information supplied under this paragraph is considered by the Contractor, its licensee or assignee to be privileged and confidential and is so marked, DOE agrees that, to the extent permitted by law, it shall not disclose such information to persons outside the Government.

(i) Preference for United States industry.

Notwithstanding any other provision of this clause, the Contractor agrees that neither it nor any assignee will grant to any person the exclusive right to use or sell any subject invention in the United States unless such person agrees that any products embodying the subject invention will be manufactured substantially in the United States. However, in individual cases, the requirement for such an agreement may be waived by DOE upon a showing by the Contractor or its assignee that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible.

(j) March-in rights.

The Contractor agrees that with respect to any subject invention in which it has acquired title, DOE has the right in accordance with the procedures in 48 CFR 27.304-1(g) to require the Contractor, an assignee, or exclusive licensee of a subject invention to grant a nonexclusive, partially exclusive, or exclusive license in any field of use to a responsible applicant or applicants, upon terms that are reasonable under the circumstances, and if the Contractor, assignee, or exclusive licensee refuses such a request, DOE has the right to grant such a license itself if DOE determines that--

(1) Such action is necessary because the Contractor or assignee has not taken, or is not expected to take within a reasonable time, effective steps to achieve practical application of the subject invention in such field of use;

(2) Such action is necessary to alleviate health or safety needs which are not reasonably satisfied by the Contractor, assignee, or their licensees;
(3) Such action is necessary to meet requirements for public use specified by Federal regulations and such requirements are not reasonably satisfied by the Contractor, assignee, or licensees; or

(4) Such action is necessary because the agreement required by paragraph (i) of this clause has not been obtained or waived or because a licensee of the exclusive right to use or sell any subject invention in the United States is in breach of such agreement.

(k) Background Patents [reserved]

(l) Communications.
All reports and notifications required by this clause shall be submitted to the Patent Counsel unless otherwise instructed.

(m) Other inventions.
Nothing contained in this clause shall be deemed to grant to the Government any rights with respect to any invention other than a subject invention.

(n) Examination of records relating to inventions.

(1) The Contracting Officer or any authorized representative shall, until 3 years after final payment under this contract, have the right to examine any books (including laboratory notebooks), records, and documents of the Contractor relating to the conception or first actual reduction to practice of inventions in the same field of technology as the work under this contract to determine whether--

(i) Any such inventions are subject inventions;

(ii) The Contractor has established and maintains the procedures required by paragraphs (f)(2) and (f)(5) of this clause; and

(iii) The Contractor and its inventor have complied with the procedures.

(2) If the Contracting Officer determines that an inventor has not disclosed a subject invention to the Contractor in accordance with the procedures required by paragraph (f)(5) of this clause, the Contracting Officer may, within 60 days after the determination, request title in accordance with paragraphs (d)(2) and (d)(3) of this clause. However, if the Contractor establishes that the failure to disclose did not result from the Contractor's fault or negligence, the Contracting Officer shall not request title.

(3) If the Contracting Officer learns of an unreported Contractor invention which the Contracting Officer believes may be a subject invention, the Contractor may be required to disclose the invention to DOE for a determination of ownership rights.

(4) Any examination of records under this paragraph shall be conducted in such a manner as to protect the confidentiality of the information involved.

(o) Withholding of payment.
NOTE: This paragraph does not apply to subcontracts or grants.

(1) Any time before final payment under this contract, the Contracting Officer may, in the Government's interest, withhold payment until a reserve not exceeding $50,000 or 5 percent of the amount of the contract, whichever is less, shall have been set aside if, in the Contracting Officer's opinion, the Contractor fails to--
(i) Establish, maintain, and follow effective procedures for identifying and disclosing subject inventions pursuant to paragraph (f)(5) of this clause;
(ii) Disclose any subject invention pursuant to paragraph (c)(1) of this clause;
(iii) Deliver acceptable interim reports pursuant to paragraph (f)(7)(I) of this clause;
(iv) Provide the information regarding subcontracts pursuant to paragraph (f)(6) of this clause; or
(v) Convey to the Government, using a DOE-approved form, the title and/or rights of the Government in each subject invention as required by this clause.

(2) Such reserve or balance shall be withheld until the Contracting Officer has determined that the Contractor has rectified whatever deficiencies exist and has delivered all reports, disclosures, and other information required by this clause.

(3) Final payment under this contract shall not be made before the Contractor delivers to the Patent Counsel all disclosures of subject inventions required by paragraph (c)(1) of this clause, an acceptable final report pursuant to paragraph (f)(7)(ii) of this clause, and all past due confirmatory instruments, and the Patent Counsel has issued a patent clearance certification to the Contracting Officer.

(4) The Contracting Officer may decrease or increase the sums withheld up to the maximum authorized above. If the maximum amount authorized above is already being withheld under other provisions of the contract, no additional amount shall be withheld under this paragraph. The withholding of any amount or the subsequent payment thereof shall not be construed as a waiver of any Government right.

(p) Waiver Terminations.

Any waiver granted to the Contractor authorizing the use of this clause (including any retention of rights pursuant thereto by the Contractor under paragraph (b) of this clause) may be terminated at the discretion of the Secretary or his designee in whole or in part, if the request for waiver by the Contractor is found to contain false material statements or nondisclosure of material facts, and such were specifically relied upon by DOE in reaching the waiver determination. Prior to any such termination, the Contractor will be given written notice stating the extent of such proposed termination and the reasons therefor, and a period of 30 days, or such longer period as the Secretary or his designee shall determine for good cause shown in writing, to show cause why the waiver of rights should not be so terminated. Any waiver termination shall be subject to the Contractor's minimum license as provided in paragraph (e) of this clause.

(q) Atomic Energy.
No claim for pecuniary award or compensation under the provisions of the Atomic Energy Act of 1954, as amended, shall be asserted by the Contractor or its employees with respect to any invention or discovery made or conceived in the course of or under this contract.

(r) Publication.

It is recognized that during the course of work under this contract, the contractor or its employees may from time to time desire to release or publish information regarding scientific or technical developments conceived or first actually reduced to practice in the course of or under this contract. In order that public disclosure of such information will not adversely affect the patent interests of DOE or the contractor, approval for release of publication shall be secured from Patent Counsel prior to any such release or publication. In appropriate circumstances, and after consultation with the contractor, Patent Counsel may waive the right of prepublication review.

(s) Forfeiture of rights in unreported subject inventions.

(1) The contractor shall forfeit and assign to the Government, at the request of the Secretary of Energy or designee, all rights in any subject invention which the contractor fails to report to Patent Counsel within six months after the time the contractor:
(i) Files or causes to be filed a United States or foreign patent application thereon; or
(ii) Submits the final report required by paragraph (f)(7)(ii) of this clause, whichever is later.

(2) However, the Contractor shall not forfeit rights in a subject invention if, within the time specified in paragraph (n)(1) of this clause, the contractor:
(i) Prepares a written decision based upon a review of the record that the invention was neither conceived nor first actually reduced to practice in the course of or under the contract and delivers the decision to Patent Counsel, with a copy to the Contracting Officer; or
(ii) Contending that the subject invention is not a subject invention, the contractor nevertheless discloses the subject invention and all facts pertinent to this contention to the Patent Counsel, with a copy to the Contracting Officer, or
(iii) Establishes that the failure to disclose did not result from the contractor's fault or negligence.

(3) Pending written assignment of the patent application and patents on a subject invention determined by the Contracting Officer to be forfeited (such determination to be a Final Decision under the Disputes clause of this contract), the contractor shall be deemed to hold the invention and the patent applications and patents pertaining thereto in trust for the Government. The forfeiture provision of this paragraph shall be in addition to and shall not supersede any other rights and remedies which the Government may have with respect to subject inventions.

(t) U. S. Competitiveness

The Contractor agrees that any products embodying any waived invention or produced through the use of any waived invention will be manufactured substantially in the United States unless the Contractor can show to the satisfaction of the DOE that it is not commercially feasible to do so. In the event the DOE agrees to foreign manufacture, there will be a requirement that the Government's support of the technology be recognized in some appropriate manner, e.g., recoupment of the Government's investment, etc. The Contractor agrees that it will not license, assign or otherwise transfer any waived invention to any entity unless that entity agrees to these same requirements. Should the Contractor or other such entity receiving rights in the invention undergo a change in ownership amounting to a controlling interest, then the waiver, assignment, license, or other transfer of rights in the waived invention is suspended until approved in writing by the DOE.

(End of clause)

Attachment E

**NATIONAL POLICY ASSURANCES TO BE INCORPORATED AS AWARD TERMS**
**(August 2008)**

To the extent that a term does not apply to a particular type of activity or award, it is self-deleting.

**I. Nondiscrimination Policies**

You must comply with applicable provisions of the following national policies prohibiting discrimination:

1. On the basis of race, color, or national origin in Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.), as implemented by DOE regulations at 10 CFR part 1040;

2. On the basis of sex or blindness, in Title IX of the Education Amendments of 1972 (20 U.S.C. 1681 et seq.), as implemented by DOE regulations at 10 CFR parts 1041 and 1042;

3. On the basis of age, in the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.), as implemented by Department of Health and Human Services regulations at 45 CFR part 90 and DOE regulations at 10 CFR part 1040;

4. On the basis of disability, in Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), as implemented by Department of Justice regulations at 28 CFR part 41 and DOE regulations at 10 CFR part 1041

5. On the basis of race, color, national origin, religion, disability, familial status, and sex under Title VIII of the Civil Rights Act (42 U.S.C. 3601 et seq.) as implemented by the Department of Housing and Urban Development at 24 CFR part 100; and

6. On the basis of disability in the Architectural Barriers Act of 1968 (42 U.S.C 4151 et seq.) for the design, construction, and alteration of buildings and facilities financed with Federal funds.

**II. Environmental Policies**

You must:

1. Comply with applicable provisions of the Clean Air Act (42 U.S.C. 7401, et seq.) and Clean Water Act (33 U.S.C. 1251, et seq.), as implemented by Executive Order 11738 (3 CFR, 1971-1975 Comp. p. 799) and Environmental Protection Agency rules at 40 CFR part 32, Subpart J.

2. Immediately identify to the Buyer for further transmittal to DOE, any potential impact that Contractor finds this Contract may have on:

a. The quality of the human environment, including wetlands, and provide any help the Corporation or DOE may need to comply with the National Environmental Policy Act (NEPA, at 42 U.S.C. 431 et seq.) and assist the Corporation and DOE to prepare Environmental Impact Statements or other environmental documentation. In such cases, Contractor may take no action that will have an adverse environmental impact (e.g., physical disturbance of a site such as breaking ground) or limit the choice of reasonable alternatives until the Corporation provides written notification of Federal compliance with NEPA, as implemented by DOE at 10 CFR part 1021.

b. Flood-prone areas, and provide any help the Corporation or DOE may need to comply with the National Flood Insurance Act of 1968 and Flood Disaster Protection Act of 1973 (42 U.S.C. 4001 et seq.) which require flood insurance, when available, for Federally assisted construction or acquisition in flood-prone areas, as implemented by DOE at 10 CFR part 1022.

c. Use of land and water resources of coastal zones and provide any help the Corporation or DOE may need to comply with the Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.).

d. Coastal barriers along the Atlantic and Gulf coasts and Great Lakes' shores, and provide help the Corporation or DOE may need to comply with the Coastal Barriers Resource Act (16 U.S.C. 3501 et seq.), concerning preservation of barrier resources.

e. Any existing or proposed component of the national Wild and Scenic Rivers system, and provide any help the Corporation or DOE may need to comply with the Wild and Scenic Rivers Act of 1968 ( 16 U.S.C 1271 et seq.).

f. Underground sources of drinking water in areas that have an aquifer that is the sole or principal drinking water source, and provide any help the Corporation or DOE may need to comply with the Safe Drinking Water Act (42 U.S.C. 300h-3).

3. Comply with applicable provisions of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), as implemented by the Department of Housing and Urban Development at 24 CFR Part 35. The requirements concern lead-based paint in housing owned by the Federal Government or receiving Federal assistance.

4. Comply with section 6002 of the Resource Conservation and Recovery Act of 1976, as amended (42 U.S.C. 6962), and implementing regulations of the Environmental Protection Agency, 40 CFR Part 247, which require the purchase of recycled products by States or political subdivision of States.

**III. Live Organisms**

1. **Human research subjects.** You must protect the rights and welfare of individuals that participate as human subjects in research under this award in accordance with the Common Federal Policy for the Protection of Human Subjects (45 CFR part 46), as implemented by DOE at 10 CFR part 745.

2. **Animals and plants.**

a. You must comply with applicable provisions of Department of Agriculture rules at 9 CFR parts 1-4 that implement the Laboratory Animal Welfare Act of 1966 (7 U.S.C. 2131-2156) and provide for humane transportation, handling, care, and treatment of animals used in research, experimentation, or testing under this award.

b. You must follow the guidelines in the National Academy of Sciences (NAS) Publication "Guide for the Care and Use of Laboratory Animals" (1996, which may be found currently at http://www.nap.edu/readingroom/books/labrats/) and comply with the Public Health Service Policy and Government principles Regarding the Care and use of animals (included as Appendix D to the NAS Guide).

c. You must immediately identify to us, as the awarding agency, any potential impact that you find this award may have on endangered species, as defined by the Endangered Species Act of 1973, as amended ("the Act," 16 U.S.C. 1531-1543), and implementing regulations of the Departments of the Interior (50 CFR parts 10-24) and Commerce (50 CFR parts 217-227). You also must provide any help we may need to comply with 16 U.S.C. 1536(a)(2). This is not in lieu of responsibilities you have to comply with provisions of the Act that apply directly to you as a U.S. entity, independent of receiving this award.

**IV. Other National Policies**

1. **Debarment and suspension.** You must comply with requirements regarding debarment and suspension in Subpart C of 2 CFR parts 180 and 901.

2. **Drug-free workplace.** You must comply with drug-free workplace requirements in Subpart B of 10 CFR part 607, which implements sec. 5151-5160 of the Drug-Free Workplace Act of 1988 (Pub. L. 100-690, Title V, Subtitle D; 41 U.S.C. 701, et seq.).

3. **Lobbying.**

a. You must comply with the restrictions on lobbying in 31 U.S.C. 1352, as implemented by DOE at 10 CFR part 601, and submit all disclosures required by that statute and regulation.

b. If you are a nonprofit organization described in section 501(c)(4) of title 26, United States Code (the Internal Revenue Code of 1968), you may not engage in lobbying activities as defined in the Lobbying Disclosure Act of 1995 (2 U.S.C., Chapter 26). If we determine that you have engaged in lobbying activities, we will cease all payments to you under this and other awards and terminate the awards unilaterally for material failure to comply with the award terms and conditions. By submitting an application and accepting funds under this agreement, you assure that you are not an organization described in section 501(c)(4) that has engaged in any lobbying activities described in the Lobbying Disclosure Act of 1995 (2 U.S.C. 1611).

c. You must comply with the prohibition in 18 U.S.C. 1913 on the use of Federal funds, absent express Congressional authorization, to pay directly or indirectly for any service, advertisement or other written matter, telephone communication, or other device intended to influence at any time a Member of Congress or official of any government concerning any legislation, law, policy, appropriation, or ratification.

4. **Officials not to benefit.** You must comply with the requirements that no member of Congress shall be admitted to any share or part of this agreement, or to any benefit arising fro it, in accordance with 41 U.S.C. 22.

5. **Hatch Act.** If applicable, you must comply with the provisions of the Hatch Act (5 U.S.C. 1501-1508 and 7324-7326), as implemented by the Office of Personnel Management at 5 CFR part 151, which limits political activity of employees or officers of State or local governments whose employment is connected to an activity financed in whole or in part with Federal funds.

6. **Native American graves protection and repatriation.** If you control or possess Native American remains and associated funerary objects, you must comply with all requirements of 43 CFR Part 10, the Department of the Interior implementation of the Native American Graves Protection and Repatriation Act of 1990 (25 U.S.C., chapter 32).

7. **Fly America Act.** You must comply with the International Air Transportation Fair Competitive Practices Act of 1974 (49 U.S.C. 40118), commonly referred to as the "Fly America Act," and implementing regulations at 41 CFR 301-10.131 through 301-10.143. The law and regulations require air transport of people or property to, from, between or within a country other than the United States, the cost of which is supported under this award, to be performed by or under a cost-sharing arrangement with a U.S. flag carrier, if service is available.

8. **Use of United States-flag vessels.**

a. Pursuant to Pub. L. 664 (43 U.S.C. 1241(b)), at least 50 percent of any equipment, materials or commodities procured, contracted for or otherwise obtained with funds under this award, and which may be transported by ocean vessel, must be transported on privately owned United States-flag commercial vessels, if available.

b. Within 20 days following the date of loading for shipments originating within the United States or within 30 working days following the date of loading for shipments originating outside the United States, a legible copy of a rated, "on board" commercial ocean bill-of-lading in English for each shipment of cargo described in paragraph 9.a. of this section shall be furnished to both our award administrator (through you in the case of your contractor's bill-of-lading) and to the Division of National Cargo, Office of Market Development, Maritime Administration, Washington, DC 20590.

9. **Research misconduct.** You must comply with the government-wide policy on research misconduct issued by the Office of Science and Technology Policy (available in the Federal Register at 65 FR 76260, December 6, 2000, or on the Internet at www.ostp.gov), as implemented by DOE at 10 CFR part 733 and 10 CFR 600.31.

10. **Requirements for an Institution of Higher Education Concerning Military recruiters and Reserve Officers Training Corps (ROTC).**

a. As a condition for receiving funds under an award by the National Nuclear Security Administration of the Department of Energy, you agree that you are not an institution of higher education that has a policy or practice placing any of the restrictions specified in 10 U.S.C. 983, as implemented by 32 CFR part 216, on:

i. Maintenance, establishment, or operation of Senior ROTC units, or student participation in those units; or

ii. Military recruiters' access to campuses, students on campuses, or information about students.

b. If you are determined, using the procedures in 32 CFR, part 216, to be such an institution of higher education during the period of performance of this award, we:

i. Will cease all payments to you of funds under this award and all other awards subject to the requirements in 32 CFR part 216; and

ii. May suspend or terminate those awards unilaterally for material failure to comply with the award terms and conditions.

