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2002

FORM 10-K

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

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 31, 2002
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-16811

UNITED STATES STEEL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**25-1897152**
(State of Incorporation)	(I.R.S. Employer Identification No.)

600 Grant Street, Pittsburgh, PA 15219-2800
(Address of principal executive offices)
Tel. No. (412) 433-1121
Securities registered pursuant to Section 12 (b) of the Act:*

Title of Each Class	
United States Steel Corporation **Common Stock, par value $1.00** **7% Series B Mandatory Convertible Preferred Shares**	**10% Senior Quarterly Income Debt Securities**

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 and (2) has been subject to such filing requirements for at least the past 90 days. Yes ☒** No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

Aggregate market value of Common Stock held by non-affiliates as of June 28, 2002 (the last business day of the registrant's most recently completed second fiscal quarter): $2.0 billion. The amount shown is based on the closing price of the registrant's Common Stock on the New York Stock Exchange composite tape on that date. Shares of Common Stock held by executive officers and directors of the registrant are not included in the computation. However, the registrant has made no determination that such individuals are "affiliates" within the meaning of Rule 405 under the Securities Act of 1933.

There were 102,686,272 shares of U. S. Steel Corporation Common Stock outstanding as of February 28, 2003.

Documents Incorporated By Reference:

Proxy Statement for the 2003 Annual Meeting of Stockholders is incorporated into Part III.

* These securities are listed on the New York Stock Exchange. In addition, the Common Stock is listed on the Chicago Stock Exchange and the Pacific Exchange.
** The registrant relies on the reporting history of USX Corporation for reports filed prior to January 1, 2002.

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NOTE ON PRESENTATION

United States Steel Corporation ("U. S. Steel" or the "Corporation") owns and operates the former steel businesses of USX Corporation, now named Marathon Oil Corporation ("Marathon"). Prior to December 31, 2001, the businesses of U. S. Steel comprised an operating unit of Marathon. Marathon had two outstanding classes of common stock: USX–Marathon Group common stock, which was intended to reflect the performance of Marathon's energy business, and USX–U. S. Steel Group common stock ("Steel Stock"), which was intended to reflect the performance of Marathon's steel business. On December 31, 2001, U. S. Steel was capitalized through the issuance of 89.2 million shares of common stock to holders of Steel Stock in exchange for all outstanding shares of Steel Stock on a one-for-one basis (the "Separation"). For additional information about the Separation, see "Financial Statements and Supplementary Data — Notes to Financial Statements — 2. The Separation."

The accompanying consolidated balance sheets as of December 31, 2002 and 2001, and statements of operations and cash flows for the year ended December 31, 2002, reflect the financial position, results of operations and cash flows of U. S. Steel as a separate, stand-alone entity. Combined statements of operations and of cash flows for each of the two years in the period ended December 31, 2001, represent a carve-out presentation of the businesses comprising U. S. Steel, and are not intended to be a complete presentation of the results of operations and cash flows of U. S. Steel on a stand-alone basis. Marathon's net investment in U. S. Steel represented the combined net assets of the businesses comprising U. S. Steel and was presented in lieu of common stockholders equity.

For information regarding accounting matters and policies affecting U. S. Steel's financial statements, see "Financial Statements and Supplementary Data — Notes to Financial Statements — 1. Basis of Presentation and — 3. Summary of Principal Accounting Policies" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates." For information regarding dividend limitations and dividend policies affecting holders of U. S. Steel common stock, see "Market for Registrant's Common Equity and Related Stockholder Matters."

For a Glossary of Certain Defined Terms used in this document, see page 72.

FORWARD-LOOKING STATEMENTS

Certain sections of U. S. Steel's Form 10-K, particularly Item 1. Business, Item 3. Legal Proceedings, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 7A. Quantitative and Qualitative Disclosures About Market Risk, include forward-looking statements concerning trends or events potentially affecting U. S. Steel. These statements typically contain words such as "anticipates," "believes," "estimates," "expects" or similar words indicating that future outcomes are uncertain. In accordance with "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, these statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors, that could cause future outcomes to differ materially from those set forth in forward-looking statements. For additional factors affecting the businesses of U. S. Steel, see "Supplementary Data—Disclosures About Forward-Looking Statements".

PART I

Item 1. BUSINESS

U. S. Steel has five reportable operating segments: Flat-rolled Products ("Flat-rolled"), Tubular Products ("Tubular"), U. S. Steel Kosice ("USSK"), USS Real Estate ("Real Estate") and Straightline Source ("Straightline").

The Flat-rolled segment includes the operating results of U. S. Steel's domestic integrated steel mills and equity investees involved in the production of sheet, plate and tin mill products. These operations are principally located in the United States and primarily serve customers in the transportation (including automotive), appliance, service center, conversion, container, and construction markets.

The Tubular segment includes the operating results of U. S. Steel's domestic tubular production facilities and an equity investee involved in the production of tubular goods. These operations produce and sell both seamless and electric resistance weld tubular products and primarily serve customers in the oil, gas and petrochemical markets.

The USSK segment includes the operating results of U. S. Steel's integrated steel mill located in the Slovak Republic; a production facility in Germany; operations under facility management and support agreements in Serbia; and equity investees, primarily located in Central Europe. These operations produce and sell sheet, plate, tin, tubular, precision tube and specialty steel products, as well as coke. USSK primarily serves customers in the central and western European construction, conversion, appliance, transportation, service center, container, and oil, gas and petrochemical markets.

The Straightline segment includes the operating results of U. S. Steel's technology-enabled distribution business that serves steel customers primarily in the eastern and central United States. Straightline competes in the steel service center marketplace using a nontraditional business process to sell, process and deliver flat-rolled steel products in small to medium sized order quantities primarily to job shops, contract manufacturers and original equipment manufacturers across an array of industries.

The Real Estate segment includes the operating results of U. S. Steel's mineral interests that are not assigned to U. S. Steel Mining LLC ("USS Mining") or to the iron ore operations at Mt. Iron, Minnesota ("Minntac"); timber properties; and residential, commercial and industrial real estate that is managed and developed for sale or lease.

All other U. S. Steel businesses not included in reportable segments are reflected in Other Businesses. These businesses are involved in the production and sale of coal, coke and iron-bearing taconite pellets; transportation services; and engineering and consulting services.

The following table sets forth the total revenues of U. S. Steel for each of the last three years.

Revenues and other income
(Millions)

	2002	2001	2000
Revenues by product:			
Sheet and semi-finished steel products	$ 4,048	$ 3,163	$ 3,288
Plate and tin mill products	1,057	1,273	977
Tubular products	554	755	754
Raw materials (coal, coke and iron ore)	502	485	626
Other[(a)]	788	610	445
Income (loss) from investees	33	64	(8)
Net gains on disposal of assets	29	22	46
Other income	43	3	4
Total revenues and other income	$ 7,054	$ 6,375	$ 6,132

(a) Includes revenue from the sale of steel production by-products; transportation services; steel mill products distribution; the management of mineral resources; the management and development of real estate; and engineering and consulting services.

Steel Industry Background and Competition

The steel industry is cyclical and highly competitive and is affected by excess global capacity, which has restricted price increases during periods of economic growth and led to price decreases during periods of economic contraction. In addition, the steel industry faces competition in many markets from producers of materials such as aluminum, cement, composites, glass, plastics and wood.

U. S. Steel is the largest integrated steel producer in North America and, through its subsidiary USSK, the largest integrated flat-rolled producer in Central Europe. U. S. Steel competes with many domestic and foreign steel producers. Competitors include integrated producers which, like U. S. Steel, use iron ore and coke as primary raw materials for steel production, and mini-mills, which primarily use steel scrap and, increasingly, iron bearing feedstocks as raw materials. Mini-mills generally produce a narrower range of steel products than integrated producers, but typically enjoy certain competitive advantages in the markets in which they compete through lower capital expenditures for construction of facilities and non-unionized work forces with lower total employment costs and more flexible work rules. Mini-mills utilize thin slab casting technology to produce flat-rolled products and are increasingly able to compete directly with integrated producers of flat-rolled products. Depending on market conditions, the production generated by flat-rolled mini-mills could have an adverse effect on U. S. Steel's selling prices and shipment levels.

The domestic steel industry is restructuring after many years of oversupply and low prices attributable largely to excess imports, which resulted in significant capacity closures starting in late 2000 and led to the introduction of Section 201 import tariffs in March 2002. The combination of capacity closures, trade restrictions and the imposition of tariffs led to a recovery of steel prices from 20-year lows in late 2001 and early 2002. U. S. Steel benefited in 2002 from reduced domestic supply resulting from the temporary or permanent closure of steelmaking capacity, as well as the Section 201 remedies announced by President Bush on March 5, 2002.

Despite the trade remedies, steel imports to the United States accounted for an estimated 27% of the domestic steel market in 2002, compared to 24% and 27%, for 2001 and 2000, respectively. In 2002, imports of steel pipe and cold-rolled sheets decreased 16% and 38%, respectively, compared to 2001; and imports of hot-rolled sheets and galvanized sheets increased 61% and 39%, respectively, compared to 2001.

Remedies under Section 201 of the Trade Act of 1974 became effective for imports entering the U.S. on and after March 20, 2002, and are intended to provide protection against imports from certain countries, but there are products and countries not covered, and imports of these exempt products or of products from these countries may still have an adverse effect upon U. S. Steel's revenues and income. Through August 2002, the U.S. Department of Commerce and the Office of the United States Trade Representative had granted exclusions from the Section 201 remedies for many products, and another round of processing requests for exclusion is in process. The exclusions impact a number of products produced by U. S. Steel and have weakened the protection initially provided by this relief. Additionally, as initially imposed, the remedies decrease each year they are in effect. For flat-rolled products, the tariff decreases from 30% in the first year to 24% in the second year and 16% in the third year, and the quota for slab imports that can enter the United States without imposition of the Section 201 tariff increases from 5.4 million net tons in the first year to 5.9 million net tons in the second year and 6.4 million net tons in the third year, although the quantity of slabs that can actually enter the country free of tariffs is substantially larger than that amount due to exemptions of various slab products and exemptions of certain countries that ship slabs. Various countries have challenged President Bush's action with the World Trade Organization ("WTO") and have taken other actions responding to the Section 201 remedies. The WTO is expected to announce its initial decision on the challenges filed against the Section 201 action by April 2003. In addition, as provided by President Bush when he announced the Section 201 action in March 2002, the U.S. International Trade Commission will conduct a mid-term review in the third quarter of 2003 and recommend to the

President whether the remedies should remain in effect. At the same time, the Bush Administration has continued discussions at the Organization of Economic Cooperation and Development aimed at the reduction of inefficient steel production capacity and the elimination and limitation of certain subsidies to the steel industry throughout the world.

On March 31, 2002, the Canadian International Trade Tribunal ("CITT") initiated a safeguard inquiry to determine whether imports of certain steel goods from countries, including the U.S., had injured the Canadian steel industry. On July 5, 2002, the CITT announced its determination that the Canadian steel industry had been injured by reason of imports of certain products including the following which are made by U. S. Steel: cut-to-length plate, cold-rolled steel sheet and standard pipe up to 16" o.d. On August 20, 2002, the CITT announced that it was recommending as a remedy a three-year quota, with tariffs imposed on tonnages exceeding the quota. This resulted in quota levels for the U.S. which are lower than 2001 shipments. For shipments exceeding the quota levels, tariffs would be imposed ranging from 15-25% in the first year, 11-18% in the second year and 7-12% in the third year. The CITT's remedy recommendations were forwarded to the Ministry of Finance, but a final decision regarding a remedy has not yet been made.

U. S. Steel's domestic businesses are subject to numerous federal, state and local laws and regulations relating to the storage, handling, emission and discharge of environmentally sensitive materials. U. S. Steel believes that its major domestic integrated steel competitors are confronted by substantially similar conditions and thus does not believe that its relative position with regard to such competitors is materially affected by the impact of environmental laws and regulations. However, the costs and operating restrictions necessary for compliance with environmental laws and regulations may have an adverse effect on U. S. Steel's competitive position with regard to domestic mini-mills and some foreign steel producers and producers of materials which compete with steel, which may not be required to undertake equivalent costs in their operations. In addition, the specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating facilities and its production methods. For further information, see "Legal Proceedings — Environmental Proceedings" on page 21 and "Management's Discussion and Analysis of Environmental Matters, Litigation and Contingencies" on page 46.

USSK does business primarily in Central and Western Europe and is subject to market conditions in those areas which are influenced by many of the same factors which affect domestic markets, as well as matters peculiar to international markets such as quotas and tariffs. USSK is affected by the worldwide overcapacity in the steel industry and the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions. In particular, USSK is subject to economic conditions and political factors in Europe, which if changed could negatively affect its results of operations and cash flow. Political factors include, but are not limited to, taxation, nationalization, inflation, currency fluctuations, increased regulation, and quotas, tariffs and other protectionist measures. USSK is also subject to foreign currency exchange risks because its revenues are primarily in euros and its costs are primarily in Slovak koruna and U. S. dollars.

On December 20, 2001, the European Commission commenced an anti-dumping investigation concerning hot-rolled coils imported into the European Union ("EU") from the Slovak Republic and five other countries. On January 20, 2003, the Commission issued a final disclosure advising of its determinations relative to the dumping and injury margins applicable to those imports. The Commission's findings set the dumping margin applicable to those imports at 25.8% and the injury margin at 18.6%. USSK is currently in discussions with the Commission regarding the possibility of entering into a price undertaking agreement which would set minimum prices for future shipments of hot-rolled coils into the EU. If no price undertaking agreement is reached, at the conclusion of these proceedings (which must occur by March 20, 2003), duties equal to the injury margin of 18.6% will be imposed upon hot-rolled coils shipped by USSK into the EU. All anti-dumping measures, including any price undertaking agreement, will be terminated at such time that Slovakia becomes a member of the EU, which is currently anticipated to occur in May 2004.

Definitive measures were recently announced in a separate safeguard trade action commenced by the European Commission. In that proceeding, which is similar to the U.S. Section 201 proceedings, quota/tariff measures were announced relative to the import of certain steel products into the EU. USSK is impacted by the quota/tariff measures on four products: non-alloy hot-rolled coils, hot-rolled strip, hot-rolled sheet and cold-rolled flat products. Shipment quotas were set for all four products. The shipment quotas applicable to the first year of the measure were set at 10% above the average shipments during the period 1999-2001. An additional 5% will be added to the shipment quotas applicable to the remainder of the safeguard measure period. The shipment quotas on all products, other than non-alloy hot-rolled coils, are country-specific. The non-alloy hot-rolled coil quota is a global quota. If the shipment quotas are exceeded, tariffs will be imposed. The tariffs which would apply to shipments into the EU through March 28, 2003, are 17.5% for non-alloy hot-rolled coils and 26% for the other three products. For the period March 29, 2003, through March 28, 2004, these tariffs will be reduced to 15.7% and 23.4%, respectively. On March 29, 2004, these tariffs will again be reduced to 14.1% and 21.0%, respectively. The safeguard measures are scheduled to expire on March 28, 2005. These measures will be terminated at such time that Slovakia becomes a member of the EU.

Safeguard proceedings similar to those pursued by the European Commission have recently been commenced by Poland, Hungary and the Czech Republic. Provisional quota/tariff measures have been imposed in Poland and Hungary. To date, the Czech Republic has neither imposed provisional safeguard measures nor announced definitive measures.

The impact on USSK of these trade actions in the EU and Central Europe cannot be predicted at this time. However, in light of market opportunities elsewhere, recent developments in the EU hot-rolled coil anti-dumping case and USSK's experience operating under the safeguard measures in place in the EU, Poland and Hungary, it appears unlikely that these matters will have a material adverse affect on USSK's operating profit in 2003.

Business Strategy

U. S. Steel's business strategy is to grow its investment in high-end finishing assets, to expand globally and to continually reduce costs. In North America, U. S. Steel is focused on providing value-added steel products to its target markets where management believes that U. S. Steel's leadership position, production and processing capabilities and technical service provide a competitive advantage. These products include advanced high strength steel and coated sheets for the automotive and appliance industries, sheets for the manufacture of motors and electrical equipment, higher strength plate products, improved tin mill products for the container industry and oil country tubular goods. U. S. Steel continues to enhance its value-added businesses through the upgrading and modernization of its key production facilities. Recent modernization projects include, for the automotive industry—the vacuum degassing facilities at Mon Valley Works and USSK, the second hot-dip galvanizing line at PRO-TEC Coating Company ("PRO-TEC"), the Fairless Plant galvanizing line upgrade, the cold reduction mill upgrades at Gary Works and Mon Valley Works and construction of an automotive technical center in Detroit, Michigan; for the construction industry—the dual coating lines at Fairfield Works and Mon Valley Works; for the tubular market—the Fairfield Works pipemill upgrade, acquiring full ownership of Lorain Tubular and the construction of a quench and temper line at Lorain Tubular, which is expected to be completed late in the third quarter of 2003; and for the plate market—the heat treat facility at the Gary Works plate mill. Also, a new pickle line was built at the Mon Valley Works to replace three older and less efficient facilities.

U. S. Steel continues to be interested in participating in consolidation of the domestic steel industry as part of its focus on growing its investment in high-end finishing assets, if it would be beneficial to customers, shareholders, creditors and employees. Among the factors that would impact U. S. Steel's participation in consolidation are the nature and extent of relief from the burden of obligations related to existing retirees from other domestic steel companies, which may come through the bankruptcy process or otherwise, the terms of a new labor agreement and progress in President Bush's program to address worldwide steel overcapacity.

Through its November 2000 purchase of USSK, which owns the steel producing operations and related assets formerly held by VSZ, a.s. in the Slovak Republic, U. S. Steel initiated a major offshore expansion and followed many of its customers into the European market. U. S. Steel's objective is to use USSK as a base for expansion in growing central and western European markets. U. S. Steel continues to explore additional opportunities for investment in Central and Western Europe to serve those customers who are seeking worldwide supply arrangements. U. S. Steel has a long range strategy to operate a global company, integrating its European and domestic operations to best serve customers.

U. S. Steel has a commitment to continuously reduce costs and previously announced a plan to reduce domestic costs by $30 per ton over a three-year period beginning with 2002. Currently, domestic operations are ahead of this plan, which should ultimately result in annual operating savings of over $300 million, from 2001 levels, by the end of 2004. USSK also has a cost reduction program that has reduced costs by more than $30 per ton since USSK's acquisition in November 2000.

U. S. Steel has also entered into a number of joint ventures with domestic and foreign partners to take advantage of market or manufacturing opportunities in the sheet, tin mill, tubular and plate consuming industries.

The following table lists products and services by facility or business unit:

Domestic Operations	
Gary Works	Sheets; Tin Mill; Plates; Coke
Mon Valley Works	Sheets
Fairfield Works	Sheets; Tubular
USS-POSCO Industries[(a)]	Sheets; Tin Mill
East Chicago Tin	Tin Mill
PRO-TEC Coating Company[(a)]	Galvanized Sheets
Worthington Specialty Processing[(a)]	Steel processing
Double Eagle Steel Coating Company[(a)]	Electrogalvanized Sheets
Olympic Laser Processing[(a)]	Steel processing
Acero Prime, S.R.L. de CV[(a)]	Steel processing; Warehousing
Lorain Tubular	Tubular
Delta Tubular Processing[(a)]	Tubular processing
USS Real Estate	Administration of mineral interests and timber properties; Real estate development, sales, leasing and management
Straightline Source	Steel mill products distribution
Clairton	Coke
Clairton 1314B Partnership[(a)]	Coke
Transtar Inc.	Transportation
Minntac	Taconite Pellets
USS Mining	Coal
UEC Technologies LLC	Engineering and consulting services
International Operations	
U. S. Steel Kosice	Sheets; Tin Mill; Plates; Coke
Walzwerke Finow	Precision steel tubes; specialty shaped sections
Rannila Kosice[(a)]	Color coated profile and construction products

(a) Equity investee

During 2002 and early 2003, U. S. Steel took several significant actions to implement its business strategy. On April 10, 2002, U. S. Steel announced that it had signed a letter of intent to sell all of the coal and related assets associated with USS Mining's West Virginia and Alabama mines. U. S. Steel and the purchaser continue discussions.

On January 9, 2003, U. S. Steel announced that it had signed an Asset Purchase Agreement ("APA") with National Steel Corporation ("National") to acquire substantially all of National's steelmaking and finishing assets for approximately $950 million, which includes the assumption of approximately $200 million of liabilities. Management believes that the acquisition of National would significantly increase U. S. Steel's value-added production capabilities and enhance U. S. Steel's ability to serve the needs of North American customers in the automotive, container, appliance and construction industries. The closing of the agreement with National was contingent on, among other things, the approval of the Bankruptcy Court for the Northern District of Illinois, Eastern Division, and the execution and ratification of a new labor agreement with the United Steelworkers of America ("USWA") with respect to the steelworkers at the National facilities to be acquired.

On January 30, 2003, National announced that it had signed an agreement with another party, under which National would sell substantially all of its assets, including its pellet-making facility, for $1,125 million, consisting of cash and the assumption of approximately $200 million of liabilities. The closing of the agreement between National and the other party is contingent on, among other things, the approval of the Bankruptcy Court and the execution and ratification of a new labor agreement with the USWA with respect to the steelworkers at the National facilities to be acquired. The U.S. Bankruptcy Court in Chicago established an auction period for National Steel's assets that began on February 6, 2003, and will end on April 7, 2003.

On February 10, 2003, U. S. Steel announced that it would immediately begin bargaining with the USWA to reach a new, progressive labor contract covering facilities now owned by bankrupt National as well as the USWA-represented plants of U. S. Steel. U. S. Steel remains interested in acquiring the assets of National if it is able to reach a new labor agreement with the USWA for the steelworkers at the National facilities and acquire the assets at a price that it views to be appropriate in light of conditions in the steel and financial markets at the time of the auction. U. S. Steel is in discussions with the USWA regarding such a labor agreement, as well as other matters, including our mutual interest in encouraging consolidation in the North American integrated steel industry. U. S. Steel also continues to evaluate other potential domestic acquisitions. Management cannot assure that U. S. Steel will participate in or prevail at the auction for National's assets.

U. S. Steel expanded its presence in Central Europe in 2002 by entering into toll processing and other agreements with Sartid a.d. ("Sartid") that are discussed in detail on page 14. Also, on February 10, 2003, U. S. Steel submitted an indicative, non-binding proposal to the Government of Poland for the purchase of Polskie Huty Stali S.A. ("PHS"), the government-owned steel company. In accordance with its confidentiality agreement with the Polish Government, U. S. Steel did not disclose the terms of its offer.

On February 18, 2003, U. S. Steel was advised that it had been admitted to the next round of the privatization process. The Polish Government has indicated its desire to complete the privatization by September 30, 2003. Earlier this year four of Poland's steel mills, including the two largest integrated facilities, were consolidated under PHS, which currently has annual raw steel production capability of approximately 9.0 million tons. PHS's steelmaking capability is expected to be reduced as a result of negotiations related to Poland's accession into the EU. PHS primarily produces blooms, rails, wire and other long products, as well as plate and sheet products.

Domestic Operations

Our domestic operations include plants that produce steel products in a variety of forms and grades. Raw steel production was 11.5 million tons in 2002, compared with 10.1 million tons in 2001 and 11.4 million tons in 2000. Raw steel production averaged 90% of capability in 2002, compared with 79% of capability in 2001 and 89% of capability in 2000. U. S. Steel's stated annual raw steel production capability for domestic operations was 12.8 millions tons for 2002, 2001 and 2000 (7.5 million at Gary Works, 2.9 million at Mon Valley Works, and 2.4 million at Fairfield Works).

Flat-rolled shipments were 9.9 million tons in 2002, 8.8 million tons in 2001 and 9.6 million tons in 2000. Tubular shipments were 0.8 million tons in 2002, 1.0 million tons in 2001 and 1.1 million tons in 2000. Exports accounted for approximately 5% of U. S. Steel's domestic shipments in 2002, 2001 and 2000.

The following tables set forth steel shipment data for U. S. Steel domestic operations by major markets and products for each of the last three years. Such data does not include shipments by joint ventures and other investees of U. S. Steel accounted for by the equity method, or shipments by Straightline.

Steel Shipments By Market and Product (domestic production only)

	Sheets & Semi-finished Steel	Plate & Tin Mill Products	Tubular Products	Total
Major Market — 2002				
(Thousands of Net Tons)				
Steel Service Centers	2,038	624	11	2,673
Further Conversion:				
Trade Customers	812	464	35	1,311
Joint Ventures	1,550	—	—	1,550
Transportation (Including Automotive)	1,057	160	5	1,222
Containers	186	677	—	863
Construction and Construction Products	737	143	—	880
Oil, Gas and Petrochemicals	—	58	589	647
Export	359	10	132	501
All Other	943	82	1	1,026
TOTAL	7,682	2,218	773	10,673
Major Market — 2001				
(Thousands of Net Tons)				
Steel Service Centers	1,649	761	11	2,421
Further Conversion:				
Trade Customers	718	429	6	1,153
Joint Ventures	1,328	—	—	1,328
Transportation (Including Automotive)	964	176	3	1,143
Containers	154	625	—	779
Construction and Construction Products	626	168	—	794
Oil, Gas and Petrochemicals	—	65	830	895
Export	316	35	171	522
All Other	656	109	1	766
TOTAL	6,411	2,368	1,022	9,801
Major Market — 2000				
(Thousands of Net Tons)				
Steel Service Centers	1,636	646	33	2,315
Further Conversion:				
Trade Customers	742	428	4	1,174
Joint Ventures	1,771	—	—	1,771
Transportation (Including Automotive)	1,206	248	12	1,466
Containers	182	520	—	702
Construction and Construction Products	778	158	—	936
Oil, Gas and Petrochemicals	—	35	938	973
Export	346	41	157	544
All Other	748	126	1	875
TOTAL	7,409	2,202	1,145	10,756

Flat-rolled

Flat-rolled produces sheet, plate and tin mill products; sheet products include hot-rolled, cold-rolled and coated. Value-added cold-rolled and coated products comprised 64% of Flat-rolled's sheet shipments in 2002. Flat-rolled's sheet customer base includes automotive, appliance, service center, conversion and construction customers. U. S. Steel has long standing relationships with many of its customers, as do its joint ventures.

In recent years, U. S. Steel has made a number of key investments directed toward the automotive industry, including upgrades to its steelmaking facilities to increase its capacity for both high strength and highly formable steels, upgrades to the Fairless galvanizing line to produce automotive quality product and construction of an automotive technical center in Michigan to enhance its product development capability. In addition, a number of U. S. Steel's joint ventures expanded their automotive supply capability, most notably PRO-TEC, which now has annual hot-dipped galvanizing capability of 1.0 million tons per year. U. S. Steel's development in advanced high strength steel has been described as the best and broadest portfolio in North America.

The plate and tin mill products businesses complement the larger steel sheet business by producing specialized products for specific markets.

U. S. Steel's plate business is located within the Gary Works complex and is a major supplier to the transportation, industrial, agricultural, and construction equipment markets. Its modern plate heat-treating facilities provide customers with specialized plates for critical applications.

U. S. Steel supplies a full line of tin plate and tin-free steel ("TFS") products, primarily used in the container industry. U. S. Steel's acquisition of East Chicago Tin in 2001 has provided operating synergies and the opportunity to better serve customers. Coupled with USSK's tin capability, U. S. Steel anticipates being in a prime position to service customers who have a global presence.

U. S. Steel participates directly and through subsidiaries in a number of joint ventures which are included in Flat-rolled. All such joint ventures are accounted for under the equity method. Certain of the joint ventures and other investments are described below, all of which are 50% owned except Acero Prime, S.R.L. de CV ("Acero Prime"), in which U. S. Steel holds a 44% interest. For financial information regarding joint ventures and other investments, see "Financial Statements and Supplementary Data — Notes to Financial Statements — 15. Investments and Long-Term Receivables."

U. S. Steel and Pohang Iron & Steel Co., Ltd. ("POSCO") of South Korea participate in a joint venture, USS-POSCO Industries ("USS-POSCO"), which owns and operates the former U. S. Steel plant in Pittsburg, California. The joint venture markets high quality sheet and tin mill products, principally in the western United States. USS-POSCO produces cold-rolled sheets, galvanized sheets, tin plate and TFS from hot bands principally provided by U. S. Steel and POSCO. On May 31, 2001, a fire damaged USS-POSCO's facilities. The start-up in the first quarter of 2002 included the commissioning and subsequent operation of a rebuilt pickle line and cold mill unit. Total shipments by USS-POSCO were 1.2 million tons in 2002.

