FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

USEC INC

CIK:**1065059**| IRS No.: **522107911** | State of Incorp.:**DE** | Fiscal Year End: **0630**
Type: **10-K405** | Act: **34** | File No.: **001-14287** | Film No.: **99709138**
SIC: **1400** Mining & quarrying of nonmetallic minerals (no fuels)

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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, 1999

OR

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

Commission file number 1-14287

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

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

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

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 2006
6.750% senior notes, due January 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
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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, 1999, there were 97,576,440 shares of Common Stock, par value $.10 per share, issued and outstanding. As of August 31, 1999, 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 $1,055.0 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.

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USEC INC.

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

TABLE OF CONTENTS

<TABLE>
<CAPTION>

</TABLE>

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

ITEM 1. BUSINESS

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. In accordance with the 1996 USEC Privatization Act ("Privatization Act"), the assets and obligations were transferred to USEC, and 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 requires otherwise.

SERVICES AND PRODUCTS

USEC supplies uranium enrichment services and uranium to approximately 60 electric utilities for use in about 170 nuclear reactors. Substantially all of

USEC's revenue is derived from the sale of uranium enrichment services with customers supplying uranium to be enriched. USEC also derives revenue from sales of natural uranium and enriched uranium product ("EUP"). USEC has a significant inventory of natural uranium which it may sell to customers as uranium or in the form of EUP.

Generally, contracts with customers to provide separative work units (SWU) 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 1999. No one customer accounted for more than 10% of revenue in fiscal years 1997, 1998 or 1999. Information with respect to revenue attributable to domestic and foreign customers is included in the Consolidated Financial Statements.

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. 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 or 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 are required to provide non-binding estimates of their SWU requirements to facilitate USEC's ability to plan for production requirements. Backlog is the aggregate dollar amount of enrichment services that USEC expects to sell pursuant to its long-term requirements contracts with utilities. Based on customers' estimates of their requirements as of June 30, 1999, USEC had long-term requirements contracts with utilities to provide uranium enrichment services aggregating $6.5 billion through fiscal 2010 (including $3.3 billion through fiscal 2002) compared with $6.9 billion at June 30, 1998.

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 18 months (or in some cases up 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. USEC provides customers from 10 to 30 days to take delivery of ordered product. Refueling orders typically average $14.0 million per customer order.

Sales of uranium supplement revenue from sales of SWU. However, given the volatility in the uranium market, USEC may not be able to sell its inventory of uranium at anticipated prices and quantities. A decline in the market price of uranium below USEC's carrying cost could have an adverse effect on results of operations.

PLANT OPERATIONS - ELECTRIC POWER AND MATERIALS AND SUPPLIES

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

The plants require substantial amounts of electric power to enrich uranium.

USEC acquires most of its electric power from two corporations, Ohio Valley Electric Corporation ("OVEC"), the main supplier to the Portsmouth plant, and Electric Energy, Inc. ("EEI"), the main supplier to the Paducah plant. The U.S. Department of Energy ("DOE") transferred to USEC the benefits of power purchase arrangements with OVEC and EEI (the "Electricity MOA"). USEC also has an agreement with the Tennessee Valley Authority for the purchase of non-firm power for the Paducah plant. Firm and non-firm power represented 70% and 30%, respectively, of power purchased in fiscal 1999. During certain periods, including the summer months when power costs are typically higher, almost all of the power supplied to the Paducah plant must be purchased at market-based rates because it is non-firm power. Depending on inventory levels and planned shipments, USEC reduces production at the Paducah plant when the cost of non-firm power is high.

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. Another source of replacement equipment has been DOE's Oak Ridge, Tennessee, enrichment facility, which has been shut down.

The plants use freon as the primary process coolant. The production of freon in the United States was terminated December 31, 1995. Freon leaks from pipe joints, sight glasses, valves, coolers and condensers. Leakage from the plants is at about a 6% rate, resulting in leakage of 750,000 pounds of freon per year, 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 2.0 million pounds of freon should be adequate to allow the plants to continue to utilize freon through at least calendar year 2001. A program is underway to validate an alternative coolant to be used once the freon inventory is depleted.

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. Paducah equipment utilization was 76% of planned capacity in fiscal 1999 due to the curtailment of production during the summer and early fall of 1998 to reduce the impact of high costs for electric power. Portsmouth equipment utilization was 74% of planned capacity due to equipment failures and increased maintenance requirements.

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 (the "Russian Contract") with AO Techsnabexport ("Tenex"), Executive Agent for the Russian Federation. Under the contract, USEC expects to purchase up to approximately 92 million SWU over a 20-year period.

USEC has ordered 5.7 million SWU for delivery under the Russian Contract in calendar year 1999, of which 1.8 million SWU had been purchased as of June 30, 1999. SWU quantities and prices, subject to adjustment for U.S. inflation, have been established through calendar year 2001. Global market prices for SWU have declined below the price being paid for SWU under the Russian Contract. USEC has begun negotiations to align the Russian Contract with market pricing realities.

In April 1997, USEC entered into a memorandum of agreement (the "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.

ALTERNATIVE URANIUM ENRICHMENT TECHNOLOGIES

AVLIS

In June 1999, USEC suspended further development of an advanced uranium enrichment technology known as Atomic Vapor Laser Isotope Separation ("AVLIS"). 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 is conducting an orderly ramp-down of AVLIS activities at Lawrence Livermore National Laboratory in California. The suspension of AVLIS resulted in a special charge of $34.7 million ($22.7 million or $.23 per share after tax) in fiscal 1999 for contract terminations, shutdown activities costs and employee severance and benefit arrangements. As all project development costs have been expensed, there was no asset write-off. Project development costs for AVLIS amounted to $133.7 million, $134.7 million and $103.9 million in fiscal years 1997, 1998 and 1999, respectively.

Centrifuge

During fiscal 2000, USEC plans to evaluate the availability and economics of centrifuge technology, an alternative enrichment technology currently used by some foreign competitors.

SILEX

In fiscal 1997, USEC entered into an exclusive agreement to explore an advanced laser-based enrichment technology called SILEX. USEC acquired the rights to the commercial utilization of the SILEX process. USEC is currently evaluating whether the SILEX technology has the potential to be deployed as an economic source of enrichment production in the early 21st century. The SILEX technology is in the early stage of research and development. USEC's spending on SILEX development activities amounted to $7.8 million, $2.0 million, and $2.5 million in fiscal years 1997, 1998 and 1999, respectively.

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.

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.

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, that is subject to certain trade restrictions on sales in the U.S. and other markets. USEC also holds significant excess capacity. All of USEC's competitors are owned or controlled by foreign governments which 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 world market 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 that requires a higher initial capital investment but has lower operating costs than current gaseous diffusion technology. USEC believes that

Urenco and JNFL have expansion plans which, if implemented, could increase world capacity by 3.6 million SWU by 2006. 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 Nuclear Regulatory Commission ("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. 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"). Over 94% of the Compliance Plan actions were completed as of June 30, 1999.

The Compliance Plan requires the Paducah plant to complete seismic upgrading of the two main process buildings 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. Capital expenditures for seismic improvements amounted to $21.0 million in fiscal 1999, and additional capital expenditures of $20.5 million are expected in fiscal 2000 to complete the upgrades. Until the modifications are completed, USEC continues to maintain strict limits on operations in those buildings to minimize the amount of material that could be released in the unlikely event of an earthquake.

The Compliance Plan required USEC to update a DOE analysis to determine the appropriate earthquake level for the evaluation of equipment and structures at the Paducah plant. USEC has submitted this updated analysis and it is currently being reviewed by the NRC. Depending on the results of this review and the application of NRC's backfit requirements, additional seismic upgrades to the process buildings and other site structures and components may need to be implemented.

The NRC has the authority to issue Notices of Violation for violations of the Atomic Energy Act of 1954, NRC regulations, conditions of a certificate, Compliance Plan, or Order. The NRC has the authority to impose civil penalties for certain violations of its regulations. In fiscal 1999, USEC received Notices of Violations for certain violations of these regulations and certificate conditions,

none of which exceeded $100,000. USEC does not expect that any proposed notices it has received will have a material adverse effect on its financial position or results of operations. In each case, USEC took corrective action to bring the facilities into compliance with NRC regulations and identified long-term improvements as well.

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 which 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, generally by the end of calendar year 2000.

USEC's operations generate depleted uranium that is currently being stored at the plants. All liabilities arising out of the disposal of depleted uranium generated before the IPO Date are direct liabilities of DOE. Additionally, the 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. In June 1998, USEC paid DOE $50.0 million in consideration for DOE assuming responsibility for a certain amount of depleted uranium generated by USEC over the period October 1998 to September 2005.

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 Agreement (defined below) 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 included in this Annual Report on Form 10-K 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 U.S. Occupational Safety and Health Administration 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.

FOREIGN TRADE MATTERS

USEC's exports to utilities located in countries comprising the European Union take place within the framework of an agreement (the "EURATOM Agreement") for cooperation 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 between Commerce and the respective governments which limited imports of all forms of uranium, including enriched uranium.

In January 1999, the antidumping duty investigation of uranium from Kazakhstan was reinitiated as a result of the Government of Kazakhstan's unilateral termination of the suspension agreement covering imports of uranium from Kazakhstan. In June 1999, Commerce issued its final determination, which concluded that imports of uranium from Kazakhstan were likely to be sold at less than fair value in the United States. In July 1999, the ITC determined that imports of uranium from Kazakhstan had not materially injured, nor did they threaten to injure the domestic uranium industry. As a result, no restrictions or duties are being imposed on uranium imports from Kazakhstan and the antidumping duty investigation of uranium from Kazakhstan has been terminated. USEC has appealed the ITC determination. In addition, USEC has filed a request with Commerce that it clarify that the stockpile of enriched uranium product located in Kazakhstan at the time of the dissolution of the Soviet Union is of Russian origin and thus, falls under the Russian suspension agreement. This stockpile is believed to be over 2.0 million SWU that may present a new source of competition to USEC. If Commerce decides that this enriched uranium is not subject to the Russian suspension agreement, it could be sold in the U.S. market, which could depress market prices further, adversely impacting USEC's profitability.

The suspension agreements with Tajikistan and Ukraine have been terminated,

and imports of uranium from Ukraine are currently subject to antidumping duties. The suspension agreements with Russia and Uzbekistan remain in force until March 31, 2004 and October 12, 2004, respectively, unless terminated earlier, such as through the "sunset" review process described below or by a request for termination by one of the governmental signatories. The suspension agreement with Kyrgyzstan remains in force through October 15, 2002 unless terminated earlier.

The "sunset" review of the uranium suspension agreements with Kyrgyzstan, Russia and Uzbekistan and the antidumping order of imports of uranium from Ukraine commenced on August 2, 1999. Commerce initiated the "sunset" review process which requires (1) Commerce to determine

whether termination of a suspension agreement or revocation of an antidumping order is likely to lead to a continuation or recurrence of dumping, and (2) the ITC to determine whether such termination or revocation is likely to lead to a continuation or recurrence of material injury to the relevant U.S. industry. If either Commerce or the ITC do not make the requisite determinations with respect to a suspension agreement or antidumping order limiting imports of uranium from a particular country, the agreement will be terminated or the order will be revoked, and uranium from that country could be imported without trade restrictions. If restrictions on imports of uranium are revoked as a result of this "sunset" review process, USEC would face significantly increased competition and market prices could be further depressed, adversely impacting profitability.

CERTAIN ARRANGEMENTS INVOLVING THE U.S. GOVERNMENT

Pursuant to an agreement with the United States Treasury Department, USEC has committed to continue operation of the plants until at least January 2005, subject to limited exceptions, including:

- events beyond the reasonable control of USEC, such as natural disasters;
- a decrease in annual worldwide demand to less than 28 million SWU;
- a decline in the average price for all SWU under USEC's long-term firm contracts to less than $80 per SWU (in 1998 dollars);
- a decline in the operating margin to below 10% in a consecutive twelve-month period;
- a decline in the interest coverage ratio to below 2.5x in a consecutive twelve-month period; or
- if the long-term corporate credit rating of USEC is, or is reasonably expected in the next twelve months to be, downgraded below an investment grade rating.

None of the exceptions to USEC's obligation to operate the plants has occurred. Based on information known, USEC does not anticipate that the average SWU price under its long-term firm contracts is likely to fall below $80 per SWU (in 1998 dollars) in the near future.

In addition, USEC committed:

- to the extent commercially practicable, to take steps reasonably calculated in good faith to ensure that workforce reductions at the plants through fiscal 2000 are conducted in a manner consistent with USEC's strategic plan and do not exceed 500 employees; and
- to the extent commercially practicable, in each of fiscal years 1999 and 2000, to seek to achieve such workforce reductions through a program of voluntary separation before instituting a program of involuntary separation.

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 which

establishes 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 Lease Agreement (defined below) and the Electricity MOA.

EMPLOYEES

As of June 30, 1999, USEC had 3,960 employees including 3,790 at the plants (2,100 at Portsmouth and 1,690 at Paducah) and 170 at headquarters in Bethesda, Maryland. At the plants, 3,300 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.

ITEM 2. PROPERTIES

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 is located in McCracken County in western Kentucky, consists of four process buildings, and has been in continuous operation since September 1952. The Paducah plant has been certified by the NRC to produce low enriched uranium up to 2.75% U(235) and has a design capacity of 11.3 million SWU per year. Uranium enriched at the Paducah plant is shipped to the Portsmouth plant for further enrichment.

The Portsmouth plant is located in Pike County in south central Ohio, consists of three process buildings, and has been in continuous operation since 1956. The plant 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.

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

USEC continuously upgrades the plants. In fiscal 1999, USEC spent $51.1 million for capital expenditures, including $21.0 million for seismic upgrades at the Paducah plant.

USEC leases most, but not all, of the buildings and facilities at the plants from DOE pursuant to a lease agreement dated as of July 1, 1993 (the "Lease Agreement"). At its sole option, USEC has the right to extend the Lease Agreement indefinitely, with respect to either or both plants, for successive renewal periods. In June 1997, USEC renewed the Lease Agreement for both plants for an additional five-year term expiring on June 30, 2004. USEC may terminate the Lease Agreement, with respect to one or both plants, by providing two years' prior notice to DOE. USEC may increase or decrease the property under the Lease Agreement to meet its changing requirements. Within the contiguous tracts, certain buildings, facilities and areas related to environmental restoration and waste management have been retained by DOE and are not leased to USEC.

Lease Agreement costs include a base rent representing DOE's costs in administering the Lease Agreement, including costs relating to administration of the electric power contracts and costs relating to DOE's regulatory oversight of the plants. Costs under the Lease Agreement were $2.7 million in fiscal 1999. At termination of the Lease Agreement, USEC may leave the property in "as is" condition, but must remove all waste generated by USEC, which is subject to off-site removal, 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 Agreement term.

Under the Lease Agreement, 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 Agreement, 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.

In addition to the plants, USEC leases its corporate headquarters office space in Bethesda, Maryland, under a lease expiring November 2008. USEC also leases office space in the District of Columbia.

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, 1999, are as follows:

<TABLE>
<CAPTION>

NAME	AGE AT JUNE 30, 1999	POSITION
<S>	<C>	<C>
William H. Timbers, Jr.	49	President and Chief Executive Officer
George P. Rifakes	65	Senior Executive Vice President
James H. Miller	50	Executive Vice President
Jeffry E. Sterba	44	Executive Vice President
Robert J. Moore	42	Senior Vice President and General Counsel
Henry Z Shelton, Jr.	55	Senior Vice President and Chief Financial Officer
James N. Adkins, Jr.	63	Vice President, Production
J. William Bennett	52	Vice President, Advanced Technology
William J. Bruttaniti	50	Vice President and Chief Information Officer
Gary G. Ellsworth	51	Vice President, Government Relations
Richard O. Kingdon	44	Vice President, Strategic Analysis
Philip G. Sewell	53	Vice President, Corporate Development and International Trade
Darryl A. Simon	42	Vice President, Human Resources and Administration
Robert Van Namen	38	Vice President, Marketing and Sales
Charles B. Yulish	62	Vice President, Corporate Communications

</TABLE>

Officers serve at the pleasure of the Board of Directors.

William H. Timbers, Jr. has been President and Chief Executive Officer of USEC since 1994. He was appointed USEC Transition Manager in March 1993 by

President Clinton. Prior to this appointment, Mr. Timbers was President of The Timbers Corporation, an investment banking firm based in Stamford, Connecticut, from 1991 to 1993. Before that, he was a Managing Director of the investment banking firm of Smith Barney, Harris & Co, Inc. in New York and San Francisco.

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

James H. Miller has been Vice President, Production of USEC since September 1995 and Executive Vice President since January 1999. Before joining USEC, Mr. Miller was President of ABB Environmental Systems, Inc. From 1993 to 1994, he served as President of U.C. Operating Services, a joint venture subsidiary of Louisville Gas & Electric and Baltimore Gas & Electric Company. From 1986 to 1993, he worked for ABB Resource Recovery Systems, serving as President from 1990 to 1993.

Jeffry E. Sterba joined USEC as Executive Vice President in January 1999. Prior to this appointment, Mr. Sterba spent 21 years at Public Service Company of New Mexico, most recently serving as Executive Vice President and Chief Operating Officer.

Robert J. Moore has been Senior Vice President and General Counsel of USEC since January 1999; Vice President and General Counsel since 1994; and General Counsel and Secretary since 1993. Mr. Moore was appointed to senior legal and policy positions, serving as Director of the California Governor's Office in Washington, D.C. and as General Counsel to two Presidential and Congressional Commissions.

Henry Z Shelton, Jr. has been Senior Vice President and Chief Financial Officer of USEC since January 1998. From 1993 to 1998, he served as Vice President, Finance and Chief Financial Officer. From 1989 to 1993, Mr. Shelton served as a Board member and Vice President, Finance for Sun International Exploration and Production Company, a subsidiary of the Sun Company, Inc., headquartered in London, England. Previously, Mr. Shelton worked for the Sun Company organization for 23 years.

James N. Adkins, Jr. was appointed Vice President, Production of USEC in January 1999. From 1994 to 1999, he was Manager, Production Support. Before joining USEC, Mr. Adkins was a Division Vice President and General Manager at Halliburton NUS Corporation from 1989 to 1994. Prior to joining the private sector, Mr. Adkins completed 29 years of service in the United States Navy, attaining the rank of captain. As a nuclear submarine officer, he commanded a nuclear ballistic missile submarine and submarine squadron in Holy Loch, Scotland.

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

William J. Bruttaniti joined USEC as Vice President and Chief Information Officer in October 1998. Prior to this appointment, Mr. Bruttaniti spent more than two years as a senior manager with KPMG Peat Marwick LLP, most recently serving as interim Chief Information Officer for USEC on a consultancy basis. From 1991 to 1996, Mr. Bruttaniti served as the Chief Information Officer for U.S. Industries, a consumer products manufacturer.

Gary G. Ellsworth joined USEC as Vice President, Government Relations in January 1999. Prior to this appointment, Mr. Ellsworth spent 21 years on Capitol Hill, most recently serving as Chief Counsel, U.S. Senate Committee on Energy and Natural Resources.

Richard O. Kingdon has been Vice President, Strategic Analysis of USEC since January 1999. Prior to this, he served as Vice President, Marketing and Sales of USEC since 1993. Prior to joining USEC, Mr. Kingdon was Director, Strategic

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

Philip G. Sewell has been Vice President, Corporate Development and International Trade of USEC since April 1998, and Vice President, Corporate Development of USEC since 1993. From 1987 to 1993, Mr. Sewell served as Deputy Assistant Secretary of DOE and was responsible for the overall management of the uranium enrichment program. Mr. Sewell served in the U.S. Government for 28 years in various positions of increasing responsibility.

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

Robert Van Namen joined USEC as Vice President, Marketing and Sales in January 1999. Prior to this appointment, Mr. Van Namen spent 14 years with Duke Power Company, most recently serving as Manager of the Nuclear Fuel Management Section.

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

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 follow:

<TABLE>
<CAPTION>

	HIGH	LOW	CASH DIVIDENDS PAID
<S>	<C>	<C>	<C>
July 23 to September 30, 1998	$ 16.31	$ 13.00	$ --
October 1 to December 31, 1998	15.75	13.19	.275
January 1 to March 31, 1999	15.19	13.00	.275
April 1 to June 30, 1999	14.88	9.88	.275

</TABLE>

There are 250 million shares of common stock and 25 million shares of preferred stock authorized. At June 30, 1999, there were 99,176,000 shares of common stock issued and outstanding. No preferred shares have been issued. There were approximately 39,000 beneficial holders of common stock as of June 30, 1999.

USEC pays quarterly cash dividends on outstanding shares of common stock at an annual rate of $1.10 per share. The quarterly dividend of $.275 per share was paid in December 1998, March 1999 and June 1999. 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.

In June 1999, the Board of Directors approved a share repurchase program of up to 10.0 million shares of common stock over 24 months. The repurchase is being funded through internal cash flow, augmented by short-term borrowings as needed. The Board action authorizes the purchase of shares from time to time on the open market or through privately negotiated transactions. In fiscal 1999, repurchases of common stock amounted to $14.8 million.

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, 1999, have been derived from the Consolidated Financial Statements which have been audited by Arthur Andersen LLP, independent public accountants.

<TABLE>
<CAPTION>

	YEARS ENDED JUNE 30,				
	1995	1996	1997	1998	1999
	(MILLIONS, EXCEPT PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF INCOME DATA					
Revenue					
Domestic	$ 1,001.9	$ 901.6	$ 950.8	$ 896.2	$ 947.6
Asia	485.5	441.3	487.5	442.8	455.2
Europe and other	123.3	69.9	139.5	82.2	125.8
	1,610.7	1,412.8	1,577.8	1,421.1	1,528.6
Cost of sales	1,088.1	973.0	1,162.3	1,062.1	1,182.0
Gross profit	522.6	439.8	415.5	359.1	346.6
Special charges:					
Suspension of development of AVLIS technology	--	--	--	--	34.7(1)
Workforce reductions and privatization costs	--	--	--	46.6(2)	--
Project development costs	49.0	103.6	141.5	136.7	106.4
Selling, general and administrative	27.6	36.0	31.8	34.7	40.3
Operating income	446.0	300.2	242.2	141.1	165.2
Interest expense	--	--	--	--	32.5(3)
Other (income) expense, net	(1.5)	(3.9)	(7.9)	(5.2)	(16.8)
Income before income taxes	447.5	304.1	250.1	146.3	149.5
Provision (benefit) for income taxes	--	--	--	--	(2.9)(4)
Net income	447.5	304.1	250.1	146.3	$ 152.4
Net income per share-basic and diluted					152
Dividends per share					$ .825
Average number of shares outstanding					99.9

</TABLE>

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(1) Special charges of $34.7 million ($22.7 million or $.23 per share after tax) in fiscal 1999 are for contract terminations, shutdown activities costs and employee severance and benefit arrangements related to the suspension of development of the AVLIS enrichment technology. Since all project development costs were charged to expense, there was no asset write-off.

(2) Special charges of $46.6 million in fiscal 1998 are for costs related to the privatization and certain severance and transition benefits in connection with workforce reductions at the production plants.

(3) Prior to the IPO Date, USEC had no debt.

(4) USEC became subject to federal, state and local income taxes at the IPO Date. The provision for income taxes in fiscal 1999 includes a special

income tax benefit of $54.5 million ($.54 per share) for deferred income tax benefits that arise from the transition to taxable status. Excluding the special tax benefit, the provision for income taxes was $51.6 million in fiscal 1999 and reflects an effective tax rate of 34.5%.

<TABLE>
<CAPTION>

	AS OF JUNE 30,				
	1995	1996	1997	1998	1999
			(MILLIONS)		
BALANCE SHEET DATA					
<S>	<C>	<C>	<C>	<C>	<C>
Cash and cash equivalents	$1,227.0	$1,125.0	$1,261.0	$1,177.8(1)	$ 86.6
Inventories:					
Current assets:					
Separative work units	$ 517.7	$ 586.8	$ 573.8	$ 687.0	$ 648.8
Uranium (2)	165.5	150.3	131.5	184.5	160.1
Materials and supplies	19.8	15.7	12.4	24.8	22.8
Long-term assets	115.5	199.7	103.6	561.0	574.4
Inventories, net	$ 818.5	$ 952.5	$ 821.3	$1,457.3	$1,406.1
Total assets	$3,216.8	$3,356.0	$3,456.6	$3,471.3	$2,360.2
Short-term debt	--	--	--	--	50.0
Long-term debt	--	--	--	--	500.0
Other liabilities	383.2	427.4	451.8	503.3(3)	195.0
Stockholders' equity	1,937.5	2,121.6	2,091.3	2,420.5(1)	1,135.4

</TABLE>

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(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 35% 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, 1999, USEC had long-term requirements contracts with utilities to provide uranium enrichment services aggregating $6.5 billion through fiscal 2010 (including $3.3 billion through fiscal 2002) compared with $6.9 billion at June 30, 1998.

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.

Revenue and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year. Customer requirements are determined by refueling schedules for nuclear reactors, which generally range from 12 to 18 months (or in some cases up to 24 months), and are in turn affected by, among other things, the seasonal nature of electricity demand, reactor maintenance, and reactors beginning or terminating operations. Utilities typically schedule the shutdown of their reactors for refueling to coincide with the low electricity demand periods of spring and fall. Thus, some reactors are scheduled for fall refueling, spring refueling or for 18-month cycles alternating between both seasons. In addition, USEC provides customers from 10 to 30 days to take delivery of ordered product. The timing of larger orders for initial core requirements for new nuclear reactors also can affect operating results.

USEC is the Executive Agent of the U.S. Government under a government-to-government agreement to purchase the SWU component of enriched uranium recovered from dismantled nuclear weapons from the former Soviet Union for use in commercial electricity production. Global market prices for SWU have declined below the price being paid for SWU under the Russian Contract. USEC has begun negotiations to align the Russian Contract with market pricing realities. 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 lower production levels resulting in higher unit production costs.

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 having to supply uranium, a significant portion of USEC's contracts are for enriching uranium provided by customers. Because orders for enrichment to refuel customer reactors (1) occur once in 12, 18 or 24

months and (2) are large in amount averaging $14.0 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:

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

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 customer contracts expire, USEC's backlog becomes more heavily weighted with newer contracts having lower prices. As a result, average SWU prices have been declining.