11. **Historic preservation.** You must identify to us any:

a. Any property listed or eligible for listing on the National Register of Historic Places that will be affected by this award, and provide any help we may need, with respect to this award, to comply with Section 106 of the National Historic Preservation Act of 1966 (16 U.S.C. 470f), as implemented by the Advisory Council on Historic Preservation regulations at 36 CFR part 800 and Executive Order 11593, "Identification and Protection of Historic Properties," [3 CFR, 1971-1975 Comp., p. 559].

b. Potential under this award for irreparable loss or destruction of significant scientific, prehistorical, historical, or archeological data, and provide any help we may need, with respect to this award, to comply with the Archeological and Historic Preservation Act of 1974 (16 U.S.C. 469a-1, et seq.).

12. **Relocation and real property acquisition.** You must comply with applicable provisions of 49 CFR part 24, which implements the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601, et seq.) and provides for fair and equitable treatment of persons displaced by federally assisted programs or persons whose property is acquired as a result of such programs.

13. **Confidentiality of patient records.** You must keep confidential any records that you maintain of the identity, diagnosis, prognosis, or treatment of any patient in connection with any program or activity relating to substance abuse education, prevention, training, treatment, or rehabilitation that is assisted directly or indirectly under this award, in accordance with 42 U.S.C. 290dd-2.

14. **Constitution Day.** You must comply with Public Law 108-447, Div. J, Title I, Sec. 111 (36 U.S.C. 106 note), which requires each educational institution receiving Federal funds in a Federal fiscal year to hold an educational program on the United States Constitution on September 17th during that year for the students served by the educational institution.

15. **Trafficking in Persons.**

a. Provisions applicable to a recipient that is a private entity.

1. You as the recipient, your employees, subrecipients under this award, and subrecipients' employees may not –

i. Engage in severe forms of trafficking in persons during the period of time that the award is in effect;

ii. Procure a commercial sex act during the period of time that the award is in effect; or

iii. Use forced labor in the performance of the award or subawards under the award.

2. We as the Federal awarding agency may unilaterally terminate this award, without penalty, if you or a subrecipient that is a private entity –

i. Is determined to have violated a prohibition in paragraph a.1 of this award term; or

ii. Has an employee who is determined by the agency official authorized to terminate the award to have violated a prohibition in paragraph a.1 of this award term through conduct that is either --

A. Associated with performance under this award; or

B. Imputed to you or the subrecipient using the standards and due process for imputing the conduct of an individual to an organization that are provided in 2 CFR part 180, "OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)," as implemented by our agency at 2 CFR part 901.

b. Provision applicable to a recipient other than a private entity. We as the Federal awarding agency may unilaterally terminate this award, without penalty, if a subrecipient that is a private entity –

1. Is determined to have violated an applicable prohibition in paragraph a.1 of this award term; or

2. Has an employee who is determined by the agency official authorized to terminate the award to have violated an applicable prohibition in paragraph a.1 of this award term through conduct that is either –

i. Associated with the performance under this award; or

ii. Imputed to the subrecipient using the standards and due process for imputing the conduct of an individual to an organization that are provided in 2 CFR part 180, "OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)," as implemented by our agency at 2 CFR part 901.

c. Provisions applicable to any recipient.

1. You must inform us immediately of any information you receive from any source alleging a violation of a prohibition in paragraph a.1 of this award term.

2. Our right to terminate unilaterally that is described in paragraph a.2 or b. of this section:

i. Implements section 106(g) of the Trafficking Victims Protection Act of 2000 (TVPA), as amended (22 U.S.C. 7104(g)), and

ii. Is in addition to all other remedies for noncompliance that are available to us under this award.

3. You must include the requirements of paragraph a.1 of this award term in any subaward you make to a private entity.

d. Definitions. For purposes of this award term:

1. "Employee" means either:

i. An individual employed by you or a subrecipient who is engaged in the performance of the project or program under this award; or

ii. Another person engaged in the performance of the project under this award and not compensated by you including, but not limited to, a volunteer or individual whose services are contributed by a third party as an in-kind contribution toward cost sharing or matching requirements.

2. "Forced labor" means labor obtained by any of the following methods: the recruitment, harboring, transportation, provision, or obtaining of a person for labor or services, through the use of force, fraud or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery.

3. "Private entity":

i. Means any entity other than a State, local government, Indian tribe, or foreign public entity, as those terms are defined in 2 CFR 175.25.

ii. Includes:

A. A nonprofit organization, including any nonprofit institution of higher education, hospital, or tribal organization other than one included in the definition of Indian tribe at 2 CFR 175.25(b).

B. A for-profit organization.

4. "Severe forms of trafficking in persons," "commercial sex act," and "coercion" have the meanings given at section 103 of the TVPA, as amended (22 U.S.C. 7102).

V. **National Policy Requirements for Subawards.**

Recipient responsibility. You must include in any subaward you make under this award the requirements of the national policy requirements in Section I through IV of this document that apply, based on the type of subawardee organization and situation.

USEC PROPRIETARY INFORMATION

# RD&D Program Management and Enhanced Program Execution Structure

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| Purpose | This Exhibit sets forth the program management and enhanced program execution structure to be implemented by USEC Inc. (USEC), American Centrifuge Demonstration LLC (ACD), other participants and the U.S. Department of Energy (DOE) for the performance of the Research Development and Demonstration (RD&D) Program. This Exhibit describes the roles and responsibilities of each level of the management structure from broad (company) to narrow (function). The structure is graphically depicted in Attachment 1 to this Exhibit. |
| I. American Centrifuge Demonstration, LLC (ACD) | |
| A. Purpose and Scope | ACD is a special-purpose company formed to perform the RD&D Program in accordance with the Cooperative Agreement and related documents to which ACD is a party. ACD is currently a wholly-owned, indirect subsidiary of USEC Inc. ACD will, for accounting and financial reporting purposes be consolidated with USEC Inc.<br><br>The LLC Agreement governing ACD shall be amended and restated consistent with this Exhibit. |
| B. Ownership | Entities entitled to appoint personnel to the Board of Managers (described below) may acquire a membership interest (i.e., equity) in ACD without investment, funding or liability obligation. At no point will DOE acquire a membership interest in ACD. |
| C. Management | Overall management of ACD shall be vested in a Board of Managers that will oversee and direct the management of the RD&D Program with day-to-day management of the RD&D Program vested in a Program Manager. |
| D. Implementation | 1. ACD will enter into a Cooperative Agreement and such other related agreements with DOE for the completion of the RD&D Program.<br>2. ACD shall contract with American Centrifuge Manufacturing, LLC ("ACM") for centrifuge machines. ACM is a joint company between Babcock & Wilcox and USEC. The President and General Manager of ACM is an employee of Babcock & Wilcox and 126 of the 145 current ACM employees are Babcock & Wilcox employees.<br>3. ACD shall contract with the holder of the NRC license for operations services and ACD's authority shall be subject to requirements to maintain compliance with NRC rules and regulations and license requirements<br>4. Consistent with this Exhibit, ACD shall contract with other entities, including USEC Inc. and affiliates of USEC Inc., to obtain such other materials and services as are required to implement the RD&D Program |
| E. Staffing | ACD will not have any employees and will contract for staffing through service contracts or personnel seconding arrangements. |
| F. Compliance | All Board Managers, seconded employees and service contractors shall be required to comply with all applicable security plans and rules and regulations, including those relating to protection of classified information and Export Controlled Information. ACD will apply to the DOE to obtain a determination that ACD is not subject to Foreign Ownership Control or Influence and will obtain all applicable approvals for access to classified information concerning centrifuge technology and ACD's activities shall be restricted as necessary until such approvals are granted. It is assumed that the structure will not require NRC consent to implement and that the parties shall notify NRC as required. |
| II. Board of Managers of ACD | |

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| A. Composition | The Board of Managers shall consist of seven (7) managers:<br>1. Two of the Board Managers shall be appointed by USEC<br>2. Up to three of the Board Managers may be appointed by other companies who may also provide resources for the RD&D Program including operational or management personnel ("Other Participants"); no more than one Board Manager may be appointed by each such company<br>3. Remainder of Board Managers shall be mutually acceptable independent Board Managers<br>4. The Chairman of the Board shall be elected by the Board and shall not be a Board Manager appointed by USEC<br>5. DOE shall have the right to appoint an observer that may attend any and all meetings of the Board of Managers. The DOE observer will not have voting rights of any kind.<br>6. Only independent Board Managers shall receive compensation from ACD<br>7. In the event that less than three Board Managers are appointed by the Other Participants, the Board size and composition shall be adjusted commensurate with the ratios described above and such that USEC shall not appoint a majority of the Board of Managers. |
| B. Authority | 1. The Board of Managers shall be the managing Board for the RD&D Program and shall be vested with the authority to oversee and direct the management of the RD&D Program<br>2. The Board of Managers shall appoint the Program Manager, who shall report to and be accountable to the Board of Managers. The Board of Managers may remove and replace the Program Manager for inadequate performance or other cause. The independent Board Managers shall not be entitled to vote with respect to any vote to remove, replace or appoint the Program Manager. In addition, (i) any Board Manager appointed by the Program Manager's employer (in the case of removal or replacement) or by the candidate Program Manager's employer (in the case of appointment of a new Program Manager) shall not be entitled to vote with respect to any vote to remove, replace or appoint the Program Manager, as the case may be; and (ii) in the event any Board Manager appointed by an Other Participant is excluded from voting pursuant to clause (i), then USEC's Board Managers shall collectively be entitled to cast only one vote with respect to such vote.<br>3. Entry into new contracts, and all material amendments to existing ACD contracts, must be approved by the Board<br>a. Board Managers appointed by a counterparty to an ACD contract shall not be permitted to take part in any Board actions regarding such contracts<br>4. All deviations in excess of 10% of any budget line-item must be approved by the Board of Managers<br>5. If, in the judgment of the Board of Managers, the RD&D Program is materially behind schedule or over-budget or in material danger of failing to meet a milestone required under the Cooperative Agreement, the Board of Managers shall take such actions as may be required to recover cost and schedule or meet the milestone.<br>6. The Board of Managers may obtain the advice of consultants and may require an external review by the PPRC (described below) or other external party of any part of the RD&D Program<br>7. The staffing plan described below shall be submitted to the Board of Managers for approval.<br>8. Certain decisions will require supermajority or unanimous consent of the Board of Managers as is standard and customary including: amendment of the LLC agreement; adjusting capital accounts; dissolution, except as otherwise provided in the LLC agreement; making any distributions; changing outside counsel or auditors, if any; mortgaging, assigning, or granting of a security interest or permitting liens on company assets; admission, withdrawal or expulsion of Members, other than dissolution or transfer as provided in the LLC agreement; settlement of claims; incurrence of any debt; commencement of litigation; and changes in tax elections.<br>9. All other decisions will require a simple majority of the Board Managers permitted to vote on the matter |
| C. Meetings | 1. The Board shall meet telephonically at least once each month<br>2. The Board shall meet in person at least once each calendar quarter provided, however, individual members may participate telephonically<br>3. The Chairman or any two Board Managers may call a special meeting of the Board |

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| D. Information Flow and Reporting Obligations | 1. The Program Manager shall submit to the Board each month, at least two business days prior to the Board's monthly meeting, a report covering:<br>a. Program execution and achievement of technical objectives and program milestones established by the Cooperative Agreement<br>b. Budget execution and adherence<br>c. Earned Value Management reports including; cost and schedule performance (including actual versus budgeted cost of work scheduled and performed, a schedule performance index and a cost performance index), variance analysis, forecasting, milestone status and critical path activities<br>d. Program issues that require direction from Board of Managers<br>e. Such other additional information the Program Manager determines should be provided to the Board or is required by the Board to be provided<br>2. The IPT (described below) shall report to the Program Manager and, in addition to input and/or reports to the Program Manager, shall provide reports to the Board at the Board's quarterly meetings<br>3. Any other entity that conducts an external review at the request of the Board (including the PPRC) shall report to the Board at the Board's quarterly meetings on any matter reviewed at the Board's request<br>4. The Board may request more frequent or specific reporting from the IPT, the PPRC or any senior program employee as it deems necessary. |
| III. Program Management | |
| A. Program Manager | 1. The Board of Managers shall appoint the Program Manager who shall initially be a USEC employee<br>2. The Program Manager shall report to the Board of Managers and shall attend all meetings of the Board of Managers (other than any executive sessions thereof)<br>3. The Program Manager will be the primary point of contact with the DOE RD&D Program manager<br>4. The Program Manager shall be responsible for the day-to-day implementation of the RD&D Program<br>5. The Program Manager shall be responsible for administering the Cooperative Agreement, including the monthly reporting obligations to DOE thereunder<br>6. The Program Manager shall prepare, and submit to the Board of Managers for approval, a staffing plan for employees from Other Participants consistent with this Exhibit<br>7. Subject to the provisions of this Exhibit, the Program Manager will have primary responsibility to manage personnel and contractors to ensure successful performance of the RD&D Program |
| B. Deputy Program Manager | 1. The Deputy Program Manager shall be approved by the Board of Managers and shall not be an employee of the company which employs the Program Manager<br>2. The Deputy Program Manager shall have or be able to obtain such security clearances as are required for the Deputy Program Manager to perform the functions described here<br>3. The Deputy Program Manager shall advise and consult with the Program Manager on all aspects of the RD&D Program including cost, schedule and performance<br>4. The Deputy Program Manager shall report to the Program Manager<br>5. In the Program Manager's absence, the Deputy Program Manager shall perform the functions of the Program Manager<br>6. The Deputy Program Manager shall chair the IPT (described below)<br>7. The Deputy Program Manager shall attend the quarterly meetings of the Board of Managers (other than any executive sessions thereof) for the purpose of providing the status of the IPT review or any other purpose as deemed necessary by the Board |
| IV. Integrated Product Team (IPT) | |

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| A. Purpose and Scope | The IPT shall serve two functions: (i) it will serve as a platform to address issues and potential issues on a program-wide, interdisciplinary basis; and (ii) it will provide an opportunity for direct, more detailed and more frequent DOE observation of the implementation of the RD&D Program<br><br>Specifically, the IPT shall:<br>1. Identify the need for and recommend to the Program Manager changes or corrective actions, and monitor the program team's execution of those changes and corrective actions<br>2. Conduct quarterly RD&D Program reviews with the program team<br>3. Receive and review monthly progress reports<br>4. Receive, and review, prior to submittal to the DOE Contracts Officer the Final Program Report<br>5. Monitor Earned Value Management of the program team<br>6. Monitor technical progress and resolution of technical issues by the program team<br>7. Monitor production processes, problems, and yield rates for centrifuge machine production<br>8. Monitor and certify achievement of the Technical Milestones in the Test Program |
| B. Composition | 1. The IPT shall be chaired by the Deputy Program Manager<br>2. The IPT shall include the technical director and the management leads of each of technical support, operations, manufacturing and construction<br>3. Each of the Other Participants and USEC may appoint a representative to the IPT to the extent it does not otherwise have a participant on the IPT<br>4. The DOE shall appoint up to two individuals to participate at meetings of the IPT<br>5. A member of the project controls team shall also attend all IPT meetings |
| C. Meetings; Reporting | 1. The IPT shall meet as frequently as necessary, as determined by the Deputy Program Manager<br>2. The IPT shall meet at least monthly with the Program Manager<br>3. Prior to such monthly meeting, the IPT shall provide a written report to the Program Manager covering cost, schedule and performance, including Earned Value Management, Key Performance Parameters and change control<br>4. The IPT shall report quarterly to the Board of Managers<br>5. Prior to such quarterly Board meeting, the IPT shall provide a written report to the Board covering cost, schedule and performance, including Earned Value Management, Key Performance Parameters and change control |
| V. Plant Performance Review Committee (PPRC) | |
| A. Purpose and Scope | The PPRC shall serve as a standing independent review committee and shall examine such RD&D Program functions as may be requested by the Program Manager or the Board. |
| B. Composition | The PPRC's current members are:<br>1. *****<br>2. *****<br>3. *****<br>4. ***** |
| C. Meetings; Reporting | 1. The PPRC shall meet as frequently as necessary to perform the reviews requested, as determined by its members<br>2. The PPRC shall report to the Program Manager with respect to any review requested by the Program Manager<br>3. The PPRC shall report to the Board of Managers at the Board's quarterly meetings with respect to any review requested by the Board.<br>4. The PPRC shall also periodically report to the Board as scheduled by the Board. |
| VI. Project Controls | |
| A. Purpose | The Project Controls group shall be responsible for:<br>1. Administering the Earned Value Management system<br>2. Managing the change control process<br>3. Maintaining the program cost and schedule baseline<br>4. Ensuring accuracy of financial reporting<br>5. Maintaining compliance with Sarbanes-Oxley requirements |

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| B. Composition | Project Controls shall be provided through a service contract with USEC Inc. and supplemented with non-USEC personnel from one or more of the Other Participants that have resources with project controls expertise and experience consistent with the attached chart. |
| C. Reporting | The Project Controls group shall report directly to the Program Manager. The Project Controls group will provide written reports covering cost, schedule and performance to the Program Manager at least monthly. The Project Controls group will also provide data and information to the IPT. |
| VII. Technical Support | |
| A. Purpose | The Technical Support group shall be responsible for:<br>1. Obtaining technical support from ORNL under the CRADA<br>2. Managing integrated product teams<br>3. Administering the CRADA with ORNL<br>4. Providing technical support for lead cascade operations, design agent functions, trouble-shooting, testing and demonstration activities, manufacturing, laboratory analyses and value engineering |
| B. Composition | Technical Support shall be provided through a service contract with USEC Inc. and supplemented with non-USEC personnel with appropriate clearances from one or more of the Other Participants that have resources with technological expertise and experience consistent with the attached chart. Technical Support will have a USEC lead manager. |
| C. Reporting | The Technical Support group shall report directly to the Program Manager. The Technical Support Group will provide written reports to the Program Manager at least monthly. |
| VIII. Operations | |
| A. Purpose | The Operations group shall be responsible for:<br>1. Maintaining compliance with all applicable laws, rules and regulations including NRC license requirements<br>2. Ensuring that the RD&D Program is implemented safely and in compliance with all safety requirements<br>3. Maintaining operational security and compliance with all security plans<br>4. Testing and start-up of equipment<br>5. Training operations personnel<br>6. Installing, testing and conditioning centrifuge machines<br>7. Conducting an operational readiness review with the NRC for operation of the 120 machine cascade leading to NRC acceptance/approval of operations of that cascade<br>8. Operating centrifuge machines on an individual basis with a transition to full RD&D cascade operations of 120 machines |
| B. Composition | Operations will be provided through an Operation and Maintenance Agreement with the holder of the NRC license (currently USEC Inc.) and will be supplemented with non-USEC personnel with appropriate clearances from one or more of the Other Participants that have resources with operations expertise and experience consistent with the attached chart. Supplemental staff will cover some or all of the following areas: Deputy Manager, Operations, Regulatory, Training, QA/QC and Safety. |
| C. Reporting | The Operations group shall report directly to the Program Manager. |
| IX. Manufacturing | |
| A. Purpose | The Manufacturing group shall be responsible for:<br>1. The manufacture and delivery of fully-assembled AC100 centrifuge machines for the RD&D Program<br>2. Managing the supply chain for the manufacture and assembly of AC100 centrifuge machines<br>3. The refurbishment of the existing 42 machines to include a safety feature<br>4. The introduction of improved manufacturing processes and value engineering to reduce costs<br>5. Enhancement of the supplier base to support high volume manufacturing<br>6. Maintenance of the supplier base and execution of the necessary preparatory steps needed for commercialization following RD&D program completion |