U. S. Steel and Kobe Steel, Ltd. participate in a joint venture, PRO-TEC, which owns and operates two hot-dip galvanizing lines in Leipsic, Ohio. The first galvanizing line commenced operations in early 1993. In November 1998, operations commenced on a second hot-dip galvanizing line which expanded PRO-TEC's capability nearly 400,000 tons a year to 1.0 million tons annually. Total shipments by PRO-TEC were 1.1 million tons in 2002.

U. S. Steel and Worthington Industries, Inc. participate in a joint venture known as Worthington Specialty Processing, which operates a steel processing facility in Jackson, Michigan. The plant is operated by Worthington Industries, Inc. The facility contains state-of-the-art technology capable of processing master steel coils into both slit coils and sheared first operation blanks including rectangles, trapezoids, parallelograms and chevrons. It is designed to meet specifications for the automotive, appliance, furniture and metal door industries. In 2002, Worthington Specialty Processing shipments were 250 thousand tons.

U. S. Steel and Rouge Steel Company participate in Double Eagle Steel Coating Company ("DESCO"), a joint venture which operates an electrogalvanizing facility located in Dearborn, Michigan. This facility enables U. S. Steel to supply the automotive demand for steel with corrosion resistant properties. The facility can coat both sides of sheet steel with free zinc or zinc alloy coatings. Availability of the facility is shared equally by the partners. On December 15, 2001, production at DESCO was halted due to a fire. The facility restarted operations on September 10, 2002, with full operating levels achieved by December 2002. In 2002, DESCO produced 163 thousand tons of electrogalvanized steel.

U. S. Steel and Olympic Steel, Inc. participate in a 50-50 joint venture to process laser welded sheet steel blanks at a facility in Van Buren, Michigan. The joint venture conducts business as Olympic Laser Processing. Laser welded blanks are used in the automotive industry for an increasing number of body fabrication applications. U. S. Steel is the venture's primary customer and is responsible for marketing the laser-welded blanks. In 2002, Olympic Laser Processing shipped 1.7 million parts.

U. S. Steel, through its wholly owned subsidiary, U. S. Steel Export Company de Mexico, along with Feralloy Mexico, S.R.L. de C.V., and Intacero de Mexico, S.A. de C.V., participate in a joint venture, Acero Prime, which operates slitting and warehousing facilities in San Luis Potosi, Mexico. In 2001, an expansion project was completed which involved the construction of a 60,000 square-foot addition that doubled the facility's size and total warehousing capacity. A second slitting line was installed as part of the project. Also, a new 70,000 square-foot, in-bond warehouse facility was built in Coahuilla state in Ramos Arizpe. The warehouse stores and manages coil inventories.

As previously discussed, on January 9, 2003, U. S. Steel announced that it had signed an APA with National to acquire substantially all of National's steelmaking and finishing assets. National is engaged in the production and sale of a wide variety of flat-rolled steel products, including hot-rolled, cold-rolled, galvanized, tin and chrome plated. (See discussion on page 8.)

Tubular

U. S. Steel's tubular production facilities are located at Fairfield, Alabama; Lorain, Ohio; and McKeesport, Pennsylvania and produce both seamless and electric resistance weld tubular products. U. S. Steel supplies over 50% of the domestic market for seamless standard and line pipe and 25% of the domestic market for oil country tubular goods. With the successful conversion in 1999 of the Fairfield piercing mill to process rounds plus the acquisition of the remaining 50% interest in Lorain Tubular, U. S. Steel has the capability to produce 1.6 million tons of tubular products in the 5 million ton tubular markets it serves. A quench and temper line is currently under construction at Lorain Tubular and commissioning is expected to occur late in the third quarter of 2003.

U. S. Steel, through a wholly owned subsidiary, USS Tubular Processing, Inc., and Camp Hill Tubular Processing Corporation participate in a 50-50 joint venture partnership known as Delta Tubular Processing. The partnership was established in 1989 and is located in Houston, Texas. The facility is capable of forging (upsetting), heat treating, and threading tubular product to serve the oil country tubular market.

Straightline

Straightline specializes in the distribution of processed, flat-rolled steel products to companies of all sizes that do not typically buy steel products directly from steel producers. Through its integrated systems and its network of processors, steel suppliers and transportation carriers, Straightline operates in 34 states from Maine to Florida in the East, and through Minnesota to Texas in the central United States. This network allows Straightline to hold inventory and perform processing close to the customers' operations. U. S. Steel believes this approach provides the opportunity to lower the total cost of procurement for job shops, contract manufacturers and original equipment manufacturers across an array of industries.

Real Estate

Real Estate manages U. S. Steel's mineral interests that are not assigned to USS Mining or to Minntac, timber properties and real estate assets. These assets and properties include approximately 300,000 acres of surface rights and 1,500,000 acres of mineral rights in 14 states. Income is derived primarily from mineral royalties, the sale of developed and undeveloped land, and real estate leases. The primary sources of mineral royalties are from leases to produce coal and coal seam gas in Alabama. Real estate development and sales occur over approximately 20,000 acres of residential, commercial and industrial development and brownfield industrial redevelopment principally in Alabama, Pennsylvania and Maryland. Undeveloped land sales occur primarily in Alabama, Michigan, Minnesota and Wisconsin. Real estate lease income is derived from various leases primarily in Pennsylvania and Alabama.

Other Businesses

U. S. Steel and its wholly owned subsidiary, USS Mining, have domestic coal properties with proven and probable bituminous coal reserves of approximately 775 million short tons at year-end 2002. The reserves are of metallurgical and steam quality in approximately equal proportions. They are located in Alabama, Illinois, Indiana, Pennsylvania, Tennessee and West Virginia. Approximately 94% of the reserves are owned, and the balance are leased. The leased properties are covered by leases which expire in 2005 and 2012. USS Mining's coal production was 5.5 million tons in 2002, compared with 4.8 million tons in 2001 and 5.1 million tons in 2000.

U. S. Steel has coke production facilities at Clairton Works and Gary Works. Clairton is comprised of nine coke batteries owned and operated by U. S. Steel and an additional three coke batteries that are operated for the Clairton 1314B Partnership, L.P. ("1314B Partnership"), which is discussed below. Clairton (including the 1314B Partnership) produces coke for the domestic steel industry and produced 4.5 million tons of coke in 2002, 4.3 million tons in 2001 and 4.5 million tons in 2000. Approximately 30 percent of annual production is consumed by U. S. Steel facilities and the remainder is sold to other domestic steel producers. Some of the coke oven gas produced at the batteries is consumed by U. S. Steel's Mon Valley Works and coke by-products are sold to the chemicals and raw materials industries. Gary Works has four operating coke batteries which produced 2.1 million tons in 2002, and 2.0 million tons in 2001 and 2000. All of the coke produced at Gary Works is consumed internally. Gary Works also consumes a portion of the coke oven gas it produces and sells coke by-products.

U. S. Steel controls domestic iron ore properties having proven and probable iron ore reserves in grades subject to beneficiation processes in commercial use by U. S. Steel domestic operations of approximately 764 million short tons at year-end 2002, substantially all of which are iron ore concentrate equivalents available from low-grade iron-bearing materials. All reserves are located in Minnesota. Approximately 38 percent of these reserves are owned and the remaining 62 percent are leased. Most of the leased reserves are covered by a lease expiring in 2058 and the remaining leases have expiration dates ranging from 2021 to 2026. U. S. Steel's iron ore operations at Minntac produced 16.4 million net tons of taconite pellets in 2002, 14.2 million net tons in 2001 and 16.2 million net tons in 2000. Taconite pellet shipments were 16.2 million tons in 2002, compared with 14.9 million tons in 2001 and 15.0 million tons in 2000.

U. S. Steel owns 100% of Transtar, Inc. Transtar and its subsidiaries (the EJ&E Railroad in Illinois; Lake Terminal Railroad in Ohio; Union Railroad and McKeesport Connecting Railroad in Pennsylvania; and the Birmingham Southern Railroad, Fairfield Southern Railroad, Mobile River

Terminal, and Warrior and Gulf Navigation all located in Alabama) comprise U. S. Steel's transportation business. Transtar provides rail and barge transportation services to a number of U. S. Steel's domestic facilities as well as other domestic customers in the steel, coal, chemicals, oil refining and forest production industries.

UEC Technologies LLC, a wholly owned subsidiary of U. S. Steel, sells technical services worldwide to the steel, mining, chemical and related industries. Together with its subsidiary companies, it provides engineering and consulting services for facility expansions and modernizations, operating improvement projects, integrated computer systems, coal and lubrication testing and environmental projects.

U. S. Steel is the sole general partner of and owns an equity interest in the 1314B Partnership. As general partner, U. S. Steel is responsible for operating and selling coke and by-products from the partnership's three coke batteries located at U. S. Steel's Clairton Works. U. S. Steel's share of profits and losses during 2002 was 1.75%, except for its share of depreciation and amortization, which increased to 45.75% in April of 2002. On January 1, 2003, U. S. Steel's share of all profit and losses increased to 45.75%. The partnership at times had operating cash shortfalls in 2002 and 2001 that were funded with loans from U. S. Steel. There were no outstanding loans with the partnership at December 31, 2002, and $3 million was outstanding at December 31, 2001. U. S. Steel may dissolve the partnership under certain circumstances including if it is required to make equity investments or loans in excess of $150 million to fund such shortfalls.

U. S. Steel owns a 16% investment in Republic Technologies International, LLC ("Republic"). On April 2, 2001, Republic filed to reorganize under Chapter 11 of the U.S. Bankruptcy Code. Republic was a major purchaser of raw materials from U. S. Steel and the primary supplier of rounds for Lorain Tubular. Republic continued to supply Lorain Tubular since filing for bankruptcy until August 2002 when it sold substantially all of its assets to Republic Engineered Products LLC ("the New Company"). U. S. Steel does not have an ownership interest in the New Company, which continues as a major purchaser of raw materials and as the primary supplier of rounds for Lorain Tubular. At December 31, 2002, U. S. Steel had no remaining financial exposure to Republic.

As previously mentioned, during 2002, U. S. Steel signed letters of intent to sell all of the coal and related assets associated with USS Mining's West Virginia and Alabama mines. The coal and related assets to be sold include approximately 17% of U. S. Steel's recoverable coal reserves. See Supplementary Information on Mineral Reserves Other Than Oil and Gas (Unaudited) on page F-42.

International Operations

USSK

In November 2000, U. S. Steel acquired USSK, headquartered in Kosice in the Slovak Republic, which owns the steelmaking operations and related assets formerly held by VSZ, a.s., making U. S. Steel the largest flat-rolled producer in Central Europe. Currently, USSK has annual steelmaking capability of 5.0 million net tons and produces and sells sheet, plate, tin, tubular, precision tube and specialty steel products, as well as coke. USSK's strategy is to serve existing U. S. Steel customers in Central and Western Europe, grow its customer base in these regions, and advance USSK to be a leading European steel producer and the prime supplier of flat-rolled steel to growing central and western European markets.

USSK produces steel products in a variety of forms and grades. In 2002, USSK raw steel production was 4.4 million tons. USSK has three blast furnaces, two steel shops with two vessels each, a dual strand caster attached to each steel shop, a hot strip mill, a cold rolling mill, two pickling lines, two galvanizing lines, a tin coating line, two dynamo lines, a color coating line and two coke batteries. During 2002, USSK started up a vacuum degassing facility to increase its capability to produce steel grades required for high-value applications, and is currently installing a continuous annealing line and a second tin coating line to expand its supply of tin mill products. Construction of a third dynamo line has begun, with start-up scheduled to occur in 2004. USSK's steel shipments totaled 3.9 million net tons in 2002.

In addition, USSK owns 100% of Walzwerk Finow GmbH, located in eastern Germany, which produces and ships about 90,000 tons per year of welded precision steel tubes and cold-rolled specialty shaped sections from both cold-rolled and hot-rolled product supplied primarily by USSK. USSK also has facilities for manufacturing heating radiators and spiral weld pipe.

A majority of product sales by USSK are denominated in euros while only a small percentage of expenditures are in euros. In addition, most interest and debt payments are in U.S. dollars and the majority of other spending is in U.S. dollars and Slovak koruna. This results in exposure to currency fluctuations. U. S. Steel continually evaluates the currency mix of USSK's cash flows. Significant changes in currency mix, such as Slovakia's admission to the EU and adoption of euro currency, could result in a change in the functional currency from U.S. dollars to euros in the future.

Ranilla Kosice, s.r.o., which is 49% owned by USSK and 51% owned by Rautaruukki Oyj, processes coated sheets, both galvanized and painted, into various forms which are primarily used in the construction industry. USSK supplies most of Rannila Kosice's raw materials; however, Rannila Kosice markets its own finished products.

Beginning in March 2002 and continuing throughout the year, USSK entered into various commercial arrangements with Sartid, an integrated steel company with facilities located in Smederevo and Sabac in the Republic of Serbia. Tolling agreements provide for the conversion of cold-rolled full hard into tin-coated products, and raw materials into hot-rolled bands and other finished products. USSK retains ownership of these materials and markets all of the finished products. A facility management agreement requires USSK to provide management oversight of Sartid's tin processing facilities in Sabac.

On July 30, 2002, Sartid was placed into bankruptcy and shortly thereafter the bankruptcy administrator affirmed USSK's agreements with Sartid. At the request of the bankruptcy administrator, a Commercial and Technical Support Agreement was entered into on November 8, 2002, between USSK and the bankruptcy administrator, under which USSK has been retained to provide commercial, technical and financial support as necessary to assist the bankruptcy administrator in the operation of the Smederevo Facility.

In addition, U. S. Steel continues to explore possibilities for involvement in the restructuring of Sartid. Sartid's steel production has averaged 500,000 tons per year during the past two years, which is substantially below design capacity due to Sartid's financial difficulties. U. S. Steel believes that with needed rehabilitation and investments, Sartid's long-term raw steelmaking capability could be increased to slightly more than 2 million tons per year. Sartid primarily produces sheet products and its tinning facility has an annual capability of 130,000 tons.

As previously discussed, U. S. Steel is also exploring opportunities in Poland. (See discussion on page 8.)

The following tables set forth steel shipment data for USSK by major markets and products for 2002, 2001 and the period following the acquisition in November 2000.

Steel Shipments By Market and Product (USSK production only — excludes Rannila Kosice)

	Sheets & Semi-finished Steel	Plate & Tin Mill Products	Tubular Products	Total
Major Market — 2002				
(Thousands of Net Tons)				
Steel Service Centers	528	85	—	613
Further Conversion:				
Trade Customers	942	114	—	1,056
Joint Ventures	—	20	—	20
Transportation (Including Automotive)	198	34	31	263
Containers	134	155	—	289
Construction and Construction Products	936	12	68	1,016
Oil, Gas and Petrochemicals	—	—	32	32
All Other	469	184	7	660
TOTAL	3,207	604	138	3,949
Major Market — 2001				
(Thousands of Net Tons)				
Steel Service Centers	398	94	—	492
Further Conversion:				
Trade Customers	944	14	—	958
Joint Ventures	—	30	—	30
Transportation (Including Automotive)	165	—	29	194
Containers	93	141	—	234
Construction and Construction Products	904	59	71	1,034
Oil, Gas and Petrochemicals	1	134	33	168
All Other	432	167	5	604
TOTAL	2,937	639	138	3,714
Major Market — 2000 (from November 24, 2002)				
(Thousands of Net Tons)				
Steel Service Centers	33	20	—	53

Further Conversion:				
Trade Customers	64	6	—	70
Joint Ventures	—	2	—	2
Transportation (Including Automotive)	10	—	3	13
Containers	6	11	—	17
Construction and Construction Products	66	10	6	82
Oil, Gas and Petrochemicals	—	22	2	24
All Other	27	28	1	56
TOTAL	206	99	12	317

Property, Plant and Equipment Additions

For property, plant and equipment additions, including capital leases, see "Management's Discussion and Analysis of Financial Condition, Cash Flows and Liquidity — Cash Flows — Capital Expenditures" and "Financial Statements and Supplementary Data — Notes to Financial Statements — 9. Supplemental Cash Flow Information."

Employees

The average number of active U. S. Steel domestic employees during 2002 was 20,351. The average number of active USSK employees during 2002 was 15,900. Currently, substantially all domestic hourly employees of our steel, coke and taconite pellet facilities are covered by a collective bargaining agreement with the USWA which expires in August 2004, and includes a no-strike provision. As previously discussed, on February 10, 2003, U. S. Steel announced that it would immediately begin bargaining with the USWA to reach a new, progressive labor contract, covering facilities now owned by bankrupt National, as well as the USWA-represented plants of U. S. Steel. Other domestic hourly employees (for example, those engaged in coal mining and transportation activities) are represented by the United Mine Workers of America, USWA and other unions. In addition, most employees of USSK are represented by the union OZ Metalurg under a collective bargaining agreement expiring February 2004, which is subject to annual wage negotiations.

Available Information

U. S. Steel's Internet address is ***www.ussteel.com***. U. S. Steel posts its annual reports on Form 10-K, its quarterly reports on Form 10-Q and its proxy statement to its web site as soon as reasonably practicable after such reports are filed with the Securities and Exchange Commission. U. S. Steel also posts all press releases and earnings releases to its web site.

All other filings are available via a direct link on the U. S. Steel web site to the EDGAR system.

Other Information

Information on revenues and income (loss) of the reportable segments and Other Businesses and on revenues and other income and assets by geographic area are set forth in "Financial Statements and Supplementary Data — Notes to Financial Statements — 8. Segment Information."

For significant operating data for U. S. Steel for each of the last five years, see "Five-Year Operating Summary" on pages F-44 and F-45.

Environmental Matters

U. S. Steel maintains a comprehensive environmental policy overseen by the Corporate Governance and Public Policy Committee of the U. S. Steel Board of Directors. The Environmental Affairs organization has the responsibility to ensure that U. S. Steel's operating organizations maintain environmental compliance systems that are in accordance with applicable laws and regulations. The Executive Environmental Committee, which is comprised of officers of U. S. Steel, is charged with reviewing its overall performance with various environmental compliance programs. Also, U. S. Steel, largely through the American Iron and Steel Institute, continues its involvement in the development of various air, water, and waste regulations with federal, state and local governments concerning the implementation of cost effective pollution reduction strategies.

The domestic businesses of U. S. Steel are subject to numerous federal, state and local laws and regulations relating to the protection of the environment. These environmental laws and regulations include the Clean Air Act ("CAA") with respect to air emissions; the Clean Water Act ("CWA") with respect to water discharges; the Resource Conservation and Recovery Act ("RCRA") with respect to solid and hazardous waste treatment, storage and disposal; and the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") with respect to releases and remediation of hazardous substances. In addition, all states where U. S. Steel operates have similar laws dealing with the same matters. These laws are constantly evolving and becoming increasingly stringent. The ultimate impact of complying with existing laws and regulations is not always clearly known or determinable due in part to the fact that certain implementing regulations for laws such as RCRA and the CAA have not yet been promulgated or in certain instances are undergoing revision. These environmental laws and regulations, particularly the CAA, could result in substantially increased capital, operating and compliance costs.

For a discussion of environmental capital expenditures and the cost of compliance for air, water, solid waste and remediation, see "Management's Discussion and Analysis of Environmental Matters, Litigation and Contingencies" on page 46 and "Legal Proceedings — Environmental Proceedings" on page 21.

U. S. Steel has incurred and will continue to incur substantial capital, operating and maintenance, and remediation expenditures as a result of environmental laws and regulations. In recent years, these expenditures have been mainly for process changes in order to meet CAA obligations, although ongoing compliance costs have also been significant. To the extent these expenditures, as with all costs, are not ultimately reflected in the prices of U. S. Steel's products and services, operating results will be adversely affected. U. S. Steel believes that its major domestic integrated steel competitors are confronted by substantially similar conditions and thus does not believe that its relative position with regard to such competitors is materially affected by the impact of environmental laws and regulations. However, the costs and operating restrictions necessary for compliance with environmental laws and regulations may have an adverse effect on U. S. Steel's competitive position with regard to domestic mini-mills and some foreign steel producers and producers of materials which compete with steel, which may not be required to undertake equivalent costs in their operations. In addition, the specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating facilities and its production methods. For further information, see "Legal Proceedings — Environmental Proceedings" on page 21, and "Management's Discussion and Analysis of Environmental Matters, Litigation and Contingencies" on page

Slovak standards relative to air, water and solid waste pollution are set by statute and these standards are similar to those in the United States and the EU. USSK is in material compliance with these standards. USSK's environmental expenses in 2002 included usage fees, permit fees and/or penalties totaling approximately $5 million. There are no legal proceedings pending against USSK

involving environmental matters. USSK's capital spending commitment to the Slovak government includes expenditures sufficient to bring USSK into compliance with all EU environmental standards by 2005.

The 1997 Kyoto Global Climate Change Agreement ("Kyoto Protocol") produced by the United Nations Convention on Climate Change, if ratified by the U.S. Senate, would require restrictions on greenhouse gas emissions in the United States. Options that could be considered by federal regulators to force the reductions necessary to meet these restrictions could escalate energy costs and thereby increase steel production costs. Until action is taken by the U.S. Senate to ratify the Kyoto Protocol or to implement some other program to address greenhouse gas emissions, it is not possible to estimate the effect this may have on U. S. Steel.

Air

The CAA imposed more stringent limits on air emissions, established a federally mandated operating permit program and allowed for enhanced civil and criminal enforcement sanctions. The principal impact of the CAA on U. S. Steel is on the cokemaking and primary steelmaking operations of U. S. Steel, as described in this section. The coal mining operations and sales of USS Mining may also be affected.

The CAA requires the regulation of hazardous air pollutants and development and promulgation of Maximum Achievable Control Technology ("MACT") Standards. It was determined in 1995 that the Chrome Electroplating MACT did not apply to steel mill sources; however, the U.S. Environmental Protection Agency ("EPA") stated that MACT standards applicable to these sources would be forthcoming. To date, there has been no action taken. Potentially affected U. S. Steel facilities are the electrolytic tinning lines at Gary Works and the tin free steel line at East Chicago Tin. The EPA is also promulgating MACT standards for integrated iron and steel plants and taconite iron ore processing which are expected to be finalized in 2003. The impact of these new standards could be significant to U. S. Steel, but the cost cannot be reasonably estimated until the rules are finalized.

The CAA specifically addressed the regulation and control of coke oven batteries. The National Emission Standard for Hazardous Air Pollutants for coke oven batteries was finalized in October 1993, setting forth the MACT standard and, as an alternative, a Lowest Achievable Emission Rate ("LAER") standard. Effective January 1998, U. S. Steel elected to comply with the LAER standards. U. S. Steel believes it will be able to meet the current LAER standards. The LAER standards will be further revised in 2010 and additional health risk-based standards are expected to be adopted in 2020. The EPA is in the process of developing the Phase II Coke MACT for pushing, quenching and battery stacks which is scheduled to be finalized in 2003. This MACT will impact U. S. Steel, but the cost cannot be reasonably estimated at this time.

In September 1997, the EPA adopted revisions to the National Ambient Air Quality Standards for ozone and particulate matter which are significantly more stringent than prior standards. The EPA is also developing regulations to address Regional Haze. The impact of these revised standards could be significant to U. S. Steel, but the cost cannot be reasonably estimated until the final regulations are promulgated and, more importantly, the states implement their State Implementation Plans covering their standards.

In 2002, all of the coal production of USS Mining was metallurgical coal, which is primarily used in coke production. While U. S. Steel believes that the new environmental requirements for coke ovens will not have an immediate effect on USS Mining, the requirements may encourage development of steelmaking processes that reduce the usage of coke. The new ozone and particulate matter standards could be significant to USS Mining, but the cost cannot be reasonably estimated until rules are proposed or finalized.

Water

U. S. Steel maintains the necessary discharge permits as required under the National Pollutant Discharge Elimination System ("NPDES") program of the CWA, and it is in compliance with such permits. On January 26, 1998, pursuant to an action filed by the EPA in the United States District Court for the Northern District of Indiana titled United States of America v. USX Corporation, U. S. Steel entered into a consent decree with the EPA which resolved alleged violations of the Clean Water Act NPDES permit at Gary Works and provides for a sediment remediation project for a section of the Grand Calumet River that runs through Gary Works. Contemporaneously, U. S. Steel entered into a consent decree with the public trustees which resolves potential liability for natural resource damages on the same section of the Grand Calumet River. In 1999, U. S. Steel paid civil penalties of $2.9 million for the alleged water act violations and $0.5 million in natural resource damages assessment costs. In addition, U. S. Steel will pay the public trustees $1.0 million at the end of the remediation project for future monitoring costs and U. S. Steel is obligated to purchase and restore several parcels of property that have been or will be conveyed to the trustees. During the negotiations leading up to the settlement with the EPA, capital improvements were made to upgrade plant systems to comply with the NPDES requirements. As of December 31, 2002, the sediment remediation project is an approved final interim measure under the corrective action program for Gary Works. As of December 31, 2002, project costs have amounted to $29.1 million with another $14.2 million presently projected to complete the project, over the next 12 months. Construction began in January 2002 on a CAMU to contain the dredged material. The Toxic Substances Control Act unit within the CAMU is complete; the remaining construction was completed in February 2003. Phase 1 removal of PCB-contaminated sediment was conducted in December 2002. Dredging resumed in February 2003 and will continue until dredging on the river is concluded, which is expected to occur in October 2003. Closure costs for the CAMU are estimated to be an additional $4.9 million. Estimated remediation, monitoring and closure costs for this project have been accrued.

In addition, in October 1996, U. S. Steel was notified by the Indiana Department of Environmental Management ("IDEM") acting as lead trustee, that IDEM and the U.S. Department of the Interior had concluded a preliminary investigation of potential injuries to natural resources related to releases of hazardous substances from various municipal and industrial sources along the east branch of the Grand Calumet River and Indiana Harbor Canal. The public trustees completed a pre-assessment screen pursuant to federal regulations and have determined to perform a Natural Resource Damages Assessment. U. S. Steel was identified as a PRP along with 15 other companies owning property along the river and harbor canal. U. S. Steel and eight other PRPs have formed a joint defense group. The trustees notified the public of their plan for assessment and later adopted the plan. In 2000, the trustees concluded their assessment of sediment injuries, which included a technical review of environmental conditions. The PRP joint defense group has proposed terms for the settlement of this claim, which have been endorsed by representatives of the trustees and the EPA to be included in a consent decree that U. S. Steel expects will resolve this claim. U. S. Steel agreed to pay to the public trustees $20.5 million over a five-year period for restoration costs, plus $1.0 million in assessment costs, and obtained an 8-acre parcel of land that has been transferred to the Indiana Department of Natural Resources for addition to the Indiana Dunes National Lakeshore Park owned by the National Park Service. No formal legal proceedings have been filed in this matter.

Solid Waste

U. S. Steel continues to seek methods to minimize the generation of hazardous wastes in its operations. RCRA establishes standards for the management of solid and hazardous wastes. Besides affecting current waste disposal practices, RCRA also addresses the environmental effects of certain past waste disposal operations, the recycling of wastes and the regulation of storage tanks. Corrective action under RCRA related to past waste disposal activities is discussed below under "Remediation."

Remediation

A significant portion of U. S. Steel's currently identified environmental remediation projects relate to the remediation of former and present operating locations. These projects include the remediation of the Grand Calumet River (discussed above), and the closure and remediation of permitted hazardous and non-hazardous waste landfills.

U. S. Steel is also involved in a number of remedial actions under CERCLA, RCRA and other federal and state statutes, and it is possible that additional matters may come to its attention which may require remediation. For a discussion of remedial actions related to U. S. Steel, see "Legal Proceedings — Environmental Proceedings" on page 21.

Item 2. PROPERTIES

U. S. Steel or its predecessors have owned the vast majority of its domestic properties for at least 30 years with no material adverse claims asserted. In the case of the real property and buildings of USSK, certified copies of the property registrations were obtained and examined by local counsel prior to the acquisition.

Several steel production facilities are leased. The caster facility at Fairfield, Alabama is subject to a lease expiring in 2012 with an option to purchase or to extend the lease. A coke battery at Clairton, Pennsylvania, which is subleased to the Clairton 1314B Partnership until July 2, 2004, is subject to a lease and U. S. Steel exercised an option to renew this lease through July 2, 2012, at a fair market rental. The headquarters office space in Pittsburgh, Pennsylvania used by U. S. Steel is leased through 2018.

