SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

OR

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

Commission file number 1-14287

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

DELAWARE	52-2107911
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2 DEMOCRACY CENTER 6903 ROCKLEDGE DRIVE, BETHESDA, MD (Address of principal executive offices)	20817 (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (301) 564-3200

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EXCHANGE ON WHICH REGISTERED
Common Stock, par value $.10 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
6.625% senior notes, due January 20, 2006
6.750% senior notes, due January 20, 2009

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of August 31, 2000, there were 80,886,000 shares of Common Stock, par value $.10 per share, issued and outstanding. As of August 31, 2000, the market value of the Common Stock held by non-affiliates of the registrant calculated by reference to the closing price of the registrant's Common Stock as reported on the New York Stock Exchange was $350.8 million.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Notice of Annual Meeting of Shareholders and Proxy Statement to be filed pursuant to Regulation 14A are incorporated by reference into Part III.

USEC INC.

ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED JUNE 30, 2000

TABLE OF CONTENTS

PART IV

This Annual Report on Form 10-K includes certain forward-looking information (within the meaning of the Private Securities Litigation Reform Act of 1995) that involves risks and uncertainty, including certain assumptions regarding the future performance of USEC. Actual results and trends may differ materially depending upon a variety of factors, including, without limitation, market demand for USEC's services, pricing trends in the uranium and enrichment markets, deliveries and costs under the Russian Contract, the availability and cost of electric power, USEC's ability to successfully execute its internal performance plans, the refueling cycles of USEC's customers, and the impact of any government regulation. Further, customer commitments under their contracts are based on customers' estimates of their future requirements.

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

OVERVIEW

USEC Inc. ("USEC"), a global energy company, is the world leader in the sale of uranium fuel enrichment services for commercial nuclear power plants. Uranium enrichment is a critical step in transforming uranium into fuel for nuclear reactors to produce electricity. USEC, including its wholly-owned subsidiaries, was organized under Delaware law in connection with the privatization of the United States Enrichment Corporation, a corporation then wholly-owned by the U.S. Government. USEC completed an initial public offering ("IPO") of common stock on July 28, 1998 (the "IPO Date"), thereby transferring all of the U.S. Government's interest in the business, with the exception of certain liabilities from prior operations of the U.S. Government. References to USEC include USEC's wholly-owned subsidiaries as well as the predecessor to USEC unless the context otherwise indicates.

USEC continued to operate in a difficult market environment in fiscal 2000, marked by oversupply and lower prices for uranium and uranium enrichment services and increased production costs due to low production levels. In response to these challenges, USEC implemented a series of cost reduction initiatives that are discussed in more detail later in this report:

- USEC announced that it will cease production at the Portsmouth uranium enrichment plant, one of the two facilities USEC currently operates, in June 2001,

- USEC completed a workforce reduction of 575 employees in July 2000, which will reduce annual production costs by $39 million,

- USEC reduced exposure to increasing and volatile market prices for electric power by entering into a 10-year agreement with the Tennessee Valley Authority ("TVA"), under which TVA will supply electric power at

fixed prices to the Paducah plant,

- USEC completed a power monetization agreement (subject to regulatory approval) at the Portsmouth plant for the summer of 2000, under which the release of excess power reduced production costs by $44 million, and

- USEC and its Russian counterpart reached an agreement in principle to adopt market-based pricing for uranium enrichment services that USEC purchases beginning in January 2002 (subject to approvals from the U.S. and Russian governments).

SERVICES AND PRODUCTS

USEC supplies uranium enrichment services and uranium to electric utilities for use in about 170 nuclear reactors. USEC's revenue is derived from sales of uranium enrichment services to customers who supply uranium to be enriched and from sales of natural uranium and enriched uranium product ("EUP"). USEC has a significant inventory of natural uranium that it sells to customers as uranium or in the form of EUP.

Generally, contracts with customers to provide uranium enrichment services are long-term requirements contracts under which the customer is obligated to purchase a specified percentage of its enrichment services from USEC. Consequently, annual sales are dependent upon the customers' requirements for enrichment services, which are driven by nuclear reactor refueling schedules, reactor maintenance schedules, customers' considerations of costs, and regulatory actions. Under delivery optimization and other customer oriented programs, USEC advance ships enriched uranium to nuclear fuel fabricators for scheduled or anticipated orders from utility customers.

Revenue from domestic customers represented 62% and revenue from foreign customers represented 38% of total revenue in fiscal 2000. No one customer accounted for more than 10% of revenue in fiscal years 1998, 1999 or 2000.

As found in nature, uranium consists of three isotopes, the two principal ones being uranium-235 ("U(235)") and uranium-238 ("U(238)"). U(238) is the more abundant isotope, but is not fissionable in thermal reactors. U(235) is the fissionable isotope, but its concentration in natural uranium is only about .711% by weight. Light water nuclear reactors, which are operated by most nuclear utilities in the world today, require low-enriched uranium fuel with a U(235) concentration in the range of 3% to 5% by weight. Uranium enrichment is the process by which the concentration of U(235) is increased to that level. The standard measure of effort or service in the uranium enrichment industry is separative work units ("SWU"). A SWU is the amount of effort that is required to transform a given amount of natural uranium into two streams of uranium, one enriched in the U(235) isotope and the other depleted in the U(235) isotope.

BACKLOG

Under USEC's contracts, customers provide non-binding estimates of their SWU requirements to facilitate USEC's ability to plan production requirements. Backlog is the aggregate dollar amount of uranium and uranium enrichment services that USEC expects to sell pursuant to long-term requirements contracts with utilities. Based on customers' estimates of their requirements and certain other assumptions, including estimates of inflation rates, at June 30, 2000, USEC had long-term requirements contracts with utilities to provide uranium and uranium enrichment services aggregating $6.1 billion through fiscal 2011 (including $3.3 billion through fiscal 2003), compared with $6.5 billion at June 30, 1999.

VARIABILITY OF REVENUE AND OPERATING RESULTS

Revenue and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year. Customer requirements are determined by refueling schedules for nuclear reactors, which generally range from 12 to 24 months. These schedules are in turn affected by, among other things, the seasonal nature of electricity demand, reactor maintenance, and reactors beginning or terminating operations. Utilities typically schedule the shutdown of their reactors for refueling to coincide with the lower electricity demand

periods of spring and fall. Thus, some reactors are scheduled for fall refueling, spring refueling or for 18-month cycles alternating between both seasons. Uranium enrichment orders for refueling nuclear reactors typically average $13.0 million.

Sales of uranium supplement revenue from sales of uranium enrichment services. However, in view of the decline in uranium prices, USEC may delay sales of its inventory of uranium. In fiscal 2000, a decline in the market price of uranium below cost resulted in a lower-of-cost-or-market valuation adjustment of $19.5 million.

GASEOUS DIFFUSION PLANTS

USEC enriches uranium at two gaseous diffusion plants (the "plants") located in Paducah, Kentucky (McCracken County) and near Portsmouth, Ohio (Pike County). The gaseous diffusion process involves the passage of uranium in a gaseous form through a series of porous barriers. Because U(235) is lighter, it passes through the barrier more readily than does U(238), resulting in gaseous uranium that is enriched in U(235), the fissionable isotope. Uranium is continuously enriched in U(235) as it moves through the process.

The Paducah and Portsmouth plants are among the largest industrial facilities in the world. The process buildings at the two plants have a total floor area of 330 acres and a ground coverage of 167 acres. Although the plants must be continuously operated, the plants are designed so that groups of equipment can be taken off-line with little or no interruption in the process.

The Paducah plant, consisting of four process buildings, has been certified by the Nuclear Regulatory Commission ("NRC") to produce low-enriched uranium up to 2.75% U(235) and has a design capacity of 11.3 million SWU per year. Uranium enriched at the Paducah plant is shipped to the Portsmouth plant for further enrichment and shipment to customers. In fiscal 2001, USEC expects to complete upgrades that will increase the Paducah plant's capability to enrich uranium up to an assay of 5.5%.

The Portsmouth plant, consisting of three process buildings, has been certified by the NRC to produce low-enriched uranium to a maximum of 10% U(235) and has a design capacity of 7.4 million SWU per year. In June 2000, USEC announced that it would cease uranium enrichment operations at the Portsmouth plant in June 2001. USEC plans to continue to operate the transfer and shipping facilities at the Portsmouth plant after enrichment has ceased, until similar facilities are available at the Paducah plant. The transfer and shipping facility transfers enriched uranium into transportation cylinders for shipping to fuel fabricators.

The plants are operated at levels significantly below design capacity. As the volume of SWU purchased from Russia has increased, USEC has operated the plants at significantly lower production levels. In addition, production levels vary monthly based on the cost and availability of electric power.

USEC leases most, but not all, of the buildings and facilities at the plants from the Department of Energy ("DOE"). At its sole option, USEC has the right to extend the lease indefinitely, with respect to either or both plants, for successive renewal periods. USEC may increase or decrease the property under the lease to meet its changing requirements. Within the contiguous tracts, certain buildings, facilities and areas related to environmental restoration and waste management have been retained by DOE and are not leased to USEC. At termination of the lease, USEC may leave the property in "as is" condition, but must remove all waste generated by USEC, which is subject to off-site disposal, and must place the plants in a safe shutdown condition. DOE is responsible for the costs of decontamination and decommissioning of the plants. If removal of any of USEC's capital improvements increases DOE's decontamination and decommissioning costs, USEC is required to pay such increases. Title to capital improvements not removed by USEC will automatically be transferred to DOE at the end of the lease term.

Under the lease, DOE is required to indemnify USEC for costs and expenses related to claims asserted against or incurred by USEC arising out of DOE's operation, occupation or use of the plants. DOE activities at the plants are

focused primarily on environmental restoration and waste management and management of depleted uranium. DOE is required to indemnify USEC against claims for public liability (i) arising out of or in connection with activities under the lease, including domestic transportation and (ii) arising out of or resulting from a nuclear incident or precautionary evacuation. DOE's obligations are capped at the $9.4 billion statutory limit set forth in the Price-Anderson Act for each nuclear incident or precautionary evacuation occurring inside the United States.

ELECTRIC POWER AND MATERIALS

The plants require substantial amounts of electric power to enrich uranium. In fiscal 2000, USEC acquired most of its electric power from Ohio Valley Electric Corporation ("OVEC"), the main supplier to the Portsmouth plant, and from Electric Energy, Inc. ("EEI"), the main supplier to the Paducah plant, under long-term power purchase contracts between DOE and OVEC and EEI. Under an agreement between USEC and DOE ("Electricity MOA"), DOE is required to transfer the benefits of the power purchase contracts to USEC.

Electric power purchased from OVEC and EEI represented 75% of power purchased in fiscal 2000, with costs based on actual costs incurred by OVEC and EEI. The remainder of the electric power purchased by USEC in fiscal 2000 was market-based power, all of which was used at the Paducah plant. Market-based power costs vary seasonally with rates higher during the winter and summer as a function of the extremity of the weather. In order to reduce power costs, USEC substantially reduces production and the related power load at the Paducah plant in the summer months when the cost of market-based

power is high. Almost all of the power for the Paducah plant for the summer of 2000 was purchased prior to the summer months at fixed prices based on prevailing market rates.

As part of its initiative to reduce power costs, USEC entered into power monetization agreements with DOE and OVEC in fiscal years 1999 and 2000 under which USEC agreed to release in the summer months a substantial portion of the electric power that it has a right to purchase from OVEC for the Portsmouth plant. By substantially reducing production and the related power load at the Portsmouth plant in the summer months, USEC was able to monetize its share of the higher value that this released power has in the summer market. Under the power monetization agreement for the summer of 2000, which was entered into in May 2000 and is subject to regulatory approval, OVEC agreed to pay USEC the net amount of $44.0 million in exchange for the agreement to release power. The monetization of excess power resulted in reductions to production costs of $44.0 million in fiscal 2000 and $31.7 million in fiscal 1999.

In June 2000, USEC announced that it would cease uranium enrichment operations at the Portsmouth plant in June 2001. Under the terms of the OVEC power contract, commitments to purchase electric power for the Portsmouth plant are subject to reductions resulting from the release of power. In fiscal 2001, USEC plans to provide the required three-year notice to terminate the OVEC contract effective April 30, 2003, and to release power upon the termination of enrichment operations at the Portsmouth plant. Based on waivers granted by OVEC, the three-year termination period would begin May 1, 2000, and would end April 30, 2003. USEC expects that commitments to purchase power from OVEC in fiscal years 2002 and 2003 will be offset by reductions resulting from the release of power. As a result of termination of the OVEC contract, USEC will no longer be responsible for substantial costs of environmental upgrades that OVEC will be required to make in future years at its coal-burning facilities.

In July 2000, USEC entered into a 10-year power purchase agreement with Tennessee Valley Authority ("TVA") to provide a substantial portion of electric power for the Paducah plant beginning September 2000. Replacing EEI as primary supplier, TVA will supply electric power for the Paducah plant at fixed rates, thereby substantially reducing USEC's price risk for electric power in the volatile Midwest power market. The agreement provides that amounts to be paid to TVA for power scheduled to be purchased in fiscal 2001 will be reduced by a deferred payment obligation of $45.0 million. USEC will secure the obligation, as long as it is outstanding, by transferring title to uranium inventories with an equivalent value to TVA. The obligation and related interest will be

satisfied by providing SWU to TVA in fiscal years 2002 to 2004 under a requirements contract, the terms of which are not yet final.

The plants use freon as the primary process coolant. The production of freon in the United States was terminated in 1995. Freon leaks from pipe joints, sight glasses, valves, coolers and condensers. Leakage from the plants occurs at about a 6% rate, resulting in leakage of 800,000 pounds of freon in fiscal 2000, a level that is within the limits set by the Environmental Protection Agency. USEC believes that its efforts to reduce freon losses and its strategic inventory of freon should be adequate to continue to utilize freon through at least calendar year 2002.

Equipment components (such as compressors, coolers, motors and valves) requiring maintenance are removed from the process and repaired or rebuilt on site at each of the plants. Common industrial components, such as the breakers, condensers and transformers in the electrical system, are procured as needed. Since the plants were constructed in the 1950s, some components and systems may no longer be produced, and spare parts may not be readily available. In these situations, replacement components or systems are identified, tested, and procured from existing commercial sources, or the plants' technical and fabrication capabilities are utilized to design and build replacements.

Reductions in production equipment availability result from equipment failures and planned maintenance. In addition, USEC may elect to reduce equipment utilization if electric power is in short supply or prohibitively expensive. In fiscal 2000, equipment utilization was 66% of planned capacity at

the Paducah plant and 75% at the Portsmouth plant reflecting planned reductions of production at the plants in the summer months, when the cost of power was high, and equipment failures and maintenance activities at the Portsmouth plant.

RUSSIAN CONTRACT

USEC has been designated by the U.S. Government to act as its Executive Agent in connection with a government-to-government agreement between the United States and the Russian Federation under which USEC purchases SWU derived from dismantled Soviet nuclear weapons. In January 1994, USEC, on behalf of the U.S. Government, signed an agreement ("Russian Contract") with AO Techsnabexport ("Tenex"), Executive Agent for the Russian Federation. Over the life of the 20-year Russian Contract, USEC expects to purchase up to approximately 92 million SWU derived from 500 metric tons of highly enriched uranium, of which 15.8 million SWU had been purchased as of June 30, 2000.

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

In fiscal 2000, USEC paid $87 per SWU, including shipping charges, to purchase SWU under the Russian Contract, while the market price was in the low $80 range. An underlying principle of the program is for it to operate according to commercial practices. As a result of negotiations to align the Russian Contract with market pricing realities, USEC and its counterparts in Russia have reached an agreement in principle to adopt market-based pricing for SWU in January 2002, subject to approvals from the United States and Russian governments. The timing and conditions, if any, for U.S. government approval are uncertain.

SWU purchased from the Russian Federation represented 41% of the combined produced and purchased supply mix in fiscal 2000, compared with 31% in fiscal 1999. USEC has ordered 5.5 million SWU for delivery under the Russian Contract in calendar year 2000 and expects to order and purchase 5.5 million SWU in

calendar 2001.

ALTERNATIVE URANIUM ENRICHMENT TECHNOLOGIES

USEC is exploring alternative uranium enrichment technologies with the goal of developing, constructing and deploying a new enrichment facility and process to replace the existing high-cost gaseous diffusion plants. USEC is evaluating the availability and economics of gas centrifuge technology, including centrifuge technology used by foreign competitors and centrifuge technology developed by DOE, and a potential new advanced enrichment technology called SILEX. Advanced technology development costs are charged to expense as incurred and amounted to $11.4 million in fiscal 2000. In fiscal 2001, advanced technology development costs are expected to be about the same level as in fiscal 2000. USEC expects to select an advanced technology program in fiscal 2002.

Centrifuge technology is proven and in use in several foreign countries. Centrifuge machines enrich uranium by spinning uranium hexafluoride at high speeds separating the lighter U(235) from the heavier U(238). The separation work output is dependent on the size and spinning speed of the centrifuge rotors. USEC is evaluating centrifuge technology developed by DOE in the 1980s. Although it was not

commercially deployed, DOE spent $3 billion on research and development and construction of centrifuge facilities. The centrifuge machines enriched uranium hexafluoride and achieved performance in excess of design goals. USEC is in discussions with DOE to acquire rights to use the technology and access to and use of the centrifuge facilities. The research and evaluation is expected to be conducted under a Cooperative Research and Development Agreement ("CRADA") with UT-Battelle LLC, a 50-50 limited liability partnership between the University of Tennessee and Battelle, the management and operating contractor for DOE's Oak Ridge National Laboratory.

USEC has secured exclusive rights to the commercial use of the SILEX process, an Australian laser-based technology for enriching uranium hexafluoride, being developed by Silex Systems Limited in Australia. In fiscal 2000, an Agreement of Cooperation was signed between the United States and Australia. The agreement makes possible ongoing development work on SILEX by allowing the transfer of classified aspects of the technology. If successfully deployed, it would reduce the production cost of enriching uranium primarily because SILEX uses significantly less electric power. The SILEX technology is in the early stages of development.

COMPETITION

The highly competitive global uranium enrichment industry has four major producers:

- USEC;
- Urenco, a consortium of British and Dutch governments and private German utilities;
- Eurodif, a multinational consortium controlled by the French government; and
- Tenex, a Russian government entity.

There are also smaller suppliers in China and Japan that primarily serve only a portion of their respective domestic markets. While there are only a few primary suppliers, there is an excess of production capacity as well as an additional supply of enriched uranium that is available for commercial use from the dismantlement of nuclear weapons in the former Soviet Union and the United States. Much of this excess capacity is held by Tenex, which is subject to certain trade restrictions on sales in the United States and other markets. USEC also holds significant excess capacity.

USEC has experienced intense price competition from Urenco and Eurodif, both

of which have been aggressive in their attempts to increase market share in the United States. All of USEC's competitors are owned or controlled by foreign governments that may make business decisions influenced by political and economic policy considerations rather than solely on prevailing market conditions. USEC believes that a significant portion of the east and west European markets may be closed to USEC because purchasers in certain areas may favor their local producers, due to government influence or other political considerations. In addition, there have been recent decisions by certain European utilities to liquidate strategic SWU inventories.

Urenco, Tenex, and Japan Nuclear Fuels Limited ("JNFL") use centrifuge technology. USEC believes that Urenco has expansion plans, and Eurodif and JNFL have announced that they are exploring new enrichment technologies.

Global enrichment suppliers compete primarily in terms of price, and secondarily on reliability of supply and customer service. USEC is committed to being competitive on price and delivering superior customer service. USEC believes that customers are attracted to its reputation as a reliable long-term supplier of enriched uranium and intends to continue strengthening this reputation.

NUCLEAR REGULATORY COMMISSION - REGULATION

The plants are certified and regulated extensively by the NRC. The NRC issued Certificates of Compliance to USEC for the operation of the plants in November 1996 and began regulatory oversight in

March 1997. The term of the NRC certification of the plants has been renewed for a five-year period ending December 2003. As part of the certification process, the NRC found the plants to be generally in compliance with its regulations. However, exceptions were noted in certain compliance plans which set forth binding commitments for actions and schedules to achieve full compliance (the "Compliance Plan"). At June 30, 2000, a substantial portion of the Compliance Plan actions had been completed.

The Compliance Plan required seismic upgrading of two main process buildings at the Paducah plant to reduce the risk of release of radioactive and hazardous material in the event of an earthquake. The Paducah plant is located near the New Madrid fault line. In July 2000, USEC announced completion of the seismic modifications. Capital expenditures incurred by USEC for the modifications amounted to $21.0 million in fiscal 1999 and $27.3 million in fiscal 2000. Total outlays amounted to $72.0 million, of which $23.7 million was reimbursed by DOE in fiscal 1998.

The NRC has the authority to issue notices of violation for violations of the Atomic Energy Act of 1954, NRC regulations, and conditions of a certificate, Compliance Plan, or Order. The NRC has the authority to impose civil penalties for certain violations of its regulations. USEC has received notices of violation for certain violations of these regulations and certificate conditions, none of which has exceeded $88,000. In each case, USEC took corrective action to bring the facilities into compliance with NRC regulations. USEC does not expect that any proposed notices of violation it has received will have a material adverse effect on its financial position or results of operations.

In fiscal 2000, following the change in USEC's credit rating to below investment grade, the NRC announced that, pursuant to the USEC Privatization Act, it is conducting a financial review of USEC to evaluate whether USEC continues to meet the statutory requirements to maintain a reliable and economical source of domestic enrichment services. The NRC has indicated it expects to complete its review in fiscal 2001.

ENVIRONMENTAL MATTERS

USEC's operations are subject to various federal, state and local requirements regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. USEC's operations generate low-level radioactive waste that is stored on-site or is shipped

off-site for disposal at a commercial facility. In addition, USEC's operations generate hazardous waste and mixed waste (i.e., waste having both a radioactive and hazardous component), most of which is shipped off-site for treatment and disposal. Because of limited treatment and disposal capacity, some mixed waste is being temporarily stored at DOE's permitted storage facilities at the plants. USEC has entered into consent decrees with the States of Kentucky and Ohio that permit the continued storage of mixed waste at DOE's permitted storage facilities at the plants and provide for a schedule for sending the waste to off-site treatment and disposal facilities.

USEC's operations generate depleted uranium that is currently being stored at the plants. Depleted uranium is a by-product of the uranium enrichment process where the concentration of the U(235) isotope is less than the concentration of .711% found in natural uranium. All liabilities arising out of the disposal of depleted uranium generated before the IPO Date are direct liabilities of DOE. The USEC Privatization Act ("Privatization Act") requires DOE, upon USEC's request, to accept for disposal the depleted uranium generated after the IPO Date in the event that depleted uranium is determined to be a low-level radioactive waste, provided USEC reimburses DOE for its costs.

The plants were operated by agencies of the U.S. Government for approximately 40 years prior to July 28, 1998. As a result of such operation of the plants, there is contamination and other potential environmental liabilities. The Paducah plant has been designated as a Superfund site, and both plants are undergoing investigations under the Resource Conservation and Recovery Act. Environmental liabilities associated with plant operations prior to July 28, 1998 are the responsibility of the U.S. Government, except for liabilities relating to the disposal of certain identified wastes generated by USEC and stored at

the plants. The Privatization Act and the lease for the plants provide that DOE remains responsible for decontamination and decommissioning of the plants.

Reference is made to Management's Discussion and Analysis of Financial Condition and Results of Operations and the Notes to Consolidated Financial Statements for information on operating costs and capital expenditures relating to environmental matters.

OCCUPATIONAL SAFETY AND HEALTH

USEC's operations are subject to regulations of the Occupational Safety and Health Administration ("OSHA") governing worker health and safety. USEC maintains a comprehensive worker safety program that continually monitors key components of the workplace environment, resulting in a solid worker safety record.

At the time the plants were leased from DOE a number of non-compliances with OSHA standards were identified. USEC has either corrected or taken compensatory actions with respect to the identified non-compliances. USEC does not expect any non-compliances will have a material adverse effect on its financial position or results of operations.

FOREIGN TRADE MATTERS

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

USEC exports to utilities in other countries under similar agreements for cooperation. If any such agreements lapse, terminate or are amended such that USEC could not make sales or deliver enriched uranium to such jurisdictions, it could have a material adverse effect on USEC's financial position and results of operations.

In 1991, U.S. producers of uranium and uranium workers filed a petition with the U.S. Department of Commerce ("Commerce") alleging that uranium from countries of the then-Soviet Union was being dumped (i.e. sold at unfair prices)

in the United States. A preliminary determination was issued that uranium imported from Russia and several other former Soviet republics was being dumped in the United States. Those and future imports were exposed to the risk of high U.S. antidumping duties if Commerce issued an affirmative final dumping determination and if the U.S. International Trade Commission ("ITC") also determined that those imports were causing or threatening material injury to the U.S. industry. The antidumping investigations of imports of uranium from Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Ukraine, and Uzbekistan were suspended as a result of suspension agreements executed in 1992 between Commerce and the respective governments that limited imports of all forms of uranium, including enriched uranium.

Since 1992, the suspension agreements with Kazakhstan, Kyrgyzstan, Tajikistan and Ukraine have terminated, either at the request of the country involved or as a result of a statutorily-mandated review of the agreements to see if they are still needed. In all four cases, no further action was taken against imports of uranium products from these countries because, after reviewing the impact of such imports, the ITC ruled that these imports would not materially injure the domestic industry (each such ITC decision, an "ITC Injury Determination"). Although none of these countries produce enriched uranium, the absence of restrictions on imports of natural uranium from these countries may lead to a perception of increased uranium supply on the world market that could depress uranium market prices and adversely impact USEC's profitability and sales.

The suspension agreement with the Russian Federation (the "Russian SA") remains in effect, and limits imports of uranium products, including SWU and enriched uranium, from the Russian Federation for consumption in the United States. Recently, the ITC and Commerce determined that if the Russian SA were terminated, dumping of Russian uranium products likely would resume, resulting in material injury to the U.S. industry, including USEC. Accordingly, it is expected that the Russian SA will remain in force until at least March 31, 2004. Absent the restrictions imposed by the Russian SA, USEC would face significantly increased competition and market prices for SWU and enriched uranium could be further depressed, adversely impacting USEC's profitability and sales.

In August 1999, USEC asked Commerce to clarify that a stockpile of approximately 3 million SWU, located in Kazakhstan, but produced in Russia, falls within the scope of the Russian SA (the "Origin Determination"). Commerce has not yet ruled on the Origin Determination. If it rules that the stockpile is subject to the Russian SA, then the stockpile will be subject to the import limits under the Russian SA. If Commerce rules that the stockpile is not subject to the Russian SA, then limitations might still be imposed on imports of the stockpile if USEC is successful in a related appeal of the ITC Injury Determination related to imports from Kazakhstan. In that ITC Injury Determination, the ITC elected not to treat the stockpile as a product of Kazakhstan. If, however, USEC were to lose both the Origin Determination and the appeal of the ITC Injury Determination, the stockpile could be sold in the United States free of any antidumping restrictions. Such sales could depress market prices further, adversely affecting USEC's profitability and sales.

CERTAIN ARRANGEMENTS INVOLVING THE U.S. GOVERNMENT

Pursuant to an agreement with the U.S. Treasury, USEC committed to continue operation of the two plants until January 2005, subject to certain exceptions, including if the long-term corporate credit rating of USEC is downgraded below investment grade. In February 2000, Standard & Poor's and Moody's Investors Service revised their credit ratings of USEC's long-term debt to below-investment-grade ratings of BB+ and Ba1, respectively. In June 2000, USEC announced that it would cease uranium enrichment operations at the Portsmouth plant in June 2001. In addition, under the agreement with the U.S. Treasury, USEC was obligated to limit workforce reductions to 500 workers at the plants through fiscal 2000. That obligation expired in July 2000.

In connection with the privatization of USEC, the U.S. Government established an enrichment oversight committee to monitor and coordinate the U.S. interests relating to USEC's business in furtherance of:

- the full implementation of the government-to-government agreement relating to the disposition of Russian highly enriched uranium;

- the application of statutory, regulatory and contractual restrictions on foreign ownership, control or influence of USEC;

- the development and implementation of U.S. Government policy regarding uranium enrichment and related technologies, processes and data; and

- the collection and dissemination of information within the U.S. Government relevant to the foregoing objectives.

In June 1998, USEC entered into a memorandum of agreement with DOE establishing annual and quarterly reporting requirements for USEC in support of the oversight committee's purposes.

USEC is a party to other arrangements with the U.S. Government, including the Executive Agent MOA, the Electricity MOA, and the lease for the plants.

EMPLOYEES

As of June 30, 2000, USEC had 3,840 employees including 3,680 at the plants (2,030 located at the Portsmouth plant and 1,650 at the Paducah plant) and 160 at headquarters in Bethesda, Maryland. At the plants, 3,250 employees are involved in enrichment operations and construction activities, and the remainder are involved primarily in DOE-funded activities. Two labor unions represent 48% of the employees at the plants.

In June 2000, USEC finalized plans for workforce reductions involving 575 employees at the Portsmouth and Paducah plants. In June 2000, USEC announced that it will cease uranium enrichment operations in June 2001 at the Portsmouth plant as an important step in the ongoing efforts to align production costs with lower market prices. Workforce reductions from ceasing enrichment operations at the Portsmouth plant will involve 1,200 employees.

ITEM 3. 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, management does not believe that the outcome of any of these legal matters will have a material adverse effect on USEC's results of operations or financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS

Executive officers at June 30, 2000, follow:

NAME	AGE AT JUNE 30, 2000	POSITION
William H. Timbers	50	President and Chief Executive Officer

James H. Miller	51	Executive Vice President
Robert J. Moore	43	Senior Vice President and General Counsel
Henry Z Shelton, Jr.	56	Senior Vice President and Chief Financial Officer
James N. Adkins, Jr.	64	Vice President, Production
J. William Bennett	53	Vice President, Advanced Technology
Gary G. Ellsworth	52	Vice President, Government Relations
Richard O. Kingdon	45	Vice President, Strategic Analysis
Philip G. Sewell	54	Vice President, Corporate Development and International Trade
Dennis J. Blair	43	Vice President, Human Resources and Administration
Robert Van Namen	39	Vice President, Marketing and Sales
Charles B. Yulish	63	Vice President, Corporate Communications

Officers serve at the pleasure of the Board of Directors.

William H. Timbers has been President and Chief Executive Officer since 1994.

James H. Miller has been Executive Vice President since January 1999 and was Vice President, Production since 1995.

Robert J. Moore has been Senior Vice President and General Counsel since January 1999 and was Vice President and General Counsel since 1994.

Henry Z Shelton, Jr. has been Senior Vice President and Chief Financial Officer since January 1999 and was Vice President, Finance and Chief Financial Officer since 1993.

James N. Adkins, Jr. has been Vice President, Production since January 1999 and was Manager, Production Support since 1994.

J. William Bennett had been Vice President, Advanced Technology since 1994. Mr. Bennett retired from USEC in August 2000.

Gary G. Ellsworth has been Vice President, Government Relations since January 1999. Prior to joining USEC, Mr. Ellsworth was Chief Counsel, U.S. Senate Committee on Energy and Natural Resources.

Richard O. Kingdon has been Vice President, Strategic Analysis since January 1999 and was Vice President, Marketing and Sales since 1993.

Philip G. Sewell has been Vice President, Corporate Development and International Trade since April 1998 and was Vice President, Corporate Development since 1993.

Dennis J. Blair has been Vice President, Human Resources and Administration since January 2000. Prior to joining USEC, Mr. Blair was Vice President, Human Resources for GTE Technology and Systems.

Robert Van Namen has been Vice President, Marketing and Sales since January 1999. Prior to joining USEC, Mr. Van Namen was Manager of Nuclear Fuel for Duke Power Company.

Charles B. Yulish has been Vice President, Corporate Communications since 1995.

PART II

ITEM 5. MARKET FOR COMMON STOCK AND RELATED SHAREHOLDER MATTERS

USEC's common stock has been publicly traded on the New York Stock Exchange under the symbol "USU" since July 23, 1998. The high and low sales prices and cash dividends paid per share follow:

	HIGH	LOW	CASH DIVIDENDS PAID
FISCAL YEAR ENDED JUNE 30, 1999			
July to September 1998	$16.31	$13.00	$ -
October to December 1998	15.75	13.19	.275
January to March 1999	15.19	13.00	.275
April to June 1999	14.88	9.88	.275
FISCAL YEAR ENDED JUNE 30, 2000			
July to September 1999	13.00	9.50	.275
October to December 1999	10.25	6.63	.275
January to March 2000	7.19	3.44	.1375
April to June 2000	5.00	3.88	.1375

There are 250 million shares of common stock and 25 million shares of preferred stock authorized. At June 30, 2000, there were 82,478,000 shares of common stock issued and outstanding and 31,000 beneficial holders of common stock. No preferred shares have been issued.

The declaration of dividends is subject to the discretion of the Board of Directors and depends, among other things, on the results of operations, financial condition, cash requirements, any restrictions imposed by financing arrangements and any other factors deemed relevant by the Board of Directors at that time.

At June 30, 2000, a total of 17.8 million shares of common stock had been repurchased under an expanded program approved by the Board of Directors in fiscal 2000 to repurchase up to 30 million shares by June 2001.

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

USEC entered into an agreement with the U.S. Treasury Department, pursuant to which USEC made the following commitments, among others:

- to abide by the Privatization Act provisions, including the provision which prohibits any person from acquiring more than 10% of the outstanding voting stock for a three-year period after the IPO Date; and

- not to sell or transfer all or substantially all of the uranium enrichment assets or operations of USEC during the three-year period after the IPO Date.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the Consolidated Financial Statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations. Selected financial data as of and for each of the fiscal years in the five-year period ended June 30, 2000, have been derived from the Consolidated Financial Statements which have been audited by Arthur Andersen LLP, independent public accountants.

	FISCAL YEARS ENDED JUNE 30,				
	1996	1997	1998	1999	2000
	(MILLIONS, EXCEPT PER SHARE DATA)				
STATEMENT OF INCOME DATA					

Revenue:					
Separative work units	$1,396.4	$1,551.9	$1,380.4	$1,475.0	$1,387.8
Uranium	16.4	25.9	40.8	53.6	101.6
Total revenue	1,412.8	1,577.8	1,421.2	1,528.6	1,489.4
Cost of sales	973.0	1,162.3	1,062.1	1,182.0	1,236.3
Uranium inventory valuation adjustment	-	-	-	-	19.5
Gross profit	439.8	415.5	359.1	346.6	233.6
Special charges:					
Discontinue plant operations	-	-	-	-	126.5 (1)
Workforce reductions	-	-	32.8	-	15.0 (2)
Suspension of development of AVLIS technology	-	-	-	34.7 (3)	(1.2)
Privatization costs	-	-	13.8	-	-
Advanced technology development costs	103.6	141.5	136.7	106.4	11.4
Selling, general and administrative	36.0	31.8	34.7	40.3	48.9
Operating income	300.2	242.2	141.1	165.2	33.0
Interest expense	-	-	-	32.5	38.1
Other (income) expense, net	(3.9)	(7.9)	(5.2)	(16.8)	(10.5)
Income before income taxes	304.1	250.1	146.3	149.5	5.4
Provision (benefit) for income taxes	-	-	-	(2.9) (4)	(3.5)
Net income	$ 304.1	$ 250.1	$ 146.3	$ 152.4	$ 8.9
Net income per share-basic and diluted				$1.52	$.10
Dividends per share				$.825	$.825
Average number of shares outstanding				99.9	90.7

---

(1) The plan announced in June 2000 to cease uranium enrichment operations at the Portsmouth plant in June 2001 resulted in special charges of $126.5 million ($79.3 million or $.87 per share after tax) in fiscal 2000. The special charges include asset impairments of $62.8 million, severance benefits of $30.2 million based on current labor contract requirements, and $33.5 million for lease turnover and other exit costs.

(2) Workforce reduction plans involving 575 employees at the Portsmouth and Paducah plants were finalized in June 2000 and resulted in special charges for severance benefits of $15.0 million ($9.4 million or $.10 per share after tax) in fiscal 2000.

(3) The suspension of development of the AVLIS enrichment technology resulted in special charges of $34.7 million ($22.7 million or $.23 per share after tax) in fiscal 1999.

(4) The provision for income taxes in fiscal 1999 includes a special income tax benefit of $54.5 million (or $.54 per share) for deferred income tax benefits that arose from the transition to taxable status.

	AS OF JUNE 30,				
	1996	1997	1998	1999	2000
			(MILLIONS)		
BALANCE SHEET DATA					
Cash and cash equivalents	$1,125.0	$1,261.0	$1,177.8 (1)	$ 86.6	$ 73.0
Inventories:					
Current assets:					
Separative work units	$ 586.8	$ 573.8	$ 687.0	$ 648.8	$ 596.0
Uranium (2)	150.3	131.5	184.5	160.1	209.8
Materials and supplies	15.7	12.4	24.8	22.8	19.3
Long-term assets	199.7	103.6	561.0	574.4	436.4
Inventories, net	$ 952.5	$ 821.3	$1,457.3	$1,406.1	$1,261.5
Total assets	$3,356.0	$3,456.6	$3,471.3	$2,360.2	$2,084.4
Short-term debt	-	-	-	50.0	50.0
Long-term debt	-	-	-	500.0	500.0
Other liabilities	427.4	451.8	503.3 (3)	195.0	281.1
Stockholders' equity	2,121.6	2,091.3	2,420.5 (1)	1,135.4	947.3
Number of shares of outstanding				99.2	82.5

---

(1) An exit dividend of $1,709.4 million was paid to the U.S. Treasury at the IPO Date.

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

(3) Other liabilities include accrued liabilities for the disposition of depleted uranium. Pursuant to the Privatization Act, depleted uranium generated by USEC through the IPO Date was transferred to DOE, and the accrued liability of $373.8 million at the IPO Date was transferred to stockholders' equity.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements and related notes appearing elsewhere in this report.

OVERVIEW

USEC, a global energy company, is the world leader in the sale of uranium fuel enrichment services for commercial nuclear power plants, with approximately 73% of the North American market and approximately 36% of the world market. Uranium enrichment is a critical step in transforming uranium into fuel for nuclear reactors to produce electricity. Based on customers' estimates of their requirements and certain other assumptions, including estimates of inflation rates, at June 30, 2000, USEC had long-term requirements contracts with utilities to provide uranium and uranium enrichment services aggregating $6.1 billion through fiscal 2011 (including $3.3 billion through fiscal 2003), compared with $6.5 billion at June 30, 1999. The standard measure of effort or service in the uranium enrichment industry is separative work units ("SWU").

Agreements with electric utilities are generally long-term requirements contracts under which customers are obligated to purchase a specified percentage of their requirements for uranium enrichment services. Customers, however, are not obligated to make purchases or payments if they do not have any requirements. There is a trend for contracts with shorter terms that is expected to continue, with the newer contracts generally containing terms in the range of 3 to 7 years. Under power-for-SWU barter contracts, USEC exchanges its enrichment services with utilities that supply electric power to the plants.

Revenue and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year. Customer requirements are determined by refueling schedules for nuclear reactors, which generally range from 12 to 24 months. These schedules are in-turn affected by, among other things, the seasonal nature of electricity demand, reactor maintenance, and reactors beginning or terminating operations. Utilities typically schedule the shutdown of their reactors for refueling to coincide with the low electricity demand periods of spring and fall. Thus, some reactors are scheduled for fall refueling, spring refueling or for 18-month cycles alternating between both seasons. The timing of larger orders for initial core requirements for new nuclear reactors also can affect operating results.

USEC is the Executive Agent of the U.S. Government under a government-to-government agreement ("Russian Contract") to purchase the SWU component of enriched uranium recovered from dismantled nuclear weapons from the former Soviet Union for use in commercial electricity production. Cost of sales has been, and will continue to be, adversely affected by amounts paid to purchase SWU under the Russian Contract. Since the volume of Russian SWU purchases has increased, USEC has operated the plants at significantly lower production levels resulting in higher unit production costs. Global market prices for SWU have declined below the price being paid for SWU under the Russian Contract. An underlying principle of the program is for it to operate according to commercial practices. As a result of negotiations to align the

Russian Contract with market pricing realities, USEC and its counterparts in Russia have reached an agreement in principle to adopt market-based pricing for SWU in January 2002, subject to approvals from the United States and Russian governments. The timing and conditions, if any, for U.S. government approval are uncertain.

Revenue

Substantially all of USEC's revenue is derived from the sale of uranium enrichment services, denominated in SWU. Although customers may buy enriched uranium product without supplying uranium, most of USEC's contracts are for enriching uranium provided by customers. Because orders for uranium enrichment services to refuel customer reactors occur once in 12, 18 or 24 months and are large in amount, averaging $13.0 million per order, the percentage of revenue attributable to any customer or

group of customers from a particular geographic region can vary significantly quarter-by-quarter or year-by-year. However, customer requirements and orders over the longer term are more predictable. USEC estimates that about two-thirds of the nuclear reactors under contract operate on refueling cycles of 18 months or less, and the remaining one-third operate on refueling cycles greater than 18 months.

Recent industry and global economic developments have intensified the effects of production over-capacity and continuing lower prices for SWU. These developments include:

- heightened price competition among uranium enrichment suppliers;
- the adverse impact of the strengthening U.S. dollar;
- certain European utilities liquidating strategic SWU inventories; and
- termination of the Kazakhstan suspension agreement.

In addition to excess production capacity, certain suppliers have announced technology-driven plans to expand capacities.

USEC's financial performance over time can be significantly affected by changes in the market price for SWU. As older contracts expire, USEC's backlog is becoming more heavily weighted with newer contracts with shorter terms and lower prices. In light of this, USEC expects its backlog will decline over time unless new SWU commitments are added at sufficient levels to offset the impact of shorter term contracts, expiring commitments and lower prices. USEC anticipates the trend toward lower prices and shorter contract terms will continue, due to increased competition among uranium enrichment suppliers for new SWU commitments. To address this trend, USEC is placing a high priority on numerous initiatives to further reduce costs and increase its competitiveness.

USEC's contracts are denominated in U.S. dollars, and although revenue is not directly affected by changes in the foreign exchange rate of the U.S. dollar, USEC may have a competitive price disadvantage or advantage obtaining new contracts in a competitive bidding process depending upon the strength or weakness of the U.S. dollar. Costs of the primary competitors are denominated in the major European currencies.

Revenue could be negatively impacted by actions of the Nuclear Regulatory Commission suspending operations at domestic utility customer reactors under contract with USEC. In addition, business decisions by utilities that take into account economic factors, such as the price and availability of alternate fossil fuels, consolidation within the electric power industry, the need for generating capacity and the cost of maintenance, could result in suspended operations or early shutdowns of some reactors under contract with USEC.