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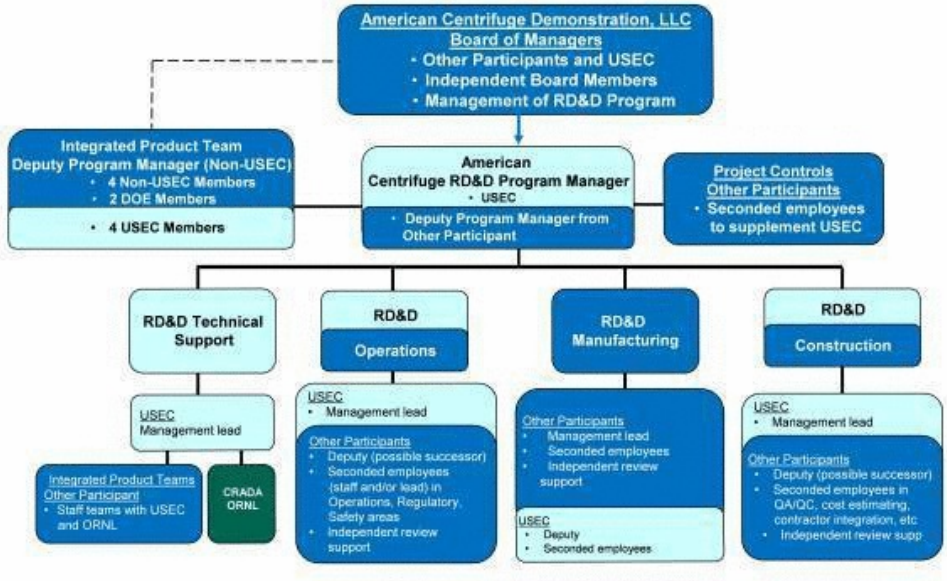
| B. Composition | Manufacturing will be provided through an Equipment Supply Agreement with American Centrifuge Manufacturing, LLC,(ACM) a joint company between Babcock & Wilcox and USEC. The President and General Manager of ACM is an employee of Babcock & Wilcox and 126 of the 145 current ACM employees are Babcock & Wilcox employees. |
| C. Reporting | The Manufacturing group shall report directly to the Program Manager, as set forth in the Equipment Supply Agreement |
| X. Construction | |
| A. Purpose | The Construction group shall be responsible for:<br>1. Maintaining compliance with all applicable laws, rules and regulations including NRC license requirements<br>2. Ensuring that the RD&D Program is implemented safely and in compliance with all safety requirements<br>3. Maintaining security and compliance with all security plans<br>4. Design of balance-of-plant (BOP) infrastructure and equipment necessary to install and operate the full 120 machine RD&D cascade<br>5. Managing supply chain for BOP systems and equipment<br>6. Receiving and installing BOP systems and equipment<br>7. Ensuring quality level 1 (QL-1) construction certifications are obtained and in place<br>8. Implementing quality assurance/quality control plans to ensure compliance with NRC regulations and acceptance for commercial plant<br>9. Maintenance of the supplier base and execution of the necessary preparatory steps needed for commercialization following RD&D program completion |
| B. Composition | Construction shall be provided through a service contract with the holder of the NRC license and supplemented with non-USEC personnel with appropriate clearances from one or more of the Other Participants that have resources with construction expertise and experience consistent with the attached chart. Supplemental staff will cover some or all of the following areas: Deputy Manager, QA/QC, cost estimating and contractor integration. |
| C. Reporting | The Construction group shall report directly to the Program Manager. |

# American Centrifuge RD&D Program Execution Enhancement




*The dark blue represents enhanced project execution roles for Other Participants*

ATTACHMENT G

KEY PERSONNEL

Project Manager – Paul Sullivan
Deputy Project Manager - TBD
Director, RD&D Technical Support - Bob Eby
Director, RD&D Manufacturing – Carl Durham (B&W)
Deputy Director, RD&D Manufacturing – Larry Cutlip
Director, RD&D Construction – Glenn Strausser
Deputy Director, RD&D Construction – TBD
Director, RD&D Operations – Dan Rogers
Deputy Director, RD&D Operations – TBD

CONTRACTORS

American Centrifuge Manufacturing, LLC
Fluor Enterprises
Toshiba (to the extent it becomes a contractor)
Babcock & Wilcox (to the extent it becomes a contractor)

Award/Contract 1. This Contract is a rated order under DPAS (15 CFR 350) Rating:_____

2. Contract (*Proc. Inst. Ident.*) NO.: DE-NE0000488

3. Effective Date: See Block 20C 4. Requisition/Purchase Request/Project No.:_____

5. Issued By: Code: 00112

Office of HQ PS (HQ)

U.S. Department of Energy

Office of Headquarters Procurement Services

MA-64

1000 Independence Avenue, S.W.

Washington, DC 20585

6. Administered By (*If other than Item 5*): Code: 00112

Office of HQ PS (HQ)

U.S. Department of Energy

Office of Headquarters Procurement Services

MA-64

1000 Independence Avenue, S.W.

Washington, DC 20585

7. Name and Address of Contractor (*No., Street, City, Country, State and ZIP Code*):

American Centrifuge Demonstration, LLC

Attn: Peter Saba

6903 Rockledge Dr

Bethesda, MD 20817-1818

8. Delivery: ☐ FOB Origin ☒ Other (*See below*) 9. Discount for Prompt Payment: Net 30

10. Submit Invoices (4 copies unless otherwise specified) To The Address Shown In:_____ Item:_____

11. Ship To/Mark For:_____ Code:_____

12. Payment Will Be Made By: Code: 00506

OR for HQ

U.S. Department of Energy

Oak Ridge Financial Service Center

P.O. Box 4937

Oak Ridge, TN 37831

13. Authority For Using Other Than Full and Open Competition:

☐ 10 U.S.C. 2304(o)(_____) ☒ 41 U.S.C. 253 (c)(1)

14. Accounting and Appropriation Data:_____

15A. Item No:___ 15B. Supplies/Services: Continued 15C. Quantity:____ 15D. Unit:____

15E. Unit Price:____ 15F. Amount:____ 15G. Total Amount of Contract: $0.00

16. Table of Contents

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Contracting Officer will Complete Item 17 or 18 as Applicable

17. ☒ Contractor's Negotiated Agreement (*Contractor is required to sign this document and return 1 copies to Issuing Office.*) Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation, if any, and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein. (*Attachments are listed herein*.)

18. ☐ Award (*Contractor is not required to sign this document.*) Your offer on Solicitation Number _____, including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and on any condition sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract. Nor further contractual document is necessary.

19A. Name and Title of Signer (*Type or print*): Peter B. Saba, Authorized Person

19B. Name of Contractor By: /s/ Peter B. Saba 19C. Date Signed: 6/12/12

20A. Name of Contracting Officer: Beth A. Tomasoni

20B. United States of America By: /s/ Beth A. Tomasoni 20C. Date Signed: 06/12/2012

CONTINUATION SHEET – Reference No. of Document Being Continued: DE-NE0000488

Name of Offeror or Contractor: American Centrifuge Demonstration, LLC

Item No. (A):____

Supplies/Services (B):

Tax ID Number: 32-0378570

DUNS Number: 078482539

See attached sections B through J.

Period of Performance: 06/12/2012 to 01/31/2014 or thirty (30) days after the termination or expiration of the Cooperative Agreement with USEC Inc. and ACD jointly (DE0NE0000530), whichever is later; provided, however, that the portion of this contract relating to consideration, nuclear liability and return of Transferred Property and Transferred Option Property shall survive the termination or expiration of this contract.

Quantity (C):____

Unite (D):____

Unite Price (E):____

Amount (F):____

Section B - Supplies or Services/Prices

**B.1 DOE-B-1001 Deliverable Requirements**

| Item | Item Description | Quantity | Additional Item Information |
|---|---|---|---|
| 00001 | Title to Transferred Property | 42 completed Centrifuge Machines and associated items on Attachment 1 | Model AC100 and items on Attachment 1<br><br>See Item listing Attachment 1 |

**B.2 Consideration and Payment**

The contract is to acquire Centrifuge Machines and associated items that are part of the American Centrifuge Cascade Demonstration Test Program located at Piketon Ohio ("CDTP"). All Centrifuge Machines provided under this contract shall meet high-level specifications set forth in Drawing AC100 Machine Assembly 1005000 by no later than September 30, 2012, and shall be deemed to be "as is, where is" when they meet this standard

Contractor sale of Transferred Property contained in clause B.1 above (item 00001) shall be supported by the following consideration: (i) DOE's making all of the Transferred Property available for no additional fee as GCEP Leased Personalty pursuant to section 3.2 of the GCEP Lease; and (ii) DOE's transferring to the lessee under the GCEP Lease (including its successors or assigns) title to all of the Transferred Property purchased pursuant to Section B.1 (item 00001) upon the earlier of (a) completion of the "Commercial American Centrifuge Plant annual capacity at 1 million SWU per year" milestone in the June 2002 Agreement or (b) financial closing on the financing for the construction and completion of the American Centrifuge Plant which is the commercial plant being constructed by the borrower using USEC's American Centrifuge Technology in Piketon, Ohio, that will produce low enriched uranium using AC100 Centrifuge Machines that, when complete, will have an estimated capacity of 3.5 million SWU per year. In the event that Contractor abandons (constructively or formally) the advanced enrichment technology deployment project and USEC (or its successor, assign, or designee) returns the Leased Premises under the GCEP Lease prior to meeting the "Commercial American Centrifuge Plant annual capacity at 1 million SWU per year" milestone in the June 2002 Agreement, DOE agrees to accept responsibility for removal and/or disposal of all radiological contamination of the Transferred Property and disposal of the Transferred Property, and only those items, permitting the United States Enrichment Corporation (or its successor, assign or designee) to leave the Transferred Property, and only those items, in place in an "as is, where is" condition, and Contractor agrees, if title to the Transferred Property has reverted to Contractor or its designee, to transfer title back to DOE. For purposes of the use and transfer of title to Transferred Property pursuant to (i) and (ii) above, USEC shall be an intended third party beneficiary thereof and shall have the right to enforce such provisions as if it were a party hereto.

Transfer of Transferred Property that is designated as High Risk or Trigger List property shall be subject to the GCEP Lessee's or the appropriate end user's submission of appropriate information to be evaluated as an end user of High Risk property and approval of the GCEP Lessee's or the appropriate end user's receipt of the High Risk Property, as defined in 41 CFR Subpart 109-1.53 and by the means set out in DOE O 580.1A, by appropriate officials within DOE. Both the lease and the transfer of the Transferred Property shall be subject to the following Export Restriction Notice, as required by 41 CFR § 109-1.5303:

EXPORT RESTRICTION NOTICE

The use, disposition, export and reexport of this property are subject to all applicable U.S. laws and regulations, including the Atomic Energy Act of 1954, as amended; the Arms Export Control Act (22 U.S.C. 2751 *et seq.* ); the Export Administration Act of 1979 (560 U.S.C. Append 2401 *et seq.* ); Assistance to Foreign Atomic Energy Activities (10 CFR part 810); Export and Import of Nuclear Equipment and Material (10 CFR part 110); International Traffic in Arms Regulations (22 CFR parts 120 *et seq.* ); Export Administration Regulations (15 CFR part 730 *et seq.* ); Foreign Assets Control Regulations (31 CFR parts 500 *et seq.* ); and the Espionage Act (37 U.S.C. 791 *et seq.* ) which among other things, prohibit:

a. The making of false statements and concealment of any material information regarding the use or disposition, export or reexport of the property; and

b. Any use or disposition, export or reexport of the property which is not authorized in accordance with the provisions of this contract.

Through intercompany agreements with its affiliates, the Contractor acknowledges that it will have the beneficial use of the Transferred Property leased or transferred to the United States Enrichment Corporation (or its successor, assign or designee) pursuant to this Section B.2 and that such beneficial use is of value to Contractor. Beneficial use of the Transferred Property shall not authorize Contractor access to, or possession or utilization of the Transferred Property unless and until the Contractor receives a Facility Clearance and a favorable Foreign Ownership, Control and Influence (FOCI) determination by the Nuclear Regulatory Commission (NRC), and complies with all other applicable legal requirements for such access, possession, or utilization.

The Contractor shall accept the foregoing as complete satisfaction of DOE's compensation obligations.

**Option Items 10001 & 10002 - Option to Purchase Centrifuge Machines and Items of Facility**

The Contracting Officer may unilaterally exercise all or part of these option items within the effective term of the contract.

| Item | Item Description | Quantity | Option Pricing |
|---|---|---|---|
| 10001 | Full title to Centrifuge Machines produced under Cooperative Agreement No. DE-NE0000530 | up to 106 | As provided in B.3 |
| 10002 | Additional items of Equipment produced or acquired under Cooperative Agreement No. DE-NE0000530 | As permitted under the Cooperative Agreement | As provided in B.3 |

Under Cooperative Agreement No. DE-NE0000530, DOE will obtain conditional title to a portion of Equipment purchased with project funding. These Options allow DOE to acquire 100% title in all or part of the Equipment purchased under the Cooperative Agreement (the Equipment so purchased, the Transferred Option Property). A purchase under these Options shall be considered a disposition pursuant to 10 CFR 600.321(f)(2)(ii)(A) and the Purchase Election Notice (defined below) shall be considered disposition instructions issued by the DOE contracting officer.

Notice and Procedure.

Within 10 Business Days after the end of each calendar month during the term of the Cooperative Agreement, the Contractor shall require delivery to the DOE Contracting Officer a report identifying all Equipment acquired during such calendar month under the Cooperative Agreement.

On or before the tenth Business Day following receipt of such report, DOE may elect to exercise its unilateral right to purchase all or part of the Equipment listed in such report or any previous report required under this clause B.3. DOE's exercise of an Option shall be by writing (including email) documenting such exercise. Upon DOE election to exercise an Option, the Contractor shall execute such documents and provide such information as DOE may reasonably require to document such transfer of title.

All Equipment transferred pursuant to this clause B.3 shall be purchased and delivered "as is, where is" and the Contractor shall not be required to ship or store any Equipment transferred hereunder.

DOE exercise and purchase of Option Items 10001 and 10002 shall be supported by the following consideration: (i) DOE's making the Transferred Option Property available for no additional fee as GCEP Leased Personalty pursuant to section 3.2 of the GCEP Lease; and (ii) DOE's transferring to the lessee under the GCEP Lease (including its successors or assigns) title to all of the Transferred Option Property purchased pursuant to Section B.3 (items 10001 and 10002) upon the earlier of (a) completion of the "Commercial American Centrifuge Plant annual capacity at 1 million SWU per year" milestone in the June 2002 Agreement or (b) financial closing on the financing for the construction and completion of the American Centrifuge Plant which is the commercial plant being constructed by the borrower using USEC's American Centrifuge Technology in Piketon, Ohio, that will produce low enriched uranium using AC100 centrifuge machines that, when complete, will have an estimated capacity of 3.5 million SWU per year. In the event that Contractor abandons (constructively or formally) the advanced enrichment technology deployment project and USEC (or its successor, assign or designee) returns the Leased Premises under the GCEP Lease prior to meeting the "Commercial American Centrifuge Plant annual capacity at 1 million SWU per year" milestone in the June 2002 Agreement, DOE agrees to accept responsibility for removal and/or disposal of all radiological contamination of the Transferred Option Property and disposal of the Transferred Option Property, and only those items, permitting the United States Enrichment Corporation (or its successor, assign or designee) to leave the Transferred Option Property, and only those items, in place in an "as is, where is" condition, and Contractor agrees, if title to the Transferred Option Property has reverted to Contractor or its designee, to transfer title back to DOE. For purposes of the use and transfer of title to Transferred Option Property pursuant to (i) and (ii) above, USEC shall be an intended third party beneficiary thereof and shall have the right to enforce such provisions as if it were a party hereto.

Transfer of Transferred Option Property that is designated as High Risk or Trigger List property shall be subject to the GCEP Lessee's or the appropriate end user's submission of appropriate information to be evaluated as an end user of High Risk property and approval of the GCEP Lessee's or the appropriate end user's receipt of the High Risk Property, as defined in 41 CFR Subpart 109-1.53 and by the means set out in DOE O 580.1A, by appropriate officials within DOE. Both the lease and the transfer of the Transferred Option Property shall be subject to the following Export Restriction Notice, as required by 41 CFR § 109-1.5303:

EXPORT RESTRICTION NOTICE

The use, disposition, export and reexport of this property are subject to all applicable U.S. laws and regulations, including the Atomic Energy Act of 1954, as amended; the Arms Export Control Act (22 U.S.C. 2751 *et seq.* ); the Export Administration Act of 1979 (560 U.S.C. Append 2401 *et seq.* ); Assistance to Foreign Atomic Energy Activities (10 CFR part 810); Export and Import of Nuclear Equipment and Material (10 CFR part 110); International Traffic in Arms Regulations (22 CFR parts 120 *et seq.* ); Export Administration Regulations (15 CFR part 730 *et seq.* ); Foreign Assets Control Regulations (31 CFR parts 500 *et seq.* ); and the Espionage Act (37 U.S.C. 791 *et seq.* ) which among other things, prohibit:

a. The making of false statements and concealment of any material information regarding the use or disposition, export or reexport of the property; and

b. Any use or disposition, export or reexport of the property which is not authorized in accordance with the provisions of this contract.