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. As a result of these market dynamics and USEC's current cost structure, including increased purchases under the Russian Contract, USEC did not obtain its traditional share of new SWU commitments resulting in some decrease in its worldwide market share. To address this trend, USEC is placing a high priority on numerous initiatives to further reduce costs and increase USEC's competitiveness.

USEC's enrichment contracts are denominated in U.S. dollars, and while 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 depending upon the strength or weakness of the U.S. dollar. This is because the primary competitors' costs 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, 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 57% of production costs in fiscal 1999), 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.

USEC purchases a significant portion of its electric power based on long-term contracts with dedicated power generating facilities. The cost of firm power, which represented 70% of power

purchased in fiscal 1999, is based on actual costs incurred by Ohio Valley Electric Corporation ("OVEC"), the main supplier to the Portsmouth, Ohio plant, and Electric Energy, Inc. ("EEI"), the main supplier to the Paducah, Kentucky plant. During certain periods, including the summer months when power costs are typically higher, almost all of the power supplied to the Paducah plant must be purchased at market-based rates because it is non-firm power. Depending on inventory levels and planned shipments, USEC reduces production at the Paducah plant when the cost of non-firm power is high. Non-firm power costs vary seasonally with rates being higher during winter and summer as a function of the extremity of the weather and as a function of demand during peak and off-peak times. In the non-firm power market, prices are generally trending upward with higher levels of volatility. Firm power costs vary depending on operating and capital costs incurred by OVEC and EEI. Capital costs at the power generating facilities may increase resulting in higher costs for firm power.

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 pursuant to a lease agreement (the "Lease Agreement"). Upon termination of the Lease Agreement, USEC is responsible for certain lease turnover activities at the plants. Lease turnover costs are accrued over the estimated term of the Lease Agreement which is estimated to extend through calendar year 2006.

As Executive Agent under the Russian Contract, USEC purchased 3.6 million SWU at a cost of $319.6 million, including related shipping charges, in fiscal 1999 and, subject to price adjustments for U.S. inflation, has committed to purchase 3.9 million SWU at a cost of $333.1 million in the six months ending December 31, 1999, and 5.5 million SWU at a cost of $469.8 million in each of calendar years 2000 and 2001. The Russian Contract has a 20-year term.

Project Development Costs

In June 1999, further development of the AVLIS enrichment technology was suspended. During fiscal 2000, USEC plans to evaluate the availability and economics of centrifuge technology. USEC is also evaluating a potential new advanced enrichment technology called "SILEX."

Selling, General and Administrative

Selling, general and administrative expenses include salaries and related overhead for personnel, legal and consulting fees and other administrative costs.

Income Taxes

USEC became subject to federal and state income taxes at the IPO Date with an effective income tax rate of 34.5% in fiscal 1999.

RESULTS OF OPERATIONS

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

<TABLE>
<CAPTION>

	FISCAL YEARS ENDED JUNE 30,			
	1997	1998	1999	
<S>	<C>	<C>	<C>	
Revenue				
Domestic	60%	63%	62%	
Asia	31	31	30	
Europe and other	9	6	8	
Total revenue	100%	100%	100%	
Cost of sales	74	75	77	
Gross profit	26	25	23	
Special charges	--	3	2	
Project development costs	9	10	7	
Selling, general and administrative	2	2	3	
Operating income	15	10	11	
Interest expense	--	--	2	
Other (income) expense, net	(1)	--	(1)	
Income before income taxes	16	10	10	
Provision for income taxes	--	--	--	(1)
Net income	16%	10%	10%	

</TABLE>

(1) The provision for income taxes for fiscal 1999 has been reduced by a special tax benefit for deferred income taxes that arise from the transition to taxable status.

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 (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. USEC provided enrichment services for 108 reactors in fiscal 1999, compared with 100 reactors in fiscal 1998. 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.

During fiscal 1999, USEC signed contracts for $1.3 billion in new business for delivery over the next 10 years. As a result of lower prices, shorter contract terms, and the variability of customer orders, management expects fiscal year 2000 revenue to be about $1.4 billion, compared with $1.5 billion in

fiscal 1999.

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 in fiscal 1999 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% in fiscal 1999, 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. The average price of electric power purchased was $21.54 per MWh in fiscal 1999 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. USEC curtailed production at the Paducah plant during the summer and early fall of 1998 to reduce the impact of high power prices.

An agreement increasing flexibility under the contract with EEI and a six-month financial and supply agreement with OVEC were approved by regulatory authorities. The changes USEC negotiated in fiscal 1999 to its power supply agreements with its two primary and other electric power suppliers include provisions:

- limiting exposure to high-cost, non-firm power prices at the Paducah plant in the summer of 1999;
- monetizing excess power available in the summer of 1999 under the contract to the Portsmouth plant; and
- being able to move blocks of power in the summer of 1999 from the Portsmouth plant to the Paducah plant.

USEC intends to negotiate with OVEC to extend and expand these provisions beyond the summer of 1999. In the non-firm power market, prices are generally trending upward. USEC intends to manage its production levels and power purchases to reduce exposure to the continuing fluctuations in non-firm power prices, although there can be no assurance that USEC will be successful in reducing such exposure.

Costs for labor and benefits amounted to $238.9 million in fiscal 1999, about the same as in fiscal 1998. Consistent with the agreement with the U.S. Treasury, the average number of employees at the plants declined 7% in fiscal 1999, and is expected to decline 8% in fiscal 2000.

Prior to May 18, 1999, Lockheed Martin Utility Services ("LMUS"), a subsidiary of Lockheed Martin Corporation, provided labor, services, and materials and supplies to operate and maintain the plants under an operations and maintenance contract. 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. Effective May 18, 1999, USEC terminated the contract and assumed direct management and operation of the plants. Plant workers became employees of USEC.

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 based on fixed-cost disposal contracts for a certain quantity 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.

At the Portsmouth plant, SWU unit production costs were adversely affected in fiscal 1999 and 1998 by low production facility capability due to continued sub-optimal gaseous diffusion production equipment availability.

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. In March 1999, the Russian Federation resumed deliveries after several months of suspended deliveries. The suspended schedule of 1998 calendar year deliveries to USEC was completed in June 1999, and USEC has agreed to a schedule of deliveries for the remainder of calendar year 1999. Purchases from the Russian Federation are expected to aggregate 5.7 million SWU in calendar 1999, of which 1.8 million SWU had been purchased as of June 30, 1999. Cost of sales has been, and will continue to be, affected by amounts paid to purchase SWU under the Russian Contract; since the volume of SWU purchases has increased, USEC has operated the plants at significantly lower production levels resulting in higher unit production costs.

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 - Suspension of Development of AVLIS Technology

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.

Special charges amounted to $34.7 million ($22.7 million or $.23 per share after tax) in fiscal 1999 for contract terminations, shutdown activities and employee severance and benefit arrangements related to the suspension in June 1999 of development of the AVLIS enrichment technology. It is expected that substantially all of the shutdown activities will be completed within one year. Since all project development costs were charged to expense, there was no asset write-off.

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):

<TABLE>

<S>	<C>
Privatization costs	$13.8
Worker and community transition assistance benefits	20.0
Workers' pre-existing severance benefits	12.8
	$46.6

</TABLE>

Privatization costs of $13.8 million were paid in July 1998, worker and community transition assistance benefits of $20.0 million were paid to DOE in June 1998, and payments of $5.9 million for workers' pre-existing severance benefits with respect to 312 workers had been made as of June 30, 1999.

Project Development Costs

Project development costs, primarily for the AVLIS project, amounted to $106.4 million in fiscal 1999, a decline of $30.3 million (or 22%) from $136.7 million in fiscal 1998. In June 1999, further development of the AVLIS enrichment technology was suspended.

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. Project 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 IPO Date, 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 IPO Date. The provision for income taxes in fiscal 1999, includes a special income tax benefit of $54.5 million ($.54 per share) for deferred income tax benefits that arise 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.

Excluding the special tax benefit, the provision for income taxes in fiscal 1999 amounted to $51.6 million and reflects an effective income tax rate of 34.5%.

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 IPO 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.

Fiscal 2000 Outlook

In light of recent industry and global economic developments that have intensified the effects of production over-capacity and continuing low prices for enrichment services, management is actively reviewing USEC's cost structure and strategic alternatives to bolster USEC's competitive position over the longer term. Management believes that this process will result in initiatives directed at better rationalizing worldwide excess production capacity and aligning the Russian Contract with market pricing realities. Innovative marketing initiatives are underway to achieve additional sales.

Through aggressive cost cutting actions, management expects fiscal 2000 earnings to be similar to the fiscal 1999 level, excluding special items, with continued strong cash flow.

RESULTS OF OPERATIONS -- FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

Revenue

Revenue amounted to $1,421.2 million in fiscal 1998, a decline of $156.6 million (or 10%) from $1,577.8 million in fiscal 1997. The decline in revenue was attributable primarily to the timing of customer nuclear reactor refuelings resulting in a 12% decline in sales of SWU in fiscal 1998, following a 14% increase in fiscal 1997. During fiscal 1998, USEC provided enrichment services for 100 reactors as compared with 110 in fiscal 1997. The average SWU price billed to customers increased approximately 1% compared with fiscal 1997, notwithstanding the overall trend toward lower prices for contracts negotiated since July 1993 in the highly competitive uranium enrichment market. Sales of uranium to electric utility customers increased to $40.8 million, compared with $25.9 million in fiscal 1997.

Revenue from domestic customers declined $54.6 million (or 6%), revenue from customers in Asia declined $44.7 million (or 9%) and revenue from customers in Europe and other areas declined $57.3 million (or 41%). Changes in the geographic mix of revenue in fiscal 1998 resulted primarily from the timing of customers' orders. The decline in domestic revenue also reflects lower commitment levels from two customers, partially offset by higher sales of uranium and a first time sale of SWU for one reactor.

Cost of Sales

Cost of sales amounted to $1,062.1 million in fiscal 1998, a decline of $100.2 million (or 9%) from $1,162.3 million in fiscal 1997. The decline in cost of sales was attributable to the 12% decline in sales in SWU from the timing of customers' orders, partially offset by the effects of lower production volume and higher unit costs at the plants and an increase in purchased SWU under the

Russian Contract. As a percentage of revenue, cost of sales amounted to 75% in fiscal 1998, compared with 74% in fiscal 1997.

SWU unit production costs in fiscal years 1998 and 1997 were adversely affected by lower production facility capability, and USEC incurred additional costs because uneconomic overfeeding of uranium was necessary at the Portsmouth plant to compensate for the production lost due to the unavailability of production equipment in order to ensure that customer requirements would be met.

Electric power costs amounted to $413.8 million (representing 53% of production costs) in fiscal 1998, compared with $530.4 million (representing 59% of production costs) in fiscal 1997, a decline of $116.6 million (or 22%). The decline reflected lower power consumption resulting from lower SWU production and improved power utilization efficiency, or SWU production compared with the amount of electric power consumed.

Costs for labor and benefits amounted to $237.7 million in fiscal 1998, an increase of $7.6 million (or 3%) from $230.1 million in fiscal 1997. The increase reflected general inflation.

Costs for the future disposition of depleted uranium amounted to $55.7 million in fiscal 1998, a decline of $16.3 million (or 23%) from $72.0 million in fiscal 1997. The decline resulted from lower SWU production overall and, at the Paducah plant, more efficient operations and economic underfeeding of uranium which in turn resulted in a significant reduction in the generation of depleted uranium.

SWU purchased under the Russian Contract and other purchase contracts represented 38% of the combined produced and purchased supply mix, compared with 23% for fiscal 1997. Unit costs of SWU purchased under the Russian Contract are substantially higher than USEC's marginal cost of production. USEC purchased SWU derived from highly enriched uranium, as follows: 3.6 million SWU at a cost of $315.8 million and 1.8 million SWU at a cost of $157.3 million in fiscal years 1998 and 1997, respectively.

Gross Profit

Gross profit amounted to $359.1 million in fiscal 1998, a decline of $56.4 million (or 14%) from $415.5 million in fiscal 1997. The decline resulted from lower sales of SWU from the timing of customers' orders, lower production volume and higher unit costs at the plants, and an increase in purchased SWU under the Russian Contract.

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.

Project Development Costs

Project development costs, primarily for the AVLIS project, amounted to $136.7 million for fiscal 1998, a decline of $4.8 million (or 3%) from $141.5 million in fiscal 1997. Engineering and development costs for the AVLIS uranium enrichment process in fiscal 1998 primarily reflected continuing demonstration of plant-scale components with emphasis shifting toward integrated operation of the laser and separator systems to verify enrichment production economics. Project

development costs include costs of $2.0 million in fiscal 1998 and $7.8 million in fiscal 1997 incurred in the evaluation of the SILEX advanced enrichment technology.

Selling, General and Administrative Expenses

Selling, general and administrative expenses amounted to $34.7 million in fiscal 1998, an increase of $2.9 million (or 9%) from $31.8 million in fiscal 1997. As a percentage of revenue, selling, general and administrative expenses amounted to 2.4% in fiscal 1998, compared with 2.0% in fiscal 1997. The increase resulted from higher expenses associated with privatization activities.

Net Income

Net income before special charges amounted to $192.9 million in fiscal 1998, a decline of $57.2 million (or 23%) from $250.1 million in fiscal 1997. As a percentage of revenue, net income before special charges amounted to 13% in fiscal 1998, compared with 16% in fiscal 1997. The decline resulted primarily from lower sales of SWU from the timing of customers' orders and lower gross profit margins. Including special charges, net income in fiscal 1998 amounted to $146.3 million.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Cash Flow

Net cash flows provided by operating activities amounted to $230.4 million in fiscal 1999, compared with $73.3 million in fiscal 1998. Cash flow in fiscal 1999 includes the collection of an overdue receivable of $36.0 million from a Korean customer, an increase of $24.1 million in operating income, an increase of $38.4 million in current liabilities for income taxes and $34.2 million for the suspension of development of the AVLIS technology, and an increase in long-term liabilities of $24.8 million for depleted uranium disposition, partly offset by interest expense of $32.5 million on borrowings in fiscal 1999. In fiscal 1999, receivables increased $137.4 million, inventories increased $51.2 million, and net payables under the Russian Contract increased $78.0 million.

Net cash flows provided by operating activities amounted to $73.3 million in fiscal 1998, compared with $356.1 million in fiscal 1997. Cash flow in fiscal 1998 was reduced by an increase of $142.5 million in inventories, the decline of $103.8 million in net income compared with fiscal 1997, and payments of $66.0 million in fiscal 1998 to DOE relating to the disposition of depleted uranium, partly offset by an increase of $64.4 million in payables to the Russian Federation for purchases of SWU.

Capital expenditures amounted to $25.8 million, $36.5 million and $51.1 million in fiscal years 1997, 1998 and 1999, respectively. Capital expenditures in fiscal 1999 include costs of $21.0 million 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. In fiscal 2000, USEC expects its capital expenditures will approximate $61.0 million, including costs to complete the seismic upgrades and to upgrade the Paducah plant's capability to produce enriched uranium up to 5% U(235).

In June 1999, the Board of Directors approved a share repurchase program of up to 10.0 million shares of common stock over 24 months. The repurchase is being funded through internal cash flow, augmented by short-term borrowings as needed. The Board action authorizes the purchase of shares

from time to time on the open market or through privately negotiated transactions. In fiscal 1999, repurchases of common stock amounted to $14.8 million.

In December 1998, March 1999 and June 1999, quarterly cash dividends of $.275 per share were paid to shareholders and aggregated $82.5 million. On July 28, 1999, a cash dividend of $.275 was declared, payable September 15, 1999, to shareholders of record August 27, 1999.

The sale of USEC's common stock in connection with the IPO resulted in net proceeds to the U.S. Government aggregating $3,092.1 million and consisting of (1) net proceeds of $1,882.7 million from the initial public offering of $1,382.7 million 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.

Cash dividends paid to the U.S. Treasury amounted to $120.0 million in each of the fiscal years 1997 and 1998.

Capital Structure and Financial Resources

On January 20, 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 net proceeds of $495.2 were used to repay a portion of the 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.

Commitments available under bank credit facilities total $300.0 million as follows: $150.0 million under a revolving credit facility convertible in July 2000 into a one-year term loan and $150.0 million under a revolving credit

facility expiring July 2003. Commercial paper borrowings of $50.0 million included in short-term debt at June 30, 1999, are supported by available commitments under the bank credit facilities.

At June 30, 1999, net working capital amounted to $943.3 million, including net inventories of $831.7 million, and the total debt-to-capitalization ratio was 33%.

USEC expects that its cash, internally generated funds from operating activities, and available financing sources under the bank credit facilities and commercial paper program, will be sufficient to meet its obligations as they become due and to fund operating requirements of the plants, purchases of SWU under the Russian Contract, capital expenditures and discretionary investments, 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 $24.9 million, $25.4 million and $24.1 million and capital expenditures were $1.8 million, $4.4 million and $3.1 million in fiscal years 1997, 1998 and 1999, respectively. In fiscal years 2000 and 2001, USEC expects its operating costs and capital expenditures for environmental matters to remain at about the same levels as in fiscal 1999.

Costs for the future treatment and disposal of depleted uranium produced from operations were $40.5 million in fiscal 1999. USEC paid $50.0 million to DOE in fiscal 1998 in consideration for DOE assuming responsibility for a certain amount of depleted uranium generated by USEC from October 1998 to September 2005.

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.

IMPACT OF YEAR 2000 ISSUE

The Year 2000 issue exists because many software and embedded systems (defined below), which use only two digits to identify a year in a date field, were developed without considering the impact of the upcoming change in the century. Some of these systems are critical to USEC's operations and business processes and could fail or function inaccurately if not repaired or replaced with Year 2000 ready products.

USEC's software and embedded systems will be Year 2000 ready when such systems are replaced or remediated to perform essential functions accurately and without failure. Software is computer programming that has been developed by USEC for its own use (in-house software) and purchased from vendors (vendor software). Embedded systems refer to both computing hardware and other electronic monitoring, communications, and control systems that have microprocessors.

The Year 2000 project focuses on systems that are critical. The failure of critical systems would directly and adversely affect the ability to generate or deliver products and services or otherwise affect revenue, safety, or reliability for a period of time as to lead to unrecoverable consequences. USEC adopted a phased approach for critical systems:

- a company-wide inventory, in which critical systems were identified;
- assessment, in which critical systems were evaluated as to their readiness to operate in the Year 2000;
- remediation, in which critical systems that were not Year 2000 ready were upgraded by modification or replacement;
- testing, in which remediation was validated by checking the ability of critical systems to operate within the Year 2000 time frame; and
- certification, in which systems were formally acknowledged to be Year

2000 ready and acceptable for operation.

In July 1999, remediation, testing and certification of the identified, critical, in-house and vendor software and hardware was complete.

Remediated software and embedded systems were tested both for ability to handle Year 2000 dates, including leap year, and to assure that repair had not affected functionality. Software and embedded systems were tested individually and where necessary in an integrated manner with other systems, with dates advanced to simulate the Year 2000. Testing reduces risk, but cannot comprehensively address all future combinations of dates and events.

As required by the NRC, USEC has completed its program to assure that systems required for safe and compliant operations of the plants are Year 2000 ready.

USEC depends on external parties, including electric power utilities, customers, suppliers, government agencies, and financial institutions, to reliably deliver products and services. To the extent that external parties experience Year 2000 problems, the demand for and the reliability of USEC's services may be adversely affected. USEC has adopted a phased approach to address external parties and the Year 2000 issue:

- inventory, in which critical business relationships were identified;
- action planning, in which a series of actions and a time frame for monitoring expected compliance status were developed;
- assessment, in which the likelihood of external party Year 2000 readiness is being evaluated; and
- contingency planning, in which plans are being made to deal with the potential failure of an external party to be Year 2000 ready.

Assessment of Year 2000 readiness of external parties and contingency planning will continue through calendar year 1999.

USEC recognizes that, given the complex interaction of computing and communication systems, it is not possible to be certain that all efforts to have all critical systems Year 2000 ready will be successful. There can be no assurance that such programs will identify and cure all software problems, or that entities on whom USEC relies for certain services integral to its business, such as the electric power suppliers, will successfully address all of their software and systems problems in order to operate without disruption in 2000. Contingency plans are being developed and will be continually evaluated and revised through the remainder of calendar year 1999. Contingency planning includes, but is not limited to, the development of plans in the event that electric power is interrupted or reduced for an extended period of time, the continued communication with critical suppliers to ensure their Year 2000 readiness, and the identification of alternative suppliers, vendors and service providers.

Costs for software modifications and systems upgrades to resolve Year 2000 issues aggregated $11.9 million at June 30, 1999, and additional costs of $.5 million are expected in fiscal 2000. Pursuant to USEC's financial accounting and reporting policies, purchased hardware and software costs are capitalized, and implementation costs, including consultants' fees, are charged against income as incurred.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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.

Debt

On January 20, 1999, USEC refinanced $500.0 million of borrowings under the bank credit facility with $350.0 million of 6.625% senior notes due January 2006 and $150.0 million of 6.750% senior notes due January 2009. The repayment schedule of debt, the balance sheet carrying amounts, and related fair values calculated based on a spread over U.S. Treasury securities with similar maturities, follow (millions):

<TABLE>
<CAPTION>

MATURITY DATES

	JUNE 2000	JANUARY 2006	JANUARY 2009	BALANCE SHEET CARRYING AMOUNT	FAIR VALUE
<S>	<C>	<C>	<C>	<C>	<C>
Short-term debt.....	$ 50.0			$ 50.0	$ 50.0
Long-term debt:					
6.625% senior notes.....		$350.0		350.0	332.6
6.750% senior notes.....			$150.0	150.0	139.0
				$550.0	$ 521.6

</TABLE>

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 3, 1999.

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 3, 1999.

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 3, 1999.

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 3, 1999.

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.

(a) (2) Financial Statement Schedules

No financial statement schedules are required to be filed.

(a) (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.

34

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)

10.2 Gaseous Diffusion Plant Operation and Maintenance Contract between Lockheed Martin Utility Services, Inc. and USEC, dated October 1, 1995. (1)

10.3 Lockheed Martin Guaranty for Lockheed Martin Utility Services, Inc. with the United States Enrichment Corporation, dated October 1, 1995. (1)

10.4 Memorandum of Agreement dated December 15, 1994, between the United States Department of Energy and USEC regarding the transfer of functions and activities, as amended. (1)

10.5 Memorandum of Agreement dated April 27, 1995, between the United States Department of Energy and USEC regarding the transfer and funding of AVLIS, as amended. (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)

10.10 Power Contract between Tennessee Valley Authority and USEC, dated October 12, 1995. (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 Lockheed Martin Utility Services, Inc., Portsmouth gaseous diffusion plant, and Oil, Chemical and Atomic Workers International Union and its local no. 3-689, April 1, 1996-May 2, 2000. (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)

35

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)

10.16 Joint Development, Demonstration and Deployment Agreement between Cameco Corporation and USEC, dated July 26, 1996. (1)

10.17 Contract between USEC, 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 USEC relating to post-privatization liabilities. (1)

10.19 Memorandum of Agreement, dated May 18, 1998, between the United States Department of Energy and USEC relating to depleted uranium generated prior to the privatization date. (1)

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

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

10.22 Agreement between USEC 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. (4)

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. (3)

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 USEC for USEC to serve as the United States Government's Executive Agent under the Agreement between the United States and the Russian Federation concerning the 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 USEC 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 USEC regarding certain worker benefits. (1)

10.29 Agreement dated June 9, 1999, between USEC Inc. and James R. Mellor.

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

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.

10.32 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 March 31, 1999.

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.

10.34 Revolving Loan Agreement, dated July 27, 1999, among First Union National Bank, Bank of America, N.A., Wachovia Bank, National Association, Banc of America Securities LLC, and USEC Inc.

10.35 USEC Inc. 1999 Equity Incentive Plan. (5)

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.

21.1 Subsidiaries of the Registrant. (3)

27 Financial Data Schedule.

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

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

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

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

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

(b) Reports on Form 8-K

A report on Form 8-K was filed June 10, 1999, relating to the suspension of development of the AVLIS technology.

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 7, 1999

By /s/ William H. Timbers, Jr.

WILLIAM H. TIMBERS, JR.
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.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
/s/ William H. Timbers, Jr. William H. Timbers, Jr.	President and Chief Executive Officer (Principal Executive Officer) and Director	September 7, 1999
/s/ Henry Z Shelton, Jr. Henry Z Shelton, Jr.	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	September 7, 1999
/s/ James R. Mellor James R. Mellor	Chairman of the Board	September 7, 1999
/s/ Joyce F. Brown	Director	September 7, 1999

Joyce F. Brown		
/s/ Frank V. Cahouet	Director	September 7, 1999
Frank V. Cahouet		
/s/ John R. Hall	Director	September 7, 1999
John R. Hall		
/s/ Dan T. Moore, III	Director	September 7, 1999
Dan T. Moore, III		
/s/ William H. White	Director	September 7, 1999
William H. White		

USEC INC.

INDEX TO FINANCIAL STATEMENTS

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, 1998 and 1999, and the related consolidated statements of income and cash flows for each of the three years in the period ended June 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly,

in all material respects, the financial position of USEC Inc. as of June 30, 1998 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 1999, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Washington, D.C.
July 28, 1999

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

<TABLE>
<CAPTION>

	JUNE 30, 1998	JUNE 30, 1999
<S>	<C>	<C>
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,177.8	$ 86.6
Accounts receivable - trade	236.4	373.8
Inventories:		
Separative Work Units	687.0	648.8
Uranium	184.5	160.1
Uranium provided by customers	315.0	101.7
Materials and supplies	24.8	22.8
Total Inventories	1,211.3	933.4
Payments for future deliveries under Russian Contract	63.4	50.0
Other	39.5	29.3
Total Current Assets	2,728.4	1,473.1
Property, Plant and Equipment, net	131.9	166.6
Other Assets		
Deferred income taxes	--	49.5
Deferred costs for depleted uranium	50.0	43.7
Prepaid pension assets	--	52.9
Inventories	561.0	574.4
Total Other Assets	611.0	720.5
Total Assets	$ 3,471.3	$ 2,360.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ --	$ 50.0
Accounts payable and accrued liabilities	182.9	214.1
Income taxes	--	38.4
Payables under Russian Contract	8.4	73.0
Suspension of development of AVLIS technology	--	34.2
Nuclear safety upgrade costs	41.2	18.4
Uranium owed to customers	315.0	101.7
Total Current Liabilities	547.5	529.8
Long-Term Debt	--	500.0
Other Liabilities		
Advances from customers	34.3	19.2
Depleted uranium disposition	372.6	24.8
Postretirement health and life benefit obligations	--	93.0
Other liabilities	96.4	58.0
Total Other Liabilities	503.3	195.0
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, 100,000,000 shares and 100,318,307 shares issued	10.0	10.0

Excess of capital over par value	1,357.1	1,072.0
Retained earnings	1,053.4	71.9
Treasury stock, 1,142,000 shares	--	(14.8)
Deferred compensation	--	(3.7)
Total Stockholders' Equity	2,420.5	1,135.4
Total Liabilities and Stockholders' Equity	$ 3,471.3	$ 2,360.2

</TABLE>

See notes to consolidated financial statements.