Cost of Sales

Cost of sales is based on the quantity of SWU sold during the period and is dependent upon production costs at the plants and purchase costs under the Russian Contract. Production costs consist principally of electric power

(representing 50% of production costs in fiscal 2000), labor and benefits, depleted uranium disposition costs, materials, and maintenance and repairs. Under the monthly moving average inventory cost method, an increase or decrease in production or purchase costs will have an effect on costs of sales over future periods.

The plants require substantial amounts of electric power to enrich uranium. In fiscal 2000, USEC acquired most of its electric power from Ohio Valley Electric Corporation ("OVEC"), the main supplier to the Portsmouth plant, and from Electric Energy, Inc. ("EEI"), the main supplier to the Paducah plant, under long-term power purchase contracts between DOE and OVEC and EEI. Under an agreement between USEC and DOE ("Electricity MOA"), DOE is required to transfer the benefits of the power purchase contracts to USEC.

Electric power purchased from OVEC and EEI represented 75% of power purchased in fiscal 2000, with costs based on actual costs incurred by OVEC and EEI. The remainder of the electric power purchased by USEC in fiscal 2000 was market-based power, all of which was used at the Paducah plant. Market-based power costs vary seasonally with rates higher during the winter and summer as a function of the extremity of the weather. USEC substantially reduces production and the related power load at the Paducah plant in the summer months when the cost of market-based power is high. Almost all of the power for the Paducah plant for the summer of 2000 was purchased prior to the summer months at fixed prices based on prevailing market rates.

In July 2000, USEC entered into a 10-year power purchase agreement with Tennessee Valley Authority ("TVA") to provide a substantial portion of electric power for the Paducah plant beginning September 2000. Replacing EEI as primary supplier, TVA will supply electric power for the Paducah plant at fixed rates, thereby substantially reducing USEC's price risk for electric power in the volatile Midwest power market. The agreement provides that amounts to be paid to TVA for power scheduled to be purchased in fiscal 2001 will be reduced by a deferred payment obligation of $45.0 million. USEC will secure the obligation, as long as it is outstanding, by transferring title to uranium inventories with an equivalent value to TVA. The obligation and related interest will be satisfied by providing SWU to TVA in fiscal years 2002 to 2004 under a requirements contract, the terms of which are not yet final.

USEC accrues estimated costs for the future disposition of depleted uranium generated as a result of its operations. Costs are dependent upon the volume of depleted uranium generated and estimated transportation, conversion and disposal costs. USEC stores depleted uranium at the plants and continues to evaluate various proposals for its disposition.

USEC leases most, but not all, of the buildings and facilities at the plants at favorable terms from DOE. Upon termination of the lease, USEC is responsible for certain lease turnover activities at the plants. Lease turnover costs are accrued over the estimated term of the lease which, for the Paducah plant, is estimated to extend through calendar year 2008.

As Executive Agent under the Russian Contract, USEC ordered 5.5 million SWU in fiscal 2000. However, as a result of shipping delays in Russia, there were 4.8 million SWU delivered and purchased at a cost of $417.8 million, including related shipping charges. Subject to price adjustments for U.S. inflation, USEC has committed to purchase 4.6 million SWU at a cost of $404.7 million in the six months ending December 31, 2000, and expects to purchase 5.5 million SWU at a cost of $494.1 million in calendar year 2001.

RESULTS OF OPERATIONS

The following table sets forth certain items as a percentage of revenue:

	FISCAL YEARS ENDED JUNE 30,		
	1998	1999	2000
Revenue:			
Domestic	63%	62%	62%
Asia	31	30	32
Europe and other	6	8	6
Total revenue	100%	100%	100%
Cost of sales	75	77	83
Uranium inventory valuation adjustment	-	-	1
Gross profit	25	23	16
Special charges	3	2	10
Advanced technology development costs	10	7	1
Selling, general and administrative	2	3	3
Operating income	10	11	2
Interest expense	-	2	2
Other (income) expense, net	-	(1)	(1)
Income before income taxes	10	10	1
Provision for income taxes	-	-	-
Net income	10%	10%	1%

RESULTS OF OPERATIONS - FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

Revenue

Revenue from sales of SWU amounted to $1,387.8 million in fiscal 2000, a reduction of $87.2 million (or 6%) compared with $1,475.0 million in fiscal 1999. The reduction reflects a decline of 7% in average SWU prices billed to customers.

The volume of SWU sold increased 1% in fiscal 2000 reflecting one-time sales to customers in Japan to replace their SWU stranded at the Tokaimura uranium processing facility in Japan. Operations at the Tokaimura facility were suspended in September 1999 following an incident involving highly enriched uranium for an experimental reactor. SWU sold by USEC was not involved in the incident. If SWU is retrieved from the facility and used by the Japanese customers, future sales to these customers would be reduced. The increase from one-time sales to Japanese customers was offset by lower volume from reductions in SWU commitment levels and the timing of other customer orders.

Revenue from sales of uranium, primarily uranium hexafluoride, amounted to $101.6 million in fiscal 2000, an increase of $48.0 million compared with $53.6 million in fiscal 1999. In fiscal 2001, sales of uranium are expected to be about the same level as in fiscal 2000.

Revenue from domestic customers declined $19.2 million (or 2%), revenue from customers in Asia increased $25.1 million (or 6%), and revenue from customers in Europe and other areas declined $45.1 million (or 36%), compared with fiscal 1999. The changes in the geographic mix of revenue resulted from the timing of customer orders, the decline in average SWU prices billed to customers, replacement SWU sales to Japan, and the increase in sales of uranium.

Cost of Sales

Cost of sales amounted to $1,236.3 million in fiscal 2000, an increase of $54.3 million (or 5%) compared with $1,182.0 million in fiscal 1999. Increased purchases of SWU under the Russian Contract

and the resulting lower levels of production output and associated higher unit costs at the plants continue to adversely affect cost of sales. Cost of sales in fiscal 2000 reflects the benefit of reductions in power costs from the monetization of excess power at the Portsmouth plant in the summers of 1999 and 2000. As a percentage of revenue, cost of sales amounted to 83%, compared with 77% in fiscal 1999. In fiscal 2001, cost of sales is expected to be adversely affected by low production levels and the end of power monetization at the Portsmouth plant.

Electric power costs amounted to $329.8 million in fiscal 2000 (representing 50% of production costs) compared with $436.4 million (representing 57% of production costs) in fiscal 1999, a reduction of $106.6 million (or 24%). The reduction reflects lower SWU production in fiscal 2000 and an increase in the monetization of excess power at the Portsmouth plant. In order to reduce its power costs, USEC entered into power monetization agreements with DOE and OVEC in fiscal years 1999 and 2000 under which USEC agreed to release in the summer months a substantial portion of the electric power that it has a right to purchase from OVEC for the Portsmouth plant. By substantially reducing production and the related power load at the Portsmouth plant in the summer months, USEC was able to monetize its share of the higher value that this released power has in the summer market. Under the power monetization agreement for the summer of 2000, which was entered into in May 2000 and is subject to regulatory approval, OVEC agreed to pay USEC the net amount of $44.0 million in exchange for the agreement to release power. The monetization of excess power resulted in reductions to production costs of $44.0 million in fiscal 2000 and $31.7 million in fiscal 1999.

Costs for labor and benefits included in production costs declined 4% compared with fiscal 1999. The average number of employees at the plants declined 7% in fiscal 2000.

Costs for the future disposition of depleted uranium amounted to $35.3 million in fiscal 2000, a decline of $5.2 million (or 13%) from $40.5 million in fiscal 1999. The reduction reflects lower SWU production.

SWU purchased from the Russian Federation represented 41% of the combined produced and purchased supply mix in fiscal 2000, compared with 31% in fiscal 1999. USEC has committed to purchase 4.6 million SWU for delivery under the Russian Contract in six months ending December 31, 2000, and expects to purchase 5.5 million SWU in calendar 2001.

Uranium Inventory Valuation Adjustment

The average market price of uranium hexafluoride declined 9% in fiscal 2000, compared with fiscal 1999. Downward pressure prevailed with market prices quoted at $23.62 per kilogram of uranium hexafluoride at June 30, 2000, a decline of 22% compared with June 30, 1999. Since uranium inventories are valued at the lower-of-cost-or-market, a non-cash valuation adjustment of $19.5 million was charged against income in fiscal 2000. If market prices continue their downward trend, it is possible that there could be additional charges against income in fiscal 2001.

Gross Profit

Gross profit amounted to $233.6 million in fiscal 2000, a reduction of $113.0 million (or 33%) compared with $346.6 million in fiscal 1999. Gross margin was 16% compared with 23% in fiscal 1999. The reduction reflects the 7% decline in average SWU prices billed to customers and the uranium inventory valuation adjustment.

Special Charges

	BALANCE JUNE 30, 1998	SPECIAL CHARGES	UTILIZED CASH	BALANCE JUNE 30, 1999	SPECIAL CHARGES (CREDIT)	UTILIZED CASH	UTILIZED NON-CASH	BALANCE JUNE 30, 2000

Workforce reductions at the plants	$12.8	-	$ (5.9)	$ 6.9	$15.0	$ (4.7)	$ (2.2)	$15.0
Privatization costs	13.8	-	(13.8)	-	-	-	-	-
Suspension of development of AVLIS technology	-	$34.7	(.5)	34.2	(1.2)	(33.0)	-	-
Discontinue operations at Portsmouth plant:								
Workforce reductions	-	-	-	-	30.2	-	-	30.2
Lease turnover and other exit costs	-	-	-	-	33.5	-	(2.8)	30.7
Impairment of property, plant and equipment	-	-	-	-	62.8	-	(62.8)	-
Total discontinue plant operations	-	-	-	-	126.5	-	(65.6)	60.9
	$26.6	$34.7	$(20.2)	$41.1	$140.3	$(37.7)	$(67.8)	$75.9

In June 2000, USEC announced that it will cease uranium enrichment operations in June 2001 at the Portsmouth plant as an important step in the ongoing efforts to align production costs with lower market prices. Production will continue at the Portsmouth plant until June 2001 when it is expected that an assay upgrade project at the Paducah plant will be completed, tested to produce enriched uranium up to 5.5% assay, and certified by the NRC. USEC plans to continue to operate the transfer and shipping activities at the Portsmouth plant after enrichment has ceased, until similar facilities are available at the Paducah plant.

The plan announced in June 2000 to cease uranium enrichment operations at the Portsmouth plant resulted in special charges of $126.5 million ($79.3 million or $.87 per share after tax) in fiscal 2000. The charges include $62.8 million in asset impairments of production equipment, leasehold improvements and other fixed assets. The charges also include severance benefits of $30.2 million for workforce reductions involving 1,200 plant employees based on current labor contract requirements, and $33.5 million for lease turnover and other exit costs.

Under the terms of the OVEC power contract, commitments to purchase electric power for the Portsmouth plant are subject to reductions resulting from the release of power. In fiscal 2001, USEC plans to provide the three-year notice to terminate the OVEC contract effective April 30, 2003, and to release power upon the termination of enrichment operations at the Portsmouth plant. Based on waivers granted by OVEC, the required three-year termination period would begin May 1, 2000, and would end April 30, 2003. USEC expects that commitments to purchase power from OVEC in fiscal years 2002 and 2003 will be offset by reductions resulting from the release of power. As a result of termination of the OVEC contract, USEC will no longer be responsible for substantial costs of environmental upgrades that OVEC will be required to make in future years at its coal-burning facilities.

Workforce reduction plans involving 575 employees at the Portsmouth and Paducah plants were finalized in June 2000 and resulted in special charges of $15.0 million ($9.4 million or $.10 per share after tax) for severance benefits in fiscal 2000.

Costs of $2.2 million were incurred and utilized for incremental pension and postretirement health and life benefits resulting from workforce reductions involving 500 employees in fiscal years 1999 and 2000.

In June 1999, development of the AVLIS enrichment technology was suspended resulting in special charges of $34.7 million ($22.7 million or $.23 per share after tax) for contract terminations, shutdown activities and employee severance and benefit arrangements, of which $33.5 million had been paid as of June 30, 2000. A cost savings of $1.2 million was restored to income in fiscal 2000.

Advanced Technology Development Costs

Advanced technology development costs amounted to $11.4 million in fiscal 2000, a reduction of $95.0 million compared with $106.4 million in fiscal 1999. Costs in fiscal 2000 relate to the evaluation of the availability and economics of centrifuge technology and a potential new advanced enrichment technology called SILEX. Costs in fiscal 1999 were primarily for AVLIS, and development of AVLIS was suspended in June 1999.

Selling, General and Administrative

Selling, general and administrative expenses amounted to $48.9 million in fiscal 2000, an increase of $8.6 million (or 21%) compared with $40.3 million in fiscal 1999. The increase reflects costs for executive compensation plans, including amortization of the cost of restricted stock grants beginning February 1999, and increased consulting fees.

Operating Income

Operating income amounted to $33.0 million in fiscal 2000, a reduction of $132.2 million (or 80%), compared with $165.2 million in fiscal 1999. The reduction resulted primarily from special charges relating to the Portsmouth plant and workforce reductions and lower gross profit in fiscal 2000, partly offset by the reduction in advanced technology development costs following the suspension of AVLIS development in June 1999.

Interest Expense

Interest expense amounted to $38.1 million in fiscal 2000, an increase of $5.6 million (or 17%) from $32.5 million in fiscal 1999. Total interest costs, including capitalized interest, amounted to $41.3 million compared with $33.7 million in fiscal 1999. The increase reflects higher average debt levels and higher short-term interest rates in fiscal 2000. Prior to July 28, 1998, the date of the initial public offering, USEC had no debt. The increase in short-term interest rates reflects changes in market rates and the revisions in USEC's credit ratings in February 2000 to below investment grade.

Other Income

Other income of $16.8 million in fiscal 1999 included a nonrecurring gain of $8.2 million from a contract modification canceling accrued interest payable on an advance payment from the Arab Republic of Egypt.

Provision for Income Taxes

The provision for income taxes in fiscal 1999 includes a special income tax benefit of $54.5 million (or $.54 per share) for deferred income tax benefits that arose from the transition to taxable status.

Net Income

Net income was $8.9 million (or $.10 per share) in fiscal 2000. Excluding special charges relating to the Portsmouth plant and workforce reductions and the uranium inventory valuation adjustment, net income was $109.1 million (or $1.20 per share) in fiscal 2000. Net income was $152.4 million (or $1.52 per share) in fiscal 1999. Excluding special charges relating to the suspension of AVLIS and a special tax benefit, net income was $120.6 million (or $1.21 per share). The reduction of $11.5 million in net income before special items and the inventory adjustment in fiscal 2000 resulted from lower gross profit, partly

offset by lower costs for advanced technology.

The average number shares of common stock outstanding was 90.7 million, a decline of 9.2 million shares (or 9%) from 99.9 million shares in fiscal 1999. The reduction reflects the repurchase of common stock under an expanded program to repurchase up to 30 million shares by June 2001. At June 30, 2000, there were 82.5 million shares issued and outstanding.

Outlook

In fiscal 2001, USEC anticipates net income in the range of $30 to $35

million reflecting lower anticipated revenue and the end of power monetization at the Portsmouth plant. The lower revenue forecast includes fewer spot SWU sales, resulting in anticipated sales volume of about 10.5 million SWU.

RESULTS OF OPERATIONS -- FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

Revenue

Revenue amounted to $1,528.6 million in fiscal 1999, an increase of $107.4 million (or 8%) from $1,421.2 million in fiscal 1998. Revenue from sales of SWU increased $94.6 million (or 7%) in fiscal 1999 reflecting the timing of customer nuclear reactor refueling orders, including sales to customer reactors returning to service following an extended outage, partly offset by lower SWU commitment levels of a domestic and a foreign customer. The average SWU price billed to customers in fiscal 1999 was about the same as in fiscal 1998.

Revenue from domestic customers increased $51.4 million (or 6%), revenue from customers in Asia increased $12.4 million (or 3%) and revenue from customers in Europe and other areas increased $43.6 million (or 53%). The increases in the geographic mix of revenue in fiscal 1999 resulted primarily from the timing of customers' orders, and the increase in domestic revenue reflects sales to customer reactors returning to service following an extended outage.

Revenue from sales of uranium was $53.6 million in fiscal 1999, an increase of $12.8 million (or 31%) from $40.8 million in fiscal 1998. Certain contracts with customers provided for the sale of uranium and SWU in the form of enriched uranium product.

Cost of Sales

Cost of sales amounted to $1,182.0 million in fiscal 1999, an increase of $119.9 million (or 11%) compared with $1,062.1 million in fiscal 1998. The increase in cost of sales reflects the 7% increase in sales of SWU, primarily from the timing of customer orders, and the effects under the monthly moving average inventory cost method of lower production levels and higher unit production costs at the plants in fiscal 1999 and 1998. In fiscal 1999, production costs were affected by high power costs in the summer and early fall of 1998. As a percentage of revenue, cost of sales amounted to 77%, compared with 75% in fiscal 1998.

Electric power costs amounted to $436.4 million in fiscal 1999 (representing 57% of production costs) compared with $413.8 million (representing 53% of production costs) in fiscal 1998. The increase was attributable to higher costs per megawatt hour ("MWh"), partly offset by $31.7 million from the monetization of excess power with respect to the summer of 1999. The average cost of electric power purchased was $21.54 per MWh, compared with $19.66 per MWh in fiscal 1998. In the summer and early fall of 1998, persistent hot weather, high electricity demand in the Midwest and power generation shortages resulted in record high power costs at the Paducah plant, and USEC curtailed production at the Paducah plant to reduce the impact of high power prices.

Costs for labor and benefits amounted to $238.9 million in fiscal 1999, about the same as in fiscal 1998. The average number of employees at the plants declined 7% in fiscal 1999.

Costs for the future disposition of depleted uranium amounted to $40.5 million in fiscal 1999, a decline of $15.2 million (or 27%) from $55.7 million in fiscal 1998. The reduction reflects a lower future disposal rate per kilogram of depleted uranium. Pursuant to the USEC Privatization Act, depleted uranium generated by USEC through the IPO Date was transferred to DOE, and the accrued liability of $373.8 million at the IPO Date was transferred to stockholders' equity.

SWU purchased from the Russian Federation represented 31% of the combined produced and purchased supply mix in fiscal 1999, compared with 38% purchased from the Russian Federation and DOE in fiscal 1998.

Gross Profit

Gross profit amounted to $346.6 million in fiscal 1999, a reduction of $12.5 million (or 4%) from $359.1 million in fiscal 1998. Although revenue increased 8% compared with fiscal 1998, gross margins declined from 25% to 23% in fiscal 1999. The lower production levels and higher unit production costs at the plants in fiscal 1999 and 1998 contributed to the lower gross profit in fiscal 1999.

Special Charges - Workforce Reductions and Privatization Costs

Special charges amounted to $46.6 million in fiscal 1998 for costs related to the privatization and certain severance and transition benefits to be paid to plant workers in connection with workforce reductions, as follows (millions):

Privatization costs	$13.8
Worker and community transition assistance benefits	20.0
Worker pre-existing severance benefits	12.8
	$46.6

Privatization costs of $13.8 million were paid in fiscal 1999, worker and community transition assistance benefits of $20.0 million were paid to DOE in fiscal 1998, and worker pre-existing severance benefits of $12.8 million with respect to 500 workers had been paid or utilized as of June 30, 2000.

Advanced Technology Development Costs

Advanced technology development costs were primarily for AVLIS and amounted to $106.4 million in fiscal 1999, a decline of $30.3 million (or 22%) from $136.7 million in fiscal 1998.

Operating Income

Operating income amounted to $165.2 million in fiscal 1999, an increase of $24.1 million (or 17%), compared with $141.1 million in fiscal 1998. Operating income was reduced by a special charge of $34.7 million in fiscal 1999 for the suspension of AVLIS technology and $46.6 million in fiscal 1998 for workforce reductions and privatization costs. Advanced technology development costs were $30.3 million lower and gross profit was $12.5 million lower in fiscal 1999.

Interest Expense

Interest expense of $32.5 million in fiscal 1999 represents interest on senior notes issued in January 1999, borrowings under the bank credit facility, and short-term borrowings under a commercial paper program established in February 1999. Prior to the initial public offering in July 1998, USEC had no debt.

Other Income

Other income of $16.8 million in fiscal 1999 includes a nonrecurring gain of $8.2 million from a contract modification canceling accrued interest payable on an advance payment from the Arab Republic of Egypt.

Provision for Income Taxes

USEC became subject to federal, state and local income taxes at the time of the initial public offering in July 1998. The provision for income taxes in fiscal 1999, includes a special income tax benefit of $54.5 million (or $.54 per share) for deferred income tax benefits that arose from the transition to taxable status. Deferred tax benefits represent differences between the carrying amounts for financial reporting purposes and USEC's estimate of the tax bases of its assets and liabilities.

Net Income

Net income excluding special items was $120.6 million (or $1.21 per share) in fiscal 1999 and $192.9 million in fiscal 1998. The reduction reflects income taxes and interest expense incurred since the initial public offering in July 1998. Including special items, net income was $152.4 million (or $1.52 per share) in fiscal 1999 and $146.3 million in fiscal 1998.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Cash Flow

Net cash flow from operating activities amounted to $262.8 million in fiscal 2000, compared with $230.4 million in fiscal 1999. Cash flow in fiscal 2000 benefited from an inventory reduction of $122.3 million, primarily from sales of uranium inventories transferred to USEC by DOE at no cash cost prior to the initial public offering. Sales of uranium from inventory provide a direct benefit to cash flow. Cash flow also reflects an increase of $51.1 million in deferred revenue primarily representing cash received from a European customer under a long-term contract for the sale of SWU. Cash flow was reduced by a decline of $62.9 million in accounts payable and other liabilities and cash payments of $33.0 million relating to suspension of development of the AVLIS technology.

Net cash flow from operating activities amounted to $230.4 million in fiscal 1999 and reflects an inventory reduction of $51.2 million and an increase of $78.0 million in net payables under the Russian Contract.

Capital expenditures amounted to $75.9 million in fiscal 2000 compared with $51.1 million in fiscal 1999, including costs of $27.3 million and $21.0 million, respectively, for seismic upgrades at the Paducah plant, required by the NRC Compliance Plan, to reduce the risk of release of radioactive and hazardous material in the event of an earthquake. Capital expenditures in fiscal 2000 also include costs to upgrade the Paducah plant's capability to produce enriched uranium up to an assay of 5.5%. USEC expects capital expenditures of $40 to $45 million in fiscal 2001, including costs to upgrade the Paducah plant's capability to produce enriched uranium at the higher assay.

At June 30, 2000, a total of 17.8 million shares had been repurchased under an expanded program approved by the Board of Directors in fiscal 2000 to repurchase up to 30 million shares by June 2001. There were 17.0 million shares of common stock repurchased at a cost of $124.6 million in fiscal 2000 and 1.1 million shares (including .8 million shares under the expanded program) repurchased at a cost of $14.8 million in fiscal 1999.

Dividends paid to stockholders amounted to $75.9 million in fiscal 2000, compared with $82.5 million in fiscal 1999. In March 2000, the quarterly dividend payment was reduced by half to $.1375 per

share, and there were 9% fewer average shares outstanding in fiscal 2000. There was no dividend payment in the first quarter of fiscal 1999. USEC began quarterly dividend payments in December 1999.

Capital Structure and Financial Resources

In January 1999, USEC issued $350.0 million of 6.625% senior notes due January 2006 and $150.0 million of 6.750% senior notes due January 2009. The senior notes are unsecured obligations and rank on a parity with all other unsecured and unsubordinated indebtedness of USEC Inc.

Commitments available under bank credit facilities amounted to $300.0 million at June 30, 2000. In July 2000, available commitments were reduced to $265.0 million, as follows: $115.0 million under a revolving credit facility expiring September 2000 and $150.0 million under a revolving credit facility expiring July 2003. In view of tightening in the bank credit market and USEC's credit ratings, upon expiration of the revolving credit facility in September 2000, USEC plans to negotiate a new bank credit facility to replace both

existing bank credit facilities. It is expected that the new bank credit facility will be for a reduced amount, and may include additional terms and covenants. Short-term borrowings amounted to $50.0 million at June 30, 1999 and 2000.

At June 30, 2000, USEC was in compliance with financial covenants under the bank credit facilities, including restrictions on the granting of liens or pledging of assets, a minimum net worth and a debt to total capitalization ratio, as well as other customary conditions and covenants. The bank credit facilities restrict borrowings by subsidiaries to a maximum of $100.0 million. The failure to satisfy any of the covenants would constitute an event of default. The bank credit facilities also include other customary events of default, including without limitation, nonpayment, misrepresentation in a material respect, cross-default to other indebtedness, bankruptcy and change of control.

The total debt-to-capitalization ratio was 37% at June 30, 2000, compared with 33% at June 30, 1999. Although total debt of $550.0 million at June 30, 2000, was the same as at June 30, 1999, stockholders' equity was lower in fiscal 2000 reflecting the repurchase of common stock, dividend payments, and special charges against income.

A summary of working capital at June 30 follows (in millions):

	1999	2000
Cash, net of short-term debt	$ 36.6	$ 23.0
Inventories, net	831.7	825.1
Other	75.0	180.3
Working capital	$943.3	$1,028.4

USEC expects that its cash, internally generated funds from operating activities, and available financing sources under the bank credit facilities will be sufficient to meet its obligations as they become due, to fund operating requirements of the plants, purchases of SWU under the Russian Contract, capital expenditures, interest expense, quarterly dividends, and repurchases of common stock.

ENVIRONMENTAL MATTERS

In addition to costs for the future disposition of depleted uranium, USEC incurs operating costs and capital expenditures for matters relating to compliance with environmental laws and regulations, including the handling, treatment and disposal of hazardous, low-level radioactive and mixed wastes generated as a result of its operations. Operating costs were $25.4 million, $24.1 million, and $18.1 million and capital expenditures were $4.4 million, $3.1 million and $2.4 million in fiscal years 1998, 1999 and 2000, respectively. In fiscal years 2001 and 2002, USEC expects its operating costs and capital expenditures for environmental matters to remain at about the same levels as in fiscal 2000.

Environmental liabilities associated with plant operations prior to July 28, 1998, are the responsibility of the U.S. Government, except for liabilities relating to certain identified wastes generated by USEC and stored at the plants. DOE remains responsible for decontamination and decommissioning of the plants.

CHANGING PRICES AND INFLATION

The plants require substantial amounts of electric power to enrich uranium. Information with respect to electric power prices and costs is included above.

A majority of USEC's long-term requirements contracts with customers

generally provide for prices that are subject to adjustment for inflation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At June 30, 2000, the balance sheet carrying amounts for cash and cash equivalents, accounts payable and accrued liabilities, and payables under the Russian Contract approximate fair value because of the short-term nature of the instruments.

As a result of market interest rates, the fair value of short-term debt approximates its carrying value at June 30, 2000. The fair value of long-term debt is calculated based on a credit-adjusted spread over U.S. Treasury securities with similar maturities. The repayment schedule of short-term debt, the scheduled maturity dates of long-term debt, the balance sheet carrying amounts and related fair values at June 30, 2000, follow (millions):

	MATURITY DATES			JUNE 30, 2000	
	DUE WITHIN ONE YEAR	JANUARY 2006	JANUARY 2009	BALANCE SHEET CARRYING AMOUNT	FAIR VALUE
Short-term debt	$50.0			$ 50.0	$ 50.0
Long-term debt:					
6.625% senior notes		$350.0		350.0	268.0
6.750% senior notes			$150.0	150.0	108.5
				500.0	376.5
				$550.0	$426.5

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements begin at page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information regarding executive officers is included in Part I of this report. Additional information concerning directors and executive officers is incorporated by reference to the Proxy Statement for the Annual Meeting of Shareholders scheduled to be held November 8, 2000.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning management compensation is incorporated herein by reference to the Proxy Statement for the Annual Meeting of Shareholders scheduled to be held November 8, 2000.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning security ownership of certain beneficial owners and management is incorporated herein by reference to the Proxy Statement for the Annual Meeting of Shareholders scheduled to be held November 8, 2000.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions is incorporated herein by reference to the Proxy Statement for the Annual Meeting of Shareholders scheduled to be held November 8, 2000.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) Consolidated Financial Statements

Consolidated Financial Statements are set forth under Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules

No financial statement schedules are required to be filed.

(3) Exhibits

The following exhibits are filed as part of this Annual Report on Form 10-K:

EXHIBIT NO.	DESCRIPTION
3.1	Certificate of Incorporation of USEC Inc. (1)
3.2	Bylaws of USEC Inc., as amended. (2)
4.2	Indenture, dated January 15, 1999, between USEC Inc. and First Union National Bank. (3)
10.1	Lease Agreement between the United States Department of Energy and the United States Enrichment Corporation, dated as of July 1, 1993, including notice of exercise of option to renew. (1)

10.4	Memorandum of Agreement, dated December 15, 1994, between the United States Department of Energy and United States Enrichment Corporation regarding the transfer of functions and activities, as amended. (1)
10.6	Composite Copy of Power Agreement, dated October 15, 1952, between Ohio Valley Electric Corporation and the United States of America acting by and through the United States Atomic Energy Commission and, subsequent to January 18, 1975, the Administrator of Energy Research and Development and, subsequent to September 30, 1977, the Secretary of the Department of Energy. (1)
10.7	Modification No. 16 to power agreement between Ohio Valley Electric Corporation and United States of America acting by and through the Secretary of the Department of Energy, dated January 1, 1998. (1)
10.8	Modification No. 12, dated September 2, 1987 by and between Electric Energy, Inc., and the United States of America acting by and through the Secretary of the Department of Energy amending and restating the power agreement dated May 4, 1951, together with all previous modifications. (1)
10.9	Modification Nos. 13, 14 and 15 to power agreement between Electric Energy, Inc., and the United States of America acting by and through the Secretary of the Department of Energy, dated January 18, 1989, March 6, 1991 and October 1, 1992, respectively. (1)
10.11	Memorandum of Agreement between the United States Department of Energy and the United States Enrichment Corporation for electric power, entered into as of July 1, 1993. (1)
10.12	Contract between Lockheed Martin Utility Services, Inc., Paducah gaseous diffusion plant and Oil, Chemical and Atomic Workers International Union AFL-CIO and its local no. 3-550, July 31, 1996-July 31, 2001. (1)
10.13	Contract between United States Enrichment Corporation, Portsmouth gaseous diffusion plant, and Paper Allied-Industrial Chemical and Energy Workers International Union, AFL-CIO and its local no. 3-689, April 1, 1996-May 2, 2000, as amended. (1)

10.14 Contract between Lockheed Martin Utility Services, Inc., Paducah gaseous diffusion plant and International Union, United Plant Guard Workers of America and its amalgamated plant guards local no. 111, January 31, 1997-March 1, 2002. (1)

10.15 Contract between Lockheed Martin Utility Services, Inc., Portsmouth gaseous diffusion plant and International Union, United Plant Guard Workers of America and its amalgamated local no. 66, August 3, 1997-August 4, 2002. (1)

10.17 Contract between United States Enrichment Corporation, Executive Agent of the United States of America, and AO Techsnabexport, Executive Agent of the Ministry of Atomic Energy, Executive Agent of the Russian Federation, dated January 14, 1994, as amended. (1)

10.18 Memorandum of Agreement, dated April 6, 1998, between the Office of Management and Budget and United States Enrichment Corporation relating to post-privatization liabilities. (1)

10.20 Memorandum of Agreement, dated April 20, 1998, between the United States Department of Energy and United States Enrichment Corporation for transfer of natural uranium and highly enriched uranium and for blending down of highly enriched uranium. (1)

10.21 Agreement, dated as of July 14, 1998, between United States Enrichment Corporation and the U.S. Department of the Treasury regarding post-closing conduct. (1)

10.22 Agreement between United States Enrichment Corporation and the Department of Energy regarding provision by USEC of information to the U.S. Government's Enrichment Oversight Committee, dated June 19, 1998. (1)

10.23 Revolving Loan Agreement, dated July 28, 1998, among Bank of America National Trust and Savings Association, First Union National Bank, Nationsbank, N.A., BancAmerica Robertson Stephens, and USEC Inc. (5)

10.24 Amendment No. 1 to Revolving Loan Agreement among Bank of America National Trust and Savings Association, First Union National Bank, Nationsbank N.A., BancAmerica Robertson Stephens, and USEC Inc., dated October 8, 1998. (4)

10.25 Form of Director and Officer Indemnification Agreement. (1)

10.26 Memorandum of Agreement entered into as of April 18, 1997, between the United States, acting by and through the United States Department of State and the United States Department of Energy, and United States Enrichment Corporation for United States Enrichment Corporation to serve as the United States Government's Executive Agent under the Agreement between the United States and the Russian Federation concerning the disposal of highly enriched uranium extracted from nuclear weapons. (1)

10.27 Memorandum of Agreement, entered into as of June 30, 1998, between the United States Department of Energy and United States Enrichment Corporation regarding disposal of depleted uranium. (1)

10.28 Memorandum of Agreement, entered into as of June 30, 1998, between the United States Department of Energy and United States Enrichment Corporation regarding certain worker benefits. (1)

10.30 Agreement dated April 28, 1999, between USEC Inc. and William H. Timbers, Jr. (3)

10.31 Letter Supplement to power agreement between Electric Energy, Inc. and the United States of America acting by and through the Secretary of the Department of Energy, dated December 22, 1998. (3)

10.33 Amendment No. 2 to Revolving Loan Agreement among Bank of America National Trust and Savings Association, First Union National Bank, Nationsbank N.A., BancAmerica Robertson Stephens, and USEC Inc., dated July 27, 1999. (3)

10.35 USEC Inc. 1999 Equity Incentive Plan. (6)

10.36 Amendment No. 12, dated March 4, 1999, to Contract between USEC Inc., Executive Agent of the United States of America, and AO Techsnabexport, Executive Agent of the Ministry of Atomic Energy, Executive Agent of the Russian Federation, dated January 14, 1994. (3)

10.37 USEC Inc. Supplemental Executive Retirement Plan dated April 7, 1999. (7)

10.38 USEC Inc. Pension Restoration Plan, dated September 1, 1999. (7)

10.39 Form of Change in Control Arrangement with executive officers. (7)

10.40 USEC Inc. 401(k) Restoration Plan. (8)

10.41 Revolving Loan Agreement, dated November 15, 1999, among Bank of America, N.A., First Union National Bank, and USEC Inc. (8)

10.42	Agreement, dated December 3, 1999, to extend the term of contract between United States Enrichment Corporation, Portsmouth gaseous diffusion plant, and Paper Allied-Industrial Chemical and Energy Workers International Union, AFL-CIO and its local no. 3-689, April 1, 1996-May 2, 2004.
10.43	Letter Supplement to power agreement between Ohio Valley Electric Corporation and the United States of America acting by and through the Secretary of the Department of Energy, dated May 24, 2000.
10.44	Agreement between USEC Inc. and James R. Mellor, dated June 21, 2000.
10.45	Power Contract between Tennessee Valley Authority and United States Enrichment Corporation, dated July 11, 2000.
10.46	Amended and Restated Revolving Loan Agreement, dated July 21, 2000, among First Union National Bank, Bank of America, N.A., Wachovia Bank, National Association, Banc of America Securities LLC, and USEC Inc.
21.1	Subsidiaries of the Registrant. (4)
27	Financial Data Schedule.

(1) Incorporated herein by reference from the Registration Statement on Form S-1, No. 333-57955, filed June 29, 1998, or Amendment No. 1 to the Registration Statement on Form S-1, filed July 20, 1998.

(2) Incorporated herein by reference from Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.

(3) Incorporated by reference from the Annual Report on Form 10-K for the fiscal year ended June 30, 1999.

(4) Incorporated herein by reference from the Registration Statement on Form S-1, No. 333-67117, filed November 12, 1998, as amended December 18, 1998, and January 6, 1999.

(5) Incorporated herein by reference from the Annual Report on Form 10-K for the fiscal year ended June 30, 1998.

(6) Incorporated herein by reference from the Registration Statement on Form S-8, No. 333-71635, filed February 2, 1999.

(7) Incorporated herein by reference from Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.

(8) Incorporated herein by reference from Quarterly Report on Form 10-Q for the quarter ended December 31, 1999.

(b) Reports on Form 8-K

A report on Form 8-K was filed June 22, 2000, relating to USEC's announcement to cease uranium enrichment operations at the Portsmouth plant in June 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

September 13, 2000 By /s/ William H. Timbers

WILLIAM H. TIMBERS
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE

/s/ William H. Timbers WILLIAM H. TIMBERS	President and Chief Executive Officer (Principal Executive Officer) and Director	September 13, 2000
/s/ Henry Z Shelton, Jr. HENRY Z SHELTON, JR.	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	September 13, 2000
/s/ James R. Mellor JAMES R. MELLOR	Chairman of the Board	September 13, 2000
/s/ Joyce F. Brown JOYCE F. BROWN	Director	September 13, 2000
/s/ John R. Hall JOHN R. HALL	Director	September 13, 2000
/s/ Dan T. Moore, III DAN T. MOORE, III	Director	September 13, 2000
/s/ William H. White WILLIAM H. WHITE	Director	September 13, 2000

34

USEC INC.

INDEX TO FINANCIAL STATEMENTS

35

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To USEC Inc.:

We have audited the accompanying consolidated balance sheets of USEC Inc. (a Delaware Corporation) as of June 30, 1999 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three fiscal years in the period ended June 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of USEC Inc. as of June 30, 1999 and 2000, and the results of its operations and its cash flows for each of the three fiscal years in the period ended June 30, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Vienna, Virginia
July 26, 2000

USEC INC.
CONSOLIDATED BALANCE SHEETS
(MILLIONS, EXCEPT SHARE AND PER SHARE DATA)

	JUNE 30, 1999	JUNE 30, 2000
ASSETS		
Current Assets		
Cash and cash equivalents	$ 86.6	$ 73.0
Accounts receivable - trade	373.8	423.1
Inventories:		
Separative work units	648.8	596.0
Uranium	160.1	209.8
Uranium provided by customers	101.7	40.2
Materials and supplies	22.8	19.3
Total Inventories	933.4	865.3
Payments for future deliveries under Russian Contract	50.0	-
Other	29.3	23.0
Total Current Assets	1,473.1	1,384.4
Property, Plant and Equipment, net	166.6	159.3
Other Assets		
Deferred income taxes	49.5	10.7
Deferred costs for depleted uranium	43.7	35.4
Prepaid pension assets	52.9	58.2
Inventories	574.4	436.4
Total Other Assets	720.5	540.7
Total Assets	$ 2,360.2	$ 2,084.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ 50.0	$ 50.0
Accounts payable and accrued liabilities	270.9	164.4
Payables under Russian Contract	73.0	40.5
Discontinue plant operations	-	60.9
Suspension of development of AVLIS technology	34.2	-
Uranium owed to customers	101.7	40.2
Total Current Liabilities	529.8	356.0
Long-Term Debt	500.0	500.0
Other Liabilities		
Deferred revenue	19.2	70.3
Depleted uranium disposition	24.8	48.6
Postretirement health and life benefit obligations	93.0	106.5
Other liabilities	58.0	55.7
Total Other Liabilities	195.0	281.1

Commitments and Contingencies (Notes 4 and 9)		
Stockholders' Equity		
Preferred stock, par value $1.00 per share, 25,000,000 shares authorized, none issued	-	-
Common stock, par value $.10 per share, 250,000,000 shares authorized, 100,318,000 shares and 100,320,000 shares issued	10.0	10.0
Excess of capital over par value	1,072.0	1,070.7
Retained earnings	71.9	4.9
Treasury stock, 1,142,000 shares and 17,842,000 shares	(14.8)	(135.8)
Deferred compensation	(3.7)	(2.5)
Total Stockholders' Equity	1,135.4	947.3
Total Liabilities and Stockholders' Equity	$ 2,360.2	$ 2,084.4

See notes to consolidated financial statements.

USEC INC.
CONSOLIDATED STATEMENTS OF INCOME
(MILLIONS, EXCEPT PER SHARE DATA)

	FISCAL YEARS ENDED JUNE 30,		
	1998	1999	2000
Revenue:			
Separative work units	$1,380.4	$1,475.0	$1,387.8
Uranium	40.8	53.6	101.6
Total revenue	1,421.2	1,528.6	1,489.4
Cost of sales	1,062.1	1,182.0	1,236.3
Uranium inventory valuation adjustment	-	-	19.5
Gross profit	359.1	346.6	233.6
Special charges:			
Discontinue plant operations	-	-	126.5
Workforce reductions	32.8	-	15.0
Suspension of development of AVLIS technology	-	34.7	(1.2)
Privatization costs	13.8	-	-
Advanced technology development costs	136.7	106.4	11.4
Selling, general and administrative	34.7	40.3	48.9
Operating income	141.1	165.2	33.0
Interest expense	-	32.5	38.1
Other (income) expense, net	(5.2)	(16.8)	(10.5)
Income before income taxes	146.3	149.5	5.4
Provision (benefit) for income taxes	-	(2.9)	(3.5)
Net income	$ 146.3	$ 152.4	$ 8.9
Net income per share - basic and diluted		$1.52	$.10
Dividends per share		$.825	$.825
Average number of shares outstanding		99.9	90.7

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(MILLIONS)

	FISCAL YEARS ENDED JUNE 30,		
	1998	1999	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 146.3	$ 152.4	$ 8.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	16.1	16.4	20.4
Depleted uranium disposition	(10.3)	32.3	26.1
Deferred revenue	(.6)	(15.1)	51.1
Special charges:			
Discontinue plant operations	-	-	126.5
Workforce reductions	-	-	15.0
Suspension of development of AVLIS technology	-	34.2	(33.0)
Uranium inventory valuation adjustment	-	-	19.5
Changes in operating assets and liabilities:			
Accounts receivable - (increase)	(4.6)	(137.4)	(49.3)
Inventories - (increase) decrease	(142.5)	51.2	122.3
Payables under Russian Contract, net	64.4	78.0	17.5
Accounts payable and other liabilities - increase (decrease)	13.4	(1.0)	(62.9)
Other	(8.9)	19.4	.7
Net Cash Provided by Operating Activities	73.3	230.4	262.8
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capital expenditures	(36.5)	(51.1)	(75.9)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of common stock	-	(14.8)	(124.6)
Dividends paid to stockholders	-	(82.5)	(75.9)
Dividends paid to U.S. Treasury	(120.0)	(1,709.4)	-
Proceeds from issuance of senior notes	-	495.2	-
Net proceeds from issuance of short-term debt	-	50.0	-
Debt and common stock issuance costs	-	(9.0)	-
Net Cash Provided by (Used in) Financing Activities	(120.0)	(1,270.5)	(200.5)
Net (Decrease)	(83.2)	(1,091.2)	(13.6)
Cash and Cash Equivalents at Beginning of Fiscal Year	1,261.0	1,177.8	86.6
Cash and Cash Equivalents at End of Fiscal Year	$1,177.8	$ 86.6	$ 73.0
Supplemental Cash Flow Information			
Interest paid	-	$ 16.7	$40.2
Income taxes paid	-	5.7	3.9
Supplemental Schedule of Non-Cash Financing Activities			
Transfer of responsibility for depleted uranium disposition to Department of Energy	-	373.8	-

See notes to consolidated financial statements.