Through intercompany agreements with its affiliates, the Contractor acknowledges that it will have the beneficial use of the Transferred Option Property leased or transferred to the United States Enrichment Corporation (or its successor, assign or designee) pursuant to this Section B.3 and that such beneficial use is of value to Contractor. The Contractor shall accept the foregoing as complete satisfaction of DOE's compensation obligations under Option Items 10001 and 10002. Beneficial use of the Transferred Option Property shall not authorize Contractor access to, or possession or utilization of the Transferred Option Property unless and until the Contractor receives a Facility Clearance and a favorable FOCI determination by NRC , and complies with all other applicable legal requirements for such access, possession, or utilization.

## Section C - Description/Specifications

**Definitions**

For purposes of this Contract, the following terms and expressions, when used with initial capitalization, shall have the meanings assigned to them hereunder and cognate expressions shall have corresponding meanings.

These definitions are intended to supplement and not to replace any definitions contained in any of the documents incorporated by reference herein, but in case of any conflict or inconsistencies, the definitions appearing herein below shall prevail.

Words importing natural persons include legal entities (corporate and un-incorporated) and vice-versa.

Where any term appears in this Contract with initial capitalization and that is not defined herein or in any amendment, modification or supplement hereto agreed by the Parties after the Effective Date, then that term shall have the meaning commonly used in the nuclear industry at the date of signing of this Contract.

Definitions

"Business Day" means a day that is not a Saturday, Sunday or United States Legal Holiday (which is a day for which employees of the United States Federal government are excused from work with pay pursuant to a Federal statute or executive order).

"Centrifuge Machines" means AC100 centrifuge machines.

"Contractor" means American Centrifuge Demonstration, LLC.

"Cooperative Agreement" means Cooperative Agreement number DE-NE0000530 between USEC Inc. and ACD (jointly) and DOE dated 6/12/2012.

"Effective Date" means the date this Contract and the Cooperative Agreement are executed by both Parties. If both Parties do not execute the Contract on the same day, the Contract Effective Date shall be the date both the Contract and the Cooperative Agreement are executed by the last Party provided, however, this Contract shall in no event become effective unless and until the Cooperative Agreement is effective.

"Equipment" means the AC100 centrifuge machines and all other equipment acquired, developed, built or funded pursuant to the Cooperative Agreement.

"GCEP Lease" means the Appendix 1 Lease Agreement between DOE and The United States Enrichment Corporation for the Gas Centrifuge Enrichment Plant, dated December 7, 2006, as amended.

"Termination Date" means the date that the Cooperative Agreement is terminated or expires.

"Transferred Option Property" means the Equipment in items 10001 and 10002 under clause B.3 for which DOE exercises its Option pursuant to B.3.

"Transferred Property" means the property on Attachment 1 and item 00001 under clause B.1.

**DOE-C-1001 Scope of Work**

Purchase of Transferred Property.
On the Effective Date, title to the Transferred Property shall transfer to DOE without further action of the Parties and the Contractor shall execute such documents and provide such information as DOE may reasonably require to document such transfer of title. To the extent applicable, a purchase under this clause C.2 shall be considered a disposition pursuant to 10 CFR 600.321(f)(2)(ii)(A) in accordance with disposition instructions issued by the DOE contracting officer.

All Transferred Property purchased pursuant to this clause C.2 shall be purchased and delivered "as is, where is" and the Contractor shall not be required to ship or store any Transferred Property purchased hereunder.

**Federal, State, and Municipal Requirements**

The Contractor must obtain any required permits and comply with applicable Federal, state, and municipal laws, codes, and regulations for work performed under this Contract.

**Entire Agreement; Termination of Prior Agreements**

This Contract, the GCEP Lease, as amended; the June 17, 2002 Agreement between United States Enrichment Corporation and DOE, as amended (June 17th Agreement) and the Cooperative Agreement contain the entire understanding of DOE and the Contractor with respect to the subject matter of this Contract. This Contract does not modify, alter or change any other agreements between DOE and the Contractor.

**Nuclear Liability**

Nuclear Liability. Indemnification Agreements under the Act. The Contractor's performance under this Agreement shall be deemed to be activities under the GDP Lease and subject to Article X thereof. Nothing contained in this Contract shall deprive the Contractor of any rights under the GDP Lease or under indemnification agreements entered into pursuant to the Act.

Scope of Protection. The provisions of this Article and of the other Articles of this Agreement that provide for limitation or protection against liability of a Party shall (a) also protect such Party's agents, and, to the extent they are acting on behalf of such Party, such Party's contractors, subcontractors, suppliers and vendors of every tier; (b) apply to the full extent permitted by law and regardless of fault; and (c) survive termination or suspension of this contract, as well as the fulfillment of the obligations of the Parties hereunder.

Section D - Packaging and Marking

**HQ-D-1001 Packaging (APR 1984)**

Preservation, packaging, and packing for shipment or mailing of all work deliverable hereunder shall be in accordance with good commercial practice and adequate to insure acceptance by common carrier and safe transportation at the most economical rates; provided, however, that the Transferred Property and the Transferred Option Property shall be purchased and delivered "as is, where is.

(End of clause)

**HQ-D-1002 Marking (APR 1984)**

(a) Each package, report or other deliverable shall be accompanied by a letter or other document which:

(1) Identifies the contract by number under which the item is being delivered.

(2) Identifies the deliverable Item Number or Report Requirement which requires the delivered item(s).

(3) Indicates whether the Contractor considers the delivered item to be a partial or full satisfaction of the requirement.

(b) For any package, report, or other deliverable being delivered to a party other than the Contracting Officer, a copy of the document required in (a) above shall be simultaneously provided to the office administering the contract, as identified in Section G of the contract, or if none, to the Contracting Officer.

(End of clause)

Section E - Inspection and Acceptance

**52.246-2 Inspection of Supplies - Fixed-Price. (AUG 1996) – Incorporated by reference**; provided, however, that Transferred Property and the Transferred Option Property shall be purchased and delivered "as is, where is".

**DOE-E-1001 Inspection and Acceptance**

Inspection and acceptance of all items under this contract shall be accomplished by the Contracting Officer, the Contracting Officer's Representative (COR), or any other duly authorized Government representative identified by the Contracting Officer; provided, however, that the Transferred Property and the Transferred Option Property shall be purchased and delivered "as is, where is". The contractor will be notified in writing or by a copy of the delegation of authority if a different representative in designated.

(End of clause)

Section F - Deliveries or Performance

**52.242-15 Stop-Work Order. (AUG 1989) – Incorporated by reference.**

**52.242-17 Government Delay of Work. (APR 1984) – Incorporated by reference**

**52.247-34 F.o.b. Destination. (NOV 1991) – Incorporated by reference.**

**DOE-F-1003 Delivery Point**

Delivery of all items under this contract shall be made to the following address:

Items 00001, 10001, and 10002 - American Centrifuge facility located at Piketon, Ohio

Delivery for the purpose of inspection and acceptance must be through the above shipping address unless another location has been authorized by the Contracting Officer; provided, however, that the Transferred Property and the Equipment shall be delivered "as is, where is".

**HQ-F-1001 Term of Contract (JAN 1992)**

The term of this contract is from the contract effective date through the January 31, 2014 or thirty (30) days after the termination or expiration of the Cooperative Agreement, whichever is later; provided, however, that the portion of this contract relating to consideration, nuclear liability and return of Transferred Property and Transferred Option Property shall survive the termination or expiration of this contract.

(End of clause)

Section G - Contract Administration Data

**DOE-G-1005 Observance of Legal Holidays**

(a) The on-site Government personnel observe the following holidays:
New Year's Day
Martin Luther King, Jr.'s Birthday
President's Day
Memorial Day
Independence Day
Labor Day
Columbus Day
Veterans Day
Thanksgiving Day
Christmas Day
Any other day designated by Federal statute, Executive order, or the President's proclamation.

(b) When any holiday falls on a Saturday, the preceding Friday is observed. When any holiday falls on a Sunday, the following Monday is observed. Observance of such days by Government personnel shall not by itself be cause for an additional period of performance or entitlement of compensation except as set forth within the contract.

(End of clause)

**DOE-G-1007 Contracting Officer's Representative**

The Contracting Officer's Representative (COR) for the purposes of monitoring and coordinating the technical requirements of this contract is William Szymanski. Mr. Szymanski's contact information is as follows:

William Szymanski
Telephone: 202-586-4553
Email: William.Szymanski@hq.doe.gov

Specific duties and responsibilities of the COR are those delegated in the Contracting Officer's Representative Delegation for this contract, see Attachment 3 – COR Delegation.

**DOE-G-1010 Nonsupervision of Contractor Employees on Government Facilities**

The Government shall not exercise any supervision or control over Contractor employees performing services under this contract. The Contractor's employees shall be held accountable solely to the Contractor's management, who in turn is responsible for contract performance to the Government.

(End of clause)

**HQ-G-1001 Correspondence Procedures (NOV 2000)**

To promote timely and effective administration, correspondence submitted under this contract shall include the contract number and shall be subject to the following procedures:

(a) Technical Correspondence. Technical correspondence (as used herein, this term excludes technical correspondence where patent or technical data issues are involved and correspondence which proposes or otherwise involves waivers, deviations, or modifications to the requirements, terms, or conditions of this contract) shall be addressed to the DOE Contracting Officer's Representative (COR), with an information copy of the correspondence to the DOE Contracting Officer (see below paragraph (c) and to the cognizant Government Contract Administration Office (if other than DOE) designated in Block 24 of the Contract Form (Solicitation, Offer, and Award Standard Form 33) of this contract or if a Standard Form 26 is used (Award/Contract) the Government Contract Administration Office designated in block 6 of this contract.

(b) Other Correspondence.

(1) If no Government Contract Administration Office is designated on the Contract Form of this contract, all correspondence, other than technical correspondence, shall be addressed to the DOE Contracting Officer, with information copies of the correspondence to the DOE COR, and to the DOE Patent Counsel (where patent or technical data issues are involved).

(2) If a Government Contract Administration Office is designated on the contract form of this contract, all administrative correspondence, other than technical correspondence, shall be addressed to the Government Contract Administration Office so designated, with information copies of the correspondence to the DOE Contracting Officer, DOE COR, and to the DOE Patent Counsel (where patent or technical data issues are involved).

(c) The DOE Contract Specialist for the contract is located at the address in (d) below and is as follows:

Contract Specialist: Matthew Parker
Telephone Number: 202-287-1303

The Contractor shall use the DOE Contract Specialist as the focal point for all matters regarding this contract except technical matters (see (a) above for definition of technical matters).

(d) DOE Contracting Officer Address. The Contracting Officer address is as follows:

Contracting Officer (Do not use name of Contracting Officer)
ATTN: DE-NE0000488
U.S. Department of Energy
Headquarters Procurement Services
Division A (MA-64)
1000 Independence Avenue, S.W.
Washington, D.C. 20585-1615

(e) Technical Reports. Procedures for technical reports are described in an attachment to the contract listed at Section J.

Section H - Special Contract Requirements

**DOE-H-1021 Conservation of Utilities**

The Contractor shall instruct Contractor employees in utilities conservation practices. The Contractor shall operate under conditions that preclude the waste of utilities.

The Contractor shall use lights only in areas where and at the time when work is actually being performed except in those areas where lighting is essential for purpose of safety and security.

(End of clause)

**DOE-H-1023 Preservation of Antiquities, Wildlife and Land Areas**

(a) Federal Law provides for the protection of antiquities located on land owned or controlled by the Government. Antiquities include Indian graves or campsites, relics and artifacts. The Contractor shall control the movements of its personnel and its subcontractor's personnel at the job site to ensure that any existing antiquities discovered thereon will not be disturbed or destroyed by such personnel. It shall be the duty of the Contractor to report to the Contracting Officer the existence of any antiquities so discovered.

(b) The Contractor shall also preserve all vegetation (including wetlands) except where such vegetation must be removed for survey or construction purposes. Any removal of vegetation shall be in accordance with the terms of applicable habitat mitigation plans and permits. Furthermore, all wildlife must be protected consistent with programs approved by the Contacting Officer.

(c) Except as required by or specifically provided for in other provisions of this contract, the Contractor shall not perform any excavations, earth borrow, preparation of borrow areas, or otherwise disturb the surface soils within the job site without the prior approval of DOE or its designee.

(End of clause)

**DOE-H-1025 Contractor Interface with Other Contractors and/or Government Employees**

The Government may award contracts for on site work or services to additional contractors. The Contractor shall cooperate fully with all other on site DOE Contractors, and with Government employees, and carefully fit its own work to such other work as may be directed by the Contracting Officer or a duly authorized representative. The Contractor shall not commit or permit any act which will interfere with the performance of work by any other Contractor or by a Government employee.

(End of clause)

**DOE-H-1031 Contractor Press Releases**

The DOE policy and procedure on news releases requires that all Contractor press releases be reviewed and approved by DOE prior to issuance. Therefore, the Contractor shall, at least ten (10) days prior to the planned issue date, submit a draft copy to the Contracting Officer of any planned press releases related to work performed under this contract. The Contracting Officer will then obtain necessary reviews and clearances and provide the Contractor with the results of such reviews prior to the planned issue date. This Section H.4 shall not restrict, delay or inhibit Contractor’s compliance with applicable laws including securities laws.

(End of clause)

**DOE-H-1032 Release of Information**

Any proposed public release of information including publications, exhibits, or audiovisual productions pertaining to the effort/items called for in this contract shall be submitted at least ten (10) days prior to the planned issue date for approval. Proposed releases are to be submitted to 1000 Independence Ave. SW, Washington, DC 20585, with a copy provided to the Contracting Officer.

(End of clause)

**DOE-H-1033 Permits and Licenses**

Within sixty (60) days of award, the Contractor shall submit to the DOE Contracting Officer Representative (COR) a list of Environment, Safety and Health approvals that, in the Contractor's opinion, shall be required to complete the work under this award. This list shall include the topic of the approval being sought, the approving authority, and the expected submit/approval schedule. The COR shall be notified as specific items are added or removed from the list and processed through their approval cycles.

The Contractor agrees to include this clause in their first-tier subcontracts and agrees to enforce the terms of this clause.

(End of clause)

**DOE-H-1040 Lobbying Restriction (Energy and Water Development and Related Agencies Appropriations Act, 2008)**

The contractor agrees that none of the funds obligated on this award shall be expended, directly or indirectly, to influence congressional action on any legislation or appropriation matters pending before Congress, other than to communicate to Members of Congress as described in 18 U.S.C. 1913. This restriction is in addition to those prescribed elsewhere in statute and regulation.

(End of clause)

**DOE-H-1051 CONSECUTIVE NUMBERING (MAY 2009)**

Due to automated procedures employed in formulating this document, clauses and provisions contained within may not always be consecutively numbered.

(End of clause)

**HQ-H-1001 Confidentiality of Information (APR 1984)**

(a) To the extent that the work under this contract requires that the Contractor be given access to confidential or proprietary business, technical, or financial information belonging to the Government or other companies, the Contractor shall, after receipt thereof, treat such information as confidential and agree not to appropriate such information to its own use or to disclose such information to third parties unless specifically authorized by the Contracting Officer in writing. The foregoing obligations, however, shall not apply to:

(1) Information which, at the time of receipt by the Contractor, is in the public domain;

(2) Information which is published after receipt thereof by the Contractor or otherwise becomes part of the public domain through no fault of the Contractor;

(3) Information which the Contractor can demonstrate was in his possession at the time of receipt thereof and was not acquired directly or indirectly from the Government or other companies;

(4) Information which the Contractor can demonstrate was received by it from a third party who did not require the Contractor to hold it in confidence.

(b) The Contractor shall obtain the written agreement, in a form satisfactory to the Contracting Officer, of each employee permitted access, whereby the employee agrees that he will not discuss, divulge or disclose any such information or data to any person or entity except those persons within the Contractor's organization directly concerned with the performance of the contract.

(c) The Contractor agrees, if requested by the Government, to sign an agreement identical, in all material respects, to the provisions of this clause, with each company supplying information to the Contractor under this contract, and to supply a copy of such agreement to the Contracting Officer. From time to time upon request of the Contracting Officer, the Contractor shall supply the Government with reports itemizing information received as confidential or proprietary and setting forth the company or companies from which the Contractor received such information.

(d) The Contractor agrees that upon request by DOE it will execute a DOE-approved agreement with any party whose facilities or proprietary data it is given access to or is furnished, restricting use and disclosure of the data or the information obtained from the facilities. Upon request by DOE, such an agreement shall also be signed by Contractor personnel.

(e) This clause shall flow down to all subcontracts.

*(End of clause)*

**HQ-H-1002 Technical Direction (JAN 2000)**

(a) Performance of the work under this contract shall be subject to the technical direction of the Contracting Officer's Representative ("COR") identified elsewhere in this contract. The term "technical direction" is defined to include, without limitation:

(1) Directions to the Contractor which fill in details or otherwise serve to accomplish the contractual Statement of Work.

(2) Provision of written information to the Contractor which assists in the interpretation of drawings, specifications or technical portions of the work description.

(3) Review and, where required by the contract, approval of technical reports, drawings, specifications and technical information to be delivered by the Contractor to the Government under the contract.

(b) Technical direction must be within the scope of work stated in the contract. The COR does not have the authority to, and may not, issue any technical direction which:

(1) Constitutes an assignment of additional work outside the Statement of Work;

(2) Constitutes a change as defined in the contract clause entitled "Changes";

(3) In any manner causes an increase or decrease in the total price or the time required for contract performance;

(4) Changes any of the expressed terms, conditions or specifications of the contract; or

(5) Interferes with the Contractor's right to perform the terms and conditions of the contract.

(c) All technical directions shall be issued in writing by the COR.

(d) The Contractor shall proceed promptly with the performance of technical directions duly issued by the COR in the manner prescribed by this article and within his authority under the provisions of this clause. If, in the opinion of the Contractor, any instruction or direction by the COR falls within one of the categories defined in (b)(1) through (5) above, the Contractor shall not proceed but shall notify the Contracting Officer in writing within five (5) working days after receipt of any such instruction or direction and shall request the Contracting Officer to modify the contract accordingly. Upon receiving the notification from the Contractor, the Contracting Officer shall:

(1) Advise the Contractor in writing within thirty (30) days after receipt of the Contractor's letter that the technical direction is within the scope of the contract effort and does not constitute a change under the "Changes" clause of the contract; or

(2) Advise the Contractor within a reasonable time that the Government will issue a written change order.