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

<TABLE>
<CAPTION>

	YEARS ENDED JUNE 30,		
	1997	1998	1999
<S>	<C>	<C>	<C>
Revenue			
Domestic	$ 950.8	$ 896.2	$ 947.6
Asia	487.5	442.8	455.2
Europe and other	139.5	82.2	125.8
	1,577.8	1,421.2	1,528.6
Cost of sales	1,162.3	1,062.1	1,182.0
Gross profit	415.5	359.1	346.6
Special charges:			
Suspension of development of AVLIS technology	--	--	34.7
Workforce reductions and privatization costs	--	46.6	--
Project development costs	141.5	136.7	106.4
Selling, general and administrative	31.8	34.7	40.3
Operating income	242.2	141.1	165.2
Interest expense	--	--	32.5
Other (income) expense, net	(7.9)	(5.2)	(16.8)
Income before income taxes	250.1	146.3	149.5
Provision (benefit) for income taxes	--	--	(2.9)
Net income	250.1	$ 146.3	$ 152.4
Net income per share - basic and diluted			$ 1.52
Dividends per share			$ .825
Average number of shares outstanding			99.9

</TABLE>

See notes to consolidated financial statements.

USEC INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(MILLIONS)

<TABLE>
<CAPTION>

	YEARS ENDED JUNE 30,		
	1997	1998	1999
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			

Net income	$ 250.1	$ 146.3	$ 152.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	--	--	(49.5)
Depreciation and amortization	14.6	16.1	16.4
Depleted uranium disposition	72.0	(10.3)	32.3
Advances from customers	(20.1)	(.6)	(15.1)
Suspension of development of AVLIS technology	--	--	34.2
Changes in operating assets and liabilities:			
Accounts receivable - (increase) decrease	103.1	(4.6)	(137.4)
Inventories - (increase) decrease	(3.5)	(142.5)	51.2
Payables under Russian Contract, net	(50.1)	64.4	78.0
Income taxes - increase	--	--	38.4
Accounts payable and other liabilities - increase (decrease)	(17.3)	13.4	10.1
Other	7.3	(8.9)	19.4
Net Cash Provided by Operating Activities	356.1	73.3	230.4
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capital expenditures	(25.8)	(36.5)	(51.1)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to stockholders	--	--	(82.5)
Dividends paid to U.S. Treasury	(120.0)	(120.0)	(1,709.4)
Proceeds from issuance of senior notes	--	--	495.2
Net proceeds from issuance of short-term debt	--	--	50.0
Debt issuance cost	--	--	(3.7)
Repurchase of common stock	--	--	(14.8)
Costs relating to initial public offering	--	--	(5.3)
Payments under Russian Contract for purchase of natural uranium transferred to Department of Energy	(74.3)	--	--
Net Cash Provided by (Used in) Financing Activities	(194.3)	(120.0)	(1,270.5)
Net Increase (Decrease)	136.0	(83.2)	(1,091.2)
Cash and Cash Equivalents at Beginning of Year	1,125.0	1,261.0	1,177.8
Cash and Cash Equivalents at End of Year	$ 1,261.0	$ 1,177.8	$ 86.6
Supplemental Cash Flow Information			
Interest paid	--	--	$ 16.7
Income taxes paid	--	--	5.7
Supplemental Schedule of Non-Cash Financing Activities			
Transfer of responsibility for depleted uranium disposition to Department of Energy	--	--	$ 373.8

</TABLE>

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 approximately 60 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").

The Nuclear Regulatory Commission has had regulatory authority over the operations of the plants since March 1997. The term of the Nuclear Regulatory Commission 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 (the "IPO Date"), resulting in net proceeds to the U.S. Government aggregating $3,092.1 million and consisting of (1) net proceeds of $1,882.7 million from the initial public offering of $1,382.7 million 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 at June 30, 1999, include temporary cash investments with maturities of three months or less. At June 30, 1998, cash consisted of non-interest bearing funds on deposit with the U.S. Treasury.

INVENTORIES

Inventories of SWU and uranium are valued at the lower of cost or market with market for SWU based on the terms of long-term contracts with customers. 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, mainly 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. Upon being placed into service, costs are transferred to leasehold improvements or machinery and equipment at which time depreciation commences. Leasehold improvements and machinery and equipment are recorded at acquisition cost and depreciated on a straight line basis over the shorter of their useful lives which range from three to ten years or the expected plant lease period which is estimated to extend through calendar year 2006. USEC leases the plants and process-related machinery and equipment from DOE. At the end of the lease term, ownership and responsibility for decontamination and decommissioning of property, plant and equipment that USEC leaves at the plants transfer to DOE.

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

<TABLE>
<CAPTION>

	1998	1999
<S>	<C>	<C>
Construction work in progress	$ 27.1	$ 39.5
Leasehold improvements	21.7	48.5
Machinery and equipment	145.9	157.8
	194.7	245.8
Accumulated depreciation and amortization...	(62.8)	(79.2)
	$131.9	$166.6

</TABLE>

REVENUE

Revenue is recognized at the time SWU or uranium is shipped under the terms of contracts with domestic and foreign electric utility customers. 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 sales of SWU under such programs is recognized as title to enriched uranium is transferred to customers. Under certain power-for-SWU barter contracts, USEC exchanges its enrichment services for electric power supplied to the plants. 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. No customer accounted for more than 10% of revenue during the years ended June 30, 1997, 1998 or 1999. Revenue attributed to domestic and international customers follows:

<TABLE>
<CAPTION>

	YEARS ENDED JUNE 30,		
	1997	1998	1999
<S>	<C>	<C>	<C>
Domestic	60%	63%	62%
Asia	31	31	30
Europe and other ...	9	6	8
	100%	100%	100%

</TABLE>

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

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 (see Note 6).

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.

PROJECT DEVELOPMENT COSTS

Project development costs relate principally to the Atomic Vapor Laser Isotope Separation project ("AVLIS"). AVLIS development costs are charged to expense as incurred and include activities relating to the design and testing of process equipment and the design and preparation of the AVLIS demonstration facility. In June 1999, further development of the AVLIS technology was suspended (see Note 7).

Project development costs relating to a potential new advanced enrichment technology called SILEX are charged to expense as incurred.

INCOME TAXES

USEC became subject to federal, state and local income taxes at the IPO Date. 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 primarily due to the accrual of certain costs included in other liabilities.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of 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, decommissioning and shutdown costs for power generating facilities, the operating lease period 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):

<TABLE>
<CAPTION>

	1998	1999
<S>	<C>	<C>
Current assets:		
Separative Work Units	$ 687.0	$ 648.8
Uranium	184.5	160.1
Uranium provided by customers	315.0	101.7
Materials and supplies	24.8	22.8
	1,211.3	933.4
Long-term assets:		
Separative Work Units	108.6	116.8
Uranium	452.4	457.6
Current liabilities		
Uranium owed to customers	(315.0)	(101.7)
Inventories, reduced by uranium owed to customers	$ 1,457.3	$ 1,406.1

</TABLE>

Inventories included in current assets represent amounts required to meet working capital needs, preproduce enriched uranium and balance the uranium and electric power requirements of the plants, and include $187.6 million and $56.4 million at June 30, 1998 and 1999, respectively, for enriched uranium held at nuclear fuel fabricators and other locations and scheduled to be used to fill customer orders.

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 $315.0 million and $101.7 million at June 30, 1998 and 1999, respectively, with a corresponding liability in the same amount representing uranium owed to customers.

Inventories reported as long-term assets represent quantities not expected to be used or sold within one year of the balance sheet date. USEC anticipates selling uranium gradually as natural uranium or together with SWU in the form of enriched uranium product over the next several years. USEC intends to manage sales of natural uranium so as to not significantly affect the U.S. market.

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.

From inception of the Russian Contract to June 30, 1999, USEC purchased 11.0 million SWU derived from 60 metric tons of highly enriched uranium at an aggregate cost of $959.5 million, including related shipping charges, as follows (in millions):

<TABLE>
<CAPTION>

YEARS ENDED JUNE 30,	SWU	AMOUNT
<S>	<C>	<C>
1995	.3	$ 22.7
1996	1.7	144.1
1997	1.8	157.3
1998	3.6	315.8
1999	3.6	319.6
	11.0	$ 959.5

</TABLE>

Subject to price adjustments for U.S. inflation, as of June 30, 1999, USEC has committed to purchase SWU derived from highly enriched uranium under the Russian Contract through calendar year 2001 as follows (in millions):

<TABLE>
<CAPTION>

CALENDAR YEAR	SWU	AMOUNT
<S>	<C>	<C>
Six Months Ending December 31, 1999	3.9	$ 333.1
2000	5.5	469.8
2001	5.5	469.8
		$ 1,272.7

</TABLE>

Over the life of the Russian Contract, USEC expects to purchase 92 million SWU derived from 500 metric tons of highly enriched uranium. Assuming actual prices in effect at June 30, 1999, were to prevail over the remaining life of the contract, the cost of SWU purchased and expected to be purchased would amount to approximately $8 billion.

As of June 30, 1999, the remaining balance of $50.0 million paid to Tenex as credits for future SWU deliveries is scheduled to be applied during the six months ending December 31, 1999.

5. INCOME TAXES

The provision (benefit) for income taxes consists of the following (in millions):

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30, 1999		
	CURRENT	DEFERRED	TOTAL
<S>	<C>	<C>	<C>
Federal	$ 41.9	$ 4.5	$ 46.4
State and local	4.7	.5	5.2
	46.6	5.0	51.6
Special tax benefit from transition to taxable status:			
Federal	--	(49.8)	(49.8)
State and local	--	(4.7)	(4.7)
	--	(54.5)	(54.5)
	$ 46.6	$ (49.5)	$ (2.9)

	========	========	========

</TABLE>

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 a net deferred tax asset of $49.5 million at June 30, 1999, as follows (in millions):

<TABLE>
<CAPTION>

	JUNE 30, 1999
Deferred tax assets:	
<S>	<C>
Inventory costs	$ 28.0
Plant lease turnover costs	10.9
Employee benefits	11.7
Decommissioning and shutdown costs at power generation facilities	6.9
Other	8.6
Deferred tax assets	66.1
Deferred tax liability:	
Deferred costs for depleted uranium	(16.6)
Net deferred tax asset	$ 49.5

</TABLE>

The provision for income taxes in the year ended June 30, 1999, includes a special income tax benefit of $54.5 million for deferred income tax benefits that arise from the transition to taxable status. Excluding the special tax benefit, the provision for income taxes for the year ended June 30, 1999, amounted to $51.6 million and reflects an effective income tax rate of 34.5%, as follows:

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30, 1999
<S>	<C>
Statutory federal income tax rate	35.0%
State income taxes, net of federal benefit	2.3
Research and experimentation tax credit	(2.3)
Other	(.5)
	34.5%

</TABLE>

6. DEBT

Long-term debt at June 30, 1999, follows (in millions):

<TABLE>
<CAPTION>

	JUNE 30, 1999
Long-term debt:	
<S>	<C>
6.625% senior notes, due January 2006	$ 350.0
6.750% senior notes, due January 2009	150.0
	$ 550.0

</TABLE>

On January 20, 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 net proceeds of $495.2 million were used to repay a portion of the 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. Interest is paid every six months on January 20 and July 20 beginning in July 1999. 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.

Commitments available under bank credit facilities total $300.0 million as follows: $150.0 million under a revolving credit facility convertible in July 2000 into a one-year term loan and $150.0 million under a revolving credit facility expiring July 2003. A commercial paper program was established in February 1999. Commercial paper borrowings of $50.0 million included in short-term debt at June 30, 1999, are supported by available commitments under the bank credit facilities.

The bank credit facilities require USEC to comply with certain financial covenants, including a minimum net worth and a debt to total capitalization ratio, as well as other customary conditions and covenants. The bank credit facility restricts 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, 1999, the fair value of debt calculated based on a spread over U.S. Treasury securities with similar maturities was $521.6 million, compared with the balance sheet carrying amount of $550.0 million.

7. SPECIAL CHARGES

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 is conducting 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 the year ended June 30, 1999, for contract terminations, shutdown activities and employee severance and benefit arrangements. As all project development costs have been expensed, there was no asset write-off. It is expected that substantially all of the shutdown activities will be completed within one year.

Project development costs relating to AVLIS activities amounted to $133.7 million, $134.7 million, and $103.9 million for the years ended June 30, 1997, 1998 and 1999, respectively, and were charged to expense as incurred.

WORKFORCE REDUCTIONS AND PRIVATIZATION COSTS

Special charges amounted to $46.6 million for the year ended June 30, 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 (in millions):

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30, 1998
<S>	<C>
Privatization costs	$ 13.8
Worker and community transition assistance benefits	20.0
Workers' pre-existing severance benefits	12.8
	$ 46.6

</TABLE>

Privatization costs of $13.8 million were paid in July 1998, worker and

community transition assistance benefits of $20.0 million were paid to DOE in June 1998, and payments of $5.9 million for workers' pre-existing severance benefits with respect to 312 workers had been made as of June 30, 1999.

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. Depleted uranium generated after the IPO Date is the responsibility of USEC, except 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 resulting from the payment amounted to $43.7 million at June 30, 1999, and 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.

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 $8.3 million at June 30, 1998 and $7.1 million at June 30, 1999.

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 actual costs incurred amounted to $53.4 million, $51.6 million and $38.3 million for the years ended June 30, 1997, 1998 and 1999, respectively.

9. COMMITMENTS AND CONTINGENCIES

POWER COMMITMENTS

Under the terms of the plant lease, USEC purchases electric power at amounts based on actual costs incurred under DOE's power contracts with OVEC and EEI that extend through December 2005. USEC has the right to have DOE terminate the power contracts with notice ranging from three to five years.

Under the power contracts with DOE, USEC assumed responsibility for DOE's guarantee of OVEC's senior secured notes with a remaining balance of $54.8 million at June 30, 1999, for expenditures related to compliance with the Clean Air Act Amendments of 1990, including facilities for fuel switching and the installation of continuous emission monitors.

Subject to reductions resulting from the sale of power not taken, USEC is obligated, whether or not it takes delivery of power, to make minimum annual payments for demand charges, which reflect capital and operating costs, debt service, taxes and a return on capital, estimated as follows (in millions):

<TABLE>

YEARS ENDING JUNE 30,	
<S>	<C>
2000	$124.3
2001	84.0
2002	66.8
2003	47.2
2004	5.9
	$328.2

</TABLE>

Upon termination of the power contracts, USEC is responsible for and accrues for its pro rata share of costs of future decommissioning and shutdown activities at dedicated coal-fired power generating facilities owned and operated by OVEC and EEI. The accrued cost included in other liabilities amounted to $18.1 million at June 30, 1998 and 1999.

LEASE COMMITMENTS

Total costs incurred under the plant lease with DOE and leases for office space and equipment aggregated $23.2 million, $11.5 million, and $8.1 million for the years ended June 30, 1997, 1998 and 1999, respectively. Minimum lease payments are estimated at $5.0 million for each of the years ending June 30, 2000 to 2004.

USEC has the right to extend the plant lease 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 at the plants, 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 is estimated to extend through calendar year 2006, and the accrued cost included in other liabilities amounted to $23.2 million at June 30, 1998 and $28.7 million at June 30, 1999.

10. OPERATIONS AND MAINTENANCE CONTRACT

Effective May 18, 1999, the operations and maintenance contract with Lockheed Martin Utility Systems ("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. 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.

Under the contract, USEC was responsible for and accrued for its pro rata share of pension and postretirement health and life insurance costs relating to LMUS employee benefit plans. Costs for such benefits based on actuarial estimates and matching contributions to a 401(k) defined contribution plan amounted to $20.8 million, $22.4 million, and $21.5 million for the years ended June 30, 1997, 1998 and 1999, respectively.

11. PENSION AND POSTRETIREMENT HEALTH AND LIFE BENEFITS

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.

There are 7,500 employees and retirees covered by defined benefit pension plans providing retirement benefits based on compensation and years of service, and 4,200 employees and their dependents covered by postretirement health and life benefit plans. DOE retained the obligation for postretirement health and life benefits for 2,400 workers who retired prior to the IPO Date.

The following summarizes the transfers of benefit obligations and plan assets, the funded (unfunded) status of the plans, and the plan assets and

benefit obligations as reflected on the balance sheet at June 30, 1999 (millions):

	DEFINED BENEFIT PENSION PLANS	POSTRETIREMENT HEALTH AND LIFE BENEFIT PLANS
<S>	<C>	<C>
Benefit obligations transferred	$430.0	$130.0
Fair value of plan assets transferred	511.0	37.0
Funded (unfunded) status	$ 81.0	$(93.0)
Prepaid (accrued) benefit costs before transfers from LMUS plans	$(28.1)	$(12.0)
Transfers of net assets (obligations) from LMUS plans	81.0	(81.0)
Prepaid (accrued) benefit costs	$ 52.9	$(93.0)

Plan assets are maintained in trusts and consist mainly of common stock and fixed-income investments. The transfer of plan assets and benefit obligations is subject to adjustment to reflect final actuarial valuations. The expected cost of providing pension and postretirement health and life benefits, including the amortization of actuarial gains and losses, is accrued over the years that employees render services. Assumptions used in the calculation of the benefit obligations follow:.

	DEFINED BENEFIT PENSION PLANS	POSTRETIREMENT HEALTH AND LIFE BENEFIT PLANS
<S>	<C>	<C>
Discount rate	7.5%	7.5%
Compensation increases	4.5%	4.5%

The health care cost trend rate used to measure the postretirement health benefit obligation is 8% in fiscal 2000, and is assumed to decrease gradually to 5% by fiscal 2002 and remain at that level thereafter. An increase or decrease of one percentage point in the assumed health care cost trend rate would result in a change in the benefit obligation of 19% or $25.0 million.

12. STOCKHOLDERS' EQUITY

Changes in stockholders' equity follow (in millions):

	COMMON STOCK, PAR VALUE $.10 PER SHARE	EXCESS OF CAPITAL OVER PAR VALUE	RETAINED EARNINGS	TREASURY STOCK	DEFERRED COMPENSATION	TOTAL STOCKHOLDERS' EQUITY
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at June 30, 1996	$ 10.0	$ 1,214.6	$ 897.0	--	--	$ 2,121.6
Dividend paid to U.S. Treasury	--	--	(120.0)	--	--	(120.0)
Transfer to DOE of uranium purchased under the Russian Contract (1)	--	(160.4)	--	--	--	(160.4)
Net income	--	--	250.1	--	--	250.1
Balance at June 30, 1997	10.0	1,054.2	1,027.1	--	--	2,091.3
Dividend paid to U.S. Treasury	--	--	(120.0)	--	--	(120.0)
Net income	--	--	146.3	--	--	146.3

Transfers of uranium from DOE (2)	--	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 (3)	--	(658.0)	(1,051.4)	--	--	(1,709.4)
Transfer of responsibility for depleted uranium to DOE (4)	--	373.8	--	--	--	373.8
Costs related to initial public offering	--	(5.3)	--	--	--	(5.3)
Repurchase of common stock	--	--	--	$ (14.8)	--	(14.8)
Restricted stock issued, net of amortization...	--	4.4	--	- $	(3.7)	.7
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

</TABLE>

---

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

(2) Under the Privatization Act, in April 1998, DOE transferred to USEC 50 metric tons of highly enriched uranium and 7,000 metric tons of natural uranium. 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 transfer, long-term uranium inventories and stockholders' equity were increased by $302.9 million based on DOE's historical costs for the uranium.

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

(4) 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 February 1999, stockholders approved the USEC Inc. 1999 Equity Incentive Plan, under which 9.0 million shares of common stock are reserved for issuance over ten 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 during the year ended June 30, 1999. Sale of these shares is restricted prior to the date of vesting. Deferred compensation from restricted stock awards, based on the fair market value at the date of grant, amounted to $4.4 million for the year ended June 30, 1999. Deferred compensation is amortized to expense on a straight-line basis over the vesting period.

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 ten 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. The initial six-month offer period began in March 1999.

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.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes quarterly results of operations (in millions):

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	SEPT. 30	DEC. 31	MARCH 31	JUNE 30	TOTAL
YEAR ENDED JUNE 30, 1999					
<S>	<C>	<C>	<C>	<C>	<C>
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(1)	34.7(1)
Project 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
Interest expense (2)	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)(3)	16.3	8.4	20.6	(2.9)(3)
Net income	$ 63.1	$ 32.1	$ 16.2	$ 41.0	$ 152.4
Net income per share - basic and diluted	$ .63	$ .32	$ .16	$ .41	$ 1.52
YEAR ENDED JUNE 30, 1998					
Revenue	$ 440.4	$ 322.3	$ 294.0	$ 364.5	$ 1,421.2
Cost of sales	342.1	235.7	214.4	269.9	1,062.1
Gross profit	98.3	86.6	79.6	94.6	359.1
Special charges for workforce reductions and privatization costs	--	--	--	46.6(4)	46.6(4)
Project development costs	32.2	35.4	35.4	33.7	136.7
Selling, general and administrative	8.1	8.9	7.8	9.9	34.7
Other (income) expense, net	(2.0)	0.6	(3.9)	0.1	(5.2)
Net income	$ 60.0	$ 41.7	$ 40.3	$ 4.3	$ 146.3

</TABLE>

(1) Special charges of $34.7 million ($22.7 million or $.23 per share aftertax) are for contract terminations, shutdown activities, and employee severance and benefit arrangements related to the suspension of development of the AVLIS technology. Since all project development costs were charged to expense, there was no asset write-off.

(2) Prior to the IPO Date, USEC had no debt.

(3) USEC became subject to federal, state and local income taxes at the IPO date. The provision for income taxes includes a special income tax benefit of $54.5 million ($.54 per share) for deferred income tax benefits that arise from the transition to taxable status. Excluding the special tax benefit, the provision for income taxes was $51.6 million.

(4) Special charges of $46.6 million are for costs related to the privatization and certain severance and transition benefits in connection with workforce reductions at the production plants.

==========

Exhibit 4.2

USEC INC.

AND

FIRST UNION NATIONAL BANK, Trustee

Indenture

Dated as of January 15, 1999

$500,000,000

Senior Notes

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<TABLE>
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TABLE OF CONTENTS

</TABLE>

<TABLE>
<CAPTION>

PAGE

<S> <C>

PAGE

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<CAPTION>

THIS INDENTURE, dated as of January 15, 1999 between USEC Inc., a Delaware corporation (the "COMPANY"), and First Union National Bank, a national banking association (the "TRUSTEE"),

W I T N E S S E T H :

WHEREAS, the Company has duly authorized the issuance of its 6 5/8% Senior Notes Due 2006 (the "2006 NOTES") and 6 3/4% Senior Notes due 2009 (the "2009 NOTES"; together with the 2006 Notes, the "SECURITIES") and, to provide, among other things, for the authentication, delivery and administration thereof, the Company has duly authorized the execution and delivery of this Indenture;

WHEREAS, the Securities and the Trustee's certificate of authentication

shall be in substantially the form of Exhibit A;

AND WHEREAS, all things necessary to make the Securities, when executed by the Company and authenticated and delivered by the Trustee as in the Indenture provided, the valid, binding and legal obligations of the Company, and to constitute these presents a valid indenture and agreement according to its terms, have been done;

NOW, THEREFORE:

In consideration of the promises and the purchases of the Securities by the Holders thereof, the Company and the Trustee mutually covenant and agree for the equal and proportionate benefit of the respective Holders from time to time of the Securities as follows:

ARTICLE 1
DEFINITIONS

SECTION 1.01. Certain Terms Defined. The following terms (except as otherwise expressly provided or unless the context otherwise clearly requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section. All other terms used in this Indenture which are defined in the Trust Indenture Act of 1939 or the definitions of which in the Securities Act of 1933 are referred to in the Trust Indenture Act of 1939 (except as herein otherwise expressly provided or unless the context otherwise clearly requires), shall have the meanings assigned to such terms in said Trust Indenture Act and in said Securities Act as in force at the date of this Indenture. All accounting terms used herein and not expressly defined shall have the meanings given to them in accordance with GAAP (whether or not such is indicated herein). The words "HEREIN", "HEREOF" and "HEREUNDER" and other words of similar import refer to this

Indenture as a whole and not to any particular Article, Section or other subdivision. The terms defined in this Article include the plural as well as the singular.

"BOARD OF DIRECTORS" means, with respect to any Person, the Board of Directors of such Person, or any authorized committee of the Board of Directors of such Person.

"BOARD RESOLUTION" means a copy of a resolution, certified by the Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"BUSINESS DAY" means any day except a Saturday, Sunday or other day on which commercial banks in The City of New York are authorized by law to close.

"CAPITAL STOCK" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's capital stock or other ownership interests, whether now outstanding or issued after the date of the Indenture, including, without limitation, all Common Stock and Preferred Stock.

"CERTIFICATED SECURITIES" means securities issued in the form of permanent certificated securities in registered form in substantially the form hereinabove recited.

"COMMISSION" means the Securities and Exchange Commission.

"COMMON STOCK" means, with respect to any Person, any and all shares of such Person's Capital Stock (excluding Preferred Stock of such Person), including, without limitation, all series and classes of such common stock.

"CONSOLIDATED NET TANGIBLE ASSETS" means, at any date of determination, the total amount of assets after deducting therefrom (a) all current liabilities (excluding (i) any current liabilities that by their terms are extendable or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed, and (ii) current maturities of long-term debt), and (b) the value (net of any applicable reserves) of all goodwill, trade names, trademarks, patents or other like intangible assets, all assets, all as set forth, or on a pro forma basis would be set forth, in the consolidated balance sheet of the Company and its Subsidiaries.