USEC INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(MILLIONS, EXCEPT PER SHARE DATA)

	COMMON STOCK, PAR VALUE $.10 PER SHARE	EXCESS OF CAPITAL OVER PAR VALUE	RETAINED EARNINGS	TREASURY STOCK	DEFERRED COMPENSATION	TOTAL STOCKHOLDERS' EQUITY
Balance at June 30, 1997	$ 10.0	$ 1,054.2	$ 1,027.1	-	-	$ 2,091.3
Dividend paid to U.S. Treasury	-	-	(120.0)	-	-	(120.0)
Net income	-	-	146.3	-	-	146.3
Transfers of uranium from Department of Energy	-	302.9	-	-	-	302.9
Balance at June 30, 1998	10.0	1,357.1	1,053.4	-	-	2,420.5
Exit dividend paid to U.S. Treasury	-	(658.0)	(1,051.4)	-	-	(1,709.4)

Transfer of responsibility for depleted uranium to Department of Energy	-	373.8	-	-	-	373.8
Costs related to initial public offering	-	(5.3)	-	-	-	(5.3)
Restricted stock issued, net of amortization	-	4.4	-	-	$ (3.7)	.7
Repurchase of common stock	-	-	-	$ (14.8)	-	(14.8)
Dividends paid to stockholders	-	-	(82.5)	-	-	(82.5)
Net income	-	-	152.4	-	-	152.4
Balance at June 30, 1999	10.0	1,072.0	71.9	(14.8)	(3.7)	1,135.4
Restricted and other stock issued, net of amortization	-	(1.3)	-	3.6	1.2	3.5
Repurchase of common stock	-	-	-	(124.6)	-	(124.6)
Dividends paid to stockholders	-	-	(75.9)	-	-	(75.9)
Net income	-	-	8.9	-	-	8.9
BALANCE AT JUNE 30, 2000	$ 10.0	$ 1,070.7	$ 4.9	$ (135.8)	$ (2.5)	$ 947.3

See notes to consolidated financial statements.

USEC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

USEC Inc., a Delaware corporation ("USEC"), formerly United States Enrichment Corporation (a U.S. Government-owned corporation), is a global energy company and is the world leader in the sale of uranium enrichment services for use in nuclear power plants. USEC provides uranium enrichment services to electric utilities for use in about 170 nuclear reactors.

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

USEC uses the gaseous diffusion process to enrich uranium, separating and concentrating the lighter uranium isotope U(235) from its slightly heavier counterpart U(238). The process relies on the slight difference in mass between the isotopes for separation. At the leased gaseous diffusion plants ("plants") located near Portsmouth, Ohio, and in Paducah, Kentucky, the concentration of the isotope U(235) is raised from less than 1% to up to 5%. A substantial portion of the purchased power used by the plants is supplied under power contracts between the U.S. Department of Energy ("DOE") and Ohio Valley Electric Corporation ("OVEC") and Electric Energy, Inc. ("EEI"). In July 2000, USEC entered into a 10-year power purchase agreement with Tennessee Valley Authority ("TVA") to provide a substantial portion of the electric power for the Paducah plant at fixed rates beginning September 2000.

The Nuclear Regulatory Commission ("NRC") has had regulatory authority over the operations of the plants since March 1997. The term of the NRC certification of the plants has been renewed for a five-year period ending December 2003.

USEC has been designated by the U.S. Government as the Executive Agent under a government-to-government agreement and as such entered into an agreement with the executive agent for the Russian Federation (the "Russian Contract") under which USEC purchases SWU derived from highly enriched uranium recovered from dismantled nuclear weapons of the Russian Federation for use in commercial electricity production.

The sale of USEC's common stock in connection with the initial public offering ("IPO") was completed on July 28, 1998 ("IPO Date"), resulting in net proceeds to the U.S. Government aggregating $3,092.1 million and consisting of (1) net proceeds of $1,382.7 million from the IPO and borrowings of $500.0 million paid to the U.S. Government, and (2) cash of $1,209.4 million paid to the U.S. Government as part of the exit dividend. The U.S. Government, the selling shareholder, sold its entire interest. USEC did not receive any proceeds from the IPO.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

In connection with the IPO, USEC Inc. became a holding company. The consolidated financial statements include the accounts of USEC Inc. and its subsidiaries. All material intercompany transactions have been eliminated.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include temporary cash investments with maturities of three months or less.

INVENTORIES

Inventories of SWU and uranium are valued at the lower of cost or market. Market prices are based on the terms of long-term contracts with customers, and, for uranium not under contract, market is based on prices quoted at the balance sheet date. SWU inventory costs are determined using the monthly moving average cost method and are based on production costs at the plants and SWU purchase costs under the Russian Contract. Production costs at the plants include purchased electric power, labor and benefits, depleted uranium disposition costs, materials, maintenance and repairs, and other costs. Purchased SWU is recorded at acquisition cost plus related shipping costs.

PROPERTY, PLANT AND EQUIPMENT

Construction work in progress is recorded at acquisition or construction cost and includes capitalized interest of $1.2 million in fiscal 1999 and $3.2 million in fiscal 2000. Upon being placed into service, costs are transferred to leasehold improvements or machinery and equipment at which time depreciation commences. Leasehold improvements and machinery and equipment are recorded at acquisition cost and depreciated on a straight line basis over the shorter of the useful lives which range from three to ten years or the expected plant lease period which for the Paducah plant is estimated to extend through calendar year 2008. USEC leases most, but not all, of the buildings and facilities at the plants from DOE. At the end of the lease, ownership and responsibility for decontamination and decommissioning of property, plant and equipment that USEC leaves at the plants transfer to DOE.

In June 2000, USEC announced that it will cease uranium enrichment operations in June 2001 at the Portsmouth plant. Special charges in fiscal 2000 include $62.8 million for the impairment of property, plant and equipment at the Portsmouth plant.

A summary of changes in property, plant and equipment in fiscal 2000 follows (in millions):

	JUNE 30, 1999	CAPITAL EXPENDITURES (DEPRECIATION)	IMPAIRMENT AT PORTSMOUTH PLANT	TRANSFERS AND RETIREMENTS	JUNE 30, 2000
Construction work in progress	$ 39.5	$69.6	$ (12.1)	$ (75.6)	$ 21.4
Leasehold improvements	48.5	-	(36.7)	75.5	87.3
Machinery and equipment	157.8	6.3	(53.4)	(2.5)	108.2
	245.8	75.9	(102.2)	(2.6)	216.9
Accumulated depreciation and amortization	(79.2)	(20.4)	39.4	2.6	(57.6)
	$166.6	$55.5	$ (62.8)	$ -	$159.3

REVENUE

Revenue from sales of SWU, uranium and enriched uranium is recognized at the

time enriched uranium is shipped under the terms of contracts with domestic and foreign electric utility customers. Under power-for-SWU barter contracts, USEC exchanges its enrichment services for electric power supplied to the plants, and revenue is recognized at the time enriched uranium is shipped with selling prices for SWU based on the fair market value of electric power received.

Under the terms of customer contracts, customers are required to make payment for SWU, uranium or enriched uranium based on their reactor requirements, whether or not they take delivery, and certain customers make advance payments and postpone delivery to a later date. Advances from customers are reported as deferred revenue, and, as customers take delivery of enriched uranium, revenue is recognized.

No customer accounted for more than 10% of revenue during the fiscal years 1998, 1999 or 2000. Revenue attributed to domestic and international customers follows:

	FISCAL YEARS ENDED JUNE 30,		
	1998	1999	2000
Domestic	63%	62%	62%
Asia	31	30	32
Europe and other	6	8	6
	100%	100%	100%

FINANCIAL INSTRUMENTS

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.

CONCENTRATIONS OF CREDIT RISK

Credit risk could result from the possibility of a customer failing to perform according to the terms of a contract. Extension of credit is based on an evaluation of each customer's financial condition. USEC regularly monitors credit risk exposure and takes steps to mitigate the likelihood of such exposure resulting in a loss. Based on experience and outlook, an allowance for bad debts has not been established for customer trade receivables.

ENVIRONMENTAL COSTS

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

ADVANCED TECHNOLOGY DEVELOPMENT COSTS

Advanced technology development costs are charged to expense as incurred. Costs in fiscal 2000 are for the evaluation of the availability and economics of centrifuge technology and a potential new advanced enrichment technology called SILEX.

Advanced technology development costs in fiscal years 1999 and 1998 were primarily for the Atomic Vapor Laser Isotope Separation project ("AVLIS") and were charged to expense as incurred. In June 1999, further development of the

AVLIS technology was suspended.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and costs and expenses during the periods presented. Estimates include costs for the disposition of depleted uranium, lease turnover costs, costs relating to the plan to cease uranium enrichment operations at the Portsmouth plant, decommissioning and shutdown costs for power generating facilities, the operating lease periods of the plants, and employee benefits, among others. Actual results could differ from those estimates.

RECLASSIFICATIONS

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

3. INVENTORIES

Inventories and related balance sheet accounts at June 30 follow (in millions):

	1999	2000
Current assets:		
Separative work units	$ 648.8	$ 596.0
Uranium	160.1	209.8
Uranium provided by customers	101.7	40.2
Materials and supplies	22.8	19.3
	933.4	865.3
Long-term assets:		
Separative work units	116.8	120.7
Uranium	457.6	315.7
Current liabilities:		
Uranium owed to customers	(101.7)	(40.2)
Inventories, reduced by uranium owed to customers	$1,406.1	$1,261.5

The average market price of uranium declined 9% in fiscal 2000 compared with fiscal 1999. Downward pressure prevailed with market prices quoted at $23.62 per kilogram of uranium hexafluoride at June 30, 2000, a decline of 22% compared with June 30, 1999. Since uranium inventories are valued at the lower of cost or market, a non-cash valuation adjustment of $19.5 million was charged against income in fiscal 2000. If market prices continue their downward trend, it is possible that there could be additional charges against income in fiscal 2001.

Inventories included in current assets represent amounts required to meet working capital needs, preproduce enriched uranium product and balance the uranium and electric power requirements of the plants.

Generally, title to uranium provided by customers for enrichment purposes does not pass to USEC. Uranium provided by customers for which title does pass to USEC is recorded on the balance sheet at estimated fair values of $101.7 million at June 30, 1999 and $40.2 million at June 30, 2000, with corresponding liabilities in the same amounts representing uranium owed to customers. In addition, USEC holds uranium for enrichment and storage purposes with estimated

fair values of $829.7 million at June 30, 1999 and $682.2 million at June 30, 2000, for which title is held by customers and others.

Inventories reported as long-term assets include uranium not expected to be used or sold within one year of the balance sheet date and include the SWU and uranium components of 50 metric tons of highly enriched uranium transferred to USEC from DOE in fiscal 1998 and scheduled to be blended down to low enriched uranium over the next five years.

4. PURCHASE OF SEPARATIVE WORK UNITS UNDER RUSSIAN CONTRACT

In January 1994, USEC on behalf of the U.S. Government signed the 20-year Russian Contract with AO Techsnabexport ("Tenex"), the Executive Agent for the Russian Federation, under which USEC purchases SWU derived from up to 500 metric tons of highly enriched uranium recovered from

dismantled Soviet nuclear weapons. Highly enriched uranium is blended down in Russia and delivered to USEC, F.O.B. St. Petersburg, Russia, for sale and use in commercial nuclear reactors.

Purchases of SWU derived from highly enriched uranium under the Russian Contract, including related shipping charges, in fiscal 1998, 1999 and 2000 follow (in millions):

	SWU	AMOUNT
FISCAL YEARS ENDED JUNE 30,		
1998	3.6	$ 315.8
1999	3.6	319.6
2000	4.8	417.8
	12.0	$1,053.2

Over the life of the Russian Contract, USEC expects to purchase 92 million SWU derived from 500 metric tons of highly enriched uranium, of which 15.8 million SWU had been purchased as of June 30, 2000. Subject to price adjustments for U.S. inflation, USEC has committed to purchase 4.6 million SWU at a cost of $404.7 million in the six months ending December 31, 2000, and expects to purchase 5.5 million SWU at a cost of $494.1 million in calendar year 2001.

5. INCOME TAXES

The provision (benefit) for income taxes follows (in millions):

	FISCAL YEARS ENDED JUNE 30,	
	1999	2000
Current:		
Federal	$ 5.1	$ (2.1)
State and local	.6	.8
	5.7	(1.3)
Deferred:		
Federal	40.7	(2.1)
State and local	5.2	(.1)
	45.9	(2.2)
Special deferred tax benefit from transition to taxable status:		

Federal	(49.8)	-
State and local	(4.7)	-
	(54.5)	-
	$ (2.9)	$ (3.5)

Future tax consequences of temporary differences between the carrying amounts for financial reporting purposes and USEC's estimate of the tax bases of its assets and liabilities result in deferred income tax benefits and liabilities. Temporary differences and tax credit carryforwards that result in deferred tax assets and liabilities at June 30 follow (in millions):

	1999	2000
Deferred tax assets:		
Inventory costs	$28.0	$ -
Plant lease turnover and other exit costs	17.8	30.9
Employee benefits costs	11.7	15.2
Property, plant and equipment	-	5.4
Intangibles	-	54.8
Tax credit carryforwards	-	4.2
Other	8.6	12.9
	66.1	123.4
Valuation allowance	-	(82.5)
Deferred tax assets, net of valuation allowance	66.1	40.9
Deferred tax liabilities:		
Deferred costs for depleted uranium	16.6	13.5
Inventory costs	-	16.7
Deferred tax liabilities	16.6	30.2
	$49.5	$ 10.7

USEC became subject to federal, state and local income taxes at the IPO Date. In fiscal 2000, USEC filed its initial federal income tax return from the period from the IPO Date to June 30, 1999. The valuation allowance of $82.5 million at June 30, 2000, relates to various deferred tax items and valuations resulting from the privatization. Deferred tax assets include tax credits of $4.2 million that may be carried forward indefinitely.

A reconciliation of income taxes calculated based on the statutory federal income rate of 35% and the provision (benefit) for income taxes reflected in the consolidated statements of income follows (in millions):

	FISCAL YEARS ENDED JUNE 30,	
	1999	2000
Income taxes based on statutory rate	$52.3	$ 1.9
State income taxes, net of federal benefit	3.4	.2
Research and experimentation tax credit	(3.4)	(1.7)
Special tax benefit from transition to taxable status	(54.5)	-
Foreign sales corporation	(.7)	(3.9)

$ (2.9)	$(3.5)

6. SHORT AND LONG-TERM DEBT

Short and long-term debt at June 30 follows (in millions):

	1999	2000
Short-term debt	$ 50.0	$ 50.0
Long-term debt:		
6.625% senior notes, due January 2006	350.0	350.0
6.750% senior notes, due January 2009	150.0	150.0
	500.0	500.0
	$550.0	$550.0

In January 1999, USEC issued $350.0 million of 6.625% senior notes due January 20, 2006, and $150.0 million of 6.750% senior notes due January 20, 2009. The net proceeds of $495.2 million were used to repay a portion of borrowings under a bank credit facility. The senior notes are unsecured obligations and rank on a parity with all other unsecured and unsubordinated indebtedness of USEC Inc. The senior notes

are not subject to any sinking fund requirements. Beginning July 1999, interest is paid every six months on January 20 and July 20. The senior notes may be redeemed at any time at a redemption price equal to the principal amount plus any accrued interest up to the redemption date plus a make-whole premium, as defined.

At June 30, 2000, commitments available under bank credit facilities totaled $300.0 million. In July 2000, available commitments were reduced to $265.0 million, as follows: $115.0 million under a revolving credit facility expiring September 2000 and $150.0 million under a revolving credit facility expiring July 2003. In view of tightening in the bank credit market and USEC's credit ratings, upon expiration of the revolving credit facility in September 2000, USEC plans to negotiate a new bank credit facility to replace both existing bank credit facilities. It is expected that the new bank credit facility will be for a reduced amount, and may include additional terms and covenants. Short-term debt amounted to $50.0 million at June 30, 1999 and 2000, with weighted average interest rates of 6.2% at June 30, 1999, and 7.7% at June 30, 2000.

At June 30, 2000, USEC was in compliance with financial covenants under the bank credit facilities, including restrictions on the granting of liens or pledging of assets, a minimum net worth and a debt to total capitalization ratio, as well as other customary conditions and covenants. The bank credit facilities restrict borrowings by subsidiaries to a maximum of $100.0 million. The failure to satisfy any of the covenants would constitute an event of default. The bank credit facilities also include other customary events of default, including without limitation, nonpayment, misrepresentation in a material respect, cross-default to other indebtedness, bankruptcy and change of control.

At June 30, 2000, the fair value of debt calculated based on a credit-adjusted spread over U.S. Treasury securities with similar maturities was $426.5 million, compared with the aggregate balance sheet carrying amount of $550.0 million.

7. SPECIAL CHARGES

A summary of special charges in fiscal 1999 and 2000 and changes in the related assets and liabilities at June 30 follow (in millions):

	BALANCE JUNE 30, 1998	SPECIAL CHARGES	UTILIZED CASH	BALANCE JUNE 30, 1999	SPECIAL CHARGES (CREDIT)	UTILIZED CASH	UTILIZED NON-CASH	BALANCE JUNE 30, 2000
Workforce reductions at the plants	$12.8	-	$ (5.9)	$ 6.9	$15.0	$ (4.7)	$ (2.2)	$15.0
Privatization costs	13.8	-	(13.8)	-	-	-	-	-
Suspension of development of AVLIS technology	-	$34.7	(.5)	34.2	(1.2)	(33.0)	-	-
Discontinue operations at Portsmouth plant:								
Workforce reductions	-	-	-	-	30.2	-	-	30.2
Lease turnover and other exit costs	-	-	-	-	33.5	-	(2.8)	30.7
Impairment of property, plant and equipment	-	-	-	-	62.8	-	(62.8)	-
Total discontinue plant operations	-	-	-	-	126.5	-	(65.6)	60.9
	$26.6	$34.7	$(20.2)	$41.1	$140.3	$(37.7)	$(67.8)	$75.9

DISCONTINUE URANIUM ENRICHMENT OPERATIONS AT PORTSMOUTH PLANT

In June 2000, USEC announced that it will cease uranium enrichment operations in June 2001 at the Portsmouth plant as an important step in the ongoing efforts to align production costs with lower market prices. Production will continue at the Portsmouth plant until June 2001 when it is expected that an assay upgrade project at the Paducah plant will be completed, tested to produce enriched uranium up to 5.5% assay, and certified by the NRC. USEC plans to continue to operate the transfer and shipping facilities at the Portsmouth plant after enrichment has ceased, until similar facilities are available at the Paducah plant.

The plan announced in June 2000 to cease uranium enrichment operations at the Portsmouth plant resulted in special charges of $126.5 million in fiscal 2000. The charges include $62.8 million in asset impairments of production equipment, leasehold improvements and other fixed assets. The charges also include severance benefits of $30.2 million for workforce reductions involving 1,200 plant employees based on current labor contract requirements, and $33.5 million for lease turnover and other exit costs.

Under the terms of the OVEC power contract, commitments to purchase electric power for the Portsmouth plant are subject to reductions resulting from the release of power. In fiscal 2001, USEC plans to provide the required three-year notice to terminate the OVEC contract effective April 30, 2003, and to release power upon the termination of enrichment operations at the Portsmouth plant. Based on waivers granted by OVEC, the three-year termination period would begin May 1, 2000, and would end April 30, 2003. USEC expects that commitments to purchase power from OVEC in fiscal years 2002 and 2003 will be offset by reductions resulting from the release of power. As a result of termination of the OVEC contract, USEC will no longer be responsible for substantial costs of environmental upgrades that OVEC will be required to make in future years at its coal-burning facilities.

WORKFORCE REDUCTIONS

Workforce reduction plans involving 575 employees at the Portsmouth and Paducah plants were finalized in June 2000 and resulted in special charges for severance benefits of $15.0 million in fiscal 2000.

Costs of $2.2 million were incurred and utilized for incremental pension and postretirement health and life benefits resulting from workforce reductions involving 500 employees in fiscal years 1999 and 2000.

SUSPENSION OF DEVELOPMENT OF AVLIS TECHNOLOGY

AVLIS is a uranium enrichment process which uses lasers to separate uranium isotopes. The AVLIS process was developed under a contract with DOE by the Lawrence Livermore National Laboratory ("LLNL") located in Livermore, California.

In June 1999, further development of the AVLIS enrichment technology was suspended. In connection with a comprehensive review of operating and economic factors, USEC reexamined the AVLIS technology, performance, prospects, risks and growing financial requirements as well as the economic impact of competitive marketplace dynamics and concluded that the returns were not sufficient to outweigh the risks and ongoing capital expenditures necessary to develop and construct an AVLIS plant.

USEC terminated AVLIS efforts with its contractors, implemented workforce reductions and conducted an orderly ramp-down of AVLIS activities at LLNL in California. The suspension of AVLIS resulted in a special charge of $34.7 million in fiscal 1999 for contract terminations, shutdown activities and employee severance and benefit arrangements, of which $33.5 million had been paid as of June 30, 2000. A cost savings of $1.2 million was restored to income in fiscal 2000.

8. ENVIRONMENTAL MATTERS

Environmental compliance costs include the handling, treatment and disposal of hazardous substances and wastes. Pursuant to the USEC Privatization Act ("Privatization Act"), environmental liabilities associated with plant operations prior to July 28, 1998, are the responsibility of the U.S. Government, except for liabilities relating to certain identified wastes generated by USEC and stored at the plants. DOE remains responsible for decontamination and decommissioning of the plants.

DEPLETED URANIUM

USEC accrues estimated costs for the future disposition of depleted uranium, based on estimates of transportation, conversion and disposal costs. Pursuant to the Privatization Act, depleted uranium generated by USEC through the IPO Date was transferred to DOE. In June 1998, USEC paid $50.0 million to DOE, and DOE assumed responsibility for disposal of a certain amount of depleted uranium generated by USEC from October 1998 to September 2005. Deferred costs of $43.7 million at June 30, 1999, and $35.4 million at June 30, 2000, resulting from the payment are being amortized as a charge against production costs using a straight line method over the life of the agreement. USEC stores depleted uranium at the plants and continues to evaluate various proposals for its disposition. The accrued liability included in other long-term liabilities amounted to $24.8 million at June 30, 1999, and $48.6 million at June 30, 2000.

OTHER ENVIRONMENTAL MATTERS

USEC's operations generate hazardous, low-level radioactive and mixed wastes. The storage, treatment, and disposal of wastes are regulated by federal and state laws. USEC utilizes offsite treatment and disposal facilities and stores wastes at the plants pursuant to permits, orders and agreements with DOE and various state agencies. The accrued liability for the treatment and disposal of stored wastes generated by USEC's operations included in other liabilities amounted to $7.1 million at June 30, 1999, and $4.7 million at June 30, 2000.

NUCLEAR INDEMNIFICATION

USEC is indemnified by DOE under the Price-Anderson Act for third-party liability claims arising from nuclear incidents with respect to activities at the plants, including domestic transportation of uranium to and from the plants.

DOE SERVICES

Services are provided to DOE by USEC for environmental restoration, waste management and other activities based on actual costs incurred at the plants. Reimbursements by DOE to USEC for services provided amounted to $51.6 million, $38.3 million, and $34.2 million in fiscal years 1998, 1999, and 2000, respectively.

9. COMMITMENTS AND CONTINGENCIES

POWER COMMITMENTS

In July 2000, USEC entered into a 10-year power purchase agreement with TVA to provide a substantial portion of the electric power for the Paducah plant beginning September 2000. Replacing EEI as the primary supplier, TVA will supply electric power to the Paducah plant at fixed rates, thereby, substantially reducing USEC's price risk for electric power in the volatile Midwest power market. The agreement provides that amounts to be paid to TVA for power scheduled to be purchased in fiscal 2001 will be reduced by a deferred payment obligation of $45.0 million. USEC will secure the obligation, as long as it is outstanding, by transferring title to uranium inventories with an equivalent value to TVA.

The obligation and related interest will be satisfied by providing SWU to TVA in fiscal years 2002 to 2004 under a requirements contract, the terms of which are not yet final.

In fiscal years 1998, 1999 and 2000, USEC purchased a significant portion of its electric power based on actual costs incurred under DOE's power contracts with OVEC and EEI. Under the power contracts, USEC assumed responsibility for DOE's guarantee of OVEC's senior secured notes with a remaining balance of $48.3 million and OVEC's short-term borrowings of $25.5 million at June 30, 2000. The EEI contract extends through December 2005. In fiscal 2001, USEC plans to provide the required three-year notice to terminate the OVEC contract effective April 30, 2003, and to release power upon the termination of enrichment operations at the Portsmouth plant.

Subject to reductions resulting from the release of power, USEC is obligated, whether or not it takes delivery of power, to make minimum annual payments for the purchase of power estimated as follows (in millions):

FISCAL YEARS ENDING JUNE 30,	
2001	$211.7
2002	303.2
2003	376.8
2004	251.1
2005	259.2
2006	234.9
	$1,636.9

Upon termination of the OVEC and EEI power contracts, USEC is responsible for and accrues for its pro rata share of costs of future decommissioning and shutdown activities at the dedicated coal-fired power generating facilities owned and operated by OVEC and EEI. The accrued cost included in other liabilities amounted to $18.1 million at June 30, 1999 and 2000.

LEASE COMMITMENTS

Total costs incurred under the lease with DOE for the plants and leases for office space and equipment aggregated $11.5 million, $8.1 million and $7.1 million in fiscal years 1998, 1999 and 2000, respectively. Minimum lease payments are estimated at $5 million for each of the next five fiscal years.

USEC has the right to extend the lease for the plants indefinitely at its sole option and may terminate the lease in its entirety or with respect to one of the plants at any time upon two years' notice. Upon termination of the lease, USEC is responsible for certain lease turnover activities, including documentation of the condition of the plants and termination of facility operations. Lease turnover costs are accrued and charged to production costs over the expected lease period which for the Paducah plant is estimated to extend through calendar year 2008. Lease turnover costs for the Portsmouth plant were accrued over the productive life of the plant and as part of a special charge in fiscal 2000. Accrued costs included in other liabilities amounted to $28.7 million at June 30, 1999 and $32.5 million at June 30, 2000.

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

10. PENSION AND POSTRETIREMENT HEALTH AND LIFE BENEFITS

In May 1999, the operations and maintenance contract with Lockheed Martin Utility System ("LMUS"), a subsidiary of Lockheed Martin Corporation, was terminated by USEC. Most employees of LMUS became employees of USEC. Under the contract, LMUS provided labor, services, and materials and supplies to operate and maintain the plants, and USEC funded LMUS for actual costs incurred and contract fees. USEC has indemnified LMUS for certain liabilities associated with performance of the operations and maintenance contract for the term of the contract. In this regard, the Privatization Act generally provides that liabilities attributable to plant operations prior to July 28, 1998, remain liabilities of the U.S. Government.

Pursuant to the Privatization Act and in connection with the termination of the LMUS contract and the transfer of LMUS employees to USEC effective May 18, 1999, pension and postretirement health and life benefit obligations and related plan assets were transferred from plans sponsored by Lockheed Martin Corporation to plans sponsored by USEC. The aggregate of the fair values of plan assets transferred in fiscal years 1999 and 2000 is equivalent to the combined pension and postretirement health and life benefit obligations transferred to USEC based on discount rates established by the Pension Benefit Guaranty Corporation and other actuarial assumptions. Plan assets for pension and postretirement health and life benefit plans are maintained in trusts and consist mainly of common stock and fixed-income investments.

There are 7,800 employees and retirees covered by defined benefit pension plans providing retirement benefits based on compensation and years of service, and 3,500 employees, retirees and dependents covered by postretirement health and life benefit plans. DOE retained the obligation for postretirement health and life benefits for workers who retired prior to the IPO Date.

Changes in benefit obligations and plan assets in fiscal years 1999 and 2000 and the funded status of the plans at June 30 follow (in millions):

	FISCAL YEARS ENDED JUNE 30,			
	DEFINED BENEFIT PENSION PLANS		POSTRETIREMENT HEALTH AND LIFE BENEFIT PLANS	
	1999	2000	1999	2000
CHANGES IN BENEFIT OBLIGATIONS				
Obligations at beginning of fiscal year	-	$430.0	-	$130.0
Actuarial (gain) loss	-	(33.4)	-	6.6
Change in attribution period	-	-	-	(22.6)
Service cost	-	11.5	-	6.9

Interest cost	-	32.3	-	10.2
Benefits paid	-	(26.2)	-	(2.2)
Benefits obligation transferred	$430.0	-	$130.0	-
Obligations at end of fiscal year	430.0	414.2	130.0	128.9
CHANGES IN PLAN ASSETS				
Fair value of plan assets at beginning of fiscal year	-	511.0	-	37.0
Actual return on plan assets	-	101.3	-	1.0
USEC contributions	-	.4	-	2.2
Benefits paid	-	(26.2)	-	(2.2)
Fair value of plan assets transferred	511.0	37.5	37.0	-
Fair value of plan assets at end of year	511.0	624.0	37.0	38.0
Funded (unfunded) status	81.0	209.8	(93.0)	(90.9)
Unrecognized prior service cost (benefit)	-	-	-	(20.5)
Unrecognized net actuarial (gains) losses	(28.1)	(151.6)	-	4.9
Prepaid (accrued) benefit costs at June 30	$ 52.9	$ 58.2	$(93.0)	$(106.5)

The expected cost of providing pension benefits is accrued over the years employees render service, and actuarial gains and losses are amortized over the employees' average future service life.

In fiscal 2000, the attribution period for postretirement health and life benefit obligations was changed from 10 years of service to 10 years of service commencing at age 40 or from date of hire if after age 40. The change in the attribution period reduced the benefit obligation by $22.6 million and reduced plan costs by $2.1 million in fiscal 2000. Actuarial gains and losses and prior service costs or benefits are amortized over the average remaining years of service until the date of full benefit eligibility.

The components of net benefit costs (income) in fiscal 2000 and assumptions used in the calculations of benefit obligations at June 30, 2000, follow (in millions):

	DEFINED BENEFIT PENSION PLANS	POSTRETIREMENT HEALTH AND LIFE BENEFIT PLANS
Service cost	$11.5	$ 6.9
Interest cost	32.3	10.2
Expected return on plan assets	(48.6)	(3.2)
Amortization of prior service cost (benefit)	-	(2.1)
	$ (4.8)	$11.8
Discount rate	8.0%	8.0%
Expected return on plan assets	9.0%	9.0%
Compensation increases	4.5%	4.5%

The healthcare cost trend rate used to measure the postretirement health benefit obligation is 8% in fiscal 2001 and is assumed to decline gradually to 5% by fiscal 2004 and then remain level. A one-percentage-point change in the assumed healthcare cost trend would change annual costs by $2.9 million and change the benefit obligation by $18.5 million.

USEC sponsors 401(k) and other defined contribution plans for employees. Employee contributions are matched at established rates. Amounts contributed are invested in securities and administered by independent trustees. USEC's matching contributions amounted to $5.1 million, $5.6 million, and $5.9 million in fiscal years 1998, 1999 and 2000, respectively.

USEC provides executive officers, through nonqualified plans, additional pension benefits in excess of qualified plan limits imposed by Federal tax law. The excess pension benefits are unfunded. The actuarial present value of projected benefit obligations for excess pension benefits amounted to $2.4

million at June 30, 1999, and $2.6 million at June 30, 2000. Under a 401(k) restoration plan, executive officers contribute and USEC matches contributions in excess of amounts eligible under the 401(k) plan. Costs for plans providing excess pension benefits, 401(k) restoration and other supplemental benefits for executive officers amounted to $.1 million in fiscal 1999 and $1.1 million in fiscal 2000.

11. STOCKHOLDERS' EQUITY

Pursuant to the Privatization Act, certain limitations were established on the ability of a person to acquire more than 10% of USEC's voting securities for a three-year period after the IPO Date and certain foreign ownership limitations were established.

Changes in the number of shares of common stock outstanding in fiscal 2000 follow (shares in thousands):

	SHARES ISSUED	TREASURY STOCK	SHARES OUTSTANDING
Balance at June 30, 1999	100,318	(1,142)	99,176
Repurchase of common stock	-	(16,972)	(16,972)
Common stock issued	2	272	274
BALANCE AT JUNE 30, 2000	100,320	(17,842)	82,478

COMPENSATION PLANS

In February 1999, stockholders approved the USEC Inc. 1999 Equity Incentive Plan, under which 9 million shares of common stock are reserved for issuance over 10 years, including incentive stock options, nonqualified stock options, restricted stock or stock units, performance awards and other stock-based awards. There were 318,000 shares of restricted stock granted in fiscal 1999 and 110,000 shares, net of forfeitures, granted in fiscal 2000. Sale of these shares is restricted prior to the date of vesting. Based on the fair market value of common stock at the date of grant, deferred compensation resulting from grants of restricted stock amounted to $4.4 million in fiscal 1999 and $1.7 million in fiscal 2000. Deferred compensation is amortized to expense on a straight-line basis over the vesting period.

A summary of stock options outstanding in fiscal 2000 follows (shares in thousands):

	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Balance at June 30, 1999	1	$13.74
Options granted	4,555	8.47
Options expired	(377)	10.81
Balance June 30, 2000	4,179	8.27

Options outstanding and options exercisable at June 30, 2000, follow (shares in thousands):

EXERCISE PRICE	OPTIONS OUTSTANDING	REMAINING LIFE IN YEARS	OPTIONS EXERCISABLE
$ 4.69	2,087	9.8	-
$11.88	2,077	9.0	-
$4 - $14	15	9.3	1
	4,179	9.4	1

In February 1999, stockholders approved the USEC Inc. 1999 Employee Stock Purchase Plan under which 2.5 million shares of common stock can be purchased over 10 years by eligible employees at 85% of the lower of the market price at the beginning or the end of each six-month offer period. Employees can elect to designate up to 10% of their compensation to purchase common stock under the plan. Shares purchased are allocated to participants' accounts and, upon request, shares are distributed.

Compensation expense for employee stock compensation plans is measured using the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued for Employees." Under the disclosure provisions of Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), pro forma net income assuming compensation expense was recognized under FAS 123 would have been $4.3 million (or $.05 per share) lower than reported in fiscal 2000. Under FAS 123, compensation expense is based on the fair value of stock options at the date of grant using the Black-Scholes option pricing model. Assumptions used for options granted in fiscal 2000 follows:

Risk free interest rate.....	6.5%
Dividend yield.....	9-12%
Expected volatility.....	37-59%

PRIVATIZATION

Under the Privatization Act, DOE transferred to USEC 50 metric tons of highly enriched uranium and 7,000 metric tons of natural uranium in fiscal 1998. USEC is responsible for costs related to the blending of the highly enriched uranium into low enriched uranium, as well as certain transportation, safeguards and security costs. As a result of the transfers, long-term uranium inventories and stockholders' equity were increased by $302.9 million in fiscal 1998 based on DOE's historical costs for the uranium.

An exit dividend of $1,709.4 million was paid to the U.S. Government at the IPO Date in fiscal 1999. The amount of the exit dividend in excess of retained earnings was recorded as a reduction of excess of capital over par value.

Pursuant to the Privatization Act, depleted uranium generated by USEC through the IPO Date was transferred to DOE, and the accrued liability of $373.8 million for depleted uranium disposition was transferred to stockholders' equity in fiscal 1999.

12. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes quarterly and annual results of operations (in millions, except per share data):

	SEPT. 30	DEC. 31	MARCH 31	JUNE 30	FISCAL YEAR
FISCAL YEAR ENDED JUNE 30, 2000					
Revenue	$230.9	$447.6	$281.8	$529.1	$1,489.4
Cost of sales	186.4	377.4	226.0	446.5	1,236.3
Uranium inventory valuation adjustment	-	-	-	19.5	19.5
Gross profit	44.5	70.2	55.8	63.1	233.6
Special charges:					
Discontinue plant operations	-	-	-	126.5 (1)	126.5 (1)
Workforce reductions	-	-	-	15.0 (2)	15.0 (2)
Other	-	-	-	(1.2)	(1.2)
Advanced technology development costs	1.4	2.6	2.7	4.7	11.4
Selling, general and administrative	12.2	11.2	11.7	13.8	48.9
Operating income (loss)	30.9	56.4	41.4	(95.7)	33.0
Interest expense	8.5	9.8	10.9	8.9	38.1
Other (income) expense, net	(2.8)	(2.9)	(2.6)	(2.2)	(10.5)
Provision (benefit) for income taxes	9.1	16.9	10.5	(40.0)	(3.5)
Net income (loss)	$ 16.1	$ 32.6	$ 22.6	$ (62.4)	$ 8.9
Net income (loss) per share - basic and diluted	$.16	$.36	$.25	$.(74)	$.10 (3)
Average number of shares outstanding	97.7	90.6	89.6	84.7	90.7
FISCAL YEAR ENDED JUNE 30, 1999					
Revenue	$ 307.9	$422.4	$260.4	$537.9	$1,528.6
Cost of sales	248.6	330.7	207.1	395.6	1,182.0
Gross profit	59.3	91.7	53.3	142.3	346.6
Special charges for suspension of development of AVLIS technology	-	-	-	34.7 (4)	34.7 (4)
Advanced technology development costs	31.6	27.2	19.9	27.7	106.4
Selling, general and administrative	7.9	9.3	10.2	12.9	40.3
Operating income	19.8	55.2	23.2	67.0	165.2
Interest expense	6.5	8.8	8.6	8.6	32.5
Other (income) expense, net	(1.6)	(2.0)	(10.0)	(3.2)	(16.8)
Provision (benefit) for income taxes	(48.2) (5)	16.3	8.4	20.6	(2.9) (5)
Net income	$ 63.1	$ 32.1	$ 16.2	$ 41.0	$ 152.4
Other (income) expense, net					
Net income per share - basic and diluted	$.63	$.32	$.16	$.41	$1.52
Average number of shares outstanding	100.0	100.0	100.0	99.8	99.9

---

(1) The plan announced in June 2000 to cease uranium enrichment operations at the Portsmouth plant in June 2001 resulted in special charges of $126.5 million ($79.3 million or $.87 per share after tax) in fiscal 2000. The special charges include asset impairments of $62.8 million, severance benefits of $30.2 million based on current labor contract requirements, and $33.5 million for lease turnover and other exit costs.

(2) Workforce reduction plans involving 575 employees at the Portsmouth and Paducah plants were finalized in June 2000 and resulted in special charges for severance benefits of $15.0 million ($9.4 million or $.10 per share after tax) in fiscal 2000.

(3) Net income per share in fiscal 2000 does not equal the sum of the quarters because of changes in the number of shares outstanding from the repurchase of common stock.

(4) The suspension of development of the AVLIS enrichment technology resulted in special charges of $34.7 million ($22.7 million or $.23 per share after tax) in fiscal 1999.

(5) The provision for income taxes in fiscal 1999 includes a special income tax benefit of $54.5 million (or $.54 per share) for deferred income tax benefits that arose from the transition to taxable status.

EXHIBIT INDEX

10.42	Agreement, dated December 3, 1999, to extend the term of contract between United States Enrichment Corporation, Portsmouth gaseous diffusion plant, and Paper Allied-Industrial Chemical and Energy Workers International Union, AFL-CIO and its local no. 3-689, April 1, 1996-May 2, 2004.
10.43	Letter Supplement to power agreement between Ohio Valley Electric Corporation and the United States of America acting by and through the Secretary of the Department of Energy, dated May 24, 2000.
10.44	Agreement between USEC Inc. and James R. Mellor, dated June 21, 2000.
10.45	Power Contract between Tennessee Valley Authority and United States Enrichment Corporation, dated July 11, 2000.
10.46	Amended and Restated Revolving Loan Agreement, dated July 21, 2000, among First Union National Bank, Bank of America, N.A., Wachovia Bank, National Association, Banc of America Securities LLC, and USEC Inc.
27	Financial Data Schedule.

EXHIBIT 10.42

AGREEMENT
TO
EXTEND THE TERM OF THE 1996 COLLECTIVE BARGAINING AGREEMENT

The undersigned agree this 3RD day of DECEMBER, 1999 to extend the term of their collective bargaining agreement, that is effective from APRIL 1, 1996 until May 2, 2000, for an additional period of four years, until 12:01 a.m., May 2, 2004. Except only for the following changes, all provisions of the collective bargaining agreement, including the four memorandums ratified by the Union membership since April 1, 1996, will continue in effect until 12:01 a.m., May 2, 2004:

1. The second sentence of Article XX, Section 1 of the collective bargaining agreement is revised to read:

> "It shall continue in effect until 12:01 a.m., May 2, 2004 and shall be renewed thereafter from year to year unless written notice is given by either party sixty (60) days prior to the expiration date that it is desired to terminate or amend the Contract."

2. Appendix D is revised to add the attached tables of base hourly rates to become effective on May 2, 2000, May 2, 2001, May 2, 2002 and May 2, 2003 that provide for annual base hourly wage adjustments and annual lump sum payments, as follows:

Wage rates effective May 2, 2000

> 2% General Wage Increase to the May 2, 1999 base hourly wage rates, plus a lump sum wage payment of 2% of each bargaining unit employee's base rate shall be paid to active hourly employees on the payroll as of May 2, 2000.

Wage rates effective May 2, 2001

> 2% General Wage Increase to the May 2, 2000 base hourly wage rates, plus a lump sum wage payment of 2% of each bargaining unit employee's base rate shall be paid to active hourly employees on the payroll as of May 2, 2001. *

Wage rates effective May 2, 2002

> 2% General Wage Increase to the May 2, 2001 base hourly wage rates, plus a lump sum wage payment of 2% of each bargaining unit employee's base rate shall be paid to active hourly employees on the payroll as of May 2, 2002.