(e) A failure of the Contractor and Contracting Officer to agree that the technical direction is within the scope of the contract, or a failure to agree upon the contract action to be taken with respect thereto, shall be subject to the provisions of the clause entitled "Disputes" of the contract.

(End of clause)

**HQ-H-1003 Modification Authority (APR 1984)**

Notwithstanding any of the other provisions of this contract, the Contracting Officer shall be the only individual authorized by DOE to:

(a) accept nonconforming work,

(b) waive any requirement of this contract, or

(c) modify any term or condition of this contract.

*Changes in the terms and conditions of this contract may be made only by written agreement of the parties.*

*(End of clause)*

**Excusable delays.**

The Contractor shall be liable for default unless nonperformance is caused by an occurrence beyond the reasonable control of the Contractor and without its fault or negligence such as, acts of God or the public enemy, acts of the Government in either its sovereign or contractual capacity, fires, floods, epidemics, quarantine restrictions, strikes, unusually severe weather, and delays of common carriers. The Contractor shall notify the Contracting Officer in writing as soon as it is reasonably possible after the commencement of any excusable delay, setting forth the full particulars in connection therewith, shall remedy such occurrence with all reasonable dispatch, and shall promptly give written notice to the Contracting Officer of the cessation of such occurrence.

**Warranties**

*The Transferred Property and the Transferred Option Property shall be purchased and delivered "as is, where is."*

*The Contractor represents and warrants that all Equipment furnished to DOE hereunder shall be delivered free and clear of all liens, pledges, encumbrances, security interests or title claims created by USEC Inc., the United States Enrichment Corporation, ACD, their agents or others acting on their behalf and the Contractor shall indemnify, hold harmless and, at the Contractor's option, defend DOE from any claim contrary to the representations in this Section.*

Disclaimer. THE CONTRACTOR'S EXPRESS WARRANTIES CONTAINED IN THIS CONTRACT ARE EXCLUSIVE AND THE CONTRACTOR MAKES NO OTHER WARRANTY OF ANY KIND, WHETHER WRITTEN, ORAL, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY WARRANTY (A) OF MERCHANTABILITY; (B) OF FITNESS FOR ANY PARTICULAR PURPOSE; (C) INSTALLATION OR PERFORMANCE, OR (D) THAT MATERIAL DELIVERED BY THE CONTRACTOR WILL NOT RESULT IN INJURY OR DAMAGE WHEN USED FOR ANY PURPOSE.

**H.14 Contractor Access to Classified Information (including Restricted Data)**

Notwithstanding any other provision of this Contract, Contractor shall not have access to classified information, as that term is defined in, Section H.16, Security, of this Contract, and specifically shall not have access to Restricted Data unless and until the Contractor receives a Facility Clearance and favorable FOCI determination from NRC, and complies with all other applicable legal requirements.

**H.15 Facility Clearance**

(a) Use of Certificate Pertaining to Foreign Interests, Standard Form 328.

(1) The work to be conducted under this Contract will require access to classified information and classified matter (including special nuclear material) as defined in Section I.48, DEAR 952.204-2 (MAR 2011) of the Contract. Such access will require a Facility Clearance for the Contractor and access authorizations (security clearances) for personnel working with the classified information and classified matter. To obtain a Facility Clearance, the Contractor must submit a Certificate Pertaining to Foreign Interests, Standard Form 328, and all required supporting documents to form a complete FOCI Package to the cognizant security agency.
(2) Information submitted by the Contractor on Standard Form 328 will be used solely for the purposes of evaluating FOCI and will be treated by the cognizant security agency, to the extent permitted by law, as proprietary business or financial information submitted in confidence.

(3) Following submission of a Standard Form 328, the Contractor shall immediately submit to the cognizant security agency written notification of any changes in the extent and nature of FOCI which alter the Contractor's answers to the questions in Standard Form 328. Following execution of the Contract, the Contractor must immediately submit to the cognizant security agency written notification of any changes in the extent and nature of FOCI which alter the Contractor's answers to the questions in Standard Form 328. 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 must also be furnished concurrently to the cognizant security agency.

(b) Definitions.

(1) Foreign Interest means any of the following--

(i) A foreign government, foreign government agency, or representative of a foreign government;

(ii) 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 trust territories; and

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

(2) 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 classified matter may result.

(c) Facility Clearance means an n administrative determination by the cognizant security agency that a facility is eligible to access, produce, use or store classified information or classified matter. A Facility Clearance is based upon a determination that satisfactory safeguards and security measures are carried out for the activities being performed at the facility. Approval for a Facility Clearance shall be based upon--

(1) A favorable FOCI determination based upon the Contractor's response to the ten questions in Standard Form 328 and any required, supporting data provided by the Contractor;

(2) Approved safeguards and security plans which describe protective measures appropriate to the activities being performed at the facility;

(3) An established Reporting Identification Symbol code for the Nuclear Materials Management and Safeguards Reporting System if access to nuclear materials is involved;

(4) A survey conducted no more than 6 months before the Facility Clearance date, with a composite facility rating of satisfactory, if the facility is to possess classified matter at its location;

(5) Appointment of a Facility Security Officer, who must possess or be in the process of obtaining an access authorization equivalent to the Facility Clearance; and, if applicable, appointment of a Materials Control and Accountability Representative; and

(6) Access authorizations for key management personnel which will be determined on a case-by-case basis, equivalent to the level of the Facility Clearance.

(d) A Facility Clearance is required prior to the Contractor having access to classified information and the granting of any access authorizations under a contract. In order for the Contractor to be granted a Facility Clearance, the cognizant security agency must determine that the Contractor will not pose an undue risk to the common defense and security as a result of access to classified information or classified matter in the performance of the Contract. The Contracting Officer may require the Contractor to submit such additional information as deemed pertinent to this determination.

(e) A Facility Clearance is required under this Contract even if the work to be performed does not require the Contractor to receive, process, reproduce, store, transmit, or handle classified information or classified matter, but which requires DOE access authorizations for the Contractor's employees to perform work at a DOE location. This type of facility is identified as a non-possessing facility.

(f) Except as otherwise authorized in writing by the Contracting Officer, pursuant to this Contract the Contractor must insert provisions similar to the foregoing in all subcontracts, purchase orders and applicable agreements. Any subcontractors requiring access authorizations for access to classified information or classified matter shall be directed to provide responses to the questions in Standard Form 328, Certificate Pertaining to Foreign Interests, directly to the Contractor or the Contracting Officer.

Notice to Offerors -- Contents Review (Please Review Before Submitting)

Prior to submitting the Standard Form 328, required by paragraph (a)(1) of this clause, the Contractor should review a FOCI submission to ensure that:

(1) The Standard Form 328 has been signed and dated by an authorized official;

(2) If publicly owned, the Contractor's most recent annual report, and its most recent proxy statement for its annual meeting of stockholders have been attached; or, if privately owned, the audited, consolidated financial information for the most recently closed accounting year has been attached;

(3) A copy of the company's articles of incorporation and an attested copy of the company's by-laws, or similar documents filed for the company's existence and management, and all amendments to those documents;

(4) A list identifying the Contractor’s owners, officers, directors, and executive personnel, including their names, social security numbers, citizenship, titles of all positions they hold within the organization, and what access authorizations, if any, they possess or are in the process of obtaining, and identification of the government agency(ies) that granted or will be granting those access authorizations; and

(5) A summary FOCI data sheet.

Note: A FOCI submission must be attached for each tier parent organization (i.e., ultimate parent and any intervening levels of ownership). If any of these documents are missing, a Facility Clearance will not be granted.

H.16 Security

(a) Responsibility. It is the Contractor's duty to protect all classified information, special nuclear material, and other DOE property. The Contractor shall, in accordance with DOE security regulations and requirements, be responsible for protecting all classified information and all classified matter (including documents, material and special nuclear material) which are in the Contractor's possession in connection with the performance of work under this Contract against sabotage, espionage, loss or theft. Except as otherwise expressly provided in this Contract, the Contractor shall, upon completion or termination of this Contract, transmit to DOE any classified information and classified matter or special nuclear material in the possession of the Contractor or any person under the Contractor's control in connection with performance of this Contract. If retention by the Contractor of any classified information and classified matter is required after the completion or termination of the Contract, the Contractor shall identify the items and classification levels and categories of matter proposed for retention, the reasons for the retention, and the proposed period of retention. If the retention is approved by the Contracting Officer, the security provisions of the Contract shall continue to be applicable to the classified matter retained. Special nuclear material shall not be retained after the completion or termination of the Contract.

(b) Regulations. The Contractor agrees to comply with all security regulations and Contract requirements of DOE as incorporated into the Contract.

(c) Definition of Classified Information. The term Classified Information means information that is classified as Restricted Data or Formerly Restricted Data under the Atomic Energy Act of 1954, or information determined to require protection against unauthorized disclosure under Executive Order 12958, Classified National Security Information, as amended, or prior executive orders, which is identified as National Security Information.

(d) Definition of Restricted Data. The term Restricted Data means all data concerning design, manufacture, or utilization of atomic weapons; production of special nuclear material; or use of special nuclear material in the production of energy, but excluding data declassified or removed from the Restricted Data category pursuant to 42 U.S.C. 2162 (Section 142, as amended, of the Atomic Energy Act of 1954).

(e) Definition of Formerly Restricted Data. The term "Formerly Restricted Data" means information removed from the Restricted Data category based on a joint determination by DOE or its predecessor agencies and the Department of Defense that the information- (1) relates primarily to the military utilization of atomic weapons; and (2) can be adequately protected as National Security Information. However, such information is subject to the same restrictions on transmission to other countries or regional defense organizations that apply to Restricted Data.

(f) Definition of National Security Information. The term "National Security Information" means information that has been determined, pursuant to Executive Order 12958, Classified National Security Information, as amended, or any predecessor order, to require protection against unauthorized disclosure, and that is marked to indicate its classified status when in documentary form.

(g) Definition of Special Nuclear Material. The term "special nuclear material" means- (1) plutonium, uranium enriched in the isotope 233 or in the isotope 235, and any other material which, pursuant to 42 U.S.C. 2071 (section 51 as amended, of the Atomic Energy Act of 1954) 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.

(h) Access authorizations of personnel.

(1) The Contractor shall not permit any individual to have access to any classified information or special nuclear material, except in accordance with the Atomic Energy Act of 1954, and the DOE's regulations and Contract requirements applicable to the particular level and category of classified information or particular category of special nuclear material to which access is required.

(2) The Contractor must conduct a thorough review, as defined at 48 CFR 904.401, of an uncleared applicant or uncleared employee, and must test the individual for illegal drugs, prior to selecting the individual for a position requiring a DOE access authorization.

(i) a review must verify an uncleared applicant's or uncleared employee's educational background, including any high school diploma obtained within the past five years, and degrees or diplomas granted by an institution of higher learning; contact listed employers for the last three years and listed personal references; conduct local law enforcement checks when such checks are not prohibited by state or local law or regulation and when the uncleared applicant or uncleared employee resides in the jurisdiction where the Contractor is located; and conduct a credit check and other checks as appropriate.

(ii) Contractor reviews are not required for an applicant for DOE access authorization who possesses a current access authorization from DOE or another Federal agency, or whose access authorization may be reapproved without a federal background investigation pursuant to Executive Order 12968, Access to Classified Information (August 4, 1995), Sections 3.3(c) and (d).

(iii) In collecting and using this information to make a determination as to whether it is appropriate to select an uncleared applicant or uncleared employee to a position requiring an access authorization, the Contractor must comply with all applicable laws, regulations, and Executive Orders, including those- (A) governing the processing and privacy of an individual's information, such as the Fair Credit Reporting Act, Americans with Disabilities Act (ADA), and Health Insurance Portability and Accountability Act; and (b) prohibiting discrimination in employment, such as under the ADA, Title VII and the Age Discrimination in Employment Act, including with respect to pre- and post-offer of employment disability related questioning.

(iv) In addition to a review, each candidate for a DOE access authorization must be tested to demonstrate the absence of any illegal drug, as defined in 10 CFR 707.4. All positions requiring access authorizations are deemed testing designated positions in accordance with 10 CFR part 707. All employees possessing access authorizations are subject to applicant, random or for cause testing for use of illegal drugs. DOE will not process candidates for a DOE access authorization unless their tests confirm the absence from their system of any illegal drug.

(v) When an uncleared applicant or uncleared employee receives an offer of employment for a position that requires a DOE access authorization, the Contractor shall not place that individual in such a position prior to the individual's receipt of a DOE access authorization, unless an approval has been obtained from the head of the cognizant local security office. If the individual is hired and placed in the position prior to receiving an access authorization, the uncleared employee may not be afforded access to classified information or matter or special nuclear material (in categories requiring access authorization) until an access authorization has been granted.

(vi) The Contractor must furnish to the head of the cognizant local DOE Security Office, in writing, the following information concerning each uncleared applicant or uncleared employee who is selected for a position requiring an access authorization-

A. The date(s) each Review was conducted;

B. Each entity that provided information concerning the individual;

C. A certification that the review was conducted in accordance with all applicable laws, regulations, and Executive Orders, including those governing the processing and privacy of an individual's information collected during the review;

D. A certification that all information collected during the review was reviewed and evaluated in accordance with the Contractor's personnel policies; and

E. The results of the test for illegal drugs.

(i) Criminal liability. It is understood that disclosure of any classified information relating to the work or services ordered hereunder to any person not entitled to receive it, or failure to protect any classified information, special nuclear material, or other Government property that may come to the Contractor or any person under the Contractor's control in connection with work under this Contract, may subject the Contractor, its agents, employees, or SubContractors to criminal liability under the laws of the United States (see the Atomic Energy Act of 1954, 42 U.S.C. 2011 et seq.; 18 U.S.C. 793 and 794).

(j) Foreign Ownership, Control, or Influence. (1) The Contractor shall immediately provide the cognizant security office written notice of any change in the extent and nature of foreign ownership, control or influence over the Contractor which would affect any answer to the questions presented in the Standard Form (SF) 328, Certificate Pertaining to Foreign Interests, executed prior to Contract of this Contract. In addition, any 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 Contracting Officer.

(2) If a Contractor has changes involving foreign ownership, control, or influence, the cognizant security office must determine whether the changes will pose an undue risk to the common defense and security. In making this determination, the cognizant security office will consider proposals made by the Contractor to avoid or mitigate foreign influences.

(3) If the cognizant security office at any time determines that the Contractor is, or is potentially, subject to foreign ownership, control, or influence, the Contractor shall comply with such instructions as the Contracting Officer shall provide in writing to protect any classified information or special nuclear material.

(4) The Contracting Officer may terminate this Contract either if the Contractor fails to meet obligations imposed by this article or if the Contractor creates a foreign ownership, control, or influence situation in order to avoid performance or a termination. The Contracting Officer may terminate this Contract if the Contractor becomes subject to foreign ownership, control, or influence and for reasons other than avoidance of performance of the Contract, cannot, or chooses not to, avoid or mitigate the foreign ownership, control, or influence problem.

(k) Employment announcements. When placing announcements seeking applicants for positions requiring access authorizations, the Contractor shall include in the written vacancy announcement, a notification to prospective applicants that reviews, and tests for the absence of any illegal drug as defined in 10 CFR 707.4, will be conducted by the employer and a background investigation by the Federal government may be required to obtain an access authorization prior to employment, and that subsequent reinvestigations may be required. If the position is covered by the Counterintelligence Evaluation Program regulations at 10 CFR 709, the announcement should also alert applicants that successful completion of a counterintelligence evaluation may include a counterintelligence-scope polygraph examination.

(l) Flow down to subContracts. The Contractor agrees to insert terms that conform substantially to the language of this article, including this paragraph, in all subContracts under its Contract that will require SubContractor employees to possess access authorizations. Additionally, the Contractor must require such SubContractors to have an existing DOD or DOE facility clearance or submit a completed SF 328, Certificate Pertaining to Foreign Interests, as required in 48 CFR 952.204-73, Facility Clearance, and obtain a foreign ownership, control and influence determination and facility clearance prior to Contract of a subContract. Information to be provided by a SubContractor pursuant to this clause may be submitted directly to the Contracting Officer. For purposes of this article, SubContractor means any SubContractor at any tier and the term "Contracting Officer" means the DOE Contracting Officer. When this article is included in a subContract, the term "Contractor" shall mean SubContractor and the term "Contract" shall mean subContract.

The requirements in this Section 29.01 to return to DOE classified information or matter or special nuclear material shall apply only to government furnished classified information or matter or special nuclear material provided by DOE specifically for use in the Project and shall not apply to classified information or matter or special nuclear material in the possession of the Contractor prior to the effective date of this Contract or generated during the Contract.

Section I - Contract Clauses

The Intellectual Property Requirements applicable to this Contract are set forth in Attachment 2 - Intellectual Property Requirements, as if fully set forth in this Section I.

The following FAR clauses are incorporated by reference:

52.202-1 Definitions. (JAN 2012)

52.203-3 Gratuities. (APR 1984)

52.203-5 Covenant Against Contingent Fees. (APR 1984)

52.203-7 Anti-Kickback Procedures. (OCT 2010)

52.204-4 Printed or Copied Double-Sided on Postconsumer Fiber Content Paper. (May 2011)

52.204-7 Central Contractor Registration. (FEB 2012)

52.204-9 Personal Identity Verification of Contractor Personnel. (JAN 2011)

52.204-10 Reporting Executive Compensation and First-Tier Subcontract Awards. (FEB 2012)

52.209-6 Protecting the Government's Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment. (DEC 2010)

52.209-9 Updates of Publicly Available Information Regarding Responsibility Matters. (FEB 2012)

(a) The Contractor shall update the information in the Federal Awardee Performance and Integrity Information System (FAPIIS) on a semi-annual basis, throughout the life of the contract, by posting the required information in the Central Contractor Registration database via *https://www.acquisition.gov*.