For property, plant and equipment additions, including capital leases, see "Management's Discussion and Analysis of Financial Condition, Cash Flows and Liquidity — Cash Flows — Capital Expenditures" and "Financial Statements and Supplementary Data — Notes to Financial Statements — 9. Supplemental Cash Flow Information."

Item 3. LEGAL PROCEEDINGS

U. S. Steel is the subject of, or a party to, a number of pending or threatened legal actions, contingencies and commitments involving a variety of matters, including laws and regulations relating to the environment. Certain of these matters are included below in this discussion. The ultimate resolution of these contingencies could, individually or in the aggregate, be material to the financial statements. However, management believes that U. S. Steel will remain a viable and competitive enterprise even though it is possible that these contingencies could be resolved unfavorably.

Asbestos Litigation

U. S. Steel has been and is a defendant in a large number of cases in which approximately 14,000 claimants actively allege injury resulting from exposure to asbestos. Nearly all of these cases involve multiple defendants. These claims fall into three major groups: (1) claims made under certain federal and general maritime law by employees of the Great Lakes Fleet or Intercoastal Fleet, former operations of U. S. Steel; (2) claims made by persons who performed work at U. S. Steel facilities; and (3) claims made by industrial workers allegedly exposed to an electrical cable product formerly manufactured by U. S. Steel. To date, all actions resolved have been either dismissed or settled for immaterial amounts. In 2002, U. S. Steel disposed of claims from approximately 1,700 claimants with aggregate total payments of approximately $700,000 and over 4,700 cases were administratively dismissed. It is not possible to predict with certainty the outcome of these matters; however, based upon present knowledge, management believes that it is unlikely that the resolution of the pending

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actions will have a material adverse effect on our financial condition. Among the factors that management considered in reaching this conclusion are: (1) that U. S. Steel has been subject to a total of approximately 34,000 asbestos claims over the last 12 years that have been administratively dismissed or are inactive due to the failure of the claimants to present any medical evidence supporting their claims, (2) that over the last several years the total number of pending claims has remained steady, (3) that it has been many years since U. S. Steel employed maritime workers or manufactured electrical cable and (4) U. S. Steel's history of trial outcomes, settlements and dismissals. This statement of belief is a forward-looking statement. Predictions as to the outcome of pending litigation are subject to substantial uncertainties with respect to (among other things) factual and judicial determinations, and actual results could differ materially from those expressed in this forward-looking statement.

Environmental Proceedings

The following is a summary of the proceedings of U. S. Steel that were pending or contemplated as of December 31, 2002, under federal and state environmental laws. Except as described herein, it is not possible to accurately predict the ultimate outcome of these matters. Claims under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and related state acts have been raised with respect to the cleanup of various waste disposal and other sites. CERCLA is intended to expedite the cleanup of hazardous substances without regard to fault. Potentially responsible parties ("PRPs") for each site include present and former owners and operators of, transporters to and generators of the substances at the site. Liability is strict and can be joint and several. Because of various factors including the ambiguity of the regulations, the difficulty of identifying the responsible parties for any particular site, the complexity of determining the relative liability among them, the uncertainty as to the most desirable remediation techniques and the amount of damages and cleanup costs and the time period during which such costs may be incurred, it is impossible to reasonably estimate U. S. Steel's ultimate cost of compliance with CERCLA.

CERCLA Remediation Sites

Projections, provided in the following paragraphs, of spending for and/or timing of completion of specific projects are forward-looking statements. These forward-looking statements are based on certain assumptions including, but not limited to, the factors provided in the preceding paragraph. To the extent that these assumptions prove to be inaccurate, future spending for, or timing of completion of environmental projects may differ materially from what was stated in forward-looking statements.

At December 31, 2002, U. S. Steel had been identified as a PRP at a total of 21 CERCLA sites. Based on currently available information, which is in many cases preliminary and incomplete, management believes that U. S. Steel's liability for cleanup and remediation costs in connection with 5 of these sites will be between $100,000 and $1 million per site, and for 12 of these sites will be under $100,000.

At the remaining 4 sites, management expects that U. S. Steel's share in the remaining cleanup costs at any single site will not exceed $5 million, although it is not possible to accurately predict the amount of sharing in any final allocation of such costs. The following is a summary of the status of these sites:

1. At the former Duluth Works in Minnesota, U. S. Steel spent a total of approximately $12.1 million for cleanup through 2002. The Duluth Works was listed by the Minnesota Pollution Control Agency under the Minnesota Environmental Response and Liability Act on its Permanent List of Priorities. The U.S. Environmental Protection Agency ("EPA") has consolidated and included the Duluth Works site with the St. Louis River and Interlake sites on the EPA's National Priorities

List. The Duluth Works cleanup has proceeded since 1989.

U. S. Steel is conducting an engineering study of the estuary sediments. Depending upon the method and extent of remediation at this site, future costs are presently unknown and indeterminable. Additional study and oversight costs through 2003 are estimated at $765,000.

2. The D'Imperio and Ewan sites in New Jersey are two waste disposal sites where a former subsidiary allegedly disposed of used paint and solvent wastes. U. S. Steel has entered into a settlement agreement with the major PRPs at the sites which fixes U. S. Steel's share of liability at approximately $1.2 million, $655,000 of which had been paid as of December 31, 2002. The balance, which is expected to be paid over the next several years, has been accrued.

3. In 1988, U. S. Steel and two other PRPs (Bethlehem Steel Corporation and William Fiore) agreed to the issuance of an administrative order by the EPA to undertake emergency removal work at the Municipal & Industrial Disposal Co. site in Elizabeth, Pa. The cost of such removal, which has been completed, was approximately $4.2 million, of which U. S. Steel paid $3.4 million. The EPA indicated that further remediation of this site would be required. In October 1991, the Pennsylvania Department of Environmental Resources ("PADER") placed the site on the Pennsylvania State Superfund list and began a Remedial Investigation, which was issued in 1997. After a feasibility study by Pennsylvania Department of Environmental Protection ("PADEP") and submission of a conceptual remediation plan in 2001 by U. S. Steel, U. S. Steel submitted a revised conceptual remedial action plan on May 31, 2002. U. S. Steel and PADEP signed a consent decree on August 30, 2002, under which U. S. Steel is responsible for remediation of this site. This consent decree has been noticed for public comments. U. S. Steel estimates its future liability at the site to be $6.8 million.

In addition, there are 13 sites related to U. S. Steel where information requests have been received or there are other indications that U. S. Steel may be a PRP under CERCLA but where sufficient information is not presently available to confirm the existence of liability or make any judgment as to the amount thereof.

Other Remediation Activities

The following is a discussion of other remediation activities at the major domestic U. S. Steel facilities:

There are 37 additional sites related to U. S. Steel where remediation is being sought under other environmental statutes, both federal and state, or where private parties are seeking remediation through discussions or litigation. Based on currently available information, which is in many cases preliminary and incomplete, management believes that liability for cleanup and remediation costs in connection with 6 of these sites will be under $100,000 per site, another 5 sites have potential costs between $100,000 and $1 million per site, and 7 sites may involve remediation costs between $1 million and $5 million. Another 4 sites, including the Grand Calumet River remediation at Gary Works, the Peters Creek Lagoon remediation at Clairton Works, the closure of hazardous waste sites at Gary Works, and the potential claim for investigation, restoration and compensation of injuries to sediments in the east branch of the Grand Calumet River near Gary Works, have or are expected to have costs for remediation, investigation, restoration or compensation in excess of $5 million. Potential costs associated with remediation at the remaining 15 sites are not presently determinable.

Gary Works

On January 26, 1998, pursuant to an action filed by the EPA in the United States District Court for the Northern District of Indiana titled United States of America v. USX, U. S. Steel entered into a consent decree with the EPA which resolved alleged violations of the Clean Water Act NPDES permit at Gary Works and provides for a sediment remediation project for a section of the Grand Calumet River that runs through Gary Works. Contemporaneously, U. S. Steel entered into a consent decree with the public trustees, which resolves potential liability for natural resource damages on the same section of the Grand Calumet River. In 1999, U. S. Steel paid civil penalties of $2.9 million for the alleged water act violations and $0.5 million in natural resource damages assessment costs. In addition, U. S. Steel will pay the public trustees $1.0 million at the end of the remediation project for future monitoring costs, and U. S. Steel is obligated to purchase and restore several parcels of property that have been or will be conveyed to the trustees. During the negotiations leading up to the settlement with the EPA, capital improvements were made to upgrade plant systems to comply with the NPDES requirements. As of December 31, 2002, the sediment remediation project is an approved final interim measure under the corrective action program for Gary Works. As of December 31, 2002, project costs have amounted to $29.1 million with another $14.2 million presently projected to complete the project, over the next 12 months. Construction began in January 2002 on a Corrective Action Management Unit ("CAMU") to contain the dredged material. The Toxic Substances Control Act unit within the CAMU is complete; the remaining construction was completed in February 2003. Phase 1 removal of PCB-contaminated sediment was conducted in December 2002. Dredging resumed in February 2003 and will continue until dredging on the river is concluded, which is expected to occur in October 2003. Closure costs for the CAMU are estimated to be an additional $4.9 million.

At Gary Works, U. S. Steel has agreed to close three hazardous waste disposal sites located on plant property. The D2 disposal site and a nearby refuse area will be closed collectively. A CAMU for the West End Maintenance Area of Gary Works has been proposed that will include wastes from the D5 and T2 disposal sites. Total costs to close D2, D5, T2 and the refuse area are estimated to be $18.8 million.

In October 1996, U. S. Steel was notified by the Indiana Department of Environmental Management ("IDEM") acting as lead trustee, that IDEM and the U.S. Department of the Interior had concluded a preliminary investigation of potential injuries to natural resources related to releases of hazardous substances from various municipal and industrial sources along the east branch of the Grand Calumet River and Indiana Harbor Canal. The public trustees completed a preassessment screen pursuant to federal regulations and have determined to perform a Natural Resources Damages Assessment. U. S. Steel was identified as a PRP along with 15 other companies owning property along the river and harbor canal. U. S. Steel and eight other PRPs have formed a joint defense group. The trustees notified the public of their plan for assessment and later adopted the plan. In 2000, the trustees concluded their assessment of sediment injuries, which included a technical review of environmental conditions. The PRP joint defense group has proposed terms for the settlement of this claim which have been endorsed by representatives of the trustees and the EPA to be included in a consent decree that U. S. Steel expects will resolve this claim. U. S. Steel agreed to pay to the public trustees $20.5 million over a five-year period for restoration costs, plus $1.0 million in assessment costs, and obtained an 8-acre parcel of land that has been transferred to the Indiana Department of Natural Resources for addition to the Indiana Dunes National Lakeshore Park owned by the National Park Service. No formal legal proceedings have been filed in this matter.

On October 23, 1998, a final Administrative Order on Consent was issued by the EPA addressing Corrective Action for Solid Waste Management Units throughout Gary Works. This order requires U. S. Steel to perform a Resource Conservation and Recovery Act ("RCRA") Facility Investigation ("RFI") and a Corrective Measure Study ("CMS") at Gary Works. The Current Conditions Report, U. S. Steel's first deliverable, was submitted to the EPA in January 1997 and was approved by the EPA

in 1998. Phase I RFI work plans have been approved for the Coke Plant, the Process Sewers, and Background Soils at the site, along with the approval of one self-implementing interim stabilization measure. Another eight Phase I RFI work plans have been submitted for EPA approval, thereby completing the Phase I requirement, along with two Phase

II RFI work plans and one further self-implementing interim stabilization measure. The costs of these studies are estimated to be $5.8 million. Until they are completed, it is impossible to assess what additional expenditures will be necessary.

On October 21, 1994, and again on December 30, 1994, IDEM issued notices of violation ("NOVs") relating to Gary Works alleging various violations of air pollution requirements. In early 1996, U. S. Steel paid a $6 million penalty and agreed to install additional pollution control equipment and to implement environmental protection programs over a period of several years. A substantial portion of these programs has been implemented, with expenditures through 2002 of approximately $103 million. The cost to complete these programs is presently indeterminable. On March 8, 1999, U. S. Steel entered into an agreed order with IDEM to resolve outstanding air issues. U. S. Steel paid a penalty of $207,400 and installed equipment at the No. 8 Blast Furnace and the No. 1 BOP to reduce air emissions.

On November 30, 1999, IDEM issued an NOV alleging various air violations at Gary Works, including opacity violations at the No. 1 BOP and pushing violations at the four Coke Batteries. On August 21, 2002, IDEM issued a revised NOV which supercedes the 1999 NOV and includes alleged violations at the blast furnaces, steel shops and coke batteries from 1998 to present. Because IDEM has not yet determined the merits of the defenses raised by U. S. Steel, the cost of the settlement of this matter is currently indeterminable. An agreed order is being negotiated.

Clairton

On February 12, 1987, U. S. Steel and the PADER entered into a Consent Order to resolve an incident in January 1985 involving the alleged unauthorized discharge of benzene and other organic pollutants from Clairton Works in Clairton, Pa. That Consent Order required U. S. Steel to pay a penalty of $50,000 and a monthly payment of $2,500 for five years. In 1990, U. S. Steel and the PADER reached agreement to amend the Consent Order. Under the amended Order, U. S. Steel agreed to remediate the Peters Creek Lagoon, a former coke plant waste disposal site; to pay a penalty of $300,000; and to pay a monthly penalty of up to $1,500 each month until the former disposal site is closed. Remediation costs have amounted to $10.2 million with another $1.4 million presently projected to complete the project.

Fairless Plant

In January 1992, U. S. Steel commenced negotiations with the EPA regarding the terms of an Administrative Order on consent, pursuant to the RCRA, under which U. S. Steel would perform a RFI and a CMS at its Fairless Plant. A Phase I RFI report was submitted during the third quarter of 1997. A Phase II/III RFI will be submitted following EPA approval of the Phase I report. The RFI/CMS will determine whether there is a need for, and the scope of, any remedial activities at the Fairless Plant.

Fairfield Works

In December 1995, U. S. Steel reached an agreement in principle with the EPA and the U.S. Department of Justice ("DOJ") with respect to alleged RCRA violations at Fairfield Works. A consent decree was signed by U. S. Steel, the EPA and the DOJ and filed with the United States District Court for the Northern District of Alabama (United States of America v. USX Corporation) on December 11, 1997, under which U. S. Steel will pay a civil penalty of $1 million, implement two Supplemental Environmental Projects ("SEPs") costing a total of $1.75 million and implement a RCRA corrective

action at the facility. One SEP was completed during 1998 at a cost of $250,000. The second SEP is under way. As of February 22, 2000, the Alabama Department of Environmental Management assumed primary responsibility for regulation and oversight of the RCRA corrective action program at Fairfield Works, with the approval of the EPA. The first Phase I RFI work plan was approved for the site on September 16, 2002. Field sampling for the work plan commenced immediately after approval and will continue through the end of 2003. The cost to complete this study is estimated to be $657,000.

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

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The principal market on which U. S. Steel common stock is traded is the New York Stock Exchange. U. S. Steel common stock is also traded on the Chicago Stock Exchange and the Pacific Exchange. Information concerning the high and low sales price for the common stock as reported in the consolidated transaction reporting system and the frequency and amount of dividends paid during the last two years is set forth in "Selected Quarterly Financial Data (Unaudited)" on page F-41.

As of January 31, 2003, there were 49,784 registered holders of U. S. Steel common stock.

The Board of Directors intends to declare and pay dividends on U. S. Steel common stock based on the financial condition and results of operations of U. S. Steel, although it has no obligation under Delaware law or the U. S. Steel Certificate of Incorporation to do so. After the Separation, U. S. Steel established an initial quarterly dividend rate of $0.05 per share effective with the March 2002 payment. Dividends on U. S. Steel common stock are limited to legally available funds and are subject to limitations under U. S. Steel's debt obligations. For further information, see "Management's Discussion and Analysis of Financial Condition, Cash Flows and Liquidity — Liquidity" on page 41.

Item 6. SELECTED FINANCIAL DATA[a]

Dollars in millions (except per share data)

	2002	2001	2000	1999	1998
Statement of Operations Data:					
Revenues and other income[b][c]	$ 7,054	$ 6,375	$ 6,132	$ 5,470	$ 6,477
Income (loss) from operations[d]	131	(405)	104	150	579
Income (loss) before extraordinary losses[d]	61	(218)	(21)	51	364
Net income (loss)[d]	$ 61	$ (218)	$ (21)	$ 44	$ 364

Per Common Share Data:					
Income (loss) before extraordinary losses[e] — basic and diluted	$ .62	$ (2.45)	$ (.24)	$ .57	$ 4.08
Net income (loss)[e]— basic and diluted	.62	(2.45)	(.24)	.49	4.08
Dividends paid[f]	.20	.55	1.00	1.00	1.00
Balance Sheet Data — December 31:					
Total assets	7,977	8,337	8,711	7,525	6,749
Capitalization:					
Notes payable	$ —	$ —	$ 70	$ —	$ 13
Long-term debt including amount due within one year[g]	1,434	1,466	2,375	915	476
Preferred stock of subsidiary[h]	—	—	66	66	66
Trust Preferred Securities[h]	—	—	183	183	182
Stockholders' equity	2,027	2,506	1,919	2,056	2,093
Total capitalization	$ 3,461	$ 3,972	$ 4,613	$ 3,220	$ 2,830

(a) See Notes 1 and 2 to the Financial Statements for discussion of the Basis of Presentation and the December 31, 2001 Separation from Marathon.
(b) Consists of revenues, dividend and investee income (loss), net gains on disposal of assets, gain on investee stock offering and other income (loss).
(c) For discussion of changes between the years 2002, 2001 and 2000, see Management's Discussion and Analysis of Financial Condition and Results of Operations. The increase in revenues and other income from 1999 to 2000 was primarily due to the consolidation of Lorain Tubular effective January 1, 2000, higher average realized steel prices and lower losses from equity investees. The decrease in revenues and other income from 1998 to 1999 was primarily due to decreases in average realized steel prices, lower shipment volumes and lower income from equity investees.
(d) For discussion of changes between the years 2002, 2001 and 2000, see Management's Discussion and Analysis of Financial Condition and Results of Operations. The decrease from 1999 to 2000 was primarily due to the impairment of certain coal assets, the absence of a favorable pension settlement recorded in 1999, lower throughput, lower results from raw materials operations and lower sheet shipments, partially offset by a larger pension credit. The decrease from 1998 to 1999 was primarily due to lower average realized steel prices, lower income from raw materials operations, an unfavorable product mix, higher pension costs and unfavorable results from equity investees.
(e) See Note 18 to the Financial Statements for the basis of calculating earnings per share.
(f) For years 1998 to 2001, represents dividends paid per share on USX—U. S. Steel Group common stock.
(g) The decrease in long-term debt from 2000 to 2001 was primarily due to transactions related to the Separation, including the $900 million value transfer. For further discussion, see Note 2 to the Financial Statements. The increase in long-term debt from 1999 to 2000 was primarily due to cash used in operating activities of $627 million and the $325 million of debt included in the acquisition of USSK. For discussion of cash used in operating activities in 2000, see Management's Discussion and Analysis of Financial Condition and Results of Operations.
(h) At the Separation, these securities were either redeemed for cash by Marathon, or retained by Marathon and redeemed or repaid in January 2002.

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

U. S. Steel has five reportable operating segments: Flat-rolled Products ("Flat-rolled"), Tubular Products ("Tubular"), U. S. Steel Kosice ("USSK"), Straightline Source ("Straightline") and USS Real Estate ("Real Estate").

Prior to December 31, 2001, the businesses of U. S. Steel comprised an operating unit of USX Corporation, now named Marathon Oil Corporation ("Marathon"). On December 31, 2001, U. S. Steel was capitalized through the issuance of 89.2 million shares of common stock to holders of USX–U. S. Steel Group common stock ("Steel Stock") in exchange for all outstanding shares of Steel Stock on a one-for-one basis ("the Separation"). (For additional information on the Separation, see Note 2 to the Financial Statements.)

Effective with the first quarter of 2002, following the Separation, U. S. Steel established a new internal financial reporting structure, which resulted in a change in reportable segments from Domestic Steel and USSK to Flat-rolled, Tubular and USSK. In addition, U. S. Steel revised the presentation of several items of income and expense within income (loss) from reportable segments. Net pension credits, costs related to former businesses and administrative expenses previously not reported at the segment level are now directly charged or allocated to the reportable segments and other businesses. Effective with the fourth quarter of 2002, the Straightline and Real Estate reportable segments, which were previously reflected in Other Businesses, were added. The presentation of Straightline and Real Estate as separate segments resulted from the application of quantitative threshold tests under Statement of Financial Accounting Standards ("SFAS") No. 131 rather than any fundamental change in the management or structure of the businesses. The composition of the Flat-rolled, Tubular and USSK segments remains unchanged from prior periods. Comparative results for 2001 and 2000 have been conformed to the current year presentation.

The Flat-rolled segment includes the operating results of U. S. Steel's domestic integrated steel mills and equity investees involved in the production of sheet, plate and tin mill products. These operations are principally located in the United States and primarily serve customers in the transportation (including automotive), appliance, service center, conversion, container, and construction markets.

The Tubular segment includes the operating results of U. S. Steel's domestic tubular production facilities and an equity investee involved in the production of tubular goods. These operations produce and sell both seamless and electric resistance weld tubular products and primarily serve customers in the oil, gas and petrochemical markets.

The USSK segment includes the operating results of U. S. Steel's integrated steel mill located in the Slovak Republic; a production facility in Germany; operations under facility management and support agreements in Serbia; and equity investees, primarily located in Central Europe. These operations produce and sell sheet, plate, tin, tubular, precision tube and specialty steel products, as well as coke. USSK primarily serves customers in the central and western European construction, conversion, appliance, transportation, service center, container, and oil, gas and petrochemical markets.

The Straightline segment includes the operating results of U. S. Steel's technology-enabled distribution business that serves steel customers primarily in the eastern and central United States. Straightline competes in the steel service center marketplace using a nontraditional business process to sell, process and deliver flat-rolled steel products in small to medium sized order quantities primarily to job shops, contract manufacturers and original equipment manufacturers across an array of industries.

The Real Estate segment includes the operating results of U. S. Steel's domestic mineral interests that are not assigned to other operating units; timber properties; and residential, commercial and industrial real estate that is managed or developed for sale or lease.

All other U. S. Steel businesses not included in reportable segments are reflected in Other Businesses. These businesses are involved in the production and sale of coal, coke and iron-bearing taconite pellets; transportation services; and engineering and consulting services.

Certain sections of Management's Discussion and Analysis include forward-looking statements concerning trends or events potentially affecting the businesses of U. S. Steel. These statements typically contain words such as "anticipates," "believes," "estimates," "expects" or similar words indicating that future outcomes are not known with certainty and are subject to risk factors that could cause these outcomes to differ significantly from those projected. In accordance with "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, these statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors, that could cause future outcomes to differ materially from those set forth in forward-looking statements. For discussion of risk factors affecting the businesses of U. S. Steel, see "Supplementary Data —Disclosures About Forward-Looking Statements" on page 73.

Critical Accounting Estimates

Management's discussion and analysis of U. S. Steel's financial condition and results of operations are based upon U. S. Steel's financial statements, which have been prepared in accordance with accounting standards generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year-end, and the reported amount of revenues and expenses during the year. Management regularly evaluates these estimates, including those related to the carrying value of property, plant and equipment, valuation allowances for receivables, inventories and deferred income tax assets; liabilities for deferred income taxes, potential tax deficiencies, environmental obligations, potential litigation claims and settlements; and assets and obligations related to employee benefits. Management estimates are based on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Accordingly, actual results may differ materially from current expectations under different assumptions or conditions.

Management believes that the following are the more significant judgments and estimates used in the preparation of the financial statements.

Pensions and Other Postretirement Benefits ("OPEB") — The recording of net periodic benefit costs (credits) for pensions and OPEB are based on, among other things, assumptions of the expected annual return on plan assets, discount rate, and escalation of retiree health care costs. Changes in the assumptions or differences between actual and expected changes in the present value of liabilities or assets of U. S. Steel's plans could cause net periodic benefit costs to increase or decrease materially from year to year as discussed below:

U. S. Steel bases its estimate of the annual expected return on plan assets on the historical long-term rate of return experienced by U. S. Steel's plan assets, the investment mix of plan assets between debt, equities and other investments, and its view of market returns expected in the future. Based on a review of these factors at year end 2002, U. S. Steel has decreased the expected annual return on pension plan assets from 8.8% in 2002 to 8.2% in 2003. This decrease in the expected return will negatively affect the return on asset component of net periodic pension costs by approximately $55 million in 2003 as compared to 2002. The investment performance of pension plan assets over the last three years will also unfavorably impact net periodic pension cost during 2003 and later years

primarily through the use of a lower asset base in calculating the expected return on plan assets. Since the expected return on assets component of net periodic benefit cost is based upon a market-related value that recognizes changes in fair value over three years, net periodic pension cost will also be progressively higher in 2004 and 2005. Net periodic pension cost is expected to total $65 million in 2003 as compared to a $103 million credit (before settlement charges) in 2002. A $^1/_2$ percentage point increase or decrease in the expected return on plan assets for 2003 would have decreased or increased the net periodic pension cost by $40 million. At December 31, 2002, U. S. Steel's two main pension plans had a fair market value of $7.2 billion which was 63 percent invested in equity securities, 35 percent in debt securities and 2 percent in all other investments.

U. S. Steel determines the discount rate applied to pension and OPEB obligations at each year end based on a number of external barometers used to measure the status of high quality bond rates consistent with the expected payout period of the obligations. Based on this evaluation at December 31, 2002, U. S. Steel lowered the discount rate used to measure both pension and OPEB obligations from 7.0% to 6.25%. Lower discount rates increase the actuarial losses of the plans and will unfavorably impact net periodic benefit costs by approximately $31 million for pensions and $10 million for OPEB in 2003 principally due to the impact of required amortization amounts, which in recent years had not been a significant component of benefit costs. Total OPEB costs in 2003 are expected to be approximately $203 million, excluding multiemployer plans. A $^1/_2$ percentage point increase in the discount rate would have decreased the 2003 net periodic pension and OPEB costs by approximately $21 million and $9 million, respectively. A $^1/_2$ percentage point decrease in the discount rate would have increased the 2003 net periodic pension and OPEB costs by approximately $5 million and $10 million, respectively.

U. S. Steel determines the escalation trend in per capita health care costs based on historical rate experience under U. S. Steel's insurance plans and through consultation with health care experts. For measurement purposes, U. S. Steel has assumed an initial escalation rate of 10% for 2003. This rate is assumed to decrease gradually to an ultimate rate of 4.75% in 2010 and remain at that level thereafter. A $^1/_2$ percentage point increase in the escalation trend would have increased net periodic OPEB costs by approximately $25 million in 2003. A $^1/_2$ percentage point decrease in the escalation trend would have decreased net periodic OPEB costs by approximately $21 million in 2003.

Changes in the assumptions for expected annual return on plan assets and the discount rate do not impact the funding calculations used to derive minimum funding requirements for the pension plans. Based on preliminary funding valuations, U. S. Steel's main pension plans are not expected to require cash funding for the 2003 plan year. However, the lower returns on plan assets experienced in recent years may have a negative impact on funding for U. S. Steel's pension plan for union employees in 2004 and later. The timing and amount of any required future funding cannot be determined at this time. For further cash flow discussion, see the Liquidity section.

Asset Impairments — U. S. Steel evaluates the impairment of its property, plant and equipment on an individual asset basis or by logical groupings of assets. Asset impairments are recognized when the carrying value of those productive assets exceeds their aggregate projected undiscounted cash flows. These undiscounted cash flows are based on management's long range estimates of market conditions and the overall performance associated with the individual asset or asset grouping. If future demand and market conditions are less favorable than those projected by management, or if the probability of disposition of the assets differs from that previously estimated by management, additional asset write-downs may be required.

Taxes — U. S. Steel records a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized. In the event that U. S. Steel were to determine that it would be able to realize deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax assets would increase income in the period such determination was made. Likewise, should U. S. Steel determine that it would not be able to realize all or part of its deferred tax assets in

the future, an adjustment to the valuation allowance for deferred tax assets would be charged to income in the period such determination was made. The amount of deferred tax assets recorded as of December 31, 2002, was $1,622 million, net of an established valuation allowance of $30 million. U. S. Steel expects to generate future taxable income to realize the benefits of these deferred tax assets.