Wage rates effective May 2, 2003

> 2% General Wage Increase to the May 2, 2002 base hourly wage rates, plus a lump sum wage payment of 2% of each bargaining unit employee's base rate shall be paid to active hourly employees on the payroll as of May 2, 2003. *

Lump sum payments will be based on annualized percent increases

on each base classification rate on dates of adjustment.

3. Appendix E, COLA, Section 2, is revised as attached only to extend the table of quarterly COLA adjustment dates from 8/7/00 through 5/2/04. During the extended term of the collective bargaining agreement, COLA will continue to be paid as a separate rate per hour for each hour an employee receives pay from the Company and will be paid weekly.

4. The term "Paper, Allied-Industrial, Chemical and Energy Workers International Union, AFL-CIO" is substituted for the terms "Oil, Chemical and Atomic Workers International Union," or "International Union, wherever those terms presently appear in the collective bargaining agreement or addendum thereto.

5. The term "Paper, Allied-industrial, Chemical and Energy Workers International Union, AFL-CIO, and its Affiliated Local No. 5-689" is substituted for the term "Oil, Chemical and Atomic Workers International Union, and its Affiliated Local No. 3-689" wherever that term presently appears in the collective bargaining agreement or addendum thereto.

6. The term "PACE" is substituted for the term "OCAW" wherever that term presently appears in the collective bargaining agreement or addendum thereto.

7. The term "United States Enrichment Corporation, Portsmouth Gaseous Diffusion Plant ('USEC')" is substituted for the terms "Lockheed Martin Utility Services, Inc., Portsmouth Gaseous Diffusion Plant", "Lockheed Martin Utility Services, Inc." or "LMUS", wherever those terms presently appear in the collective bargaining agreement or addendum thereto.

8. The term "outlined in Section 6(d)", a typographical error contained in Article VIll, Section 6(d) of the collective bargaining agreement, is revised to read "outlined in Section 6(e)".

9. Shift work schedules for calendar years 2001, 2002, 2003 and 2004 will be jointly prepared and published to the membership prior to May 2, 2000.

AGREED:

For Paper, Allied -Industrial, Chemical and Energy Workers International Union, AFL-CIO

By: /s/Peter A. Brown

For Paper, Allied-industrial, Chemical and Energy Workers International Union, AFL-CIO and its Affiliated local 5-689

By: s/s/Dan Minter
---
s/s/Martin J. Ross
---
s/s/Mike Neal
---
s/s/L.J. Smith
---
s/s/William R. Dimit

For United States Enrichment Corporation, Portsmouth Gaseous Diffusion Plant

By: s/s/W.E. Thompson
---

s/s/J.R. Uhlinger
---
s/s/Gary M. Hairston

EXHIBIT 10.43

Department of Energy

One Ridge Operations
P.O. Box 2001
Oak Ridge, Tennessee 37831-

May 24, 2000

Mr. E. Linn Draper, Jr.
President
Ohio Valley Electric Corporation
Post Office Box 16631
Columbus, Ohio 43216

Dear Mr. Draper:

LETTER SUPPLEMENT TO CONTRACT NO. DE-AC05-76OR01530

This letter supplement will confirm the understanding reached between Ohio Valley Electric Corporation (OVEC) and the United States Department of Energy (DOE) with respect to Power Agreement No. DE-AC05-76OR01530 (Agreement) to reduce the DOE Contract Demand (as that term is defined in the Agreement) and obtain reasonably priced power for the OVEC Sponsoring Companies during the summer of 2000.

We understand from our discussions with representatives of OVEC that the OVEC Sponsoring Companies would be able to utilize capacity and the energy related thereto, which DOE offers to release during the period June 1 through September 30, 2000. Accordingly, we understand that OVEC, with the concurrence of its Sponsoring Companies, is willing to agree pursuant to Paragraph 1 of Section 2.05 and Section 7.11 of the Agreement, to waive for such periods any requirement that the DOE Contract Demand during such period be 1899 MW.

In consideration for such reduction in DOE Contract Demand, we understand that OVEC, with the concurrence of its Sponsoring Companies, is willing pursuant to Section 7.11 to waive partially (i) the requirements under Sections 3.06 and 3.07 of the Agreement that DOE pay one hundred percent (100%) of the costs of Additional Facilities and Replacements (AFR) and (ii) if appropriate, the requirements under Sections 3.04.4 and 3.04.5 of the Agreement that the adjustments of demand charges shall be made on the basis that the average DOE capacity ratio in effect equaled unity as to amounts, if any, specified in Section 3.04.3 with respect to the costs of AFR.

Accordingly, DOE and OVEC agree as follows:

(a) The Contract Demand under the Agreement for the purposes of Clause (A) of Paragraph 1 of Section 2.05 thereunder shall be reduced from June 1, 2000, through September 30, 2000, to 1299 MW. The difference between Contract Demand absent such reduction (1899 MW) and Contract Demand after such reduction (1299 MW) is referred to herein as Released Demand.

(b) Subject to paragraph (c) below, DOE shall be relieved of thirty-one and six/tenths percent (31.6%) of the AFR costs incurred by OVEC from June 1, 2000, through September 30, 2000, as well as the gross-up to cover estimated income taxes, if any, associated with that amount, provided that DOE will remain responsible for those AFR costs financed pursuant to DOE's requests dated July 30, 1999 and April 25, 2000 and pursuant to any subsequent request by DOE that OVEC finance AFR costs. Although DOE will be entitled to such AFR cost relief, DOE will continue to pay amounts due

each year to a trustee for purchasers of OVEC notes pursuant to assignments, consents to assignment and notices of assignment dated on or about June 9, 1993, related to the financing of the Clifty Creek Coal Switch Project. DOE will be entitled to audit such AFR costs in accordance with Section 7.04 of the Agreement.

(c) DOE will be responsible for capacity costs related to Released Demand and will not be relieved of AFR costs pursuant to paragraph (b) above when and to the extent that energy associated with Released Demand is not received by the Sponsoring Companies because of a curtailment or outage of the OVEC generating plants or the OVEC transmission facilities (an OVEC Outage). Any transmission loading relief, which is not caused by an OVEC Outage will not be considered an OVEC Outage.

(d) The monthly Contract Demand will be further reduced (from 1299 MW) by 700 MW for the months of June 2000 through August 2000 and by 500 MW for the month of September 2000 (DOE Additional Power Release).

(e) As consideration for the DOE Additional Power Release, OVEC will, subject to receipt of all required regulatory approvals, pay DOE as follows: $3 million in June 2000, $15 million in July 2000, $15 million in August 2000, and the balance in September 2000 (OVEC Payment), all subject to monthly true-ups. If required regulatory approvals are not received by June 15, 2000, the DOE Additional Power Release payments which would have been due DOE from OVEC if the required regulatory approvals had been received by such date, will be due 15 days after receipt of the last of such approvals. The total OVEC Payment shall be equal to the monthly DOE Additional Power Release set forth in paragraph (d) above times $42.24 per MWH during June, $118.60 per MWH during July and August, and $25.76 per MWH during September, times the number of on-peak hours (5 x 16) during each such month, minus (a) the demand charges, which DOE avoids because of the DOE Additional Power Release, and (b) the charges for energy in amounts equal to the DOE Additional Power Release times the number of on-peak hours during such month times OVEC's energy rate per MWH.

(f) The United States Enrichment Corporation (USEC) has agreed to pay the premium and any deductible for an insurance policy with a limit of liability of $18,800,000, in form and substance satisfactory to the Sponsoring Companies listed below (Insured Sponsoring Companies). This policy will provide coverage to the Insured Sponsoring Companies for their payment obligation under paragraph (e) for power and energy not received by the Insured Sponsoring Companies because of an OVEC Outage. If for any reason insurance is not available or cost effective, or is not acceptable to the Insured Sponsoring Companies, OVEC is relieved of the obligation to pay DOE the amounts set forth in paragraph (e) for OVEC power and energy not received by the Insured Sponsoring Companies because of an OVEC Outage.

Insured Sponsoring Companies
Kentucky Utilities Company
Louisville Gas and Electric Company
Ohio Edison Company
Pennsylvania Power Company
The Toledo Edison Company

(g) OVEC shall, pursuant to Section 2.04.1 of the Agreement, be excused from providing supplemental power to make up for any insufficiency of permanent power which has been released by DOE pursuant to this letter supplement.

(h) The parties acknowledge that the payments to DOE computed pursuant to paragraph (e) are subject to approval by the Public Utilities Commission of Ohio. Likewise, surcharge payments to OVEC by the Sponsoring Companies to cover OVEC's costs of such payments are subject to execution by the Sponsoring Companies, and regulatory approval, of an amendment to the Inter-Company Power Agreement in form and substance satisfactory to OVEC providing for payments to OVEC by the Sponsoring Companies sufficient to

permit OVEC to pay its obligations to DOE. The parties further acknowledge that such amendment to the Inter-Company Power Agreement is subject to acceptance by the Federal Energy Regulatory Commission, filing with the Indiana Utility Regulatory Commission and approval by the Virginia State Corporation Commission. OVEC will use its best efforts to obtain all required regulatory approvals, including those referenced in this paragraph as expeditiously as possible, and to request such approvals be in effect by June 1, 2000. Until all required regulatory approvals are received, DOE will not be entitled to payment from OVEC pursuant to paragraph (e) of this letter supplement. Instead, the Contract Demand under the Agreement for the purposes of Clause (A) of Paragraph 1 of Section 2.05 thereunder shall be deemed to be 599 MW for the calendar months of June through August 2000 and 799 MW for the calendar month of September 2000; and DOE will be relieved of an additional thirty-four and two/tenths percent (34.2%) of the AFR costs incurred by OVEC from June 1, 2000, through September 30, 2000, as well as the gross-up to cover estimated income taxes, if any, associated with those amounts, provided that DOE will remain responsible for those AFR costs financed pursuant to DOE s requests dated July 30, 1999, and April 25, 2000, and pursuant to any subsequent request by DOE that OVEC finance AFR costs. Although DOE will be entitled to such AFR cost relief, DOE will continue to pay amounts due each year to a trustee for purchasers of OVEC notes pursuant to assignments, consents to assignment and notices of assignment dated on or about June 9, 1993, related to the financing of the Clifty Creek Coal Switch Project. DOE will be entitled to audit such AFR costs in accordance with Section 7.04 of the Agreement.

(i) Neither DOE nor OVEC will assert that a failure by any other party to enforce rights it may have under the Agreement or the Inter-Company Power Agreement constitutes, nor shall such failure to enforce such rights constitute, a waiver or relinquishment, explicit or implicit, of any provision of either agreement.

If OVEC agrees to the matters described above, please execute a copy of this letter at the place designated for your signature.

Sincerely,

/s/ George W. Benedict

George W. Benedict
Assistant Manager for
Uranium and Engineering Services

/s/ Mark A. Million

Mark A. Million
Authorized Contracting Officer

OVEC hereby agrees to the provisions herein described.

OHIO VALLEY ELECTRIC CORPORATION

/s/ E. Linn Draper, Jr.

Date: May 25, 2000

EXHIBIT 10.44

THIS AGREEMENT is made as of June 21, 2000, by and between USEC Inc., a corporation organized and existing under the laws of the state of Delaware (hereinafter called "USEC"), and James R. Mellor, an individual (hereinafter called the "Consultant").

IN CONSIDERATION of the mutual promises set forth herein, the parties hereby agree as follows:

1. The term of this Agreement shall be from July 28, 2000 through July 27, 2001, unless sooner terminated pursuant to the terms hereof.

2. While this Agreement is in effect, the Consultant shall perform certain work and services relating to USEC's policies, procedures, commercial practices, external affairs, strategic planning under the terms and conditions hereinafter set forth.

3. While this Agreement is in effect, USEC shall compensate the Consultant at a fixed price of Three Hundred Thousand Dollars ($300,000), payable in 12 equal monthly installments to be paid thirty (30) days after the last of each month falling, in whole or in part, during the term of this Agreement, excluding July 1999. USEC shall reimburse the Consultant for reasonable and necessary travel and living expenses incurred by the Consultant in the performance of the services described herein. Compensation for expenses shall be made once monthly upon the Consultant's furnishing to USEC a written statement specifying such expenses. Payment terms shall be net 30 days.

4. In the performance of the work and services hereunder, the Consultant shall act solely as an independent contractor and not as an employee of USEC. All taxes applicable to any amounts paid by USEC to the Consultant under this Agreement shall be the Consultant's liability and USEC shall not withhold nor pay any amounts for federal, state or municipal income tax, special security, unemployment or worker's compensation. In accordance with current law, USEC shall annually file with the Internal Revenue Service a Form 1099-MISC, U.S. Information Return for Recipients of Miscellaneous Income, reflecting the gross annual payments by USEC to the Consultant pursuant to this Agreement, net of any reimbursed expenses incurred by the Consultant on behalf of USEC. The Consultant hereby acknowledges personal income tax liability for the self-employment tax imposed by Section 1401 of the Internal Revenue Code, and the payment, when applicable, of estimated quarterly taxes on Internal Revenue Service Form 1040-ES, declaration of estimated tax by individuals.

5. All reports, findings, recommendations, data, memoranda or documents, arising of out and relating to the services performed under this Agreement are (and shall continue to be after the expiration of this Agreement) the property of USEC or its assigns, and USEC shall have the exclusive rights to such materials. The use of these materials in any manner by USEC or its assigns shall not result in any additional claim for compensation by the Consultant. The Consultant shall hold confidential all information developed by or communicated to the Consultant in the performance of the services, whether described in this Agreement, in any scheduled executed pursuant hereto or otherwise, other than information that is already in the public domain or that becomes publicly available other than through an unauthorized disclosure by the Consultant. Nothing herein shall preclude disclosure of confidential information to officers, employees or directors of USEC and its subsidiaries and affiliates, or to attorneys, advisers and consultants of USEC who are under an obligation to USEC to keep such information confidential.

6. By entering into this Agreement with USEC, the Consultant represents that he presently has no conflicting interests, agreements or obligations with any other party. The Consultant shall promptly notify USEC in writing if a change in circumstances creates, or appears likely to create, a conflict with the Consultant's obligations hereunder or an appearance that such a conflict exists.

7. The Consultant hereby releases USEC from any and all liability for damage to property or loss thereof, personal injury or death during the term of this Agreement (and any extensions thereof) or thereafter, sustained by the Consultant as a result of performing the services under this Agreement or arising out of the performance of such services; provided, however, that the foregoing release shall not apply to the extent such damage, loss, injury or death is caused by or results from the negligence of USEC, its agents or employees. Nothing herein shall deemed to limit the obligation of USEC, or any USEC subsidiary or affiliate, to indemnify the Consultant under USEC's articles of incorporation or by-laws or under any indemnification agreement entered into with the Consultant concerning the Consultant's services as a director of USEC or any USEC subsidiary or affiliate.

8. If the services to be performed by the Consultant include access to classified material or areas, the Consultant shall comply with all applicable security laws, regulations, orders and requirements. The Consultant shall submit a confidential report to USEC immediately whenever for any cause he has reason to believe that there is either (a) an active danger of espionage or sabotage affecting any work under such government contracts, or (b) a violation or threatened violation of any applicable security law, regulation, order or requirement concerning the classified material or areas.

9. Either party may terminate this Agreement, for any reason or no reason, at any time by a written notice to the other party. Such termination shall take effect immediately upon receipt of a termination notice by the other party, unless a different termination date is stated in the notice. Upon termination of the Agreement, all work and services being performed under this Agreement shall cease. USEC shall have no liability or obligation for any performance by the Consultant after a termination takes effect.

10. The Consultant may not assign this Agreement, nor may the Consultant delegate or subcontract the performance or obligations imposed hereunder without the consent of USEC.

11. The Consultant has no authority whatever, express or implied, by virtue of this Agreement to commit USEC in any way to perform in any manner or to pay money for services or material.

12. This Agreement is to be governed by the laws of the State of Delaware.

13. The whole and entire agreement of the parties is set forth in this Agreement and the parties are not bound by any agreements, understandings or conditions otherwise than as expressly set forth herein.

14. This Agreement may not be changed or modified in any manner except by a writing mutually signed by the parties or their respective successors and permitted assigns.

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

If to USEC: President and Chief Executive Officer
USEC Inc.
6903 Rockledge Drive
Bethesda, MD 20817-1818

If to Consultant: James R. Mellor
At his current address in USEC's records

16. Nothing herein shall be deemed to limit or modify any duty or obligation that the Consultant may have as a director of USEC or any of its affiliates or subsidiaries.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day

and year first written above.

USEC Inc.

By: /s/ William H. Timbers, Jr.

William H. Timbers, Jr.
President and Chief Executive Officer

CONSULTANT

/s/ James R. Mellor

James R. Mellor

EXHIBIT 10.45

EXECUTION COPY
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.
ASTERISKS DENOTE SUCH REDACTIONS.

TV-05356W

POWER CONTRACT
BETWEEN
TENNESSEE VALLEY AUTHORITY
AND
UNITED STATES ENRICHMENT CORPORATION

This Contract, made and entered into as of July 11, 2000, between the United States Enrichment Corporation ("USEC" or the "Company"), a corporation organized under the laws of Delaware, and the Tennessee Valley Authority, a corporation created and existing by virtue of the Tennessee Valley Authority Act of 1933, as amended ("TVA"), for the sale and purchase of power, and transfer of UF6, as defined herein. USEC and TVA are referred to herein individually as a "Party" and collectively as the "Parties."

W I T N E S S E T H:

WHEREAS, USEC, the sole domestic enricher of uranium used to produce fuel for nuclear power reactors, desires to secure a long-term supply of firm and interruptible power for use at its uranium enrichment facilities located at Paducah, Kentucky ("Paducah Facility"), that USEC has leased from the United States Department of Energy ("DOE"); and

WHEREAS, USEC has been purchasing power from TVA under Power Contract TV-99015U, dated October 12, 1995, as amended ("1995 Agreement"), providing for a portion of the supply of electric power for the operation of the Paducah Facility; and

WHEREAS, the Parties wish to replace the 1995 Agreement with a new contract under which TVA will make firm and interruptible power available for the operation of the Paducah Facility ("Contract");

EXECUTION COPY
Proprietary Information

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties, and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE I

DEFINITIONS

"Additional Energy" has the meaning set forth in section 2.2 (e).

"Assay" means the total weight of U235 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.

"Average Short Term Interest Rate" has the meaning set forth in Attachment 4.

"Baseline Buyback" has the meaning set forth in section 2.2 (e).

"Baseline Energy" means the total of Firm Baseline Energy and Interruptible Baseline Energy.

"Baseline Energy Price" means the price for Baseline Energy.

"BFN Enrichment Agreement" means an agreement under which TVA would buy enrichment services from USEC on a requirements basis for Browns Ferry Nuclear Plant which TVA and USEC anticipate will be entered into pursuant to TVA's RFP dated May 3, 2000.

"Billing Month" has the meaning set forth in Attachment 4.

"business day" has the meaning set forth in Attachment 4.

"day" has the meaning set forth in Attachment 4.

"Firm Baseline Energy" means firm energy provided under section 2.2 (b).

"Force Majeure" has the meaning set forth in section 5.1 (a).

"Interruptible Baseline Energy" has the meaning set forth in section 2.2 (c).

"NRC" means the United States Nuclear Regulatory Commission.

"Paducah Facility" has the meaning set forth in the recitals.

"Period One" has the meaning set forth in section 2.2 (b).

"Period Two" has the meaning set forth in section 2.2 (b).

"TVA Energy" means the sum of Baseline Energy and Additional Energy sales.

"TVA UF6 Material" has the meaning set forth in section 3.2 (a).

"UF6" means non-enriched uranium hexafluoride which shall be of United States origin and shall meet ASTM Specification C-787-96.

ARTICLE II

POWER SUPPLY ARRANGEMENTS

SECTION 2.1 TERM.

This Contract shall become effective as of the date first above written and shall continue in effect through the Billing Month of May 2010.

SECTION 2.2 POWER SALES AND PURCHASES.

(a) Baseline Energy. Subject to the other provisions of this Contract, TVA shall make available and sell, and USEC shall purchase, Firm Baseline Energy and Interruptible Baseline Energy in the quantities set out below on an hourly basis, twenty-four (24) hours per day and seven (7) days per week throughout the term of this Contract.

(b) Firm Baseline Energy. During the first sixty-nine (69) month period beginning with the Billing Month of September 2000, and continuing through the Billing Month of May 2006 ("Period One"), TVA shall make available

and USEC shall purchase 300 MW of Firm Baseline Energy. During the next forty-eight (48) month period, beginning with the Billing Month of June 2006 and continuing through the Billing Month of May 2010 ("Period Two"), TVA and USEC shall determine the quantity and price of Firm Baseline Energy according to section 2.4.

(c) Interruptible Baseline Energy. TVA shall make available and sell, and USEC shall purchase, interruptible baseline energy during Period One in an amount that is the difference between Baseline Energy specified in Attachment 1 and Firm Baseline Energy ("Interruptible Baseline Energy"). TVA and USEC shall determine the quantity and price of Interruptible Baseline Energy during Period Two according to section 2.4.

(d) Suspension of Interruptible Baseline Energy. The conditions under which the availability of Interruptible Baseline Energy may be suspended by TVA are defined in Attachment 2. In the event that (1) USEC does not suspend Interruptible Baseline Energy when requested by TVA in accordance with this Contract and (2) TVA determines that continuing to supply Interruptible Baseline Energy to USEC could represent a threat to the security of TVA's power system, then TVA may terminate the availability of Interruptible Baseline Energy at any time upon at least seven (7) days' written notice.

(e) Baseline Buyback and Additional Energy. USEC may release and TVA may buy back Baseline Energy ("Baseline Buyback"), and/or TVA may sell and USEC may buy additional energy ("Additional Energy") above the amounts set forth in Attachment 1. TVA will periodically post market-based prices for each. Baseline Buybacks and Additional Energy sales may be entered into at any time and cover periods as mutually agreed. For purposes of interruption, unless otherwise agreed, Additional Energy will be suspended along with any suspension of Interruptible Baseline Energy.

(f) Operating Procedures. By August 15, 2000, the Parties will jointly develop operating procedures which will address:

(i) processes for implementation of Baseline Buybacks and Additional Energy sales.

(ii) procedures for the change in monthly Interruptible Baseline Energy amounts consistent with Paducah Facility ramp-up and ramp-down rates and the determination of any Unscheduled Energy.

(iii) other operational processes, as mutually agreed.

SECTION 2.3 BASELINE ENERGY PRICE.

* * * *

SECTION 2.4 PERIOD TWO QUANTITY AND PRICING OF BASELINE ENERGY.

* * * *

SECTION 2.5 CONDITIONS OF DELIVERY.

(a) Delivery Point. The delivery point for Baseline Energy

shall be the interconnection of TVA's 161-kV facilities and the 161-kV facilities leased by USEC in DOE's 161-kV substations, except as otherwise agreed from time to time ("Delivery Point"). Each Party shall be responsible for providing, or causing to be provided, at its own expense all facilities on each Party's respective side of the Delivery Point, except as otherwise provided in the Terms and Conditions set forth in Attachment 4, or as otherwise agreed.

(b) Title. USEC agrees to take title to TVA Energy delivered by TVA under this Contract at the Delivery Point.

(c) Delivery of TVA Energy. TVA shall deliver TVA Energy under this Contract to the Delivery Point according to good utility practice.

(d) Delivery Voltage. The TVA Energy made available under this Contract shall be delivered at a nominal voltage of 161,000 volts, subject to the provisions of section 1 of the attached Terms and Conditions, set forth in Attachment 4.

(e) Metering. TVA shall, at its expense, own and maintain metering equipment to measure the power and flow of energy between TVA and USEC as provided in section 3 of the attached Terms and Conditions, set forth in Attachment 4. In addition, USEC shall (i) own (or lease) and maintain (or cause to be maintained) the necessary metering current and voltage transformers with conduit, secondary wiring, and auxiliary devices; (ii) own (or lease) and maintain (or cause to be maintained) the metering panels and furnish suitable space thereon for TVA's equipment; and (iii) make available to TVA certified copies of calibration and test data on each instrument transformer.

If USEC requests additional tests under the second paragraph of section 3 of the Terms and Conditions set forth in Attachment 4, TVA will bear the expense of those tests if they do not show that the measurements are accurate within one percent (1%) fast or slow at the average load during the preceding thirty (30) days. The replacement, repair, or readjustment of metering equipment provided for under section 3 of the Terms and Conditions set forth in Attachment 4 shall be at TVA's sole expense.

(f) Interconnection and Load Coordination. It is recognized that in addition to TVA, Electric Energy, Inc. ("EEI") can provide power for the Paducah Facility. The 161-kV facilities through which USEC takes delivery of power and energy for the Paducah Facility are electrically connected to TVA's and EEI's 161-kV transmission facilities through DOE's buses and operated in parallel. TVA's obligation under this Article of the Contract shall be contingent upon (i) USEC providing or causing to be provided, without expense to TVA, any special facilities which, in TVA's judgment, and consistent with

good utility practice, are necessary to permit efficient parallel operation and which TVA would not otherwise be justified in providing and (ii) the existence of adequate contractual arrangements, mutually satisfactory to the Parties and EEI, for such parallel operation, including, without limitation, procedures for TVA and EEI to account for and settle any differences (resulting from scheduled transfers between them, from the physical characteristics of interconnected operations, or otherwise) between the amounts of power, energy, and reactive power physically delivered to USEC over TVA's own facilities and the amounts scheduled by USEC in accordance with this Contract.

It is further recognized that in accordance with the contractual arrangements between TVA and EEI, TVA and EEI will regulate their hourly pro rata portion of USEC's total load. Under this Contract, USEC will schedule TVA Energy and, regardless of anything which may be construed to the contrary, TVA's obligation to supply the USEC load in any clock hour will be limited to the amount of TVA Energy scheduled for that hour. In the event that TVA reduces a schedule for TVA Energy, during the period of that reduction, TVA's obligation regarding power supply to the USEC load shall be limited to that portion of the TVA Energy schedule not reduced. Similarly, if TVA suspends a schedule for TVA Energy, TVA has no obligation regarding power supply to the USEC load from TVA's

system for that particular schedule during the period of suspension.

(g) Unscheduled Energy. Any energy deemed to be taken by USEC during a Billing Month in excess of the required quantities of Baseline Energy for that month as set out in Attachment 1, determined in accordance with the operating procedures established under 2.2 (f) (adjusted to reflect any (i) Baseline Buyback(s), (ii) Additional Energy sale(s), (iii) suspension(s) of Interruptible Baseline Energy, and/or (iv) any schedule reductions by TVA), shall be unscheduled energy ("Unscheduled Energy"). The price for each MWh of Unscheduled Energy shall be the higher of (a) one hundred ten percent (110%) of TVA's highest incremental cost for any hour during that Billing Month or (b) $100/MWh.

SECTION 2.6 PAYMENT.

(a) USEC shall pay TVA for Baseline Energy on a Billing Month basis ("Power Bill"), according to section 2 of the Terms and Conditions set forth in Attachment 4, except as provided for in this section.

(b) The Power Bill due and owing for each Billing Month shall be the Baseline Energy Price applied to the Baseline Energy (as adjusted to reflect any (i) suspensions of Interruptible Baseline Energy and/or (ii) reduction as provided for in section 5.1), decreased to reflect any Baseline Buyback credits, and increased by the amounts due for any Additional Energy and Unscheduled Energy.

(c) For the Billing Month of September 2000, USEC shall pay an estimated Power Bill. The Power Bill for that Billing Month shall be estimated to be $* * * *, and the date of such Power Bill shall be deemed to be September 5, 2000. Adjustments to reflect the difference, if any, between this estimated bill and an actual bill, if it had been calculated in accordance with section 2.6 (b) above for September 2000, will be included in the October 2000 Power Bill.

(d) For the Billing Months from * * * *, the Power Bill shall be * * * * * (the "Deferred Payment").

SECTION 2.7 NEW PROJECT - SUMMER OPTION.

The Parties recognize that USEC, TVA, and * * * * presently are discussing possible arrangements for the supply of power, or the construction of generating facilities, for principal use during the peak summer periods (approximately June 1 to August 31) ("Summer Option"). Further, the Parties recognize that the execution and implementation of a Summer Option among USEC, TVA, and * * * * may impact the Parties' rights and responsibilities under this Contract. As of the date hereof, USEC, TVA, and * * * * have not finalized an agreement for the Summer Option. If the Summer Option is entered into subsequent to the date hereof, the Parties agree to modify this Contract to the extent necessary to effectuate the Summer Option.

SECTION 2.8 CONDITION OF NRC APPROVAL.

(a) The Parties recognize that USEC has an application pending before the NRC to amend USEC's currently effective operating certificate for the Paducah Facility to upgrade the ability of the Paducah Facility to enrich UF6 up to an Assay of at least five and one-half percent (5.5%) ("Paducah Assay Upgrade Project"). Although the Parties recognize that it is unlikely that the NRC will delay, significantly modify, or deny the approval of the Paducah Assay Upgrade Project, the Parties recognize that this Contract contemplates completion of the Paducah Assay Upgrade Project.

(b) In the event the NRC rejects, significantly modifies, or unreasonably delays the approval of USEC's application for the Paducah Assay Upgrade Project, the Parties agree to negotiate an equitable modification to this Contract, provided that USEC has acted in good faith and in a commercially

reasonable manner to obtain NRC approval of the Paducah Assay Upgrade Project.

(c) The above provisions regarding NRC approval of the Paducah Assay Upgrade Project shall not apply to, or have any impact upon, the BFN Enrichment Agreement.

SECTION 2.9 OPERATION OF DOE'S FACILITIES LEASED BY USEC.

USEC's operation of DOE's 161-kV facilities will be in accordance with written operating procedures which are mutually satisfactory to TVA and USEC, and all of DOE's circuit breakers, relays, communication and telemetering facilities, and related equipment connected directly or indirectly to TVA's system will at all times be operated and maintained in coordination with said system. All tests, settings, and adjustments on such equipment shall be subject to the approval of TVA. TVA shall have the privilege of having its engineers present when such tests, adjustments, or settings are made, or TVA, upon the request of USEC and at the expense of USEC, shall make the necessary tests, adjustments, or settings.

USEC agrees that TVA shall be permitted to use the DOE 161-kV lines and buses leased by USEC which interconnect parts of TVA's system, together with associated facilities, for the purposes of delivering power under this Contract and transferring other power between said parts of TVA's system.

SECTION 2.10 RIGHTS-OF-ACCESS.

USEC shall cooperate with TVA in obtaining all easements and rights of access (at agreed upon locations) in, over, and across DOE property, including DOE property leased by USEC, which are necessary for TVA to install, operate, protect, maintain, repair, replace, and remove any of its facilities constructed for supplying power to the Delivery Point provided for under this Contract or for transferring power between any of TVA's facilities and other facilities of TVA or those of other electric systems. However, USEC reserves the right to refuse access to restricted process areas and agrees to perform at its own expense any work which TVA is unable to perform because of lack of such access.

USEC shall exercise reasonable care to avoid damaging TVA facilities and shall pay the cost of any necessary repairs or replacements in the event of loss or damage to such facilities arising from its failure to exercise such reasonable care. Upon termination of this Contract, TVA may, at its option and expense, remove any of its facilities.

TVA shall exercise reasonable care in the exercise of its rights under this section to avoid damaging any USEC property (including DOE property leased to USEC) and shall pay the cost of any necessary repairs or replacements in the event of loss of or damage to any such property arising from its failure to exercise such reasonable care.

SECTION 2.11 RESALE OF POWER.

The TVA Energy supplied under this Contract is for the use of USEC or any wholly owned subsidiary of USEC or its parent company in the operation of the Paducah Facility and shall not be resold or otherwise disposed of directly or indirectly, for any other purpose; provided, however, that USEC may furnish limited amounts of power to contractors and subcontractors performing work for USEC and/or DOE at the Paducah Facility.

ARTICLE III

TRANSFER OF UF6

SECTION 3.1 INITIAL QUANTITY OF UF6.

The initial quantity of UF6 transferred to TVA under section 3.2 of this Contract shall be * * * * kgU as UF6.

SECTION 3.2 UF6 TRANSFER.

(a) The initial transfer of title and ownership of UF6 from USEC to TVA under section 3.1 shall occur on or before October 1, 2000. Subsequent transfers of title and ownership of UF6 from USEC to TVA and from TVA to USEC shall occur as required by section 3.3 and, if applicable, section 3.2 (e) of this Contract. Any UF6 transferred to TVA shall be deemed "TVA UF6 Material."

(b) Any UF6, the title to and ownership of which is transferred to TVA, shall, at the time TVA takes title thereto, be free and clear of any lien, pledge, encumbrance, security interest or other similar claim that could impair TVA's right to take good and marketable title to such material. USEC shall retain risk of loss for all TVA UF6 Material.

(c) In a manner acceptable to TVA and without cost to TVA, USEC shall identify, segregate, and store all the TVA UF6 Material at the Paducah Facility, or, subject to TVA's approval, at another location. Subject to USEC's controlled access area requirements, TVA shall have the right, during business hours, to enter into the location where the TVA UF6 Material is stored to verify compliance with the requirements of this section. USEC shall retain possession of all TVA UF6 Material, and TVA shall have no right to possess the TVA UF6 Material, except as provided in subsection (d) below.

(d) Upon the occurrence of any one of the following events, TVA has the immediate right to possess the TVA UF6 Material and any USEC right that is contrary to TVA's right to possess and control the TVA UF6 Material shall immediately cease:

(i) USEC's failure to pay TVA for TVA Energy when it is due and such failure is not cured within ten (10) days, or

(ii) USEC uses TVA UF6 Material without the written approval of TVA, or

(iii) USEC fails to perform any of its material obligations hereunder and USEC fails to initiate corrective action within thirty (30) days of the date of receipt of written notice of such failure to perform, unless such failure is excused by a Force Majeure, as defined in section 5.1 (a), or

(iv) USEC enters into any voluntary or involuntary receivership, bankruptcy, or insolvency proceeding, with the exception of reorganization under Chapter 11 of the Federal Bankruptcy Act.

(e) In the event TVA is in default, as defined below, of the power supply arrangements of this Contract, TVA shall transfer to USEC all TVA UF6 Material except for an amount, the market value of which is equal to one hundred ten percent (110%) of the Outstanding Deferred Payment. For purposes of this section, a default shall exist only if (i) TVA is prohibited by legislation

from performing the power supply arrangements of this Contract or (ii) TVA is determined by a court of competent jurisdiction to be in default of the power supply arrangements of this Contract.

SECTION 3.3 TVA UF6 MATERIAL ADJUSTMENT.

As used in this Article, the term "Outstanding Deferred Payment" means the total of the cumulative Deferred Payment(s) and interest at an effective annual rate of * * * *. The quantity of TVA UF6 Material shall, from time to time, be adjusted such that its market value based on unit values determined in accordance with subsection (b) below, shall be equal to or greater than one hundred ten percent (110%) of the Outstanding Deferred Payment; provided, however, that this adjustment only shall be made upward until such time as the Work Off as defined in section 3.4 of this Contract begins. The time and method of such adjustments shall be as follows:

(a) Subject to the limitation described above with respect to downward adjustments, within ten (10) days after the end of each calendar quarter, starting with the quarter ending December 31, 2000, USEC shall (i) adjust the quantity of TVA UF6 Material using then-current market values obtained from the source provided below in subsection (b) such that the market value of such material shall remain equal to or greater than one hundred ten percent (110%) of the then currently Outstanding Deferred Payment as of the date of adjustment or (ii) if USEC may not under applicable agreements and provisions of law transfer additional UF6 material, then USEC shall reduce the currently Outstanding Deferred Payment by a cash payment to TVA so that the value of the TVA UF6 Material, using the then-current market values obtained from the source provided below in subsection (b), is equal to or greater than one hundred ten percent (110%) of the Outstanding Deferred Payment as reduced by the cash payment.

(b) The unit values to be used for calculating the market value of such TVA UF6 Material shall be obtained from The Ux Weekly report published for the week following the calendar quarter that just ended which contains the month-end values for the last month of the quarter. The month-end values to be used shall be taken from the table titled, "Industry Spot Prices," column headed, "Avg.," from the section titled, "Month-end (x/xx/xx)" for natural UF6 ($/kgU) for the "Restricted Market." In the event such average industry spot price ceases to be published or the basis for such price is substantially modified, an equivalent industry average UF6 price shall be determined by averaging the other available trade publications that are currently included in the above described average published in The Ux Weekly.

(c) As the Outstanding Deferred Payment is Worked Off pursuant to section 3.4, TVA shall transfer to USEC an amount of UF6 having a market value equal to one hundred ten percent (110%) of the reduction in the Outstanding Deferred Payment.

(d) Upon transfer of UF6 from USEC to TVA or from TVA to USEC as part of the quantity adjustment process, title to such material shall pass to the receiving Party upon such transfer.

SECTION 3.4 WORK OFF OF OUTSTANDING DEFERRED PAYMENT.

(a) The Outstanding Deferred Payment shall be worked-off commencing with the initial delivery by USEC under the BFN Enrichment Agreement, presently scheduled for the fourth quarter of calendar year 2001, and shall run

through the third quarter of calendar year 2004. The invoiced amounts for enrichment services delivered by USEC under the BFN Enrichment Agreement shall be credited against the Outstanding Deferred Payment ("Work Off" or "Worked Off").

(b) TVA shall have no obligation to pay USEC for enrichment services performed under the BFN Enrichment Agreement which are used to Work Off the Outstanding Deferred Payment. USEC and TVA shall enter into a netting arrangement as may be necessary to reflect this agreement.

SECTION 3.5 TRUE-UP MECHANISM.

In the event that there is any Outstanding Deferred Payment that has not been Worked Off by the end of the third quarter of calendar 2004, such remaining Outstanding Deferred Payment shall be settled by cash payment by USEC to TVA; and TVA subsequently shall transfer all remaining TVA UF6 Material to USEC.

SECTION 3.6 BUYBACK OPTION.

USEC may purchase from TVA and TVA shall sell UF6 from the TVA UF6 Material as needed by USEC for its operations. The price for UF6 shall be the then-current market price for UF6, as determined under section 3.3, and the Outstanding Deferred Payment shall be reduced accordingly. Upon such sale, title to such UF6 shall pass to USEC.

SECTION 3.7 FURTHER COOPERATION.

The Parties recognize that the transfer of title to UF6 to TVA as provided in this Contract is for the purpose of providing TVA security for the Outstanding Deferred Payment. Therefore, the Parties agree to cooperate in good faith to enter into any further agreements as are reasonably necessary, such as a financing statement, to enable TVA to perfect a security interest in the TVA UF6 Material under applicable law and to remove such security interest when title to such UF6 is transferred back to USEC.

ARTICLE IV

FINANCIAL RESPONSIBILITY AND INFORMATION

SECTION 4.1 SECURITY ARRANGEMENT.

(a) USEC shall provide credit support for its obligations under this Contract under the standards of this Article in regard to: (i) USEC's obligations to pay for TVA Energy delivered to USEC that are due and owing for such energy but not yet paid ("Accounts Receivable") for the duration of the Contract and (ii) mark to market of Baseline Energy during Period One ("Mark to Market").

(b) TVA shall provide credit support for its obligations under this Contract under the standards of this Article in regard to Mark to Market.

SECTION 4.2 ACCOUNTS RECEIVABLE.

(a) TVA may periodically appraise USEC's creditworthiness and the credit support requirements described herein. USEC shall satisfy TVA's credit standards based on USEC's independent bond/credit ratings and supplying the credit support that may be found necessary to meet the credit rating specified by TVA in section (b) below under the column entitled Credit Rating Threshold. TVA may re-evaluate USEC's creditworthiness whenever it becomes aware of an adverse change in the USEC's credit standing. As long as USEC continues to meet TVA's standard for unsecured credit, no action will be taken. When an adverse change in USEC's credit standing causes USEC to no longer qualify for unsecured credit from TVA, TVA has the right to require credit support as

specified herein. If USEC neither tenders the required security or deposit nor requests TVA to procure credit support on its behalf within five (5) calendar days of TVA's request, TVA may begin taking actions to reduce its exposure.

(b) USEC shall enter into such security arrangement as specified in section (c) below, at the request of TVA, when USEC's credit appraisal does not meet the following threshold requirements using the lower of Standard & Poor's or Moody's corporate rating ("Credit Rating Threshold"):

RATING: STANDARD & POOR'S/MOODY'S		RATING: STANDARD & POOR'S/MOODY'S	CREDIT RATING THRESHOLD
AAA			$50,000,000
AA+/Aa1	to	AA-/Aa3	$40,000,000
A+/A1	to	A-/A3	$25,000,000
BBB+/Baa1	to	BBB-/Baa3	$15,000,000
BB+/Ba1	to	BB-/Ba3	$5,000,000
B+/B1	to	B3	$500,000
All other ratings			$0

(c) USEC shall satisfy TVA's credit standards specified above by entering into any of the forms of credit support below, reflecting the dollar amount determined to be at risk and the period of time during which it remains at risk:

(i) A cash collateral account; or

(ii) A standby irrevocable letter of credit issued by a bank or other financial institution acceptable to TVA; or

(iii) At USEC's expense, a surety bond or a credit insurance policy or product procured by TVA, or at USEC's option, USEC, from an insurance company or other financial institution with at least an "A" bond rating from AM Best, or an "A" bond rating from Standard and Poor's, or a "B+" AM Best rating combined with being included on the U.S. Treasury List, with a copy provided by the insurance company to the beneficiary; or

(iv) Security interest in collateral found to be satisfactory to TVA; or

(v) A financial guarantee, acceptable to TVA, by another party or entity with a satisfactory credit rating as described above; or

(vi) Other mutually acceptable means of providing or establishing adequate security.

SECTION 4.3 MARK TO MARKET.

By March 1, 2001, USEC and TVA shall agree on a methodology to establish what the high and low range of market value is for the remaining Baseline Energy under Period One (this could include seeking a third party estimate).

(a) The extent, if any, to which the value of the Baseline Energy under Period One, priced at the high range of the market value, is less than the remaining Period One contract value, shall be the dollar amount by which TVA is at risk from USEC. If TVA is at risk from USEC by a dollar amount which exceeds the requirements for the Credit Rating Threshold set out in the table in section 4.2 (b) above, USEC shall satisfy TVA's credit requirements by entering into any of the forms of credit support in section 4.2 (c), reflecting the dollar amount determined to be at risk (minus the Credit Rating Threshold) and the period of time during which it remains at risk.