(b) As required by section 3010 of the Supplemental Appropriations Act, 2010 (Pub. L. 111-212), all information posted in FAPIIS on or after April 15, 2011, except past performance reviews, will be publicly available. FAPIIS consists of two segments--

(1) The non-public segment, into which Government officials and the Contractor post information, which can only be viewed by--

(i) Government personnel and authorized users performing business on behalf of the Government; or

(ii) The Contractor, when viewing data on itself; and

(2) The publicly-available segment, to which all data in the non-public segment of FAPIIS is automatically transferred after a waiting period of 14 calendar

days, except for--

(i) Past performance reviews required by subpart 42.15;

(ii) Information that was entered prior to April 15, 2011; or

(iii) Information that is withdrawn during the 14-calendar-day waiting period by the Government official who posted it in accordance with paragraph (c)(1) of this clause.

(c) The Contractor will receive notification when the Government posts new information to the Contractor's record.

(1) If the Contractor asserts in writing within 7 calendar days, to the Government official who posted the information, that some of the information posted to the non-public segment of FAPIIS is covered by a disclosure exemption under the Freedom of Information Act, the Government official who posted the information must within 7 calendar days remove the posting from FAPIIS and resolve the issue in accordance with agency Freedom of Information procedures, prior to reposting the releasable information. The contractor must cite 52.209-9 and request removal within 7 calendar days of the posting to FAPIIS.

(2) The Contractor will also have an opportunity to post comments regarding information that has been posted by the Government. The comments will be retained as long as the associated information is retained, i.e., for a total period of 6 years. Contractor comments will remain a part of the record unless the Contractor revises them.

(3) As required by section 3010 of Pub. L. 111-212, all information posted in FAPIIS on or after April 15, 2011, except past performance reviews, will be publicly available.

(d) Public requests for system information posted prior to April 15, 2011, will be handled under Freedom of Information Act procedures, including, where appropriate, procedures promulgated under E.O. 12600.

(End of clause)

52.215-2 Audit and Records - Negotiation. (OCT 2010)

52.215-8 Order of Precedence—Uniform Contract Format. (OCT 1997)

52.215-20 Requirements for Certified Cost or Pricing Data and Data Other Than Certified Cost or Pricing Data (OCT 2010)

52.215-21 Requirements for Certified Cost or Pricing Data and Data Other Than Certified Cost or Pricing Data - Modifications. (OCT 2010)

52.215-23 Limitations on Pass-Through Charges. (OCT 2009)

52.222-3 Convict Labor. (JUN 2003)

52.222-4 Contract Work Hours and Safety Standards Act - Overtime Compensation. (JUL 2005)

52.222-21 Prohibition of Segregated Facilities. (FEB 1999)

52.222-26 Equal Opportunity. (MAR 2007)

52.222-35 Equal Opportunity for Veterans. (SEP 2010)

52.222-36 Affirmative Action for Workers with Disabilities. (OCT 2010)

52.222-37 Employment Reports on Veterans. (SEP 2010)

52.222-40 Notification of Employee Rights Under the National Labor Relations Act. (DEC 2010)

52.222-54 Employment Eligibility Verification. (JAN 2009)

52.223-3 Hazardous Material Identification and Material Safety Data. (JAN 1997)

52.223-5 Pollution Prevention and Right-to-Know Information. (MAY 2011)

52.223-6 Drug-Free Workplace. (MAY 2001)

52.223-7 Notice of Radioactive Materials. (JAN 1997)

(a) The Contractor shall notify the Contracting Officer or designee, in writing, 10 days prior to the delivery of, or prior to completion of any servicing required by this contract of, items containing either (1) radioactive material requiring specific licensing under the regulations issued pursuant to the Atomic Energy Act of 1954, as amended, as set forth in Title 10 of the Code of Federal Regulations, in effect on the date of this contract, or (2) other radioactive material not requiring specific licensing in which the specific activity is greater than 0.002 microcuries per gram or the activity per item equals or exceeds 0.01 microcuries. Such notice shall specify the part or parts of the items which contain radioactive materials, a description of the materials, the name and activity of the isotope, the manufacturer of the materials, and any other information known to the Contractor which will put users of the items on notice as to the hazards involved (OMB No. 9000-0107).

(b) If there has been no change affecting the quantity of activity, or the characteristics and composition of the radioactive material from deliveries under this contract or prior contracts, the Contractor may request that the Contracting Officer or designee waive the notice requirement in paragraph (a) of this clause.

Any such request shall -

(1) Be submitted in writing;

(2) State that the quantity of activity, characteristics, and composition of the radioactive material have not changed; and

(3) Cite the contract number on which the prior notification was submitted and the contracting office to which it was submitted.

(c) All items, parts, or subassemblies which contain radioactive materials in which the specific activity is greater than 0.002 microcuries per gram or activity per item equals or exceeds 0.01 microcuries, and all containers in which such items, parts or subassemblies are delivered to the Government shall be clearly marked and labeled as required by the latest revision of MIL-STD 129 in effect on the date of the contract.

(d) This clause, including this paragraph (d), shall be inserted in all subcontracts for radioactive materials meeting the criteria in paragraph (a) of this clause.

(e) By execution of this contract, the Contractor is providing written notice to the Contracting Officer that, in accordance with the Nuclear Regulatory Commission license(s) held by Contractor or its affiliates, the Transferred Property currently contains either (1) radioactive material requiring specific licensing under the regulations issued pursuant to the Atomic Energy Act of 1954, as amended, as set forth in Title 10 of the Code of Federal Regulations, in effect on the date of this contract, or (2) other radioactive material not requiring specific licensing in which the specific activity is greater than 0.002 microcuries per gram or the activity per item equals or exceeds 0.01 microcuries.

52.223-18 Encouraging Contractor Policies to Ban Text Messaging While Driving. (AUG 2011)

52.225-13 Restrictions on Certain Foreign Purchases. (JUN 2008)

52.225-25 Prohibition on Contracting with Entities Engaging in Sanctioned Activities Relating to Iran--Representation and Certification. (NOV 2011)

52.228-5 Insurance - Work on a Government Installation. (JAN 1997)

52.233-1 Disputes. (JUL 2002)

52.233-3 Protest after Award. (AUG 1996)

52.233-4 Applicable Law for Breach of Contract Claim. (OCT 2004)

52.242-13 Bankruptcy. (JUL 1995)
52.244-5 Competition in Subcontracting. (DEC 1996)

52.244-6 Subcontracts for Commercial Items. (DEC 2010)

52.246-24 Limitation of Liability - High-Value Items. (FEB 1997)

52.249-2 Termination for Convenience of the Government (Fixed-Price). (APR 2012)

52.249-8 Default (Fixed-Price Supply and Service). (APR 1984)

52.253-1 Computer Generated Forms. (JAN 1991)

The Following DEAR clauses are incorporated by reference:

952.202-1 Definitions.

952.203-70 Whistleblower Protection for Contractor Employees. (DEC 2000)

952.204-70 Classification/Declassification. (SEP 1997)

952.204-71 Sensitive foreign nations controls. (MAR 2011)

952.204-75 Public Affairs. (DEC 2000)

952.208-70 Printing. (APR 1984)

952.251-70 Contractor employee travel discounts. (AUG 2009)

The Contractor Requirements Document Attachment 1 to DOE Order DOE O 470.4B Safeguards and Security Program is hereby incorporated by reference

Section J - List of Documents, Exhibits and Other Attachments

Deliverable Items – List of Transferred Property
Intellectual Property Requirements
COR Delegation

**TRANSFERRED PROPERTY**

**Equipment/Material In Place (at current LC)**

Feed Cart
Dump Cart
Machine Transport
MCW Pumps
RHW Pumps
Chiller
Heat Exchangers
Vent Monitor
Chemical Traps
12 Inch Cylinders
UPS System
3012 Chiller
3012 Monitors and DCS
Generator Fuel Tank
Mass Spec Building

**Equipment/Material – On Hand**

Service Modules
Control System Cabinets
DIESEL GENERATORs
DUMP CARTs
PROCESS SUBSTATION
Motor Control Cabinets
PURGE VACUUM PUMPS
Service Module and General Emergency Lighting
Inverters
UPS BATTERY
EVACUATION VACUUM PUMPS
UPS
COOLING TOWER WATER PUMP DIESEL
BACKUP MOTOR
BIOCIDE CHEMICAL TREATMENT PACKAGE
ANALYZER ELEMENT Ph
Control Systems – Various Components

Electrical Equipment – Various Components
Mechanical Balance of Plant Components

Machine Cooling Water System Components

Mechanical Equipment – Various Components
Piping Material – Various Components

**Machine Components**

Classified Parts
Upper Suspension Assemblies
Lower Suspension Assemblies
Rotor Assemblies
Casings
Controls

**AC100 Centrifuge Machines – 42 (serial numbers provided below)**

All centrifuges provided under this contract must meet high-level specifications set forth in Drawing AC100 Machine Assembly 1005000.

CPM-10B
CPM-13A
CPM-14B
CPM-15A
CPM-16B
CPM-17A
CPM-18A
CPM-19
CPM-1D
CPM-20A

CPM-21A
CPM-22A
CPM-23
CPM-24
CPM-25A
CPM-26
CPM-27A
CPM-28
CPM-29A
CPM-30A
CPM-31A
CPM-32A
CPM-33B
CPM-34A
CPM-35A
CPM-36A
CPM-37B
CPM-38
CPM-39A
CPM-3D
CPM-40A
CPM-41A
CPM-42
CPM-43
CPM-44A
CPM-45
CPM-46
CPM-50
CPM-5D
CPM-7C
CPM-8D
CPM-9C

**Attachment 2**

**INTELLECTUAL PROPERTY REQUIREMENTS**

**01.** In the Agreement Between the U.S. Department of Energy and USEC Inc. dated June 17, 2002, as amended ("June 17th Agreement") USEC and DOE have agreed to USEC's transfer to DOE of certain rights in enrichment-related intellectual property (IP) and the delivery of associated technical data. The Intellectual Property Requirements in this Attachment 2 shall be read and construed in a manner consistent with the IP provisions in the June 17th Agreement, and any inconsistency shall be resolved by giving precedence to the June 17th Agreement.

**02. FAR 52.227-1 Authorization and Consent (Dec 2007)**

(a) The Government authorizes and consents to all use and manufacture, in performing this contract or any subcontract at any tier, of any invention described in and covered by a United States patent—
(1) Embodied in the structure or composition of any article the delivery of which is accepted by the Government under this contract; or
(2) Used in machinery, tools, or methods whose use necessarily results from compliance by the Contractor or a subcontractor with (i) specifications or written provisions forming a part of this contract or (ii) specific written instructions given by the Contracting Officer directing the manner of performance. the entire liability to the Government for infringement of a United States patent shall be determined solely by the provisions of the indemnity clause, if any, included in this contract or any subcontract hereunder (including any lower-tier subcontract), and the Government assumes liability for all other infringement to the extent of the authorization and consent hereinabove granted.
(b) The Contractor shall include the substance of this clause, including this paragraph (b), in all subcontracts that are expected to exceed the simplified acquisition threshold. However, omission of this clause from any subcontract, including those at or below the simplified acquisition threshold, does not affect this authorization and consent.

(End of clause)

**03. FAR 52.227-2 Notice and Assistance Regarding Patent and Copyright Infringement (AUG 1996)**

(a) The Contractor shall report to the Contracting Officer, promptly and in reasonable written detail, each notice or claim of patent or copyright infringement based on the performance of this contract of which the Contractor has knowledge.

(b) In the event of any claim or suit against the Government on account of any alleged patent or copyright infringement arising out of the performance of this contract or out of the use of any supplies furnished or work or services performed under this contract, the Contractor shall furnish to the Government, when requested by the Contracting Officer, all evidence and information in possession of the Contractor pertaining to such suit or claim. Such evidence and information shall be furnished at the expense of the Government except where the Contractor has agreed to indemnify the Government.

(c) The Contractor agrees to include, and require inclusion of, this clause in all subcontracts at any tier for supplies or services (including construction and architect-engineer subcontracts and those for material, supplies, models, samples, or design or testing services) expected to exceed the simplified acquisition threshold at FAR 2.101. (End of clause)

**04. FAR 52.227-3 Patent Indemnity (APR 1984)**

(a) For commercial items delivered under this contract, the Contractor shall indemnify the Government and its officers, agents, and employees against liability, including costs, for infringement of any United States patent (except a patent issued upon an application that is now or may hereafter be withheld from issue pursuant to a Secrecy Order under 35 U.S.C. **181)** arising out of the manufacture or delivery of supplies, the performance of services, or the construction, alteration, modification, or repair of real property
(hereinafter referred to as "construction work") under this contract, or out of the use or disposal by or for the
account of the Government of such supplies or construction work.

(b) This indemnity shall not apply unless the Contractor shall have been informed as soon as practicable by the Government of the suit or action alleging such infringement and shall have been given such opportunity as is afforded by applicable laws, rules, or regulations to participate in its defense. Further, this indemnity shall not apply to—

(1) An infringement resulting from compliance with specific written instructions of the Contracting Officer directing a change in the supplies to be delivered or in the materials or equipment to be used, or directing a manner of performance of the contract not normally used by the Contractor;

(2) An infringement resulting from addition to or change in supplies or components furnished or construction work performed that was made subsequent to delivery or performance; or

(3) A claimed infringement that is unreasonably settled without the consent of the Contractor, unless required by final decree of a court of competent jurisdiction.

(End of clause)

**05. Rights in Data- General (Dec 2007) as modified per 927.409**

(a) Definitions.

(1) Computer data bases, as used in this clause, means a collection of data in a form capable of, and for the purpose of, being stored in, processed, and operated on by a computer. The term does not include computer software.

(2) Computer software, as used in this clause, means

(i) computer programs which are data comprising a series of instructions, rules, routines, or statements, regardless of the media in which recorded, that allow or cause a computer to perform a specific operation or series of operations and

(ii) data comprising source code listings, design details, algorithms, processes, flow charts, formulae, and related material that would enable the computer program to be produced, created, or compiled. The term does not include computer data bases.

(3) Data, as used in this clause, means recorded information, regardless of form or the media on which it may be recorded. The term includes technical data and computer software. For the purposes of this clause, the term does not include data incidental to the administration of this contract, such as financial, administrative, cost and pricing, or management information.

(4) Form, fit, and function data, as used in this clause, means data relating to items, components, or processes that are sufficient to enable physical and functional interchangeability, as well as data identifying source, size, configuration, mating, and attachment characteristics, functional characteristics, and performance requirements; except that for computer software it means data identifying source, functional characteristics, and performance requirements but specifically excludes the source code, algorithm, process, formulae, and flow charts of the software.

(5) Limited rights data, as used in this clause, means data, other than computer software, developed at private expense that embody trade secrets or are commercial or financial and confidential or privileged. The Government's rights to use, duplicate, or disclose limited rights data are as set forth in the Limited Rights Notice of subparagraph (g)(2) of this section if included in this clause.

(6) Restricted computer software, as used in this clause, means computer software developed at private expense and that is a trade secret; is commercial or financial and is confidential or privileged; or is published copyrighted computer software, including minor modifications of any such computer software. The

Government's rights to use, duplicate, or disclose restricted computer software are as set forth in the Restricted Rights Notice of subparagraph (g)(3) of this section if included in this clause.

(7) Technical data, as used in this clause, means recorded data, regardless of form or characteristic, that are of a scientific or technical nature. Technical data does not include computer software, but does include manuals and instructional materials and technical data formatted as a computer data base.

(8) Unlimited rights, as used in this clause, means the rights of the Government to use, disclose, reproduce, prepare derivative works, distribute copies to the public, including by electronic means, and perform publicly and display publicly, in any manner, including by electronic means, and for any purpose whatsoever, and to have or permit others to do so.

(b) Allocation of rights.
(1) Except as provided in paragraph (c) of this clause, the Government shall have unlimited rights in—
(i) Data first produced in the performance of this contract;
(ii) Form, fit, and function data delivered under this contract;
(iii) Data delivered under this contract (except for restricted computer software) that constitute manuals or instructional and training material for installation, operation, or routine maintenance and repair of items, components, or processes delivered or furnished for use under this contract; and
(iv) All other data delivered under this contract unless provided otherwise for limited rights data or restricted computer software in accordance with paragraph (g) of this clause.
(2) The Contractor shall have the right to—
(i) Assert copyright in data first produced in the performance of this contract to the extent provided in paragraph (c)(1) of this clause;
(ii) Use, release to others, reproduce, distribute, or publish any data first produced or specifically used by the Contractor in the performance of this contract, unless provided otherwise in paragraph (d) of this clause;
(iii) Substantiate the use of, add, or correct limited rights, restricted rights, or copyright notices and to take other appropriate action, in accordance with paragraphs (e) and (f) of this clause; and
(iv) Protect from unauthorized disclosure and use those data that are limited rights data or restricted computer software to the extent provided in paragraph (g) of this clause.
(c) Copyright—
(1) Data first produced in the performance of this contract.
(i) Unless provided otherwise in paragraph (d) of this clause, the Contractor may, without prior approval of the Contracting Officer, assert copyright in scientific and technical articles based on or containing data first produced in the performance of this contract and published in academic, technical or professional journals, symposia proceedings, or similar works. The prior, express written permission of the Contracting Officer is required to assert copyright in all other data first produced in the performance of this contract.
(ii) When authorized to assert copyright to the data, the Contractor shall affix the applicable copyright notices of 17 U.S.C. 401 or 402, and an acknowledgment of Government sponsorship (including contract number).
(iii) For data other than computer software, the Contractor grants to the Government, and others acting on its behalf, a paid-up, nonexclusive, irrevocable, worldwide license in such copyrighted data to reproduce, prepare derivative works, distribute copies to the public, and perform publicly and display publicly by or on behalf of the Government. For computer software, the Contractor grants to the Government, and others acting on its behalf, a paid-up, nonexclusive, irrevocable, worldwide license in such copyrighted computer software to reproduce, prepare derivative works, and perform publicly and display publicly (but not to distribute copies to the public) by or on behalf of the Government.
(2) *Data not first produced in the performance of this contract.* The Contractor shall not, without the prior written permission of the Contracting Officer, incorporate in data delivered under this contract any data not first produced in the performance of this contract unless the Contractor—
(i) Identifies the data; and
(ii) Grants to the Government, or acquires on its behalf, a license of the same scope as set forth in paragraph (c)(1) of this clause or, if such data are restricted computer software, the Government shall acquire a copyright license as set forth in paragraph (g)(4) of this clause (if included in this contract) or as otherwise provided in a collateral agreement incorporated in or made part of this contract.
(3) *Removal of copyright notices.* The Government will not remove any authorized copyright notices placed on data pursuant to this paragraph (c), and will include such notices on all reproductions of the data.
(d) *Release, publication, and use of data.* The Contractor shall have the right to use, release to others, reproduce, distribute, or publish any data first produced or specifically used by the Contractor in the performance of this contract, except—
(1) As prohibited by Federal law or regulation (*e.g.*, export control or national security laws or regulations);
(2) As expressly set forth in this contract; or

(3) The Contractor agrees not to assert copyright in computer software first produced in the performance of this contract without prior written permission of the DOE Patent Counsel assisting the contracting activity. When such permission is granted, the Patent Counsel shall specify appropriate terms, conditions, and submission requirements to assure utilization, dissemination, and commercialization of the data. The Contractor, when requested, shall promptly deliver to Patent Counsel a duly executed and approved instrument fully confirmatory of all rights to which the Government is entitled.