"CONSOLIDATED NET WORTH" of any Person means, at any date of determination, stockholder's equity of such Person, less (i) any amounts attributable to Redeemable Stock or any equity security convertible into or exchangeable for Debt, (ii) the cost of treasury stock and (iii) the principal amount of any promissory notes receivable from the sale of the Capital Stock of such Person (excluding the

effects of foreign currency exchange adjustments under Financial Accounting Standards Board Statement of Financial Accounting Standards No. 52).

"CORPORATE TRUST OFFICE" means the office of the Trustee at which the corporate trust business of the Trustee shall, at any particular time, be principally administered, which office is, at the date as of which this Indenture is dated, located at 800 East Main Street, Lower Mezzanine, VA3279, Richmond, Virginia 23219.

"DEBT" means (without duplication) all liabilities for borrowed money and any guarantee therefor.

"DEFAULT" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"DEPOSITARY" means The Depository Trust Company, its nominees, and their respective successors.

"EVENT OF DEFAULT" means any event or condition specified as such in Section 4.01 which shall have continued for the period of time, if any, therein designated.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"GAAP" means generally accepted accounting principles in the United States of America as in effect on the Issue Date, including, without limitation, those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

"HOLDERS", "HOLDER OF SECURITIES", "SECURITYHOLDER" or other similar terms means a person in whose name a Security is registered.

"INDENTURE" means this instrument as originally executed and delivered or, if amended or supplemented as herein provided, as so amended or supplemented.

"INTEREST PAYMENT DATE" means each semiannual interest payment date on January 20 and July 20 of each year, commencing July 20, 1999.

"ISSUE DATE" means the date and time at which the Securities are originally issued under the Indenture.

"LIEN" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure

Debt, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such mortgage, lien, pledge, charge, security interest or encumbrance).

"MAKE-WHOLE PREMIUM" means, in connection with any optional redemption of any security, the excess, if any, of (i) the aggregate present value as of the Redemption Date of each dollar of principal of such securities being redeemed and the amount of interest (exclusive of interest accrued to the Redemption Date) that would have been payable in respect of such dollar if such redemption had not been made, determined by discounting, on a semi-annual basis, such principal and interest at a rate equal to the sum of the Treasury Yield (determined on the Business Day immediately preceding the Redemption Date) plus 30 basis points from the respective dates on which such principal and interest would have been payable if such redemption had not been made, over (ii) the aggregate principal amount of such securities being redeemed.

"OBLIGATIONS" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Debt.

"OFFICER" means, with respect to the Company, (i) the Chairman of the Board of Directors, the President, any Vice President, the Chief Financial Officer, and (ii) the Treasurer or any Assistant Treasurer, or the Secretary or any Assistant Secretary.

"OFFICERS' CERTIFICATE" means a certificate signed by the Chairman of the Board of Directors or the President or any Vice President (whether or not designated by a number or numbers or a word or words added before or after the title "Vice President") of the Company and delivered to the Trustee. Each such certificate shall comply with Section 314 of the Trust Indenture Act of 1939 and include the statements provided for in Section 11.05.

"OPINION OF COUNSEL" means an opinion in writing signed by legal counsel who may be an employee of or counsel to the Company or who may be other counsel satisfactory to the Trustee. Each such opinion shall comply with Section 314 of the Trust Indenture Act of 1939 and include the statements provided for

in Section 11.05, and such others as may reasonably be requested by the Trustee, if and to the extent required hereby.

"OUTSTANDING", when used with reference to Securities, subject to the provisions of Article Eleven, means, as of any particular time, all Securities authenticated and delivered by the Trustee under this Indenture, except

(a) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities, or portions thereof, for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company) or shall have been set aside, segregated and held in trust by the Company (if the Company shall act as its own paying agent), provided that if such Securities are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as herein provided, or provision satisfactory to the Trustee shall have been made for giving such notice; and

(c) Securities in substitution for which other Securities shall have been authenticated and delivered, or which shall have been paid, pursuant to the terms of Section 2.08 (unless proof satisfactory to the Trustee and the Company is presented that any of such Securities is held by a person in whose hands such Security is a legal, valid and binding obligation of the Company).

"PERMITTED LIENS" means: (a) any statutory or governmental Lien or Lien arising by operation of law, or any mechanics', repairmen's, materialmen's, suppliers', carriers', landlords', warehousemen's or similar Lien incurred in the ordinary course of business which is not yet due or which is being contested in good faith by appropriate proceedings and any undetermined Lien which is incidental to construction, development, improvement or repair; (b) Liens of taxes and assessments which are (i) for the then current year, (ii) not at the time delinquent, or (iii) delinquent but the validity of which is being contested at the time by the Company or any of its Subsidiaries in good faith; (c) any Lien incurred in the ordinary course of business in connection with workmen's compensation, unemployment insurance, temporary disability, social security, retiree health or similar laws or regulations or to secure obligations imposed by statute or governmental regulations; (d) any Lien in favor of the Company or any of its Subsidiaries; or (e) any Lien in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any State thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt incurred by the Company or any of its Subsidiaries for the purpose of financing all or any part of the purchase price of, or the cost of constructing, developing, repairing or improving, the property or assets subject to such Lien.

"PERSON" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency, instrumentality or political subdivision thereof.

"PREFERRED STOCK" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's preferred or preference stock, whether now outstanding or hereafter issued, including, without limitation, all series and classes of such preferred or preference stock.

"PRINCIPAL" wherever used with reference to the Securities or any Security or any portion thereof, shall be deemed to include "AND PREMIUM, IF ANY".

"PRINCIPAL PROPERTY" means the land, land improvements, buildings and fixtures (to the extent they constitute real property interests, including any leasehold interest therein) constituting the principal corporate office and any manufacturing plant or facility (whether now owned or hereafter acquired) which: (a) is owned by the Company or any of its Subsidiaries; (b) is located within any of the present 50 states of the United States (or the District of Columbia); (c) in the opinion of the Board of Directors of the Company, is of material importance to the total business as it exists as of the date hereof conducted by the Company and its Subsidiaries taken as a whole; and (d) the gross book value of which exceeds 3% of Consolidated Net Tangible Assets.

"REGULAR RECORD DATE" for the Interest payable on any Interest Payment Date (except a date for payment of defaulted interest) means December 30 or June 30 (whether or not a Business Day) as the case may be, next preceding such Interest Payment Date.

"RESPONSIBLE OFFICER" when used with respect to the Trustee means any vice president (whether or not designated by numbers or words added before or after the title "vice president"), any trust officer, any assistant trust officer, any assistant vice president, any assistant secretary, any assistant treasurer, or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with the particular subject.

"SALE-LEASEBACK TRANSACTION" means the sale or transfer by the Company or any of its Subsidiaries of any Principal Property to a Person (other than the Company or any of its Subsidiaries) and the taking back by the Company or any of its Subsidiaries, as the case may be, of a lease of such Principal Property.

"SECURITY" or "SECURITIES" means any Security or Securities, as the case may be, authenticated and delivered under this Indenture.

"STATED MATURITY" means (i) with respect to any debt security, the date specified in such debt security as the fixed date on which the final installment of principal of such debt security is due and payable and (ii) with respect to any

scheduled installment of principal of or interest on any debt security, the date specified in such debt security as the fixed date on which such installment is due and payable.

"SUBSIDIARY" means, with respect to any Person, (i) any corporation or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the Subsidiaries of that Person (or a combination thereof) and (ii) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or one or more Subsidiaries of such Person (or any combination thereof).

"TREASURY YIELD" means, in connection with the calculation of any Make-Whole Premium on any Security, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar data)) equal to the then remaining maturity of such Security; provided that if no United States Treasury security is available with such a constant maturity for which a closing yield is given, the Treasury Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the closing yields of United States Treasury securities for which such yields are given, except that if the remaining maturity of such Security is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"TRUST INDENTURE ACT OF 1939" means the Trust Indenture Act of 1939, as amended, as in force at the date as of which this Indenture was originally executed, and "TIA", when used in respect of an indenture supplemental hereto, means such Act as in force at the time such indenture supplemental hereto becomes effective.

"TRUSTEE" means the entity identified as "Trustee" in the first paragraph hereof and, subject to the provisions of Article Five, shall also include any successor trustee.

"U.S. GOVERNMENT OBLIGATIONS" means securities issued or directly and fully guaranteed or insured by the United States of America or any agent or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof).

SECTION 1.02. Other Definitions.

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Term	Defined in Section
<S>	<C>
"Acceleration Notice"	4.02
"Agent Members"	2.07
"Covenant Defeasance"	10.03
"Event of Default"	4.01
"Global Security"	2.04
"incorporated provision"	11.07
"Legal Defeasance"	10.02

ARTICLE 2
ISSUE, EXECUTION, FORM AND REGISTRATION OF SECURITIES

SECTION 2.01. Authentication and Delivery of Securities. Upon the execution and delivery of this Indenture, or from time to time thereafter, Securities in an aggregate principal amount not in excess of the amount specified in the form of Security hereinabove recited (except as otherwise provided in Section 2.08) may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and make available for delivery said Securities to or upon the written order of the Company, signed by its Chairman of the Board of Directors, or any Vice Chairman of the Board of Directors, or its President or any Vice President (whether or not designated by a number or numbers or a word or words added before or after the title "Vice President") without any further action by the Company.

SECTION 2.02. Execution of Securities. The Securities shall be signed on behalf of the Company by its Chairman of the Board of Directors or its President or any Vice President (whether or not designated by a number or numbers or a word or words added before or after the title "Vice President"). Such signature may be the manual or facsimile signatures of the present or any future such officers.

In case any officer of the Company who shall have signed any of the Securities shall cease to be such officer before the Security so signed shall be authenticated and delivered by the Trustee or disposed of by the Company, such Security nevertheless may be authenticated and delivered or disposed of as though the person who signed such Security had not ceased to be such officer of the Company; and any Security may be signed on behalf of the Company by such persons as, at the actual date of the execution of such Security, shall be the proper officers of

the Company, although at the date of the execution and delivery of this Indenture any such person was not such officer.

SECTION 2.03. Certificate of Authentication. Only such Securities as shall bear thereon a certificate of authentication substantially in the form hereinabove recited, executed by the Trustee by manual signature of one of its authorized signatories, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee upon any Security executed by the Company shall be conclusive evidence, and the only evidence, that the Security so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

SECTION 2.04. Form, Denomination and Date of Securities; Payments of Interest. The Securities and the Trustee's certificates of authentication shall be substantially in the form recited above. The Securities shall be issuable in denominations provided for in the form of Security recited above. The Securities shall be numbered, lettered, or otherwise distinguished in such manner or in accordance with such plans as the officers of the Company executing the same may determine with the approval of the Trustee.

Any of the Securities may be issued with appropriate insertions, omissions, substitutions and variations, and may have imprinted or otherwise reproduced thereon such legend or legends, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto, including those required by Section 2.05, or with the rules of any securities market in which the Securities are admitted to trading, or to conform to general usage.

Each Security shall be dated the date of its authentication, shall bear interest from the applicable date and shall be payable on the dates specified on the face of the form of Security recited above.

The Securities shall be issued initially in the form of one or more global Securities (a "GLOBAL SECURITY") deposited with the Trustee as custodian for the Depositary.

The person in whose name any Security is registered at the close of business on any Regular Record Date with respect to any Interest Payment Date shall be entitled to receive the interest, if any, payable on such Interest Payment Date notwithstanding any transfer or exchange of such Security subsequent to the Regular Record Date and prior to such Interest Payment Date, except if and to the extent the Company shall default in the payment of the interest due on such Interest Payment Date, in which case such defaulted interest, plus (to the extent lawful) any interest payable on the defaulted interest, shall be paid to the persons in whose names outstanding Securities are registered at the close of business on a subsequent record date (which shall be not less than five Business Days prior to the date of such

payment) established by notice given by mail by or on behalf of the Company to the holders of Securities not less than 15 days preceding such subsequent record date.

SECTION 2.05. Global Security Legends. Each Global Security shall bear the following legends on the face thereof:

> UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY OR SUCH OTHER REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.
>
> TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE.

SECTION 2.06. Registration, Transfer and Exchange. The Securities are issuable only in registered form. The Company will keep at each office or agency to be maintained for the purpose as provided in Section 3.02 (the "REGISTRAR") a register or registers (the "SECURITY REGISTER(S)") in which, subject to such reasonable regulations as it may prescribe, it will register, and will register the transfer of, Securities as in this Article provided. Such Security Register shall be in written form in the English language or in any other form capable of being converted into such form within a reasonable time. At all reasonable times such Security Register or Security Registers shall be open for inspection by the Trustee.

Upon due presentation for registration of transfer of any Security at each such office or agency, the Company shall execute and the Trustee shall authenticate and make available for delivery in the name of the transferee or transferees a new

Security or Securities in authorized denominations for a like aggregate principal amount.

A Holder may transfer a Security only by written application to the Registrar stating the name of the proposed transferee and otherwise complying with the terms of this Indenture. No such transfer shall be effected until, and such transferee shall succeed to the rights of a Holder only upon, final acceptance and registration of the transfer by the Registrar in the Security Register. Prior to the registration of any transfer by a Holder as provided herein, the Company, the Trustee, and any agent of the Company shall treat the person in whose name the Security is registered as the owner thereof for all purposes whether or not the Security shall be overdue, and neither the Company, the Trustee, nor any such agent shall be affected by notice to the contrary. Furthermore, any Holder of a Global Security shall, by acceptance of such Global Security, agree that transfers of beneficial interests in such Global Security may be effected only through a book entry system maintained by the Holder of such Global Security (or its agent) and that ownership of a beneficial interest in the Security shall be required to be reflected in a book entry. When Securities are presented to the Registrar or a co-Registrar with a request to register the transfer or to exchange them for an equal principal amount of Securities of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if the requirements for such transactions set forth herein are met. To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Securities at the Registrar's request.

The Company may require payment of a sum sufficient to cover any tax or other similar governmental charge that may be imposed in connection with any exchange or registration of transfer of Securities (other than any such transfer taxes or other similar governmental charge payable upon exchanges pursuant to Section 2.10, 7.05 or 9.03). No service charge to any Holder shall be made for any such transaction.

The Company shall not be required to exchange or register a transfer of (a) any Securities for a period of 15 days next preceding the first mailing of notice of redemption of Securities to be redeemed, or (b) any Securities selected, called or being called for redemption except, in the case of any Security where public notice has been given that such Security is to be redeemed in part, the portion thereof not so to be redeemed.

All Securities issued upon any transfer or exchange of Securities shall

be valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

SECTION 2.07. Book-Entry Provisions for Global Securities. (a) Each Global Security shall (i) be registered in the name of the Depositary for such Global

Securities or the nominee of such Depositary, (ii) be delivered to the Trustee as custodian for such Depositary and (iii) bear legends as set forth in Section 2.05.

Members of, or participants in, the Depositary ("AGENT MEMBERS") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary, or the Trustee as its custodian, or under the Global Security, and the Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any Security.

(b) Transfers of a Global Security shall be limited to transfers of such Global Security in whole, but not in part, to the Depositary, its successors or their respective nominees. Interests of beneficial owners in a Global Security may be transferred in accordance with the rules and procedures of the Depositary. In addition, Certificated Securities shall be transferred to all beneficial owners in exchange for their beneficial interests if (i) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for the Global Security or the Depository ceases to be a "clearing agency" registered under the Exchange Act and a successor depositary is not appointed by the Company within 90 days of such notice or (ii) an Event of Default of which a Responsible Officer of the Trustee has actual notice has occurred and is continuing and the Registrar has received a request from the Depositary to issue such Certificated Securities.

(c) In connection with the transfer of the entire Global Security to beneficial owners pursuant to paragraph (b) of this Section, such Global Security shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depositary in exchange for its beneficial interest in such Global Security an equal aggregate principal amount of Certificated Securities of authorized denominations.

(d) The registered holder of a Global Security may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Securities.

SECTION 2.08. Mutilated, Defaced, Destroyed, Lost and Stolen Securities. In case any temporary or definitive Security shall become mutilated, defaced or be apparently destroyed, lost or stolen, and in the absence of notice to the Company that such Security has been acquired by a bona fide purchaser, the Company in its

discretion may execute, and upon the written request of any officer of the Company, the Trustee shall authenticate and make available for delivery, a new Security, bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Security, or in lieu of and substitution for the Security so apparently destroyed, lost or stolen. In every case the applicant for a substitute Security shall furnish to the Company and to the Trustee and any agent of the Company or the Trustee such security or indemnity as may be required by them to indemnify and defend and to save each of them harmless and, in every case of destruction, loss or theft evidence to their satisfaction of the apparent destruction, loss or theft of such Security and of the ownership thereof.

Upon the issuance of any substitute Security, the Company may require the payment of a sum sufficient to cover any transfer tax or other similar governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith. In case any Security which has matured or is about to mature, or has been called for redemption in full, shall become mutilated or defaced or be apparently destroyed, lost or stolen, the Company in its discretion may, instead of issuing a substitute Security, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated or defaced Security), if the applicant for such payment shall furnish to the Company and to the Trustee and any agent of the Company or the Trustee such security or indemnity as any of them may require to save each of them harmless from all risks, however remote, and, in every case of apparent destruction, loss or theft, the applicant shall also furnish to the Company and the Trustee and any agent of the Company or the Trustee evidence to their satisfaction of the apparent destruction, loss or theft of such Security and of the ownership thereof.

Every substitute Security issued pursuant to the provisions of this Section by virtue of the fact that any Security is apparently destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the apparently destroyed, lost or stolen Security shall be at any time enforceable by anyone and shall be entitled to all the benefits of (but shall be subject to all the limitations of rights set forth in) this Indenture equally and proportionately with any and all other Securities duly authenticated and delivered hereunder. All Securities shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, defaced, or apparently destroyed, lost or stolen Securities and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.09. Cancellation of Securities. All Securities surrendered for payment, redemption, registration of transfer or exchange, if surrendered to the Company or any agent of the Company or the Trustee, shall be delivered to the Trustee for cancellation or, if surrendered to the Trustee, shall be cancelled by it; and

no Securities shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. If the Company shall acquire any of the Securities, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are delivered to the Trustee for cancellation. All cancelled Securities held by the Trustee shall be disposed of by the Trustee in accordance with its customary procedures (or destroyed) and certification of their disposal shall be delivered to the Company unless the Company directs that cancelled Securities be returned to it.

SECTION 2.10. Temporary Securities. Pending the preparation of definitive Securities, the Company may execute and, upon receipt of an order from the Company, the Trustee shall authenticate and make available for delivery temporary Securities (printed, lithographed, typewritten or otherwise reproduced, in each case in form satisfactory to the Trustee). Temporary Securities shall be issuable as registered Securities without coupons, of any authorized denomination, and substantially in the form of the definitive Securities but with such omissions, insertions and variations as may be appropriate for temporary Securities, all as may be determined by the Company with the concurrence of the Trustee. Temporary Securities may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Security shall be executed by the Company and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Securities. Without unreasonable delay the Company shall execute and shall furnish definitive Securities and thereupon temporary Securities may be surrendered in exchange therefor without charge at each office or agency to be maintained by the Company for the purpose pursuant to Section 3.02, and the Trustee shall authenticate and make available for delivery in exchange for such temporary Securities a like aggregate principal amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 2.11. CUSIP and CINS Numbers. The Company in issuing the Securities may use "CUSIP" and "CINS" numbers (if then generally in use), and the Trustee shall use CUSIP numbers and CINS numbers, as the case may be, in notices of redemption or exchange as a convenience to Holders; provided that any such notice shall state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of redemption or exchange and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption or exchange shall not be affected by any defect or omission of such numbers . The Company shall promptly notify the Trustee of any change in the CUSIP number or CINS number, as the case may be.

ARTICLE 3
COVENANTS OF THE COMPANY AND THE TRUSTEE.

SECTION 3.01. Payment of Principal and Interest. The Company covenants and agrees that it will duly and punctually pay or cause to be paid the principal of, and interest on, each of the Securities at the place or places, at the respective times and in the manner provided in the Securities. Each installment of interest on the Securities may be paid by mailing checks for such interest payable to or upon the written order of the holders of Securities entitled thereto as they shall appear on the registry books of the Company, or

by wire transfer to such holders in immediately available funds, to such bank or other entity in the continental United States as shall be designated by such holders and shall have appropriate facilities for such purpose, or in accordance with the standard operating procedures of the Depositary.

SECTION 3.02. Offices for Payments, etc. So long as any of the Securities remain outstanding, the Company will maintain in The Borough of Manhattan, The City of New York, an office or agency (which may be a drop facility): (a) where the Securities may be presented or surrendered for payment, (b) where the Securities may be surrendered for registration of transfer and for exchange as in this Indenture provided and (c) where notices and demands to or upon the Company in respect of the Securities or of this Indenture may be served. The Company will give to the Trustee prompt written notice of the location of any such office or agency and of any change of location thereof. In case the Company shall fail to maintain any such office or agency or shall fail to give such notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the Corporate Trust Office, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in or outside The Borough of Manhattan and The City of New York) where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind any such designation; provided, however, that no such designation or recission shall in any manner relieve the Company of its obligation to maintain an office or agency in The Borough of Manhattan or The City of New York for such purposes. The Company will give prompt written notice to the Trustee of any such designation or recission and any change in the location of any such other office or agency. The Company hereby designates the Trustee c/o First Union National Bank, 40 Broad Street, Fifth Floor, Suite 550, New York, New York 10004 as such drop facility in compliance with this Section 3.02

SECTION 3.03. Appointment to Fill a Vacancy in Office of Trustee. The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 5.10, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 3.04. Paying Agents. Whenever the Company shall appoint a paying agent other than the Trustee, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section,

(a) that it will comply with the provisions of the Trust Indenture Act applicable to it as a paying agent,

(b) that it will hold all sums received by it as such agent for the payment of the principal of or interest on the Securities (whether such sums have been paid to it by the Company or by any other obligor on the Securities) in trust for the benefit of the holders of the Securities or of the Trustee,

(c) that it will give the Trustee notice of any failure by the Company (or by any other obligor on the Securities) to make any payment of the principal of or interest on the Securities when the same shall be due and payable, and

(d) that it will pay any such sums so held in trust by it to the Trustee upon the Trustee's written request at any time during the continuance of

the failure referred to in clause (c) above.

Upon payment over to the Trustee, the paying agent (if other than the Company) shall have no further liability for the money delivered to the Trustee.

Whenever the Company shall have one or more paying agents, the Company will, no later than one Business Day prior to each due date of the principal of or interest on the Securities, deposit with the paying agent in an account established for the benefit of the Holders, a sum sufficient to pay such principal or interest, and (unless such paying agent is the Trustee) the Company will promptly notify the Trustee of any failure to take such action.

If, before 1:00 p.m. one Business Day prior to payment date, funds have been received by the Trustee for payment of debt service due the following day, funds shall be invested in any money market fund substantially all of which is invested in direct obligations of the United States of America or obligations of which are unconditionally guaranteed by the United States of America. All interest earnings will be paid to the Company.

If the Company shall act as its own paying agent, it will, on or before each due date of the principal of or interest on the Securities, set aside, segregate and hold in trust for the benefit of the holders of the Securities a sum sufficient to pay such principal or interest so becoming due. The Company will promptly notify the Trustee of any failure to take such action.

Anything in the prior two paragraphs to the contrary notwithstanding, in connection with any payment of principal and interest, the Company will, for so long as the Depository is a Holder of the Securities, deposit sums with the paying agent sufficient to pay such amounts not later than the time required by the Depository's rules and regulations as in effect at the time such payment is due.

Anything in this Section to the contrary notwithstanding, the Company may at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by the Company or any paying agent hereunder, as required by this Section, such sums to be held by the Trustee upon the trusts herein contained.

Anything in this Section to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section are subject to the provisions of Sections 10.05 and 10.06.

SECTION 3.05. Certificates to Trustee. (a) The Company will deliver to the Trustee within 120 days after the end of each fiscal year of the Company a certificate from the principal executive, financial or accounting officer of the Company stating that such officer has conducted or supervised a review of the activities of the Company and its Subsidiaries and the Company's and its Subsidiaries' performance under the Indenture and that, to the best of such officer's knowledge, based upon such review, the Company has fulfilled all obligations thereunder or, if there has been a default in the fulfillment of any such obligation (determined without regard to any period of grace or requirement of notice provided in the Indenture), specifying each such default and the nature and status thereof.

(b) The Company will deliver to the Trustee, as soon as possible and in any event within 10 days after the Company becomes aware of the occurrence of

an Event of Default or a Default, an Officers' Certificate setting forth the details of such Event of Default or Default, and the action which the Company proposes to take with respect thereto.

(c) The Company will deliver to the Trustee within 120 days after the end of each fiscal year of the Company a written statement by the Company's independent public accountants stating (i) that their audit examination has included a review of the terms of this Indenture and the Securities as they relate to accounting matters, and (ii) whether, in connection with their audit examination, any Default has come to their attention and, if such a Default has come to their attention, specifying the nature and period of the existence thereof.

SECTION 3.06. Securityholders' Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with Section 312(a) of the Trustee Indenture Act. If and so long as the Trustee shall not be the Registrar, the

Company will furnish or cause to be furnished to the Trustee a list in such form as the Trustee may reasonably require of the names and addresses of the holders of the Securities pursuant to Section 312 of the Trust Indenture Act of 1939 (a) semi-annually not more than 15 days after each Regular Record Date as of such Regular Record Date, and (b) at such other times as the Trustee may request in writing, within thirty days after receipt by the Company of any such request as of a date not more than 15 days prior to the time such information is furnished.

SECTION 3.07. Reports by the Trustee. (a) The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act of 1939 at the times and in the manner provided pursuant thereto. If required by Section 313(a) of the Trust Indenture Act of 1939, the Trustee shall, within sixty days after each April 15 following the date of this Indenture deliver to Holders a brief report, dated as of such April 15, which complies with the provisions of such Section 313(a).

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange, if any, upon which the Securities are listed, with the Commission and with the Company. The Company will promptly notify the Trustee when the Securities are listed on any stock exchange or of any delisting thereof.