U. S. Steel makes no provision for deferred U.S. and certain foreign income taxes on the undistributed earnings of USSK and other consolidated foreign subsidiaries because management intends to permanently reinvest such earnings in foreign operations. As of December 31, 2002, the amount of undistributed earnings was approximately $260 million. If circumstances change and it is determined that earnings will be remitted in the foreseeable future, a charge of up to $70 million could be required. Any charge taken is contingent upon the amount of undistributed earnings that U. S. Steel would plan to remit.

U. S. Steel records liabilities for potential tax deficiencies. These liabilities are based on management's judgment of the risk of loss should those items be challenged by taxing authorities. In the event that U. S. Steel were to determine that tax-related items would not be considered deficiencies or that items previously not considered to be potential deficiencies could be considered as potential tax deficiencies (as a result of an audit, tax ruling or other positions or authority) an adjustment to the liability would be recorded through income in the period such determination was made.

Environmental Remediation — U. S. Steel provides for remediation costs and penalties when the responsibility to remediate is probable and the amount of associated costs is reasonably determinable. Remediation liabilities are accrued based on estimates of known environmental exposures and are discounted in certain instances. U. S. Steel regularly monitors the progress of environmental remediation. Should studies indicate that the cost of remediation is to be more than previously estimated, an additional accrual would be recorded in the period in which such determination was made. As of December 31, 2002, total accruals for environmental remediation were $135 million.

Management's Discussion and Analysis of Income

The principal drivers of U. S. Steel's financial results are price, volume, product mix and costs. To the extent that these factors are affected by industry conditions and the overall economic climate, revenues and income will reflect such conditions.

Revenues and other income for each of the last three years are summarized in the following table:

(Dollars in millions)

	2002	**2001**	**2000**
Revenues by product:			
Sheet and semi-finished steel products	**$ 4,048**	$ 3,163	$ 3,288
Plate and tin mill products	**1,057**	1,273	977
Tubular products	**554**	755	754
Raw materials (coal, coke and iron ore)	**502**	485	626
Other[(a)]	**788**	610	445
Income (loss) from investees	**33**	64	(8)
Net gains on disposal of assets	**29**	22	46
Other income	**43**	3	4
Total revenues and other income	**$ 7,054**	$ 6,375	$ 6,132

(a) Includes revenue from the sale of steel production by-products; transportation services; steel mill products distribution; the management of mineral resources; the management and development of real estate; and engineering and consulting services.

Total revenues and other income in 2002 increased by $679 million from 2001 primarily due to higher shipments and average realized prices for domestic sheet products; the absence of the $104 million impairment of receivables primarily from Republic, which was included in 2001; increased Straightline shipments as a result of a full year of operations; and higher average realized prices for USSK, which were partially due to foreign exchange effects. These were partially offset by reduced domestic tubular and plate shipment volumes.

Total revenues and other income increased by $243 million in 2001 from 2000 primarily due to the inclusion of USSK revenues for the full year, the inclusion of Transtar revenues following the reorganization and higher income from investees relating to the gain on the Transtar reorganization, partially offset by lower domestic sheet, tubular and plate shipment volumes, lower average realized prices for domestic sheet products, and the $104 million impairment of receivables primarily from Republic.

Income (loss) from operations for the last three years was:

(Dollars in millions)

	2002	**2001**	**2000**
Flat-rolled	**$ (31)**	$ (536)	$ 31
Tubular	**4**	88	83
USSK	**110**	123	2
Straightline	**(41)**	(17)	—
Real Estate	**57**	69	72
Total income (loss) from reportable segments	**99**	(273)	188
Other Businesses	**38**	(17)	67
Income (Loss) from operations before special items	**137**	(290)	255
Special Items:			
Pension settlement losses	**(100)**	—	—
Asset impairments — receivables	**(14)**	(146)	(8)
Asset impairments — intangible asset	**—**	(20)	—
Costs related to Separation	**—**	(25)	—
Costs related to Fairless shutdown	**(1)**	(38)	—
Insurance recoveries related to USS-POSCO fire[(a)]	**39**	46	—
Federal excise tax refund	**38**	—	—
Gain on VSZ share sale	**20**	—	—
Reversal of litigation accrual	**9**	—	—
Gain on Transtar reorganization	**—**	68	—

Environmental and legal contingencies	**—**	—	(36)
Asset impairments — coal	**—**	—	(71)
Impairment and other costs related to investments in equity investees	**—**	—	(36)
Total income (loss) from operations	**$ 128**	$ (405)	$ 104

(a) In excess of facility repair costs.

Segment results for Flat-rolled

The segment loss for Flat-rolled of $31 million in 2002 reflected an improvement of $505 million from 2001. The substantially decreased loss was primarily due to improved operating efficiencies, higher average realized prices and shipment volumes for sheet products, lower energy costs and cost saving initiatives.

Flat-rolled recorded a segment loss of $536 million in 2001, versus income of $31 million in 2000, a decrease of $567 million. The decrease was primarily due to lower sheet prices and reduced shipment volumes for sheet products, which resulted in less efficient operating rates and higher unit costs, lower results from tin operations during the phase-out of operations at the Fairless Plant, higher than

anticipated start-up and operating expenses associated with the March acquisition of East Chicago Tin, and business interruption effects at USS-POSCO following the cold mill fire in May.

Segment results for Tubular

Tubular segment income for 2002 was $4 million, compared to $88 million in 2001. The decline was primarily due to lower shipment volumes and lower average realized prices for tubular products.

Segment income for Tubular in 2001 reflected an improvement of $5 million from 2000 primarily due to higher tubular prices during the first half of 2001.

Segment results for USSK

USSK segment income for 2002 was $110 million, a decrease of $13 million compared to 2001. The decrease was primarily due to the unfavorable effect of changes in foreign exchange rates on costs, higher freight costs, losses on conversion operations at Sartid a.d. ("Sartid") in Serbia and business development expenses associated with Sartid and other expansion opportunities in Europe, partially offset by higher average realized prices, which were in part due to favorable exchange rate effects. The net currency exchange effect on total year income from operations was not material.

USSK segment income for the full-year 2001 was $123 million, compared to $2 million in 2000 for the period following U. S. Steel's acquisition of USSK on November 24, 2000. The increase was primarily due to U. S. Steel's full year of ownership, changes in commercial strategy, strong customer-focused marketing and a favorable cost structure.

Segment results for Straightline

Straightline recorded a segment loss of $41 million in 2002, its first full year of operations, compared with a loss of $17 million in 2001 for the period following the start-up of operations on October 30, 2001. These results reflect the early stage costs associated with building a new business, achieving market penetration, and creating the infrastructure for anticipated future growth.

Segment results for Real Estate

Real Estate segment income for 2002 was $57 million, compared with $69 million in 2001. The decrease primarily reflected lower mineral interest royalties.

Real Estate segment income for 2001 declined $3 million from 2000 primarily due to a decline in land sales, partially offset by increases in mineral interest royalties.

Results for Other Businesses

Income for Other Businesses for 2002 was $38 million, a significant improvement from 2001's loss of $17 million. The increase primarily reflected higher income from taconite pellet and coal operations, partially offset by lower results from coke operations.

The loss for Other Businesses for 2001 reflected a decline of $84 million from income of $67 million in 2000 mainly as a result of lower income from taconite pellet and coke operations, and a decline in income related to Transtar. These decreases were partially offset by improved results from coal operations due to improved operating and geological conditions and reduced depreciation following an impairment of coal assets in 2000.

Net periodic pension credit

Net periodic pension credits, which are primarily noncash and are included in income (loss) from operations, totaled $3 million in 2002, $120 million in 2001 and $273 million in 2000. The decrease of $117 million from 2001 to 2002 was primarily due to higher settlement charges, which totaled $100 million in 2002, compared with $4 million in 2001. The credit in 2002 was also negatively affected by a lower expected return on plan assets as a result of lower market-related values of plan assets in

2002. The credit in 2001 also included $30 million of termination expense due principally to a non-union voluntary early retirement program offered in conjunction with the Separation and a shutdown of a majority of the Fairless Plant. The decrease of $153 million in the net periodic pension credit from 2000 to 2001 was primarily due to the $69 million effect of the transition asset being fully amortized in 2000, an unfavorable change in the amortization of actuarial (gains)/losses and $30 million of termination expense. For additional information on pensions, see Note 12 to the Financial Statements.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $148 million in 2002 as compared to 2001. The increase in 2002 was primarily due to the decrease in the net periodic pension credit as previously discussed, the impairment of remaining retiree medical cost reimbursements receivable from Republic, increased legal and consulting expenses primarily due to the Section 201 trade cases and potential industry consolidation, and the ongoing expansion of Straightline. Also contributing to the increase in 2002 were higher retiree medical costs primarily due to decreases in the discount rate, and higher escalation rates for medical expenses. The increase in selling, general and administrative expenses of $286 million in 2001 as compared to 2000 was due to several factors, including the decrease in the net periodic pension credit previously discussed. Other contributing factors were the increase in costs in 2001 as a result of the full-year inclusion of USSK costs, the inclusion of Transtar costs following the reorganization, Separation costs and the impairment of retiree medical cost reimbursements owed by Republic.

Items not allocated to segments:

Pension settlement losses were related to retirements of personnel covered under the nonunion qualified pension plan, the non tax-qualified pension plan and the non tax-qualified executive management supplemental pension program. The settlements occurred primarily as a result of a voluntary early retirement program which was completed in June 2002.

Asset impairments — receivables were for charges related to reserves established against receivables exposure from financially distressed steel companies, primarily Republic.

Asset impairments — intangible asset was for the impairment of an intangible asset in 2001 related to the five-year agreement for LTV to supply U. S. Steel with pickled hot bands entered into in conjunction with the acquisition of LTV's tin mill products business. This impairment followed the discontinuation of LTV operations at East Chicago.

Costs related to Separation were for U. S. Steel's share of professional fees and expenses and certain other costs directly attributable to the Separation in 2001.

Costs related to Fairless shutdown resulted from the permanent shutdown of the pickling, cold rolling and tin mill facilities at the Fairless Plant in 2001.

Insurance recoveries related to USS-POSCO fire represent U. S. Steel's share of insurance recoveries in excess of facility repair costs for the cold-rolling mill fire at USS-POSCO, which occurred in May 2001. The final payment was received in December 2002.

Federal excise tax refund represents the recovery of black lung excise taxes that were paid on coal export sales during the period 1993 through 1999. During 2002, U. S. Steel received cash and recognized pre-tax income of $38 million, which is included in other income on the statement of operations. Of the $38 million received, $11 million represented interest. The refunds resulted from a 1998 federal district court decision that found such taxes to be unconstitutional.

Gain on VSZ share sale represents the gain recognized in October 2002 when U. S. Steel granted an option to purchase its shares of VSZ and subsequently sold these shares.

Reversal of litigation accrual represents the reversal in the first quarter of 2002 of a prior litigation accrual as a result of a final court ruling in U. S. Steel's favor.

Gain on Transtar reorganization represents U. S. Steel's share of the gain in 2001. Because this was a transaction with a noncontrolling shareholder, Transtar recognized a gain by comparing the carrying value of the businesses sold to their fair value. See Note 5 to the Financial Statements.

Environmental and legal contingencies relate to certain environmental and legal accruals.

Asset impairments — coal was for asset impairments at coal mines in Alabama and West Virginia in 2000 following a reassessment of long-term prospects after adverse geological conditions were encountered.

Impairment and other costs related to investments in equity investees represents charges to establish reserves against notes from Republic and to record U. S. Steel's share of Republic special charges which resulted from the completion of a financial restructuring of Republic.

Net interest and other financial costs for each of the last three years are summarized in the following table:

(Dollars in millions)

	2002	2001	2000
Net interest and other financial costs	**$ 115**	$ 141	$ 105
Plus:			
Favorable adjustment to interest related to prior years' taxes	**—**	67	—
Net interest and other financial costs adjusted to exclude above item	**$ 115**	$ 208	$ 105

Adjusted net interest and other financial costs decreased $93 million in 2002 as compared with 2001, primarily due to lower average debt levels following the December 31, 2001 value transfer of $900 million from Marathon. The change from 2001 to 2002 also reflects favorable foreign currency effects. These effects were primarily due to remeasurement of USSK net monetary assets into the U.S. dollar, which is the functional currency, and resulted in a net gain of $16 million in 2002 compared to a net loss of $1 million in 2001. Adjusted net interest and other financial costs increased by $103 million in 2001 as compared with 2000. This increase was largely due to higher average debt levels, which resulted from negative cash flow and the elective funding for employee benefits and the acquisition of USSK, both of which occurred in the fourth quarter of 2000.

The **income tax benefit** in 2002 was $48 million, compared with a benefit of $328 million in 2001, and a provision of $20 million in 2000. The tax benefit in 2001 included a $33 million deferred tax benefit associated with the Transtar reorganization. The decrease in the tax benefit from 2001 to 2002 was primarily due to reduced pre-tax losses from domestic operations. The change to a tax benefit in 2001 as compared to a tax provision in 2000 was primarily the result of losses from domestic operations reported in 2001. The tax benefits in 2002 and 2001 reflected pre-tax losses from domestic operations and pre-tax income from foreign operations for which virtually no income tax provision was recorded.

The Slovak Income Tax Act provides an income tax credit which is available to USSK if certain conditions are met. In order to claim the tax credit in any year, 60% of USSK's sales must be export sales and USSK must reinvest the tax credits claimed in qualifying capital expenditures during the five years following the year in which the tax credit is claimed. The provisions of the Slovak Income Tax Act permit USSK to claim a tax credit of 100% of USSK's tax liability for years 2000 through 2004 and 50% for the years 2005 through 2009. Management believes that USSK fulfilled all of the necessary conditions for claiming the tax credit for 2000 through 2002. As a result of claiming these tax credits and certain tax planning strategies to reinvest earnings in foreign operations, virtually no income tax provision is recorded for USSK income. If circumstances change and it is determined that

earnings will be remitted in the foreseeable future, a charge would be required to record the deferred tax liability for the amounts planned to be remitted.

In October 2002, a tax credit limit was negotiated by the Slovak government as part of an agreement required for the Slovak Republic's entry into the European Union ("EU"). Effective upon the Slovak Republic's entry into the EU, the agreement will limit to $500 million the total tax credit to be granted to USSK during the period 2000 through 2009. The impact of the tax credit limit is expected to be minimal since Slovak tax laws have been modified and tax rates have been reduced since the acquisition of USSK. The agreement also places limits upon total production and export sales to the EU, allowing for modest growth during the period covered by the investment incentive. Management believes that the agreement will not have a significant impact on future USSK production and results of operations.

The issue of certain subsidies or incentives to the steel industry is the subject of ongoing discussions at the Organization for Economic Cooperation and Development ("OECD"). It is possible that these discussions could result in the adoption of an OECD agreement which could negatively impact USSK's tax credit.

Net income in 2002 was $61 million, compared with a net loss of $218 million in 2001 and a net loss of $21 million in 2000. The changes primarily reflected the factors discussed above.

Management's Discussion and Analysis of Operations

Flat-rolled shipments were 9.9 million tons in 2002, 8.8 million tons in 2001 and 9.6 million tons in 2000. Tubular shipments were 0.8 million tons in 2002, 1.0 million tons in 2001 and 1.1 million tons in 2000. Domestic shipments in 2001 were affected by a weak domestic economy, which reduced demand for sheet, plate and tubular products. High import levels impacted all three years. Exports accounted for approximately 5% of U. S. Steel's domestic shipments in 2002, 2001 and 2000.

USSK shipments were 3.9 million net tons in 2002, 3.7 million net tons in 2001 and 0.3 million net tons in 2000 in the short period following the acquisition.

Domestic raw steel production was 11.5 million tons in 2002, compared with 10.1 million tons in 2001 and 11.4 million tons in 2000. Domestic raw steel production averaged 90% of capability in 2002, compared with 79% of capability in 2001 and 89% of capability in 2000. In 2002, domestic raw steel production was negatively affected by poor market conditions during the first quarter, as well as the acceleration into the fourth quarter of some blast furnace repair work that was originally scheduled to occur in 2003. In 2001, domestic raw steel production was negatively impacted by poor economic conditions and the high level of imports. In 2000, domestic raw steel production was negatively impacted by a planned reline at the Gary Works No. 4 blast furnace in July 2000. Because of market conditions, U. S. Steel limited its domestic production by keeping the Gary Works No. 4 blast furnace out of service until February 2001. U. S. Steel's stated annual domestic raw steel production capability was 12.8 million tons in 2002, 2001 and 2000.

USSK raw steel production was 4.4 million tons in 2002 and 4.1 million tons in 2001, or 88% and 81%, respectively, of USSK's stated annual raw steel production capability of 5.0 million net tons.

The domestic steel industry is restructuring after many years of oversupply and low prices attributable largely to excess imports, which resulted in significant capacity closures starting in late 2000 and led to the introduction of Section 201 import tariffs in March 2002. The combination of capacity closures, trade restrictions and the imposition of tariffs led to a recovery of steel prices from 20-year lows in late 2001 and early 2002. U. S. Steel benefited in 2002 from reduced domestic supply resulting from the temporary or permanent closure of steelmaking capacity, as well as the Section 201 remedies announced by President Bush on March 5, 2002.

Despite the trade remedies, steel imports to the United States accounted for an estimated 27% of the domestic steel market in 2002, compared to 24% and 27%, for 2001 and 2000, respectively. In 2002, imports of steel pipe and cold-rolled sheets decreased 16% and 38%, respectively, compared to 2001;

and imports of hot-rolled sheets and galvanized sheets increased 61% and 39%, respectively, compared to 2001.

Remedies under Section 201 of the Trade Act of 1974 became effective for imports entering the U.S. on and after March 20, 2002, and are intended to provide protection against imports from certain countries, but there are products and countries not covered and imports of these exempt products or of products from these countries may still have an adverse effect upon U. S. Steel's revenues and income. Through August 2002, the U.S. Department of Commerce and the Office of the United States Trade Representative had granted exclusions from the Section 201 remedies for many products, and another round of processing requests for exclusion is in process. The exclusions impact a number of products produced by U. S. Steel and have weakened the protection initially provided by this relief. Additionally, as initially imposed, the remedies decrease each year they are in effect. For flat-rolled products, the tariff decreases from 30% in the first year to 24% in the second year and 16% in the third year, and the quota for slab imports that can enter the United States without imposition of the Section 201 tariff increases from 5.4 million net tons in the first year to 5.9 million net tons in the second year and 6.4 million net tons in the third year, although the quantity of slabs that can actually enter the country free of tariffs is substantially larger than that amount due to exemptions of various slab products and exemptions of certain countries that ship slabs. Various countries have challenged President Bush's action with the World Trade Organization ("WTO") and have taken other actions responding to the Section 201 remedies. The WTO is expected to announce its initial decision on the challenges filed against the Section 201 action by April 2003. In addition, as provided by President Bush when he announced the Section 201 action in March 2002, the U.S. International Trade Commission will conduct a mid-term review in the third quarter of 2003 and recommend to the President whether the remedies should remain in effect. At the same time, the Bush Administration has continued discussions at the OECD aimed at the reduction of inefficient steel production capacity and the elimination and limitation of certain subsidies to the steel industry throughout the world.

On March 31, 2002, the Canadian International Trade Tribunal ("CITT") initiated a safeguard inquiry to determine whether imports of certain steel goods from countries, including the U.S., had injured the Canadian steel industry. On July 5, 2002, the CITT announced its determination that the Canadian steel industry had been injured by reason of imports of certain products including the following which are made by U. S. Steel: cut-to-length plate, cold-rolled steel sheet and standard pipe up to 16" o.d. On August 20, 2002, the CITT announced that it was recommending as a remedy a three-year quota, with tariffs imposed on tonnages exceeding the quota. This resulted in quota levels for the U.S. which are lower than 2001 shipments. For shipments exceeding the quota levels, tariffs would be imposed ranging from 15-25% in the first year, 11-18% in the second year and 7-12% in the third year. The CITT's remedy recommendations were forwarded to the Ministry of Finance, but a final decision regarding a remedy has not yet been made.

On December 20, 2001, the European Commission commenced an anti-dumping investigation concerning hot-rolled coils imported into the EU from the Slovak Republic and five other countries. On January 20, 2003, the Commission issued a final disclosure advising of its determinations relative to the dumping and injury margins applicable to those imports. The Commission's findings set the dumping margin applicable to those imports at 25.8% and the injury margin at 18.6%. USSK is currently in discussions with the Commission regarding the possibility of entering into a price undertaking agreement which would set minimum prices for future shipments of hot-rolled coils into the EU. If no price undertaking agreement is reached, at the conclusion of these proceedings (which must occur by March 20, 2003), duties equal to the injury margin of 18.6% will be imposed upon hot-rolled coils shipped by USSK into the EU. All anti-dumping measures, including any price undertaking agreement, will be terminated at such time that

Slovakia becomes a member of the EU, which is currently anticipated to occur in May 2004.

Definitive measures were recently announced in a separate safeguard trade action commenced by the European Commission. In that proceeding, which is similar to the U.S. Section 201 proceedings,

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quota/tariff measures were announced relative to the import of certain steel products into the EU. USSK is impacted by the quota/tariff measures on four products: non-alloy hot-rolled coils, hot-rolled strip, hot-rolled sheet and cold-rolled flat products. Shipment quotas were set for all four products. The shipment quotas applicable to the first year of the measure were set at 10% above the average shipments during the period 1999-2001. An additional 5% will be added to the shipment quotas applicable to the remainder of the safeguard measure period. The shipment quotas on all products, other than non-alloy hot-rolled coils, are country-specific. The non-alloy hot-rolled coil quota is a global quota. If the shipment quotas are exceeded, tariffs will be imposed. The tariffs which would apply to shipments into the EU through March 28, 2003, are 17.5% for non-alloy hot-rolled coils and 26% for the other three products. For the period March 29, 2003, through March 28, 2004, these tariffs will be reduced to 15.7% and 23.4%, respectively. On March 29, 2004, these tariffs will again be reduced to 14.1% and 21.0%, respectively. The safeguard measures are scheduled to expire on March 28, 2005. These measures will be terminated at such time that Slovakia becomes a member of the EU.

Safeguard proceedings similar to those pursued by the European Commission have recently been commenced by Poland, Hungary and the Czech Republic. Provisional quota/tariff measures have been imposed in Poland and Hungary. To date, the Czech Republic has neither imposed provisional safeguard measures nor announced definitive measures.

The impact on USSK of these trade actions in the EU and Central Europe cannot be predicted at this time. However, in light of market opportunities elsewhere, recent developments in the EU hot-rolled coil anti-dumping case and USSK's experience operating under the safeguard measures in place in the EU, Poland and Hungary, it appears unlikely that these matters will have a material adverse effect on USSK's operating profit in 2003.

Management's Discussion and Analysis of Financial Condition, Cash Flows and Liquidity

Financial Condition

SFAS No. 87 "Employer's Accounting for Pensions" provides that if, at any plan measurement date, the fair value of plan assets is less than the plan's accumulated benefit obligation ("ABO"), the sponsor must establish a minimum liability at least equal to the amount by which the ABO exceeds the fair value of the plan assets and any pension asset must be removed from the balance sheet. The sum of the liability and pension asset is offset by the recognition of an intangible asset and/or as a direct charge to stockholders' equity, net of tax effects. Such adjustments have no direct impact on earnings per share or cash. At December 31, 2002, the fair value of plan assets for the pension plan for union employees ("union plan") was $4.5 billion. Based on asset values as of December 31, 2002, the ABO for this plan exceeded the fair value of plan assets by $543 million. Consequently, required minimum liability adjustments were recorded, resulting in the recognition of an intangible asset of $414 million and a charge to equity, net of related tax effects, of $748 million at December 31, 2002.

Current assets at year-end 2002 increased $367 million from year-end 2001 primarily due to increased inventory balances related to higher operating rates and the continuing expansion of Straightline, higher trade receivables resulting from increased sales volumes in late 2002 as compared to the latter part of 2001, and an increase in cash and cash equivalents. These were partially offset by a decline in related party receivables mainly as a result of lower shipments and changes in the shipment mix to USS-POSCO.

Net property, plant and equipment at year-end 2002 decreased $106 million from year-end 2001 primarily due to capital spending that was $92 million lower than depreciation, depletion and amortization.

The **pension asset** at year-end 2002 decreased $1,091 million from year-end 2001 primarily reflecting the elimination of the prepaid pension asset related to the union plan.

The **intangible pension asset** of $414 million at December 31, 2002, resulted from the minimum liability adjustments that were recorded for the union plan.

Other noncurrent assets of $144 million at year-end 2002 increased $63 million from year-end 2001 mainly as a result of an increase in restricted cash deposits primarily used to collateralize letters of credit to provide financial assurance.

Current liabilities at year-end 2002 increased $114 million from year-end 2001 primarily due to an increase in accounts payable as a result of higher operating levels in late 2002 as compared to the same period in 2001, and higher accrued taxes, partially offset by lower accounts payable to related parties primarily due to payment of a $54 million cash settlement to Marathon in accordance with the terms of the Separation.

Long-term debt at December 31, 2002, was $1,408 million, $26 million lower than year-end 2001. The decrease in debt was primarily due to a repayment on the USSK loan in April 2002.

Deferred income taxes at December 31, 2002, reflected a decrease of $509 million from December 31, 2001. The change primarily resulted from the establishment of federal and state deferred tax assets related to the adjustment to the minimum liability for the union plan and the related intangible asset.

Employee benefits at December 31, 2002, increased $593 million from year-end 2001 primarily as a result of the $543 million minimum liability recorded for the union plan.

Additional paid-in capital increased by $214 million from December 31, 2001, due to an equity offering of 10,925,000 common shares that was completed in May 2002, stock sales to the United States Steel Corporation Savings Fund Plan for Salaried Employees and sales through the Dividend Reinvestment and Stock Purchase Plan.

Accumulated other comprehensive loss of $803 million at December 31, 2002, increased by $754 million from year-end 2001, primarily reflecting the $748 million charge to equity resulting from the minimum liability adjustment for the union plan.

Cash Flows

Net cash provided from operating activities was $279 million in 2002, a decrease of $390 million from 2001. Absent the favorable effects of the $819 million intergroup tax settlements from Marathon in 2001 as described below, net cash provided from operating activities in 2002 reflected an improvement of $429 million from 2001. This improvement primarily resulted from higher net income, partially offset by increased working capital requirements primarily as a result of higher operating levels.

Net cash provided from operating activities was $669 million in 2001, compared with net cash used in operating activities of $627 million in 2000. The significant improvement was primarily due to the receipt of favorable intergroup tax settlements from Marathon totaling $819 million in the 2001 period compared to a favorable intergroup settlement of $91 million in the 2000 period and the absence of $530 million of elective contributions to a Voluntary Employee Benefit Association ("VEBA") trust and to a non-union retiree life insurance trust. The $819 million tax settlement is reflected in net cash provided by operating activities primarily as favorable working capital changes of $364 million related to the settlement of the income tax receivable established in 2000 arising from tax attributes primarily generated in the year 2000; increases in net income of $426 million for tax benefits generated by U. S. Steel in 2001; and net increases in all other items net of $15 million for state tax benefits generated in 2000. The last two items were included in the $441 million settlement with Marathon, which occurred in 2001 as a result of the Separation. Absent these intergroup tax settlements in 2001 and 2000 and the $530 million of elective contributions in 2000 to a VEBA trust and to a non-union retiree life insurance trust, net cash used in operating activities decreased by $38 million. Cash payments of employee benefit liabilities were lower in 2001 because $152 million was paid from assets held in trust, compared to $41 million in 2000. This change was primarily the

result of approximately $112 million of funds from the VEBA trust being used to pay retiree medical and life insurance benefits for United Steelworkers of America ("USWA") retirees in 2001. In addition, working capital improved. These improvements were partially offset by decreased net income.

Net cash used in operating activities in 2000 was $627 million and reflected the $500 million elective contribution to a VEBA trust, a $30 million elective contribution to a non-union retiree life insurance trust and an income tax receivable from Marathon of $364 million. These unfavorable effects were partially offset by a $91 million income tax settlement with Marathon received in 2000 primarily for the year 1999 in accordance with the group tax allocation policy. The $500 million VEBA trust contribution has provided U. S. Steel with the flexibility to pay ongoing costs of providing USWA retiree health care and life insurance benefits from the VEBA trust instead of from corporate cash flow. At December 31, 2002, the Company had $195 million of the $500 million contribution remaining to offset future benefit payments and required VEBA contributions. U. S. Steel expects to use approximately $180 million of the remaining amount in 2003.