(e) Unauthorized marking of data.
(1) Notwithstanding any other provisions of this contract concerning inspection or acceptance, if any data delivered under this contract are marked with the notices specified in paragraph (g)(3) or (g) (4) if included in this clause, and use of the notices is not authorized by this clause, or if the data bears any other restrictive or limiting markings not authorized by this contract, the Contracting Officer may at any time either return the data to the Contractor, or cancel or ignore the markings. However, pursuant to 41 U.S.C. 253d, the following procedures shall apply prior to canceling or ignoring the markings.
(i) The Contracting Officer will make written inquiry to the Contractor affording the Contractor 60 days from receipt of the inquiry to provide written justification to substantiate the propriety of the markings;
(ii) If the Contractor fails to respond or fails to provide written justification to substantiate the propriety of the markings within the 60-day period (or a longer time approved in writing by the Contracting Officer for good cause shown), the Government shall have the right to cancel or ignore the markings at any time after said period and the data will no longer be made subject to any disclosure prohibitions.
(iii) If the Contractor provides written justification to substantiate the propriety of the markings within the period set in paragraph (e)(1)(i) of this clause, the Contracting Officer will consider such written justification and determine whether or not the markings are to be cancelled or ignored. If the Contracting Officer determines that the markings are authorized, the Contractor will be so notified in writing. If the Contracting Officer determines, with concurrence of the head of the contracting activity, that the markings are not authorized, the Contracting Officer will furnish the Contractor a written determination, which

determination will become the final agency decision regarding the appropriateness of the markings unless the Contractor files suit in a court of competent jurisdiction within 90 days of receipt of the Contracting Officer's decision. The Government will continue to abide by the markings under this paragraph (e)(1)(iii) until final resolution of the matter either by the Contracting Officer's determination becoming final (in which instance the Government will thereafter have the right to cancel or ignore the markings at any time and the data will no longer be made subject to any disclosure prohibitions), or by final disposition of the matter by court decision if suit is filed.
(2) The time limits in the procedures set forth in paragraph (e)(1) of this clause may be modified in accordance with agency regulations implementing the Freedom of Information Act (5 U.S.C. 552) if necessary to respond to a request thereunder.
(3) Except to the extent the Government's action occurs as the result of final disposition of the matter by a court of competent jurisdiction, the Contractor is not precluded by paragraph (e) of the clause from bringing a claim, in accordance with the Disputes clause of this contract, that may arise as the result of the Government removing or ignoring authorized markings on data delivered under this contract.
(f) Omitted or incorrect markings.
(1) Data delivered to the Government without any restrictive markings shall be deemed to have been furnished with unlimited rights. The Government is not liable for the disclosure, use, or reproduction of such data.
(2) If the unmarked data has not been disclosed without restriction outside the Government, the Contractor may request, within 6 months (or a longer time approved by the Contracting Officer in writing for good cause shown) after delivery of the data, permission to have authorized notices placed on the data at the Contractor's expense. The Contracting Officer may agree to do so if the Contractor—
(i) Identifies the data to which the omitted notice is to be applied;
(ii) Demonstrates that the omission of the notice was inadvertent;
(iii) Establishes that the proposed notice is authorized; and
(iv) Acknowledges that the Government has no liability for the disclosure, use, or reproduction of any data made prior to the addition of the notice or resulting from the omission of the notice.
(3) If data has been marked with an incorrect notice, the Contracting Officer may—
(i) Permit correction of the notice at the Contractor's expense if the Contractor identifies the data and demonstrates that the correct notice is authorized; or
(ii) Correct any incorrect notices.
(g) Protection of limited rights data and restricted computer software.
(1) The Contractor may withhold from delivery qualifying limited rights data or restricted computer software that are not data identified in paragraphs (b)(1)(i), (ii), and (iii) of this clause. As a condition to this withholding, the Contractor shall—
(i) Identify the data being withheld; and
(ii) Furnish form, fit, and function data instead.
(2) Limited rights data that are formatted as a computer database for delivery to the Government shall be treated as limited rights data and not restricted computer software.
(3) [Reserved]
(h) *Subcontracting.* The Contractor shall obtain from its subcontractors all data and rights therein necessary to fulfill the Contractor's obligations to the Government under this contract. If a subcontractor refuses to accept terms affording the Government those rights, the Contractor shall promptly notify the Contracting Officer of the refusal and shall not proceed with the subcontract award without authorization in writing from the Contracting Officer.
(i) *Relationship to patents or other rights.* Nothing contained in this clause shall imply a license to the Government under any patent or be construed as affecting the scope of any license or other right otherwise granted to the Government.

*Alternate II (Dec 2007).* As prescribed in 27.409(b)(3), insert the following paragraph (g)(3) in the basic clause:

(g)(3) Notwithstanding paragraph (g)(1) of this clause, the contract may identify and specify the delivery of limited rights data, or the Contracting Officer may require by written request the delivery of limited rights data that has been withheld or would otherwise be entitled to be withheld. If delivery of that data is required, the Contractor shall affix the following "Limited Rights Notice" to the data and the Government will treat the data, subject to the provisions of paragraphs (e) and (f) of this clause, in accordance with the notice:

Limited Rights Notice (Dec 2007)

(a) These data are submitted with limited rights under Government Contract No. _____ (and subcontract _____, if appropriate). These data may be reproduced and used by the Government with the express limitation that they will not, without written permission of the Contractor, be used for purposes of manufacture nor disclosed outside the Government; except that the Government may disclose these data outside the Government for the following purposes, if any; provided that the Government makes such disclosure subject to prohibition against further use and disclosure: [*Agencies may list additional purposes as set forth in* 27.404-2*(c)(1) or if none, so state.*]

(b) This notice shall be marked on any reproduction of these data, in whole or in part.

(End of notice)

*Alternate III (Dec 2007).* As prescribed in 27.409(b)(4), insert the following paragraph (g)(4) in the basic clause:

(g)(4)(i) Notwithstanding paragraph (g)(1) of this clause, the contract may identify and specify the delivery of restricted computer software, or the Contracting Officer may require by written request the delivery of restricted computer software that has been withheld or would otherwise be entitled to be withheld. If delivery of that computer software is required, the Contractor shall affix the following "Restricted Rights Notice" to the computer software and the Government will treat the computer software, subject to paragraphs (e) and (f) of this clause, in accordance with the notice:

Restricted Rights Notice (Dec 2007)

(a) This computer software is submitted with restricted rights under Government Contract No. _____ (and subcontract _____, if appropriate). It may not be used, reproduced, or disclosed by the Government except as provided in paragraph (b) of this notice or as otherwise expressly stated in the contract.

(b) This computer software may be—

(1) Used or copied for use with the computer(s) for which it was acquired, including use at any Government installation to which the computer(s) may be transferred;
(2) Used or copied for use with a backup computer if any computer for which it was acquired is inoperative;
(3) Reproduced for safekeeping (archives) or backup purposes;
(4) Modified, adapted, or combined with other computer software, *provided* that the modified, adapted, or combined portions of the derivative software incorporating any of the delivered, restricted computer software shall be subject to the same restricted rights;
(5) Disclosed to and reproduced for use by support service Contractors or their subcontractors in accordance with paragraphs (b)(1) through (4) of this notice; and
(6) Used or copied for use with a replacement computer.

(c) Notwithstanding the foregoing, if this computer software is copyrighted computer software, it is licensed to the Government with the minimum rights set forth in paragraph (b) of this notice.

(d) Any other rights or limitations regarding the use, duplication, or disclosure of this computer software are to be expressly stated in, or incorporated in, the contract.

(e) This notice shall be marked on any reproduction of this computer software, in whole or in part.

(End of notice)

(ii) Where it is impractical to include the Restricted Rights Notice on restricted computer software, the following short-form notice may be used instead:

Restricted Rights Notice Short Form (Jun 1987)

Use, reproduction, or disclosure is subject to restrictions set forth in Contract No. _____ (and subcontract, if appropriate) with _____ (name of Contractor and subcontractor).

United States Government Department of Energy

MEMORANDUM

DATE: 6/12/12

REPLY TO
ATTN OF: MA – 64

SUBJECT: Delegation of Contracting Officer Representative (COR);
Contract Number: DE-NE0000488 Contractor: ACD

TO: William Szymanski

Pursuant to DOE Order 541.1B, you are hereby designated to act as the Contracting Officer Representative (COR) for technical monitoring in relation to the supplies and/or services to be provided under the subject contract. This formal COR designation is personal to you and may not be redelegated to others. As the COR, you may delegate, in writing, specific monitoring and inspecting responsibilities within your delegated authority, ensuring each inspector and monitor has appropriate training and knowledge for their assignments. However, the ultimate responsibility for performance of the inspectors, the monitors, and your delegated duties remains yours alone.

In addition, in accordance with DOE Order 361.1B and the Acquisition Career Management Program Handbook you are required to obtain 40 hours of continuous learning activities within your career field every two (2) years and to maintain a record of these activities. More information regarding this requirement is available from Ms. Beatrice Dukes, MA-612 on (202) 287-1879.

The COR shall prepare a Memorandum for the Record (MFR) of all meetings, trips, and telephone conversations relating to the contract. Each record and all correspondence relating to the contract shall cite the contract number. The COR shall ensure all delegated monitors and inspectors prepare MFRS. All of the MFRS, delegation memorandums, task assignments, technical direction letters, vouchers and other correspondence shall be maintained in the Official COR Administration Files. A copy of all delegations, MFRS, records, contract documents and other correspondence shall be furnished to the Contracting Officer, upon request. The utmost care must be given to restrictions regarding, proprietary data, source selection information, as well as classified and business sensitive information.

The COR shall comply with the requirements for procurement integrity as set forth in Federal Acquisition Regulations (FAR) 3.104 and promptly report to the cognizant contracting officer any information concerning a violation or possible violation of procurement integrity requirements.

Your responsibilities as COR grow out of the provisions of the subject contract, DOE Order 541.1B, the Office of Federal Procurement Policy, Policy Letter 92-1, and Departmental financial and policy guidance related to cost and accrual reporting. Your duties will consist of the following:

(a) [ ] Prepare or [X] Prepare and Issue, Task Orders in accordance with the contract ensuring that the work to be performed under all issued task assignments/orders: 1) is within the Scope and Statement Of Work of the contract; 2) does not include any inherently government functions; 3) does not constitute a change as defined in the contract clause entitled "Changes;" 4) does not in any manner cause an increase or decrease in the total price or the time required for contract performance; 5) does not change any of the expressed terms, conditions or specifications of the contract; or 6) interfere with the Contractor's right to perform the terms and conditions of the contract.

(b) Monitor technical compliance. Ensure that the Contractor complies with all technical requirements of the work defined in the scope of work, either included in or attached to the contract, including reports, documentation, data, work products, milestone schedules and deliverables. In this connection, you will:

(1) Inform the Contracting Officer in writing of any performance failure by the Contractor;

(2) Inform the Contracting Officer if you foresee that the contract will not be completed according to schedule. Your written notice should include your recommendations for remedial action;

(3) Insure that the Government meets its contract obligations to the Contractor. This includes, but is not limited to, Government-furnished equipment and services called for in the Contract, and timely Government comment on or approval of draft contract deliverables as may be required by the Contract.

(4) Inform the Contracting Officer in writing of any needed changes in the narrative scope of work described in the Contract. A Procurement Request should be initiated to effect any changes in the scope of work. No such change shall be effective until a modification is exercised.

(5) If applicable, issue written technical direction for services within the scope of the Contract. However, you may not issue technical direction which:

(i) Constitutes an assignment of additional work outside the Statement of Work;

(ii) Constitutes a change as defined in the contract clause entitled "Changes";

(iii) In any manner causes an increase or decrease in the total estimated contract cost, the fixed fee (if any), or the time required for contract performance;

(iv) Changes the expressed terms, conditions or specifications of the contract; or interferes with the Contractor's right to perform the terms and conditions of the contract.

(6) Review contract deliverables for unauthorized work and any evidence of organizational conflicts of interest problems.

(7) Ensure that, in accordance with Office of Management and Budget, Office of Federal Procurement Policy, Policy Letter 92-1, entitled "Inherently Government Functions," Contractor performance does not usurp those functions so intimately connected with Government operations that they must be performed by Government employees in order to retain essential control and responsibility. These functions involve exercising discretionary authority and making final value judgements that affect the day-to-day and long-term development, execution, and evaluation of Government programs.

(c) Monitor the technical, administrative and funds aspects.

(1) Notify the Contracting Officer immediately of any indication that the cost to the Government for completing performance under the contract will exceed the amount stated in the contract.

(2) Report any indication that costs are being incurred which are not appropriately chargeable to this contract.

(3) Monitor travel performance under the contract to assure the necessity therefore and the duration thereof.

(4) Check one Block:

[ ] Review and concur on vouchers for payment electronically through the Oak Ridge Financial Services Center's (ORFSC) Vendor Inquiry Payment Electronic Reporting System (VIPERS) as follows:

(i) Review and concur on invoices for reasonableness and applicability of cost and appropriateness of the fee and costs claimed.

(ii) If you question the Contractor's claimed costs, progress, delivery, and/or fee claimed in (i) above, make a note in the "Approver" comments section of the VIPERS approval system indicating what documentation is necessary to clarify the questioned costs. If all the costs are questioned you are to state in "Approver" comments section an explanation of why you question the costs. The "Rejection Codes" section should also be completed. If you have questioned any cost, clearly annotate which costs are questioned. A copy of all your comments must also be maintained in the COR's files.

[ ] Review and approve vouchers and invoices for payment electronically through the Oak Ridge Financial Services Center's (ORFSC) Vendor Inquiry Payment Electronic Reporting System (VIPERS) as follows:.

(i) Review and approve vouchers for reasonableness and applicability of cost and appropriateness of the fee and costs claimed.

(ii) If you question the Contractor's claimed costs, progress, delivery, and/or fee claimed in (i) above, make a note in the "Approver" comments section of the VIPERS approval system indicating what documentation is necessary to clarify the questioned costs. If all the costs are questioned you are to state in "Approver" comments section an explanation of why you question the costs. The "Rejection Codes" section should also be completed. If you have questioned any cost, clearly annotate which costs are questioned. A copy of all your comments must also be maintained in the COR's files.

(iii) Report accrued cost (un-invoiced cost) through the VIAS Cost Accrual menu option in accordance with the Office of Financial Policy's Supplemental Guidance on Cost and Accruals (March 2006) and in accordance with the instructions and demo available on the VIAS web-site. You also need to comply with any related instructions that may periodically emanate (usually via e-mail) from the VIAS System operators.

(d) Property Management. You are requested to:

(1) Review and comment on the Contractor's requests for Government-furnished facilities, supplies, materials and equipment and forward the requests to the Contracting Officer for disposition.

(2) Review and comment on the Contractor's requests for consent of purchase of supplies, materials, and equipment, and forward the requests to the Contracting Officer for disposition.

(e) Resolve Technical Differences. Assist the Contractor in interpreting technical requirements of the subject contract's scope of work. All technical questions arising out of the contract which cannot be resolved without increasing costs, alterations or changes to the contract scope, or the occurrence of unresolvable differences should be reported in writing to the Contracting Officer. Such report should contain the facts and recommendations pertinent to the questions at issue.

(f) Conduct or assure the Government inspection and acceptance are accomplished for (check one block):

[X] all items, or
[ ] the following items:

(g) Complete Contractor Performance Reports. Using the Department of Defense, Naval Sea Systems Command, Contractor Performance Assessment Reporting System (CPARS), electronically complete and forward to the Contracting Officer/ Contract Specialist, the COR evaluation segment of the performance report required by the Department. Coordinate any revisions to the COR segment of the Contractor Performance Report that are deemed necessary by the Contracting Officer.

(h) Assist in the Closeout of the Contract. Upon completion of the work:

(1) Promptly advise the Contracting Officer of the actions yet to be taken on the expiring instrument.

(2) Forward to the Contracting Officer the Closeout Form entitled "Exhibit 4 - Final Acceptance" attesting to the Contractor's completion of the technical performance under the contract and delivery of all goods and services and to your acceptance of all goods and services for which inspection and acceptance are herein delegated.

(3) Forward to the Contracting Officer all records and documents pertinent to the administration of the contract which were retained by you in your capacity as COR during the period of contract performance.

(4) Forward to the Contracting Officer a statement that any DOE photo identification badges issued to contractor personnel were returned to the DOE Program/Project Office.

(5) If the contract contains classified requirements, forward the following documents to the Office of Security Affairs:

(i) Complete identity and classification of all classified material provided to the Contractor for performance of the contract.

(ii) Complete identity of all classified material generated by the Contractor under this contract.

(iii) Identity of material indicated in (i) and (ii) above which you authorized the Contractor to retain.

(iv) Certification that all classified material not authorized for retention has been returned or destroyed by the Contractor as required.

(6) Promptly provide funds at the conclusion of financial audits of the contractor’s direct and indirect rates on cost reimbursable contracts or other instruments if it is determined that there was a cost overrun and that additional funds are required.

In connection with the performance of all of the above, you are NOT authorized to negotiate terms or make any agreement or commitments with the Contractor which modify the terms and conditions of the contract (i.e., contract amount, contract period of performance, contract scope of work). Only the Contracting Officer is authorized to accept nonconforming work, waive any requirement of the contract, or modify any term or condition of the contract.