(b) The extent, if any, to which the value of the Baseline Energy under Period One, priced at the low end of the range of the market value, is greater than the remaining Period One contract value, shall be the dollar amount by which USEC is at risk from TVA. If USEC is at risk from TVA by a dollar amount which exceeds the requirements for the Credit Rating Threshold set out in the table in section 4.2 (b) above, TVA shall satisfy USEC's credit requirements by entering into any of the forms of credit support below, reflecting the dollar amount determined to be at risk (minus the Credit Rating Threshold) and the period of time which it remains at risk:

(i) A cash collateral account; or

(ii) A standby irrevocable letter of credit issued by a bank or other financial institution acceptable to USEC; or

(iii) At TVA's expense, a surety bond or a credit insurance policy or product procured by either USEC or, at TVA's option, by TVA from an insurance company or other financial institution with at least an "A" bond rating from AM Best, or an "A" bond rating from Standard and Poor's, or a "B+" AM Best rating combined with being included on the U.S. Treasury List, with a copy provided by the insurance company to the beneficiary; or

(iv) Security interest in collateral found to be satisfactory to USEC; or

(v) A financial guarantee, acceptable to USEC, by a third party or entity with a satisfactory credit rating as described above; or

(vi) Other mutually acceptable means of providing or establishing adequate security.

ARTICLE V

GENERAL TERMS

SECTION 5.1 INTERFERENCE WITH AVAILABILITY OR USE OF POWER.

(a) Force Majeure Defined. The term force majeure ("Force Majeure") shall be deemed to be a cause reasonably beyond the control of the Party affected, such as, but without limitation to, injunction, strike of the Party's employees, war, invasion, fire accident, floods, backwater caused by floods, acts of God, or inability to obtain or ship essential services, materials, or equipment because of the effect of similar causes on the Party's suppliers or carriers. Acts of God shall include the effects of drought if the drought is of such severity as to have a probability of occurrence not more often than an average of once in forty (40) years.

(b) Interference with Availability of Power. It is recognized by the Parties that the availability of power to USEC may be interrupted or curtailed from time to time during the term of this Contract because of Force Majeure or otherwise. USEC shall be solely responsible for providing and maintaining such equipment in the Paducah Facility and such emergency operating procedures as may be required to safeguard persons on its property, its property, and its operations from the effects of such interruptions or curtailments. USEC assumes all risk of loss, injury, or damage to USEC resulting from such interruptions or curtailments. If any such interruption or curtailment lasts longer than thirty (30) consecutive minutes, TVA shall cancel or proportionately reduce, as the case may be, the charges for service for the period of such interruption or curtailment.

(c) Paducah Facility Force Majeure. In the event of a Force Majeure at the Paducah Facility, the Baseline Energy schedule(s) to USEC may be reduced as follows:

(i) Energy purchase commitments made by USEC prior to the beginning of Period One would be curtailed after any curtailment of Baseline Energy schedule(s) made under this Contract.

(ii) Energy purchase commitments made by USEC subsequent to the beginning of Period One would be curtailed prior to curtailment of Baseline Energy schedule(s) made under this Contract.

(iii) The Parties understand that best efforts will be used to restore equipment as rapidly as practical in order for USEC to resume its energy schedule commitments with all suppliers.

(d) Force Majeure Documentation. Upon request from TVA or USEC, the other Party will provide documentation concerning the circumstances resulting in the Force Majeure to the other Party.

SECTION 5.2 MUTUAL LIABILITY.

USEC and TVA each agree to indemnify the other against and save the other harmless from any and all claims by or liability to any other person arising out of the negligence of the indemnifying Party or its agents or contractors.

SECTION 5.3 NOTICES.

All notices and other communications, except as provided for payments under the Terms and Conditions, shall be in writing and shall be made to the representative of the other Party and shall be deemed properly given if mailed, posted prepaid, as indicated below:

If to USEC:

Director
Power Resources Group
United States Enrichment Corporation
6903 Rockledge Drive
Bethesda, MD 20817

If to TVA:

Manager
Industrial Marketing
Tennessee Valley Authority
Highland Ridge Tower
535 Marriott Drive
Nashville, TN 37214

(a) Certain Notices May Be Oral. Notices between the authorized operating representatives of the Parties may be oral, but shall be confirmed in writing within two (2) days.

(b) Changes in Persons to Receive Notice. The designation of the person to be so notified, or the address of such person, may be changed at any time and from time to time by any Party by similar notice.

SECTION 5.4 CONFIDENTIALITY.

The attached Nondisclosure Provisions, set forth in Attachment 5, are incorporated in this Contract, and USEC and TVA are each therein referred to as "Receiver" when it receives proprietary and confidential information from the other and "Discloser" when it discloses proprietary and confidential information to the other. Under this Contract, Proprietary Information, as defined in Attachment 5, shall include, without limitation, Baseline Energy Prices, prices for Baseline Buyback, prices for Additional Energy, forecasts of TVA's power system operations, and other forecasts relative to potential suspensions of Baseline Energy disclosed to USEC.

SECTION 5.5 INCORPORATION OF CERTAIN TERMS AND CONDITIONS.

(a) Incorporation. The attached Terms and Conditions, set forth in Attachment 4, are incorporated in this Contract.

(b) Conflicts. In the event of any conflict between the provisions of the body of this Contract and the Terms and Conditions set forth in Attachment 4, the former shall control.

SECTION 5.6 WARRANTIES.

(a) TVA Warranties:

(i) TVA is validly created and existing under the Tennessee Valley Authority Act of 1933, as amended.

(ii) TVA has full power and authority to execute the Contract and engage in the transactions contemplated in the Contract.

(iii) The Contract, once validly executed, shall be legal, valid, binding, and enforceable against TVA in accordance with its terms.

(iv) The execution, delivery, and performance of the Contract will not conflict with, result in a breach of, or be a default under applicable law or material agreement, including any bond, loan, or other financial agreements, to which TVA is a party.

(v) No government or any third party consent, approval, or authorization of any kind is required in connection with the execution, delivery, or performance of the Contract by TVA.

(vi) There is no judicial or administrative proceeding pending or threatened, which would materially adversely affect the ability of TVA to carry out its obligations under the Contract.

(vii) TVA'S EXPRESS WARRANTIES CONTAINED IN THIS CONTRACT ARE EXCLUSIVE AND NEITHER TVA NOR ANY PERSON ACTING ON ITS BEHALF MAKES ANY OTHER WARRANTY, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE.

(b) USEC warranties:

(i) USEC is the successor of the Government corporation known as the United States Enrichment Corporation and is validly existing under Delaware law and under its bylaws and is qualified to do business in each state in which its business activities create a requirement to be so qualified.

(ii) USEC has full power and authority to execute the Contract and engage in the transactions contemplated in the Contract.

(iii) The Contract, once validly executed, shall be legal, valid, binding, and enforceable against USEC in accordance with its terms.

(iv) The execution, delivery, and performance of the Contract will not conflict with, result in a breach of, or be a default under applicable law or material agreement, including any bond, loan, or other financial agreements, to which USEC is a party.

(v) No government or any third party consent, approval, or authorization of any kind is required in connection with the execution, delivery, or performance of the Contract by USEC.

(vi) There is no judicial or administrative proceeding pending which would materially adversely affect the ability of USEC to carry out its obligations under the Contract.

(vii) The country of origin of TVA UF6 Material shall conform with the origin listed in the definition of UF6.

(viii) At the time USEC transfers to TVA title to and ownership of the TVA UF6 Material, the TVA UF6 Material shall be free and clear of any lien, pledge, encumbrance, security interest, or other similar claim that could impair TVA's right to take good and marketable title to the TVA UF6 Material and USEC shall indemnify, hold harmless and at TVA's option, defend TVA from any claim contrary to the representations in this subsection.

(ix) USEC'S EXPRESS WARRANTIES CONTAINED IN THIS CONTRACT ARE EXCLUSIVE AND NEITHER USEC NOR ANY PERSON ACTING ON ITS BEHALF MAKES ANY OTHER WARRANTY, EXPRESS OR IMPLIED, INCLUDING ANY

19

EXECUTION COPY
Proprietary Information

WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE.

SECTION 5.7 PREVIOUS ARRANGEMENTS.

The 1995 Agreement is hereby terminated as of 0000 hours central prevailing time on September 1, 2000.

SECTION 5.8 CHOICE OF LAW.

Except with respect to any choice of law rules that may exist, the validity, performance, and all matters relating to the interpretation and effect of this Contract and any modifications to it shall be governed by the Federal law of the United States.

IN WITNESS WHEREOF, the Parties hereto have caused this Contract to be executed by their respective duly authorized officers as of the date above.

UNITED STATES ENRICHMENT CORPORATION

/s/ William H. Timbers , Jr.

Title: President and CEO

Date: July 7, 2000

TENNESSEE VALLEY AUTHORITY

/s/ Mark O. Medford

Title: Executive Vice President
Customer Service and Marketing

Date: July 10, 2000

20

EXHIBIT 10.45

EXECUTION COPY
Proprietary Information

ATTACHMENT 1

BASELINE ENERGY FOR PERIOD ONE

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

	2000	2001	2002	2003	2004	2005	2006
January		630	1,533	1,779	1,569	1,650	1,549
February		650	1,526	1,772	1,569	1,644	1,545
March		758	1,533	1,779	1,569	1,651	1,550
April		859	875	1,120	1,575	1,653	1,559
May		980	1,254	1,254	1,254	1,254	1,254
June		300	300	300	300	300	
July		300	300	300	300	300	
August		300	300	300	300	300	
September	494	750	750	750	750	750	
October	615	861	1,023	1,562	1,647	1,548	
November	765	810	1,114	1,234	1,651	1,551	
December	688	1,172	1,779	1,569	1,651	1,549	

*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).

EXHIBIT 10.46

EXECUTION

THE OBLIGATIONS OF USEC INC. UNDER THIS AMENDED AND RESTATED REVOLVING LOAN AGREEMENT ARE NOT OBLIGATIONS OF, AND ARE NOT GUARANTEED AS TO PRINCIPAL, INTEREST OR ANY OTHER AMOUNT BY, THE UNITED STATES OF AMERICA.

AMENDED AND RESTATED REVOLVING LOAN AGREEMENT

Dated as of July 21, 2000

among

USEC INC.

THE LENDERS HEREIN NAMED

FIRST UNION NATIONAL BANK
as Syndication Agent

WACHOVIA BANK, NATIONAL ASSOCIATION
as Documentation Agent

BANK OF AMERICA, N.A.
as Administrative Agent

and

BANC OF AMERICA SECURITIES LLC
as Lead Arranger

TABLE OF CONTENTS

Exhibits

Schedules

THE OBLIGATIONS OF USEC INC. UNDER THIS AMENDED AND RESTATED REVOLVING LOAN AGREEMENT ARE NOT OBLIGATIONS OF, AND ARE NOT GUARANTEED AS TO PRINCIPAL, INTEREST OR ANY OTHER AMOUNT BY, THE UNITED STATES OF AMERICA.

AMENDED AND RESTATED REVOLVING LOAN AGREEMENT

Dated as of July 21, 2000

This AMENDED AND RESTATED REVOLVING LOAN AGREEMENT ("Agreement") is entered into by and among USEC Inc., a Delaware corporation ("Borrower"), each lender whose name is set forth on the signature pages of this Agreement and each lender which may hereafter become a party to this Agreement pursuant to Section 11.8 (collectively, the "Lenders" and individually, a "Lender"), First Union National Bank, as Syndication Agent, Wachovia Bank, National Association, as Documentation Agent, Bank of America, N.A., as Administrative Agent, and Banc of America Securities LLC, as Lead Arranger.

This Agreement is intended by the parties hereto as an amendment and restatement of the Original Loan Agreement as of the effective date of this Agreement. Amounts outstanding and committed under the Original Loan Agreement and evidenced by the Pre-Existing Notes shall, upon the effectiveness of this Agreement, be deemed to be outstanding and committed hereunder and evidenced by the Notes, subject, however, to all terms and conditions hereunder and under the other Loan Documents, including without

limitation the allocation of the Commitment among the Lenders as provided herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

Article 1
DEFINITIONS AND ACCOUNTING TERMS

1.1 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"Adjusting Purchase Payment(s)" has the meaning given that term in Section 2.11.

"Administrative Agent" means Bank of America, N. A. when acting in its capacity as the Administrative Agent under any of the Loan Documents, or any successor Administrative Agent.

"Administrative Agent's Office" means the Administrative Agent's address as set forth on the signature pages of this Agreement, or such other address as the Administrative Agent hereafter may designate by written notice to Borrower and the Lenders.

"Advance" means any advance made or to be made by any Lender to Borrower as provided in Article 2, and includes each Base Rate Advance and Eurodollar Rate Advance.

"Affiliate" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (and the correlative terms, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise); provided that, in any event, any Person that owns, directly or indirectly, 10% or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation that has more than 100 record holders of such securities, or 10% or more of the partnership or other ownership interests of any other Person that has more than 100 record holders of such interests, will be deemed to be an Affiliate of such corporation, partnership or other Person.

"Agreement" means this Amended and Restated Revolving Loan Agreement, either as originally executed or as it may from time to time be supplemented, modified, amended, restated or extended.

"Applicable Eurodollar Margin" means, during the continuance of any Applicable Pricing Level, the interest rate margin set forth below (expressed in basis points per annum) opposite that Applicable Pricing Level:

Applicable Pricing Level	Margin
I	80.0
II	100.0
III	120.0

IV	137.5
V	155.0

"Applicable Facility Fee Rate" means, during the continuance of any Applicable Pricing Level, the rate set forth below (expressed in basis points per annum) opposite that Applicable Pricing Level:

Applicable Pricing Level	Rate
I	20.0
II	25.0
III	30.0
IV	37.5

Applicable Pricing Level	Rate
V	45.0

"Applicable Pricing Level" means the pricing level set forth below opposite the credit rating then given to Borrower's long-term senior unsecured debt which is not the beneficiary of any external credit enhancement by Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) ("S&P") and Moody's Investors Service, Inc. ("Moody's"), provided that if either or both S&P and Moody's have rated Borrower's Obligations to the Lenders under this Agreement, such rating(s) shall be used instead:

Applicable Pricing Level	Credit Rating (S&P/Moody's)
I	BBB/Baa2 or higher
II	BBB-/Baa3
III	BB+/Ba1
IV	BB/Ba2
V	BB-/Ba3 or lower

The following convention shall apply with respect to the foregoing: the lower of such credit ratings shall be used to determine the Applicable Pricing Level unless such credit ratings are split by more than one level, in which case the credit rating that is one level higher than the lower of

the two credit ratings shall be used to determine the Applicable Pricing Level.

"Bank of America" means Bank of America, N.A., as a Lender.

"Banking Day" means any Monday, Tuesday, Wednesday, Thursday or Friday, other than a day on which banks are authorized or required to be closed in California, New York, or North Carolina.

"Base Rate" means the higher of (a) the Prime Rate and (b) one-half percent per annum above the Federal Funds Rate.

"Base Rate Advance" means an Advance made hereunder and specified to be an Base Rate Advance in accordance with Article 2.

"Base Rate Loan" means a Loan made hereunder and specified to be an Base Rate Loan in accordance with Article 2.

"Borrower" means USEC Inc., a Delaware corporation, and its successors.

"Capital Lease Obligations" means all monetary obligations of a Person under any leasing or similar arrangement which, in accordance with GAAP, is classified as a capital lease.

"Cash" means, when used in connection with any Person, all monetary and non-monetary items owned by that Person that are treated as cash in accordance with GAAP, consistently applied.

"Cash Equivalents" means, when used in connection with any Person, that Person's Investments in:

(a) Government Securities due within one year after the date of the making of the Investment;

(b) readily marketable direct obligations of any State of the United States of America or any political subdivision of any such State or any public agency or instrumentality thereof given on the date of such Investment a credit rating of at least A3 by Moody's Investors Service, Inc. or A- by Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.), in each case due within one year from the making of the Investment;

(c) certificates of deposit issued by, bank deposits in, Eurodollar deposits through, bankers' acceptances of, and repurchase agreements covering Government Securities executed by any Lender or any bank incorporated under the Laws of the United States of America, any State thereof or the District of Columbia and having on the date of such Investment combined capital, surplus and undivided profits of at least $250,000,000, or total assets of at least $5,000,000,000, in each case due within one year after the date of the making of the Investment;

(d) certificates of deposit issued by, bank deposits in, Eurodollar deposits through, bankers' acceptances of, and repurchase agreements covering Government Securities executed by any Lender or any branch or office located in the United States of America of a bank incorporated under the Laws of any jurisdiction outside the United States of America having on the date of such Investment combined capital, surplus and undivided profits of at least $500,000,000, or total assets of at least $15,000,000,000, in each case due within one year after the date of the making of the Investment;

(e) repurchase agreements covering Government Securities executed by a broker or dealer registered under Section 15(b) of the Securities Exchange Act of 1934, as amended, having on the date of the Investment capital of at least $50,000,000, due within 90 days after the date of the making of the Investment; provided that the maker of the Investment receives written confirmation of the transfer to it of record ownership of the Government Securities on the books of a "primary dealer" in such Government Securities or on the books of such registered broker or dealer, as soon as practicable after the making of the Investment;

(f) readily marketable commercial paper or other debt securities issued by corporations doing business in and incorporated under the Laws of the United States of America or any State thereof or of any corporation that is the holding company for a bank described in clause (c) or (d) above given on the date of such Investment a credit rating of at least P-2 by Moody's Investors Service, Inc. or A-2 by Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.), in each case due within one year after the date of the making of the Investment;

(g) "money market preferred stock" issued by a corporation incorporated under the Laws of the United States of America or any State thereof (i) given on the date of such Investment a credit rating of at least A3 by Moody's Investors Service, Inc. and A- by Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.), in each case having an investment period not exceeding 50 days or (ii) to the extent that investors therein have the benefit of a standby letter of credit issued by

a Lender or a bank described in clauses (c) or (d) above; provided that (y) the amount of all such Investments issued by the same issuer does not exceed $5,000,000 and (z) the aggregate amount of all such Investments does not exceed $15,000,000;

(h) a readily redeemable "money market mutual fund" sponsored by a bank described in clause (c) or (d) hereof, or a registered broker or dealer described in clause (e) hereof, that has and maintains an investment policy limiting its investments primarily to instruments of the types described in clauses (a) through (g) hereof and given on the date of such Investment a credit rating of at least A3 by Moody's Investors Service, Inc. and A- by Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.); and

(i) corporate notes or bonds having an original term to maturity of not more than one year issued by a corporation incorporated under the Laws of the United States of America, or a participation interest therein; provided that (i) commercial paper issued by such corporation is given on the date of such Investment a credit rating of at least P2 by Moody's Investors Service, Inc. and A2 by Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.), (ii) the amount of all such Investments issued by the same issuer does not exceed $5,000,000 and (iii) the aggregate amount of all such Investments does not exceed $15,000,000.

"Certificate" means a certificate signed by a Senior Officer or Responsible Official (as applicable) of the Person providing the certificate.

"Change in Control" means (a) any transaction or series of related transactions in which any Unrelated Person or two or more Unrelated Persons acting in concert acquire beneficial ownership (within the meaning of Rule 13d-3(a)(1) under the Securities Exchange Act of 1934, as amended), directly or indirectly, of 35% or more of the outstanding Common Stock, (b) Borrower consolidates with or merges into another Person or conveys, transfers or leases its properties and assets substantially as an entirety to any Person or any Person consolidates with or merges into Borrower, in either event pursuant to a transaction in which the outstanding Common Stock is changed into or exchanged for cash, securities or other property, with the effect that any Unrelated Person becomes the beneficial owner, directly or indirectly, of 35% or more of Common Stock or that the Persons who were the holders of Common Stock immediately prior to the transaction hold less than 65% of the common stock of the surviving corporation after the transaction, (c) during any period of 24 consecutive months, individuals who at the beginning of such period constituted the board of directors of Borrower (together with any new or replacement directors whose election by the board of directors, or whose nomination for election, was approved by a vote of at least a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for reelection was

previously so approved) cease for any reason to constitute a majority of the directors then in office or (d) a "change in control" as defined in any document governing Indebtedness of Borrower in excess of $10,000,000 which gives the holders of such Indebtedness the right to accelerate or otherwise require payment of such Indebtedness prior to the maturity date thereof. For purposes of the foregoing, the term "Unrelated Person" means any Person other than (i) a Subsidiary of Borrower or (ii) an employee stock ownership plan or other employee benefit plan covering the employees of Borrower and its Subsidiaries.

"Closing Date" means the time and Banking Day on which the conditions set forth in Section 8.1 are satisfied or waived. The Administrative Agent shall notify Borrower and the Lenders of the date that is the Closing Date.

"Code" means the Internal Revenue Code of 1986, as amended or replaced and as in effect from time to time.

"Commitment" means, subject to Section 2.6, $115,000,000. The respective Pro Rata Shares of the Lenders with respect to the Commitment are set forth in Schedule 1.1.

"Commitment Assignment and Acceptance" means a commitment assignment and acceptance substantially in the form of Exhibit A.

"Common Stock" means the common stock of Borrower or its successor.

"Compliance Certificate" means a certificate in the form of Exhibit B, properly completed and signed by a Senior Officer of Borrower.

"Contractual Obligation" means, as to any Person, any provision of any outstanding security issued by that Person or of any material agreement, instrument or undertaking to which that Person is a party or by which it or any of its Property is bound.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America, as amended from time to time, and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws from time to time in effect affecting the rights of creditors generally.

"Default" means any event that, with the giving of any applicable notice or passage of time specified in Section 9.1, or both, would be an Event of Default.

"Default Rate" means the interest rate prescribed in Section 3.9.

"Designated Eurodollar Market" means the Eurodollar Market in London, England.

"Disposition" means the sale, transfer or other disposition in any single transaction or series of related transactions of any asset, or group of related assets, of Borrower or any of its Subsidiaries (a) which asset or assets constitute an entire segment of business or substantially all the assets of Borrower or (b) the aggregate amount of the Net Cash Sales Proceeds of such assets is more than $2,000,000, other than (i) Cash, Cash Equivalents, inventory or other assets sold or otherwise disposed of in the ordinary course of business of Borrower or its Subsidiary, (ii) assets sold or otherwise disposed of where substantially similar assets in replacement thereof have theretofore been acquired, or thereafter within six (6) months are acquired, by Borrower or its Subsidiary and (iii) obsolete assets no longer useful in the business of Borrower and its Subsidiaries.

"Disqualified Stock" means any capital stock, warrants, options or other rights to acquire capital stock (but excluding any debt security which is convertible, or exchangeable, for capital stock), which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or

otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the Maturity Date.

"Distribution" means, with respect to any shares of capital stock or any warrant or option to purchase an equity security or other equity security issued by a Person, (a) the retirement, redemption,

purchase or other acquisition for Cash or for Property by such Person of any such security, (b) the declaration or (without duplication) payment by such Person of any dividend in Cash or in Property on or with respect to any such security, (c) any Investment by such Person in the holder of 5% or more of any such security if a purpose of such Investment is to avoid characterization of the transaction as a Distribution and (d) any other payment in Cash or Property by such Person constituting a distribution under applicable Laws with respect to such security.

"Documentation Agent" means Wachovia Bank, National Association. The Documentation Agent shall have no rights, duties, allegations or responsibilities beyond those of a Lender.

"Dollars" or "$" means United States of America dollars.

"Eligible Assignee" means (a) another Lender, (b) with respect to any Lender, any Affiliate of that Lender, (c) any commercial bank having total assets of $10,000,000,000 or more, (d) any (i) savings bank, savings and loan association or similar financial institution or (ii) insurance company engaged in the business of writing insurance which, in either case (A) has total assets of $10,000,000,000 or more, (B) is engaged in the business of lending money and extending credit under credit facilities substantially similar to those extended under this Agreement and (C) is operationally and procedurally able to meet the obligations of a Lender hereunder to the same degree as a commercial bank and (e) any other financial institution (including a mutual fund or other fund) having total assets of $10,000,000,000 or more which meets the requirements set forth in subclauses (B) and (C) of clause (d) above; provided that each Eligible Assignee must either (aa) be organized under the Laws of the United States of America, any State thereof or the District of Columbia or (bb) be organized under the Laws of the Cayman Islands or any country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of such a country, and (i) act hereunder through a branch, agency or funding office located in the United States of America and (ii) be exempt from withholding of tax on interest and deliver the documents related thereto pursuant to Section 11.21.

"ERISA" means the Employee Retirement Income Security Act of 1974, and any regulations issued pursuant thereto, as amended or replaced and as in effect from time to time.

"ERISA Affiliate" means each Person (whether or not incorporated) which is required to be aggregated with Borrower pursuant to Section 414 of the Code.

"Eurodollar Banking Day" means any Banking Day on which dealings in Dollar deposits are conducted by and among banks in the Designated Eurodollar Market.

"Eurodollar Lending Office" means, as to each Lender, its office or branch so designated by written notice to Borrower and the Administrative Agent as its Eurodollar Lending Office. If no Eurodollar Lending Office is designated by a Lender, its Eurodollar Lending Office shall be its office at its address for purposes of notices hereunder.

"Eurodollar Market" means a regular established market located outside the United States of America by and among banks for the solicitation, offer and acceptance of Dollar deposits in such banks.

"Eurodollar Obligations" means eurocurrency liabilities, as defined in Regulation D or any comparable regulation of any Governmental Agency having jurisdiction over any Lender.

13

"Eurodollar Period" means, as to each Eurodollar Rate Loan, the period commencing on the date specified by Borrower pursuant to Section 2.1(c) and ending 1, 2, 3 or 6 months thereafter, as specified by Borrower in the applicable Request for Loan; provided that:

(a) The first day of any Eurodollar Period shall be a Eurodollar Banking Day;

(b) Any Eurodollar Period that would otherwise end on a day that is not a Eurodollar Banking Day shall be extended to the immediately succeeding Eurodollar Banking Day unless such Eurodollar Banking Day falls in another calendar month, in which case such Eurodollar Period shall end on the immediately preceding Eurodollar Banking Day; and

(c) No Eurodollar Period shall extend beyond the Maturity Date.

"Eurodollar Rate" means, with respect to any Eurodollar Rate Loan, the average of the interest rates per annum (rounded upward, if necessary, to the next 1/16 of 1%) at which deposits in Dollars are offered to the Administrative Agent in the Designated Eurodollar Market at or about 11:00 a.m. local time in the Designated Eurodollar Market, two (2) Eurodollar Banking Days before the first day of the applicable Eurodollar Period in an aggregate amount approximately equal to the amount of the Advance to be made by the Administrative Agent with respect to such Eurodollar Rate Loan and for a period of time comparable to the number of days in the applicable Eurodollar Period.

"Eurodollar Rate Advance" means an Advance made hereunder and specified to be a Eurodollar Rate Advance in accordance with Article 2.

"Eurodollar Rate Loan" means a Loan made hereunder and specified to be a Eurodollar Rate Loan in accordance with Article 2.

"Event of Default" shall have the meaning provided in Section 9.1.

"Facility" means the credit facility extended by the Lenders to Borrower under this Agreement.

"Federal Funds Rate" means, as of any date of determination, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (including any such successor, "H.15(519)") for such date opposite the caption "Federal Funds (Effective)". If for any relevant date such rate is not yet published in H.15(519), the rate for such date will be the rate set forth in the daily statistical release designated as the Composite 3:30 p.m. Quotations for U.S. Government Securities, or any successor publication, published by the Federal Reserve Lender of New York (including any such successor, the "Composite 3:30 p.m. Quotation") for such date under the caption "Federal Funds Effective Rate". If on any relevant date the appropriate rate for such date is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, the rate for such date will be the arithmetic mean of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that date by each of three leading brokers of Federal funds transactions in New York City selected by the Administrative Agent. For purposes of this Agreement, any change in the Base Rate due to a change in the Federal Funds Rate shall be effective as of the opening of business on the effective date of such change.

"Fiscal Quarter" means the fiscal quarter of Borrower ending on each September 30, December 31, March 31 and June 30.

14

"Fiscal Year" means the fiscal year of Borrower ending on each June 30.

"GAAP" means, as of any date of determination, accounting principles (a) set forth as generally accepted in then currently effective Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants, (b) set forth as generally accepted in then currently effective Statements of the Financial Accounting Standards Board or (c) that are then approved by such other entity as may be approved by a significant segment of the accounting profession in the United States of America. The term "consistently applied," as used in connection therewith, means that the accounting principles applied are consistent in all material respects with those applied at prior dates or for prior periods.

"Government Securities" means readily marketable (a) direct full faith and credit obligations of the United States of America or obligations guaranteed by the full faith and credit of the United States of America and (b) obligations of an agency or instrumentality of, or corporation owned, controlled or sponsored by, the United States of America that are generally considered in the securities industry to be implicit obligations of the United States of America.

"Governmental Agency" means (a) any international, foreign, federal, state, county or municipal government, or political subdivision thereof, (b) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body or (c) any court or administrative tribunal of competent jurisdiction.

"Guaranty Obligation" means, as to any Person, any (a) guarantee by that Person of Indebtedness of any other Person or (b) assurance given by that Person to a creditor of any other Person with respect to the payment of Indebtedness by, or the financial condition of, such other Person, whether direct, indirect or contingent, including any purchase or repurchase agreement covering such obligation or any collateral security therefor, any agreement to provide funds (by means of loans, capital contributions or otherwise) to such other Person, any agreement to support the solvency or level of any balance sheet item of such other Person or any "keep-well" or other arrangement of whatever nature given for the purpose of assuring or holding harmless such obligee against loss with respect to any obligation of such other Person; provided, however, that the term Guaranty Obligation shall not include (a) endorsements of instruments for deposit or collection in the ordinary course of business or (b) obligations of Borrower or any of its Subsidiaries under electric power supply contracts in existence on the Reference Date to make minimum payments to suppliers of electric power in the event that Borrower or its Subsidiary terminates such a power supply contract. The amount of any Guaranty Obligation shall be deemed to be an amount equal to the stated or determinable amount of the related Indebtedness (unless the Guaranty Obligation is limited by its terms to a lesser amount, in which case to the extent of such amount) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the Person in good faith.

"Hazardous Materials" means substances defined as "hazardous substances" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. ' 9601 et seq., or as "hazardous", "toxic" or "pollutant" substances or as "solid waste" pursuant to the Hazardous Materials Transportation Act, 49 U.S.C. ' 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. ' 6901, et seq., or as "friable asbestos" pursuant to the Toxic Substances Control Act, 15 U.S.C. ' 2601 et seq. or any other applicable Hazardous Materials Law, in each case as such Laws are amended from time to time.

"Hazardous Materials Laws" means all Laws governing the treatment, transportation or disposal of Hazardous Materials applicable to any of the Real Property.

"Inactive Subsidiary" means a Subsidiary of Borrower that holds total assets of $1,000,000 or less.

"Indebtedness" means, as to any Person (without duplication), (a) indebtedness of such Person for borrowed money or for the deferred purchase price of Property (excluding trade and other accounts payable in the ordinary course of business in accordance with ordinary trade terms), including any Guaranty Obligation for any such indebtedness, (b) indebtedness of such Person of the nature described in clause (a) that is non-recourse to the credit of such Person but is secured by assets of such Person, to the extent of the fair market value of such assets as determined in good faith by such Person, (c) Capital Lease Obligations of such Person, (d) indebtedness of such Person arising under bankers' acceptance facilities or under facilities for the discount of accounts receivable of such Person, (e) any direct or contingent obligations of such Person under letters of credit issued for the account of such Person and (f) the obligations of such Person under any series of Disqualified Stock.

"Investment" means, when used in connection with any Person, any investment by or of that Person, whether by means of purchase or other acquisition of stock or other securities of any other Person or by means of a loan, advance creating a debt, capital contribution, guaranty or other debt or equity participation or interest in any other Person, including any partnership and joint venture interests of such Person. The amount of any Investment shall be the amount actually invested (minus any return of capital with respect to such Investment which has actually been received in Cash or has been converted into Cash), without adjustment for subsequent increases or decreases in the value of such Investment.

"Laws" means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, regulations, ordinances, codes and administrative or judicial precedents.

"Lead Arranger" means Banc of America Securities LLC.

"Lender" means each lender whose name is set forth in the signature pages of this Agreement and each lender which may hereafter become a party to this Agreement pursuant to Section 11.8.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, lien or charge of any kind, whether voluntarily incurred or arising by operation of Law or otherwise, affecting any Property, including any conditional sale or other title retention agreement, any lease in the nature of a security interest, and/or the filing of any financing statement (other than a precautionary financing statement with respect to a lease that is not in the nature of a security interest) under the Uniform Commercial Code or comparable Law of any jurisdiction with respect to any Property.

"Loan" means the aggregate of the Advances made at any one time by the Lenders pursuant to Section 2.1.

"Loan Documents" means, collectively, this Agreement, the Notes, the Subsidiary Guaranty, and any other agreements of any type or nature hereafter executed and delivered by Borrower or any of the Subsidiary Guarantors to the Administrative Agent or to any Lender in any way relating to or in furtherance of this Agreement, in each case either as originally executed or as the same may from time

to time be supplemented, modified, amended, restated, extended or supplanted.

"Margin Stock" means "margin stock" as such term is defined in Regulation U.

"Material Adverse Effect" means any set of circumstances or events which (a) has had or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of any Loan Document, (b) has been or could reasonably be expected to be material and adverse to the business or condition (financial or otherwise) of Borrower and its Subsidiaries, taken as a whole or (c) has materially impaired or

could reasonably be expected to materially impair the ability of Borrower to perform the Obligations.

"Maturity Date" means the date that is 60 days after the Closing Date.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA to which Borrower or any of its ERISA Affiliates contributes or is obligated to contribute.

"Negative Pledge" means a Contractual Obligation which contains a covenant binding on Borrower or any of its Subsidiaries that prohibits Liens on any of its Property, other than (a) any such covenant contained in a Contractual Obligation granting or relating to a particular Lien which affects only the Property that is the subject of such Lien and (b) any such covenant that does not apply to Liens securing the Obligations.

"Net Cash Sales Proceeds" means, with respect to any Disposition, the sum of (a) the Cash proceeds received by or for the account of Borrower and its Subsidiaries from such Disposition plus (b) the amount of Cash received by or for the account of Borrower and its Subsidiaries upon the sale, collection or other liquidation of any proceeds that are not Cash from such Disposition, in each case net of (i) any amount required to be paid to any Person owning an interest in the assets disposed of, (ii) any amount applied to the repayment of Indebtedness secured by a Lien permitted under Section 6.7 on the asset disposed of, (iii) any transfer, income or other taxes payable as a result of such Disposition, (iv) professional fees and expenses, fees due to any Governmental Agency, broker's commissions and other out-of-pocket costs of sale actually paid to any Person that is not an Affiliate of Borrower attributable to such Disposition and (v) any reserves established in accordance with GAAP in connection with such Disposition.

"Net Income" means, with respect to any fiscal period, the consolidated net income of Borrower and its Subsidiaries for that period, determined in accordance with GAAP, consistently applied.

"Note" means any of the promissory notes made by Borrower to a Lender evidencing Advances under that Lender's Pro Rata Share of the Commitment, substantially in the form of Exhibit C, either as originally executed or as the same may from time to time be supplemented, modified, amended, renewed, extended or supplanted.

"Obligations" means all present and future obligations of every kind or nature of Borrower or any of the Subsidiary Guarantors at any time and from time to time owed to the Administrative Agent or the Lenders or any one or more of them, under any one or more of the Loan Documents, whether due or to become due, matured or unmatured, liquidated or unliquidated, or contingent or noncontingent, including obligations of performance as well as obligations of payment, and including interest

that accrues after the commencement of any proceeding under any Debtor Relief Law by or against Borrower or any of the Subsidiary Guarantors.

"Opinion of Counsel" means the favorable written legal opinion of Skadden, Arps, Slate, Meagher & Flom, LLP, special counsel to Borrower, substantially in the form of Exhibit D, together with copies of all factual certificates and legal opinions delivered to such counsel in connection with such opinion upon which such counsel has relied.

"Original Loan Agreement" means the Revolving Loan Agreement dated as of July 27, 1999 by and among Borrower, the Lenders party thereto, First Union National Bank, as Syndication Agent, Wachovia Bank, National Association, as Documentation Agent, Bank of America, N.A., as Administrative Agent, pursuant to which certain of the Lenders agreed to make revolving loans to Borrower in the original aggregate principal amount of up to $150,000,000, as such Original Loan Agreement existed immediately prior to the effectiveness of this Agreement.

"Other Loan Agreement" means that certain Revolving Loan Agreement dated as of July 28, 1998 among Borrower, the lenders party thereto and

Bank of America National Trust and Savings Association, as administrative agent, as amended or revised from time to time in accordance with its terms.

"Party" means any Person other than the Administrative Agent and the Lenders, which now or hereafter is a party to any of the Loan Documents.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereof established under ERISA.

"Pension Plan" means any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, which is subject to Title IV of ERISA and is maintained by Borrower.

"Permitted Encumbrances" means:

(a) Inchoate Liens incident to construction on or maintenance of Property; or Liens incident to construction on or maintenance of Property now or hereafter filed of record for which adequate reserves have been set aside (or deposits made pursuant to applicable Law) and which are being contested in good faith by appropriate proceedings and have not proceeded to judgment, provided that, by reason of nonpayment of the obligations secured by such Liens, no such Property is subject to a material impending risk of loss or forfeiture;

(b) Liens for taxes and assessments on Property which are not yet past due; or Liens for taxes and assessments on Property for which adequate reserves have been set aside and are being contested in good faith by appropriate proceedings and have not proceeded to judgment, provided that, by reason of nonpayment of the obligations secured by such Liens, no such Property is subject to a material impending risk of loss or forfeiture;

(c) defects and irregularities in title to any Property which in the aggregate do not materially impair the fair market value or use of the Property for the purposes for which it is or may reasonably be expected to be held;

(d) easements, exceptions, reservations, or other agreements for the purpose of pipelines, conduits, cables, wire communication lines, power lines and substations, streets, trails, walkways, drainage, irrigation, water, and sewerage purposes, dikes, canals, ditches, the removal of oil, gas, coal, or other minerals, and other like purposes affecting Property which in the aggregate do not materially burden or impair the fair market value or use of such Property for the purposes for which it is or may reasonably be expected to be held;

(e) easements, exceptions, reservations, or other agreements for the purpose of facilitating the joint or common use of Property in or adjacent to a shopping center or similar project affecting Property which in the aggregate do not materially burden or impair the fair market value or use of such Property for the purposes for which it is or may reasonably be expected to be held;

(f) rights reserved to or vested in any Governmental Agency to control or regulate, or obligations or duties to any Governmental Agency with respect to, the use of any Property;

(g) rights reserved to or vested in any Governmental Agency to control or regulate, or obligations or duties to any Governmental Agency with respect to, any right, power, franchise, grant, license, or permit;

(h) present or future zoning laws and ordinances or other laws and ordinances restricting the occupancy, use, or enjoyment of Property;

(i) statutory Liens, other than those described in clauses (a) or (b) above, arising in the ordinary course of business with respect to obligations which are not delinquent or are being contested in good faith, provided that, if delinquent, adequate reserves have been set aside with respect thereto and, by reason of nonpayment, no Property is subject to a material impending risk of loss or forfeiture;

(j) covenants, conditions, and restrictions affecting the use of Property which in the aggregate do not materially impair the fair market value or use of the Property for the purposes for which it is or may reasonably be expected to be held;

(k) rights of tenants under leases and rental agreements covering Property entered into in the ordinary course of business of the Person owning such Property;

(l) Liens consisting of pledges or deposits to secure obligations under workers' compensation laws or similar legislation, including Liens of judgments thereunder which are not currently dischargeable;

(m) Liens consisting of pledges or deposits of Property to secure performance in connection with operating leases made in the ordinary course of business, provided the aggregate value of all such pledges and deposits in connection with any such lease does not at any time exceed 20% of the annual fixed rentals payable under such lease;

(n) Liens consisting of deposits of Property to secure bids made with respect to, or performance of, contracts (other than contracts creating or evidencing an extension of credit to the depositor);

(o) Liens consisting of any right of offset, or statutory bankers' lien, on bank deposit accounts maintained in the ordinary course of business so long as such bank deposit accounts are not established or maintained for the purpose of providing such right of offset or bankers' lien;

(p) Liens consisting of deposits of Property to secure statutory obligations of Borrower;

(q) Liens consisting of deposits of Property to secure (or in lieu of) surety, appeal or customs bonds;

(r) Liens created by or resulting from any litigation or legal proceeding in the ordinary course of business which is currently being contested in good faith by appropriate proceedings, provided that, adequate reserves have been set aside and no material Property is subject to a material impending risk of loss or forfeiture; and

(s) other non-consensual Liens incurred in the ordinary course of business but not in connection with the incurrence of any Indebtedness, which do not in the aggregate, when taken together with all other Liens, materially impair the fair market value or use of the Property for the purposes for which it is or may reasonably be expected to be held.

"Permitted Right of Others" means a Right of Others consisting of (a) an interest (other than a legal or equitable co-ownership interest, an option or right to acquire a legal or equitable co-ownership interest and any interest of a ground lessor under a ground lease), that does not materially impair the fair market value or use of Property for the purposes for which it is or may reasonably be expected to be held, (b) an option or right to acquire a Lien that would be a Permitted Encumbrance, (c) the subordination of a lease or sublease in favor of a financing entity and (d) a license, or similar right, of or to intangible assets granted in the ordinary course of business.

"Person" means any individual or entity, including a trustee, corporation, limited liability company, general partnership, limited partnership, joint stock company, trust, estate, unincorporated organization, business association, firm, joint venture, Governmental Agency, or other entity.

"Pre-Existing Loan Documents" mean the Original Loan Agreement and the Pre-Existing Notes and the Subsidiary Guaranty delivered thereunder, as existing immediately prior to the effectiveness of this Agreement.

"Pre-Existing Notes" means those certain promissory notes delivered under the Original Loan Agreement, as existing immediately prior to the effectiveness of this Agreement.

"Predecessor" means United States Enrichment Corporation, a wholly-owned United States Government corporation.

"Prime Rate" means the rate of interest publicly announced from time to time by Bank of America as its "prime rate." It is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in the Prime Rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Privatization" means the transfer on the Reference Date of ownership of Predecessor from the United States Government to private investors, as described in the Registration Statement, pursuant to the USEC Privatization Act (Public Law 104-134), the Energy Policy Act (Public Law 102-486) and other applicable Laws.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Pro Rata Share" means, with respect to each Lender, the percentage of the Commitment set forth opposite the name of that Lender on Schedule 1.1, as such percentage may be increased or decreased pursuant to a Commitment Assignment and Acceptance executed in accordance with Section 11.8.