SECTION 3.08. Limitation on Liens. The Company shall not, and shall not permit any of its Subsidiaries to, create, assume or incur any Lien on any Principal Property to secure any Debt of the Company or any other Person (other than the Securities) without effectively providing that the Securities shall be secured equally and ratably with, or prior to, such Debt so long as such Debt shall be secured. There is, however, excluded from the foregoing restriction the following: (a) Permitted Liens; (b) any Lien on any (i) property or assets created at the time of the acquisition of such property or assets by the Company or any of its Subsidiaries, or within 180 days after such time, to secure all or part of the purchase price for such property or assets or Debt incurred to finance such purchase price, whether such Debt was incurred prior to, at the time of, or within 180 days of, such acquisition; provided that, any such Lien does not extend to any other property or assets of the Company or any of its Subsidiaries, or (ii) property to secure all or part of the cost of the development, construction, repair or improvement thereon or to secure Debt

incurred prior to, at the time of, or within 180 days after, the completion of such development, construction, repair or improvement or the commencement of full operations thereof (whichever is later) to provide funds for any such purpose; provided that, any such Lien does not extend to any other property or assets of the Company or any of its Subsidiaries; (c) (i) any Lien on any property or assets existing thereon at the time of acquisition thereof by the Company or any of its Subsidiaries (whether or not the obligations secured thereby are assumed by the Company or any of its Subsidiaries), or (ii) the assumption by the Company or any of its Subsidiaries of obligations secured by any Lien existing at the time of acquisition by the Company or any of its

Subsidiaries of the property or assets subject to such Lien or at the time of the acquisition of the Person which owns such property or assets, or (iii) any Lien on any property or assets of a Person existing thereon at the time (1) such Person becomes a Subsidiary of the Company, (2) such Person is merged into, or consolidated with, the Company or any of its Subsidiaries or (3) of a sale, lease or other disposition of the properties of a Person (or division thereof) as an entirety or substantially as an entirety to the Company or any of its Subsidiaries, provided that in each of the foregoing cases listed in this clause (c), such Lien was not created as a result of or in connection with or in anticipation of any such transaction and does not extend to any other property or assets of the Company or any of its Subsidiaries; (d) any Lien on any property or assets of the Company or any of its Subsidiaries in existence on the date of the Indenture; (e) any Lien arising by reason of any attachment, judgment, decree or order of any governmental or court authority, so long as any proceeding initiated to review such attachment, judgment, decree or order shall not have been terminated or the period within which such proceeding may be initiated shall not expire, or such attachment, judgment, decree or order shall otherwise be effectively stayed; and (f) any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancings, refundings or replacements) of any Lien, in whole or part, that is referred to in clauses (a) through (e) (inclusive) above, or any Debt secured thereby.

Notwithstanding the foregoing, under the Indenture, the Company may, and may permit any of its Subsidiaries to, create, assume or incur any Lien upon any Principal Property to secure any Debt of the Company or any Person (other than the Securities) that is not excepted by clauses (a) through (f) (inclusive) above without securing the Securities, provided that, after giving effect to the creation, assumption or incurrence of such Lien and Debt, and the application of proceeds of such Debt, if any, received by the Company or any of its Subsidiaries as a result thereof, the aggregate principal amount of all Debt then outstanding secured by such Lien and all similar Liens, together with all net sale proceeds from Sale-Leaseback Transactions (excluding Sale-Leaseback Transactions permitted by clauses (i) through (iii) (inclusive) of Section 3.09) would not exceed 10% of Consolidated Net Tangible Assets.

SECTION 3.09. Limitation on Sale-Leaseback Transactions. The Company shall not, nor shall it permit any of its Subsidiaries to, engage in a Sale-Leaseback Transaction, unless: (a) the Sale-Leaseback Transaction involves a lease for a period, including renewals, of not more than three years; (b) the Company or such Subsidiary would be entitled to incur Debt secured by a Lien on Principal Property subject thereto in a principal amount equal to or exceeding the net sale proceeds from such Sale-Leaseback Transaction without equally and ratably securing the Securities pursuant to Section 3.08; or (c) the Company or such Subsidiary, within a 180 day period after such Sale-Leaseback Transaction, applies or causes to be applied an amount not less than the net sale proceeds (which, in the case of a sale and transfer other than for cash, shall be an

amount equal to the fair market value of the Principal

Property so leased) from such Sale-Leaseback Transaction to (i) the prepayment, repayment, reduction or retirement of any pari passu Debt of the Company or any of its Subsidiaries, or (ii) the expenditure or expenditures for Principal Property used or to be used in the ordinary course of business of the Company or any of its Subsidiaries.

SECTION 3.10. SEC Reports. (i) So long as any of the Securities remain outstanding, whether or not the Company is then required to file with the Commission information, documents or reports pursuant to Section 13 or Section 15(d) of the Exchange Act, the Company will file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which would be required pursuant to such sections if the Company were subject thereto. All obligors on the Securities will comply with Section 314(a) of the Trust Indenture Act of 1939.

(ii) The Company shall promptly mail copies of all such annual reports, information, documents and other reports provided to the Trustee pursuant to Section 3.10(i) hereof within 15 days of the delivery thereof with the Trustee to the Holders at their addresses appearing in the register of Securities maintained by the Registrar. The Company shall also make such information available to securities analysts and prospective investors upon request.

(iii) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 3.11. Existence. Subject to Articles Three and Eight of this Indenture, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence and the existence of each of its Subsidiaries in accordance with the respective organizational documents of the Company and each such Subsidiary and the rights (whether pursuant to charter, partnership certificate, agreement, statute or otherwise), material licenses and franchises of the Company and each such Subsidiary, provided that the Company shall not be required to preserve any such right, license or franchise, or the existence of any Subsidiary, if the maintenance or preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries taken as a whole.

SECTION 3.12. Payment of Taxes and Other Claims. The Company will pay or discharge and shall cause each of its Subsidiaries to pay or discharge, or cause to be paid or discharged, before the same shall become delinquent (a) all material taxes, assessments and governmental charges levied or imposed upon (i) the Company or

any such Subsidiary, (ii) the income or profits of any such Subsidiary which is

a corporation or (iii) the property of the Company or any such Subsidiary and (b) all material lawful claims for labor materials and supplies that, if unpaid, might by law become a lien upon the property of the Company or any such Subsidiary; provided that the Company shall not be required to pay or discharge, or cause to be paid or discharged, any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established.

SECTION 3.13. Maintenance of Properties and Insurance. The Company will cause all properties used or useful in the conduct of its business or the business of any of its Subsidiaries, to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided that nothing in this Section 3.13 shall prevent the Company or any such Subsidiary from discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Company, desirable in the conduct of the business of the Company or such Subsidiary.

The Company will provide or cause to be provided, for itself and its Subsidiaries, insurance (including appropriate self-insurance) against loss or damage of the kinds customarily insured against by corporations similarly situated and owning like properties, including, but not limited to, products liability insurance and public liability insurance, with reputable insurers or with the government of the United States of America, or an agency or instrumentality thereof, in such amounts, with such deductibles and by such methods as shall be customary for corporations similarly situated in the industry in which the Company or such Subsidiary, as the case may be, is then conducting business.

SECTION 3.14. Waiver of Stay, Extension or Usury Laws. The Company covenants (to the extent that it may lawfully do so) that it will not (i) at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Securities as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture and the Company will expressly waive all benefit or advantage of any such law and (ii) hinder, delay or impede the execution of any power granted to the Trustee under this Indenture and will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 4
REMEDIES OF THE TRUSTEE AND HOLDERS ON EVENT OF DEFAULT

SECTION 4.01. Events of Default. Each of the following constitutes an "EVENT OF DEFAULT":

(a) default in the payment of principal of, or premium, if any, on any 2006 Note or 2009 Note, as the case may be, when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(b) default in the payment of interest on any 2006 Note or 2009 Note,

as the case may be, when the same becomes due and payable, and such default continues for a period of 30 days;

(c) the Company defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the 2006 Notes or 2009 Notes, as the case may be, (other than (a), or (b) above) and such default or breach continues for a period of 60 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the 2006 Notes or 2009 Notes, as the case may be;

(d) default in the payment of the principal of, or interest on, any note, bond, coupon or other instrument or agreement evidencing or pursuant to which there is outstanding Debt of the Company or any of its Subsidiaries, whether such Debt now exists or shall hereafter be created, having an aggregate principal amount exceeding $35.0 million (or its equivalent in any other currency or currencies), other than the Securities, when that Debt becomes due and payable (whether at maturity, upon redemption or acceleration or otherwise), if such default shall continue for more than the period of grace, if any, applicable thereto and the time for payment of such amount has not been expressly extended;

(e) a court having jurisdiction in the premises enters a decree or order for (A) relief in respect of the Company or any of its Subsidiaries in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, (B) appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any of its Subsidiaries or for all or substantially all of the property and assets of the Company or any of its Subsidiaries or (C) the winding up or liquidation of the affairs of the Company or any of its Subsidiaries and, in each case, such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(f) the Company or any of its Subsidiaries (A) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any

such law, (B) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any of its Subsidiaries or for all or substantially all of the property and assets of the Company or any of its Subsidiaries or (C) effects any general assignment for the benefit of creditors.

SECTION 4.02. Acceleration. If an Event of Default (other than an Event of Default specified in clause (e) or (f) of Section 4.01 that occurs with respect to the Company) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the 2006 Notes or 2009 Notes, as the case may be, then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders (the "ACCELERATION NOTICE")), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued interest on the 2006 Notes or 2009 Notes, as the case may be, to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued interest shall be immediately due and payable. In the event of a declaration of acceleration because an Event of Default set forth in clause (d) of Section 4.01 has occurred and is continuing, such declaration of acceleration shall be automatically rescinded and annulled if the event of default triggering

such Event of Default pursuant to clause (d) of Section 4.01 shall be remedied or cured by the Company or the relevant Subsidiary or waived by the holders of the relevant Debt within 60 days after the declaration of acceleration with respect thereto. If an Event of Default specified in clause (e) or (f) Section 4.01 occurs with respect to the Company, the principal of, premium, if any, and accrued interest on the Securities then outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

SECTION 4.03. Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any appropriate remedy to collect the payment of principal or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 4.04. Waiver of Past Defaults. The Holders of at least a majority in principal amount of the outstanding 2006 Notes or 2009 Notes, as the case may be, by written notice to the Company and to the Trustee, may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if (i) all existing Events of Default, other than the nonpayment of the principal of, premium, if any,

and interest on the 2006 Notes or 2009 Notes, as the case may be, that have become due solely by such declaration of acceleration, have been cured or waived and (ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 4.05. Control by Majority. The Holders of at least a majority in aggregate principal amount of the outstanding 2006 Notes or 2009 Notes, as the case may be, may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders of 2006 Notes or 2009 Notes, as the case may be, not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders of 2006 Notes or 2009 Notes, as the case may be.

SECTION 4.06. Limitation on Suits. A Holder may not pursue any remedy with respect to the Indenture or the 2006 Notes or 2009 Notes, as the case may be, unless:

(i) the Holder gives the Trustee written notice of a continuing Event of Default with respect to the 2006 Notes or 2009 Notes, as the case may be;

(ii) the Holders of at least 25% in aggregate principal amount of

outstanding 2006 Notes or 2009 Notes, as the case may be, make a written request to the Trustee to pursue the remedy;

(iii) such Holder or Holders offer the Trustee indemnity satisfactory to the Trustee against any costs, liability or expense;

(iv) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(v) during such 60-day period, the Holders of at least a majority in aggregate principal amount of the outstanding 2006 Notes or 2009 Notes, as the case may be, do not give the Trustee a direction that is inconsistent with the request; it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this

Indenture, except in the manner herein provided and for the equal and proportionate benefit of all Holders.

SECTION 4.07. Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal, premium, if any, and interest on the Security, on or after the respective due dates expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

SECTION 4.08. Collection Suit by Trustee. If an Event of Default specified in Section 4.01(a) or (b) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company or any other obligor for the whole amount of principal, premium, if any, and interest remaining unpaid on the Securities and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover amounts due the Trustee under Section 5.07 hereof, including the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 4.09. Trustee May File Proofs of Claim. The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company (or any other obligor upon the Securities), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 5.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 5.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien

on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties which the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 4.10. Priorities. If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 5.07, including payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to Holders for amounts due and unpaid on the Securities for principal, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal, premium, if any and interest, respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 4.10 upon five Business Days prior notice to the Company.

SECTION 4.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 4.06 hereof, or a suit by Holders of more than 10% in aggregate principal amount of the then outstanding Securities.

ARTICLE 5
CONCERNING THE TRUSTEE

SECTION 5.01. Duties and Responsibilities of the Trustee; During Default; Prior to Default. The Trustee, prior to the occurrence of a Default and after the curing or waiving of any Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own wilful misconduct, except that

(a) prior to the occurrence of an Event of Default of which the Trustee has actual notice and after the curing or waiving of all such Events of Default which may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such statements, certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of the facts stated therein);

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee shall not be liable with respect to any action taken or omitted by it (i) in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the Securities at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or (ii) in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there shall be reasonable ground for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.

This Section 5.01 is in furtherance of and subject to Sections 315 and 316 of the Trust Indenture Act of 1939.

SECTION 5.02. Certain Rights of the Trustee. In furtherance of and subject to the Trust Indenture Act of 1939, and subject to Section 5.01:

(a) the Trustee may conclusively rely and shall be protected in acting

or refraining from acting upon any resolution, Officers' Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Trustee by a copy thereof certified by the secretary or an assistant secretary of the Company;

(c) the Trustee may consult with counsel of its selection and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Indenture at the request, order or direction of any of the Securityholders pursuant to the provisions of this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby;

(e) the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture;

(f) prior to the occurrence of a Default hereunder, of which the Trustee has actual notice, and after the curing or waiving of all Defaults, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document unless requested in writing so to do by the holders of not less than a majority in aggregate principal amount of the Securities then outstanding, and, if the Trustee shall determine to make such investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; provided that, if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to proceeding; the reasonable expenses of every such examination shall be paid by the Company or, if

paid by the Trustee or any predecessor trustee, shall be repaid promptly by the Company upon demand;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys not regularly in its employ and the Trustee shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder;

(h) The Trustee shall not be deemed to have notice of any Default or

Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities and this Indenture; and

(i) The Trustee shall have no duty to inquire as to the performance of the Company's covenants herein.

SECTION 5.03. Trustee Not Responsible for Recitals, Disposition of Securities or Application of Proceeds Thereof. The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of any of the Securities or of the proceeds thereof.

SECTION 5.04. Trustee and Agents May Hold Securities; Collections, etc. The Trustee or any agent of the Company or the Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities with the same rights it would have if it were not the Trustee or such agent and may otherwise deal with the Company and receive, collect, hold and retain collections from the Company with the same rights it would have if it were not the Trustee or such agent. However, subject to Section 5.13 hereof, the Trustee will comply with Sections 310(b) and 311 of the Trust Indenture Act of 1939.

SECTION 5.05. Moneys Held by Trustee. Subject to the provisions of Section 10.06 hereof, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by mandatory provisions of law. Neither the Trustee nor any agent of the Company or the Trustee shall be under any liability for interest on any moneys received by it hereunder except as otherwise agreed with the Company.

SECTION 5.06. Notice of Default. If any Default or any Event of Default occurs and is continuing and if such Default or Event of Default is actually known to a Responsible Officer of the Trustee, the Trustee shall mail to each Holder in the manner and to the extent provided in Trust Indenture Act of 1939 Section 313(c) notice of the Default or Event of Default within 90 days after it occurs, unless such Default or Event of Default has been cured; provided, however, that, except in the case of a default in the payment of the principal of, premium, if any, or interest on any Security, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interest of the Holders.

SECTION 5.07. Compensation and Indemnification of Trustee and Its Prior Claim. The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, such compensation as shall be agreed in writing between the Company and the Trustee (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and the Company covenants and agrees to pay or reimburse the Trustee and each predecessor Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by or on behalf of it in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all agents and other persons

not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Company also covenants to indemnify the Trustee and each predecessor Trustee for, and to hold it harmless against, any and all loss, liability, damage, claim or expense, including taxes (other than taxes based on the income of the Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Indenture or the trusts hereunder and its duties hereunder, including the costs and expenses of defending itself against or investigating any claim of liability in the premises. The obligations of the Company under this Section to compensate and indemnify the Trustee and each predecessor Trustee and to pay or reimburse the Trustee and each predecessor Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. Such additional indebtedness shall be a senior lien to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the holders of particular Securities, and the Securities are hereby subordinated to such senior claim.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 4.01(E) or Section 4.01(F), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

SECTION 5.08. Right of Trustee to Rely on Officers' Certificate, etc. Subject to Sections 5.01 and 5.02, whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 5.09. Persons Eligible for Appointment as Trustee. The Trustee hereunder shall at all times be a corporation having a combined capital and surplus of at least $100,000,000, and which is eligible in accordance with the provisions of Section 310(a) of the Trust Indenture Act of 1939. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of a Federal, State or District of Columbia supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 5.09, it shall resign immediately and in the manner and with the effect hereinafter specified.

SECTION 5.10. Resignation and Removal; Appointment of Successor Trustee. (a) The Trustee may at any time resign by giving written notice of resignation to the Company. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee by written instrument in duplicate, executed by authority of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have

accepted appointment within 30 days after the mailing of such notice of resignation, the resigning trustee may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor trustee, or any Securityholder who has been a bona fide holder of a Security or Securities for at least six months may, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall fail to comply with the provisions of Section 310(b) of the Trust Indenture Act of 1939, after written request therefor by the Company or by any Securityholder who has been a bona fide holder of a Security or Securities for at least six months; or

(ii) the Trustee shall cease to be eligible in accordance with the provisions of Section 5.09 and shall fail to resign after written request therefor by the Company or by any such Securityholder; or

(iii) the Trustee shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or a receiver or liquidator of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, the Company may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors of the Company, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to Section 315(e) of the Trust Indenture Act of 1939, any Securityholder who has been a bona fide holder of a Security or Securities for at least six months may on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The holders of a majority in aggregate principal amount of the Securities at the time outstanding may at any time remove the Trustee and appoint a successor trustee by delivering to the Trustee so removed, to the successor trustee so appointed and to the Company the evidence provided for in Section 6.01 of the action in that regard taken by the Securityholders.

If no successor trustee shall have been so appointed and have accepted appointment 30 days after the mailing of such notice of removal, the trustee being removed may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(d) Any resignation or removal of the Trustee and any appointment of a successor trustee pursuant to any of the provisions of this Section 5.10 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 5.11.

SECTION 5.11. Acceptance of Appointment by Successor Trustee. Any successor trustee appointed as provided in Section 5.10 shall execute and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all rights, powers, duties and obligations of its

predecessor hereunder, with like effect as if originally named as trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, upon payment of its charges then unpaid, the trustee ceasing to act shall, subject to Section 10.06, pay over to the successor trustee all moneys at the time held by it hereunder and shall execute and deliver an instrument transferring to such successor trustee all such rights, powers, duties and obligations. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a prior claim upon all property or funds held or collected by such trustee to secure any amounts then due it pursuant to the provisions of Section 5.07.

Upon acceptance of appointment by a successor trustee as provided in this Section 5.11, the Company shall mail notice thereof by first-class mail to the holders of Securities at their last addresses as they shall appear in the Security Register. If the acceptance of appointment is substantially contemporaneous with the resignation, then the notice called for by the preceding sentence may be combined with the notice called for by Section 5.10. If the Company fails to mail such notice within 10 days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Company.

SECTION 5.12. Merger, Conversion, Consolidation or Succession to Business of Trustee. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or to which the Trustee's assets may be sold, or any corporation resulting from any merger, conversion, consolidation or sale to which the Trustee shall be a party or by which the Trustee's property may be bound, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided that such corporation shall be eligible under the provisions of Section 5.09, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee and deliver such Securities so authenticated; and, in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor Trustee; and in all such cases such certificate shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have; provided, that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Securities in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

SECTION 5.13. Preferential Collection of Claims. Reference is made to Section 311 of the Trust Indenture Act of 1939. For purposes of Section 311(b) (4) and (6) of such Act, the following terms shall mean:

(a) "CASH TRANSACTION" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

(b) "SELF-LIQUIDATING PAPER" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

ARTICLE 6
CONCERNING THE HOLDERS

SECTION 6.01. Evidence of Action Taken by Holders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee. Proof of execution of any instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Sections 5.01 and 5.02) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Article.

SECTION 6.02. Proof of Execution of Instruments and of Holding of Securities; Record Date. Subject to Sections 5.01 and 5.02, the execution of any instrument by a Securityholder or his agent or proxy may be proved in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Securities shall be proved by the Security register or by a certificate of the Registrar thereof. The Company may set a record date for purposes of determining the identity of holders of Securities entitled to vote or consent to any action referred to in Section 6.01,

which record date may be set at any time or from time to time by notice to the Trustee, for any date or dates (in the case of any adjournment or resolicitation) not more than 60 days nor less than five days prior to the proposed date of such vote or consent, and thereafter, notwithstanding any other

provisions hereof, only holders of Securities of record on such record date shall be entitled to so vote or give such consent or to withdraw such vote or consent.

SECTION 6.03. Securities Owned by Company Deemed Not Outstanding. In determining whether the holders of the requisite aggregate principal amount of Securities have concurred in any direction, consent or waiver under this Indenture, Securities which are owned by the Company or any other obligor on the Securities or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Securities shall be disregarded and deemed not to be outstanding for the purpose of any such determination, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver only Securities which a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Securities. In case of a dispute as to such right, the advice of counsel shall be full protection in respect of any decision made by the Trustee in accordance with such advice. Upon request of the Trustee, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Securities, if any, known by the Company to be owned or held by or for the account of any of the above-described persons; and, subject to Sections 5.01 and 5.02, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not listed therein are outstanding for the purpose of any such determination.

SECTION 6.04. Right of Revocation of Action Taken. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 6.01, of the taking of any action by the holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action, any holder of a Security the serial number of which is shown by the evidence to be included among the serial numbers of the Securities the Holders of which have consented to such action may, by filing written notice at the Corporate Trust Office and upon proof of holding as provided in this Article, revoke such action so far as concerns such Security. Except as aforesaid any such action taken by the holder of any Security shall be conclusive and binding upon such holder and upon all future holders and owners of such Security and of any Securities issued in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon any such Security. Any action taken by the holders of the percentage in

aggregate principal amount of the Securities specified in this Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the holders of all the Securities.

ARTICLE 7
SUPPLEMENTAL INDENTURES

SECTION 7.01. Supplemental Indentures Without Consent of Holders. The Company and the Trustee may amend or supplement this Indenture or the Securities without the consent of any Holder:

(i) to cure any ambiguity, defect or inconsistency;

(ii) to provide for uncertificated Securities in addition to or in place of certificated Securities;

(iii) to provide for the assumption of the Company's obligations to the Holders of the Securities in the case of a merger, consolidation or sale of assets pursuant to Article Eight hereof;

(iv) to make any change that would provide any additional rights or benefits to the Holders of the Securities or that does not adversely affect the legal rights hereunder of any such Holder; or

(v) to comply with requirements of the Commission in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act of 1939.

Upon the request of the Company accompanied by a Board Resolution authorizing the execution of any such supplemental indenture, and upon receipt by the Trustee of the documents described in Section 7.04 hereof, the Trustee shall join with the Company in the execution of any supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agree ments and stipulations which may be therein contained, but the Trustee shall not be obligated to enter into such supplemental indenture which affects its own rights, duties or immunities under this Indenture or otherwise.

SECTION 7.02. With Consent of Holders. Except as provided in the next succeeding paragraphs, this Indenture or the 2006 Notes or 2009 Notes, as the case may be, may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the 2006 Notes or 2009 Notes, as the case may be, then outstanding (including consents obtained in connection with a tender

offer or exchange offer for such 2006 Notes or 2009 Notes, as the case may be,), and any existing default or compliance with any provision of this Indenture or the 2006 Notes or 2009 Notes, as the case may be, may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding 2006 Notes or 2009 Notes, as the case may be, (including consents obtained in connection with a tender offer or exchange offer for such 2006 Notes or 2009 Notes, as the case may be).

Upon the request of the Company accompanied by a Board Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.04 hereof, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Holders under this Section 7.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section becomes effective, the Company shall mail to the Holders affected thereby a notice

briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or waiver. Subject to Sections 4.04 and 4.07 hereof, the Holders of a majority in aggregate principal amount of the 2006 Notes or 2009 Notes, as the case may be, then outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture or the 2006 Notes or 2009 Notes, as the case may be. Without the consent of each Holder affected, however, an amendment or waiver may not (with respect to any Security held by a non-consenting Holder):

(i) change the Stated Maturity of the principal of, or any installment of interest on, any Security;

(ii) reduce the principal amount of, or premium, if any, or interest on, any Security;

(iii) reduce any amount payable on redemption of the Securities or upon the occurrence on an Event of Default;

(iv) change the place or currency of payment of principal of, premium, if any, or interest on, any Security;

(v) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Security;

(vi) reduce the above-stated percentage of outstanding Securities the consent of whose Holders is necessary to modify or amend the Indenture;

(vii) waive a default in the payment of principal of, premium, if any, or interest on the Securities;

(viii) reduce the percentage or aggregate principal amount of outstanding Securities the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults; or

(ix) modify or change any provision of the Indenture with respect to modification and waiver.

Neither the Company nor any of its Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise to any Holder of any notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Securities unless such consideration is offered to be paid or agreed to be paid to all Holders of the Securities that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

SECTION 7.03. Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Securities shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions

of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 7.04. Documents to Be Given to Trustee; Compliance with TIA. The Trustee, subject to the provisions of Sections 5.01 and 5.02, may receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any such supplemental indenture complies with the applicable provisions of this Indenture. Every such supplemental indenture shall comply with the TIA.

SECTION 7.05. Notation on Securities in Respect of Supplemental Indentures. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article may bear a notation approved by

the Trustee as to form (but not as to substance) as to any matter provided for by such supplemental indenture or as to any action taken at any such meeting. If the Company or the Trustee shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Company, authenticated by the Trustee and delivered in exchange for the Securities then outstanding.

ARTICLE 8
CONSOLIDATION, MERGER OR SALE OF ASSETS

SECTION 8.01. Consolidation, Merger or Sale of Assets. The Company shall not consolidate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to, any Person nor permit any Person to merge with or into the Company unless:

(i) the Company shall be the continuing Person, or the Person (if other than the Company) formed by such consolidation or into which the Company is merged or that acquired or leased such property and assets of the Company shall be a corporation organized and validly existing under the laws of the United States of America or any jurisdiction thereof and shall expressly assume, by a supplemental indenture, executed and delivered to the Trustee, all of the obligations of the Company on all of the Securities and under the Indenture;

(ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(iii) the Company delivers to the Trustee an Officers' Certificate and Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with.