Capital expenditures in 2002 were $258 million, including $97 million for USSK. Major projects in 2002 included the quench and temper line project at Lorain Tubular and various projects at USSK, including continued work on the new tinning and continuous annealing lines and the sinter plant dedusting project, completion of the scrap management and hot strip mill reheat furnace upgrade projects, commencement of work on a new dynamo line and installation of a vacuum degassing facility.

Capital expenditures of $287 million in 2001 included exercising a buyout option of a lease for half of the Gary Works No. 2 Slab Caster; repairs to the No. 3 blast furnace at the Mon Valley Works; work on the No. 2 stove at the No. 6 blast furnace at Gary Works; the completion of the replacement coke battery thruwalls at Gary Works; the completion of an upgrade to the Mon Valley Works cold reduction mill; systems development projects; and projects at USSK, including the tin mill expansion and the vacuum degasser project.

Capital expenditures of $244 million in 2000 included exercising an early buyout option of a lease for half of the Gary Works No. 2 Slab Caster; the continued replacement of coke battery thruwalls at Gary Works; installation of the remaining two coilers at the Gary Works hot strip mill; a blast furnace stove replacement at Gary Works; and the continuation of an upgrade to the Mon Valley Works cold reduction mill.

U. S. Steel's domestic contract commitments to acquire property, plant and equipment at December 31, 2002, totaled $24 million compared with $28 million at December 31, 2001.

USSK has a commitment to the Slovak government for a capital improvements program of $700 million, subject to certain conditions, over a period commencing with the acquisition date of November 24, 2000, and ending on December 31, 2010. The remaining commitments under this capital improvements program as of December 31, 2002, and December 31, 2001, were $541 million and $634 million, respectively.

Capital expenditures for 2003 are expected to be approximately $350 million, including approximately $100 million for USSK. Major expenditures include completion of the installation of a new quench and temper line at Lorain Tubular; replacing the top stack on the Gary No. 8 blast furnace; and projects at USSK, including completion of the new tin and continuous annealing lines and the sinter plant dedusting project, and continued work on the new dynamo line, which is scheduled to start up in 2004.

The preceding statement concerning expected 2003 capital expenditures is a forward-looking statement. This forward-looking statement is based on assumptions, which can be affected by (among other things) levels of cash flow from operations, general economic conditions, business conditions, availability of capital, whether or not assets are purchased or financed by operating leases, and unforeseen hazards such as weather conditions, explosions or fires, which could delay the timing of

completion of particular capital projects. Accordingly, actual results may differ materially from current expectations in the forward-looking statement.

The **acquisition of U. S. Steel Kosice** consisted of cash payments of $38 million in 2002, $14 million in 2001 and net cash payments of $10 million in 2000, which reflected $69 million of cash payments less $59 million of cash acquired in the transaction. An additional payment of $38 million is to be made to VSZ in 2003 related to the purchase. The first quarter 2001 acquisition of East Chicago Tin and reorganization of Transtar were noncash transactions. See also Note 5 to the Financial Statements.

Disposal of assets in 2002 consisted mainly of proceeds from the sale of U. S. Steel's investment in stock of VSZ which was previously discussed, and the sale/leaseback of certain assets.

Restricted cash — deposits of $72 million in 2002 were mainly used to collateralize letters of credit to meet financial assurance requirements.

Investees — return of capital in 2001 of $13 million reflected a return of capital on the investment in stock of VSZ.

Net change in attributed portion of Marathon consolidated debt and other financial obligationswas a decrease of $74 million in 2001 compared to an increase of $1,208 million in 2000. The decrease in 2001 primarily reflected the net effects of cash provided from operating activities less cash used for investing activities and dividend payments. The increase in 2000 primarily reflected the net effects of cash used in operating activities, including a contribution to a VEBA trust, cash used in investing activities, dividend payments and preferred stock repurchases.

Repayment of specifically attributed debt in 2001 of $370 million was primarily due to the termination and repayment of the accounts receivable facility, which was accounted for as secured borrowing and specifically attributed to U. S. Steel prior to the Separation.

Settlement with Marathon of $54 million in 2002 reflected a cash payment made during the first quarter in accordance with the terms of the Separation.

Repayment of long-term debt in 2002 was mainly on the USSK loan.

Common stock issued in 2002 reflected $192 million of net proceeds from U. S. Steel's equity offering completed in May 2002, proceeds from stock sales to the United States Steel Corporation Savings Fund Plan for Salaried Employees and sales through the Dividend Reinvestment and Stock Purchase Plan.

Dividends paid in 2002 were $19 million, compared with $57 million in 2001 and $97 million in 2000. Dividends paid in 2002 reflected the quarterly dividend rate of $0.05 per share established by U. S. Steel after the Separation, and effective with the March 2002 payment. Dividends paid in 2001 decreased $40 million from year 2000 due to a decrease in the quarterly dividend rate from $0.25 to $0.10 per share paid to USX — U. S. Steel Group common stockholders, effective with the June 2001 payment. Dividends paid in 2001 and 2000 also included quarterly dividends on the 6.50% Cumulative Convertible Preferred Stock that was retained and repaid by Marathon as part of the Separation.

For discussion of restrictions on future dividend payments, see "Liquidity".

Debt and Convertible Preferred Shares Ratings

On January 9, 2003, Standard & Poor's Ratings Services placed its credit ratings for U. S. Steel on credit watch with negative implications. On the same day, Moody's Investors Service placed its ratings for U. S. Steel under review for possible downgrade and Fitch Ratings placed its ratings for U. S. Steel on rating watch negative. These actions followed U. S. Steel's announced bid for certain assets of National Steel Corporation ("National"). For further discussion about the bid, see "Outlook for 2003".

As of January 9, 2003, Standard & Poor's, Moody's and Fitch Ratings have assigned BB, Ba3 and BB ratings, respectively, to U. S. Steel's senior unsecured debt.

As of February 13, 2003, Standard & Poor's and Fitch Ratings have assigned B and B+ ratings, respectively, to U. S. Steel's 7% Series B Mandatory Convertible Preferred Shares (liquidation preference $50 per share) ("Series B Preferred"). These shares were issued February 10, 2003. For further discussion, see "Liquidity".

Liquidity

In November 2001, U. S. Steel entered into a five-year Receivables Purchase Agreement with financial institutions. U. S. Steel established a wholly owned subsidiary, U. S. Steel Receivables LLC ("USSR"), which is a consolidated special-purpose, bankruptcy-remote entity that acquires, on a daily basis, eligible trade receivables generated by U. S. Steel and certain of its subsidiaries. USSR can sell an undivided interest in these receivables to certain commercial paper conduits. USSR pays the conduits a discount based on the conduits' borrowing costs plus incremental fees, certain of which are determined by credit ratings of U. S. Steel.

Fundings under the facility are limited to the lesser of eligible receivables or $400 million. Eligible receivables exclude certain obligors, amounts in excess of defined percentages for certain obligors, and amounts past due or due beyond a defined period. In addition, eligible receivables are calculated by deducting certain reserves, which are based on various determinants including concentration, dilution and loss percentages, as well as the credit ratings of U. S. Steel. As of December 31, 2002, U. S. Steel had $343 million of eligible receivables, none of which were sold.

In addition, U. S. Steel entered into a three-year revolving credit facility expiring December 31, 2004, that provides for borrowings of up to $400 million secured by all domestic inventory and related assets ("Inventory Facility"), including receivables other than those sold under the Receivables Purchase Agreement. The amount outstanding under the Inventory Facility cannot exceed the permitted "borrowing base," calculated on percentages of the value of eligible inventory. Borrowings under the facility bear interest at a rate equal to LIBOR or the prime rate plus an applicable margin determined by credit ratings of U. S. Steel. As of December 31, 2002, $397 million was available to U. S. Steel under the Inventory Facility.

While the term of the Receivables Purchase Agreement is five years, the facility also terminates on the occurrence and failure to cure certain events, including, among others, certain defaults with respect to the Inventory Facility and other debt obligations, any failure of USSR to maintain certain ratios related to the collectability of the receivables, and failure to extend the commitments of the commercial paper conduits' liquidity providers, which currently terminate on November 26, 2003.

USSK has a $10 million short-term credit facility and a $40 million long-term credit facility. At December 31, 2002, $48 million was available under these facilities.

On July 2, 2002, U. S. Steel initiated an exchange offer for the 10^3/4% Senior Notes due 2008 ("Senior Notes"). The offer expired on August 5, 2002, and 100 percent of the notes were tendered for exchange. The new notes received in the exchange are identical in all material aspects to the tendered

notes except that the new notes have been registered under the Securities Act of 1933, as amended. As of December 31, 2002, the aggregate principal amount of Senior Notes outstanding was $535 million.

The Senior Notes impose limitations on U. S. Steel's ability to make restricted payments. Restricted payments under the indenture include the declaration or payment of dividends on capital stock; the purchase, redemption or other acquisition or retirement for value of capital stock; the retirement of any subordinated obligations prior to their scheduled maturity; and the making of any investments other than those specifically permitted under the indenture. In order to make restricted payments, U. S. Steel must satisfy certain requirements which include a consolidated coverage ratio based on EBITDA and consolidated interest expense for the four most recent quarters. In addition, the total of all restricted payments made since the Senior Notes were issued, excluding up to $50 million of dividends paid on common stock through the end of 2003, cannot exceed the cumulative cash proceeds from the sale of capital stock and certain investments plus 50% of consolidated net income from October 1, 2001, through the most recent quarter-end treated as one accounting period, or, if there is a consolidated net loss for the period, less 100% of such consolidated net loss. A complete description of the requirements and defined terms such as restricted payments, EBITDA and consolidated net income can be found in the indenture for the Senior Notes that was filed as Exhibit 4(f) to U. S. Steel's Annual Report on Form 10-K for the year ended December 31, 2001.

As of December 31, 2002, U. S. Steel met the consolidated coverage ratio and had in excess of $90 million of availability to make restricted payments under the calculation described in the preceding paragraph. Also, exclusive of any limitations imposed, U. S. Steel can make aggregate dividend payments of up to $50 million on common stock from the third quarter of 2001 through the end of 2003, of which U. S. Steel has paid $38 million as of December 31, 2002. In addition to the remaining $12 million available through the end of 2003, U. S. Steel has the ability to make other restricted payments of up to $28 million as of December 31, 2002, which could also be used for dividend payments. U. S. Steel's ability to declare and pay dividends or make other restricted payments in the future is subject to U. S. Steel's ability to continue to meet the consolidated coverage ratio and have amounts available under the calculation or one of the exclusions just discussed.

The Senior Notes also impose other significant restrictions on U. S. Steel such as the following: limits on additional borrowings, including limiting the amount of borrowings secured by inventories or accounts receivable; limits on sale/leasebacks; limits on the use of funds from asset sales and sale of the stock of subsidiaries; and restrictions on our ability to invest in joint ventures or make certain acquisitions. The Inventory Facility imposes additional restrictions on U. S. Steel including the following: effective September 30, 2002, U. S. Steel must meet an interest expense coverage ratio of at least 2 to 1 through March 30, 2003, and 2.5 to 1 thereafter, and a debt to EBITDA leverage ratio of no more than 6 to 1 through December 30, 2002, 5.5 to 1 through March 30, 2003, 5 to 1 through June 29, 2003, 4.5 to 1 through September 29, 2003, 4 to 1 through March 30, 2004, and 3.75 to 1 thereafter; limitations on capital expenditures; and restrictions on investments.

If these covenants are breached or if U. S. Steel fails to make payments under our material debt obligations or the Receivables Purchase Agreement, creditors would be able to terminate their commitments to make further loans, declare their outstanding obligations immediately due and payable and foreclose on any collateral, and it may also cause termination events to occur under the Receivables Purchase Agreement and a default under the Senior Notes. Additional indebtedness that U. S. Steel may incur in the future may also contain similar covenants, as well as other restrictive provisions. Cross-default and cross-acceleration clauses in the Receivables Purchase Agreement, the Inventory Facility, the Senior Notes and any future additional indebtedness could have an adverse effect upon our financial position and liquidity.

U. S. Steel was in compliance with all of its debt covenants at December 31, 2002.

On February 10, 2003, U. S. Steel sold 5 million shares of Series B Preferred. The company also granted the underwriters an over-allotment option to purchase up to an additional 750,000 shares of Series B Preferred. The Series B Preferred were issued under outstanding universal shelf registration statements. Proceeds from the offering will be used for general corporate purposes, including funding working capital, financing potential acquisitions, debt reduction and voluntary contributions to employee benefit plans. Dividend payments related to the 5 million shares of Series B Preferred will be approximately $18 million per year. These dividends will be considered restricted payments under the Senior Note covenants described above; however, the amount U. S. Steel has available to make restricted payments increased by the $242 million of net proceeds received from the sale of the Series B Preferred. The number of common shares that could be issued upon conversion of the 5 million shares of Series B Preferred ranges from approximately 16.0 million shares to 19.2 million shares, based upon the timing of the conversion and the market price of U. S. Steel's common stock.

U. S. Steel has utilized surety bonds, trusts and letters of credit to provide financial assurance for certain transactions and business activities. The total amount of active surety bonds, trusts and letters of credit currently being used for financial assurance purposes is approximately $144 million. Events over the last year have caused major changes in the surety bond market including significant increases in surety bond premiums and reduced market capacity. These factors, together with our non-investment grade credit rating, have caused U. S. Steel to replace some surety bonds with other forms of financial assurance. The use of other forms of financial assurance and collateral have a negative impact on liquidity. During 2002, U. S. Steel used $65 million of liquidity sources to provide financial assurance and expects to use approximately $70 million of additional liquidity sources for these purposes in 2003.

The very high property taxes at U. S. Steel's Gary Works facility in Indiana continue to be detrimental to Gary Works' competitive position, both when compared to competitors in Indiana and with other steel facilities in the United States and abroad. U. S. Steel is a party to several property tax disputes involving Gary Works, including claims for refunds of approximately $65 million pertaining to tax years 1994-96 and 1999 and assessments of approximately $110 million in excess of amounts paid for the 2000 and 2001 tax years. In addition, interest may be imposed upon any final assessment. The disputes involve property values and tax rates and are in various stages of administrative appeals. U. S. Steel is vigorously defending against the assessments and pursuing its claims for refunds.

U. S. Steel was contingently liable for debt and other obligations of Marathon in the amount of $168 million as of December 31, 2002. In the event of the bankruptcy of Marathon, these obligations for which U. S. Steel is contingently liable, as well as obligations relating to Industrial Development and Environmental Improvement Bonds and Notes in the amount of $471 million that were assumed by U. S. Steel from Marathon, may be declared immediately due and payable. If that occurs, U. S. Steel may not be able to satisfy such obligations. In addition, if Marathon loses its investment grade ratings, certain of these obligations will be considered indebtedness under the Senior Notes indenture and for covenant calculations under the Inventory Facility. This occurrence could prevent U. S. Steel from incurring additional indebtedness under the Senior Notes or may cause a default under the Inventory Facility.

The following table summarizes U. S. Steel's liquidity as of December 31, 2002:

(Dollars in millions)

Cash and cash equivalents	$ 243
Amount available under Receivables Purchase Agreement	343
Amount available under Inventory Facility	397
Amounts available under USSK credit facilities	48
Total estimated liquidity	$ 1,031

The following table summarizes U. S. Steel's contractual obligations at December 31, 2002, and the effect such obligations are expected to have on its liquidity and cash flow in future periods.

(Dollars in millions)

			Payments Due by Period		
Contractual Obligations	**Total**	**2003**	**2004 through 2005**	**2006 through 2007**	**Beyond 2007**
Long-term debt and capital leases[a]	$ 1,438	$ 26	$ 50	$ 61	$ 1,301
Operating leases[b]	499	82	165	86	166
Capital commitments[c]	565	14	10	241	300
Environmental commitments[c]	135	28	—	—	107[d]
Usher Separation bonus[c]	3	—	3	—	—
Additional consideration for USSK purchase[e]	38	38	—	—	—
Other post-retirement benefits	(f)	40	435	520	(f)
Total contractual obligations	(g)	$ 228	$ 663	$ 908	(g)

(a) See Note 11 to the Financial Statements.
(b) See Note 17 to the Financial Statements.
(c) See Note 25 to the Financial Statements.
(d) Timing of potential cash outflows is not determinable.
(e) See Note 14 to the Financial Statements.
(f) U. S. Steel accrues an annual cost for these benefit obligations under plans covering its active and retiree populations in accordance with generally accepted accounting principles. These obligations will require corporate cash in future years to the extent that trust assets are restricted or insufficient and to the extent that company contributions are required by law or union labor agreement. Amounts in the year 2003 through 2007 reflect our current estimate of corporate cash outflows and are net of the use of funds available from a VEBA trust. The accuracy of this forecast of future cash flows depends on various factors such as actual asset returns, the mix of assets within the asset trusts, medical escalation and discount rates used to calculate obligations, the availability of surplus pension assets allowable for transfer to pay retiree medical claims and company decisions or VEBA restrictions that impact the timing of the use of trust assets. Also, as such, the amounts shown could differ significantly from what is actually expended and, at this time, it is impossible to make an accurate prediction of cash requirements beyond five years.
(g) Amount of contractual cash obligations is not determinable because other post-retirement benefit cash obligations are not estimable beyond five years, as discussed in (f) above.

Contingent lease payments have been excluded from the above table. Contingent lease payments relate to operating lease agreements that include a floating rental charge, which is associated to a variable component. Future contingent lease payments are not determinable to any degree of certainty. U. S. Steel's annual incurred contingent lease expense is disclosed in Note 17 to the Financial Statements. Additionally, recorded liabilities related to deferred income taxes and other liabilities that may have an impact on liquidity and cash flow in future periods are excluded from the above table.

Pension obligations have been excluded from the above table. Preliminary funding valuations of the pension plan for union employees as of December 31, 2002, indicate that the plan will not require cash funding for the 2003 plan year. However, cash funding in 2004 and beyond for this pension plan could be required, the level of which depends upon various factors such as future asset performance, the level of interest rates used to measure ERISA minimum funding levels, the impacts of business acquisitions or sales, union negotiated changes and future government regulation. U. S. Steel may also make voluntary contributions in one or more future periods in order to mitigate potentially larger required contributions in later years. Any such funding requirements could have an unfavorable impact on U. S. Steel's debt covenants, borrowing arrangements and cash flows. The funded status of U. S. Steel's pension plans is disclosed in Note 12 to the Financial Statements.

The following table summarizes U. S. Steel's commercial commitments at December 31, 2002, and the effect such commitments could have on its liquidity and cash flow in future periods.

(Dollars in millions)

		Scheduled Reductions by Period			
Commercial Commitments	**Total**	**2003**	**2004 through 2005**	**2006 through 2007**	**Beyond 2007**
Standby letters of credit[a]	$ 64	$ 50	$ 9	$ —	$ 5[c]
Surety bonds[a]	73	46	—	—	27[c]
Funded Trusts[a]	7	7	—	—	—
Clairton 1314B Partnership[a][b][d]	150	—	—	—	150[c]
Guarantees of indebtedness of unconsolidated entities[a][d]	27	3	9	6	9
Contingent liabilities:					
— Marathon obligations[a][d]	168	29	39	41	59
— Unconditional purchase obligations[e]	717	170	368	141	38
Total commercial commitments	$ 1,206	$ 305	$ 425	$ 188	$ 288

(a) Reflects a commitment or guarantee for which future cash outflow is not considered likely.
(b) See Note 15 to the Financial Statements.
(c) Timing of potential cash outflows is not determinable.
(d) See Note 25 to the Financial Statements.
(e) Reflects contractual purchase commitments ("take or pay" arrangements) primarily for purchases of substrate and certain energy sources.

In October 2002, U. S. Steel granted an option to purchase its shares of VSZ. U. S. Steel subsequently sold these shares. Cash proceeds of $31 million were received in consideration for the option and the sale of the shares, which resulted in a pre-tax gain of $20 million in the fourth quarter. U. S. Steel previously accounted for its investment in VSZ under the cost method.

U. S. Steel management believes that U. S. Steel's liquidity will be adequate to satisfy its obligations for the foreseeable future, including obligations to complete currently authorized capital spending programs. Future requirements for U. S. Steel's business needs, including the funding of capital expenditures, debt service for outstanding financings, and any amounts that may ultimately be paid in connection with contingencies, are expected to be financed by a combination of internally generated funds (including asset sales), proceeds from the sale of stock, borrowings and other external financing sources. However, there is no assurance that our business will generate sufficient operating cash flow or that external financing sources will be available in an amount sufficient to enable us to service or refinance our indebtedness or to fund other liquidity needs. If there is a prolonged delay in the recovery of the manufacturing sector of the U.S. economy, U. S. Steel believes that it can maintain adequate liquidity through a combination of deferral of nonessential capital spending, sales of non-strategic assets and other cash conservation measures.

U. S. Steel management's opinion concerning liquidity and U. S. Steel's ability to avail itself in the future of the financing options mentioned in the above forward-looking statements are based on currently available information. To the extent that this information proves to be inaccurate, future availability of financing may be adversely affected. Factors that could affect the availability of financing include the performance of U. S. Steel (as measured by various factors including cash provided from operating activities), levels of inventories and accounts receivable, the state of worldwide debt and equity markets, investor perceptions and expectations of past and future performance, the overall U.S. financial climate, and, in particular, with respect to borrowings, the level of U. S. Steel's outstanding debt and credit ratings by rating agencies.

Derivative Instruments

See Quantitative and Qualitative Disclosures About Market Risk for discussion of derivative instruments and associated market risk for U. S. Steel.

Management's Discussion and Analysis of Environmental Matters, Litigation and Contingencies

U. S. Steel has incurred and will continue to incur substantial capital, operating and maintenance, and remediation expenditures as a result of environmental laws and regulations. In recent years, these expenditures have been mainly for process changes in order to meet Clean Air Act obligations, although ongoing compliance costs have also been significant. To the extent these expenditures, as with all costs, are not ultimately reflected in the prices of U. S. Steel's products and services, operating results will be adversely affected. U. S. Steel believes that its major domestic integrated steel competitors are confronted by substantially similar conditions and thus does not believe that its relative position with regard to such competitors is materially affected by the impact of environmental laws and regulations. However, the costs and operating restrictions necessary for compliance with environmental laws and regulations may have an adverse effect on U. S. Steel's competitive position with regard to domestic mini-mills and some foreign steel producers and producers of materials which compete with steel, which may not be required to undertake equivalent costs in their operations. In addition, the specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating facilities and its production methods.

USSK is subject to the laws of the Slovak Republic. The environmental laws of the Slovak Republic generally follow the requirements of the EU, which are comparable to domestic standards. USSK has also entered into an agreement with the Slovak government to bring, over time, its facilities into EU environmental compliance.

U. S. Steel's environmental expenditures for the last three years were[(a)]:

(Dollars in millions)

		2002		2001		2000
Domestic:						
Capital	$	4	$	5	$	18
Compliance						
Operating & maintenance		171		184		194
Remediation[(b)]		36		26		18
Total Domestic	$	211	$	215	$	230
USSK:						
Capital	$	10	$	10	$	—
Compliance						
Operating & maintenance		8		6		—
Remediation		1		—		—
Total USSK	$	19	$	16	$	—
Total U. S. Steel	$	230	$	231	$	230

(a) Based on previously established U.S. Department of Commerce survey guidelines.
(b) These amounts include spending charged against remediation reserves, net of recoveries where permissible, but do not include noncash provisions recorded for environmental remediation.

U. S. Steel's environmental capital expenditures accounted for 5% of total capital expenditures in 2002 and 2001, and 7% in 2000.

Compliance expenditures represented 3% of U. S. Steel's total costs and expenses in 2002 and 2001, and 4% of U. S. Steel's total costs and expenses in 2000. Remediation spending during 2000 to 2002 was mainly related to remediation activities at former and present operating locations. These projects include remediation of contaminated sediments in a river that receives discharges from Gary Works and the closure of permitted hazardous and non-hazardous waste landfills.

The Resource Conservation and Recovery Act ("RCRA") establishes standards for the management of solid and hazardous wastes. Besides affecting current waste disposal practices, RCRA also addresses the environmental effects of certain past waste disposal operations, the recycling of wastes and the regulation of storage tanks.

U. S. Steel is in the study phase of RCRA corrective action programs at its Fairless Plant and its former Geneva Works. A RCRA corrective action program has been initiated at Gary Works and Fairfield Works. Until the studies are completed at these facilities, U. S. Steel is unable to estimate the total cost of remediation activities that will be required.

On October 23, 1998, a final Administrative Order on Consent was issued by the U.S. Environmental Protection Agency ("EPA") addressing Corrective Action for Solid Waste Management Units throughout Gary Works. This order requires U. S. Steel to perform a RCRA Facility Investigation ("RFI") and a Corrective Measure Study ("CMS") at Gary Works. The Current Conditions Report, U. S. Steel's first deliverable, was submitted to the EPA in January 1997 and was approved by the EPA in 1998. Phase I RFI work plans have been approved for the Coke Plant, the Process Sewers, and Background Soils at the site, along with the approval of one self-implementing interim stabilization measure. Another eight Phase I RFI work plans have been submitted for EPA approval, thereby completing the Phase I requirement, along with two Phase II RFI work plans and one further self-implementing interim stabilization measure. The costs of these studies are estimated to be $5.8 million. Until they are completed, it is impossible to assess what additional expenditures will be necessary.

At Gary Works, U. S. Steel has agreed to close three hazardous waste disposal sites located on plant property. The D2 disposal site and a nearby refuse area will be closed collectively. A Corrective Action Management Unit ("CAMU") for the West End Maintenance Area of Gary Works has been proposed that will include wastes from the D5 and T2 disposal sites. Total costs to close D2, D5, T2 and the refuse area are estimated to be $18.8 million.

In January 1992, U. S. Steel commenced negotiations with the EPA regarding the terms of an Administrative Order on consent, pursuant to the RCRA, under which U. S. Steel would perform a RFI and a CMS at its Fairless Plant. A Phase I RFI report was submitted during the third quarter of 1997. A Phase II/III RFI will be submitted following EPA approval of the Phase I report. The RFI/CMS will determine whether there is a need for, and the scope of, any remedial activities at the Fairless Plant.

In December 1995, U. S. Steel reached an agreement in principle with the EPA and the U.S. Department of Justice ("DOJ") with respect to alleged RCRA violations at Fairfield Works. A consent decree was signed by U. S. Steel, the EPA and the DOJ and filed with the United States District Court for the Northern District of Alabama (United States of America v. USX Corporation) on December 11, 1997, under which U. S. Steel will pay a civil penalty of $1 million, implement two Supplemental Environmental Projects ("SEPs") costing a total of $1.75 million and implement a RCRA corrective action at the facility. One SEP was completed during 1998 at a cost of $250,000. The second SEP is under way. As of February 22, 2000, the Alabama Department of Environmental Management assumed primary responsibility for regulation and oversight of the RCRA corrective action program at Fairfield Works, with the approval of the EPA. The first Phase I RFI work plan was approved for the site on September 16, 2002. Field sampling for the work plan commenced immediately after approval and will continue through the end of 2003. The cost to complete this study is estimated to be $657,000.

U. S. Steel has been notified that it is a potentially responsible party ("PRP") at 21 waste sites under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") as of December 31, 2002. In addition, there are 13 sites related to U. S. Steel where it has received information requests or other indications that it may be a PRP under CERCLA but where sufficient information is not presently available to confirm the existence of liability or make any judgment as to the amount thereof. There are also 37 additional sites related to U. S. Steel where remediation is being sought under other environmental statutes, both federal and state, or where private parties are seeking remediation through discussions or litigation. At many of these sites, U. S. Steel is one of a number of parties involved and the total cost of remediation, as well as U. S. Steel's share thereof, is frequently dependent upon the outcome of investigations and remedial studies. U. S. Steel accrues for environmental remediation activities when the responsibility to remediate is probable and the amount of associated costs is reasonably determinable. As environmental remediation matters proceed toward ultimate resolution or as additional remediation obligations arise, charges in excess of those previously accrued may be required. See Note 25 to the Financial Statements.