"Quarterly Payment Date" means each June 30, September 30, December 31 and March 31.

"Real Property" means, as of any date of determination, all real property then or theretofore owned, leased or occupied by any of Borrower.

"Reference Date" means July 28, 1998.

"Registration Statement" means the registration statement on Form S-1 filed by Borrower on or about June 29, 1998 with the Securities and Exchange Commission, in the form in which it became effective under the Securities Act of 1933, as amended.

"Regulation D" means Regulation D, as at any time amended, of the Board of Governors of the Federal Reserve System, or any other regulation in substance substituted therefor.

"Regulation U" means Regulation U, as at any time amended, of the Board of Governors of the Federal Reserve System, or any other regulation in substance substituted therefor.

"Request for Loan" means a written request for a Loan substantially in the form of Exhibit E, signed by a Responsible Official of Borrower, on behalf of Borrower, and properly completed to provide all information required to be included therein.

"Requirement of Law" means, as to any Person, the articles or certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any Law, or judgment, award, decree, writ or determination of a Governmental Agency, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"Requisite Lenders" means (a) as of any date of determination if the Commitment is then in effect, Lenders having in the aggregate 51% or more of the Commitment then in effect and (b) as of any date of determination if the Commitment has then been suspended or terminated and there is then any Indebtedness evidenced by the Notes, Lenders holding Notes evidencing

in the aggregate 51% or more of the aggregate Indebtedness then evidenced by the Notes.

"Responsible Official" means (a) any Senior Officer of Borrower and (b) any other responsible official of Borrower so designated in a written notice thereof from a Senior Officer to the Administrative Agent. The Lenders shall be entitled to conclusively rely upon any document or

certificate that is signed or executed by a Responsible Official of Borrower or any of its Subsidiaries as having been authorized by all necessary corporate, partnership and/or other action on the part of Borrower or such Subsidiary.

"Right of Others" means, as to any Property in which a Person has an interest, any legal or equitable right, title or other interest (other than a Lien) held by any other Person in that Property, and any option or right held by any other Person to acquire any such right, title or other interest in that Property, including any option or right to acquire a Lien; provided, however, that (a) no covenant restricting the use or disposition of Property of such Person contained in any Contractual Obligation of such Person and (b) no provision contained in a contract creating a right of payment or performance in favor of a Person that conditions, limits, restricts, diminishes, transfers or terminates such right shall be deemed to constitute a Right of Others.

"Senior Officer" means (a) the chief executive officer, (b) the president, (c) any executive vice president, (d) the chief financial officer or (e) the treasurer, in each case of Borrower.

"Solvent" means, with respect to a Person, that (a) the fair market value of the Person's assets will be in excess of the amount that will be required to be paid on or in respect of the existing debts and other liabilities (including contingent liabilities) of the Person as they mature, (b) the Person does not have unreasonably small capital to carry on its business as conducted or as proposed to be conducted, (c) the Person does not intend to or believe that it will incur debts beyond its ability to pay such debts as they mature, taking into account the timing and amounts of Cash to be received by it and the amounts to be payable on or in respect of its obligations, (d) the Person does not intend to hinder, delay or defraud either present or future creditors and (e) the Person has received fair consideration and reasonably equivalent value in exchange for incurring its Obligations under the Loan Documents.

"Special Eurodollar Circumstance" means the application or adoption after the Closing Date of any Law or interpretation, or any change therein or thereof, or any change in the interpretation or administration thereof by any Governmental Agency, central bank or comparable authority charged with the interpretation or administration thereof, or compliance by any Lender or its Eurodollar Lending Office with any request or directive (whether or not having the force of Law) of any such Governmental Agency, central bank or comparable authority.

"Stockholders' Equity" means, as of any date of determination and with respect to any Person, the consolidated stockholders' equity of the Person as of that date determined in accordance with GAAP; provided that there shall be excluded from Stockholders' Equity any amount attributable to Disqualified Stock.

"Subsidiary" means, as of any date of determination and with respect to any Person, any corporation, limited liability company or partnership (whether or not, in any case, characterized as such or as a "joint venture"), whether now existing or hereafter organized or acquired: (a) in the case of a corporation or limited liability company, of which a majority of the securities having ordinary voting power for the election of directors or other governing body (other than securities having such power only by reason of the happening of a contingency) are at the time beneficially owned by such Person and/or one or more Subsidiaries of such Person, or (b) in the case of a partnership, of which a majority of the

partnership or other ownership interests are at the time beneficially owned by such Person and/or one or more of its Subsidiaries.

"Subsidiary Guarantors" means (a) USEC (Delaware) and (b) each other Subsidiary of Borrower that is not an Inactive Subsidiary.

"Subsidiary Guaranty" means the continuing guaranty of the Obligations to be executed and delivered pursuant to Article 8 by the Subsidiary Guarantors, in the form of Exhibit F, either as originally executed or as it may from time to time be supplemented, modified, amended, extended or supplanted.

"Syndication Agent" means First Union National Bank. The Syndication Agent shall have no rights, duties, obligations or responsibilities beyond those of a Lender.

"Total Capitalization" means, as of any date of determination, the sum of (a) the Stockholders' Equity of Borrower and its Subsidiaries on that date plus (b) all Indebtedness of Borrower and its Subsidiaries on that date.

"to the best knowledge of" means, when modifying a representation, warranty or other statement of any Person, that the fact or situation described therein is known by the Person (or, in the case of a Person other than a natural Person, known by a Responsible Official of that Person) making the representation, warranty or other statement, or with the exercise of reasonable due diligence under the circumstances (in accordance with the standard of what a reasonable Person in similar circumstances would have done) would have been known by the Person (or, in the case of a Person other than a natural Person, would have been known by a Responsible Official of that Person).

"type", when used with respect to any Loan or Advance, means the designation of whether such Loan or Advance is an Base Rate Loan or Advance, or a Eurodollar Rate Loan or Advance.

"USEC (Delaware)" means United States Enrichment Corporation, a Delaware corporation, which corporation on the Reference Date (a) became a Wholly-Owned Subsidiary of Borrower and (b) succeeded by merger to all or substantially all of the assets of Predecessor (other than assets to be transferred to the United States Government pursuant to the Privatization). When used with respect to periods prior to the Reference Date, the term "USEC (Delaware)" shall include Predecessor unless the context clearly otherwise requires.

"Wholly-Owned Subsidiary" means a Subsidiary of Borrower, 100% of the capital stock or other equity interest of which is owned, directly or indirectly, by Borrower, except for director's qualifying shares required by applicable Laws.

1.2 Use of Defined Terms. Any defined term used in the plural shall refer to all members of the relevant class, and any defined term used in the singular shall refer to any one or more of the members of the relevant class.

1.3 Accounting Terms. All accounting terms not specifically defined in this Agreement shall be construed in conformity with, and all financial data required to be submitted by this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, except as otherwise specifically prescribed herein. In the event that GAAP changes during the term of this Agreement such that the covenants contained in Sections 6.9 and 6.10 would then be calculated in a different manner or with different components, (a) Borrower and the Lenders agree to amend this Agreement in such respects as are necessary to conform those covenants as criteria for evaluating Borrower's financial condition to substantially the same criteria as were effective prior to such change in GAAP and (b) Borrower shall be deemed to be in compliance with the covenants contained in

the aforesaid Sections if and to the extent that Borrower would have been in compliance therewith under GAAP as in effect immediately prior to such change, but shall have the obligation to deliver each of the materials described in Article 7 to the Administrative Agent and the Lenders, on the dates therein specified, with financial data presented in a manner which conforms with GAAP as in effect immediately prior to such change.

1.4 Rounding. Any financial ratios required to be maintained by Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed in this Agreement and rounding the result up or down to the nearest number (with a round-up if there is no nearest number) to the number of places by which such ratio is expressed in this Agreement.

1.5 Exhibits and Schedules. All Exhibits and Schedules to this Agreement, either as originally existing or as the same may from time to time be supplemented, modified or amended, are incorporated herein by this reference. A matter disclosed on any Schedule shall be deemed disclosed on all Schedules.

1.6 References to "Borrower and its Subsidiaries". Any reference herein to "Borrower and its Subsidiaries" or the like shall refer solely to Borrower during such times, if any, as Borrower shall have no Subsidiaries.

1.7 Miscellaneous Terms. The term "or" is disjunctive; the term "and" is conjunctive. The term "shall" is mandatory; the term "may" is permissive. Masculine terms also apply to females; feminine terms also apply to males. The term "including" is by way of example and not limitation.

Article 2
LOANS

2.1 Loans-General.

(a) Subject to the terms and conditions set forth in this Agreement, at any time and from time to time commencing on the Closing Date through the Maturity Date, each Lender shall, pro rata according to that Lender's Pro Rata Share of the then applicable Commitment, make Advances to Borrower under the Commitment in such amounts as Borrower may request that do not result in the aggregate principal amount outstanding under the Notes to exceed the Commitment. Subject to the limitations set forth herein, Borrower may borrow, repay and reborrow under the Commitment without premium or penalty.

(b) [Intentionally Omitted.]

(c) [Intentionally Omitted.]

(d) Each Loan shall be made pursuant to a Request for Loan which shall specify the requested (i) date of such Loan, (ii) type of Loan, (iii) amount of such Loan, and (iv) in the case of a Eurodollar Rate Loan, the Eurodollar Period for such Loan.

(e) Promptly following receipt of a Request for Loan, the Administrative Agent shall notify each Lender by telecopier of the date and type of the Loan, the applicable Eurodollar Period, and that Lender's Pro Rata Share of the Loan. Not later than 10:00 a.m., California time, on the date specified for any Loan (which must be a Banking Day), each Lender shall make its Pro Rata Share of the Loan in immediately available funds available to the Administrative Agent at the Administrative Agent's Office. Upon satisfaction or waiver of the applicable conditions set forth in Article 8, all Advances shall be made available to Borrower on that date by such means as it may request in immediately available funds.

(f) Unless the Requisite Lenders otherwise consent, each Base Rate Loan shall be not less than $1,000,000 and in an integral multiple of $1,000,000 and each Eurodollar Rate Loan shall be not less than $5,000,000 and in an integral multiple of $1,000,000.

(g) [Intentionally Omitted].

(h) The Advances made by each Lender under the Commitment shall be evidenced by that Lender's Note.

(i) A Request for Loan shall be irrevocable upon the Administrative Agent's first notification thereof.

(j) If no Request for Loan has been made within the requisite notice periods set forth in Section 2.2 or 2.3 prior to the end of the Eurodollar Period for any outstanding Eurodollar Rate Loan, then on the last day of such Eurodollar Period, such Eurodollar Rate Loan shall be automatically converted into a Base Rate Loan in the same amount.

2.2 Base Rate Loans. Each request by Borrower for a Base Rate Loan shall be made pursuant to a Request for Loan received by the Administrative Agent, at the Administrative Agent's Office, not later than 11:00 a.m. California time, on the date (which must be a Banking Day) immediately prior to the date of the requested Base Rate Loan (except in the case of Base Rate Loans made on the Closing Date for which the Request for Loan may be delivered on the Closing Date). All Loans shall constitute Base Rate Loans unless properly designated as a Eurodollar Rate Loan pursuant to Section 2.3.

2.3 Eurodollar Rate Loans. Each request by Borrower for a Eurodollar Rate Loan shall be made pursuant to a Request for Loan received by the Administrative Agent, at the Administrative Agent's Office, not later than 9:00 a.m., California time, at least three (3) Eurodollar Banking Days before the first day of the applicable Eurodollar Period.

(a) On the date which is two (2) Eurodollar Banking Days before the first day of the applicable Eurodollar Period, the Administrative Agent shall confirm its determination of the applicable Eurodollar Rate (which determination shall be conclusive in the absence of manifest error) and promptly shall give notice of the same to Borrower and the Lenders by telecopier.

(b) Unless the Administrative Agent and the Requisite Lenders otherwise consent, no more than ten (10) Eurodollar Rate Loans shall be outstanding at any one time.

(c) No Eurodollar Rate Loan may be requested during the continuation of a Default or Event of Default.

(d) Nothing contained herein shall require any Lender to fund any Eurodollar Rate Advance in the Designated Eurodollar Market.

2.4 [Intentionally Omitted].

2.5 [Intentionally Omitted].

2.6 Voluntary Reduction of Commitment. Borrower shall have the right, at any time and from time to time, without penalty or charge, upon at least five (5) Banking Days' prior written notice by a Responsible Official of Borrower to the Administrative Agent, voluntarily to reduce, permanently and irrevocably, in aggregate principal amounts in an integral multiple of $1,000,000 but not less than $5,000,000, or to terminate, all or a portion of the then undisbursed portion of the Commitment. The Administrative Agent shall promptly notify the Lenders of any reduction or termination of the Commitment under this Section.

2.7 [Intentionally Omitted].

2.8 Optional Termination of Commitment. Following the occurrence of a Change in Control, the Requisite Lenders may in their sole and absolute discretion elect, during the thirty (30) day period immediately subsequent to the later of (a) such occurrence or (b) the earlier of (i) receipt of Borrower's written notice to the Administrative Agent of such occurrence or (ii) if no such notice has been received by the Administrative Agent, the date upon which the Administrative Agent has actual knowledge thereof, to terminate the Commitment,

in which case the Commitment shall be terminated, and all outstanding Loans shall be repaid, effective on the date which is thirty (30) days subsequent to written notice from the Administrative Agent to Borrower thereof.

2.9 Administrative Agent's Right to Assume Funds Available for Advances. Unless the Administrative Agent shall have been notified by any Lender no later than 10:00 a.m. on the Banking Day of the proposed funding by the Administrative Agent of any Loan that such Lender does not intend to make available to the Administrative Agent such Lender's portion of the total amount of such Loan, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on the date of the Loan and the Administrative Agent may, in reliance upon such assumption, make available to Borrower a corresponding amount. If the Administrative Agent has made funds available to Borrower based on such assumption and such corresponding amount is not in fact made available to the Administrative Agent by such Lender, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent promptly shall notify Borrower and Borrower shall pay such corresponding amount to the Administrative Agent. The Administrative Agent also shall be entitled to recover from such Lender interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to Borrower to the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to the daily Federal Funds Rate. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its share of the Commitment or to prejudice any rights which the Administrative Agent or Borrower may have against any Lender as a result of any default by such Lender hereunder.

2.10 Guaranty. The Obligations shall be guaranteed by the Subsidiary Guarantors pursuant to the Subsidiary Guaranty.

2.11 Adjusting Purchase Payments. Principal amounts outstanding under the Commitment of the Original Loan Agreement on the effective date of this Agreement (the "Carryover Principal Balance") remain outstanding under the Commitment hereunder. Concurrently with the effectiveness of this Agreement and the making of the initial Loan as provided in Section 8.1, the Lenders agree to purchase and sell undivided interests in the Carryover Principal Balance by making or receiving Adjusting Purchase Payments as specified in Schedule 2.11 (the "Adjusting Purchase Payment(s)") so that the Carryover Principal Balance will be properly allocated and owing to the Lenders under the Notes in accordance with the Pro-Rata Shares specified in Schedule 1.1. Each Lender making an Adjusting Purchase Payment shall deliver it to the Administrative Agent together with its funding of its initial Advance, and the Administrative Agent shall forward such Adjusting Purchase Payments to the Lenders entitled thereto promptly after receipt in accordance with the allocations specified in Schedule 2.11. On the effective date of this Agreement, in addition to any other Advances that may be made, each Lender shall be deemed as having made an Advance in the amount of its Pro-Rata Share of the Carryover Principal Balance.

Article 3
PAYMENTS AND FEES

3.1 Principal and Interest.

(a) Interest shall be payable on the outstanding daily unpaid principal amount of each Advance from the date thereof until payment in full is made and shall accrue and be payable at the rates set forth or provided for herein before and after Default, before and after maturity, before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law, with interest on overdue interest at the Default Rate to the fullest extent permitted by applicable Laws.

(b) Interest accrued on each Base Rate Loan shall be due and

payable on each Quarterly Payment Date. Except as otherwise provided in Section 3.9, the unpaid principal amount of any Base Rate Loan shall bear interest at a fluctuating rate per annum equal to the Base Rate. Each change in the interest rate under this Section 3.1(b) due to a change in the Base Rate shall take effect simultaneously with the corresponding change in the Base Rate.

(c) Interest accrued on each Eurodollar Rate Loan which is for a term of three months or less shall be due and payable on the last day of the related Eurodollar Period. Interest accrued on each other Eurodollar Rate Loan shall be due and payable on the date which is three months after the date such Eurodollar Rate Loan was made and on the last day of the related Eurodollar Period. Except as otherwise provided in Section 3.9, the unpaid principal amount of any Eurodollar Rate Loan shall bear interest at a rate per annum equal to the Eurodollar Rate for that Eurodollar Rate Loan plus the Applicable Eurodollar Margin.

(d) If not sooner paid, the principal Indebtedness evidenced by the Notes shall be payable as follows:

(i) the amount, if any, by which the principal Indebtedness evidenced by the Notes at any time exceeds the then applicable Commitment shall be payable immediately;

(ii) [Intentionally Omitted];

(iii) [Intentionally Omitted];

(iv) [Intentionally Omitted];

(v) [Intentionally Omitted];

(vi) the principal Indebtedness evidenced by the Notes shall be payable on the Maturity Date; and

(vii) [Intentionally Omitted]

(e) [Intentionally Omitted].

(f) The principal Indebtedness evidenced by the Notes may, at any time and from time to time, voluntarily be paid or prepaid in whole or in part without premium or penalty, except that with respect to any voluntary prepayment under this Subsection, (i) any partial prepayment shall be not less than $1,000,000 and shall be an integral multiple of $1,000,000, (ii) the Administrative Agent shall have received written notice of any prepayment by 9:00 a.m. California time on the date that is one (1) Banking Day before the date of prepayment (which must be a Banking Day) in the case of an Base Rate Loan, and, in the case of a Eurodollar Rate Loan, three (3) Banking Days before the date of prepayment, which notice shall identify the date and amount of the prepayment and the Loan(s) being prepaid, (iii) each prepayment of principal on any Eurodollar Rate Loan shall be accompanied by payment of interest accrued to the date of payment on the amount of principal paid and (iv) any payment or prepayment of all or any part of any Eurodollar Rate Loan on a day other than the last day of the applicable Eurodollar Period shall be subject to Section 3.8(e).

3.2 Arranger and Agency Fees. On the Closing Date and on each other date upon which a fee is payable, Borrower shall pay to the Lead Arranger and the Administrative Agent such fees as heretofore agreed upon by letter agreement between Borrower, the Lead Arranger and the Administrative Agent. The fees paid to the Lead Arranger and the Administrative Agent are solely for their own account and are nonrefundable.

3.3 Facility Fee. Borrower shall pay to the Administrative Agent, for the ratable accounts of the Lenders pro rata according to their Pro Rata Share of the Commitment, a facility fee equal to the Applicable Facility Fee Rate per annum times the Commitment in effect on each day during a Fiscal

Quarter. The facility fee shall be payable quarterly in arrears on each Quarterly Payment Date.

3.4 Utilization Fee. Borrower shall pay to the Administrative Agent, for the ratable accounts of the Lenders pro rata according to their Pro Rata Share of the Commitment, a utilization fee equal to 0.125% (12.5 basis points) per annum times the aggregate Indebtedness evidenced by the Notes for each day (or portion thereof) that such Indebtedness evidenced by the Notes is in excess of 33-1/3% of the Commitment. The utilization fee shall be payable quarterly in arrears on each Quarterly Payment Date.

3.5 [Intentionally Omitted].

3.6 [Intentionally Omitted].

3.7 Increased Commitment Costs. If any Lender shall determine in good faith that the introduction after the Closing Date of any applicable law, rule, regulation or guideline regarding capital adequacy, or any change therein or any change in the interpretation or administration thereof by any central bank or other Governmental Agency charged with the interpretation or administration thereof, or compliance by such Lender (or its Eurodollar Lending Office) or any corporation controlling such Lender, with any request, guideline or directive regarding capital adequacy (whether or not having the force of Law) of any such central bank or other authority not imposed as a result of such Lender's or such corporation's failure to comply with any other Laws, affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy and such Lender's desired return on capital) determines in good faith that the amount of such capital is increased, or the rate of return on capital is reduced, as a consequence of its obligations under this Agreement, then, within five (5) Banking Days after demand of such Lender, Borrower shall pay to such Lender, from time to time as specified in good faith by such Lender, additional amounts sufficient to compensate such Lender in light of such circumstances, to the extent reasonably allocable to such

obligations under this Agreement, provided that Borrower shall not be obligated to pay any such amount which arose prior to the date which is ninety (90) days preceding the date of such demand or is attributable to periods prior to the date which is ninety (90) days preceding the date of such demand. Each Lender's determination of such amounts shall be conclusive in the absence of manifest error.

3.8 Eurodollar Costs and Related Matters.

(a) In the event that any Governmental Agency imposes on any Lender any reserve or comparable requirement (including any emergency, supplemental or other reserve) with respect to the Eurodollar Obligations of that Lender, Borrower shall pay that Lender within five (5) Banking Days after demand all amounts necessary to compensate such Lender (determined as though such Lender's Eurodollar Lending Office had funded 100% of its Eurodollar Rate Advance in the Designated Eurodollar Market) in respect of the imposition of such reserve requirements (provided, that Borrower shall not be obligated to pay any such amount which arose prior to the date which is ninety (90) days preceding the date of such demand or is attributable to periods prior to the date which is ninety (90) days preceding the date of such demand). The Lender's determination of such amount shall be conclusive in the absence of manifest error.

(b) If, after the date hereof, the existence or occurrence of any Special Eurodollar Circumstance:

(1) shall subject any Lender or its Eurodollar Lending Office to any tax, duty or other charge or cost with respect to any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans or its obligation to make Eurodollar Rate Advances, or shall change the basis of taxation of payments to any Lender attributable to the principal of or interest on any Eurodollar Rate Advance or any other amounts due under this

Agreement in respect of any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans or its obligation to make Eurodollar Rate Advances, excluding (i) taxes imposed on or measured in whole or in part by its overall net income by (A) any jurisdiction (or political subdivision thereof) in which it is organized or maintains its principal office or Eurodollar Lending Office or (B) any jurisdiction (or political subdivision thereof) in which it is "doing business" and (ii) any withholding taxes or other taxes based on gross income imposed by the United States of America for any period with respect to which it has failed to provide Borrower with the appropriate form or forms required by Section 11.21, to the extent such forms are then required by applicable Laws;

(2) shall impose, modify or deem applicable any reserve not applicable or deemed applicable on the date hereof (including any reserve imposed by the Board of Governors of the Federal Reserve System, special deposit, capital or similar requirements against assets of, deposits with or for the account of, or credit extended by, any Lender or its Eurodollar Lending Office); or

(3) shall impose on any Lender or its Eurodollar Lending Office or the Designated Eurodollar Market any other condition affecting any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans, its obligation to make Eurodollar Rate Advances or this Agreement, or shall otherwise affect any of the same;

(4) and the result of any of the foregoing, as determined in good faith by such Lender, increases the cost to such Lender or its Eurodollar Lending Office of making or maintaining any Eurodollar Rate Advance or in respect of any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans or its obligation to make Eurodollar Rate Advances or reduces the amount of any sum received or receivable by such Lender or its Eurodollar Lending Office with respect to any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans or its obligation to make Eurodollar Rate Advances (assuming such Lender's Eurodollar Lending Office had funded 100% of its Eurodollar Rate Advance in the Designated Eurodollar Market), then, within five (5) Banking Days after demand by such Lender (with a copy to the Administrative Agent), Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction (determined as though such Lender's Eurodollar Lending Office had funded 100% of its Eurodollar Rate Advance in the Designated Eurodollar Market); provided, that Borrower shall not be obligated to pay any such amount which arose prior to the date which is ninety (90) days preceding the date of such demand or is attributable to periods prior to the date which is ninety (90) days preceding the date of such demand. A statement of any Lender claiming compensation under this subsection shall be conclusive in the absence of manifest error.

(c) If, after the date hereof, the existence or occurrence of any Special Eurodollar Circumstance shall, in the good faith opinion of any Lender, make it unlawful or impossible for such Lender or its Eurodollar Lending Office to make, maintain or fund its portion of any Eurodollar Rate Loan, or materially restrict the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the Designated Eurodollar Market, or to determine or charge interest rates based upon the Eurodollar Rate, and such Lender shall so notify the Administrative Agent, then such Lender's obligation to make Eurodollar Rate Advances shall be suspended for the duration of such illegality or impossibility and the Administrative Agent forthwith shall give notice thereof to the other Lenders and Borrower. Upon receipt of such notice, the outstanding principal amount of such Lender's Eurodollar Rate Advances, together with accrued interest thereon, automatically shall be converted to Base Rate Advances on either (1) the last day of the Eurodollar Period(s)

applicable to such Eurodollar Rate Advances if such Lender may lawfully continue to maintain and fund such Eurodollar Rate Advances to such day(s) or (2) immediately if such Lender may not lawfully continue to fund and maintain such Eurodollar Rate Advances to such day(s), provided that in such event the conversion shall not be subject to payment of a prepayment fee under Section 3.8(e). Each Lender agrees to endeavor promptly to notify Borrower of any event of which it has actual knowledge, occurring after the Closing Date, which will cause that Lender to notify the Administrative Agent under this Section, and agrees to designate a different Eurodollar Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender. In the event that any Lender is unable, for the reasons set forth above, to make, maintain or fund its portion of any Eurodollar Rate Loan, such Lender shall fund such amount as an Base Rate Advance for the same period of time, and such amount shall be treated in all respects as an Base Rate Advance. Any Lender whose obligation to make Eurodollar Rate Advances has been suspended under this Section shall promptly notify the Administrative Agent and Borrower of the cessation of the Special Eurodollar Circumstance which gave rise to such suspension.

(d) If, with respect to any proposed Eurodollar Rate Loan:

(1) the Administrative Agent reasonably determines that, by reason of circumstances affecting the Designated Eurodollar Market generally that are beyond the reasonable control of the Lenders, deposits in Dollars (in the applicable amounts) are not being

offered to any Lender in the Designated Eurodollar Market for the applicable Eurodollar Period; or

(2) the Requisite Lenders advise the Administrative Agent that the Eurodollar Rate as determined by the Administrative Agent (i) does not represent the effective pricing to such Lenders for deposits in Dollars in the Designated Eurodollar Market in the relevant amount for the applicable Eurodollar Period, or (ii) will not adequately and fairly reflect the cost to such Lenders of making the applicable Eurodollar Rate Advances;

then the Administrative Agent forthwith shall give notice thereof to Borrower and the Lenders, whereupon until the Administrative Agent notifies Borrower that the circumstances giving rise to such suspension no longer exist, the obligation of the Lenders to make any future Eurodollar Rate Advances shall be suspended.

(e) Upon payment or prepayment of any Eurodollar Rate Advance (other than as the result of a conversion required under Section 3.8(c) on a day other than the last day in the applicable Eurodollar Period (whether voluntarily, involuntarily, by reason of acceleration, or otherwise), or upon the failure of Borrower (for a reason other than the breach by a Lender of its obligation pursuant to Section 2.1(a) to make an Advance) to borrow on the date or in the amount specified for a Eurodollar Rate Loan in any Request for Loan, Borrower shall pay to the appropriate Lender within five (5) Banking Days after demand a prepayment fee or failure to borrow fee, as the case may be (determined as though 100% of the Eurodollar Rate Advance had been funded in the Designated Eurodollar Market) equal to the sum of:

(1) $250; plus

(2) the amount, if any, by which (i) the additional interest would have accrued on the amount prepaid or not borrowed at the Eurodollar Rate plus the Applicable Eurodollar Rate Margin if that amount had remained or been outstanding through the last day of the applicable Eurodollar Period exceeds (ii) the interest that the Lender could recover by placing such amount on deposit in the Designated Eurodollar Market for a period beginning on the date of the prepayment or failure to borrow and ending on the last day of the applicable Eurodollar Period (or, if no deposit rate quotation

is available for such period, for the most comparable period for which a deposit rate quotation may be obtained); plus

(3) all out-of-pocket expenses incurred by the Lender reasonably attributable to such payment, prepayment or failure to borrow.

Each Lender's determination of the amount of any prepayment fee payable under this Section shall be conclusive in the absence of manifest error.

(f) Each Lender agrees to endeavor promptly to notify Borrower of any event of which it has actual knowledge, occurring after the Closing Date, which will entitle such Lender to compensation pursuant to clause (a) or clause (b) of this Section, and agrees to designate a different Eurodollar Lending Office if such designation will avoid the need for or reduce the amount of such compensation and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender. Any request for compensation by a Lender under this Section shall set forth the basis upon which it has been determined that such an amount is due from Borrower, a

calculation of the amount due, and a certification that the corresponding costs have been incurred by the Lender.

3.9 Late Payments. If any installment of principal or interest or any fee or cost or other amount payable under any Loan Document to the Administrative Agent or any Lender is not paid when due, it shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the sum of the Base Rate plus 2%, to the fullest extent permitted by applicable Laws. Accrued and unpaid interest on past due amounts (including, without limitation, interest on past due interest) shall be compounded monthly, on the last day of each calendar month, to the fullest extent permitted by applicable Laws.

3.10 Computation of Interest and Fees. Computation of interest on Base Rate Loans under this Agreement shall be calculated on the basis of a year of 365/366 days and the actual number of days elapsed. Computation of interest on Eurodollar Rate Loans and all fees under this Agreement shall be calculated on the basis of a year of 360 days and the actual number of days elapsed. Interest shall accrue on each Loan for the day on which the Loan is made; interest shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid. Any Loan that is repaid on the same day on which it is made shall bear interest for one day. Notwithstanding anything in this Agreement to the contrary, interest in excess of the maximum amount permitted by applicable Laws shall not accrue or be payable hereunder or under the Notes, and any amount paid as interest hereunder or under the Notes which would otherwise be in excess of such maximum permitted amount shall instead be treated as a payment of principal.

3.11 Non-Banking Days. If any payment to be made by Borrower or any other Party under any Loan Document shall come due on a day other than a Banking Day, payment shall instead be considered due on the next succeeding Banking Day and the extension of time shall be reflected in computing interest and fees.

3.12 Manner and Treatment of Payments.

(a) Each payment hereunder (except payments pursuant to Sections 3.7, 3.8, 11.3, 11.11 and 11.22) or on the Notes or under any other Loan Document shall be made by Borrower to the Administrative Agent without setoff, deduction or counterclaim at the Administrative Agent's Office for the account of each of the Lenders or the Administrative Agent, as the case may be, in immediately available funds not later than 11:00 a.m. California time, on the day of payment (which must be a Banking Day). All payments received after such time, on any Banking Day, shall be deemed received on the next succeeding Banking Day. The amount of all payments received by the Administrative Agent for the account of each Lender shall be immediately paid by the Administrative Agent to the applicable Lender in immediately available funds and, if such payment was

received by the Administrative Agent by 11:00 a.m., California time, on a Banking Day and not so made available to the account of a Lender on that Banking Day, the Administrative Agent shall reimburse that Lender for the cost to such Lender of funding the amount of such payment at the Federal Funds Rate. All payments shall be made in lawful money of the United States of America.

(b) Each payment or prepayment on account of any Loan shall be applied pro rata according to the outstanding Advances made by each Lender comprising such Loan.

(c) Each Lender shall use its best efforts to keep a record (in writing or by an electronic data entry system) of Advances made by it and payments received by it with respect to each of its Notes and, subject to Section 10.6(g), such record shall, as against Borrower, be presumptive

evidence of the amounts owing. Notwithstanding the foregoing sentence, the failure by any Lender to keep such a record shall not affect Borrower's obligation to pay the Obligations.

(d) (i) Any and all payments by Borrower under this Agreement shall be made free and clear of and without deduction or withholding for any and all present or future taxes, including those taxes described in Section 11.3, levies, imposts, deductions, charges or withholdings, and all interest, penalties and liabilities with respect thereto, imposed by any Governmental Agency, excluding, in the case of each Lender and the Administrative Agent, net income taxes or branch profits taxes or franchise and excise taxes (to the extent such taxes are imposed in lieu of net income taxes), imposed on any Lender or the Administrative Agent as a result of a connection between such Lender or the Administrative Agent and the jurisdiction of the Governmental Agency imposing such tax (other than any such connection arising solely from such Lender or the Administrative Agent having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement) (all such non-excluded taxes, assessments and charges being hereinafter referred to as "Non-Excluded Taxes"). If Borrower shall be required by law to deduct or withhold any Non-Excluded Taxes from or in respect of any sum payable hereunder to any Lender or the Administrative Agent (A) the amount payable shall be increased as may be necessary so that after making all required deductions or withholdings (including required deductions or withholdings for Non-Excluded Taxes applicable to additional amounts payable under this Section 3.12(d)) such Lender or the Administrative Agent, as the case may be, receives an amount equal to the amount it would have received had no such deductions or withholdings been made, (B) Borrower shall make such deductions or withholdings and (C) Borrower shall pay the full amount deducted or withheld to the relevant Governmental Agency in accordance with applicable Laws.

(ii) Each Lender organized under the Laws of the United States of America or a State thereof or the District of Columbia on or prior to the execution and delivery of this Agreement (A) shall provide each of the Administrative Agent and Borrower with two original and duly completed United States Internal Revenue Service Forms W-9, or successor applicable form, certifying that such Lender is a United States resident and is exempt from United States backup withholding tax, (B) shall provide the Administrative Agent and Borrower two further copies of any such form or certification from time to time thereafter as requested in writing by Borrower and (C) shall obtain such extensions and renewals thereof as may reasonably be requested in writing by Borrower or the Administrative Agent. Each Person that shall become a participant pursuant to Section 11.8 shall, upon the effectiveness of the related transfer, be required to provide all of the forms and certifications required pursuant to this Section 3.12(d)(ii) as appropriate, as if such participant were a Lender; provided that such participant shall furnish all such required forms and certifications to the Lender from which the related participation was purchased.

(iii) Notwithstanding anything else in this Agreement to

the contrary, for any period with respect to which a Lender has failed to comply with the requirements of Section 3.12(d)(ii) or Section 11.21, as the case may be, such Lender shall not be entitled to any payment under this Section 3.12(d) or to indemnification under Section 3.12(e) with respect to Non-Excluded Taxes imposed by reason of such failure; provided, however, that should a Lender become subject to Non-Excluded Taxes because of its failure to deliver a form required hereunder, Borrower shall, at such Lender's expense (including internal costs of Borrower), take such steps as such Lender shall reasonably require to assist the Lender to recover such Non-Excluded Taxes.

(iv) Should any Lender claim a refund, credit or deduction from a Governmental Agency to which such Lender would not be entitled but for the payment by Borrower of

Non-Excluded Taxes as required by this Section 3.12(d), such Lender thereupon shall pay the amount of such refund or, in the case of a credit or deduction, the amount equal to the amount by which other taxes of such Lender are actually reduced, together with any interest paid or allowed by the refunding, crediting or deducting Governmental Agency in connection with such refund, credit or deduction.

(e) Borrower shall indemnify each Lender and the Administrative Agent for and hold each of them harmless against the full amount of Non-Excluded Taxes (including Non-Excluded Taxes of any kind imposed by a Governmental Agency on additional amounts required to be paid pursuant to Section 3.12(d)) imposed on or paid by such Lender or the Administrative Agent, as the case may be. Each Lender and the Administrative Agent hereby agrees to give written notice to Borrower, as appropriate, of the assertion of any claim against such Lender or the Agent relating to Non-Excluded Taxes as promptly as practicable after such Lender or the Administrative Agent has been notified in writing of such assertion. This indemnification shall be made within 30 days from the date such Lender or the Administrative Agent, as the case may be, provides Borrower, as appropriate, with such written notice.

3.13 Funding Sources. Nothing in this Agreement shall be deemed to obligate any Lender to obtain the funds for any Loan or Advance in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan or Advance in any particular place or manner.

3.14 Failure to Charge Not Subsequent Waiver. Any decision by the Administrative Agent or any Lender not to require payment of any interest (including interest arising under Section 3.9), fee, cost or other amount payable under any Loan Document, or to calculate any amount payable by a particular method, on any occasion shall in no way limit or be deemed a waiver of the Administrative Agent's or such Lender's right to require full payment of any interest (including interest arising under Section 3.9), fee, cost or other amount payable under any Loan Document, or to calculate an amount payable by another method that is not inconsistent with this Agreement, on any other or subsequent occasion.

3.15 Administrative Agent's Right to Assume Payments Will be Made. Unless the Administrative Agent shall have been notified by Borrower prior to the date on which any payment to be made by Borrower hereunder is due that Borrower does not intend to remit such payment, the Administrative Agent may, in its discretion, assume that Borrower has remitted such payment when so due and the Administrative Agent may, in its discretion and in reliance upon such assumption, make available to each Lender on such payment date an amount equal to such Lender's share of such assumed payment. If Borrower has not in fact remitted such payment to the Administrative Agent, each Lender shall forthwith on demand repay to the Administrative Agent the amount of such assumed payment made available to such Lender, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent at the Federal Funds Rate.

3.16 Fee Determination Detail. The Administrative Agent, and any

Lender, shall provide reasonable detail to Borrower regarding the manner in which the amount of any payment to the Administrative Agent and the Lenders, or that Lender, under Article 3 has been determined, concurrently with demand for such payment.

3.17 Survivability. All of Borrower's obligations under Sections 3.7 and 3.8 shall survive for the ninety (90) day period following the date on which the Commitment is terminated and all Loans

hereunder are fully paid, and Borrower shall remain obligated thereunder for all claims under such Sections made by any Lender to Borrower prior to the expiration of such period.

3.18 Substitution of Lender. If (a) the obligation of any Lender to make Eurodollar Rate Advances has been suspended for ten (10) Banking Days or more pursuant to Sections 3.8(c) or 3.8(d) or (b) any Lender has demanded and been paid compensation of $5,000 or more under Section 3.7 or 3.8, Borrower shall have the right, with the assistance of the Administrative Agent, to seek a mutually satisfactory substitute lender or lenders (which may be one or more of the Lenders or an Eligible Assignee) to replace such Lender. Any substitution under this Section 3.18 may be accomplished at Borrower's option either (i) by the replaced Lender assigning its rights and obligations hereunder to the replacement lender or lenders pursuant to Section 11.8 at a mutually agreeable price or (ii) by Borrower prepaying all outstanding Advances from the replaced Lender and terminating its obligations hereunder on a date specified in a notice delivered to the Administrative Agent and the replaced Lender at least three (3) Banking Days before the date so specified (and compensating such Lender for any resulting funding losses as provided in Section 3.8(e)) and concurrently the replacement lender or lenders assuming a Pro Rata Share of the Commitment in an amount equal to the Pro Rata Share of the Commitment being terminated and making Advances in the same aggregate amount and having the same maturity date or dates, respectively, as the Advances being prepaid, all pursuant to documents reasonably satisfactory to the Administrative Agent (and in the case of any document to be signed by the replaced Lender, reasonably satisfactory to such Lender). Borrower must give written notice to the affected Lender and the Administrative Agent within sixty (60) days after the applicable event described in clauses (a) or (b) of the first sentence of this Section of its intent to exercise its rights under this Section, and must complete the substitution within thirty (30) days after the date of such notice. No such substitution shall relieve Borrower of its obligations to compensate and/or indemnify the replaced Lender as required by Sections 3.7 and 3.8 with respect to the period before it is replaced and to pay all accrued interest, accrued fees and other amounts owing the replaced Lender hereunder.

3.19 Accruals Under Pre-Existing Loan Documents. The accrual of interest and fees payable by Borrower under the Pre-Existing Loan Documents shall be calculated as provided therein through the effective date of this Agreement. Such fees include, without limitation, those specified in Sections 3.2, 3.3 and 3.4 of the Original Loan Agreement. All such accrued interest and fees through the effective date of this Agreement shall, notwithstanding any provision of the Pre-Existing Loan Documents or hereunder to the contrary, be due on the effective date of this Agreement and shall be payable immediately upon submission of an invoice therefor to Borrower by the Administrative Agent. Upon receipt by the Administrative Agent, all such amounts shall be promptly distributed by the Administrative Agent in accordance with the terms of the Pre-Existing Loan Documents.

Article 4
REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to the Lenders that:

4.1 Existence and Qualification; Power; Compliance With Laws. Borrower is a corporation duly formed, validly existing and in good standing under the Laws of Delaware. Borrower is duly qualified or registered to transact business and is in good standing in Maryland and each other jurisdiction in which the conduct of its business or the ownership or leasing of its Properties makes such qualification or registration necessary, except where the failure so to qualify or register and to be in good standing would not constitute a Material Adverse Effect. Borrower has all requisite power and authority to conduct its business, to own and lease its Properties and to execute and deliver each Loan Document to which it is a Party and to perform its Obligations. All outstanding shares of capital stock of Borrower are duly authorized, validly issued, fully paid and non-assessable, and no holder thereof has any enforceable right of rescission under any applicable state or federal securities Laws. Borrower is in compliance with all Laws (except for Hazardous Materials Laws which are the subject of Section 4.18) and other legal requirements applicable to its business, has obtained all authorizations, consents, approvals, orders, licenses and permits from, and has accomplished all filings, registrations and qualifications with, or obtained exemptions from any of the foregoing from, any Governmental Agency that are necessary for the transaction of its business, except where the failure so to comply, obtain authorizations, etc., file, register, qualify or obtain exemptions does not constitute a Material Adverse Effect.

4.2 Authority; Compliance With Other Agreements and Instruments and Government Regulations. The execution, delivery and performance by Borrower and the Subsidiary Guarantors of the Loan Documents to which it is a Party have been duly authorized by all necessary corporate action, and do not and will not:

(a) Require any consent or approval not heretofore obtained of any partner, director, stockholder, security holder or creditor of such Party;

(b) Violate or conflict with any provision of such Party's charter, articles of incorporation or bylaws, as applicable;

(c) Result in or require the creation or imposition of any Lien (other than pursuant to the Loan Documents) or Right of Others upon or with respect to any Property now owned or leased or hereafter acquired by such Party;

(d) Violate any Requirement of Law applicable to such Party;

(e) Result in a breach of or constitute a default under, or cause or permit the acceleration of any obligation owed under, any material indenture or loan or credit agreement or any other Contractual Obligation to which such Party is a party or by which such Party or any of its Property is bound or affected;

and such Party is not in violation of, or default under, any Requirement of Law or Contractual Obligation, or any material indenture, loan or credit agreement described in Section 4.2(e), in any respect that constitutes a Material Adverse Effect.