SECTION 8.02. Successor Corporation Substituted. (a) Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 8.01 hereof, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall

succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment,

transfer, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the successor corporation), and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein.

(b) Notwithstanding the foregoing, (i) a consolidation or merger by the Company with or into, or (ii) the sale, assignment, transfer, lease, conveyance or other disposition by the Company of all or substantially all of its property or assets to, one or more of its Subsidiaries shall not relieve the Company from its obligations under this Indenture and the Securities.

SECTION 8.03. Opinion of Counsel to Trustee. The Trustee, subject to the provisions of Sections 5.01 and 5.02, may receive an Opinion of Counsel as conclusive evidence that any such consolidation, merger, conveyance, sale, transfer, lease, exchange or other disposition complies with the applicable provisions of this Indenture.

ARTICLE 9
REDEMPTION OF SECURITIES

SECTION 9.01. Right of Optional Redemption; Prices. The Company at its option may, at any time, redeem in whole or in part, in principal amounts of $1,000 or any integral multiple thereof, the Securities upon payment of a redemption price equal to the sum of (i) an amount equal to 100% of the principal amount thereof and (ii) the Make-Whole Premium, together with accrued and unpaid interest up to but not including the Redemption Date.

SECTION 9.02. Notice of Redemption; Partial Redemptions. Notice of redemption to the holders of Securities to be redeemed as a whole or in part shall be given by mailing notice of such redemption by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to such holders of Securities at their last addresses as they shall appear upon the registry books. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice. Failure to give notice by mail, or any defect in the notice to the holder of any Security designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security.

The notice of redemption to each such Holder shall identify the Securities to be redeemed (including CUSIP or CINS numbers) and shall specify the principal amount of each Security held by such Holder to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, that payment will

be made upon presentation and surrender of such Securities, that interest accrued to the date fixed for redemption will be paid as specified in said

notice and that on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue. In case any Security is to be redeemed in part only the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for redemption, upon surrender of such Security, a new Security or Securities in principal amount equal to the unredeemed portion thereof will be issued.

The notice of redemption of Securities to be redeemed at the option of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

No later than 10:00 a.m. on the redemption date specified in the notice of redemption given as provided in this Section, the Company will deposit with the Trustee or with one or more paying agents (or, if the Company is acting as its own paying agent, set aside, segregate and hold in trust as provided in Section 3.04) an amount of money sufficient to redeem on the redemption date all the Securities so called for redemption at the appropriate redemption price, together with accrued interest to the date fixed for redemption. The Company will deliver to the Trustee at least 70 days prior to the date fixed for redemption an Officers' Certificate stating the aggregate principal amount of Securities to be redeemed.

If less than all of the Securities are to be redeemed at any time, the Trustee shall select, either pro rata, by lot or by any other method it shall in its sole discretion deem fair and appropriate, Securities to be redeemed in whole or in part; provided that no Security of $1,000 in principal amount or less shall be redeemed in part. The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed.

SECTION 9.03. Payment of Securities Called for Redemption. If notice of redemption has been given as above provided, the Securities or portions of Securities specified in such notice shall become due and payable on the date and at the place stated in such notice at the applicable redemption price, together with interest accrued to the date fixed for redemption, and on and after said date (unless the Company shall default in the payment of such Securities at the redemption price, together with interest accrued to said date) interest on the Securities or portions of Securities so called for redemption shall cease to accrue and, except as provided in Sections 5.05 and 11.06, such Securities shall cease from and after the date fixed for redemption to be entitled to any benefit or security under this Indenture, and the Holders thereof

shall have no right in respect of such Securities except the right to receive the redemption price thereof and unpaid interest to the date fixed for redemption. On presentation and surrender of such Securities at a place of payment specified in said notice, said Securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable redemption price, together with interest accrued thereon to the date fixed for redemption; provided that any semi-annual payment of interest becoming due on or prior to the date fixed for redemption shall be payable to the holders of such Securities registered as such on the relevant Regular Record Date subject to the terms and

provisions of Section 2.04 hereof.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid or duly provided for, bear interest from the date fixed for redemption at the rate borne by the Security.

Upon presentation of any Security redeemed in part only, the Company shall execute and the Trustee shall authenticate and make available for delivery to or on the order of the Holder thereof, at the expense of the Company, a new Security or Securities, of authorized denominations, in principal amount equal to the unredeemed portion of the Security so presented.

SECTION 9.04. Exclusion of Certain Securities from Eligibility for Selection for Redemption. Securities shall be excluded from eligibility for selection for redemption if they are identified by registration and certificate number in a written statement signed by an authorized officer of the Company and delivered to the Trustee at least 40 days prior to the last date on which notice of redemption may be given as being owned of record and beneficially by, and not pledged or hypothecated by either (a) the Company or (b) an entity specifically identified in such written statement as directly or indirectly controlling or controlled by or under direct or indirect common control with the Company.

ARTICLE 10
DEFEASANCE AND COVENANT DEFEASANCE

SECTION 10.01. Company's Option to Effect Defeasance or Covenant Defeasance. The Company may at its option by a Board Resolution, at any time, elect to have either Section 10.02 or Section 10.03 applied to the outstanding 2006 Notes or 2009 Notes, as the case may be, upon compliance with the conditions set forth below in this Article Ten.

SECTION 10.02. Legal Defeasance and Discharge. Upon the Company's exercise under Section 10.01 hereof of the option applicable to this Section 10.02, the Company shall be deemed to have been discharged from any and all Obligations

with respect to all outstanding 2006 Notes or 2009 Notes, as the case may be, on the date which is the 123rd day after the deposit referred to in Section 10.04(a); provided that all of the conditions set forth below are satisfied (hereinafter, "LEGAL DEFEASANCE"). For this purpose, such Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Debt represented by the outstanding 2006 Notes or 2009 Notes, as the case may be, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 10.05 hereof and the other Sections of this Indenture referred to in clauses (i) and (ii) of this Section 10.02, and to have satisfied all its other obligations under such 2006 Notes or 2009 Notes, as the case may be, and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (i) the rights of Holders of outstanding 2006 Notes or 2009 Notes, as the case may be, to receive solely from the trust fund described in Section 10.04 hereof, and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, and interest on such 2006 Notes or 2009 Notes, as the case may be, when such payments are due, (ii) the Company's obligations with respect to such 2006 Notes or 2009 Notes, as the case may be, under Sections 2.01, 2.02, 2.05, 2.06, 2.07, 2.08, 2.10, 3.01, 3.02,

3.04 and 10.05 hereof, (iii) the rights, powers, trusts, duties and immunities of the Trustee hereunder, including, without limitation, the Trustee's rights under Section 5.07 hereof, and the Company's obligations in connection therewith and with this Article Ten. Subject to compliance with this Article Ten, the Company may exercise its option under this Section 10.02 notwithstanding the prior exercise of its option under Section 10.03 hereof with respect to the 2006 Notes or 2009 Notes, as the case may be.

SECTION 10.03. Covenant Defeasance. Upon the Company's exercise under Section 10.01 hereof of the option applicable to this Section 10.03, the Company shall be released from its obligations under the covenants contained in Sections 3.08, 3.09, 3.10, clauses (c) and (d) of Article 4 and Article 8 hereof with respect to the outstanding 2006 Notes or 2009 Notes, as the case may be, on and after the date the conditions set forth below are satisfied (hereinafter, "COVENANT DEFEASANCE"), and the 2006 Notes or 2009 Notes, as the case may be, shall thereafter be deemed not outstanding for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed outstanding for all other purposes hereunder. For this purpose, such Covenant Defeasance means that, with respect to the outstanding 2006 Notes or 2009 Notes, as the case may be, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 4.01(c)

or (d) hereof, but, except as specified above, the remainder of this Indenture and such 2006 Notes or 2009 Notes, as the case may be, shall be unaffected thereby.

If subsequent to the completion of a defeasance of certain covenants as described in the immediately preceding paragraph, such outstanding 2006 Notes or 2009 Notes, as the case may be, are declared due and payable because of the occurrence of any remaining Event of Default and the amount of money and U.S. Government Obligations deposited in trust, as described below, would be sufficient to pay amounts due on such 2006 Notes or 2009 Notes, as the case may be, at Stated Maturity but may not be sufficient to pay amounts due on such 2006 Notes or 2009 Notes, as the case may be, upon any acceleration resulting from such Event of Default, then the Company would remain liable for such payments.

SECTION 10.04. Conditions to Legal or Covenant Defeasance. The following shall be the conditions to application of either Section 10.02 or Section 10.03 hereof to the outstanding 2006 Notes or 2009 Notes, as the case may be:

(a) the Company has deposited with the Trustee, in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay the principal of, premium, if any, and accrued interest on the 2006 Notes or 2009 Notes, as the case may be, on the Stated Maturity of such payments in accordance with the terms of the Indenture and the 2006 Notes or 2009 Notes, as the case may be;

(b) in the case of an election under Section 10.02 hereof, the Company has delivered to the Trustee (i) either (x) an Opinion of Counsel to the effect that Holders will not recognize income, gain or loss for Federal income tax purposes as a result of the Company's exercise of its option under this Article Ten and will be subject to Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred, which Opinion of Counsel must be based upon (and accompanied by a copy of) a ruling of the Internal Revenue Service to the same effect unless there has been a change in applicable Federal income tax law after the date of the Indenture such that a ruling is no longer required or (y) a ruling directed to the Trustee received from the Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel and (ii) an Opinion of Counsel to the effect that the creation of the defeasance trust does not violate the Investment Company Act of 1940 and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

(c) in the case of an election under Section 10.03 hereof, the delivery by the Company to the Trustee of (i) an Opinion of Counsel to the effect that, among other things, the Holders will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit and defeasance and will be subject to Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred and (ii) an Opinion of Counsel to the effect that the creation of the defeasance trust does not violate the Investment Company Act of 1940 and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

(d) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 123rd day after the date of such deposit, and such deposit shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party or by which the Company is bound,

(e) if at such time the 2006 Notes or 2009 Notes, as the case may be, are listed on a national securities exchange, the Company has delivered to the Trustee an Opinion of Counsel to the effect that the 2006 Notes or 2009 Notes, as the case may be, will not be delisted as a result of such deposit, defeasance and discharge,

(f) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit made by the Company pursuant to its election under Sections 10.02 or 10.03 hereof was not made by the Company with the intent of preferring the Holders of the 2006 Notes or 2009 Notes, as the case may be, over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others, and

(g) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to either the Legal Defeasance under Section 10.02 or the Covenant Defeasance under Section 10.03 (as the case may be) have been complied with as contemplated by this Section 10.04.

SECTION 10.05. Deposited Money and Government Securities to Be Held in Trust; Other Miscellaneous Provisions. Subject to Section 10.06 hereof, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee pursuant to Section 10.04 hereof in respect of the outstanding 2006 Notes or 2009 Notes, as the case may be, shall be held in trust and applied by the Trustee, in accordance with the provisions of such 2006 Notes or 2009 Notes, as the case may be, and this Indenture, to the payment, either directly or through any paying agent

(including the Company acting as paying agent) as the Trustee may determine, to the Holders of such 2006 Notes or 2009 Notes, as the case may be, of all sums due and to become due thereon in respect of principal of, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the money or U.S. Government Obligations deposited pursuant to Section 10.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding 2006 Notes or 2009 Notes, as the case may be.

Anything in this Article Ten to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the Company's request any money or U.S. Government Obligations held by it as provided in Section 10.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 10.04(a) hereof), are in excess of the amount thereof which would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 10.06. Repayment to Company. Any money deposited with the Trustee or any paying agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on any 2006 Note or 2009 Note, as the case may be, and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on its written request or (if then held by the Company) shall be discharged from such trust; and the Holder of such 2006 Note or 2009 Note, as the case may be, shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such paying agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such paying agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in The New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 10.07. Reinstatement. If the Trustee or paying agent is unable to apply any money or U.S. Government Obligations in accordance with Section 10.02 or 10.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the 2006 Notes

or 2009 Notes, as the case may be, shall be revived and reinstated as though no deposit had occurred pursuant to Section 10.02 or 10.03 hereof until such time as the Trustee or paying agent is permitted to apply all such amounts in accordance with Section 10.02 or 10.03 hereof, as the case may be; provided, however, that, if the Company makes any payment of principal of, premium, if any, or interest on any 2006 Note or 2009 Note, as the case may be, following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such 2006 Note or 2009 Note, as the case may be, to receive such payment from the amounts held by the Trustee or paying agent.

ARTICLE 11
MISCELLANEOUS PROVISIONS

SECTION 11.01. Incorporators, Stockholders, Officers, Directors, Employees and Controlling Persons of Company Exempt from Individual Liability. No recourse for the payment of the principal of, premium, if any, or interest on any of the Securities or any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company contained in this Indenture, or in any Security, or because of the creation of any indebtedness evidenced thereby, shall be had against any incorporator, as such, or against any past, present or future stockholder, officer, director, employee or controlling person, as such, of the Company or of any successor Person, either directly or through the Company or any successor Person, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Securities by the holders thereof and as part of the consideration for the issue of the Securities.

SECTION 11.02. Provisions of Indenture for the Sole Benefit of Parties and Holders. Nothing in this Indenture or in the Securities, expressed or implied, shall give or be construed to give to any person, firm or corporation, other than the parties hereto and their successors and the holders of the Securities, any legal or equitable right, remedy or claim under this Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and of the holders of the Securities.

SECTION 11.03. Successors and Assigns of Company Bound by Indenture. All the covenants, stipulations, promises and agreements in this Indenture contained by or in behalf of the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 11.04. Notices and Demands on Company, Trustee and Holders. Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Securities to or on the Company may be given or served by being deposited postage prepaid, first-class mail (except as otherwise specifically provided herein) addressed (until another address of the Company is filed by the Company with the Trustee) to USEC, Inc., 2 Democracy Center, 6903 Rockledge Drive, Bethesda, MD 20817,

Attention: Legal Department, with a copy to the Treasurer. Any notice, direction, request or demand by the Company or any Securityholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made at the Corporate Trust Office.

Where this Indenture provides for notice to Holders, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder entitled thereto, at his last address as it appears in the Security Register. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. The Trustee may waive notice to it of any provision herein, and such waiver shall be deemed to be for its convenience and discretion. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of or irregularities in regular mail service, it shall be impracticable to mail notice to the Company and Securityholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

SECTION 11.05. Officers' Certificates and Opinions of Counsel; Statements to Be Contained Therein. Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this

Indenture shall include (a) a statement that the person making such certificate or opinion has read such covenant or condition, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (c) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with and (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Any certificate, statement or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his

certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters or information which is in the possession of the Company, upon the certificate, statement or opinion of or representations by an officer or officers of the Company, unless such counsel knows that the certificate, statement or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate, statement or opinion of an officer of the Company or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Company, unless such officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants filed with the Trustee shall contain a statement that such firm is independent.

SECTION 11.06. Payments Due on Saturdays, Sundays and Holidays. If the date of maturity of interest on or principal of the Securities or the date fixed for redemption of any Security shall not be a Business Day, then payment of interest or principal need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

SECTION 11.07. Conflict of Any Provision of Indenture with Trust Indenture Act of 1939. If and to the extent that any provision of this Indenture limits, qualifies or conflicts with another provision included in this Indenture by operation of Sections

310 to 317, inclusive, of the Trust Indenture Act of 1939 (an "INCORPORATED PROVISION"), such incorporated provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act which may be so modified or excluded, the Trust Indenture Act provision shall be deemed to apply to this Indenture as so modified or shall be excluded from applying to the Indenture as the case may be.

SECTION 11.08. New York Law to Govern. This Indenture and each Security shall be deemed to be a contract under the laws of the State of New York, and for all purposes including the obligations of the Company and the rights of holders of the Securities arising out of or in connection with the Securities, including the obligations of the Company to pay all principal, interest or other amounts payable under the Indenture and such Security, will be governed by and shall be construed in accordance with the laws of said State, without giving effect to the conflict of laws provisions thereof, except as may otherwise be required by mandatory provisions of law.

SECTION 11.09. Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 11.10. Effect of Headings. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of January 15, 1999.

USEC INC.,
as Issuer

By /s/ William H. Timbers, Jr.

Title:President and
Chief Executive Officer

FIRST UNION NATIONAL BANK,
as Trustee

By /s/ Patricia W. Welling

Title: Vice President

EXHIBIT A

[FORM OF FACE OF SECURITY]

No. $
[CUSIP] [CINS]

USEC Inc.
[ ]% Senior Note Due 200[ ]

USEC Inc., a Delaware corporation (the "COMPANY"), for value received hereby promises to pay to [ ] or registered assigns the principal sum of [ ] Dollars at the Company's office or agency for said purpose in The City of New York, on January 20, 200[ ], in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semi-annually on January 20 and July 20 (each an "INTEREST PAYMENT DATE") of each year, commencing with July 20, 1999, on said principal sum in like coin or currency at the rate per annum set forth above at said office or agency from the most recent Interest Payment Date to which interest on the Securities has been paid or duly provided for, unless the date hereof is a date to which interest on the Securities has been paid or duly provided for, in which case from the date of this Security. Notwithstanding the foregoing, if the date hereof is after December 30 or June 30 (each a "REGULAR RECORD DATE"), as the case may be, and before the immediately following Interest Payment Date, this Security shall bear interest from such Interest Payment Date; provided, that if the Company shall default in the payment of interest due on such Interest Payment Date then this Security shall bear interest from the next preceding Interest Payment Date to which interest on the

Securities has been paid or duly provided for. The interest so payable on any Interest Payment Date will, except as otherwise provided in the Indenture referred to on the reverse hereof, be paid to the person in whose name this Security is registered at the close of business on the Regular Record Date preceding such Interest Payment Date whether or not such day is a business day; provided that interest may be paid, at the option of the Company, by mailing a check therefor payable to the registered holder entitled thereto at such holder's last address as it appears on the Security register or by wire transfer, in immediately available funds, to such bank or other entity in the continental United States as shall be designated in writing by such holder prior to the relevant Regular Record Date and shall have appropriate facilities for such purpose, or in accordance with the standard operating procedures of the Depositary (as defined in the Indenture).

Interest, other than default interest, on the Securities will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Reference is made to the further provisions set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Security shall not be valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee acting under the Indenture.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

USEC INC.

By:

Name:
Title:

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

Dated:

This is one of the Securities described in the within-mentioned Indenture.

FIRST UNION NATIONAL BANK,
as Trustee

By:

Authorized Signatory

60

[FORM OF REVERSE OF SECURITY]

USEC Inc.

[ ]% Senior Note Due 200[ ]

This Security is one of a duly authorized issue of debt securities of the Company, limited to the aggregate principal amount of $[ ], issued or to be issued pursuant to an indenture dated as of January 15, 1999 (the "INDENTURE"), duly executed and delivered by the Company to First Union National Bank, as Trustee (herein called the "TRUSTEE"). Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders (the words "HOLDERS" or "HOLDER" meaning the registered holders or registered holder) of the Securities.

This Security will bear interest until final maturity at a rate per annum shown above, except as provided in the next paragraph. The Company will pay interest on overdue principal of, premium, if any, and to the extent lawful, interest on overdue installments of interest, at a [ ]% rate per annum based on a 360-day year consisting of twelve 30-day months.

In case an Event of Default (as defined in the Indenture) shall have occurred and be continuing, the principal of all the Securities may be declared due and payable, in the manner and with the effect, and subject to the conditions, provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be waived by the holders of a majority in aggregate principal amount of the Securities then outstanding and that, prior to any such declaration, such holders may waive any past default under the Indenture and its consequences except a default in the payment of principal of, premium, if any, or interest on any of the Securities. Any such consent or waiver by the holder of this Security (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Security and any Security which may be issued in exchange or substitution herefor, whether or not any notation thereof is made upon this Security or such other Securities.

The Indenture permits the Company and the Trustee, with the consent of the holders of at least a majority in aggregate principal amount of the Securities at the time outstanding, evidenced as in the Indenture provided, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Securities; provided that no such modification or amendment may, without the consent of each holder affected thereby, (i) change the Stated Maturity (as defined in the Indenture) of the principal of, or any installment of interest on, any Security, (ii) reduce the principal amount of, or

premium, if any, or any interest on, any Security, (iii) reduce the amount of principal of any Security payable upon acceleration of the maturity thereof, (iv) change the place or currency of payment of principal of, premium, if any, or interest on, any Security, (v) impair the right to institute suit for the enforcement of any payment on or with respect to any Security, (vi) reduce the above-stated percentage of outstanding Securities the consent of whose holders is necessary to modify or amend the Indenture, (vii) reduce the percentage in principal amount of outstanding Securities the consent of whose holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults, or (viii) modify any provision of the Indenture with respect to modification and waiver.

Notwithstanding the foregoing, without the consent of any holder of Securities, the Company and the Trustee may amend or supplement the Indenture or the Securities to cure any ambiguity, defect or inconsistency, to provide for uncertificated Securities in addition to or in place of certificated Securities, to provide for the assumption of the Company's obligations to holders of Securities in the case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the holders of Securities or that does not adversely affect the legal rights under the Indenture of any such holder, or to comply with requirements of the Commission (as defined in the Indenture) in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act of 1939 (as defined in the Indenture).

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Security at the place, times, and rate, and in the currency, herein prescribed.

The Securities are issuable only as registered Securities without coupons in denominations of $1,000 and any integral multiple of $1,000.

At the office or agency of the Company referred to on the face hereof and in the manner and subject to the limitations provided in the Indenture, Securities may be exchanged for a like aggregate principal amount of Securities of other authorized denominations.

Upon due presentment for registration of transfer of this Security at the above-mentioned office or agency of the Company, a new Security or Securities of authorized denominations, for a like aggregate principal amount, will be issued to the transferee as provided in the Indenture. No service charge shall be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other similar governmental charge that may be imposed in connection therewith.

The Securities may be redeemed at the option of the Company, in whole or in part, in principal amounts of $1,000 or any integral multiple thereof at any time,

upon mailing a notice of such redemption by first class mail not less than 30 nor more than 60 days prior to the Redemption Date, all as provided in the Indenture, at a redemption price equal to the sum of (i) an amount equal to 100% of the principal amount thereof and (ii) the Make-Whole Premium, together with accrued and unpaid interest up to but not including the Redemption Date.

Subject to payment by the Company of a sum sufficient to pay the amount due on redemption, interest on this Security (or portion hereof if this Security is redeemed in part) shall cease to accrue upon the date duly fixed for redemption of this Security (or portion hereof if this Security is redeemed in part).

The Company, the Trustee, and any authorized agent of the Company or the Trustee, may deem and treat the registered holder hereof as the absolute owner of this Security (whether or not this Security shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Company or the Trustee or any authorized agent of the Company or the Trustee), for the purpose of receiving payment of, or on account of, the principal hereof and premium, if any, and, subject to the provisions on the face hereof, interest hereon and for all other purposes, and neither the Company nor the Trustee nor any authorized agent of the Company or the Trustee shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of, premium, if any, or the interest on this Security, for any claim based thereon, or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture, or in any of the Securities or because of the creation of any Debt (as defined in the Indenture) represented thereby, against any incorporator, shareholder, officer, director, employee or controlling person of the Company or of any successor Person thereof, either directly or through the Company or any successor Person, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

The Indenture is hereby incorporated by the reference and to the extent of any variance between the provisions hereof and the Indenture, the Indenture shall control.

This Security shall be deemed to be a contract under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of said State, except as may otherwise be required by mandatory provisions of law.

This Security will not be an obligation of, or guaranty as to principal or interest by, the United States government.

[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

Insert Taxpayer Identification No.

Please print or typewrite name and address including zip code of assignee

---

the within Security and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Security on the books of the Company with full power of substitution in the premises.

Date:

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

Signature Guarantee:

EXHIBIT 10.29

THIS AGREEMENT is made as of June 9, 1999, 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, 1999 through July 27, 2000, 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 Two Hundred Fifty-Five Thousand Dollars ($255,000), 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 10.30

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT made and entered into as of the 28th day of April, 1999, by and between USEC Inc., a Delaware corporation (the "Company"), and William H. Timbers, Jr. (the "Executive").

WHEREAS, the Company desires to provide for the service and employment of the Executive with the Company and the Executive wishes to perform services for the Company, all in accordance with the terms and conditions provided herein;

NOW, THEREFORE, IN CONSIDERATION of the mutual premises, covenants and agreements set forth below, it is hereby agreed as follows:

1. Employment and Term.

(a) The Company agrees to employ the Executive, and the Executive agrees to remain in the employ of the Company in accordance with the terms and provisions of this Agreement for the period set forth below (the "Employment Period").

(b) The Employment Period of this Agreement will commence as of the date hereof (the "Effective Date") and continue until the fifth anniversary of the Effective Date (the "Fifth Anniversary"), unless further extended or sooner terminated as hereinafter provided. The Employment Period shall automatically be extended for one additional year from the Fifth Anniversary unless either party shall have given notice to the other party, at least six months prior to such Fifth Anniversary, that it does not wish to extend the Employment Period. Notwithstanding the foregoing, upon the occurrence of a "Change in Control," as defined in the USEC Inc. 1999 Equity Incentive Plan (the "Equity Incentive Plan"), during the Employment Period, this Agreement shall continue in effect for a period of not less than three years from the date of the Change in Control, unless sooner terminated as hereinafter provided. References herein to the Employment Period shall refer to both the initial term and any extended term hereunder. The Employment Period shall end on the Date of Termination (as hereinafter defined).

(c) The Company also hereby agrees that the Executive currently serves as a director on the Board of Directors of the Company (the "Board"), and as a director and Chief Executive Officer of each Subsidiary (as defined below), and the Executive hereby accepts such appointments. As used herein, the term "Subsidiaries" shall mean all corporations a majority of capital stock of which entitling the holder thereof to vote is owned by the Company or a Subsidiary.

(d) The principal location at which the Executive will perform his duties

will be the Company's principal executive offices in Bethesda, Maryland.