In October 1996, U. S. Steel was notified by the Indiana Department of Environmental Management ("IDEM") acting as lead trustee, that IDEM and the U.S. Department of the Interior had concluded a preliminary investigation of potential injuries to natural resources related to releases of hazardous substances from various municipal and industrial sources along the east branch of the Grand Calumet River and Indiana Harbor Canal. The public trustees completed a pre-assessment screen pursuant to federal regulations and have determined to perform a Natural Resource Damages Assessment. U. S. Steel was identified as a PRP along with 15 other companies owning property along the river and harbor canal. U. S. Steel and eight other PRPs have formed a joint defense group. The trustees notified the public of their plan for assessment and later adopted the plan. In 2000, the trustees concluded their assessment of sediment injuries, which included a technical review of environmental conditions. The PRP joint defense group has proposed terms for the settlement of this claim, which have been endorsed by representatives of the trustees and the EPA to be included in a consent decree that U. S. Steel expects will resolve this claim. U. S. Steel agreed to pay to the public trustees $20.5 million over a five-year period for restoration costs, plus $1.0 million in assessment costs, and obtained an 8-acre parcel of land that has been transferred to the Indiana Department of Natural Resources for addition to the Indiana Dunes National Lakeshore Park owned by the National Park Service. No formal legal proceedings have been filed in this matter.

On January 26, 1998, pursuant to an action filed by the EPA in the United States District Court for the Northern District of Indiana titled United States of America v. USX Corporation, U. S. Steel entered into a consent decree with the EPA which resolved alleged violations of the Clean Water Act National Pollution Discharge Elimination System ("NPDES") permit at Gary Works and provides for a sediment remediation project for a section of the Grand Calumet River that runs through Gary Works. Contemporaneously, U. S. Steel entered into a consent decree with the public trustees, which resolves potential liability for natural resource damages on the same section of the Grand Calumet River. In 1999, U. S. Steel paid civil penalties of $2.9 million for the alleged water act violations and $0.5 million in natural resource damages assessment costs. In addition, U. S. Steel will pay the public trustees $1.0 million at the end of the remediation project for future monitoring costs and U. S. Steel is obligated to purchase and restore several parcels of property that have been or will be conveyed to the trustees. During the negotiations leading up to the settlement with the EPA, capital improvements were made to upgrade plant systems to comply with the NPDES requirements. As of December 31, 2002, the sediment remediation project is an approved final interim measure under the corrective action program for Gary Works. As of December 31, 2002, project costs have amounted to $29.1 million with another $14.2 million presently projected to complete the project, over the next 12 months.

Construction began in January 2002 on a CAMU to contain the dredged material. The Toxic Substances Control Act unit within the CAMU is complete; the remaining construction was completed in February 2003. Phase 1 removal of PCB-contaminated sediment was conducted in December 2002. Dredging resumed in February 2003 and will continue until dredging on the river is concluded, which is expected to occur in October 2003. Closure costs for the CAMU are estimated to be an additional $4.9 million.

At the former Duluth Works in Minnesota, U. S. Steel spent a total of approximately $12.1 million through 2002. The Duluth Works was listed by the Minnesota Pollution Control Agency under the Minnesota Environmental Response and Liability Act on its Permanent List of Priorities. The EPA has consolidated and included the Duluth Works site with the other sites on the EPA's National Priorities List. The Duluth Works cleanup has proceeded since 1989. U. S. Steel is conducting an engineering study of the estuary sediments. Depending upon the method and extent of remediation at this site, future costs are presently unknown and indeterminable. Additional study and oversight costs through 2003 are estimated at $765,000.

In 1997, USS/Kobe, a joint venture between U. S. Steel and Kobe Steel, Ltd. ("Kobe"), was the subject of a multi-media audit by the EPA that included an air, water and hazardous waste compliance review. USS/Kobe and the EPA entered into a tolling agreement pending issuance of the final audit and commenced settlement negotiations in July 1999. In August 1999, the steelmaking and bar producing operations of USS/Kobe were combined with companies controlled by Blackstone Capital Partners II to form Republic. The tubular operations of USS/Kobe were transferred to a newly formed entity, Lorain Tubular Company, LLC ("Lorain Tubular"), which operated as a joint venture between U. S. Steel and Kobe until December 31, 1999, when U. S. Steel purchased all of Kobe's interest in Lorain Tubular. Republic and U. S. Steel are continuing negotiations with the EPA. Most of the matters raised by the EPA relate to Republic's facilities; however, air discharges from U. S. Steel's No. 3 seamless pipe mill have also been cited. U. S. Steel will be responsible for matters relating to its facilities. The final report and citations from the EPA have not been issued.

On February 12, 1987, U. S. Steel and the Pennsylvania Department of Environmental Resources ("PADER") entered into a Consent Order to resolve an incident in January 1985 involving the alleged unauthorized discharge of benzene and other organic pollutants from Clairton Works in Clairton, Pa. That Consent Order required U. S. Steel to pay a penalty of $50,000 and a monthly payment of $2,500 for five years. In 1990, U. S. Steel and the PADER reached agreement to amend the Consent Order. Under the amended Order, U. S. Steel agreed to remediate the Peters Creek Lagoon, a former coke plant waste disposal site; to pay a penalty of $300,000; and to pay a monthly penalty of up to $1,500 each month until the former disposal site is closed. Remediation costs have amounted to $10.2 million with another $1.4 million presently projected to complete the project.

In 1988, U. S. Steel and two other PRPs (Bethelehem Steel Corporation and William Fiore) agreed to the issuance of an administrative order by the EPA to undertake emergency removal work at the Municipal & Industrial Disposal Co. site in Elizabeth Township, Pa. The cost of such removal, which has been completed, was approximately $4.2 million, of which U. S. Steel paid $3.4 million. The EPA indicated that further remediation of this site would be required. In October 1991, the PADER placed the site on the Pennsylvania State Superfund list and began a Remedial Investigation, which was issued in 1997. After a feasibility study by the Pennsylvania Department of Environmental Protection ("PADEP") and submission of a conceptual remediation plan in 2001 by U. S. Steel, U. S. Steel submitted a revised conceptual remedial action plan on May 31, 2002. U. S. Steel and PADEP signed a consent decree on August 30, 2002, under which U. S. Steel is responsible for remediation of this site. This consent decree has been noticed for public comments. U. S. Steel estimates its future liability at the site to be $6.8 million.

In September 2001, U. S. Steel agreed to an Administrative Order on Consent with the State of North Carolina for the assessment and cleanup of a Greensboro, N.C. fertilizer manufacturing site. The site was owned by Armour Agriculture Chemical Company (now named Viad) from 1912 to 1968. U. S. Steel owned the site from 1968 to 1986 and sold the site to LaRoche Industries in 1986. The agreed order allocated responsibility for assessment and cleanup costs as follows: Viad—48%, U. S. Steel—26% and LaRoche—26%; and LaRoche was appointed to be the lead party responsible for conducting the cleanup. In March 2001, U. S. Steel was notified that LaRoche had filed for protection under the bankruptcy law. On August 23, 2001, the allocation of responsibility for this site assessment and cleanup and the cost allocation was approved by the bankruptcy court in the LaRoche bankruptcy. The estimated remediation costs are $4.4 million to $5.7 million. U. S. Steel's estimated share of these costs is $1.6 million.

New or expanded environmental requirements, which could increase U. S. Steel's environmental costs, may arise in the future. U. S. Steel intends to comply with all legal requirements regarding the environment, but since many of them are not fixed or presently determinable (even under existing legislation) and may be affected by future legislation, it is not possible to predict accurately the ultimate cost of compliance, including remediation costs which may be incurred and penalties which may be imposed. However, based on presently available information, and existing laws and regulations as currently implemented, U. S. Steel does not anticipate that environmental compliance expenditures (including operating and maintenance and remediation) will materially increase in 2003. U. S. Steel's environmental capital expenditures are expected to be approximately $28 million in 2003 primarily related to projects at USSK (approximately $16 million), Gary Works and Fairfield Works. Predictions beyond 2003 can only be broad-based estimates, which have varied, and will continue to vary, due to the ongoing evolution of specific regulatory requirements, the possible imposition of more stringent requirements and the availability of new technologies to remediate sites, among other matters. Based upon currently identified projects, U. S. Steel anticipates that environmental capital expenditures will be approximately $68 million in 2004 including $55 million for USSK; however, actual expenditures may vary as the number and scope of environmental projects are revised as a result of improved technology or changes in regulatory requirements and could increase if additional projects are identified or additional requirements are imposed.

U. S. Steel has been and is a defendant in a large number of cases in which approximately 14,000 claimants actively allege injury resulting from exposure to asbestos. Nearly all of these cases involve multiple defendants. These claims fall into three major groups: (1) claims made under certain federal and general maritime law by employees of the Great Lakes Fleet or Intercoastal Fleet, former operations of U. S. Steel; (2) claims made by persons who performed work at U. S. Steel facilities; and (3) claims made by industrial workers allegedly exposed to an electrical cable product formerly manufactured by U. S. Steel. To date, all actions resolved have been either dismissed or settled for immaterial amounts. In 2002, U. S. Steel disposed of claims from approximately 1,700 claimants with aggregate total payments of approximately $700,000 and over 4,700 cases were administratively dismissed. It is not possible to predict with certainty the outcome of these matters; however, based upon present knowledge, management believes that it is unlikely that the resolution of the pending actions will have a material adverse effect on our financial condition. Among the factors that management considered in reaching this conclusion are: (1) that U. S. Steel has been subject to a total of approximately 34,000 asbestos claims over the last 12 years that have been administratively dismissed or are inactive due to the failure of the claimants to present any medical evidence supporting their claims, (2) that over the last several years the total number of pending claims has remained steady, (3) that it has been many years since U. S. Steel employed maritime workers or manufactured electrical cable and (4) U. S. Steel's history of trial outcomes, settlements and dismissals. This statement of belief is a forward-looking statement. Predictions as to the outcome of pending litigation are subject to substantial uncertainties with respect to (among other things) factual

and judicial determinations, and actual results could differ materially from those expressed in this forward-looking statement.

U. S. Steel is the subject of, or a party to, a number of pending or threatened legal actions, contingencies and commitments involving a variety of matters, including laws and regulations relating to the environment, certain of which are discussed in Note 25 to the Financial Statements. The ultimate resolution of these contingencies could, individually or in the aggregate, be material to the U. S. Steel Financial Statements. However, management believes that U. S. Steel will remain a viable and competitive enterprise even though it is possible that these contingencies could be resolved unfavorably to U. S. Steel.

Outlook for 2003

Looking ahead, a loss from operations and a net loss are expected for the first quarter of 2003. Compared to the fourth quarter of 2002, pension and other benefit costs will increase by approximately $50 million and natural gas costs will be substantially higher. Although the fourth quarter included approximately $30 million for blast furnace outages, the first quarter will have normal negative seasonal effects related to iron ore and transportation operations.

Shipments for the Flat-rolled segment in the 2003 first quarter are expected to be in line with fourth quarter levels; however, product mix is expected to be less favorable as a result of planned slab sales and natural gas costs will be substantially higher. For full-year 2003, Flat-rolled shipments are expected to approximate 10.0 million net tons.

For the Tubular segment, first quarter 2003 shipments are projected to be moderately higher than in the 2002 fourth quarter, and the average realized price is expected to be lower than in the fourth quarter. Shipments for full-year 2003 are expected to be approximately 1.1 million net tons, as higher energy prices should spur a recovery in North American drilling activity in the second half of 2003.

USSK's first quarter 2003 shipments are expected to increase slightly from the 2002 fourth quarter, and shipments for the full year are projected to be approximately 4.1 million net tons. USSK's average realized price in the first quarter should improve from the fourth quarter due primarily to a January 1, 2003, price increase of 20 euros per metric ton for all flat-rolled products.

A price increase of at least $30 per net ton has been announced for new oil country tubular goods orders for shipment after March 1, 2003. In addition, a price increase of $30 per ton was announced for new domestic sheet orders for shipment March 30, 2003 and later. Also, USSK announced a minimum price increase of 20 euros per metric ton for all shipments April 1, 2003 and later.

Beginning in March 2002 and continuing throughout the year, USSK entered into various commercial arrangements with Sartid, an integrated steel company with facilities located in Smederevo and Sabac in the Republic of Serbia. Tolling agreements provide for the conversion of cold-rolled full hard into tin-coated products, and raw materials into hot-rolled bands and other finished products. USSK retains ownership of these materials and markets all of the finished products. A facility management agreement requires USSK to provide management oversight of Sartid's tin processing facilities in Sabac.

On July 30, 2002, Sartid was placed into bankruptcy and shortly thereafter the bankruptcy administrator affirmed USSK's agreements with Sartid. At the request of the bankruptcy administrator, a Commercial and Technical Support Agreement was entered into on November 8, 2002, between USSK and the bankruptcy administrator, under which USSK has been retained to provide commercial, technical and financial support as necessary to assist the bankruptcy administrator in the operation of the Smederevo Facility.

In addition, U. S. Steel continues to explore possibilities for involvement in the restructuring of Sartid. Sartid's steel production has averaged 500,000 tons per year during the past two years, which is substantially below design capacity due to Sartid's financial difficulties. U. S. Steel believes that with needed rehabilitation and investments, Sartid's long-term raw steelmaking capability could be increased to slightly more than 2 million tons per year. Sartid primarily produces sheet products and its tinning facility has an annual capability of 130,000 tons.

On April 10, 2002, U. S. Steel announced that it had signed a letter of intent to sell all of the coal and related assets associated with U. S. Steel Mining Company's West Virginia and Alabama mines. U. S. Steel and the purchaser continue discussions. U. S. Steel anticipates that the sale will generate proceeds of approximately $50 million and will result in a pre-tax gain, excluding the recognition of the present value of obligations related to a multiemployer health care benefit plan created by the Coal Industry Retiree Health Benefit Act of 1992. The recognition of these obligations, which were broadly estimated to be $76 million at December 31, 2002, will be required when U. S. Steel exits the coal mining business and would result in an extraordinary loss of approximately $50 million on an after-tax basis.

On October 16, 2002, U. S. Steel announced that it had signed a letter of intent to sell its raw materials and transportation businesses to an entity to be formed by affiliates of Apollo Management, L.P. On February 10, 2003, U. S. Steel announced that it would suspend taking further actions relative to the sale of steel-related assets with USWA representation, including the previously announced letter of intent to sell its raw materials and transportation units, pending labor negotiations with the USWA that are described below.

On January 9, 2003, U. S. Steel announced that it had signed an Asset Purchase Agreement ("APA") with National to acquire substantially all of National's steelmaking and finishing assets for approximately $950 million, which includes the assumption of liabilities of approximately $200 million. Management believes that the acquisition of National would significantly increase U. S. Steel's value-added production capabilities and enhance U. S. Steel's ability to serve the needs of North American customers in the automotive, container, appliance and construction industries. The closing of the agreement with National was contingent on, among other things, the approval of the Bankruptcy Court for the Northern District of Illinois, Eastern Division, and the execution and ratification of a new labor agreement with the USWA with respect to the steelworkers at the National facilities to be acquired.

On January 30, 2003, National announced that it had signed an agreement with another party, under which National would sell substantially all of its assets, including its pellet-making facility, for $1,125 million, consisting of cash and the assumption of approximately $200 million of liabilities. The closing of the agreement between National and the other party is contingent on, among other things, the approval of the Bankruptcy Court and the execution and ratification of a new labor agreement with the USWA with respect to the steelworkers at the National facilities to be acquired. The U.S. Bankruptcy Court in Chicago established an auction period for National Steel's assets that began on February 6, 2003, and will end on April 7, 2003.

On February 10, 2003, U. S. Steel announced that it would immediately begin bargaining with the USWA to reach a new, progressive labor contract covering facilities now owned by bankrupt National as well as the USWA-represented plants of U. S. Steel. U. S. Steel remains interested in acquiring the assets of National if it is able to reach a new labor agreement with the USWA for the steelworkers at the National facilities and acquire the assets at a price that it views to be appropriate in light of conditions in the steel and financial markets at the time of the auction. U. S. Steel is in discussions with the USWA regarding such a labor agreement, as well as other matters, including our mutual interest in encouraging consolidation in the North American integrated steel industry. U. S. Steel also

continues to evaluate other potential domestic acquisitions. Management cannot assure that U. S. Steel will participate in or prevail at the auction for National's assets.

On February 10, 2003, U. S. Steel submitted an indicative, non-binding proposal to the Government of Poland for the purchase of Polskie Huty Stali S.A. ("PHS"), the government-owned steel company. In accordance with its confidentiality agreement with the Polish Government, U. S. Steel did not disclose the terms of its offer. On February 18, 2003, U. S. Steel was advised that it had been admitted to the next round of the privatization process. The Polish Government has indicated its desire to complete the privatization by September 30, 2003. Earlier this year four of Poland's steel mills, including the two largest integrated facilities, were consolidated under PHS, which currently has annual raw steel production capability of approximately 9.0 million tons. PHS's steelmaking capability is expected to be reduced as a result of negotiations related to Poland's accession into the EU. PHS primarily produces blooms, rails, wire and other long products, as well as plate and sheet products.

In line with U. S. Steel's strategy to dispose of non-strategic assets, management is also considering conveying certain timber properties to one or more employee benefit plans.

Based on preliminary actuarial information for 2003, the company expects annual net periodic pension costs to be $65 million and annual retiree medical and life insurance costs to be $203 million, excluding multiemployer plans. Since the expected return on assets component of net periodic cost is based upon a market-related value that recognizes changes in fair value over three years, net periodic pension costs will also be progressively higher in 2004 and 2005. In 2002, U. S. Steel recorded a credit of $103 million for pensions (excluding settlement charges of $100 million) and a $138 million expense for retiree medical and life insurance (excluding multiemployer plans). Pension costs are expected to increase from 2002 primarily because of lower plan assets, average asset return assumptions that have been reduced from 8.8 percent to 8.2 percent, and a discount rate that has been reduced from 7.0 percent to 6.25 percent. The anticipated increase in retiree medical and life insurance costs primarily reflects unfavorable health care claims cost experience in 2002 for union retirees, the use of the lower discount rate and higher assumed medical cost inflation. For 2003, a 10% annual rate of increase in the per capita cost of covered health care benefits has been assumed. This rate is assumed to decrease gradually to an ultimate rate of 4.75% for 2010 and remain at that level thereafter. As a result of the above factors and payments made in 2002 from benefit plans, U. S. Steel's underfunded benefit obligations for retiree medical and life insurance increased from $1.8 billion at year-end 2001 to $2.6 billion at year-end 2002. Also, the funded status of the projected pension benefit obligation declined from an overfunded position of $1.2 billion at year-end 2001 to an underfunded position of $0.4 billion at year-end 2002.

This annual report contains forward-looking statements with respect to market conditions, operating costs, shipments and prices, potential asset dispositions and potential acquisitions. Some factors, among others, that could affect 2003 market conditions, costs, shipments and prices for both domestic operations and USSK include product demand, prices and mix, global and company steel production levels, plant operating performance, the timing and completion of facility projects, natural gas prices and usage, changes in environmental, tax and other laws, the resumption of operation of steel facilities sold under the bankruptcy laws, and U.S. and European economic performance and political developments. Domestic steel shipments and prices could be affected by import levels and actions taken by the U.S. Government and its agencies. Additional factors that may affect USSK's results are foreign currency fluctuations and political factors in Europe that include, but are not limited to, taxation, nationalization, inflation, currency fluctuations, increased regulation, export quotas, tariffs, and other protectionist measures. Consummation of the asset dispositions will depend upon a number of factors including negotiation of definitive agreements; regulatory approvals, including Department of Labor approvals for the conveyances to the benefit plans; and the ability of the purchasers to arrange financing. Factors that may impact the occurrence and timing of the

acquisition of National's steelmaking and finishing assets include the negotiation of a new labor agreement between U. S. Steel and the United Steelworkers of America covering employees of the National facilities, receipt of necessary clearances from the Federal Trade Commission and the U.S. Department of Justice under the Hart-Scott-Rodino Antitrust Improvement Act, approval by the Surface Transportation Board under the Surface Transportation Act for the acquisition of the Delray Connecting Railroad Company, the absence of any injunctions blocking the acquisition, and the results of the auction process contemplated in National's bankruptcy court filing.

Accounting Standards

On January 1, 2002, U. S. Steel adopted SFAS No. 141 "Business Combinations," No. 142 "Goodwill and Other Intangible Assets" and No. 144 "Accounting for Impairment or Disposal of Long-Lived Assets." There was no financial statement implication related to the initial adoption of these Statements. For more information see Note 4 to the Financial Statements.

On April 30, 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." Generally, SFAS No. 145 is effective for transactions occurring after May 15, 2002. There was no financial statement implication related to the adoption of this Statement. For more information see Note 4 to the Financial Statements.

The adoption of these Statements has not affected U. S. Steel's critical accounting estimates.

In June 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations." SFAS No. 143 establishes a new accounting model for the recognition and measurement of retirement obligations associated with tangible long-lived assets. SFAS No. 143 requires that an asset retirement obligation should be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. U. S. Steel adopted this Statement effective January 1, 2003. The transition adjustment of less than $15 million, net of tax, resulting from the adoption of SFAS No. 143 will be reported as a cumulative effect of a change in accounting principle in the first quarter of 2003.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" was issued in July 2002. SFAS No. 146 addresses significant issues regarding the recognition, measurement, and reporting of costs that are associated with exit and disposal activities, including restructuring activities. The scope of SFAS No. 146 includes (1) costs to terminate contracts that are not capital leases; (2) costs to consolidate facilities or relocate employees; and (3) termination benefits provided to employees who are involuntarily terminated under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. The provisions of this Statement will be effective for exit or disposal activities initiated after December 31, 2002.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." The Interpretation elaborates on the disclosure to be made by a guarantor about obligations under certain guarantees that it has issued. It also clarifies that at the inception of a guarantee, the company must recognize liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements have been adopted for the 2002 annual financial statements (See Note 25 to the Financial Statements). U. S. Steel will apply the remaining provisions of the Interpretation prospectively as required.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure," which amends SFAS No. 123. SFAS No. 148 provides

alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The Company has adopted the annual disclosure provisions of SFAS No. 148 and will adopt the interim provisions effective with the first quarter of 2003. The Company is not changing to the fair value based method of accounting for stock-based employee compensation; therefore, the transition provisions are not applicable.

FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," was issued in January 2003 and addresses consolidation by business enterprises of variable interest entities that do not have sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support from other parties or whose equity investors lack the characteristics of a controlling financial interest. This Interpretation requires consolidation of a variable interest entity by the primary beneficiary and requires certain disclosures by the primary and other significant beneficiaries. The provisions of this Interpretation apply immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which a company obtains an interest after that date. It applies for the interim period beginning after June 15, 2003, for variable interest entities in which a company holds a variable interest that it acquired before February 1, 2003. The Interpretation may be applied prospectively with a cumulative effect adjustment as of the date of first application or by restating previously issued financial statements for one or more years with a cumulative-effect adjustment as of the beginning of the first year restated. If it is reasonably possible that an enterprise will consolidate or disclose information about a variable interest entity when this Interpretation becomes effective, the company must make certain disclosures in all financial statements initially issued after January 31, 2003, regardless of the date on which the variable interest entity was created. U. S. Steel is in the process of assessing the appropriate application of this Interpretation.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management Opinion Concerning Derivative Instruments

U. S. Steel uses commodity-based and foreign currency derivative instruments to manage its price risk. Management has authorized the use of futures, forwards, swaps and options to manage exposure to price fluctuations related to the purchase of natural gas, heating oil and nonferrous metals and also certain business transactions denominated in foreign currencies. Derivative instruments used for trading and other activities are marked-to-market and the resulting gains or losses are recognized in the current period in income from operations. While U. S. Steel's risk management activities generally reduce market risk exposure due to unfavorable commodity price changes for raw material purchases and products sold, such activities can also encompass strategies that assume price risk.

Management believes that the use of derivative instruments, along with risk assessment procedures and internal controls, does not expose U. S. Steel to material risk. The use of derivative instruments could materially affect U. S. Steel's results of operations in particular quarterly or annual periods; however, management believes that use of these instruments will not have a material adverse effect on financial position or liquidity. For a summary of accounting policies related to derivative instruments, see Note 3 to the Financial Statements.

Commodity Price Risk and Related Risks

In the normal course of its business, U. S. Steel is exposed to market risk or price fluctuations related to the purchase, production or sale of steel products. To a lesser extent, U. S. Steel is exposed to price risk related to the purchase, production or sale of coal and coke and the purchase of natural gas, steel scrap, iron ore and pellets, and certain nonferrous metals used as raw materials.

U. S. Steel's market risk strategy has generally been to obtain competitive prices for its products and services and allow operating results to reflect market price movements dictated by supply and demand; however, U. S. Steel uses derivative commodity instruments (primarily over-the-counter commodity swaps) to manage exposure to fluctuations in the purchase price of natural gas and certain nonferrous metals. The use of these instruments has not been significant in relation to U. S. Steel's overall business activity.

Sensitivity analyses of the incremental effects on pre-tax income of hypothetical 10% and 25% decreases in commodity prices for open derivative commodity instruments as of December 31, 2002, and December 31, 2001, are provided in the following table:

(Dollars in millions)

Commodity-Based Derivative Instruments	Incremental Decrease in Pre-tax Income Assuming a Hypothetical Price Decrease of[a]			
	2002		2001	
	10%	25%	10%	25%
Zinc	**2.8**	**7.0**	3.5	8.9
Tin	**0.5**	**1.2**	0.2	0.6

(a) With the adoption of SFAS No. 133, the definition of a derivative instrument has been expanded to include certain fixed price physical commodity contracts. Such instruments are included in the above table. Amounts reflect the estimated incremental effect on pre-tax income of hypothetical 10% and 25% decreases in closing commodity prices for each open contract position at December 31, 2002, and December 31, 2001. Management evaluates the portfolio of derivative commodity instruments on an ongoing basis and adjusts strategies to reflect anticipated market conditions, changes in risk profiles and overall business objectives. Changes to the portfolio subsequent to December 31, 2002, may cause future pre-tax income effects to differ from those presented in the table.

U. S. Steel recorded net pre-tax losses on other than trading activity of $6 million in 2002, losses of $13 million in 2001 and gains of $2 million in 2000. These gains and losses were offset by changes in the realized prices of the underlying hedged commodities. For additional quantitative information relating to derivative commodity instruments, see Note 23 to the Financial Statements.

Interest Rate Risk

U. S. Steel is subject to the effects of interest rate fluctuations on certain of its non-derivative financial instruments. A sensitivity analysis of the projected incremental effect of a hypothetical 10% decrease in year-end 2002 and 2001 interest rates on the fair value of U. S. Steel's non-derivative financial instruments is provided in the following table:

(Dollars in millions)

As of December 31 Non-Derivative Financial Instruments[a]	2002		2001	
	Fair Value[b]	Incremental Increase in Fair Value[c]	Fair Value[b]	Incremental Increase in Fair Value[c]
Financial assets:				
Investments and long-term receivables[d]	**$ 45**	**$ —**	$ 42	$ —
Financial liabilities:				
Long-term debt[e][f]	**$ 1,165**	**$ 72**	$ 1,122	$ 79

(a) Fair values of cash and cash equivalents, receivables, notes payable, accounts payable and accrued interest approximate carrying value and are relatively insensitive to changes in interest rates due to the short-term maturity of the instruments. Accordingly, these instruments are excluded from the table.
(b) See Note 24 to the Financial Statements for carrying value of instruments.
(c) Reflects, by class of financial instrument, the estimated incremental effect of a hypothetical 10% decrease in interest rates at December 31, 2002, and December 31, 2001, on the fair value of U. S. Steel's non-derivative financial instruments. For financial liabilities, this assumes a 10% decrease in the weighted average yield to maturity of U. S. Steel's long-term debt at December 31, 2002, and December 31, 2001.
(d) For additional information, see Note 15 to the Financial Statements.
(e) Includes amounts due within one year.
(f) Fair value was based on market prices where available, or current borrowing rates for financings with similar terms and maturities. For additional information, see Note 11 to the Financial Statements.

At December 31, 2002, U. S. Steel's portfolio of long-term debt was comprised primarily of fixed-rate instruments. Therefore, the fair value of the portfolio is relatively sensitive to effects of interest rate fluctuations. This sensitivity is illustrated by the $72 million increase in the fair value of long-term debt assuming a hypothetical 10% decrease in interest rates. However, U. S. Steel's sensitivity to interest rate declines and corresponding increases in the fair value of its debt portfolio would unfavorably affect U. S. Steel's results and cash flows only to the extent that U. S. Steel elected to repurchase or otherwise retire all or a portion of its fixed-rate debt portfolio at prices above carrying value.