4.3 No Governmental Approvals Required. Except as previously obtained or made, no authorization, consent, approval, order, license or permit from, or filing, registration or qualification with, any Governmental Agency is or will be required to authorize or permit under applicable Laws the execution, delivery and performance by Borrower or any Subsidiary Guarantor of the Loan Documents to which it is a Party.

4.4 Subsidiaries.

(a) Schedule 4.4(a) hereto correctly sets forth as of the Closing Date the names, form of legal entity, number of shares of capital stock issued and outstanding, number of shares owned by Borrower or a Subsidiary of Borrower (specifying such owner) and jurisdictions of organization of all Subsidiaries of Borrower and specifies which thereof, as of the Closing Date, are Inactive Subsidiaries. Except as described in Schedule 4.4(a), Borrower does not as of the Closing Date own any capital

stock, equity interest or debt security which is convertible, or exchangeable, for capital stock or equity interest in any Person. Unless otherwise indicated in Schedule 4.4(a), all of the outstanding shares of capital stock, or all of the units of equity interest, as the case may be, of each Subsidiary are owned of record and beneficially by Borrower, there are no outstanding options, warrants or other rights to purchase capital stock of any such Subsidiary, and all such shares or equity interests so owned are duly authorized, validly issued, fully paid and non-assessable, and were issued in compliance with all applicable state and federal securities and other Laws, and are free and clear of all Liens, except for Permitted Encumbrances.

(b) Each Subsidiary is a legal entity of the type described in Schedule 4.4(a) duly formed, validly existing and in good standing under the Laws of its jurisdiction of organization, is duly qualified to do business as a foreign organization and is in good standing as such in each jurisdiction in which the conduct of its business or the ownership or leasing of its Properties makes such qualification necessary (except where the failure to be so duly qualified and in good standing does not constitute a Material Adverse Effect), and has all requisite power and authority to conduct its business and to own and lease its Properties.

(c) Except as described in Schedule 4.4(c), each Subsidiary is in compliance with all Laws (except for Hazardous Materials Laws which are the subject of Section 4.18) and other requirements applicable to its business and has obtained all authorizations, consents, approvals, orders, licenses, and permits from, and each such Subsidiary has accomplished all filings, registrations, and qualifications with, or obtained exemptions from any of the foregoing from, any Governmental Agency that are necessary for the transaction of its business, except where the failure to be in such compliance, obtain such authorizations, consents, approvals, orders, licenses, and permits, accomplish such filings, registrations, and qualifications, or obtain such exemptions, does not constitute a Material Adverse Effect.

4.5 Financial Statements. Borrower has furnished to the Lenders (a) the audited financial statements of Borrower for the Fiscal Year ended June 30, 1999 and (b) the unaudited balance sheet and statement of operations of Borrower for the Fiscal Quarter ended March 31, 2000. The financial statements described in clause (a) fairly present in all material respects the financial condition, results of operations and changes in financial position of Borrower, and the balance sheet and statement of operations described in clause (b) fairly present the financial condition and results of operations of Borrower as of such dates and for such periods in conformity with GAAP consistently applied (except as otherwise indicated in the notes thereto), subject only to normal year-end accruals and audit adjustments.

4.6 No Other Liabilities; No Material Adverse Changes. Borrower and its Subsidiaries do not have any material liability or material contingent liability required under GAAP to be reflected or disclosed, and not reflected or disclosed, in the balance sheet described in Section 4.5(c), other than liabilities and contingent liabilities arising in the ordinary course of business since the date of such financial statements. As of the Closing Date, no circumstance or event has occurred that constitutes a Material Adverse Effect since June 30, 1999, except as set forth in Schedule 4.6.

4.7 Title to and Location of Property. Borrower and its Subsidiaries have valid title to the Property (other than assets which are the subject of a Capital Lease Obligation) reflected in the balance sheet described in Section 4.5(c), other than (a) items of Property or exceptions to title which are in each case immaterial and Property subsequently sold or disposed of in the ordinary course of business and (b) uranium inventory owned by customers of Borrower or its Subsidiaries for which a corresponding liability in favor of such customers is reflected in such balance sheet. Such Property is free and clear of all Liens and Rights of Others, other than Liens or Rights of Others described in Schedule 4.7 and Permitted Encumbrances and Permitted Rights of Others.

4.8 Intellectual Property. Except as set forth in Schedule 4.8,

Borrower and its Subsidiaries own, or possess the right to use to the extent necessary in their respective businesses, all trademarks, service marks, trade names, copyrights, patents, patent rights and related registrations and applications that are used in and are material to the conduct of their businesses as now operated, and no such intellectual property, to the best knowledge of Borrower, conflicts with the valid trademark, service mark, trade name, copyright, patent or patent right of any other Person to the extent that such conflict constitutes a Material Adverse Effect.

4.9 Public Utility Holding Company Act. Neither Borrower nor any of its Subsidiaries is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

4.10 Litigation. Except for (a) any matter fully covered as to subject matter and amount (subject to applicable deductibles and retentions) by insurance for which the insurance carrier has not asserted lack of subject matter coverage or reserved its right to do so, (b) any matter, or series of related matters, involving a claim against Borrower or any of its Subsidiaries or Predecessor of less than $1,000,000, (c) matters involving a claim against Predecessor for which neither Borrower nor any of its Subsidiaries will be liable subsequent to Privatization, (d) matters of an administrative nature not involving a claim or charge against Borrower or any of its Subsidiaries or Predecessor, (e) matters involving a claim under Hazardous Materials Laws which are the subject of Section 4.18 and (f) matters set forth in Schedule 4.10, there are no actions, suits, proceedings or investigations pending as to which Borrower or any of its Subsidiaries or Predecessor have been served or have received notice or, to the best knowledge of Borrower, threatened against or affecting Borrower or any of its Subsidiaries or Predecessor or any Property of any of them before any Governmental Agency.

4.11 Binding Obligations. Each of the Loan Documents to which Borrower and any Subsidiary Guarantor is a Party will, when executed and delivered by such Party, constitute the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforcement may be limited by Debtor Relief Laws or equitable principles relating to the granting of specific performance and other equitable remedies as a matter of judicial discretion.

4.12 No Default. No event has occurred and is continuing that is a Default or Event of Default.

4.13 ERISA.

(a) With respect to each Pension Plan:

(i) such Pension Plan complies in all material respects with ERISA and any other applicable Laws to the extent that noncompliance could reasonably be expected to have a Material Adverse Effect;

(ii) such Pension Plan has not incurred any "accumulated funding deficiency" (as defined in Section 302 of ERISA) that could reasonably be expected to have a Material Adverse Effect;

(iii) no "reportable event" (as defined in Section 4043 of ERISA, but excluding such events as to which the PBGC has by regulation waived the requirement therein contained that it be notified within thirty days of the occurrence of such event) has occurred that could reasonably be expected to have a Material Adverse Effect; and

(iv) neither Borrower nor any of its Subsidiaries has engaged in any non-exempt "prohibited transaction" (as defined in Section 4975 of the Code) that could reasonably be expected to have a Material Adverse Effect.

(b) Neither Borrower nor any of its Subsidiaries has incurred

or expects to incur any withdrawal liability to any Multiemployer Plan that could reasonably be expected to have a Material Adverse Effect.

4.14 Regulation U; Investment Company Act. No part of the proceeds of any Loan hereunder will be used to purchase or carry, or to extend credit to others for the purpose of purchasing or carrying, any Margin Stock in violation of Regulation U. Neither Borrower nor any of its Subsidiaries is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

4.15 Disclosure. No written statement made by a Senior Officer to the Administrative Agent or any Lender in connection with this Agreement, or in connection with any Loan, taken as a whole with other written statements concurrently or theretofore made, as of the date thereof contained any untrue statement of a material fact or omitted a material fact necessary to make the statement made not misleading in light of all the circumstances existing at the date the statement was made.

4.16 Tax Liability. Borrower and its Subsidiaries have filed all tax returns which are required to be filed, such returns are true, complete, correct and in compliance with applicable Laws and Borrower and its Subsidiaries have paid, or made provision for the payment of, all taxes shown to be due and payable in said returns, or pursuant to any written assessment received by Borrower or any of its Subsidiaries, except (a) such tax returns, taxes, fees or other charges the amount or validity of which are being contested in good faith by appropriate proceedings and as to which adequate reserves in respect to the reasonably anticipated liability have been established and maintained and (b) such returns or taxes which, if not filed or paid, would not constitute a Material Adverse Effect.

4.17 [Intentionally Omitted].

4.18 Hazardous Materials. Except as described in Schedule 4.18, as of the Closing Date (a) neither Borrower nor any of its Subsidiaries or Predecessor at any time has disposed of, discharged, released or threatened the release of any Hazardous Materials on, from or under the Real Property in violation of any Hazardous Materials Law that would individually or in the aggregate constitute a Material Adverse Effect, (b) to the best knowledge of Borrower, no condition exists that violates any Hazardous Material Law affecting any Real Property except for such violations that would not individually or in the aggregate constitute a Material Adverse Effect, (c) no Real Property or any portion thereof is or has been utilized by Borrower or any of its Subsidiaries or Predecessor as a site for the manufacture of any Hazardous Materials and (d) to the extent that any Hazardous Materials are used, generated or stored by Borrower or any of its Subsidiaries or Predecessor on any Real Property, or transported to or from such Real Property by Borrower or any of its Subsidiaries, such use, generation, storage and transportation are in compliance with all Hazardous Materials Laws except for such non-compliance that would not constitute a Material Adverse Effect or be materially adverse to the interests of the Lenders.

4.19 Solvency. On the Closing Date, giving effect to all transactions occurring on that date, each of Borrower and USEC (Delaware) is Solvent.

4.20 [Intentionally Omitted].

4.21 [Intentionally Omitted].

4.22 [Intentionally Omitted].

Article 5
AFFIRMATIVE COVENANTS
(OTHER THAN INFORMATION AND

REPORTING REQUIREMENTS)

So long as any Advance remains unpaid, or any other Obligation remains unpaid, or any portion of the Commitment remains in force, Borrower shall, and shall cause its Subsidiaries to, unless the Administrative Agent (with the written approval of the Requisite Lenders) otherwise consents:

5.1 Payment of Taxes and Other Potential Liens. Pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon any of them, upon their respective Property or any part thereof and upon their respective income or profits or any part thereof, except that Borrower and its Subsidiaries shall not be required to pay or cause to be paid (a) any tax, assessment, charge or levy that is not yet past due, or is being contested in good faith by appropriate proceedings so long as the relevant entity has established and maintains adequate reserves in respect of the reasonably anticipated liability for the payment of the same or (b) such taxes which, if not paid, would not constitute a Material Adverse Effect.

5.2 Preservation of Existence. Preserve and maintain their respective existences in the jurisdiction of their formation and all material authorizations, rights, franchises, privileges, consents, approvals, orders, licenses, permits, or registrations from any Governmental Agency that are necessary for the transaction of their respective business and qualify and remain qualified to transact business in each jurisdiction in which such qualification is necessary in view of their respective business or the ownership or leasing of their respective Properties except (a) a merger permitted by Section 6.2 or as otherwise permitted by this Agreement and (b) where the failure to so qualify or remain qualified would not constitute a Material Adverse Effect.

5.3 Maintenance of Properties. Maintain, preserve and protect all of their respective Properties in good order and condition, subject to wear and tear in the ordinary course of business, and not permit any waste of their respective Properties, except that the failure to maintain, preserve and protect a particular item of Property that is at the end of its useful life or that is not of significant value, either intrinsically or to the operations of Borrower, shall not constitute a violation of this covenant.

5.4 Maintenance of Insurance. Maintain liability, casualty and other insurance (subject to customary deductibles and retentions) with responsible insurance companies in such amounts and against such risks as is carried by responsible companies engaged in similar businesses and owning similar assets in the general areas in which Borrower and its Subsidiaries operate.

5.5 Compliance With Laws. Comply with all Requirements of Law noncompliance with which constitutes a Material Adverse Effect, except that Borrower and its Subsidiaries need not comply with a Requirement of Law then being contested by any of them in good faith by appropriate proceedings.

5.6 Inspection Rights. Upon reasonable notice, at any time during regular business hours and as often as reasonably requested (but not so as to materially interfere with the business of Borrower or any of its Subsidiaries) permit the Administrative Agent or any Lender, or any authorized employee, agent or representative thereof, to examine, audit and make copies and abstracts from the records and books of account of, and to visit and inspect the Properties of, Borrower and its Subsidiaries and to discuss the affairs, finances and accounts of Borrower and its Subsidiaries with any of their officers, key employees or accountants, subject in each case to compliance with applicable Laws; provided that Borrower and its Subsidiaries shall not be obligated to provide any information that is "classified" under applicable Laws.

5.7 Keeping of Records and Books of Account. Keep adequate records and books of account reflecting all financial transactions in conformity with GAAP, consistently applied, and in material conformity with all applicable requirements of any Governmental Agency having regulatory jurisdiction over Borrower and its Subsidiaries.

5.8 Compliance With Agreements. Promptly and fully comply with all Contractual Obligations to which any one or more of them is a party, except for any such Contractual Obligations (a) the performance of which would cause a Default or (b) if the failure to comply does not constitute a Material Adverse Effect.

5.9 Use of Proceeds. Use the proceeds of Loans to provide working capital and to fund general corporate purposes.

5.10 Hazardous Materials Laws. Keep and maintain all Real Property and each portion thereof in compliance in all material respects with all applicable Hazardous Materials Laws and promptly notify the Administrative Agent in writing (attaching a copy of any pertinent written material) of (a) any and all material enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened in writing by a Governmental Agency pursuant to any applicable Hazardous Materials Laws, (b) any and all material claims made or threatened in writing by any Person against Borrower relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials and (c) discovery by any Senior Officer of any of Borrower of any material occurrence or condition on any real Property adjoining or in the vicinity of such Real Property that could reasonably be expected to cause such Real Property or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability or use of such Real Property under any applicable Hazardous Materials Laws.

5.11 Future Subsidiaries. Cause any Subsidiary (other than an Inactive Subsidiary), formed or acquired after the Closing Date to execute and deliver an appropriate joinder to the Subsidiary Guaranty.

Article 6
NEGATIVE COVENANTS

So long as any Advance remains unpaid, or any other Obligation remains unpaid, or any portion of the Commitment remains in force, Borrower shall not, and shall not permit any of its Subsidiaries to, unless the Administrative Agent (with the written approval of the Requisite Lenders or, if required by Section 11.2, of all of the Lenders) otherwise consents:

6.1 Disposition of Property. Make any Disposition of its Property, whether now owned or hereafter acquired, (a) except a Disposition by Borrower to a Wholly-Owned Subsidiary, or by a Subsidiary to Borrower or a Wholly-Owned Subsidiary and (b) a Disposition for which the Net Cash Sales Proceeds, when added to the aggregate Net Cash Sales Proceeds of all Dispositions made during that Fiscal Year, does not exceed an amount equal to 10% of the book value of consolidated total assets of Borrower and its Subsidiaries as of the last day of the immediately preceding Fiscal Year.

6.2 Mergers. Merge or consolidate with or into any Person, except (a) mergers and consolidations of a Subsidiary of Borrower into Borrower or a Wholly-Owned Subsidiary or of Subsidiaries with each other and (b) a merger or consolidation of a Person into Borrower or with or into a Wholly-Owned Subsidiary of Borrower which constitutes an acquisition permitted by Section 6.3; provided that (i) Borrower or a Wholly-Owned Subsidiary is the surviving entity, (ii) no Change in Control results therefrom, (iii) no Default or Event of Default then exists or would result therefrom and (iv) Borrower and each of the Subsidiary Guarantors execute such amendments to the Loan Documents as the Administrative Agent may reasonably determine are appropriate as a result of such merger.

6.3 Hostile Acquisitions. Directly or indirectly use the proceeds of any Loan in connection with the acquisition of part or all of a voting interest of five percent (5%) or more in any corporation or other business entity if such acquisition is opposed by the board of directors of such corporation or business entity.

6.4 Distributions. Make any Distribution, whether from capital, income or otherwise, and whether in Cash or other Property, subsequent to the Privatization except:

(a) Distributions by any Subsidiary of Borrower to Borrower or any Wholly-Owned Subsidiary;

(b) dividends payable on Common Stock; and

(c) repurchases of Common Stock; provided that no Default or Event of Default then exists or would result therefrom.

6.5 ERISA. At any time, permit any Pension Plan to: (i) engage in any non-exempt "prohibited transaction" (as defined in Section 4975 of the Code); (ii) fail to comply with ERISA or any other applicable Laws; (iii) incur any material "accumulated funding deficiency" (as defined in Section 302 of ERISA); (iv) terminate in any manner, which, with respect to each event listed above, could reasonably be expected to result in a Material Adverse Effect; or (v) withdraw, completely or partially, from any Multiemployer Plan if to do so could reasonably be expected to result in a Material Adverse Effect.

6.6 Change in Nature of Business. Make any material change in the nature of the business of Borrower and its Subsidiaries, taken as a whole; provided that the development and commercialization of an advanced uranium enrichment technology as described in the Registration Statement shall not be deemed a material change in such business.

6.7 Liens and Negative Pledges. Create, incur, assume or suffer to exist any Lien or Negative Pledge of any nature upon or with respect to any of their respective Properties, or engage in any sale and leaseback transaction with respect to any of their respective Properties, whether now owned or hereafter acquired, except:

(a) Liens and Negative Pledges existing on the Closing Date and disclosed in Schedule 4.7 and any renewals/extensions or amendments thereof, provided that the obligations secured or benefited thereby are not increased;

(b) Liens and Negative Pledges under the Loan Documents;

(c) Permitted Encumbrances;

(d) Liens on Property acquired by Borrower or any of its Subsidiaries that were in existence at the time of the acquisition of such Property and were not created in contemplation of such acquisition;

(e) Liens (to the extent that such arrangements constitute a Lien) on uranium inventory owned by customers of Borrower but held by Borrower for which there exists a corresponding liability of Borrower in favor of such customers; and

(f) Liens not otherwise described above on Property having a book value or fair market value not in excess of ten percent (10%) of Stockholders' Equity of Borrower and its Subsidiaries as of the last day of the immediately preceding Fiscal Year.

6.8 Transactions with Affiliates. Enter into any transaction of any kind with any Affiliate of Borrower other than (a) salary, bonus, employee stock option and other compensation arrangements with directors or officers in the ordinary course of business, (b) transactions that are fully disclosed to the board of directors (or executive committee thereof) of Borrower and expressly authorized by a resolution of the board of directors (or executive committee) of Borrower which is approved by a majority of the directors (or executive committee) not having an interest in the transaction, (c) transactions between or among Borrower and its Subsidiaries and (d) transactions on overall terms at least as favorable to Borrower or its Subsidiaries as would be the case in an arm's-length transaction between unrelated parties of equal bargaining power.

6.9 Stockholders' Equity. Permit Stockholders' Equity, as of the last day of any Fiscal Quarter, to be less than the sum of (a) $832,500,000 plus (b) 35% of Net Income in the Fiscal Quarter ending September 30, 1998 and each Fiscal Quarter thereafter (with no deduction for a net loss in any such Fiscal

Quarter) plus (c) 50% of the proceeds of any issuance by Borrower of equity securities (except to employees or former employees of Borrower pursuant to an employee stock option plan maintained by Borrower) subsequent to the Reference Date.

6.10 Capitalization Ratio. Permit, as of the last day of any Fiscal Quarter, the ratio of (a) all Indebtedness of Borrower and its Subsidiaries on that date to (b) Total Capitalization on that date to exceed 0.55 to 1.00.

6.11 Investments. Make or suffer to exist any Investment, other than:

(a) Investments in existence on the Closing Date and disclosed on Schedule 6.11;

(b) Investments consisting of Cash Equivalents;

(c) Investments consisting of advances to officers, directors and employees of Borrower and its Subsidiaries for travel, entertainment, relocation, anticipated bonus and analogous ordinary business purposes;

(d) Investments in Wholly-Owned Subsidiaries;

(e) Investments consisting of the extension of credit to customers or suppliers of Borrower and its Subsidiaries in the ordinary course of business and any Investments received in satisfaction or partial satisfaction thereof;

(f) Investments received in connection with the settlement of a bona fide dispute with another Person;

(g) Investments representing all or a portion of the sales price of Property sold or services provided to another Person;

(h) Investments consisting of advances to the vendor under the Russian HEU Contract (as such term is defined in the Registration Statement) and other advances in the ordinary course of business to vendors against purchases of inventory which Borrower is obligated to purchase in the future;

(i) Investments in joint ventures to develop advanced uranium enrichment technologies generally consistent in amounts and timing to those described in Borrower's Strategic Plan dated September, 1997; and

(j) Investments not described above not in excess of an amount equal to 15% of the consolidated total assets of Borrower and its Subsidiaries as of the last day of the immediately preceding Fiscal Quarter outstanding at any time.

6.12 Subsidiary Indebtedness. Permit any Subsidiary of Borrower to create, incur, assume or suffer to exist any Indebtedness or Guaranty Obligation, except (a) Indebtedness and Guaranty Obligations in existence on the Closing Date, (b) the Subsidiary Guaranty, (c) Indebtedness owed to Borrower or another Subsidiary of Borrower, (d) Capital Lease Obligations and purchase money obligations of a Subsidiary in respect of Property used by that Subsidiary, (e) the Subsidiary Guaranty (as such term is defined in the Other Loan Agreement) and (f) other Indebtedness not described above not in excess of $100,000,000 outstanding at any time.

Article 7
INFORMATION AND REPORTING REQUIREMENTS

7.1 Financial and Business Information. So long as any Advance

remains unpaid, or any other Obligation remains unpaid, or any portion of the Commitment remains in force, Borrower shall, unless the Administrative Agent (with the written approval of the Requisite Lenders) otherwise consents, at Borrower's sole expense, deliver to the Administrative Agent for distribution by it to the Lenders, a sufficient number of copies for all of the Lenders of the following:

(a) [Intentionally Omitted];

(b) [Intentionally Omitted];

(c) As soon as practicable, and in any event within 45 days after the end of each Fiscal Quarter (other than the fourth Fiscal Quarter in any Fiscal Year), the consolidated balance sheet of Borrower and its Subsidiaries as at the end of such Fiscal Quarter and the consolidated statements of income and cash flows for such Fiscal Quarter, and the portion of the Fiscal Year ended with such Fiscal Quarter, all in reasonable detail. Such financial statements shall be certified by the chief financial officer of Borrower as fairly presenting the financial condition, results of operations and cash flows of Borrower and its Subsidiaries in accordance with GAAP (other than footnote disclosures), consistently applied, as at such date and for such periods, subject only to normal year-end accruals and audit adjustments;

(d) As soon as practicable, and in any event within 90 days after the end of each Fiscal Year, the consolidated balance sheet of Borrower and its Subsidiaries as at the end of such Fiscal Year and the consolidated statements of income and cash flows, in each case of Borrower and its Subsidiaries for such Fiscal Year, all in reasonable detail. Such financial statements shall be prepared in accordance with GAAP, consistently applied, and shall be accompanied by a report of Arthur Andersen LLP or other independent public accountants of recognized standing, which report shall be prepared in accordance with generally accepted auditing standards as at such date, and shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any other qualification or exception determined by the Requisite Lenders in their good faith business judgment to be adverse to the interests of the Lenders;

(e) Promptly after the same are available, and in any event within five (5) Banking Days after filing with the Securities and Exchange Commission, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of Borrower, and copies of all annual, regular, periodic and special reports and registration statements which Borrower may file or be required to file with the Securities and Exchange Commission under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, and not otherwise required to be delivered to the Lenders pursuant to other provisions of this Section 7.1;

(f) Promptly after request by the Administrative Agent or any Lender, copies of any other report or other document that was filed by Borrower with any Governmental Agency; provided that neither Borrower nor any of its Subsidiaries shall be obligated to provide any information that is "classified" under applicable Laws;

(g) Promptly upon a Senior Officer becoming aware, and in any event within ten (10) Banking Days after becoming aware, of the occurrence of any (i) "reportable event" (as such term is defined in Section 4043 of ERISA, but excluding such events as to which the PBGC has by regulation waived the requirement therein contained that it be notified within thirty days of the occurrence of such event) or (ii) non-exempt "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code) involving any Pension Plan or any trust created thereunder, telephonic notice specifying the nature thereof, and, no more than two (2) Banking Days after such telephonic notice, written notice again specifying the nature thereof and specifying what action Borrower is taking or proposes to take with respect thereto, and, when known, any action taken by the Internal Revenue Service with

respect thereto;

(h) As soon as practicable, and in any event within two (2) Banking Days after a Senior Officer becomes aware of the existence of any condition or event which constitutes a Default or Event of Default, telephonic notice specifying the nature and period of existence thereof, and, no more than two (2) Banking Days after such telephonic notice, written notice again specifying the nature and period of existence thereof and specifying what action Borrower is taking or proposes to take with respect thereto;

(i) Promptly upon a Senior Officer becoming aware that (i) any Person has commenced a legal proceeding with respect to a claim against Borrower that is $5,000,000 or more in excess of the amount thereof that is fully covered by insurance, (ii) any creditor under a credit agreement involving Indebtedness of $5,000,000 or more or any lessor under a lease involving aggregate rent of $5,000,000 or more has asserted a default thereunder on the part of Borrower or, (iii) any Person has commenced a legal proceeding with respect to a claim against Borrower under a contract that is not a credit agreement or material lease with respect to a claim of in excess of $5,000,000 or which otherwise may reasonably be expected to result in a Material Adverse Effect, a written notice describing the pertinent facts relating thereto and what action Borrower is taking or proposes to take with respect thereto;

(j) Promptly upon a Senior Officer becoming aware of a change in the credit rating given by S&P or Moody's to Borrower's long term senior unsecured non-credit enhanced debt, written notice thereof; and

(k) Such other data and information as from time to time may be reasonably requested by the Administrative Agent, any Lender (through the Administrative Agent) or the Requisite Lenders; provided that neither Borrower nor any of its Subsidiaries shall be obligated to provide any information that is "classified" under applicable Laws.

7.2 Compliance Certificates. So long as any Advance remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of any of the Commitments remains outstanding, Borrower shall, at Borrower's sole expense, deliver to the Administrative Agent for distribution by it to the Lenders concurrently with the financial statements required pursuant to Sections 7.1(c) and 7.1(d), a Compliance Certificate signed by a Senior Officer.

Article 8
CONDITIONS

8.1 Initial Advances. The effectiveness of this Agreement as an amendment and restatement of the Original Loan Agreement, and the effectiveness of the other Loan Documents as amendments and restatements of the other Pre-Existing Loan Documents, and the obligation of each Lender to make the initial Advance to be made by it and, if applicable, to make or accept an Adjusting Purchase Payment, are subject to the following conditions precedent, each of which must be satisfied unless all of the Lenders, in their sole and absolute discretion, shall agree otherwise:

(a) The Administrative Agent shall have received all of the following, each of which shall be originals unless otherwise specified, each properly executed by a Responsible Official of each party thereto, each dated as of the Closing Date and each in form and substance satisfactory to the Administrative Agent and its legal counsel (unless otherwise specified or, in the case of the date of any of the following, unless the Administrative Agent otherwise agrees or directs):

(1) at least one (1) executed counterpart of this Agreement, together with arrangements satisfactory to the Administrative Agent for additional executed counterparts, sufficient in number for distribution to the Lenders and Borrower;

(2) Notes executed by Borrower in favor of each Lender,

each in a principal amount equal to that Lender's Pro Rata Share of the Commitment;

(3) [Intentionally Omitted];

(4) [Intentionally Omitted];

(5) [Intentionally Omitted];

(6) the Subsidiary Guaranty executed by the Subsidiary Guarantors;

(7) with respect to Borrower and the Subsidiary Guarantors, such documentation as the Administrative Agent may reasonably require to establish the due organization, valid existence and good standing of Borrower and the Subsidiary Guarantors, their qualification to engage in business in each material jurisdiction in which they are engaged in business or required to be so qualified, their authority to execute, deliver and perform the Loan Documents to which it is a Party, the identity, authority and capacity of each Responsible Official thereof authorized to act on its behalf, including certified copies of articles of incorporation and amendments thereto, bylaws and amendments thereto, certificates of good standing and/or qualification to engage in business, tax clearance certificates, certificates of corporate resolutions, incumbency certificates, Certificates of Responsible Officials, and the like;

(8) the Opinion of Counsel;

(9) [Intentionally Omitted];

(10) [Intentionally Omitted];

(11) [Intentionally Omitted];

(12) a Certificate of the chief financial officer of Borrower certifying that the conditions specified in Sections 8.1(f) and 8.1(g) have been satisfied; and

(13) such other assurances, certificates, documents, consents or opinions as the Administrative Agent or the Requisite Lenders reasonably may require.

(b) The fees payable on the Closing Date pursuant to Section 3.2 shall have been paid, and any accrued interest and fees under the Pre-Existing Loan Documents shall have been paid as specified in Section 3.19.

(c) There shall not have occurred any event or condition that, in the good faith judgment of the Administrative Agent and the Lead Arranger, constitutes a material disruption of, or material adverse change in the conditions in, the financial, banking or capital markets in connection with the syndication of the Facility.

(d) [Intentionally Omitted].

(e) The reasonable costs and expenses of the Administrative Agent in connection with the preparation of the Loan Documents payable pursuant to Section 11.3, and invoiced to Borrower prior to the Closing Date, shall have been paid.

(f) The representations and warranties of Borrower contained in Article 4 shall be true and correct in all material respects.

(g) Borrower shall be in compliance with all the terms and provisions of the Loan Documents, and giving effect to the initial Advance, no Default or Event of Default shall have occurred and be continuing.

(h) All legal matters relating to the Loan Documents shall be satisfactory to Sheppard, Mullin, Richter & Hampton LLP, special counsel to the Administrative Agent.

(i) The Closing Date shall have occurred on or before July 25, 2000.

(j) The Borrower shall not have exercised its election under Section 3.1(d)(vi) of the Original Loan Agreement to covert the "Loans" (as defined thereunder) to a term loan.

8.2 Any Advance. The obligation of each Lender to make any Advance is subject to the following conditions precedent (unless the Requisite Lenders or, in any case where the approval of all of the Lenders is required pursuant to Section 11.2, all of the Lenders, in their sole and absolute discretion, shall agree otherwise):

(a) except (i) for representations and warranties which expressly speak as of a particular date or are no longer true and correct as a result of a change which is permitted by this Agreement or (ii) as disclosed by Borrower and approved in writing by the Requisite Lenders, the representations and warranties contained in Article 4 (other than Sections 4.4(a), 4.6 (first sentence), 4.10 and 4.17) shall be true and correct in all material respects on and as of the date of the Advance as though made on that date;

(b) no circumstance or event shall have occurred that constitutes a Material Adverse Effect since the Closing Date; provided, that this clause (b) shall not apply at any time that the Facility is explicitly in support of authorized or outstanding commercial paper of Borrower;

(c) other than matters described in Schedule 4.10 or not required as of the Closing Date to be therein described, there shall not be then pending or threatened any action, suit, proceeding or investigation against or affecting Borrower or any of its Subsidiaries or any Property of any of them before any Governmental Agency that constitutes a Material Adverse Effect;

(d) the Administrative Agent shall have timely received a Request for Loan in compliance with Article 2; and

(e) the Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent, such other assurances, certificates, documents or consents related to the foregoing as the Administrative Agent or Requisite Lenders reasonably may require.

8.3 Return of Pre-Existing Notes. Upon the effectiveness of this Agreement, including the delivery by Borrower of all documents required under Section 8.1, the Lenders holding the Pre-Existing Notes shall return them to Borrower, in each case marked "Canceled and Replaced."

Article 9
EVENTS OF DEFAULT AND REMEDIES UPON EVENT OF DEFAULT

9.1 Events of Default. The existence or occurrence of any one or more of the following events, whatever the reason therefor and under any circumstances whatsoever, shall constitute an Event of Default:

(a) Borrower fails to pay any principal on any of the Notes, or any portion thereof, on the date when due; or

(b) Borrower fails to pay any interest on any of the Notes, or any fees under Sections 3.2, 3.3 or 3 .4 or any portion thereof, within five (5) days after the date when due; or fails to pay any other fee or amount payable to the Lenders under any Loan Document, or any portion thereof, within two (2) Banking Days after demand therefor; or

(c) Borrower fails to comply with any of the covenants contained in Article 6; or

(d) Borrower fails to comply with Section 7.1(i) in any respect that is materially adverse to the interests of the Lenders; or

(e) Borrower or any other Party fails to perform or observe any other covenant or agreement (not specified in clause (a), (b), (c) or (d) above) contained in any Loan Document on its part to be performed or observed within twenty (20) Banking Days after the giving of notice by the Administrative Agent on behalf of the Requisite Lenders of such Default or, if such Default is not reasonably susceptible of cure within such period, within such longer period as is reasonably necessary to effect a cure so long as such Borrower or such Party continues to diligently pursue cure of such Default but not in any event in excess of forty (40) Banking Days; or

(f) Any representation or warranty of Borrower or any other Party made in any Loan Document, or in any certificate or other writing delivered by Borrower or such Party pursuant to any Loan Document, proves to have been incorrect when made or reaffirmed in any respect that is materially adverse to the interests of the Lenders; or

(g) Borrower or any Subsidiary Guarantor (i) fails to pay the principal, or any principal installment, of any present or future Indebtedness of $10,000,000 or more, or any guaranty of present or future Indebtedness of $10,000,000 or more, on its part to be paid, when due (or within any stated grace period), whether at the stated maturity, upon acceleration, by reason of required prepayment or otherwise or (ii) fails to perform or observe any other term, covenant or agreement on its part to be performed or observed, or suffers any event of default to occur, in connection with any present or future Indebtedness of $10,000,000 or more, or of any guaranty of present or future Indebtedness of $10,000,000 or more, if as a result of such failure or sufferance any holder or holders thereof (or an agent or trustee on its or their behalf) has the right to declare such Indebtedness due before the date on which it otherwise would become due or the right to require Borrower or the Subsidiary Guarantor to redeem or purchase, or offer to redeem or purchase, all or any portion of such Indebtedness; or

(h) Any Loan Document, at any time after its execution and delivery and for any reason other than the agreement or action (or omission to act) of the Administrative Agent or the Lenders or satisfaction in full of all the Obligations, ceases to be in full force and effect or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any respect which is materially adverse to the interests of the Lenders; or any Party thereto denies in writing that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind same; or

(i) A final judgment against Borrower or any Subsidiary Guarantor is entered for the payment of money in excess of $5,000,000 (not covered by insurance or for which an insurer has reserved its rights) and, absent procurement of a stay of execution, such judgment remains unsatisfied for thirty (30) calendar days after the date of entry of judgment, or in any event later than five (5) days prior to the date of any proposed sale thereunder; or any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the Property of Borrower or any Subsidiary Guarantor and is not released, vacated or fully bonded within thirty (30) calendar days

after its issue or levy; or

(j) Borrower or any Subsidiary Guarantor institutes or consents to the institution of any proceeding under a Debtor Relief Law relating to it or to all or any material part of its Property, or is unable or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its Property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of that Person and the appointment continues undischarged or unstayed for sixty (60) calendar days; or any proceeding under a Debtor Relief Law relating to any such Person or to all or any part of its Property is instituted without the consent of that Person and continues undismissed or unstayed for sixty (60) calendar days; or

(k) The occurrence of an Event of Default (as such term is or may hereafter be specifically defined in any other Loan Document in existence on the Closing Date) under any other Loan Document; or

(l) Any Pension Plan maintained by Borrower is finally determined by the PBGC to have a material "accumulated funding deficiency" as that term is defined in Section 302 of ERISA in excess of an amount equal to 5% of the consolidated total assets of Borrower as of the most-recently ended Fiscal Quarter; or

(m) The Nuclear Regulatory Commission or other Governmental Authority takes any action that restricts the operation of Borrower and its Subsidiaries such that Borrower or its Subsidiary is or will be unable to make scheduled deliveries under customer contracts the payments for which would exceed 10% of the projected gross revenues of Borrower and its Subsidiaries over the next twelve (12) consecutive months; or

(n) The Requisite Lenders determine in good faith that a circumstance or event has occurred that constitutes a Material Adverse Effect; provided, that this clause (n) shall not apply at any time that the Facility is explicitly in support of authorized or outstanding commercial paper of Borrower; or

(o) The occurrence of an Event of Default (as such term is defined in the Other Loan Agreement) under the Other Loan Agreement.

9.2 Remedies Upon Event of Default. Without limiting any other rights or remedies of the Administrative Agent or the Lenders provided for elsewhere in this Agreement, or the other Loan Documents, or by applicable Law, or in equity, or otherwise:

(a) Upon the occurrence, and during the continuance, of any Event of Default other than an Event of Default described in Section 9.1(j):

(1) the Commitment to make Advances and all other obligations of the Administrative Agent or the Lenders and all rights of Borrower and any other Parties under the Loan Documents shall be suspended without notice to or demand upon Borrower, which are expressly waived by Borrower, except that all of the Lenders or the Requisite Lenders (as the case may be, in accordance with Section 11.2) may waive an Event of Default or, without waiving, determine, upon terms and conditions satisfactory to the Lenders or Requisite Lenders, as the case may be, to reinstate the Commitment and such other obligations and rights and make further Advances, which waiver or determination shall apply equally to, and shall be binding upon, all the Lenders;

(2) [Intentionally Omitted]; and

(3) the Requisite Lenders may request the Administrative Agent to, and the Administrative Agent thereupon shall, terminate the Commitment and/or declare all or any part of the unpaid

principal of all Notes, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents to be forthwith due and payable, whereupon the same shall become and be forthwith due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by Borrower.

(b) Upon the occurrence of any Event of Default described in Section 9.1(j):

(1) the Commitment to make Advances and all other obligations of the Administrative Agent or the Lenders and all rights of Borrower and any other Parties under the Loan Documents shall terminate without notice to or demand upon Borrower, which are expressly waived by Borrower, except that all of the Lenders may waive the Event of Default or, without waiving, determine, upon terms and conditions satisfactory to all the Lenders, to reinstate the Commitment and such other obligations and rights and make further Advances, which determination shall apply equally to, and shall be binding upon, all the Lenders;

(2) [Intentionally Omitted]; and

(3) the unpaid principal of all Notes, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents shall be forthwith due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by Borrower.

(c) Upon the occurrence of any Event of Default, the Lenders and the Administrative Agent, or any of them, without notice to (except as expressly provided for in any Loan Document) or demand upon Borrower, which are expressly waived by Borrower (except as to notices expressly provided for in any Loan Document), may proceed (but only with the consent of the Requisite Lenders) to protect, exercise and enforce their rights and remedies under the Loan Documents against Borrower and any other Party and such other rights and remedies as are provided by Law or equity.

(d) The order and manner in which the Lenders' rights and remedies are to be exercised shall be determined by the Requisite Lenders in their sole discretion, and all payments received by the Administrative Agent and the Lenders, or any of them, shall be applied first to the costs and expenses (including reasonable attorneys' fees and disbursements and the reasonably allocated costs of attorneys employed by the Administrative Agent or by any Lender) of the Administrative Agent and of the Lenders, and thereafter paid pro rata to the Lenders in the same proportions that the aggregate Obligations owed to each Lender under the Loan Documents bear to the aggregate Obligations owed under the Loan Documents to all the Lenders, without priority or preference among the Lenders. Regardless of how each Lender may treat payments for the purpose of its own accounting, for the purpose of computing Borrower' Obligations hereunder and under the Notes, payments shall be applied first, to the costs and expenses of the Administrative Agent and the Lenders, as set forth above, second, to the payment of accrued and unpaid interest due under any Loan Documents to and including the date of such application (ratably, and without duplication, according to the accrued and unpaid interest due under each of the Loan Documents), and third, to the payment of all other amounts (including principal and fees) then owing to the Administrative Agent or the Lenders under the Loan Documents. No application of payments will cure any Event of Default, or prevent acceleration, or continued acceleration, of amounts payable under the Loan Documents, or prevent the exercise, or continued exercise, of rights or remedies of the Lenders hereunder or thereunder or at Law or in equity.

Article 10

10.1 Appointment and Authorization. Subject to Section 10.8, each Lender hereby irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Administrative Agent by the terms thereof or are reasonably incidental, as determined by the Administrative Agent, thereto. This appointment and authorization is intended solely for the purpose of facilitating the servicing of the Loans and does not constitute appointment of the Administrative Agent as trustee for any Lender or as representative of any Lender for any other purpose and, except as specifically set forth in the Loan Documents to the contrary, the Administrative Agent shall take such action and exercise such powers only in an administrative and ministerial capacity.

10.2 Administrative Agent and Affiliates. Bank of America National Trust and Savings Association (and each successor Administrative Agent) has the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it were not the Administrative Agent, and the term "Lender" or "Lenders" includes Bank of America, N.A. in its individual capacity. Bank of America, N.A. (and each successor Administrative Agent) and its Affiliates may accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with Borrower, any Subsidiary thereof, or any Affiliate of Borrower or any Subsidiary thereof, as if it were not the Administrative Agent and without any duty to account therefor to the Lenders. Bank of America, N.A. (and each successor Administrative Agent) need not account to any other Lender for any monies received by it for reimbursement of its costs and expenses as Administrative Agent hereunder, or (subject to Section 11.10) for any monies received by it in its capacity as a Lender hereunder. The Administrative Agent shall not be deemed to hold a fiduciary relationship with any Lender and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent.

10.3 Proportionate Interest in any Collateral. The Administrative Agent, on behalf of all the Lenders, shall hold in accordance with the Loan Documents all items of any collateral or interests therein received or held by the Administrative Agent. Subject to the Administrative Agent's and the Lenders' rights to reimbursement for their costs and expenses hereunder (including reasonable attorneys' fees and disbursements and other professional services and the reasonably allocated costs of attorneys employed by the Administrative Agent or a Lender) and subject to the application of payments in accordance with Section 9.2(d), each Lender shall have an interest in the Lenders' interest in such collateral or interests therein in the same proportions that the aggregate Obligations owed such Lender under the Loan Documents bear to the aggregate Obligations owed under the Loan Documents to all the Lenders, without priority or preference among the Lenders.

10.4 Lenders' Credit Decisions. Each Lender agrees that it has, independently and without reliance upon the Administrative Agent, any other Lender or the directors, officers, agents, employees or attorneys of the Administrative Agent or of any other Lender, and instead in reliance upon information supplied to it by or on behalf of Borrower and upon such other information as it has deemed appropriate, made its own independent credit analysis and decision to enter into this Agreement. Each Lender also agrees that it shall, independently and without reliance upon the Administrative Agent, any other Lender or the directors, officers, agents, employees or attorneys of the Administrative Agent or of any other Lender, continue to make its own independent credit analyses and decisions in acting or not acting under the Loan Documents.