2. Position; Duties. Commencing as of the Effective Date and continuing during the Employment Period, the Executive shall serve as President and Chief Executive Officer of the Company and shall have such responsibilities, duties and authority as are specified in the Company's charter and/or bylaws and as specified, from time to time, by the Board. The Executive shall report directly to the Board. The Executive shall devote substantially all of his working time and efforts to the business and affairs of the Company and shall not engage in activities that interfere with such performance; provided, however, that this Agreement shall not be interpreted to prohibit the Executive from managing his personal investments and affairs, engaging in charitable activities, serving as a member of any board of directors of which he is currently a member or, subject to prior approval of the Board, serving on any other board of directors so long as, in the reasonable determination of the Board, such activities do not interfere with the performance of his duties hereunder.

3. Compensation. The Executive shall receive the following compensation for his services hereunder to the Company:

(a) Salary. Commencing as of the Effective Date and continuing during the Employment Period, the Company shall pay to the Executive an annual base salary ("Annual Base Salary") at a rate not less than $600,000 for the Company's 1999 fiscal year, such salary to be paid in conformity with the Company's policies relating to salaried employees. This salary may be (but is not required to be) increased from time to time, subject to and in accordance with an annual performance review by the Board.

(b) Annual Incentive Program. The Executive shall be a participant in the Company's annual incentive program as in effect from time to time (the "Annual Incentive Program") at a level commensurate with his position, and shall be entitled to receive such amounts (each, a "Bonus") as may be authorized, declared and paid by the Company pursuant to the terms of such program and the performance goals established by the Compensation Subcommittee of the Board.

(c) Long-Term Incentive Plan. The Executive shall be a participant in the Company's Equity Incentive Plan, and any other long-term equity or cash compensation programs as the Board may provide for the Company's senior management (collectively, the "LTIP") at a level commensurate with the Executive's position.

(d) Employee Benefit Plans; Perquisites; Fringe Benefits. During the Employment Period, the Executive shall be eligible to participate, on a basis commensurate with his position, in all employee benefit plans, including supplemental benefit plans, welfare plans, practices, policies and programs, perquisites and other fringe benefits applicable to senior management of the Company. In addition, the Company shall provide the Executive with supplemental executive retirement benefits pursuant to the terms of the Executive's

supplemental executive retirement plan (the "SERP").

(e) Life Insurance. The Company shall provide the Executive with an amount of term life insurance equal to 3-1/3 times his Annual Base Salary as of the Effective Date. The Company shall pay the premiums for such insurance until the Date of Termination, at which time the Company's obligations to pay such premiums shall terminate; provided, however, that in the event that the Executive's employment is terminated by the Company (other than for Cause, as hereinafter defined), or by the Executive for Good Reason, as hereinafter defined, the Company shall pay up the insurance policy in full, and transfer ownership of such policy to the Executive, to the extent permitted by such policy.

(f) Expenses. The Company agrees to reimburse the Executive for all reasonable expenses, including those for travel and entertainment, properly incurred by him in the performance of his duties under this Agreement in accordance with policies established from time to time by the Company.

4. Termination of Employment.

(a) Death; Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. The Company or the Executive may terminate the Executive's employment on account of the Executive's Disability. For purposes hereof, "Disability" shall mean that the Executive has become totally and permanently disabled as defined or described in the Company's long term disability benefit plan applicable to senior executive officers as in effect at the time the Executive's disability is incurred.

(b) By the Company for Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement "Cause" shall mean:

(i) the engaging by the Executive in willful misconduct that is injurious to the Company or its affiliates;

(ii) the embezzlement or misappropriation of funds or property of the Company or its affiliates by the Executive, or the conviction of the Executive of a felony or the entrance of a plea of guilty or nolo contendere by the Executive to a felony; or

(iii) the willful failure or refusal by the Executive to substantially perform his duties or responsibilities (other than (x) any such failure resulting from the Executive's incapacity due to Disability,

after demand for substantial performance is delivered by the Company to the Executive that specifically identifies the manner in which the Company believes the Executive has not substantially performed his duties, or (y) any such actual or anticipated failure after the issuance of a Notice of Termination (as defined below) by the Executive for Good Reason (as defined below)).

For purposes of this definition, no act, or failure to act, on the Executive's part shall be considered "willful" unless done, or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Executive's employment shall not be deemed to have been terminated for Cause unless (A) a reasonable notice shall have been given to him setting forth in reasonable detail the reasons for the Company's intentions to terminate for Cause, and if such termination is pursuant to clause (i) or (iii) above, and the damage to the Company is curable, only if the Executive has been provided a period of ten (10) business days from receipt of such notice to cease the actions or inactions, and he has not done so; (B) an opportunity shall have been provided for the Executive together with his counsel, to be heard before the Board; and (C) if such termination is pursuant to clause (i) or (iii) above, delivery shall have been made to the Executive of a Notice of Termination from the Board finding that in the good faith opinion of a majority of the nonmanagement members of the Board he was guilty of conduct set forth in clause (i) or (iii) above, and specifying the particulars thereof in reasonable detail. Any determination of Cause made by the Company in accordance with the foregoing procedure shall be made by the Company, in its sole discretion. Any such determination shall be final and binding on the Executive.

(c) By the Executive for Good Reason. The Executive may terminate his employment during the Employment Period for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without the Executive's express written consent, any of the following, unless such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(i) any material breach by the Company of its obligations under this Agreement, including but not limited to (x) a reduction in the Executive's Base Salary as such salary may be increased from time to time thereafter, and (y) the Company's requiring the Executive to be based anywhere other than the offices that constitute the Company's corporate headquarters and/or the Company's principal executive offices;

(ii) the Executive is removed from any of his positions set forth in

Section 2 hereof for any reason other than (A) by reason of death or Disability, or (B) for Cause, or the failure to elect or re-elect the Executive to any position with the Company (including membership on the Board or the Board of Directors of the Subsidiaries);

(iii) the Executive is assigned any duties inconsistent with the Executive's position (including status, offices, titles and reporting relationships), authority, duties or responsibilities as in effect as of the Effective Date (excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly following notice thereof given by the Executive);

(iv) the failure to assume this Agreement by any successor to the Company;

(v) any purported termination of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of paragraph (d) below, which termination for purposes of this Agreement shall be ineffective; or

(vi) termination of employment by the Executive that is determined by a majority of the nonmanagement members of the Board to be deemed to constitute Good Reason.

Notwithstanding the foregoing, a termination shall not be treated as a termination for Good Reason unless the Executive shall have delivered a Notice of Termination within 90 days of the Executive's having actual knowledge of the occurrence of one of such events, stating that the Executive intends to terminate employment for Good Reason. For purposes of this Agreement, any good faith determination of "Good Reason" made by the Executive shall be conclusive.

(d) Notice of Termination. Any termination of the Executive's employment (other than by reason of death) shall be communicated by Notice of Termination to the other party hereto in accordance with Section 11(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination," means a written notice that indicates the specific termination provision in this Agreement relied upon, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and specifies the Date of Termination. The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company under this Agreement or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights under this Agreement.

(e) Date of Termination. "Date of Termination" shall mean:

(i) if the Executive's employment is terminated by reason of Disability, or by the Executive for Good Reason, other than a termination pursuant to Section 4(c)(iv) of the definition of Good Reason, the date specified in the Notice of Termination (which shall not be less than 30 nor more than 60 days from the date such Notice of Termination is given);

(ii) if the Executive's employment is terminated by the Company for Cause or without Cause, or by the Executive for other than Good Reason, the date the Notice of Termination is received;

(iii) if the Executive's employment is terminated by the Executive for Good Reason pursuant to Section 4(c)(iv) hereof, the date upon which any succession referred to therein becomes effective;

(iv) if the Executive's employment is terminated by reason of death, the date of death; and

(v) if the Executive's employment is terminated by reason of the expiration of the Employment Period, the last day of the Employment Period.

5. Obligations of the Company upon Termination.

(a) Termination by the Executive for Good Reason or by the Company Other than for Cause. If the Executive's employment is terminated by the Executive for Good Reason or by the Company other than for Cause:

(i) the Company shall pay to the Executive, within 10 days following the Date of Termination, a lump sum amount in cash equal to the sum of:

(A) the Executive's Annual Base Salary through the Date of Termination to the extent not previously paid;

(B) an amount equal to the target Bonus for the fiscal year prior to the Date of Termination, to the extent such Bonus has been earned but not paid, and for the fiscal year that includes the Date of Termination. the target Bonus multiplied by a fraction, the numerator of which shall be the number of days from the beginning of such fiscal year to and including the Date of Termination and the denominator of which shall be three hundred and sixty-five (365);

and

(C) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not previously paid.

The amounts specified in clauses (A), (B) and (C) hereof shall be hereinafter referred to as the "Accrued Obligations";

(ii) the Company shall pay to the Executive, within 10 days following the Date of Termination, a lump sum amount, in cash, equal to three times the sum of the Final Average Salary and the Final Average Bonus, where (A) the "Final Average Salary" means the average of the Executive's Annual Base Salary as in effect for each of the three years preceding the Date of Termination and commencing no earlier than February 3, 1999 (or, if shorter, the number of years from February 3, 1999 to the Date of Termination) and (B) the "Final Average Bonus" means the average of the Bonuses awarded to the Executive pursuant to the Annual Incentive Program with respect to the three years preceding the Date of Termination and commencing no earlier than February 3, 1999 (or, if shorter, the number of years from February 3, 1999 to the Date of Termination);

(iii) subject to the Executive's continued compliance with Section 9 hereof, the Company shall continue life, disability, accident and health insurance benefits (including supplemental health and life insurance benefits) substantially similar to those that the Executive was receiving immediately prior to the Date of Termination (or if applicable, prior to the Change in Control, or thereafter, if higher) until the earlier to occur of (i) the third anniversary of the Date of Termination or (ii) such time as the Executive is covered by comparable programs of a subsequent employer; provided, however, that in the event the Company is unable to provide such benefits, the Company shall make annual payments to the Executive in an amount such that following the Executive's payment of applicable taxes thereon, the Executive retains an amount equal to the cost to the Executive, net of any cost that would otherwise be borne by the Executive, of obtaining comparable life, disability, accident and health insurance coverage. Benefits otherwise receivable by the Executive pursuant to this Section 5(a)(iii) shall be reduced to the extent comparable benefits are actually received during the three year period following termination, and any such benefits actually received by the Executive shall be reported to the Company;

(iv) the Company shall furnish the Executive with office space

and administrative support for two years following the Date of Termination; provided, however, that if the Executive becomes employed with another employer, the Company shall cease to provide the Executive with such office space and administrative support;

(v) the Company shall credit the Executive with three additional years of service for purposes of the SERP so that the Executive's SERP benefit will be calculated as if the Executive were three years older at the Date of Termination; and

(vi) all of the Executive's stock options (vested or nonvested) shall become exercisable and shall remain exercisable for the longer of one year and the number of years, including fractional portions thereof, that would have remained in the Employment Period until its expiration, but in no event shall such period exceed the term of the stock options; and all restrictions pertaining to the Executive's restricted stock or other equity based awards shall lapse on the Date of Termination.

In addition, if the Company terminates the Executive's employment for other than Cause, or the Executive terminates employment for Good Reason, then the Executive agrees to make himself available to consult with the Company with respect to general business matters and strategic issues as reasonably requested by the Company for such period of time following the Date of Termination, and in accordance with such other terms and conditions, as are mutually agreed upon by the parties hereto.

(b) Termination By Reason of Death or Disability. If the Executive's employment shall be terminated by reason of the Executive's death or Disability, then the

Company shall pay the Executive the amounts and benefits described in clauses (a)(i) through (iii), (v) and (vi) above.

(c) Termination By Reason of Expiration of the Employment Period. If the Executive's employment shall be terminated by reason of the expiration of the Employment Period:

(i) the Company shall pay to the Executive, within 10 days following the Date of Termination, the Accrued Obligations;

(ii) the Company shall pay to the Executive, within 10 days following the Date of Termination, a lump sum amount, in cash, equal to one and one-half times the sum of the Final Average Salary and the Final Average Bonus;

(iii) subject to the Executive's continued compliance with Section 9 hereof, the Company shall continue life, disability, accident

and health insurance benefits (including supplemental health and life insurance benefits) substantially similar to those that the Executive was receiving immediately prior to the Date of Termination until the earlier to occur of (i) the last day of the 18th month following the Date of Termination or (ii) such time as the Executive is covered by comparable programs of a subsequent employer; provided, however, that in the event the Company is unable to provide such benefits, the Company shall make annual payments to the Executive in an amount such that following the Executive's payment of applicable taxes thereon, the Executive retains an amount equal to the cost to the Executive, net of any cost that would otherwise be borne by the Executive, of obtaining comparable life, disability, accident and health insurance coverage. Benefits otherwise receivable by the Executive pursuant to this Section 5(c)(iii) shall be reduced to the extent comparable benefits are actually received during the one and one-half year period following termination, and any such benefits actually received by the Executive shall be reported to the Company;

(iv) the Company shall furnish the Executive with office space and administrative support for one year following the Date of Termination; provided, however, that if the Executive becomes employed with another employer, the Company shall cease to provide the Executive with such office space and administrative support;

(v) the Company shall credit the Executive with one and one-half additional years of service for purposes of the SERP so that the Executive's SERP benefit will be calculated as if the Executive were one and one-half years older at the Date of Termination; and

(vi) all of the Executive's stock options shall become exercisable and shall remain exercisable for the longer of one year and the number of years, including fractional portions thereof, that would have remained in the Employment Period until its

expiration, but in no event shall such period exceed the term of the stock options; and all restrictions pertaining to the Executive's restricted stock or other equity based awards shall lapse on the Date of Termination.

In addition, if the Executive's employment is terminated by reason of the expiration of the Employment Period, then the Executive agrees to make himself available to consult with the Company with respect to general business matters and strategic issues as reasonably requested by the Company for such period of time following the Date of Termination, and in accordance with such other terms and conditions, as are mutually agreed upon by the parties hereto.

(d) Termination by the Company for Cause or By the Executive for Other than Good Reason. Subject to the provisions of Section 6 of this Agreement, if the Executive's employment shall be terminated by the Company for Cause or by the Executive for other than Good Reason, death or Disability, in either case, during the Employment Period, the Company shall have no further obligations to the Executive under this Agreement other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination, earned bonuses and any amount of compensation previously deferred by the Executive, in each case to the extent previously unpaid, and the Executive shall have no further obligations to the Company under this Agreement other than pursuant to Section 9(a) of this Agreement. All of the Executive's stock options that have not yet become exercisable shall expire and all of the Executive's restricted stock awards and other restricted equity based awards as to which the applicable restrictions have not yet lapsed shall be forfeited on the Date of Termination.

(e) Certain Tax Consequences. Whether or not the Executive becomes entitled to the payments and benefits described in this Section 5, if any of the payments or benefits received or to be received by the Executive in connection with a change in ownership or control of the Company (a "Statutory Change in Control"), as defined in section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or the Executive's termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a Statutory Change in Control or any person affiliated with the Company or such person) (collectively, the "Severance Benefits") will be subject to any excise tax (the "Excise Tax") imposed under section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall pay to the Executive an additional amount equal to the Excise Tax (the Excise Tax Payment").

For purposes of determining whether any of the Severance Benefits will be subject to the Excise Tax and the amount of such Excise Tax:

(i) all of the Severance Benefits shall be treated as "parachute payments" within the meaning of Code section 280G(b)(2), and all "excess parachute payments" within the meaning of Code section 280G(b)(1) shall be treated as subject to the Excise Tax, unless, in the opinion of tax counsel selected by the Company's

independent auditors and reasonably acceptable to the Executive, such other payments or benefits (in whole or in part) do not constitute parachute payments, including by reason of Code section 280G(b)(4)(A), or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered, within the meaning of Code

section 280G(b)(4)(B), in excess of the "Base Amount" as defined in Code section 280G(b)(3) allocable to such reasonable compensation, or are otherwise not subject to the Excise Tax; and

(ii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Code section 280G(d)(3) and (4).

In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of termination of the Executive's employment, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined (the "Reduced Excise Tax"), the difference of the Excise Tax Payment and the Reduced Excise Tax. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the termination of the Executive's employment (including by reason of any payment the existence or amount of which could not be determined at the time of the Excise Tax Payment), the Company shall make an additional Excise Tax payment in respect of such excess (plus any interest or penalties payable by the Executive with respect to such excess) at the time that the amount of such excess is finally determined. The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Severance Benefits.

(f) Other Fees and Expenses. With respect to a termination of Executive's employment prior to a Change in Control, the prevailing party shall be entitled to recover from the other party to this Agreement, all reasonable legal fees and expenses incurred in contesting or disputing any termination of employment or in seeking to obtain or enforce any right or benefit to which such party is entitled under this Agreement. With respect to a termination of Executive's employment following a Change in Control, the Company shall bear its own legal fees and expenses in connection with any such dispute, but the Company shall pay the Executive's reasonable legal fees and expenses if the Executive is the prevailing party in connection with any such dispute.

6. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit plan, program, policy or practice provided by the Company and for which the Executive may qualify (except with respect to any benefit to which the Executive has waived his rights in writing), nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement entered into after the Effective Date with the Company. Amounts that are vested benefits or that the Executive is otherwise entitled to receive under any benefit plan, policy, practice or program

of, or any contract or agreement entered into after the date hereof with, the Company at or subsequent to the Date of Termination, shall be payable in accordance with such benefit plan, policy, practice, program, contract or agreement, except as explicitly modified by this Agreement.

7. Full Settlement; Mitigation. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action that the Company may have against the Executive or others. The Executive shall not be required to mitigate the amount of any payment or benefit provided for in Sections 3(e) and 5 hereof by seeking other employment or otherwise, nor (except as specifically provided in Section 5 hereof) shall the amount of any payment or benefit provided for in Sections 3(e) and 5 hereof be reduced by any compensation earned by the Executive as the result of employment by another employer or by retirement benefits after the Date of Termination, or otherwise.

8. Arbitration. Except as otherwise provided in Section 9 hereof, the parties agree that any dispute, claim, or controversy based on common law, equity, or any federal, state, or local statute, ordinance, or regulation (other than workers' compensation claims) arising out of or relating in any way to the Executive's employment, the terms, benefits, and conditions of employment, or concerning this Agreement or its termination and any resulting termination of employment, including whether such dispute is arbitrable, shall be settled by arbitration. This agreement to arbitrate includes but is not limited to all claims for any form of illegal discrimination, improper or unfair treatment or dismissal, and all tort claims. The Executive shall still have a right to file a discrimination charge with a federal or state agency, but the final resolution of any discrimination claim shall be submitted to arbitration instead of a court or jury. The arbitration proceeding shall be conducted under the employment dispute resolution arbitration rules of the American Arbitration Association in effect at the time a demand for arbitration under the rules is made. The decision of the arbitrator(s), including determination of the amount of any damages suffered, shall be exclusive, final, and binding on all parties, their heirs, executors, administrators, successors and assigns.

9. Confidential Information; Non-Solicitation; Non-Competition. (a) The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret, proprietary, or confidential materials, knowledge, data or any other information relating to the Company or any of its affiliated companies, and their respective businesses ("Confidential Information"), which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and that shall not have been or now or hereafter have become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). During the Employment Period and (a) for a period of five years thereafter with respect to

Confidential Information that does not include trade secrets, and (b) any time thereafter with respect to Confidential Information that does include trade secrets, the Executive shall not, without the prior written consent of the Company or as may otherwise be

required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

(b) In addition, the Executive shall not, at any time during the Employment Period and for any period thereafter with respect to which the Executive is in receipt of a severance benefit under this Agreement (by way of illustration, if the Executive terminates his employment for Good Reason, for a period of three years), (i) engage or become interested as an owner (other than as an owner of less than 5% of the stock of a publicly owned company), stockholder, partner, director, officer, employee (in an executive capacity), consultant or otherwise in any business that is competitive with any business conducted by the Company or any of its affiliated companies during the Employment Period or as of the Date of Termination, as applicable or (ii) recruit, solicit for employment, hire or engage any employee or individual consultant of the Company or any person who was an employee or individual consultant of the Company within two (2) years prior to the Date of Termination. The Executive acknowledges that these provisions are necessary for the Company's protection and are not unreasonable, since he would be able to obtain employment with companies whose businesses are not competitive with those of the Company and its affiliated companies and would be able to recruit and hire personnel other than employees of the Company. The duration and the scope of these restrictions on the Executive's activities are divisible, so that if any provision of this paragraph is held or deemed to be invalid, that provision shall be automatically modified to the extent necessary to make it valid.

The Executive acknowledges that a violation or attempted violation on the Executive's part of this Section 9 will cause irreparable damage to the Company, and the Executive therefore agrees that the Company shall be entitled as a matter of right to an injunction, out of any court of competent jurisdiction, restraining any violation or further violation of such promises by the Executive or the Executive's employees, partners or agents. The Executive agrees that such right to an injunction is cumulative and in addition to whatever other remedies the Company may have under law or equity.

10. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive

otherwise than by will or the laws of descent and distribution.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable hereunder if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee or, if there is no such designee, to the Executive's estate.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as defined above and any successor to its business and/or assets that assumes and agrees to perform this Agreement by operation of law, or otherwise. Prior to a Change in Control, the term "Company" shall also mean any affiliate of the Company to which the Executive may be transferred and the Company shall cause such successor employer to be considered the "Company" and to be bound by the terms of this Agreement and this Agreement shall be amended to so provide. Following a Change in Control, the term "Company" shall not mean any affiliate of the Company to which Executive may be transferred unless the Executive shall have previously approved of such transfer in writing, in which case the Company shall cause such successor employer to be considered the "Company" and to be bound by the terms of this Agreement and this Agreement shall be amended to so provide. Failure of the Company to obtain an assumption and agreement as described in this Section 10(c) prior to the effective date of a succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to under this Agreement if the Executive were to terminate the Executive's employment for Good Reason, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

11. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to the conflict of laws provisions thereof. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. No provision of this

Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return-receipt requested, postage prepaid, addressed as follows:

If to the Executive:

William H. Timbers, Jr.
c/o USEC Inc.
2 Democracy Center
6903 Rockledge Drive
Bethesda, Maryland 20817-1818

with a copy to:

John W. Griffin, Esq.
Duane, Morris & Heckscher LLP
1667 K Street N.W., Suite 700
Washington, D.C. 20006-1608
Phone: (202) 776-7854
Facsimile: (202) 776-7801

If to the Company:

USEC Inc.
2 Democracy Center
6903 Rockledge Drive
Bethesda, Maryland 20817-1818
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance with this Agreement. Notice and communications shall be

effective when actually received by the addressee.

(c) If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(d) The Company may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

(e) This Agreement, together with the SERP, contains the entire understanding of the parties with respect to the subject matter herein and supersedes any prior agreements between the Company and the Executive. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein.

(f) To the extent, and only to the extent, that a payment or benefit paid or provided under this Agreement would also be paid or provided under the terms of an applicable plan, program or arrangement, such applicable plan, program or arrangement will be deemed to have been satisfied by the payment made or benefit provided under this Agreement.

(g) This Agreement may be signed in several counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the Executive and the Company have caused this Agreement to be executed as of the day and year first above written.

USEC Inc.

By: /s/ Henry Z Shelton, Jr.

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

EXECUTIVE

/s/ William H. Timbers, Jr.

Exhibit 10.31

[DOE Letterhead]
Field Office, Oak Ridge
P.O. Box 2001
Oak Ridge, Tennessee 37831

December 22, 1998

Mr. R. Alan Kelley
President
Electric Energy, Inc.
Post Office Box 165
Joppa, Illinois 62953

Mr. Kelley:

LETTER SUPPLEMENT TO CONTRACT NO. DE-AC05-760R01312

This letter supplement will confirm the understanding reached between Electric Energy, Inc. (Company) and the United States Department of Energy (DOE) with respect to amending Power Agreement No. DE-AC05-760R01312 (Agreement) to reduce the DOE Minimum Power Requirement (as that term is defined in the Agreement) and to compensate Company for the modification and installation of certain transmission facilities necessitated by that reduction.

Accordingly, the Agreement is modified as follows:

1. In Article II, Section 2.08, delete the following sentence:

> DOE's Minimum Power Requirement shall be defined as 450 MW during the months of March through October and 550 MW during the months of November through February.

and substitute the following therefor:

> DOE's Minimum Power Requirement shall be defined as 150 MW plus the amount required by the Mid-America Interconnected Network (MAIN), as Company's daily operating reserves, under MAIN Guide 5A.

2. In Article I, add the following section:

> SECTION 1.08. Transmission Improvements. Subject to Section 4.03 below, DOE shall pay Company $2,000,000

in calendar years 1999, 2000, and 2001, $3,000,000 in 2002, and $3,500,000 in 2003

as compensation for modifications to Company's transmission lines and transformers and the installation of additional facilities to facilitate the transmission of power generated by the Joppa Plant to the Sponsoring Companies reliably in light of the reduction in DOE's Minimum Power Requirement.

3. In Article IV, add the following sections:

SECTION 4.03 Bills for Transmission Improvements. Company shall bill DOE for its Transmission Improvements obligations as described in Section 1.08. The annual amounts shall be billed in thirds, with one-third billed in June of each year, one-third in July, and one-third in August as follows:

<TABLE>

<S>	<C> 1999-2001	<C> 2002	<C> 2003
June	$666,667	$1,000,000	$1,166,667
July	$666,667	$1,000,000	$1,166,667
August	$666,666	$1,000,000	$1,166,666

</TABLE>

The total billing amount over the five-year period shall not exceed the reasonable and necessary expenses actually incurred by Company under Section 1.08 (including an allowance for funds used during construction) or $12,500,000, whichever is less. In the event the total cost is less than $12,500,000, the final billing or billings will be reduced to reflect such lower cost. DOE shall be entitled to audit the cost of transmission improvements in accordance with Sections 7.02 and 7.03 below.

SECTION 4.04 Summary and Forecast of Transmission

Improvement Costs On or about December 31, 1999, and each December 31 thereafter, Company shall provide DOE with a report setting forth all transmission improvement costs (a) incurred during the preceding calendar year and (b) forecast for the succeeding two calendar years; provided, however, that Company need not submit any such reports once it has reported having incurred more than $12,500,000 in transmission improvement costs.

3

The effectiveness of this letter supplement is conditioned upon (a) its approval by Company's Board of Directors, and (b) the securing by Company and the Sponsoring Companies (as that term is defined in the Agreement) of appropriate regulatory and similar governmental approvals, authorizations or acceptances. Company shall notify DOE in writing when the aforementioned approval by Company's Board of Directors and governmental approvals have been obtained.