Foreign Currency Exchange Rate Risk

U. S. Steel, primarily through USSK, is subject to the risk of price fluctuations due to the effects of exchange rates on revenues and operating costs, firm commitments for capital expenditures and existing assets or liabilities denominated in currencies other than U.S. dollars, in particular the euro and Slovak koruna. U. S. Steel has not generally used derivative instruments to manage this risk. However, U. S. Steel has made limited use of forward currency contracts to manage exposure to certain currency price fluctuations. At December 31, 2002, U. S. Steel had open euro forward sale contracts for both U.S. dollar (total notional value of approximately $15.0 million) and Slovak koruna (total

notional value of approximately $26.6 million). A 10% increase in the December 31, 2002 euro forward rates would result in an additional $4.2 million charge to income.

Equity Price Risk

On October 9, 2002, U. S. Steel sold its investment in VSZ. Prior to that time, U. S. Steel was subject to equity price risk and market liquidity risk related to that investment.

Safe Harbor

U. S. Steel's quantitative and qualitative disclosures about market risk include forward-looking statements with respect to management's opinion about risks associated with U. S. Steel's use of derivative instruments. These statements are based on certain assumptions with respect to market prices and industry supply of and demand for steel products and certain raw materials. To the extent that these assumptions prove to be inaccurate, future outcomes with respect to U. S. Steel's hedging programs may differ materially from those discussed in the forward-looking statements.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report

The accompanying consolidated financial statements of United States Steel Corporation are the responsibility of and have been prepared by United States Steel Corporation in conformity with accounting principles generally accepted in the United States of America. They necessarily include some amounts that are based on best judgments and estimates. United States Steel Corporation financial information displayed in other sections of this report is consistent with these financial statements.

United States Steel Corporation seeks to assure the objectivity and integrity of its financial records by careful selection of its managers, by organizational arrangements that provide an appropriate division of responsibility and by communications programs aimed at assuring that its policies and methods are understood throughout the organization.

United States Steel Corporation has a comprehensive formalized system of disclosure controls and procedures designed to provide reasonable assurance that assets are safeguarded, that financial records are reliable and that information required to be disclosed in reports filed with or submitted to the Securities and Exchange Commission is recorded, processed, summarized and reported within the required time limits. Appropriate management monitors the system for compliance and evaluates it for effectiveness, and the internal auditors independently measure its effectiveness and recommend possible improvements thereto. In addition, as part of their audit of the financial statements, United States Steel Corporation's independent accountants review disclosure controls and procedures selectively to establish a basis of reliance thereon in determining the nature, extent and timing of audit tests to be applied.

The Board of Directors pursues its oversight role in the area of financial reporting and disclosure controls and procedures through its Audit & Finance Committee. This Committee, composed solely of nonmanagement directors, regularly meets (jointly and/or separately) with the independent accountants, management, internal auditors and members of the disclosure committee to monitor the proper discharge by each of their responsibilities relative to disclosure controls and procedures and the Corporation's financial statements.

/s/ Thomas J. Usher	/s/ John P. Surma
Thomas J. Usher *Chairman of the Board of Directors and Chief Executive Officer*	John P. Surma *President*
/s/ Gretchen R. Haggerty	/s/ Larry G. Schultz
Gretchen R. Haggerty *Executive Vice President, Treasurer and Chief Financial Officer*	Larry G. Schultz *Vice President and Controller*

Report of Independent Accountants

To the Stockholders of United States Steel Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of United States Steel Corporation and its subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of United States Steel Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
February 25, 2003

Statement of Operations

(Dollars in millions) **Year Ended December 31,**	**2002**	**2001**	**2000**

Revenues and other income:			
Revenues	**$ 6,031**	$ 5,464	$ 5,125
Revenues from related parties *(Note 14)*	**918**	822	965
Income (loss) from investees *(Note 5)*	**33**	64	(8)
Net gains on disposal of assets *(Note 15)*	**29**	22	46
Other income *(Note 7)*	**43**	3	4
Total revenues and other income	**7,054**	6,375	6,132
Costs and expenses:			
Cost of revenues (excludes items shown below)	**6,158**	6,166	5,684
Selling, general and administrative expenses (credits)	**418**	270	(16)
Depreciation, depletion and amortization	**350**	344	360
Total costs and expenses	**6,926**	6,780	6,028
Income (loss) from operations	**128**	(405)	104
Net interest and other financial costs *(Note 6)*	**115**	141	105
Income (loss) before income taxes	**13**	(546)	(1)
Income tax provision (benefit) *(Note 13)*	**(48)**	(328)	20
Net income (loss)	**$ 61**	$ (218)	$ (21)

Income Per Common Share (Note 18)

Basic and diluted	**$ .62**	$ (2.45)	$ (.24)

The accompanying notes are an integral part of these financial statements.

Balance Sheet

(Dollars in millions) December 31,	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	**$ 243**	$ 147
Receivables, less allowance of $57 and $58 *(Note 21)*	**805**	671
Receivables from related parties, less allowance of $— and $107 *(Note 14)*	**129**	159
Inventories *(Note 22)*	**1,030**	870
Deferred income tax benefits *(Note 13)*	**217**	216
Other current assets	**16**	10
Total current assets	**2,440**	2,073
Investments and long-term receivables, less allowance of $2 and $39 *(Note 15)*	**341**	340
Long-term receivables from related parties, less allowance of $— and $36 *(Note 14)*	**6**	14
Property, plant and equipment — net *(Note 20)*	**2,978**	3,084
Pension asset *(Note 12)*	**1,654**	2,745
Intangible pension asset *(Note 12)*	**414**	—
Other noncurrent assets	**144**	81
Total assets	**$ 7,977**	$ 8,337
Liabilities		
Current liabilities:		
Accounts payable	**$ 677**	$ 551
Accounts payable to related parties *(Note 14)*	**90**	143
Payroll and benefits payable	**254**	239
Accrued taxes	**281**	248
Accrued interest	**44**	45
Long-term debt due within one year *(Note 11)*	**26**	32
Total current liabilities	**1,372**	1,258

Long-term debt *(Note 11)*	**1,408**	1,434
Deferred income taxes *(Note 13)*	**223**	732
Employee benefits *(Note 12)*	**2,601**	2,008
Long-term payable to related parties *(Note 14)*	**—**	33
Deferred credits and other liabilities	**346**	366
Total liabilities	**5,950**	5,831
Contingencies and commitments *(Note 25)*	**—**	—
Stockholders' Equity *(Details on page F-6)*		
Common stock —		
Issued — 102,485,246 shares and 89,197,740 shares (par value $1 per share, authorized 200,000,000 shares)	**102**	89
Additional paid-in capital	**2,689**	2,475
Retained earnings	**42**	—
Accumulated other comprehensive loss	**(803)**	(49)
Deferred compensation	**(3)**	(9)
Total stockholders' equity	**2,027**	2,506
Total liabilities and stockholders' equity	**$ 7,977**	$ 8,337

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

(Dollars in millions) Year Ended December 31,	2002	2001	2000
Increase (decrease) in cash and cash equivalents			
Operating activities:			
Net income (loss)	**$ 61**	$ (218)	$ (21)
Adjustments to reconcile to net cash provided from (used in) operating activities:			
Depreciation, depletion and amortization	**350**	344	360
Pensions and other postretirement benefits	**87**	(57)	(847)
Deferred income taxes	**(39)**	18	389
Net gains on disposal of assets	**(29)**	(22)	(46)
(Income) loss from equity investees, net of distributions	**(9)**	(47)	18
Changes in:			
Current receivables			
— sold	**320**	—	—
— repurchased	**(320)**	—	—
— operating turnover	**(134)**	116	(43)
— income taxes	**—**	336	(267)
— provision for doubtful accounts	**29**	108	47
Inventories	**(160)**	104	(63)
Current accounts payable and accrued expenses	**196**	(87)	(262)
All other — net	**(73)**	74	108
Net cash provided from (used in) operating activities	**279**	669	(627)
Investing activities:			
Capital expenditures	**(258)**	(287)	(244)
Acquisition of U. S. Steel Kosice, net of cash acquired in 2000 of $59	**(38)**	(14)	(10)
Disposal of assets	**67**	44	21
Restricted cash — withdrawals	**5**	5	2
— deposits	**(72)**	(4)	(2)
Investees — investments	**(18)**	(3)	(35)
— return of capital	**—**	13	—
— loans and advances	**(3)**	(3)	(10)
— repayments of loans and advances	**8**	—	—
All other — net	**—**	10	8
Net cash used in investing activities	**(309)**	(239)	(270)
Financing activities:			
Net change in attributed portion of Marathon consolidated debt and other financial obligations	**—**	(74)	1,208
Repayment of specifically attributed debt	**—**	(370)	(6)

Revolving credit facility — borrowings	**40**	—	—
— repayments	**(40)**	—	—
Settlement with Marathon	**(54)**	—	—
Repayment of long-term debt	**(32)**	—	—
Common stock issued	**227**	—	—
Preferred stock repurchased	**—**	—	(12)
Dividends paid	**(19)**	(57)	(97)
Net cash provided from (used in) financing activities	**122**	(501)	1,093
Effect of exchange rate changes on cash	**4**	(1)	1
Net increase (decrease) in cash and cash equivalents	**96**	(72)	197
Cash and cash equivalents at beginning of year	**147**	219	22
Cash and cash equivalents at end of year	**$ 243**	$ 147	$ 219
Cash provided from (used in) operating activities included:			
Interest and other financial costs paid (net of amount capitalized)	**$ (124)**	$ (182)	$ (71)
Income taxes refunded from (paid to) taxing authorities	**(4)**	9	(10)
Income tax settlements received from Marathon	**7**	819	91

See Note 9, for supplemental cash flow information.
The accompanying notes are an integral part of these financial statements.

Statement of Stockholders' Equity

(In millions, except share data)	**Dollars in millions**			**Shares in thousands**		
	2002	**2001**	**2000**	**2002**	**2001**	**2000**
Common stock:						
Balance at beginning of year	**$ 89**	$ —	$ —	**89,198**	—	—
Common stock issued:						
Public offering	**11**	—	—	**10,925**	—	—
Employee stock plans	**1**	—	—	**1,397**	—	—
Dividend Reinvestment Plan	**1**	—	—	**965**	—	—
Separation	**—**	89	—	**—**	89,198	—
Balance at end of year	**$ 102**	$ 89	$ —	**102,485**	89,198	—
Additional paid-in capital:						
Balance at beginning of year	**$ 2,475**	$ —	$ —			
Common stock issued	**214**	—	—			
Common stock issued in Separation	**—**	2,475	—			
Balance at end of year	**$ 2,689**	$ 2,475	$ —			

				Comprehensive Income		
				2002	**2001**	**2000**
Retained earnings:						
Balance at beginning of year	**$ —**	$ —	$ —			
Net income	**61**	—	—	**$ 61**		
Dividends on common stock (per share $.20)	**(19)**	—	—			
Balance at end of year	**$ 42**	$ —	$ —			
Marathon net investment *(Note 1)*:						
Balance at beginning of year	**$ —**	$ 1,952	$ 2,076			
Net loss	**—**	(218)	(21)		$ (218)	$ (21)
Repurchase of 6.50% preferred stock	**—**	—	(12)			
Common stock issued	**—**	8	6			
Dividends on preferred stock	**—**	(8)	(8)			
Dividends on common stock (per share $.55 in 2001 and $1.00 in 2000)	**—**	(49)	(89)			
Excess redemption value over carrying value of preferred securities	**—**	(14)	—			
Preferred stock retained by Marathon in Separation	**—**	(120)	—			
Capital contributions by Marathon *(Note 2)*	**—**	1,013	—			
Transfer to common stockholders' equity at Separation	**—**	(2,564)	—			

Balance at end of year	$ —	$ —	$ 1,952			
Deferred compensation:						
Balance at beginning of year	$ (9)	$ (3)	$ —			
Changes during year, net of taxes	6	(6)	(3)			
Balance at end of year	$ (3)	$ (9)	$ (3)			
Accumulated other comprehensive loss:						
Minimum pension liability adjustments *(Note 12):*						
Balance at beginning of year	$ (20)	$ (4)	$ (7)			
Changes during year, net of taxes [a]	(756)	(16)	3	(756)	(16)	3
Balance at end of year	(776)	(20)	(4)			
Foreign currency translation adjustments:						
Balance at beginning of year	$ (29)	$ (26)	$ (13)			
Changes during year, net of taxes [a]	2	(3)	(13)	2	(3)	(13)
Balance at end of year	(27)	(29)	(26)			
Total balances at end of year	$ (803)	$ (49)	$ (30)			
Total comprehensive loss				$ (693)	$ (237)	$ (31)
Total stockholders' equity	$ 2,027	$ 2,506	$ 1,919			
[a] Related income tax (provision) benefit:						
Minimum pension liability adjustments	$ 475	$ 9	$ (1)			
Foreign currency translation adjustments	—	—	(5)			

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

1. Basis of Presentation

United States Steel Corporation (U. S. Steel) owns and operates the former steel businesses of USX Corporation, now named and referred to herein as Marathon Oil Corporation (Marathon). U. S. Steel is engaged domestically in the production, sale and transportation of steel mill products, coal, coke, and taconite pellets (iron ore); steel mill products distribution; the management of mineral resources; the management and development of real estate; and engineering and consulting services and, through U. S. Steel Kosice (USSK) in the Slovak Republic, in the production and sale of steel mill products and coke primarily for the central and western European markets.

Prior to December 31, 2001, the businesses of U. S. Steel comprised an operating unit of Marathon. Marathon had two outstanding classes of common stock: USX—Marathon Group common stock, which was intended to reflect the performance of Marathon's energy business, and USX—U. S. Steel Group common stock (Steel Stock), which was intended to reflect the performance of Marathon's steel business. As described further in Note 2, on December 31, 2001, U. S. Steel was capitalized through the issuance of 89.2 million shares of common stock to holders of Steel Stock in exchange for all outstanding shares of Steel Stock on a one-for-one basis.

The accompanying consolidated balance sheets as of December 31, 2002 and 2001, and statements of operations and cash flows for the year ended December 31, 2002, reflect the financial position, results of operations and cash flows of U. S. Steel as a separate, stand-alone entity. Combined statements of operations and of cash flows for each of the two years in the period ended December 31, 2001, represent a carve-out presentation of the businesses comprising U. S. Steel, and are not intended to be a complete presentation of the results of operations and cash flows of U. S. Steel on a stand-alone basis. Marathon's net investment in U. S. Steel represented the combined net assets of the businesses comprising U. S. Steel and was presented in lieu of common stockholders' equity. The allocations and estimates included in these combined financial statements for the years 2001 and 2000 were determined using the methodologies described below:

Financial activities — As a matter of policy, Marathon historically managed most financial activities on a centralized, consolidated basis. Transactions related primarily to invested cash, short-term and long-term debt (including convertible debt), related net interest and other financial costs, and preferred stock and related dividends were attributed to U. S. Steel based upon its cash flows for each of the periods presented and its initial capital structure. However, transactions such as leases, certain collateralized financings, certain indexed debt instruments and transactions related to securities convertible solely into Steel Stock were specifically attributed to U. S. Steel.

Corporate general and administrative costs — Corporate general and administrative costs were allocated to U. S. Steel based upon utilization or other methods management believed to be reasonable and which considered certain measures of business activities, such as employment, investments and revenues.

Income taxes — The results from the businesses comprising U. S. Steel were included in the consolidated federal income tax returns of Marathon through 2001. The consolidated provision and the related tax payments or refunds were reflected in U. S. Steel's combined financial statements in accordance with Marathon's tax allocation policy. In general, such policy provided that the consolidated tax provision and related tax payments or refunds were allocated to U. S. Steel, based principally upon the financial income, taxable income, credits, preferences and other amounts directly related to U. S. Steel.

For tax provision and settlement purposes, tax benefits resulting from attributes (principally net operating losses and various tax credits), which could not be utilized by U. S. Steel on a separate return basis but which could be utilized on a consolidated basis in that year or in a carryback year, were allocated to U. S. Steel if it generated the attributes. As a result, the allocated group amounts of taxes payable or refundable were not necessarily comparable to those that would have resulted if U. S. Steel had filed its own separate tax returns.

In connection with the Separation discussed in Note 2, U. S. Steel and Marathon entered into a tax sharing agreement, which is discussed in Notes 13 and 25.

2. The Separation

On December 31, 2001, in accordance with the Agreement and Plan of Reorganization approved by the shareholders of Marathon, Marathon converted each share of Steel Stock into the right to receive one share of U. S. Steel common stock (the Separation).

In connection with the Separation, U. S. Steel was required to repay or replace certain indebtedness and other obligations of Marathon so that the amount of indebtedness and other obligations for which U. S. Steel was responsible immediately following the Separation would be $900 million less than the net amounts attributed to U. S. Steel immediately prior to the Separation (Value Transfer). Any difference between the two amounts, adjusted for the Value Transfer, was to be settled in cash (Cash Settlement). During the last six months of 2001, U. S. Steel completed a number of financings in order to repay or replace certain indebtedness and other obligations of Marathon.

At December 31, 2001, the net debt and other obligations of U. S. Steel was $54 million less than the net debt and other obligations attributed to U. S. Steel, adjusted for the Value Transfer. As a result, U. S. Steel recorded a $54 million payable to Marathon for the Cash Settlement. In accordance with the terms of the Separation, U. S. Steel paid Marathon $54 million, plus applicable interest, on February 6, 2002.

The net assets of U. S. Steel at Separation were approximately the same as the net assets attributed to U. S. Steel immediately prior to the Separation, except for the Value Transfer and the impacts of certain other transactions directly related to the Separation. The following table reconciles the net assets attributed to U. S. Steel immediately prior to the Separation with the net assets of U. S. Steel immediately following the Separation:

(In millions)

Net assets of U. S. Steel prior to Separation		$ 1,551
Value Transfer	$ 90	
Separation costs funded by Marathon	62	
Other Separation adjustments	51	
Increase in net assets related to Separation		1,013
Net assets of U. S. Steel		$ 2,564

In connection with the Separation, U. S. Steel and Marathon entered into the following Agreements:

Financial Matters Agreement **—** This agreement establishes the responsibilities of U. S. Steel and Marathon relating to certain corporate obligations of Marathon at the time of Separation as follows:

- The assumption by U. S. Steel of certain industrial revenue bonds and certain other financial obligations of Marathon. See Notes 11 and 25 for details.
- Obligations for which Marathon is solely responsible.

- Obligations of Marathon for which U. S. Steel remains contingently liable. See Note 25 for details.
- Obligations of U. S. Steel for which Marathon remains contingently liable.

Tax Sharing Agreement **—** See Notes 13 and 25, for a discussion of this agreement.

Transition Services Agreement **—** This agreement provided that, to the extent that one company or the other was not able to immediately service its own needs relating to services formerly managed on a corporate-wide basis, U. S. Steel and Marathon would enter into a transition services agreement whereby one company would provide such services to the other to the extent requested if the providing company was able to do so. Such agreements would be for a term of up to twelve months and be on a cost reimbursement basis. This agreement expired at December 31, 2002.

License Agreement **—** This agreement granted to U. S. Steel a non-exclusive license to use the USX name rights and certain intellectual property with the right to sublicense.

Insurance Assistance Agreement **—** This agreement provides for the division of responsibility for joint insurance arrangements and the associated payment of insurance claims and deductibles following the Separation for claims associated with pre-Separation periods.

For other activities between U. S. Steel and Marathon, see Note 14.

3. Summary of Principal Accounting Policies

Principles applied in consolidation **—** These financial statements include the accounts of U. S. Steel and its majority-owned subsidiaries. Intercompany accounts, transactions and profits have been eliminated in consolidation.

The accounts of businesses acquired have been included in the consolidated financial statements from the dates of acquisition. See Note 5 for further discussion of businesses acquired.

Investments in entities over which U. S. Steel has significant influence are accounted for using the equity method of accounting and are carried at U. S. Steel's share of net assets plus loans and advances. Differences in the basis of the investment and the underlying net asset value of the investee, if any, are amortized into earnings over the remaining useful life of the associated assets.

Investments in companies whose stock is publicly traded are carried generally at market value. The difference between the cost of these investments and market value is recorded in other comprehensive income (net of tax). Investments in companies whose stock has no readily determinable fair value are carried at cost and are periodically reviewed for impairment.

Income (loss) from investees includes U. S. Steel's proportionate share of income (loss) from equity method investments. Also, gains or losses from changes in ownership of unconsolidated investees are recognized in the period of change. Unrealized profits and losses on transactions with equity investees have been eliminated in consolidation.

Use of estimates — Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying value of property, plant and equipment; valuation allowances for receivables, inventories and deferred income tax assets; environmental liabilities; liabilities for potential tax deficiencies and potential litigation claims and settlements; and assets and obligations related to employee benefits. Actual results could differ from the estimates and assumptions used.

Revenue recognition — Revenues are primarily recognized when products are shipped, properties are sold or services are provided to customers, the sales price is fixed and determinable, collectibility is reasonably assured, and title and risks of ownership have passed to the buyer. Revenues for mineral interest royalties are generally recorded when the cash is received, which approximates the accrual method. Shipping and other transportation costs charged to buyers are recorded in both revenues and cost of revenues.

Cash and cash equivalents — Cash and cash equivalents include cash on hand and on deposit and investments in highly liquid debt instruments with maturities generally of three months or less.

Inventories — Inventories are carried at lower of cost or market on a worldwide basis. Cost of inventories is determined primarily under the last-in, first-out (LIFO) method.

Derivative instruments — U. S. Steel uses commodity-based and foreign currency derivative instruments to manage its exposure to price risk. Futures, forwards, swaps and options are used to reduce the effects of fluctuations in the purchase price of natural gas and nonferrous metals and also certain business transactions denominated in foreign currencies. U. S. Steel has not elected to designate derivative instruments as qualifying for hedge accounting treatment. As a result, the changes in fair value of all derivatives are recognized immediately in results of operations.

Property, plant and equipment —U. S. Steel records depreciation on a modified straight-line or straight-line method utilizing a composite or group asset approach based upon estimated lives of assets. The modified straight-line method is utilized for domestic steel producing assets and is based upon production levels. The modification factors applied to straight-line calculations range from a minimum of 85% at a production level below 81% of capability, to a maximum of 105% for a 100% production level. No modification is made at the 95% production level, considered the normal long-range level.

Depletion of mineral properties is based on rates which are expected to amortize cost over the estimated tonnage of minerals to be removed.

U. S. Steel evaluates impairment of its property, plant and equipment on an individual asset basis or by logical groupings of assets whenever circumstances indicate that the carrying value may not be recoverable. Assets deemed to be impaired are written down to their fair value, including any related goodwill, using discounted future cash flows and, if available, comparable market values.

When property, plant and equipment depreciated on an individual basis are sold or otherwise disposed of, any gains or losses are reflected in income. Gains on disposal of long-lived assets are recognized when earned, which is generally at the time of closing. If a loss on disposal is expected, such losses are recognized when the assets are reclassified as assets held for sale. Proceeds from the disposal of property, plant and equipment depreciated on a group basis are credited to accumulated depreciation, depletion and amortization with no immediate effect on income.

Major maintenance activities — U. S. Steel incurs planned major maintenance costs primarily for blast furnace relines. Costs that extend the life of the asset are separately capitalized in property, plant and equipment and are amortized over their estimated useful life, which is generally the period until the next scheduled reline. All other repair and maintenance costs are expensed as incurred.

Environmental remediation — Environmental expenditures are capitalized if the costs mitigate or prevent future contamination or if the costs improve existing assets' environmental safety or efficiency. U. S. Steel provides for remediation costs and penalties when the responsibility to remediate is probable and the amount of associated costs is reasonably determinable. Generally, the timing of remediation accruals coincides with completion of a feasibility study or the commitment to a formal plan of action. Remediation liabilities are accrued based on estimates of known environmental

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exposure and are discounted if the amount and timing of the cash disbursements are readily determinable.

Pensions, other postretirement and postemployment benefits — U. S. Steel has noncontributory defined benefit pension plans and defined benefit retiree health care and life insurance plans (other postretirement benefits) that cover most of its domestic employees on their retirement. The net pension and other postretirement benefits obligations recorded and the related periodic costs are based on, among other things, assumptions of the discount rate, estimated return on plan assets, salary increases, the mortality of participants and the current level and escalation of health care costs in the future. Additionally, U. S. Steel recognizes an obligation to provide postemployment benefits, primarily for disability-related claims covering indemnity and medical payments for certain domestic employees. The obligation for these claims and the related periodic costs are measured using actuarial techniques and assumptions. Actuarial gains and losses are deferred and amortized over future periods.

Concentration of credit and business risks —U. S. Steel is exposed to credit risk in the event of nonpayment by customers principally within the automotive, steel, container and construction industries. Changes in these industries may significantly affect management's estimates and U. S. Steel's financial performance. U. S. Steel mitigates its exposure to credit risk by performing ongoing credit evaluations and, when deemed necessary, requiring letters of credit, guarantees or collateral. USSK mitigates credit risk for approximately 75% of its revenues by requiring bank guarantees, letters of credit, credit insurance, prepayment or other collateral.

The majority of U. S. Steel's customers are located in the United States and Central and Western Europe. No single customer accounts for more than 5% of gross annual revenues.

Foreign currency risk — U. S. Steel, primarily through USSK, is subject to the risk of price fluctuations due to the effects of exchange rates on revenues and operating costs, firm commitments for capital expenditures and existing assets or liabilities denominated in currencies other than the U.S. dollar.

Stock-based compensation — U. S. Steel has various stock-based employee compensation plans, which are described more fully in Note 19. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No stock-based employee compensation cost is reflected in net income for the stock options or stock appreciation rights (SARs) at the date of grant, as all options and SARs granted had an exercise price equal to the market value of the underlying common stock. When the stock price exceeds the grant price, SARs are adjusted for changes in the market value and compensation expense is recorded. Deferred compensation for restricted stock under the United States Steel Corporation 2002 Stock Plan (2002 Stock Plan) and the USX

Corporation 1990 Stock Plan (1990 Stock Plan) is charged to equity when the restricted stock is granted and subsequently adjusted for changes in the market value of the underlying stock. The deferred compensation is then expensed over the vesting period and adjusted if conditions of the restricted stock grant are not met. Deferred compensation for the restricted stock plan for certain salaried employees who are not officers of the Corporation is charged to equity when the restricted stock is granted and subsequently expensed over the vesting period.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

(In millions, except per share data)	2002	2001	2000
Net income (loss), as reported	**$ 61**	$ (218)	$ (21)
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	**3**	2	1
Deduct: Total stock-based employee compensation expense determined under fair value methods for all awards, net of related tax effects	**(7)**	(5)	(3)
Pro forma net income (loss)	**$ 57**	$ (221)	$ (23)
Basic and diluted net income (loss) per share			
— As reported	**$ .62**	$ (2.45)	$ (.24)
— Pro forma	**.58**	(2.48)	(.26)

The above pro forma amounts were based on a Black-Scholes option-pricing model, which included the following information and assumptions:

	2002	2001	2000
Weighted average grant date exercise price per share	**$ 20.42**	$ 19.89	$ 23.00
Expected annual dividends per share	**$ .20**	$ .20	$ 1.00
Expected life in years	**5**	5	5
Expected volatility	**43%**	40%	37%
Risk-free interest rate	**4.4%**	4.9%	6.5%
Weighted-average grant date fair value of options granted during the year, as calculated from above	**$ 8.29**	$ 7.69	$ 6.63

Deferred taxes — Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The realization of deferred tax assets is assessed periodically based on several interrelated factors. These factors include U. S. Steel's expectation to generate sufficient future taxable income and management's intent regarding the permanent reinvestment of the earnings from certain foreign subsidiaries. Deferred tax liabilities have not been recognized for the undistributed earnings of certain foreign subsidiaries, primarily USSK, because management intends to permanently reinvest such earnings in those foreign operations. U. S. Steel records a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized.

Insurance — U. S. Steel is insured for catastrophic casualty and certain property and business interruption exposures, as well as those risks required to be insured by law or contract. Costs resulting from noninsured losses are charged against income upon occurrence.