10.5 Action by Administrative Agent.

(a) Absent actual knowledge of the Administrative Agent of the existence of a Default, the Administrative Agent may assume that no Default has occurred and is continuing, unless the Administrative Agent (or the Lender that is then the Administrative Agent) has received notice

from Borrower stating the nature of the Default or has received notice from a Lender stating the nature of the Default and that such Lender considers the Default to have occurred and to be continuing.

(b) The Administrative Agent has only those obligations under the Loan Documents as are expressly set forth therein.

(c) Except for any obligation expressly set forth in the Loan Documents and as long as the Administrative Agent may assume that no Event of Default has occurred and is continuing, the Administrative Agent may, but shall not be required to, exercise its discretion to act or not act, except that the Administrative Agent shall be required to act or not act upon the instructions of the Requisite Lenders (or of all the Lenders, to the extent required by Section 11.2) and those instructions shall be binding upon the Administrative Agent and all the Lenders, provided that the Administrative Agent shall not be required to act or not act if to do so would be contrary to any Loan Document or to applicable Law or would result, in the reasonable judgment of the Administrative Agent, in substantial risk of liability to the Administrative Agent.

(d) If the Administrative Agent has received a notice specified in clause (a), the Administrative Agent shall immediately give notice thereof to the Lenders and shall act or not act upon the instructions of the Requisite Lenders (or of all the Lenders, to the extent required by Section 11.2), provided that the Administrative Agent shall not be required to act or not act if to do so would be contrary to any Loan Document or to applicable Law or would result, in the reasonable judgment of the Administrative Agent, in substantial risk of liability to the Administrative Agent, and except that if the Requisite Lenders (or all the Lenders, if required under Section 11.2) fail, for five (5) Banking Days after the receipt of notice from the Administrative Agent, to instruct the Administrative Agent, then the Administrative Agent, in its sole discretion, may act or not act as it deems advisable for the protection of the interests of the Lenders.

(e) The Administrative Agent shall have no liability to any Lender for acting, or not acting, as instructed by the Requisite Lenders (or all the Lenders, if required under Section 11.2), notwithstanding any other provision hereof.

10.6 Liability of Administrative Agent. Neither the Administrative Agent nor any of its directors, officers, agents, employees or attorneys shall be liable for any action taken or not taken by them under or in connection with the Loan Documents, except for their own gross negligence or willful misconduct. Without limitation on the foregoing, the Administrative Agent and its directors, officers, agents, employees and attorneys:

(a) May treat the payee of any Note as the holder thereof until the Administrative Agent receives notice of the assignment or transfer thereof, in form satisfactory to the Administrative Agent, signed by the payee, and may treat each Lender as the owner of that Lender's interest in the Obligations for all purposes of this Agreement until the Administrative Agent receives notice of the assignment or transfer thereof, in form satisfactory to the Administrative Agent, signed by that Lender;

(b) May consult with legal counsel (including in-house legal counsel), accountants (including in-house accountants) and other professionals or experts selected by it, or with legal counsel, accountants or other professionals or experts for Borrower and/or their Subsidiaries or the Lenders, and shall not be liable for any action taken or not taken by it in good faith in accordance with any advice of such legal counsel, accountants or other professionals or experts;

(c) Shall not be responsible to any Lender for any statement, warranty or representation made in any of the Loan Documents or in any notice, certificate, report, request or other statement (written or oral) given or made in connection with any of the Loan Documents;

(d) Except to the extent expressly set forth in the Loan Documents, shall have no duty to ask or inquire as to the performance or

observance by Borrower or its Subsidiaries of any of the terms, conditions or covenants of any of the Loan Documents or to inspect any collateral or any Property, books or records of Borrower or their Subsidiaries;

(e) Will not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, effectiveness, sufficiency or value of any Loan Document, any other instrument or writing furnished pursuant thereto or in connection therewith, or any collateral;

(f) Will not incur any liability by acting or not acting in reliance upon any Loan Document, notice, consent, certificate, statement, request or other instrument or writing believed in good faith by it to be genuine and signed or sent by the proper party or parties; and

(g) Will not incur any liability for any arithmetical error in computing any amount paid or payable by Borrower or any Subsidiary or Affiliate thereof or paid or payable to or received or receivable from any Lender under any Loan Document, including, without limitation, principal, interest, commitment fees, Advances and other amounts; provided that, promptly upon discovery of such an error in computation, the Administrative Agent, the Lenders and (to the extent applicable) Borrower and/or its Subsidiaries or Affiliates shall make such adjustments as are necessary to correct such error and to restore the parties to the position that they would have occupied had the error not occurred.

10.7 Indemnification. Each Lender shall, ratably in accordance with its Pro Rata Share of the Commitment (if the Commitment is then in effect) or in accordance with its proportion of the aggregate Indebtedness then evidenced by the Notes (if the Commitment has then been terminated), indemnify and hold the Administrative Agent and its directors, officers, agents, employees and attorneys harmless against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including reasonable attorneys' fees and disbursements and allocated costs of attorneys employed by the Administrative Agent) that may be imposed on, incurred by or asserted against it or them in any way relating to or arising out of the Loan Documents (other than losses incurred by reason of the failure of Borrower to pay the Indebtedness represented by the Notes) or any action taken or not taken by it as Administrative Agent thereunder, except such as result from its own gross negligence or willful misconduct. Without limitation on the foregoing, each Lender shall reimburse the Administrative Agent upon demand for that Lender's Pro Rata Share of any out-of-pocket cost or expense incurred by the Administrative Agent in connection with the negotiation, preparation, execution, delivery, amendment, waiver, restructuring, reorganization (including a bankruptcy reorganization), enforcement or attempted enforcement of the Loan Documents, to the extent that Borrower or any other Party is required by Section 11.3 to pay that cost or expense

but fails to do so upon demand. Nothing in this Section 10.7 shall entitle the Administrative Agent or any indemnitee referred to above to recover any amount from the Lenders if and to the extent that such amount has theretofore been recovered from Borrower or any of its Subsidiaries. To the extent that the Administrative Agent or any indemnitee referred to above is later reimbursed such amount by Borrower or any of its Subsidiaries, it shall return the amounts paid to it by the Lenders in respect of such amount.

10.8 Successor Administrative Agent. The Administrative Agent may, and at the request of the Requisite Lenders shall, resign as Administrative Agent upon reasonable notice to the Lenders and Borrower effective upon acceptance of appointment by a successor Administrative Agent. If the Administrative Agent shall resign as Administrative Agent under this Agreement, the Requisite Lenders shall appoint from among the Lenders a successor Administrative Agent for the Lenders, which successor Administrative Agent shall be approved by Borrower (and such approval shall not be unreasonably withheld or delayed). If no successor Administrative Agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and Borrower, a successor Administrative Agent from among the Lenders. Upon the acceptance of its appointment as successor Administrative Agent hereunder, such successor Administrative Agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent"

shall mean such successor Administrative Agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article 10, and Sections 11.3, 11.11 and 11.22, shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. Notwithstanding the foregoing, if (a) the Administrative Agent has not been paid its agency fees under Section 3.2 or has not been reimbursed for any expense reimbursable to it under Section 11.3, in either case for a period of at least one (1) year and (b) no successor Administrative Agent has accepted appointment as Administrative Agent by the date which is thirty (30) days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Requisite Lenders appoint a successor Administrative Agent as provided for above.

10.9 No Obligations of Borrower. Nothing contained in this Article 10 shall be deemed to impose upon Borrower any obligation in respect of the due and punctual performance by the Administrative Agent of its obligations to the Lenders under any provision of this Agreement, and Borrower shall have no liability to the Administrative Agent or any of the Lenders in respect of any failure by the Administrative Agent or any Lender to perform any of its obligations to the Administrative Agent or the Lenders under this Agreement. Without limiting the generality of the foregoing, where any provision of this Agreement relating to the payment of any amounts due and owing under the Loan Documents provides that such payments shall be made by Borrower to the Administrative Agent for the account of the Lenders, Borrower's obligations to the Lenders in respect of such payments shall be deemed to be satisfied upon the making of such payments to the Administrative Agent in the manner provided by this Agreement. In addition, Borrower may rely on a written statement by the Administrative Agent to the effect that it has obtained the written consent of the Requisite Lenders or all of the Lenders, as applicable under Section 11.2, in connection with a waiver, amendment, consent, approval or other action by the Lenders hereunder, and shall have no obligation to verify or confirm the same.

Article 11
MISCELLANEOUS

11.1 Cumulative Remedies; No Waiver. The rights, powers, privileges and remedies of the Administrative Agent and the Lenders provided herein or in any Note or other Loan Document are cumulative and not exclusive of any right, power, privilege or remedy provided by Law or equity. No failure or delay on the part of the Administrative Agent or any Lender in exercising any right, power, privilege or remedy may be, or may be deemed to be, a waiver thereof; nor may any single or partial exercise of any right, power, privilege or remedy preclude any other or further exercise of the same or any other right, power, privilege or remedy. The terms and conditions of Article 8 hereof are inserted for the sole benefit of the Administrative Agent and the Lenders; the same may be waived in whole or in part, with or without terms or conditions, in respect of any Loan without prejudicing the Administrative Agent's or the Lenders' rights to assert them in whole or in part in respect of any other Loan.

11.2 Amendments; Consents. No amendment, modification, supplement, extension, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, and no consent to any departure by Borrower or any other Party therefrom, may in any event be effective unless in writing signed by the Administrative Agent with the written approval of the Requisite Lenders (and, in the case of any amendment, modification or supplement of or to any Loan Document to which Borrower is a Party, signed by Borrower, and, in the case of any amendment, modification or supplement to Article 10, signed by the Administrative Agent), and then only in the specific instance and for the specific purpose given; and, without the approval in writing of all the Lenders, no amendment, modification, supplement, termination, waiver or consent may be effective:

(a) To amend or modify the principal of, or the amount of principal or principal prepayments on, any Note, to reduce the rate of interest payable on any Note, or the amount of the Commitment or the Pro

Rata Share of any Lender or the amount of any commitment fee payable to any Lender, or any other fee or amount payable to any Lender under the Loan Documents or to waive an Event of Default consisting of the failure of Borrower to pay when due principal, interest or any fee;

(b) To postpone any date fixed for any payment of principal of, prepayment of principal of or any installment of interest on, any Note or any installment of any fee, or to extend the term of the Commitment;

(c) To amend the provisions of the definition of "Requisite Lenders" or "Maturity Date"; or

(d) To release any material Subsidiary Guarantor from the Subsidiary Guaranty; or

(e) To amend or waive Article 8 or this Section 11.2; or

(f) To amend any provision of this Agreement that expressly requires the consent or approval of all the Lenders.

Any amendment, modification, supplement, termination, waiver or consent pursuant to this Section 11.2 shall apply equally to, and shall be binding upon, all the Lenders and the Administrative Agent.

11.3 Costs, Expenses and Taxes. Borrower shall pay within twenty (20) Banking Days after demand, accompanied by an invoice therefor, the reasonable costs and expenses of the Administrative Agent in connection with the negotiation, preparation, syndication, execution and delivery of the Loan Documents and any amendment thereto or waiver thereof. Borrower shall also pay on demand, accompanied by an invoice therefor, the reasonable costs and expenses of the Administrative Agent and the Lenders in connection with the refinancing, restructuring, reorganization (including a bankruptcy reorganization) and enforcement or attempted enforcement of the Loan Documents, and any matter related thereto. The foregoing costs and expenses shall include filing fees, recording fees, title insurance fees, appraisal fees, search fees, and other out-of-pocket expenses and the reasonable fees and out-of-pocket expenses of any legal counsel (including reasonably allocated costs of legal counsel employed by the Administrative Agent or any Lender), independent public accountants and other outside experts retained by the Administrative Agent or any Lender, whether or not such costs and expenses are incurred or suffered by the Administrative Agent or any Lender in connection with or during the course of any bankruptcy or insolvency proceedings of any of Borrower or any Subsidiary thereof. Borrower shall pay any and all documentary and other taxes that may be payable in connection with the execution and delivery of the Loan Documents and agrees to hold harmless and indemnify on the terms set forth in 11.11 the Administrative Agent and the Lenders from and against any and all loss, liability or legal or other expense with respect to or resulting from any delay in paying or failure to pay any such tax, cost, expense, fee or charge or that any of them may suffer or incur by reason of the failure of any Party to perform any of its Obligations.

11.4 Nature of Lenders' Obligations. The obligations of the Lenders hereunder are several and not joint or joint and several. Nothing contained in this Agreement or any other Loan Document and no action taken by the Administrative Agent or the Lenders or any of them pursuant hereto or thereto may, or may be deemed to, make the Lenders a partnership, an association, a joint venture or other entity, either among themselves or with the Borrower or any Affiliate of any of Borrower. A default by any Lender will not increase the Pro Rata Share of the Commitments attributable to any other Lender. Any Lender not in default may, if it desires, assume in such proportion as the nondefaulting Lenders agree the obligations of any Lender in default, but is not obligated to do so. The Administrative Agent agrees that it will use its best efforts either to induce promptly the other Lenders to assume the obligations of a Lender in default or to obtain promptly another Lender, reasonably satisfactory to Borrower, to replace such a Lender in default.

11.5 Survival of Representations and Warranties. All representations and warranties contained herein or in any other Loan Document, or in any certificate or other writing delivered by or on behalf of any one or more of the Parties to any Loan Document, will survive the making of the Loans hereunder and

the execution and delivery of the Notes, and have been or will be relied upon by the Administrative Agent and each Lender, notwithstanding any investigation made by the Administrative Agent or any Lender or on their behalf.

11.6 Notices. Except as otherwise expressly provided in the Loan Documents, all notices, requests, demands, directions and other communications provided for hereunder or under any other Loan Document must be in writing and must be mailed, telegraphed, telecopied, dispatched by commercial courier or delivered to the appropriate party at the address set forth on the signature pages of this Agreement or other applicable Loan Document or, as to any party to any Loan Document, at any other address as may be designated by it in a written notice sent to all other parties to such Loan Document in accordance with this Section. Except as otherwise expressly provided in any Loan Document, if any notice, request, demand, direction or other communication required or permitted by any Loan Document is given by mail it will be effective on the earlier of receipt or the fourth Banking Day after deposit in the United States mail with first class or airmail postage prepaid; if given by telegraph or cable, when delivered to the telegraph company with charges prepaid; if given

by telecopier, when sent; if dispatched by commercial courier, on the scheduled delivery date; or if given by personal delivery, when delivered.

11.7 Execution of Loan Documents. Unless the Administrative Agent otherwise specifies with respect to any Loan Document, (a) this Agreement and any other Loan Document may be executed in any number of counterparts and any party hereto or thereto may execute any counterpart, each of which when executed and delivered will be deemed to be an original and all of which counterparts of this Agreement or any other Loan Document, as the case may be, when taken together will be deemed to be but one and the same instrument and (b) execution of any such counterpart may be evidenced by a telecopier transmission of the signature of such party. The execution of this Agreement or any other Loan Document by any party hereto or thereto will not become effective until counterparts hereof or thereof, as the case may be, have been executed by all the parties hereto or thereto.

11.8 Binding Effect; Assignment.

(a) This Agreement and the other Loan Documents to which Borrower is a Party will be binding upon and inure to the benefit of Borrower, the Administrative Agent, each of the Lenders, and their respective successors and assigns, except that Borrower may not assign its rights hereunder or thereunder or any interest herein or therein without the prior written consent of all the Lenders. Each Lender represents that it is not acquiring its Note with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (subject to any requirement that disposition of such Note must be within the control of such Lender). Any Lender may at any time pledge its Note or any other instrument evidencing its rights as a Lender under this Agreement to a Federal Reserve Bank, but no such pledge shall release that Lender from its obligations hereunder or grant to such Federal Reserve Bank the rights of a Lender hereunder absent foreclosure of such pledge.

(b) From time to time following the Closing Date, each Lender may assign to one or more Eligible Assignees all or any portion of its Pro Rata Share of the Commitment; provided that (i) such Eligible Assignee, if not then a Lender or an Affiliate of the assigning Lender, shall be approved by the Administrative Agent and (if no Event of Default then exists) Borrower (neither of which approvals shall be unreasonably withheld or delayed), (ii) such assignment shall be evidenced by a Commitment Assignment and Acceptance, a copy of which shall be furnished to the Administrative Agent as hereinbelow provided, (iii) except in the case of an assignment to an Affiliate of the assigning Lender, to another Lender or of the entire remaining Commitment of the assigning Lender, the assignment shall not assign a Pro Rata Share of the Commitment that is equivalent to less than $5,000,000, (iv) [Intentionally Omitted]; (v) [Intentionally Omitted], and (vi) the effective date of any such assignment shall be as specified in the Commitment Assignment and Acceptance, but not earlier than the date which is five (5) Banking Days after the date the Administrative Agent has received the Commitment Assignment and Acceptance, unless otherwise consented to by the

Administrative Agent. Upon the effective date of such Commitment Assignment and Acceptance, the Eligible Assignee named therein shall be a Lender for all purposes of this Agreement, with the Pro Rata Share of the Commitment therein set forth and, to the extent of such Pro Rata Share, the assigning Lender shall be released from its further obligations under this Agreement. Borrower agrees that it shall execute and deliver (against delivery by the assigning Lender to Borrower of its Note) to such assignee Lender, a Note evidencing that assignee Lender's Pro Rata Share of the Commitment, and to the assigning Lender, a Note evidencing the remaining balance Pro Rata Share retained by the assigning Lender.

(c) By executing and delivering a Commitment Assignment and Acceptance, the Eligible Assignee thereunder acknowledges and agrees that: (i) other than the representation and

warranty that it is the legal and beneficial owner of the Pro Rata Share of the Commitment being assigned thereby free and clear of any adverse claim, the assigning Lender has made no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness or sufficiency of this Agreement or any other Loan Document; (ii) the assigning Lender has made no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower or the performance by Borrower of the Obligations; (iii) it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Section 7.1 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Commitment Assignment and Acceptance; (iv) it will, independently and without reliance upon the Administrative Agent or any Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) it appoints and authorizes the Administrative Agent to take such action and to exercise such powers under this Agreement as are delegated to the Administrative Agent by this Agreement; and (vi) it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain at the Administrative Agent's Office a copy of each Commitment Assignment and Acceptance delivered to it and a register (the "Register") of the names and address of each of the Lenders and the Pro Rata Share of the Commitment held by each Lender, giving effect to each Commitment Assignment and Acceptance. The Register shall be available during normal business hours for inspection by Borrower or any Lender upon reasonable prior notice to the Administrative Agent. After receipt of a completed Commitment Assignment and Acceptance executed by any Lender and an Eligible Assignee, and receipt of an assignment fee of $3,000 from such Lender or Eligible Assignee, the Administrative Agent shall, promptly following the effective date thereof, provide to Borrower and the Lenders a revised Schedule 1.1 giving effect thereto. Borrower, the Administrative Agent and the Lenders shall deem and treat the Persons listed as Lenders in the Register as the holders and owners of the Pro Rata Share of the Commitment listed therein for all purposes hereof, and no assignment or transfer of any such Pro Rata Share of the Commitment shall be effective, in each case unless and until a Commitment Assignment and Acceptance effecting the assignment or transfer thereof shall have been accepted by the Administrative Agent and recorded in the Register as provided above. Prior to such recordation, all amounts owed with respect to the applicable Pro Rata Share of the Commitment shall be owed to the Lender listed in the Register as the owner thereof, and any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is listed in the Register as a Lender shall be conclusive and binding on any subsequent holder, assignee or transferee of the corresponding Pro Rata Share of the Commitment.

(e) Each Lender may from time to time grant participations to one or more banks or other financial institutions in a portion of its Pro Rata Share of the Commitment; provided, however, that (i) such Lender's

obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other financial institutions shall not be a Lender hereunder for any purpose except, if the participation agreement so provides, for the purposes of Sections 3.7, 3.8, 11.11 and 11.22 but only to the extent that the cost of such benefits to Borrower does not exceed the cost which Borrower would have incurred in respect of such Lender absent the participation, (iv) Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (v) the

participation interest shall be expressed as a percentage of the granting Lender's Pro Rata Share of the Commitment as it then exists and shall not restrict an increase in the Commitment, or in the granting Lender's Pro Rata Share of the Commitment, so long as the amount of the participation interest is not affected thereby and (vi) the consent of the holder of such participation interest shall not be required for amendments or waivers of provisions of the Loan Documents other than those which (A) extend the Maturity Date or any other date upon which any payment of money is due to the Lenders, (B) reduce the rate of interest on the Notes, any fee or any other monetary amount payable to the Lenders, (C) reduce the amount of any installment of principal due under the Notes or (D) release any material Subsidiary Guarantor from the Subsidiary Guaranty.

(f) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose conduit funding vehicle (an "SPC") identified as such in a writing delivered from time to time by the Granting Lender to the Administrative Agent and Borrower, the option to fund all or any part of any Loan that such Granting Lender would otherwise be obligated to fund pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by an SPC to fund any Loan, (ii) the Granting Lender shall remain obligated to fund such Loan pursuant to the terms hereof unless and until the SPC actually funds such Loan in full, (iii) the SPC shall be subject to all of the restrictions hereunder applicable to its Granting Lender and shall have no rights hereunder beyond any derived from its Granting Lender, (iv) the Administrative Agent, Borrower and the other Lenders shall continue to deal only with the Granting Lender respecting this Agreement and no such option shall, and no such funding shall (except as to the funding of that Loan), release the Granting Lender of any obligation hereunder, and (v) such SPC must be a party to an agreement with the Granting Lender containing provisions substantially similar to Section 11.14 (provided, however, that such agreement may permit such SPC to disclose on a confidential basis on terms substantially similar to Section 11.14 any non-public information relating to its funding of Loans to any rating agency, commercial paper dealer or provider of any surety or guarantee to such SPC) and provide a copy thereof to the Administrative Agent and Borrower. The Loans made by an SPC shall be evidenced by the Note of its Granting Lender. Payments made by Borrower to a Granting Lender in respect of a Loan made by its SPC shall be deemed payments made to such SPC and neither the Administrative Agent nor Borrower shall have any responsibility to an SPC as to any payments made to its Granting Lender. Any consent or approval given by a Granting Lender pursuant to Section 11.2 shall be conclusive as against any SPC of that Granting Lender, notwithstanding the failure of the SPC to approve such consent or approval. The funding of a Loan by an SPC hereunder shall utilize the Pro Rata Share of the Commitment of the Granting Lender to the same extent as if such Loan were funded by such Granting Lender. No SPC shall be liable for any indemnity or payment under this Agreement (all liability for which shall remain with the Granting Lender). This Section 11.8(f) may not be amended without the written consent of each Granting Lender, all or any part of whose Loan is being funded by an SPC designated to the Administrative Agent and Borrower as provided above as of the time of such amendment.

11.9 Right of Setoff. If an Event of Default has occurred and is continuing, the Administrative Agent or any Lender may exercise its rights under applicable Laws and, to the extent permitted by applicable Laws, apply any funds

in any deposit account maintained with it by Borrower and/or any Property of Borrower in its possession against the Obligations.

11.10 Sharing of Setoffs. Each Lender severally agrees that if it, through the exercise of any right of setoff, banker's lien or counterclaim against Borrower, or otherwise, receives payment of the Obligations held by it that is ratably more than any other Lender, through any means, receives in payment of the Obligations held by that Lender, then, subject to applicable Laws: (a) the Lender exercising the right of setoff,

banker's lien or counterclaim or otherwise receiving such payment shall purchase, and shall be deemed to have simultaneously purchased, from each of the other Lenders a participation in the Obligations held by the other Lenders and shall pay to the other Lenders a purchase price in an amount so that the share of the Obligations held by each Lender after the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment shall be in the same proportion that existed prior to the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment; and (b) such other adjustments and purchases of participations shall be made from time to time as shall be equitable to ensure that all of the Lenders share any payment obtained in respect of the Obligations ratably in accordance with each Lender's share of the Obligations immediately prior to, and without taking into account, the payment; provided that, if all or any portion of a disproportionate payment obtained as a result of the exercise of the right of setoff, banker's lien, counterclaim or otherwise is thereafter recovered from the purchasing Lender by Borrower or any Person claiming through or succeeding to the rights of Borrower, the purchase of a participation shall be rescinded and the purchase price thereof shall be restored to the extent of the recovery, but without interest. Each Lender that purchases a participation in the Obligations pursuant to this Section 11.10 shall from and after the purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased. Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in an Obligation so purchased pursuant to this Section 11.10 may exercise any and all rights of setoff, banker's lien or counterclaim with respect to the participation as fully as if the Lender were the original owner of the Obligation purchased.

11.11 Indemnity by Borrower. Borrower agrees to indemnify, save and hold harmless the Administrative Agent and each Lender and their respective Affiliates, directors, officers, agents, attorneys and employees (collectively the "Indemnitees") from and against: (a) any and all claims, demands, actions or causes of action (except a claim, demand, action, or cause of action for any amount excluded from the definition of "Taxes" in Section 3.12(d)) if the claim, demand, action or cause of action arises out of or relates to any act or omission (or alleged act or omission) of Borrower, its Affiliates or any of its officers, directors or stockholders relating to the Commitment, the use or contemplated use of proceeds of any Loan, or the relationship of Borrower and the Lenders under this Agreement; (b) any administrative or investigative proceeding by any Governmental Agency arising out of or related to a claim, demand, action or cause of action described in clause (a) above; and (c) any and all liabilities, losses, costs or expenses (including reasonable attorneys' fees and the reasonably allocated costs of attorneys employed by any Indemnitee and disbursements of such attorneys and other professional services) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action or cause of action; provided that no Indemnitee shall be entitled to indemnification for any loss caused by its own gross negligence or willful misconduct or for any loss asserted against it by another Indemnitee. If any claim, demand, action or cause of action is asserted against any Indemnitee, such Indemnitee shall promptly notify Borrower, but the failure to so promptly notify Borrower shall not affect Borrower's obligations under this Section unless such failure materially prejudices Borrower's right to participate in the contest of such claim, demand, action or cause of action, as hereinafter provided. Such Indemnitee may (and shall, if requested by Borrower in writing) contest the validity, applicability and amount of such claim, demand, action or cause of action and shall permit Borrower to participate in such contest. Any Indemnitee that proposes to settle or compromise any claim or proceeding for which Borrower may be liable for payment of indemnity hereunder shall give

Borrower written notice of the terms of such proposed settlement or compromise reasonably in advance of settling or compromising such claim or proceeding and shall obtain Borrower's prior consent (which shall not be unreasonably withheld or delayed). In connection with any claim, demand, action or cause of action covered by this Section 11.11 against more than one Indemnitee, all such Indemnitees shall be represented by the same legal counsel (which may be a law firm engaged by the Indemnitees or attorneys employed by an Indemnitee or a combination of the foregoing) selected by the Indemnitees and reasonably acceptable to Borrower; provided, that if such legal counsel determines in good

faith that representing all such Indemnitees would or could result in a conflict of interest under Laws or ethical principles applicable to such legal counsel or that a defense or counterclaim is available to an Indemnitee that is not available to all such Indemnitees, then to the extent reasonably necessary to avoid such a conflict of interest or to permit unqualified assertion of such a defense or counterclaim, each affected Indemnitee shall be entitled to separate representation by legal counsel selected by that Indemnitee and reasonably acceptable to Borrower, with all such legal counsel using reasonable efforts to avoid unnecessary duplication of effort by counsel for all Indemnitees; and further provided that the Administrative Agent (as an Indemnitee) shall at all times be entitled to representation by separate legal counsel (which may be a law firm or attorneys employed by the Administrative Agent or a combination of the foregoing). Any obligation or liability of Borrower to any Indemnitee under this Section 11.11 shall survive the expiration or termination of this Agreement and the repayment of all Loans and the payment and performance of all other Obligations owed to the Lenders.

11.12 Nonliability of the Lenders. Borrower acknowledges and agrees that:

(a) Any inspections of any Property of Borrower made by or through the Administrative Agent or the Lenders are for purposes of administration of the Loan only and Borrower is not entitled to rely upon the same (whether or not such inspections are at the expense of Borrower);

(b) By accepting or approving anything required to be observed, performed, fulfilled or given to the Administrative Agent or the Lenders pursuant to the Loan Documents, neither the Administrative Agent nor the Lenders shall be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by the Administrative Agent or the Lenders;

(c) The relationship between Borrower and the Administrative Agent and the Lenders is, and shall at all times remain, solely that of borrowers and lenders; neither the Administrative Agent nor the Lenders shall under any circumstance be construed to be partners or joint venturers of Borrower or its Affiliates; neither the Administrative Agent nor the Lenders shall under any circumstance be deemed to be in a relationship of confidence or trust or a fiduciary relationship with Borrower or its Affiliates, or to owe any fiduciary duty to Borrower or its Affiliates; neither the Administrative Agent nor the Lenders undertake or assume any responsibility or duty to Borrower or its Affiliates to select, review, inspect, supervise, pass judgment upon or inform Borrower or its Affiliates of any matter in connection with their Property or the operations of Borrower or its Affiliates; Borrower and its Affiliates shall rely entirely upon their own judgment with respect to such matters; and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by the Administrative Agent or the Lenders in connection with such matters is solely for the protection of the Administrative Agent and the Lenders and neither Borrower nor any other Person is entitled to rely thereon; and

(d) The Administrative Agent and the Lenders shall not be responsible or liable to any Person for any loss, damage, liability or claim of any kind relating to injury or death to Persons or damage to Property caused by the actions, inaction or negligence of Borrower and/or its Affiliates and Borrower hereby indemnify and hold the Administrative

Agent and the Lenders harmless on the terms set forth in Section 11.11 from any such loss, damage, liability or claim.

11.13 No Third Parties Benefited. This Agreement is made for the purpose of defining and setting forth certain obligations, rights and duties of Borrower, the Administrative Agent and the Lenders in

connection with the Loans, and is made for the sole benefit of Borrower and its Subsidiaries, the Administrative Agent and the Lenders, and the Administrative Agent's and the Lenders' successors and assigns. Except as provided in Sections 11.8 and 11.11, no other Person shall have any rights of any nature hereunder or by reason hereof.

11.14 Confidentiality. Each Lender agrees to hold any confidential information that it may receive from Borrower pursuant to this Agreement in confidence, except for disclosure: (a) to other Lenders or Affiliates of a Lender; (b) to legal counsel and accountants for Borrower or any Lender; (c) to other professional advisors to Borrower or any Lender, provided that the recipient has accepted such information subject to a confidentiality agreement substantially similar to this Section 11.14; (d) to regulatory officials having jurisdiction over that Lender; (e) as required by Law or legal process, provided that each Lender agrees to notify Borrower of any such disclosures unless prohibited by applicable Laws, or in connection with any legal proceeding to which that Lender and Borrower are adverse parties; and (f) to another financial institution in connection with a disposition or proposed disposition to that financial institution of all or part of that Lender's interests hereunder or a participation interest in its Notes, provided that the recipient has accepted such information subject to a confidentiality agreement substantially similar to this Section 11.14. For purposes of the foregoing, "confidential information" shall mean any information respecting Borrower or its Subsidiaries reasonably considered by Borrower to be confidential, other than (i) information previously filed with any Governmental Agency and available to the public, (ii) information previously published in any public medium from a source other than, directly or indirectly, that Lender, and (iii) information previously disclosed by Borrower to any Person not associated with Borrower which does not owe a professional duty of confidentiality to Borrower or which has not executed an appropriate confidentiality agreement with Borrower. Nothing in this Section shall be construed to create or give rise to any fiduciary duty on the part of the Administrative Agent or the Lenders to Borrower.

11.15 Further Assurances. Borrower shall, at its expense and without expense to the Lenders or the Administrative Agent, do, execute and deliver such further acts and documents as the Requisite Lenders or the Administrative Agent from time to time reasonably require for the assuring and confirming unto the Lenders or the Administrative Agent of the rights hereby created or intended now or hereafter so to be, or for carrying out the intention or facilitating the performance of the terms of any Loan Document.

11.16 Integration. This Agreement, together with the other Loan Documents and the letter agreement referred to in Section 3.2, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control and govern; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

11.17 Governing Law. Except to the extent otherwise provided therein, each Loan Document shall be governed by, and construed and enforced in accordance with, the Laws of New York applicable to contracts made and performed in New York.

11.18 Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable or invalid as to any party or in any jurisdiction shall, as to that party or jurisdiction, be inoperative, unenforceable or invalid without affecting the remaining provisions or the

operation, enforceability or validity of that provision as to any other party or in any other jurisdiction, and to this end the

provisions of all Loan Documents are declared to be severable.

11.19 Headings. Article and Section headings in this Agreement and the other Loan Documents are included for convenience of reference only and are not part of this Agreement or the other Loan Documents for any other purpose.

11.20 Time of the Essence. Time is of the essence of the Loan Documents.

11.21 Foreign Lenders and Participants. Each Lender organized under the Laws of a jurisdiction outside the United States of America or a State thereof or the District of Columbia on or prior to the date of execution and delivery of this Agreement (a) shall provide each of the Administrative Agent and Borrower with two original and duly completed United States Internal Revenue Forms 1001 or 4224, or successor applicable form, as appropriate, and any other forms or certifications prescribed by the Internal Revenue Service (including a Form W-8 or Form W-9, as appropriate) certifying that such Lender (i) is exempt from or entitled to a reduced rate of withholding with respect to United States federal income tax imposed on any payments under this Agreement or the Notes and (ii) is exempt from United States backup withholding tax, (b) shall provide to the Administrative Agent and Borrower two further copies of any such form or certification from time to time thereafter as requested in writing by Borrower and (c) shall obtain such extensions and renewals thereof as may reasonably be requested in writing by Borrower or the Administrative Agent. If the form provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a withholding rate in excess of zero, withholding taxes at such rate shall be considered excluded from Non-Excluded Taxes, and such Lender shall not be entitled to receive any payment under this Section 11.21 with respect thereto, unless and until such Lender provides any additional forms or certifications certifying that a lesser rate of withholding applied with respect to such Lender under existing Law at the time such Lender first became a party to this Agreement, whereupon withholding tax at such lesser rate only shall be considered excluded from Non-Excluded Taxes for all subsequent periods. Each Person that becomes a participant pursuant to Section 11.8 shall, upon the effectiveness of the related transfer, be required to provide all of the forms and certifications required pursuant to this Section 11.21, as appropriate, as if such participant were a Lender; provided that such participant shall furnish all such required forms and certifications to the Lender from which the related participation was purchased.

11.22 Hazardous Material Indemnity. Borrower hereby agrees to indemnify, hold harmless and defend (by counsel reasonably satisfactory to the Administrative Agent) the Administrative Agent and each of the Lenders and their respective directors, officers, employees, agents, successors and assigns from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including but not limited to reasonable attorneys' fees and the reasonably allocated costs of attorneys employed by the Administrative Agent or any Lender, and expenses to the extent that the defense of any such action has not been assumed by Borrower), arising directly or indirectly out of (i) the presence on, in, under or about any Real Property of any Hazardous Materials, or any releases or discharges of any Hazardous Materials on, under or from any Real Property and (ii) any activity carried on or undertaken on or off any Real Property by Borrower or any of its predecessors in title, whether prior to or during the term of this Agreement, and whether by Borrower or any predecessor in title or any employees, agents, contractors or subcontractors of Borrower or any predecessor in title, in connection with the handling, treatment, removal, storage, decontamination, clean-up, transport or disposal of any Hazardous Materials at any time located or present on, in, under or about any Real Property. The foregoing indemnity shall further apply to any residual contamination on, in, under or about any Real Property, or affecting any natural resources, and to any contamination of any Property or natural resources arising in connection with the generation, use, handling, storage, transport or disposal of any such Hazardous Materials, and irrespective of whether any of such activities

were or will be undertaken in accordance with applicable Laws, but the foregoing indemnity shall not apply to Hazardous Materials on any Real Property, the presence of which is caused by the Administrative Agent or the Lenders. Borrower hereby acknowledges and agrees that, notwithstanding any other provision of this Agreement or any of the other Loan Documents to the contrary, the obligations of Borrower under this Section shall be unlimited corporate obligations of Borrower and shall not be secured by any Lien on any Real Property. Any obligation or liability of Borrower to any Indemnitee under this Section 11.22 shall survive the expiration or termination of this Agreement and the repayment of all Loans and the payment and performance of all other Obligations owed to the Lenders.

11.23 Waiver of Right to Trial by Jury. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTY HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

11.24 Purported Oral Amendments. BORROWER EXPRESSLY ACKNOWLEDGES THAT THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY ONLY BE AMENDED OR MODIFIED, OR THE PROVISIONS HEREOF OR THEREOF WAIVED OR SUPPLEMENTED, BY AN INSTRUMENT IN WRITING THAT COMPLIES WITH SECTION 11.2. BORROWER AGREES THAT IT WILL NOT RELY ON ANY COURSE OF DEALING, COURSE OF PERFORMANCE, OR ORAL OR WRITTEN STATEMENTS BY ANY REPRESENTATIVE OF THE MANAGING AGENT OR ANY BANK THAT DOES NOT COMPLY WITH SECTION 11.2 TO EFFECT AN AMENDMENT, MODIFICATION, WAIVER OR SUPPLEMENT TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

[Remainder of Page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

USEC INC.

By:
_____

_____
[Printed Name and Title]

Address for notices:

USEC Inc.
6903 Rockledge Drive
Bethesda, Maryland 20817

Attn: Chief Financial Officer

Telecopier: (301) 564-3211
Telephone: (301) 564-3344

BANK OF AMERICA, N.A., as Administrative Agent

By: /s/Gina Meador

Gina Meador
Vice President

Address for notices (other than Requests for Loan)

Bank of America, N.A.
Agency Management - Los Angeles
Mail Code CA9-706-11-03
555 South Flower Street, 11th Floor
Los Angeles, California 90071

Attn: Gina Meador

Telecopier: (213) 228-2299
Telephone: (213) 228-5245

Address for notices (Requests for Loans and
Domestic and Offshore Lending Office):

Bank of America, N.A.
Agency Administrative Services
Mail Code CA4-706-05-09
1850 Gateway Boulevard, 5th Floor
Concord, California 94520

Attn: Glenis Croucher

Telecopier: (925) 969-2807
Telephone: (925) 675-8447

BANK OF AMERICA, N.A., as a Lender

By: /s/ Dianne J. Prust

Dianne J. Prust
Principal

Address for notices (other than Requests for Loans):

Bank of America, N.A.
Credit Products
Mail Code CA9-706-11-07
555 South Flower Street, 11th Floor
Los Angeles, California 90071

Attn: Dianne J. Prust, Principal

Telecopier: (213) 623-1959
Telephone: (213) 228-2435

FIRST UNION NATIONAL BANK, as Syndication Agent
and as a Lender

By: /s/ Barbara Kauffmann Angel

Barbara Kauffmann Angel
Vice President

Address for notices:

First Union National Bank
1970 Chain Bridge Road, 3rd Floor
McLean, Virginia 22102

Attn: Barbara K. Angel

Telecopier: (703) 760-5457
Telephone: (703) 760-6369

WACHOVIA BANK, NATIONAL ASSOCIATION, as
Documentation Agent and as a Lender

By: /s/ Keith A. Sherman

Keith A. Sherman
Senior Vice President

Address for notices:

Wachovia Bank, National Association
227 Fayetteville Street, 8th Floor
Raleigh, North Carolina 27601

Attn: Keith A. Sherman

Telecopier: (919) 755-7879
Telephone: (919) 755-7806

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as
a Lender

By: /s/ Robert R. Bottamedi

Robert R. Bottamedi
Vice President

Address for notice:

Morgan Guaranty Trust Company of New York
60 Wall Street
New York, New York 10260

Attn: Robert R. Bottamedi

Telecopier: (212) 648-5018
Telephone: (212) 648-1349

MELLON BANK, N.A., as a Lender

By: /s/ Maria N. Sisto

Maria N. Sisto
Assistant Vice President

Address for notices:

Mellon Bank, N.A.
Corporate Banking
Mellon Bank Center, AIM 193-0750
Philadelphia, Pennsylvania 19103

Attn: Maria N. Sisto

Telecopier: (215) 553-4899
Telephone: (215) 553-3243

THE NORTHERN TRUST COMPANY, as a Lender

By: /s/ Eric Strickland

Eric Strickland
Vice President

Address for notices:

The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60675

Attn: Eric Strickland

Telecopier: (312) 630-6062
Telephone: (312) 444-5602

THE BANK OF NOVA SCOTIA, as a Lender

By:

[Printed Name and Title]

Address for notices:

The Bank of Nova Scotia
1 Liberty Plaza
New York, New York 10006

Attn: Timothy P. Finneran

Telecopier: (212) 225-5090
Telephone: (212) 225-5159

FLEET NATIONAL BANK, as a Lender

By: /s/Stephen J. Hoffman

Stephen J. Hoffman
Assistant Vice President

Address for notices:

Fleet National Bank
One Federal Street - MAOFD07J
Boston, Massachusetts 02110-2012

Attn: Stephen J. Hoffman

Telecopier: (617) 346-0580
Telephone: (617) 346-0571

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AND STATEMENT OF INCOME AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER> 1,000

<PERIOD-TYPE>	12-MOS	
<FISCAL-YEAR-END>		JUN-30-2000
<PERIOD-START>		JUL-01-1999
<PERIOD-END>		JUN-30-2000
<CASH>		73,000
<SECURITIES>		0
<RECEIVABLES>		423,100
<ALLOWANCES>		0
<INVENTORY>		865,300
<CURRENT-ASSETS>		1,384,400
<PP&E>		216,900
<DEPRECIATION>		(57,600)
<TOTAL-ASSETS>		2,084,400
<CURRENT-LIABILITIES>		356,000
<BONDS>		500,000
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		10,000
<OTHER-SE>		937,300
<TOTAL-LIABILITY-AND-EQUITY>		2,084,400
<SALES>		1,489,400
<TOTAL-REVENUES>		1,489,400
<CGS>		1,236,300
<TOTAL-COSTS>		1,255,800
<OTHER-EXPENSES>		190,100
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		38,100
<INCOME-PRETAX>		5,400
<INCOME-TAX>		(3,500)
<INCOME-CONTINUING>		8,900
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		8,900
<EPS-BASIC>		.10
<EPS-DILUTED>		.10