If the regulatory and other governmental approvals referred to above are not obtained by May 31, 1999: (a) this letter supplement shall not go into effect, (b) the definition of DOE's Minimum Power Requirement in Section 2.08 of the Agreement shall not be amended as set forth above, (c) that definition in its current form shall continue in effect, and (d) Company shall withdraw this letter supplement from consideration by the Federal Energy Regulatory Commission (FERC) and any other regulatory body having jurisdiction over it.

The Parties agree to request FERC to approve this letter supplement effective January 1, 1999. After final approval by FERC of this letter supplement without any conditions unacceptable to either Party, Company shall refund to DOE any amounts paid by DOE for services rendered subsequent to January 1, 1999, which would not have been incurred had this letter supplement been in place on January 1, 1999, together with interest as provided by FERC regulations 18 CFR Section 35.19a(a)(2) (1997). Company shall make such refund by crediting such refund against invoices issued under the Agreement for services rendered after final approval by FERC.

The Company shall account for the amounts identified in Section 4.03 as contributions in aid of construction (CIAC) with respect to the transmission facilities to be installed under Section 1.08. Any taxes incurred by the Company in connection with this Letter Supplement shall be allocated between Company and DOE, in accordance with Section 3.01(c)(i) of the Agreement, in proportion to the Adjusted Annual DOE Percentage(s) of Joppa Plant.

If this letter supplement meets with your approval, please sign in the appropriate space below and return two signed copies to this office. The remaining two copies are for your retention.

Sincerely,

UNITED STATES OF AMERICA

By: SECRETARY OF ENERGY

By: /s/ Susan G. Hiser

(Contracting Officer)

AGREED TO:
ELECTRIC ENERGY, INC.

By: /s/ R. Allen Kelley

Title: President

Date: 12/22/98

Exhibit 10.32

Department of Energy
Oak Ridge Operations
P.O. Box 2001
Oak Ridge, Tennessee 37831

March 31, 1999

Mr. E. Linn Draper, Jr.
President
Ohio Valley Electric Corporation
P.O. 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 and the Paducah Uranium Enrichment Plant during the summer of 1999.

We understand from our discussions with representatives of OVEC that the OVEC Sponsoring Companies would be able to utilize the capacity, and the energy related thereto, which DOE offers to release during the periods set forth in Schedule A below. 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 higher than the following stated Net Demand for each referenced period:

Schedule A

<TABLE>
<CAPTION>

Period	Base Demand		Reduction	Net Demand
<S>	<C>	<C>	<C>	<C>
May 1, 1999 through May 31, 1999	1902 MW	Less	200 MW	1702 MW
June 1, 1999 through June 30, 1999	1902 MW	Less	700 MW	1202 MW
July 1, 1999 through July 31, 1999	1902 MW	Less	700 MW	1202 MW
August 1, 1999 through August 31, 1999	1902 MW	Less	700 MW	1202 MW
September 1, 1999 through September 30, 1999	1902 MW	Less	700 MW	1202 MW
October 1, 1999 through October 31, 1999	1902 MW	Less	200 MW	1702 MW

</TABLE>

Furthermore, 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 Section 3.06 and 3.07 of the Agreement that DOE pay 100 percent 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 in effect equaled unity as to amounts, if any, specified in Section 3.04.3 with respect to the costs of AFR.

We further understand that OVEC, with the concurrence of its Sponsoring Companies, agrees to take further action pursuant to Paragraph 1 of Section 2.05 of the Agreement to waive any requirement which would preclude a further reduction of the monthly DOE contract demand below the Net Demand levels set forth in Schedule A, in amounts to be determined by DOE in its sole discretion for the months of June through September 1999. This would be designed to assist DOE in its goal to obtain reasonably priced power for the Paducah Uranium Enrichment Plant during the summer of 1999, since the transmission required to transfer OVEC power to Paducah on a firm basis may not be available, and the credit to DOE's power bill for such released power will make available the funds necessary to purchase power at locations closer to the Paducah plant.

Furthermore, we understand that if transmission capacity can be secured and DOE gives two business days' notice to OVEC that DOE wishes to transfer to its Paducah facility for any month from June through August 1999 up to 200 MW of the OVEC power and energy remaining after the previously referenced reductions of the contract demand, OVEC is willing to waive its right, under Paragraph 3 of Section 2.05 of the Agreement, to dispose of such power and energy. DOE will reimburse OVEC pursuant to such paragraph for any transmission charges incurred by OVEC in connection with such transfer. Such transmission charges shall be in accordance with the applicable tariffs or other authority of the transmission providers.

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 deemed to equal the reduced amounts set forth in Schedule A for the periods referenced therein except to the extent that DOE exercises its right under paragraph (c) below to reduce further the DOE contract demand;

(b) DOE will be relieved of twenty-eight percent (28%) of the AFR costs incurred by OVEC from May 1, 1999, through October 31, 1999 as well as the gross-up to cover estimated income taxes, if any, associated with that amount, provided, that 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) The monthly DOE contract demand under the Agreement may be reduced below the levels set forth in Schedule A in amounts to be determined by DOE in its sole discretion for the months of June through September 1999, provided, that on or before two business days after the execution of this Letter Supplement by both parties (the "Exercise Date") DOE shall exercise its one-time option by notifying OVEC and each Sponsor, by facsimile on or before 4:00 p.m. E.S.T., of all monthly (June through September 1999) optional contract demand reductions;

(d) OVEC will credit DOE's power bills in an amount equal to the DOE contract demand reduction below the levels set forth in Schedule A (above) for each of the months of June through September 1999 times 80 percent of the NYMEX monthly into Cinergy, firm, futures on-peak (5 x 16) for such month determined as of market closing on March 5, 1999 times the number of on-peak hours during such month, minus (a) the demand charges which DOE avoids by reason of such monthly reductions in contract demand and (b) charges for energy in amounts equal to the reductions in contract demand times the number of on-peak hours during such month times OVEC's energy rate per MWH. The above-referenced March 5, 1999 NYMEX closing prices were $59.25/MWH for June 1999; $120/MWH for July 1999; $113/MWH for August 1999 and $36.50/MWH for September 1999. No later than April 1, 1999, OVEC

will issue a credit memorandum to DOE setting forth the estimated total credits due DOE under this paragraph. Such credit memorandum will indicate that the credits are subject to receipt of all required governmental approvals in form and substance satisfactory to OVEC. Such credits will be deducted from bills rendered by OVEC to DOE after receipt of all such governmental approvals pursuant to the following schedule: July - $10,000,000; August - $10,000,000; September - remaining balance. In the event that governmental approvals are delayed beyond July 1999, the credits previously due pursuant to the above schedule will become immediately effective upon the receipt of the last of such approvals. Any credit amounts in excess of any monthly bill shall be applied to

the following monthly bill. Monthly true-ups of any estimates will also be reflected in such bills.

(e) The Parties acknowledge that the credits to DOE's power bills pursuant to paragraph (d) are subject to approval by the Public Utilities Commission of Ohio. Likewise, such credits 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 reimburse OVEC for the credits to the DOE power bills. The parties further acknowledge that the credits to DOE's power bills are subject to acceptance by the Federal Energy Regulatory Commission and approval by the Virginia State Corporation Commission of such amendment to the Inter-Company Power Agreement. OVEC will use its best efforts to obtain all required regulatory approvals, including those referenced herein, as expeditiously as possible, and request such approvals to be effective April 1, 1999.

(f) In addition, if transmission capacity can be secured and DOE gives two business days' notice to OVEC that DOE wishes to transfer for any month from June through August 1999 up to 200 MW of the remaining OVEC power and energy to its Paducah facility, OVEC will waive its right, under Paragraph 3 of Section 2.05 of the Agreement, to dispose of such power and energy. DOE

will reimburse OVEC pursuant to such paragraph for any transmission charges incurred by OVEC in connection with such transfer. Such transmission charges shall be in accordance with the applicable tariffs or other authority of the transmission providers.

(g) Neither DOE nor OVEC will assert that a failure by any other Party to enforce rights it may have under the OVEC/DOE Power 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/ J. Dale Jackson
---
for George W. Benedict
Assistant Manager for
Project and Technical Services

/s/ Willis Davis

Authorized Contracting Officer
March 31, 1999

OVEC hereby agrees to the provisions herein described.

OHIO VALLEY ELECTRIC CORPORATION

/s/ David L. Hart

Date: March 31, 1999

EXHIBIT 10.33

AMENDMENT NO. 2 TO REVOLVING LOAN AGREEMENT

This Amendment No. 2 to Revolving Loan Agreement (this "Amendment") is entered into with reference to the Revolving Loan Agreement dated as of July 28, 1998 (as heretofore amended, the "Loan Agreement") among USEC Inc. ("Borrower"), the Lenders party thereto, First Union National Bank and NationsBank, N.A., as Syndication Agents, and Bank of America National Trust and Savings Association, as Documentation Agent and Administrative Agent. Capitalized terms used but not defined herein are used with the meanings set forth for those terms in the Loan Agreement.

Agreement

Borrower and the Administrative Agent, acting with the consent of the Requisite Lenders pursuant to Section 11.2 of the Loan Agreement, agree as follows:

1. Section 1.1. Section 1.1 of the Loan Agreement is amended to add the following new definitions at the appropriate alphabetical place:

> "Other Loan Agreement" means that certain Revolving Loan Agreement to be dated on or about July 27, 1999 among Borrower, the Lenders party thereto and Bank of America, N.A., as Administrative Agent, as amended or revised from time to time in accordance with its terms.
>
> "Other Subsidiary Guaranty" means the Subsidiary Guaranty as such term is defined in the Other Loan Agreement.

2. Section 6.12. Section 6.12 of the Loan Agreement is amended (a) by redesignating clause (e) thereof as clause (f) and (b) inserting a new clause (e) reading as follows:

> , (e) the Other Subsidiary Guaranty

3. Section 9.1. Section 9.1 of the Loan Agreement is amended by (a) adding "; or" at the end of clause (n) thereof and (b) adding a new clause (o) reading as follows:

> (o) The occurrence of an Event of Default (as such term is defined in the Other Loan Agreement) under the Other Loan Agreement.

4. Revised Schedules. Schedules 4.4, 4.4(c), 4.7B, 4.8, 4.10, 4.18 and 6.11 to the Loan Agreement are revised as set forth in Schedules 4.4, 4.4(c), 4.7B, 4.8, 4.10, 4.18 and 6.11 to this Amendment.

5. Waiver of Conversion Right. Borrower hereby waives its right under Section 3.1(d)(vi) to convert any Tranche B Loan to a term loan.

6. Conditions Precedent. The effectiveness of this Amendment shall be conditioned upon receipt by the Administrative Agent of all of the following:

(1) Counterparts of this Amendment executed by all parties hereto;

(2) Written consents of each of the Subsidiary Guarantors to the execution, delivery and performance hereof in the form of Exhibit A to this Amendment;

(3) Written consent of the Requisite Lenders as required under Section 11.2 of the Loan Agreement in the form of Exhibit B to this Amendment; and

(4) Such other assurances, certificates, documents, consents or opinions as the Administrative Agent or the Lenders reasonably may require.

7. Representations and Warranties. Borrower hereby represents and warrants that no Default or Event of Default has occurred and remains continuing.

8. Confirmation. Except as expressly amended hereby, the terms of the Loan Agreement and the other Loan Documents shall remain in full force and effect.

9. Effective Date. This Amendment shall be effective, subject to satisfaction of the conditions precedent set forth in Paragraph 6, on July 26, 1999. Any reference thereafter to the Loan Agreement shall refer to the Loan Agreement as amended by this Amendment.

IN WITNESS WHEREOF, Borrower and the Administrative Agent have executed this Amendment as of July 26, 1999 by their duly authorized representatives.

USEC INC.

By: /s/ Henry Z Shelton

Henry Z Shelton, Jr.
Senior Vice President and
Chief Financial Officer
[Printed Name and Title]

BANK OF AMERICA, N. A. (formerly known as "Bank of America National Trust and Savings Association"), as Administrative Agent

By: /s/ Gina Meador

Gina Meador
Vice President

EXHIBIT 10.34

THE OBLIGATIONS OF USEC INC. UNDER THIS 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.

REVOLVING LOAN AGREEMENT

Dated as of July 27, 1999

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

3

4

Exhibits

<TABLE>
<S> <C>
A - Commitment Assignment and Acceptance
B - Compliance Certificate
C - Note
D - Opinion of Counsel
E - Request for Loan
F - Subsidiary Guaranty
</TABLE>

Schedules

<TABLE>
<S>	<C>
1.1	Lender Commitments
4.4	Subsidiaries
4.4(c)	Subsidiary Exceptions
4.7	Existing Liens, Negative Pledges and Rights of Others
4.8	Intellectual Property Matters
4.10	Material Litigation
4.17	Facts Affecting Projections
4.18	Hazardous Materials Matters
6.11	Existing Investments
</TABLE>

THE OBLIGATIONS OF USEC INC. UNDER THIS 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.

REVOLVING LOAN AGREEMENT

Dated as of July 27, 1999

This 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.

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:

"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 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:

<TABLE>
<CAPTION>

Applicable Pricing Level	Margin
<S>	<C>
I	22.5
II	29.0
III	40.0
IV	62.5
V	105.0

</TABLE>

; provided that, if Borrower exercises its election pursuant to Section 3.1(d)(vi), the Applicable Eurodollar Margin subsequent to the Conversion Date shall be the sum of the margin set forth above plus 15 basis points.

"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:

<TABLE>
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Applicable Pricing Level	Rate
<S>	<C>
I	7.5
II	8.5
III	10.0
IV	12.5
V	20.0

</TABLE>

"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"):

<TABLE>
<CAPTION>

Applicable Pricing Level	Credit Rating (S&P/Moody's)
<S>	<C>
I	A/A2 or better
II	A-/A3
III	BBB+/Baa1
IV	BBB/Baa2
V	BBB-/Baa3 or lower

</TABLE>

The following convention shall apply with respect to the foregoing: the higher 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 rate of interest publicly announced from time to time by Bank of America in Charlotte, North Carolina, as its "reference rate," which 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 and (b) one-half percent per annum above the

Federal Funds Rate. Any change in the reference 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.

"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, $150,000,000. The respective Pro Rata Shares of the Lenders with respect to the Commitment are set forth in Schedule 1.1.

15

"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.

"Conversion Date" means the effective date upon which Borrower exercises its election under Section 3.1(d)(vi).

"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.

"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.

16

"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.

"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.

"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.

"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. Section 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. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or as "friable asbestos" pursuant to the Toxic Substances Control Act, 15 U.S.C. Section 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 (a) the date that is 364 days after the Closing Date or (b) if Borrower exercises its election under Section 3.1(d)(vi), the date that is one (1) year and 364 days after the Closing Date.

23

"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.

"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

25

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.

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

"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.

"Projections" means the projected financial information prepared by Borrower and contained in the Confidential Offering Memorandum dated June 1999 furnished to the Lenders as part of the lender syndication process for the Facility.

"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.

30

"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.

(a) 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.

(b) 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.

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

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

(e) 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 avail able 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 correspond ing 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.

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 date that is 364 days after the Closing Date, unless Borrower notifies the Administrative Agent that it elects to convert the Loans to a term loan due and payable on the date that is one (1) year after such date, and shall in any event 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 .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 orga nized 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

41

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;

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 Euro dollar 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 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.

50

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

51

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 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, 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, 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 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 Predecessor for the Fiscal Year ended June 30, 1998, (b) the audited pro-forma financial statements of Borrower for the

Fiscal Year ended June 30, 1998 and (c) the unaudited balance sheet and statement of operations of Borrower for the Fiscal Quarter ended March 31, 1999. 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 Predecessor, the pro-forma financial statements of Borrower described in clause (b) fairly present in all material regards the pro-forma (in accordance with the assumptions included in the notes to such financial statements) financial condition, results of operations and changes in financial position of Borrower and the balance sheet and statement of operations described in clause (c) 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 March 31, 1999.

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 Regu lation 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 Projections. As of the Closing Date, to the best knowledge of Borrower, the assumptions set forth in the Projections are reasonable and consistent with each other and with all facts known to Borrower (including the facts described in Schedule 4.17), and the Projections are reasonably based on such assumptions. Nothing in this Section 4.17 shall be construed as a representation or covenant that the Projections in fact will be achieved.

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 require ments 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 threat ened 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.

5.12 Year 2000 Compliance. Take such steps as are reasonably necessary to assure that, prior to November 1, 1999, (a) Borrower and its Subsidiaries are Year 2000 Compliant and (b) either (i) all customers and vendors of Borrower and its Subsidiaries that are material to the business of Borrower and whose ability to perform their business obligations to Borrower may be materially affected by their not being Year 2000 Compliant are Year 2000 Compliant or (ii) if any customer or vendor of Borrower and its Subsidiaries that is material to the business of Borrower and whose ability to perform its business obligations to Borrower may be materially affected by its not being Year 2000 Compliant does not provide sufficient assurances that it will be Year 2000 Compliant, other arrangements have been made by Borrower to avoid or mitigate the effects of such vendor's or such customer's failure to be Year 2000 Compliant such that no Material Adverse Effect will occur by reason of such failure. Such steps shall include the performance of a comprehensive review and assessment of all data storage and operating systems and the adoption of a detailed plan and budget for the remediation, monitoring and testing of such systems. The term "Year 2000 Compliant" means, for purposes of the foregoing, that all hardware, software, firmware, equipment, goods and systems used by a Person, or which are material to the business operations or financial condition of a Person, will properly perform date-sensitive functions on and after January 1, 2000.

60

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:

61

(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); or (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 (b) 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 .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

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;

66

(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;

67

(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.

68

Article 8
CONDITIONS

8.1 Initial Advances. The obligation of each Lender to make the initial Advance to be made by it is subject to the following conditions precedent, each of which shall be satisfied prior to the making of the initial Advances (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

69

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) a Certificate of the chief financial officer of Borrower certifying that the representation contained in Section 4.17 is, to the best of his or her knowledge, true and correct;

(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.

(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 27, 1999.

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.

72

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

73

(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 con tinues 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 termi nate 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 determi nation 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, present ment, 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 applica tion 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.

78

Article 10
THE ADMINISTRATIVE AGENT

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 profes sionals 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, restruc turing, 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, principal prepayments or 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", "Conversion Date", "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, restructur ing, 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.

87

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 assign ment 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, conti nue 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 there to. 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 participa tion, (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

93

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 counter claim 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 Benefitted. 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 parti cipation 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 (including the commitment letter between the Arranger, Bank of America and Borrower dated June 15, 1999), 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 require ments, 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.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

USEC INC.

By: /s/ Henry Z Shelton, Jr.

Senior Vice President and
Chief Financial Officer
[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

100

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):

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) 675-8500
Telephone: (925) 675-8447

101

BANK OF AMERICA, N.A., as a Lender

By: /s/ Dianne P. Allen

Dianne P. Allen
Vice President

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 P. Allen

Telecopier: (213) 623-1959
Telephone: (213) 228-2435

Address for notices (Domestic and Offshore Lending Office):

Bank of America, N.A.
GPO-Domestic Account Administration
Mail Code CA4-706-03-07
1850 Gateway Boulevard, 3rd Floor
Concord, California 94520

Attn: Karen Meyers

Telecopier: (925) 675-7531
Telephone: (925) 675-7368

FIRST UNION NATIONAL BANK, as Syndication Agent and as a Lender

By: /s/ Kimberly P. Armstrong

Kimberly P. Armstrong
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/ Fitzhugh L. Wickham

Fitzhugh L. Wickham
Vice President

Address for notices:

Wachovia Bank, National Association
191 Peachtree Street NE
Atlanta Georgia, 30303

Attn: Fitzhugh L. Wickham

Telecopier: (404) 332-6898
Telephone: (404) 332-1013

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as a Lender

By: /s/ Kathryn Sayko-Yanes

KATHRYN SAYKO-YANES
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/ Darren Baer

Darren Baer
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: /s/ J.R. Trimble

J.R. Trimble
Senior Relationship Manager
[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

105

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

Exhibit 10.36

DE-AC01-93NE50067,
08843672/50067-02
AMENDMENT NO. 012

AMENDMENT NO. 012, dated as of March 4, 1999, to Contract No. DE-AC01-93NE50067, 08843672/50067-02 entered into January 14, 1994 (the "Contract") by and between United States Enrichment Corporation ("USEC"), Executive Agent of the United States of America, and AO Techsnabexport ("TENEX"), Executive Agent of the Ministry of Atomic Energy (MINATOM), Executive Agent of the Russian Federation. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Contract.

WHEREAS, the parties acknowledge that TENEX will enter into an agreement (the "DOE Agreement") with the U.S. Department of Energy ("DOE") under which TENEX shall transfer the natural uranium associated with deliveries ordered for calendar years 1997 and 1998 under the Contract and DOE will pay TENEX for such material in several payments (the "DOE Payments");

WHEREAS, to facilitate the delivery of UF(6nat) to TENEX pursuant to Amendment No. 8 to the Contract, USEC has been required and will in the future be required to provide cylinders for such UF(6nat), and the parties wish to compensate USEC for such cylinder costs;

WHEREAS, in June 1998 USEC provided a delivery order to TENEX that was not executed for material to be delivered in calendar year 1999 (the "CY99 Order"), and prior to June 1, 1999 the parties intend to revise the delivery schedule for that order because certain shipments scheduled for delivery in calendar year 1998 were delayed;

WHEREAS, the parties additionally wish to provide for the replacement of a cylinder of LEU shipped to the United States in 1997;

NOW, THEREFORE, USEC and TENEX agree as follows:

SECTION 1. Part I, Section H.27 of the Contract is hereby amended by adding the following to the end of paragraph (f) thereof:

"For example, prior to the issuance by USEC of the delivery order for each calendar year, TENEX and USEC shall agree upon arrangements for cylinders (including, if TENEX requests USEC to arrange for cylinders, an amount to be paid to USEC and the manner of payment) required for the delivery of UF(6nat) to TENEX in respect of LEU shipments for that calendar year (regardless of when such shipments actually occur). If it is subsequently determined that a greater or lesser number of cylinders is required for a

calendar year, the cylinder charges for the following year shall be increased or reduced accordingly. The agreement on storage pursuant to subsection (a)(i) above shall define the terms and conditions, including warranties, that will apply to specific cylinders delivered to TENEX and to the return of the cylinders when no longer required. Absent advance notice to the contrary from a party, it will be assumed that a transfer of UF(6nat) to a third party includes the applicable cylinder."

2

SECTION 2. (a) With respect to delivery orders for calendar years 1997 and 1998, the cylinder charges shall be $3,273,550 based on a per cylinder charge of $2,350 per cylinder for 1,393 48G cylinders. Subsequent to TENEX and DOE entering into the DOE Agreement, TENEX shall pay these charges to USEC in installments each payable within 10 days after TENEX receives a DOE Payment. Each installment payment shall be equal to the product of the number of cylinders of material associated with the DOE Payment multiplied by $2,350, with the understanding that TENEX shall have paid USEC the entire amount due under this paragraph no later than 10 days after TENEX has received all of the DOE Payments under the DOE Agreement.

(b) With respect to the CY99 Order, the parties recognize that (i) in order to ensure uninterrupted implementation of deliveries under the Contract and taking into account the significant lead times necessary to obtain cylinders, USEC has previously purchased cylinders to hold the natural uranium component of the CY99 Order and (ii) TENEX is currently arranging for the disposition of the natural uranium component of such material. Once TENEX has completed such arrangements, the parties shall agree on a revised delivery schedule for the CY99 Order. Subsequent to agreement on a revised schedule for delivery of the CY99 Order, TENEX shall be responsible for reimbursing or arranging for a third party to reimburse USEC for the cylinder charges associated with the CY99 Order. The cylinder charges associated with the CY99 Order shall be $7,975,000 based on a per cylinder charge of $5,500 per cylinder for 1,450 48X cylinders. TENEX shall satisfy this responsibility by paying or arranging for a third party to pay USEC, within 70 days of title transfer under Section H.27 of the Contract to UF(6nat) associated with LEU delivered to USEC under the CY99 Order, an amount equal to the percentage of $7,975,000 that equals the percentage such UF(6nat) constitutes of the total UF(6nat) associated with the CY99 Order. In any event, USEC shall have received the entire $7,975,000 due under this paragraph no later than 70 days after title transfer on the last shipment of material in satisfaction of the CY99 Order.

(c) Payments to USEC shall be in U.S. currency either by wire transfer to an account to be named in writing by USEC or in accordance with other

arrangements agreed to in writing by the parties. USEC shall be entitled to credit any amount that is not paid when due hereunder against any TENEX invoice for SWU delivered to USEC. In the event that TENEX fails to make any delivery of material in accordance with the delivery schedule agreed to between the parties, then USEC shall be entitled to credit all outstanding cylinder charges at such time against any amounts owed by USEC until such charges have been reimbursed in full. Prior to exercising its right to credit under this paragraph, USEC shall provide 30 days notice to TENEX and will consult with TENEX during this period. This provision and the rights hereunder shall be reciprocal.

SECTION 3. TENEX shall replace the LEU delivered in 1997 in cylinder LU0846 with 1519.225 KgU of LEU enriched to an assay of 4.95% and containing the equivalent of 10,788.017 separative work units and 17,188.512 KgU of UF(6nat). Unless otherwise agreed, this replacement LEU shall be delivered in cylinder LU1413, which shall be included with the LEU shipments to be made in calendar year 1999 in respect of the remaining calendar year 1998 shipments. The replacement LEU shall be subject to the inspection and acceptance procedures in the Contract. The price for the SWU component in the LEU in cylinder LU1413 shall correspond to the price, established for the LEU SWU component of the CY 1997 Delivery Order and shall be equal to $84-50 per SWU.

SECTION 4. Except as amended hereby, the Contract shall remain unchanged and in full force and effect. In the event that any conflict arises between this Amendment and the Contract, TENEX and USEC shall resolve such conflict consistent with the purpose of this Amendment as set forth in the recitals

herein.

SECTION 5. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

UNITED STATES ENRICHMENT CORPORATION	AO TECHSNABEXPORT
By: /s/ Philip G. Sewell	By: /s/ Revmir Frieshtut
----------	----------

By: /s/ Alexei Gregoriev

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