/s/ Beth A. Tomasoni

Beth A. Tomasoni
Contracting Officer
Office of Headquarters Procurement Services

U.S. Department of Energy
1000 Independence Avenue, S.W.
Office of Headquarters Procurement Services
Attn: Matthew Parker, MA-641.2
Washington, D.C. 20585-1615

/s/ William Szymanski 6-12-12

William Szymanski Date
Authorized Contracting Officer Representative

Exhibit 10.10

MODIFICATION NO. 5
TO
AGREEMENT BETWEEN
THE U.S. DEPARTMENT OF ENERGY ("DOE")
AND
USEC INC. ("USEC")

WHEREAS, the Department of Energy ("DOE") and USEC INC. ("USEC"), the "parties," desire USEC or its subsidiaries, affiliates, and successor entities to continue research and development to support the demonstration and commercialization at full scale of the American Centrifuge Technology and the American Centrifuge Plant;

WHEREAS, the milestone of November 2011 to obtain firm financing commitment(s) for the construction of the commercial American Centrifuge Plant under the AGREEMENT BETWEEN THE U.S. DEPARTMENT OF ENERGY ("DOE") AND USEC INC. ("USEC"), dated June 17, 2002, as amended ("June 17th Agreement") was not achieved;

WHEREAS, DOE and USEC agreed at the time to defer and revisit the matter of the missed milestone;

WHEREAS, the parties have entered into a Cooperative Agreement Between USEC and DOE dated June 12, 2012, for a cost-shared American Centrifuge Cascade Demonstration Test Program ("CDTP ") to build and demonstrate at least one cascade of 120 machines and associated support systems; and

WHEREAS, the parties desire to avoid dispute regarding the missed November 2011 milestone and whether it was beyond USEC's control or without its fault or negligence and DOE could invoke any or all of its rights under the June 17th Agreement for the failure to achieve a milestone;

NOW, THEREFORE, DOE and USEC hereby agree, in exchange of good and valuable consideration and without prejudice to the parties' rights under the June 17th Agreement and without a determination of fault, negligence, or control regarding the missed November 2011 milestone, to modify the June 17th Agreement as follows:

1. Add the following new paragraph at the beginning of Article 3 of the June 17th Agreement:

For the purposes of this Article 3 only, the term USEC shall include American Centrifuge Demonstration, LLC ("ACD"), a new company formed to implement the CDTP (as defined below) and to satisfy a portion of the obligations under this Article 3. USEC shall cause ACD to agree to assume the obligations of USEC under this Article 3 that are appropriate for ACD to perform. Execution of this modification shall represent DOE's acceptance of the performance by ACD of those obligations of USEC under this Article 3. Notwithstanding such delegations, USEC shall remain liable for performance of the terms and conditions of this Article 3.

2. Two new milestones are added and the remaining milestones beginning with the November 2011 milestone established by Modification 4 to the Agreement, dated February 11, 2011, are hereby amended to read as follows:

| | |
|---|---|
| May 2014 | Successful Completion of the American Centrifuge Cascade Demonstration Test Program |
| June 2014 | Commitment to Proceed with Commercial Operation |
| November 2014 | Secure Firm Financing Commitment(s) for the Construction of the Commercial American Centrifuge Plant with an annual capacity of ~ 3.5 million SWU per year. |
| July 2017 | Begin Commercial American Centrifuge Plant Operations |
| September 2018 | Commercial American Centrifuge Plant annual capacity at 1 million SWU per year |
| September 2020 | Commercial American Centrifuge Plant annual capacity at ~ 3.5 million SWU per year |

3. DOE and USEC agree to discuss adjustment of the milestones after the November 2014 milestone in the June 17th Agreement, as currently modified, as may be appropriate based on, *inter alia*, the revised Phase IV Plan by USEC.

4. The following definition of "Successful Completion of the American Centrifuge Cascade Demonstration Test Program" is hereby added after section (d) in Article 3:

(e) "Successful Completion of the American Centrifuge Cascade Demonstration Test Program"—This milestone is met when USEC has completed the American Centrifuge Cascade Demonstration Test Program ("CDTP") to build and demonstrate at least one cascade of 120 machines and associated support systems and has established the capability of the American Centrifuge Technology to enrich uranium at commercial scale in accordance with the Cooperative Agreement Between USEC and DOE dated June 12, 2012 ("Cooperative Agreement"), including meeting the Technical Milestones defined in and required under the Cooperative Agreement. Notwithstanding Article 5, section E of this Agreement, the Department's inability to provide the Total Estimated Government Share specified under the Cooperative Agreement shall provide a basis for discussing adjustment of this milestone, provided, however, that DOE's engaging in such discussions shall not commit DOE to make any adjustment to the milestone.

5. The following definition of "Commitment to Proceed with Commercial Operation" is hereby added after new section (e) above in Article 3:

(f) "Commitment to Proceed with Commercial Operation" – This milestone is met when USEC, ACD, or any other entity created, owned (in whole or in part), or licensed by USEC provides to DOE a written notice of its intent to construct and operate a commercial uranium enrichment plant in

accordance with this Agreement and a written plan for how USEC, ACD, or the other responsible entity will proceed with the advanced enrichment technology deployment project in the time between this milestone and achieving the "Secure Firm Financing Commitments" milestone. The revised Phase IV plan referenced elsewhere in Article 3 and due on or before this milestone will not be sufficient to fulfill the requirement of a plan because it only covers the plan for the milestones following November 2014, the "Secure Firm Financing Commitments" milestone.

6. References in the June 17th Agreement to the November 2011 milestone shall be replaced with "Secure Firm Financing Commitments Milestone" and as replaced refer to the "Secure Firm Financing Commitment(s) for the Construction of the Commercial American Centrifuge Plant" milestone as revised by this Modification No. 5 and as defined in Article 3.

7. The fifth bullet in Article 3 of the June 17th Agreement is revised to read as follows:

USEC shall submit its Phase I Plan covering the milestones relating to the first twelve months after execution of this Agreement to DOE no later than June 30, 2002, and the Deployment Working Group shall reach agreement on Phase I of the DWG Plan no later than July 31, 2002. USEC shall submit its Phase II Plan covering the milestones through the end of 2004 by September 30, 2002, and its Phase III Plan covering the milestones through the end of 2006 by November 30, 2002. USEC shall submit a revised Phase IV Plan covering the milestones after November 2014 on or before the date USEC submits its notice of Commitment to Proceed with Commercial Operations. The Deployment Working Group will meet periodically to consider amendments to each of these Plans as required to take account of changing circumstances, more complete information and the procedures and remedies outlined below.

8. The eleventh bullet in Article 3 of the June 17th Agreement is replaced by the following:

If USEC fails to meet a milestone and it is determined that a delay in meeting the milestone has a material impact on USEC's ability to begin commercial operations at the new plant on schedule and that the cause of the delay was not beyond the control or without the fault or negligence of USEC: (1) DOE may terminate the Agreement and be relieved of obligations under it; (2) at DOE's request, USEC agrees to reimburse DOE for any increase in costs caused by expediting the decontamination and decommissioning of facilities to have been used by USEC for deployment of advanced enrichment technology (e.g., increase in overall cost relative to a budget or baseline); (3) USEC agrees to transfer to DOE royalty free exclusive rights in the field of uranium enrichment worldwide in all centrifuge intellectual property owned or controlled by USEC, either developed or background under the ORNL CRADAs; agrees to deliver to DOE copies (copying costs to be reimbursed) of all technical data necessary to further develop or practice technology covered by the transfer of IP rights which data may be subject to proprietary restrictions as appropriate; and agrees to the cancellation of any license by DOE or ORNL to USEC relating to the subject matter of the ORNL CRADAs in the field of centrifuge uranium enrichment; (4) at DOE's request and at the time DOE requests the return, USEC agrees to return any property leased by USEC from DOE upon which the advanced technology project was being or was intended to be constructed and operated, notwithstanding the notice and procedures set forth in Article 12.2 of the GCEP Lease and the notice and process provisions contained in Article 3 regarding failure to meet a milestone; provided that, the Secretary makes the determination that exercise of this remedy is permitted and appropriate under this Agreement and provided further that USEC retains the remedies available to it under the Administrative Procedure Act (APA) or other law to challenge the determination of DOE without exhausting its administrative remedies, but the Parties agree to seek expedited review or hearing (and not to oppose the other party's request for expedited review or hearing) in the event either party seeks injunctive or other relief pending a final determination on an APA or other challenge; and (5) except for those GDP facilities then currently operating, USEC agrees to waive its statutory exclusive right to lease the GDPs (and the implementing lease provisions) and its rights under Section 3.4(a) and 3.4(c) of the lease to have the opportunity to include GDP property in its leasehold before DOE disposes of the property. (In taking any actions as a result of the preceding waivers, DOE agrees that the authorized actions under this provision do not include transitioning USEC from its operation of the Paducah enrichment facilities as is provided for in the event USEC "ceases enrichment operations at Paducah" as defined in this agreement unless there has been a determination that USEC has ceased enrichment operations pursuant to that portion of the Agreement.)

9. The thirteenth bullet in Article 3 of the June 17th Agreement is replaced with the following:

If USEC is no longer willing or able to proceed with the advanced enrichment technology deployment project, it must provide advance notice to DOE that it intends to abandon the project. In the event the Secretary determines USEC has abandoned the project, or in the event the Secretary determines that USEC's failure to meet a milestone set out in the Agreement constitutes constructive abandonment of the advanced enrichment technology deployment project, DOE may take, or direct USEC to take as the case may be, any of the actions identified in (1) through (5) above. USEC retains the remedies available to it under the APA or other law to challenge the decision of DOE without exhausting its administrative remedies, but the Parties agree to seek expedited review or hearing (and not to oppose the other party's request for expedited review) in the event either party seeks injunctive or other relief pending a final determination on an APA or other challenge.

10. The title, "*USEC Deployment of Advanced Enrichment Technology*" at the beginning of Article 3 is designated as "A." and the following new paragraphs are added at the end of Article 3:

***B. Grant of Intellectual Property Rights***

(1) Upon execution of Modification No. 5 and subject to the confidentiality provisions of Modification No. 1 to this agreement (except that Trade Secrets and USEC Propriety Information provided to DOE under the grant under this Modification No. 5 shall not be required to be returned unless DOE decides to dispose of such Trade Secrets and USEC Proprietary Information), and, unless otherwise stated, without regard to achievement of the milestones in this agreement, USEC hereby grants the United States the following immediate license rights in intellectual property and accepts the following obligations concerning delivery of technical data and other information.

(a) USEC hereby grants to the United States Government, for use by or on behalf of the United States, through the Secretary of Energy, an irrevocable, royalty-free, non-exclusive license in all centrifuge uranium enrichment-related intellectual property (Centrifuge IP) (as defined below) for U.S. Government purposes. Government purposes include, but are not limited to, completing or operating enrichment technologies for the CDTP program and for national defense purposes, including providing nuclear material to operate commercial nuclear power reactors for tritium production. As used herein, Centrifuge IP is intellectual property (including, but not limited to, patents, patent applications, inventions, discoveries, copyrights, and trade secrets), technical data and "know-how" owned, licensed (which USEC has the right to grant a license), or otherwise controlled or acquired by USEC, pertaining to enrichment of uranium using gas centrifuge technology, including the design and fabrication of centrifuge machines and related systems, and any related operating and process cost analysis, including that developed under any agreement with DOE or a

Contractor performing work for DOE (including a CRADA), or developed at private expense outside of such agreements. USEC warrants that it has not licensed, assigned, or otherwise transferred any intellectual property rights or technical data to any other party under terms that would affect USEC's ability to grant the licenses in section (a) and (b).

(b) USEC also hereby grants to the United States Government, through the Secretary of Energy, an irrevocable, non-exclusive license in all Centrifuge IP, with the right to sublicense the Centrifuge IP to other parties, for commercial purposes, including the sale of enrichment or enriched uranium for commercial nuclear power use, provided that the licenses granted in this section (b) may be exercised only in the event USEC misses any of the Milestones set forth in Article 3 or if USEC (or an affiliate or entity acting through USEC) is no longer willing or able to proceed with or has determined to abandon or has constructively abandoned, the commercial deployment of the advanced enrichment technology deployment project; and provided further that such licenses are subject to payment of a reasonable royalty to USEC (as defined below). Any royalty-free rights the Government has in any Centrifuge IP pursuant to applicable statutes or regulations shall be preserved. For the purpose of this provision, a "reasonable royalty" for a non-exclusive license shall equal the amount as determined by Exhibit B of the License Agreement between DOE and USEC dated December 7, 2006, except that the maximum royalty shall be limited to the amount of R&D costs of the enrichment-related intellectual property incurred by USEC as of September 30, 2011, not to exceed $665 million. Where the licenses granted in this section (b) are to cover less than all Centrifuge IP, the reasonable royalty may be adjusted pursuant to mutual agreement of the parties. In the event the parties negotiate an adjustment in the royalty, the parties shall proceed in good faith to reach an agreement as soon as practicable, and delivery of, access to, and use of Centrifuge IP shall not be unreasonably delayed pending a determination of the adjustment.

(c) The Centrifuge IP and any technical information or other documentation necessary to permit the Secretary to practice the Centrifuge IP will be delivered to DOE upon request and at reasonable expense to DOE, or, if delivery is not commercially reasonable, access shall be provided to DOE. Upon request, USEC shall document any "know-how" and promptly deliver such documentation to DOE at reasonable expense to DOE. Where any dispute arises concerning delivery, USEC shall preserve the intellectual property, information or documentation in issue. Upon request from either party, such preservation of records will be with a suitable escrow agent at the expense of the requesting party.

11. The following provision remains incorporated at the end of Article 5, *Miscellaneous*, of the Agreement:

E. *Loan, Loan Guarantee, or Financial Assistance*

No part of this Agreement, including the terms, conditions, and milestones for the Commercial American Centrifuge Plant, is dependent in any way on the issuance by the United States Government, including the Department of Energy, of a loan, loan guarantee, conditional commitment for a loan or loan guarantee, or any other financial assistance.

12. The bullets within sections A, B, C, and D of Article 2 shall be reformatted to replace the actual bullets with consecutive numbers in the cardinal number format (i.e. 1, 2, 3, etc.)

13. The bullets under the new section "A" of Article 3 shall be reformatted to replace the actual bullets with consecutive numbers in the cardinal number format (i.e. 1, 2, 3, etc).

14. The bullets under the heading "US-Russia HEU Agreement" in Article 1 shall be reformatted to replace the actual bullets with consecutive numbers in the cardinal number format (i.e. 1, 2, 3, etc.)

15. The bullets in sections A and B in Article 4 shall be reformatted to replace the actual bullets with the number (1).

16. The paragraph headings in Section B "Force Majeure" in Article 5 shall be reformatted to switch from lowercase letters as designations to consecutive numbers in the cardinal number format (i.e. 1, 2, 3, etc.)

18. All other terms and conditions of the June 17th Agreement, as previously modified remain the same.

| | |
|---|---|
| /s/ Peter B. Lyons | s/ Philip G. Sewell |
| Peter B. Lyons | Philip G. Sewell |
| Assistant Secretary for Nuclear Energy | Senior Vice President |
| U.S. Department of Energy | USEC Inc. |
| June 12, 2012 | June 12, 2012 |
| Date | Date |

**EXHIBIT 10.11**

**SUMMARY SHEET FOR 2012 NON-EMPLOYEE/NON-INVESTOR DIRECTOR COMPENSATION**

The following table sets forth the compensation for USEC's non-employee/non-investor directors for the term commencing at the 2012 annual meeting of shareholders held on April 26, 2012:

| | |
|---|---|
| **Annual Cash Retainer** | Annual cash retainer of $80,000 paid in four installments on May 1, 2012, August 1, 2012, November 1, 2012 and February 1, 2013 (the "Installment Dates"). A director may elect to receive the retainer in restricted stock units in lieu of cash. Restricted stock units would be granted at the time of the annual grant of restricted stock units at the closing price of USU on the date that is seven days after the public release of the Company's quarterly financial results for the first quarter 2012. |
| **Annual Restricted Stock Unit Grant** | Annual grant of 25,000 restricted stock units. Restricted stock units are granted on the date that is seven days after the public release of the Company's quarterly financial results for the first quarter 2012 and vest one year from the date of grant. However, vesting is accelerated upon (1) the director attaining eligibility for Retirement, (2) termination of the director's service by reason of death or disability, or (3) a change in control. |
| **Chairman Fees** | $100,000 annual fee for Chairman. $20,000 annual fee for Audit and Finance Committee chairman. $10,000 annual fee for Compensation Committee chairman. $7,500 annual fee for all other committees' chairman. Chairman fees are paid in cash in four installments on the Installment Dates, although a director may elect to receive their chairman fee in restricted stock units, which would be granted at the time of the annual grant of restricted stock units. |
| **Incentive Restricted Stock Unit Awards** | If a director chooses to receive restricted stock units as payment for fees that they are otherwise entitled to receive in cash, he or she will receive an incentive payment of restricted stock units equal to 20% of the portion of the annual retainer and chairman fees that the director elects to take in restricted stock units in lieu of cash. These incentive restricted stock units will vest in equal annual installments over three years from the date of grant, however, vesting is accelerated upon (1) the director attaining eligibility for Retirement, (2) termination of the director's service by reason of death or disability, or (3) a change in control. Incentive restricted stock units would be granted at the time of the annual grant of restricted stock units at the closing price of USU on the date that is seven days after the public release of the Company's quarterly financial results for the first quarter 2012. |

All restricted stock units are granted pursuant to the USEC Inc. 2009 Equity Incentive Plan, as amended, and are subject to the terms of such plan and the applicable restricted stock unit award agreements approved for issuance of restricted stock units to non-employee directors under the plan. Settlement of restricted stock units is made in shares of USEC stock upon the director's retirement or other end of service. Retirement is defined in the USEC Inc. 2009 Equity Incentive Plan in the case of non-employee directors as termination of service on or after age 75. Restricted stock units carry the right to receive dividend equivalent restricted stock units to the extent dividends are paid by the Company.

**EXHIBIT 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, John K. Welch, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 1, 2012

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

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, John C. Barpoulis, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 1, 2012

/s/ John C. Barpoulis
**John C. Barpoulis**
Senior Vice President and Chief Financial Officer

**EXHIBIT 32.1**

CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of USEC Inc. for the quarter ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), pursuant to 18 U.S.C. § 1350, John K. Welch, President and Chief Executive Officer, and John C. Barpoulis, Senior Vice President and Chief Financial Officer, each hereby certifies, that, to his knowledge:

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

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

August 1, 2012

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

August 1, 2012

/s/ John C. Barpoulis
**John C. Barpoulis**
Senior Vice President and Chief Financial Officer