Reclassifications — Effective January 1, 2002, net pension and other postretirement costs associated with active employees at our operating locations are reflected in cost of revenues. Net costs and credits associated with corporate headquarters personnel and all retirees are reflected in selling, general and administrative expenses. Prior year data has been reclassified to conform to the current year presentation, which resulted in a decrease in cost of revenues and an increase in selling, general and administrative expenses of $162 million and $190 million for the years ended December 31, 2001 and 2000, respectively. Certain other reclassifications of prior years' data have been made to conform to 2002 classifications.

4. New Accounting Standards

On January 1, 2002, U. S. Steel adopted Statement of Financial Accounting Standards (SFAS) No. 141 "Business Combinations." SFAS No. 141 requires that all business combinations be accounted for under the purchase method of accounting and established specific criteria for the recognition of intangible assets separately from goodwill. This Statement also requires that if any excess of fair value of acquired assets over cost in a business combination remains after reducing to zero amounts that would have otherwise been assigned to the acquired assets, that remaining excess shall be recognized immediately as an extraordinary gain, rather than being deferred and amortized. There was no financial statement impact related to the initial adoption of SFAS No. 141 and the guidance will be applied on a prospective basis.

On January 1, 2002, U. S. Steel adopted SFAS No. 142 "Goodwill and Other Intangible Assets" which addresses the accounting for goodwill and other intangible assets after an acquisition. The most significant changes made by SFAS No. 142 are that 1) goodwill and intangible assets with indefinite lives will no longer be amortized, but must be tested for impairment at least annually; and 2) the amortization period for intangible assets with finite lives will no longer be limited to forty years. SFAS No. 142 requires transitional disclosure of what reported net income and the associated per share amount would have been in all periods presented had SFAS No. 142 been in effect. There was no impact to net income or the related per share amount for any period presented in the financial statements.

Also adopted on January 1, 2002, was SFAS No. 144 "Accounting for Impairment or Disposal of Long-Lived Assets." This Statement establishes a single accounting model for long-lived assets to be disposed of by sale and provides additional guidance on assets to be held and used and assets to be disposed of other than by sale. There was no financial statement impact related to the initial adoption of this Statement.

On April 30, 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 rescinds SFAS No. 4, "Reporting Gains and Losses from the Extinguishment of Debt," and the criteria in Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" will now be used to classify gains and losses on the extinguishment of debt. SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking Fund Requirements" amended SFAS No. 4 and is no longer necessary because SFAS No. 4 has been rescinded. SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers" did not apply to U. S. Steel. SFAS No. 13, "Accounting for Leases" is amended to require certain lease modifications that have economic effects similar to sale-leaseback transactions to be accounted for in the same manner as sale-leaseback transactions. SFAS No. 145 also makes technical corrections to existing pronouncements. While these corrections are not substantive in nature, in some instances, they may change accounting practice. Generally, SFAS No. 145 is effective for fiscal years beginning after May 15, 2002, except for certain provisions related to SFAS No. 13 that are effective for transactions occurring after May 15, 2002. The provisions of SFAS No. 145 related to the rescission of SFAS No. 4 will have no impact on net income or the related per share amount for any period presented in the financial statements.

In June 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations." SFAS No. 143 establishes a new accounting model for the recognition and measurement of retirement obligations associated with tangible long-lived assets. SFAS No. 143 requires that an asset retirement obligation be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. SFAS No. 143 requires proforma disclosure of the amount of the liability for obligations as if the statement had been applied during all periods affected,

using current information, current assumptions and current interest rates. In addition, the effect of adopting a new accounting principle on net income and on the related per share amounts is required to be shown on the face of the income statements for all periods presented under APB Opinion No. 20. U. S. Steel adopted this Statement effective January 1, 2003. The transition adjustment of less than $15 million, net of tax, resulting from the adoption of SFAS No. 143 will be reported as a cumulative effect of a change in accounting principle in the first quarter of 2003. U. S. Steel will comply with the proforma disclosure requirements.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" was issued in July 2002. SFAS No. 146 addresses significant issues regarding the recognition, measurement and reporting of costs that are associated with exit and disposal activities, including restructuring activities. The scope of SFAS No. 146 includes (1) costs to terminate contracts that are not capital leases; (2) costs to consolidate facilities or relocate employees; and (3) termination benefits provided to employees who are involuntarily terminated under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. The provisions of this Statement will be effective for exit or disposal activities initiated after December 31, 2002.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." The Interpretation elaborates on the disclosure to be made by a guarantor about obligations under certain guarantees that it has issued. It also clarifies that at the inception of a guarantee, the company must recognize liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements have been adopted for the 2002 annual financial statements (see Note 25). U. S. Steel will apply the remaining provisions of the Interpretation prospectively as required.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure," which amends SFAS No. 123. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The Company has adopted the annual disclosure provisions and will adopt the interim disclosure provisions of SFAS No. 148 effective with the first quarter of 2003. The Company is not changing to the fair value based method of accounting for stock-based employee compensation; therefore, the transition provisions are not applicable.

FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," was issued in January 2003 and addresses consolidation by business enterprises of variable interest entities that do not have sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support from other parties or whose equity investors lack the characteristics of a controlling financial interest. This Interpretation requires consolidation of a variable interest entity by the primary beneficiary and requires certain disclosures by the primary and other significant beneficiaries. The provisions of this Interpretation apply immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which a company obtains an interest after that date. It applies for the interim period beginning after June 15, 2003, for variable interest entities in which a company holds a variable interest that it acquired before February 1, 2003. The Interpretation may be applied prospectively with a cumulative effect adjustment as of the date of first application or by restating previously issued financial statements for one or more years with a cumulative-effect adjustment as of the beginning of the first year restated. If it is reasonably possible that an enterprise will consolidate or disclose information about a variable interest entity when this Interpretation becomes effective, the company must make certain disclosures in all financial

statements initially issued after January 31, 2003, regardless of the date on which the variable interest entity was created. U. S. Steel is in the process of assessing the appropriate application of this Interpretation.

5. Business Combinations

On November 24, 2000, U. S. Steel acquired USSK. USSK was formed in June 2000 to hold the steel operations and related assets of VSZ a.s. (VSZ), a diversified Slovak corporation. The purchase price for USSK consisted of cash payments of $69 million in 2000, $14 million in 2001 and additional consideration of not less than $25 million and up to $75 million was contingent upon the performance of USSK in 2001. Based on this performance, the maximum contingent consideration was accrued, resulting in total cash consideration of $158 million. In July 2002, the first installment of the contingent consideration of $37.5 million was paid. The remaining payment of $37.5 million is due in July 2003. Additionally, $325 million of debt and $226 million of other liabilities were included with the acquisition. The acquisition was accounted for under the purchase method of accounting. The 2000 results of operations included the operations of USSK from the date of acquisition. Prior to this transaction, U. S. Steel and VSZ were equal partners in VSZ U. S. Steel, s.r.o. (VSZUSS), a tin mill products manufacturer. The assets of USSK included VSZ's interest in VSZUSS. The acquisition of the remaining interest in VSZUSS was accounted for under the purchase method of accounting. Prior to the acquisition, U. S. Steel had accounted for its investment in VSZUSS under the equity method of accounting.

On March 1, 2001, U. S. Steel completed the purchase of the tin mill products business of LTV Corporation (LTV), which is now operated as East Chicago Tin. In this noncash transaction, U. S. Steel assumed approximately $66 million of employee related obligations from LTV. The acquisition was accounted for using the purchase method of accounting. Results of operations for the year 2001 include the operations of East Chicago Tin from the date of acquisition. In the fourth quarter of 2001, U. S. Steel recorded an intangible asset impairment of $20 million, related to the five-year agreement for LTV to supply U. S. Steel with pickled hot bands entered into in conjunction with the acquisition of LTV's tin mill products business. This impairment was recorded during the quarter that LTV discontinued operations at East Chicago pursuant to a bankruptcy court order.

On March 23, 2001, Transtar, Inc. (Transtar) completed a reorganization with its two voting shareholders, U. S. Steel and Transtar Holdings, L.P. (Holdings), an affiliate of Blackstone Capital Partners L.P. As a result of this transaction, U. S. Steel became sole owner of Transtar and certain of its subsidiaries. Holdings became owner of the other subsidiaries of Transtar. Because the reorganization involved the sale of certain subsidiaries to Holdings, a noncontrolling shareholder, Transtar recorded a gain by comparing the carrying value of the businesses sold to their fair value. U. S. Steel's share of the gain recognized by Transtar was $68 million, which is included in income (loss) from investees. Concurrently, U. S. Steel accounted for the change in ownership of Transtar using the step-acquisition purchase method of accounting. Also, in connection with this transaction, U. S. Steel recognized a favorable deferred tax adjustment of $33 million related to its investment in the stock of Transtar that was no longer required when U. S. Steel acquired 100 percent of Transtar. U. S. Steel previously accounted for its investment in Transtar under the equity method of accounting.

The following unaudited pro forma data for U. S. Steel includes the results of operations of the above acquisitions giving effect to them as if they had been consummated at the beginning of the years presented. Pro forma results for 2001 exclude the $68 million gain and the $33 million tax benefit recorded as a result of the Transtar transaction. In addition, VSZ did not provide historical carve-out financial information for its steel activities prepared in accordance with generally accepted accounting principles in the United States of America. Therefore, U. S. Steel made certain estimates and assumptions regarding revenues and costs used in the preparation of the unaudited pro forma data relating to USSK for the year 2000.

The following unaudited pro forma data is based on historical information and does not necessarily reflect the actual results that would have occurred nor is it necessarily indicative of future results of operations.

(In millions) (Unaudited)	2001	2000
Revenues and other income	$ 6,353	$ 7,355
Net income (loss)	(321)	58
Per share — basic and diluted	(3.60)	.65

6. Net Interest and Other Financial Costs

(In millions)	2002	2001	2000
Interest and other financial income:			
Interest income	**$ 5**	$ 13	$ 3
Foreign currency remeasurement gains (losses)	**16**	(1)	7
Total	**21**	12	10
Interest and other financial costs:			
Interest incurred	**129**	186	88
Less interest capitalized	**5**	1	3
Net interest	**124**	185	85
Interest on tax issues	**4**	(58)(a)	11
Financial costs on:			
Sale of receivables	**3**	—	—
Inventory facility	**2**	—	—
Trust preferred securities	**—**	13	13
Preferred stock of subsidiary	**—**	11	5
Amortization of discounts and deferred financing costs	**3**	2	1
Total	**136**	153	115
Net interest and other financial costs	**$ 115**	$ 141	$ 105

(a) Includes a favorable adjustment of $67 million related to prior years' taxes.

7. Recovery of Excise Taxes

In 2002, U. S. Steel recognized pretax income of $38 million associated with the recovery of black lung excise taxes that were paid on coal export sales during the period 1993 through 1999. This income is included in other income in the statement of operations and resulted from a 1998 federal district court decision that found such taxes to be unconstitutional. Of the $38 million of cash received, $11 million represented interest.

8. Segment Information

During the first quarter of 2002, following the Separation, U. S. Steel established a new internal financial reporting structure. This resulted in a change in reportable segments from Domestic Steel and USSK to Flat-rolled Products (Flat-rolled), Tubular Products (Tubular) and USSK. In addition, U. S. Steel revised the presentation of several items of income and expense within income (loss) from reportable segments. Net pension credits, costs related to former businesses and administrative expenses previously not reported at the segment level are now directly charged or allocated to the reportable segments and other businesses. In the fourth quarter of 2002, certain quantitative threshold tests under SFAS No. 131 were met by two operating units previously included in the Other Businesses category requiring those operating units to be reflected as reportable segments. As of the end of 2002, U. S. Steel had five reportable segments: Flat-rolled, Tubular, USSK, Straightline Source (Straightline) and USS Real Estate (Real Estate). Prior year segment data has been conformed to the current year presentation.

The Flat-rolled segment includes the operating results of U. S. Steel's domestic integrated steel mills and equity investees involved in the production of sheet, plate and tin mill products. These operations are principally located in the United States and primarily serve customers in the transportation (including automotive), appliance, service center, conversion, container and construction markets.

The Tubular segment includes the operating results of U. S. Steel's domestic tubular production facilities and an equity investee involved in the production of tubular goods. These operations produce and sell both seamless and electric resistance weld tubular products and primarily serve customers in the oil, gas and petrochemical markets.

The USSK segment includes the operating results of U. S. Steel's integrated steel mill located in the Slovak Republic; a production facility in Germany; operations under facility management and support agreements in Serbia; and equity investees, primarily located in Central Europe. These operations produce and sell sheet, plate, tin, tubular, precision tube and specialty steel products, as well as coke. USSK primarily serves customers in the central and western European construction, conversion, appliance, transportation, service center, container, and oil, gas and petrochemical markets.

The Straightline segment includes the operating results of U. S. Steel's technology-enabled distribution business that serves steel customers primarily in the eastern and central United States. Straightline competes in the steel service center marketplace using a nontraditional business process to sell, process and deliver flat-rolled steel products in small to medium sized order quantities primarily to job shops, contract manufacturers and original equipment manufacturers across an array of industries.

The Real Estate segment manages U. S. Steel's domestic mineral interests that are not assigned to other operating units; timber properties; and residential, commercial and industrial real estate that is managed or developed for sale or lease.

All other U. S. Steel businesses not included in U. S. Steel's reportable segments are reflected in Other Businesses. These businesses are involved in the production and sale of coal, coke and taconite pellets (iron ore); transportation services; and engineering and consulting services.

The chief operating decision maker evaluates performance and determines resource allocations based on a number of factors, the primary measure being income (loss) from operations. Income (loss) from operations for reportable segments and other businesses does not include net interest and other financial costs, the income tax provision (benefit), or special items. Information on segment assets is not disclosed as it is not reviewed by the chief operating decision maker.

The accounting principles applied at the operating segment level in determining income (loss) from operations are generally the same as those applied at the consolidated financial statement level. Intersegment sales and transfers for some operations are accounted for at cost, while others are accounted for at market-based prices, and are eliminated at the corporate consolidation level. All corporate-level selling, general and administrative expenses and costs related to certain former businesses are allocated to the reportable segments and other businesses based on measures of activity that management believes are reasonable.

The results of segment operations are as follows:

(In millions)	Flat-rolled	Tubular	USSK	Straight-line	Real Estate	Total Reportable Segments	Other Businesses	Reconciling Items	Total U. S. Steel
2002									
Revenues and other income:									
Customer	**$ 4,086**	**$ 519**	**$ 1,168**	**$ 73**	**$ 87**	**$ 5,933**	**$ 1,016**	**$ —**	**$ 6,949**
Intersegment	**191**	**—**	**11**	**—**	**8**	**210**	**916**	**(1,126)**	**—**
Equity income (loss)[(a)]	**1**	**—**	**2**	**—**	**—**	**3**	**(9)**	**39**	**33**
Other	**1**	**—**	**4**	**—**	**6**	**11**	**3**	**58**	**72**
Total	**$ 4,279**	**$ 519**	**$ 1,185**	**$ 73**	**$ 101**	**$ 6,157**	**$ 1,926**	**$ (1,029)**	**$ 7,054**
Income (loss) from operations	**$ (31)**	**$ 4**	**$ 110**	**$ (41)**	**$ 57**	**$ 99**	**$ 38**	**$ (9)**	**$ 128**
Depreciation, depletion and amortization	**204**	**10**	**41**	**4**	**1**	**260**	**90**	**—**	**350**
Capital expenditures	**42**	**52**	**97**	**8**	**1**	**200**	**58**	**—**	**258**
2001									
Revenues and other income:									
Customer	$ 3,662	$ 714	$ 1,060	$ 2	$ 96	$ 5,534	$ 856	$ (104)	$ 6,286
Intersegment	229	—	—	—	12	241	756	(997)	—
Equity income (loss)[(a)]	(37)	1	1	—	—	(35)	(15)	114	64
Other	—	—	3	—	16	19	6	—	25
Total	$ 3,854	$ 715	$ 1,064	$ 2	$ 124	$ 5,759	$ 1,603	$ (987)	$ 6,375
Income (loss) from operations	$ (536)	$ 88	$ 123	$ (17)	$ 69	$ (273)	$ (17)	$ (115)	$ (405)
Depreciation, depletion and amortization	180	11	38	1	1	231	75	38	344
Capital expenditures	129	5	61	19	2	216	71	—	287
2000									
Revenues and other income:									
Customer	$ 4,324	$ 739	$ 92	$ —	$ 102	$ 5,257	$ 841	$ (8)	$ 6,090
Intersegment	202	—	—	—	14	216	710	(926)	—
Equity income (loss)[(a)]	25	2	—	—	—	27	1	(36)	(8)
Other	1	—	—	—	20	21	29	—	50
Total	$ 4,552	$ 741	$ 92	$ —	$ 136	$ 5,521	$ 1,581	$ (970)	$ 6,132
Income (loss) from operations	$ 31	$ 83	$ 2	$ —	$ 72	$ 188	$ 67	$ (151)	$ 104
Depreciation, depletion and amortization	191	13	4	—	6	214	75	71	360
Capital expenditures	163	2	5	—	2	172	72	—	244

(a) Represents equity in earnings (losses) of unconsolidated investees.

The following are schedules of reconciling items:

(In millions)

	2002	2001	2000
Revenues and Other Income:			
Elimination of intersegment revenues	**$ (1,126)**	$ (997)	$ (926)
Insurance recoveries related to USS-POSCO fire	**39**	46	—
Federal excise tax refund	**38**	—	—
Gain on VSZ share sale	**20**	—	—
Asset impairment — trade receivables	**—**	(104)	(8)
Gain on Transtar reorganization	**—**	68	—
Impairment and other costs related to investments in equity investees	**—**	—	(36)
Total	**$ (1,029)**	$ (987)	$ (970)
Income (Loss) From Operations:			
Insurance recoveries related to USS-POSCO fire	**$ 39**	$ 46	$ —
Federal excise tax refund	**38**	—	—
Gain on VSZ share sale	**20**	—	—
Pension settlement losses	**(100)**	—	—
Asset impairments — trade and other receivables	**(14)**	(146)	(8)
Environmental and legal contingencies	**9**	—	(36)
Costs related to Fairless shutdown	**(1)**	(38)	—
Costs related to Separation	**—**	(25)	—
Gain on Transtar reorganization	**—**	68	—
Asset impairments — intangible assets	**—**	(20)	—
— coal	**—**	—	(71)
Impairment and other costs related to investment in equity investees	**—**	—	(36)
Total	**$ (9)**	$ (115)	$ (151)
Depreciation, Depletion and Amortization:			
Asset impairments — intangible assets	**$ —**	$ 20	$ —
— coal	**—**	—	71
Depreciation costs related to Fairless shutdown	**—**	18	—
Total	**$ —**	$ 38	$ 71

Revenues by Product:
(In millions)

	2002	2001	2000
Sheet and semi-finished steel products	**$ 4,048**	$ 3,163	$ 3,288
Plate and tin mill products	**1,057**	1,273	977
Tubular products	**554**	755	754
Raw materials (coal, coke and iron ore)	**502**	485	626
Other[(a)]	**788**	610	445
Total	**$ 6,949**	$ 6,286	$ 6,090

(a) Includes revenue from the sale of steel production by-products; transportation services; steel mill products distribution; the management of mineral resources; the management and development of real estate; and engineering and consulting services.

Geographic Area:

The information below summarizes revenues and other income and property, plant and equipment and investments (assets) based on the location of the manufacturing facilities to which they relate.

(In millions)	Year	Revenues and Other Income	Assets
United States	**2002**	**$ 5,864**	**$ 2,764**
	2001	5,302	2,927
	2000	6,027	2,745
Slovak Republic	**2002**	**1,131**	**488**
	2001	1,030	429
	2000	95	376
Other Foreign Countries	**2002**	**59**	**10**
	2001	43	11
	2000	10	10
Total	**2002**	**$ 7,054**	**$ 3,262**
	2001	6,375	3,367
	2000	6,132	3,131

9. Supplemental Cash Flow Information

(In millions)	2002	2001	2000
Noncash investing and financing activities:			
Stock issued for employee stock plans:			
U. S. Steel common stock	**$ 14**	$ —	$ —
Steel Stock	**—**	9	5
Assets acquired through capital leases	**—**	7	—
Disposal of assets — notes or common stock received	**—**	4	14
Business combinations:			
Acquisition of East Chicago Tin — liabilities assumed	**—**	66	—
Acquisition of Transtar:			
Liabilities assumed	**—**	114	—
Investee liabilities consolidated in step acquisition	**—**	145	—
Acquisition of USSK:			
Liabilities assumed	**—**	—	568
Accrual of contingent consideration at present value	**—**	45	21
Investee liabilities consolidated in step acquisition	**—**	—	3
Separation activities (see Note 2):			
Marathon obligations historically attributed to U. S. Steel retained by Marathon in the Separation (Value Transfer)	**—**	900	—
Separation costs funded by Marathon	**—**	62	—
Other Separation adjustments	**—**	51	—

10. Short-Term Debt

USSK is the sole obligor on a short-term $10 million credit facility that expires on November 26, 2003. The facility bears interest on prevailing short-term market rates plus 1%. USSK is obligated to pay a .25% commitment fee on undrawn amounts. At December 31, 2002, there were no borrowings against this facility. However, availability was reduced by $2 million to $8 million as a result of customs guarantees issued against the facility.

11. Long-Term Debt

(In millions)	Interest Rates — %	Maturity	December 31 2002	2001
Senior Notes	$10^3/4$	2008	**$ 535**	$ 535
Senior Quarterly Income Debt Securities	10	2031	**49**	49
Obligations relating to Industrial Development and Environmental Improvement Bonds and Notes	$4^3/4$ — $6^7/8$	2009-2033	**471**	471
Inventory Facility		2004	**—**	—
Fairfield Caster Lease		2003 — 2012	**80**	84
All other obligations, including other capital leases		2003 — 2005	**2**	6
USSK loan	$8^1/2$	2003 — 2010	**301**	325
USSK credit facility		2004	**—**	—
Total			**1,438**	1,470
Less unamortized discount			**4**	4
Less amount due within one year			**26**	32

Long-term debt due after one year	**$ 1,408**	$ 1,434

Senior Notes — $385 million and $150 million of Senior Notes (Notes) were issued on July 27, 2001, and September 11, 2001, respectively. Interest is payable semi-annually in February and August. Up to 35% of the aggregate principal amount of the Notes may be redeemed at any time prior to August 1, 2004, with the proceeds of public offerings of certain capital stock at a redemption price of 110.75% of the principal amount plus accrued interest.

Senior Quarterly Income Debt Securities (Quarterly Debt Securities) — On December 19, 2001, the Quarterly Debt Securities were issued in an exchange for certain preferred securities of Marathon. Interest is payable quarterly. The Quarterly Debt Securities will be redeemable at the option of U. S. Steel, in whole or in part, on or after December 31, 2006, at 100% of the principal amount redeemed together with accrued but unpaid interest to the redemption date.

Obligations relating to Industrial Development and Environmental Improvement Bonds and Notes — Under the Financial Matters Agreement (see Note 2), U. S. Steel assumed and will discharge all principal, interest and other duties of Marathon under these obligations, including any amounts due upon any defaults or accelerations of any of the obligations, other than defaults or accelerations caused by any action of Marathon. The agreement also provides that on or before the tenth anniversary of the Separation, U. S. Steel will provide for the discharge of Marathon from any remaining liability under any of these obligations.

Inventory Facility — On November 30, 2001, U. S. Steel entered into a revolving credit facility that provides for borrowings of up to $400 million and expires on December 31, 2004. The facility is secured by all domestic inventory and related assets, including receivables other than those sold under the Receivables Purchase Agreement (see Note 21). The amount outstanding under the facility will not exceed the permitted "borrowing base" calculated on percentages of the values of eligible inventory.

Interest on borrowings is calculated based on either LIBOR or J. P. Morgan Chase's prime rate using spreads determined by U. S. Steel's credit ratings. Although there were no amounts drawn against this facility at December 31, 2002, availability was reduced to $397 million due to a letter of credit issued against the facility.

Fairfield Caster Lease — U. S. Steel is the sublessee of a slab caster at the Fairfield Works facility in Alabama. The sublease is accounted for as a capital lease. Marathon is the primary obligor under the lease. Under the Financial Matters Agreement, U. S. Steel assumed and will discharge all obligations under this lease, which has a final maturity of 2012, subject to additional extensions.

USSK loan — USSK has a loan with a group of financial institutions whose recourse is limited to USSK. The loan is subject to annual repayments of $20 million beginning in November of 2003, with the balance due in 2010. Mandatory prepayments of the loan may be required based upon a cash flow formula or a change in control of U. S. Steel. A mandatory prepayment of $24 million was made in April of 2002, but no such mandatory prepayment will be required in 2003.

USSK credit facility — USSK is the sole obligor on a $40 million credit facility that expires in December 2004. The facility bears interest on prevailing market rates plus .90%. USSK is obligated to pay a .25% commitment fee on undrawn amounts.

Covenants — The Notes, Quarterly Debt Securities, USSK loan, USSK credit facility and the Inventory Facility may be declared immediately due and payable in the event of a change in control of U. S. Steel, as defined in the related agreements. In such event, U. S. Steel may also be required to either repurchase the leased Fairfield Caster for $91 million or provide a letter of credit to secure the remaining obligation. Additionally, the Notes contain various other restrictive covenants, the majority of which will not apply upon the attainment of an investment grade rating, including restrictions on the payment of dividends, limits on additional borrowings, including limiting the amount of borrowings secured by inventories and the accounts receivable securitization, limits on sale/leasebacks, limits on the use of funds from asset sales and sale of the stock of subsidiaries, and restrictions on our ability to make investments in joint ventures or make certain acquisitions. The Inventory Facility imposes additional restrictions including financial covenants that require U. S. Steel to meet interest expense coverage and leverage ratios, limitations on capital expenditures and restrictions on investments. If these covenants are breached, creditors would be able to declare their obligations immediately due and payable and foreclose on any collateral.

Liquidity — U. S. Steel management believes that U. S. Steel's liquidity will be adequate to satisfy its obligations for the foreseeable future, including obligations to complete currently authorized capital spending programs. Further requirements for U. S. Steel's business needs, including the funding of capital expenditures, debt service for outstanding financings, and any amounts that may ultimately be paid in connection with contingencies, are expected to be financed by a combination of internally generated funds (including asset sales), proceeds from the sale of stock, borrowings and other external financing sources. However, there is no assurance that our business will generate sufficient operating cash flow or that external financing sources will be available in an amount sufficient to enable us to service or refinance our indebtedness or to fund other liquidity needs. If there is a prolonged delay in the recovery of the manufacturing sector of the U. S. economy, U. S. Steel believes that it can maintain adequate liquidity through a combination of the deferral of nonessential capital spending, sales of non-strategic assets and other cash conservation measures.

Debt Maturities — Aggregate maturities of long-term debt are as follows *(In millions):*

Year ending December 31,

2003	**2004**	**2005**	**2006**	**2007**	**Later Years**	**Total**
$ 26	$ 25	$ 25	$ 26	$ 35	$ 1,301	$ 1,438

12. Pensions and Other Postretirement Benefits

U. S. Steel has noncontributory defined benefit pension plans covering substantially all domestic employees. Benefits under these plans are based upon years of service and final average pensionable earnings, or a minimum benefit based upon years of service, whichever is greater. In addition, pension benefits are also provided to most domestic salaried employees based upon a percent of total career pensionable earnings. U. S. Steel also participates in multiemployer plans, most of which are defined benefit plans associated with coal operations.

U. S. Steel also has defined benefit retiree health care and life insurance plans (other benefits) covering most domestic employees upon their retirement. Health care benefits are provided through comprehensive hospital, surgical and major medical benefit provisions or through health maintenance organizations, both subject to various cost sharing features. Life insurance benefits are provided to nonunion retiree beneficiaries primarily based on employees' annual base salary at retirement. For domestic union retirees, life insurance benefits are provided primarily based on fixed amounts negotiated in labor contracts with the appropriate unions.

(In millions)	Pension Benefits 2002	Pension Benefits 2001	Other Benefits 2002	Other Benefits 2001
Change in benefit obligations				
Benefit obligations at January 1	**$ 7,358**	$ 6,921	**$ 2,555**	$ 2,149
Service cost	**96**	89	**18**	15
Interest cost	**485**	496	**172**	161
Plan amendments	**—**	4	**—**	—
Actuarial losses	**602**	469	**638**	261
Plan merger and acquisition[(a)]	**—**	106	**—**	152
Settlements, curtailments and termination benefits[(b)]	**(215)**	21	**—**	—
Benefits paid	**(688)**	(748)	**(212)**	(183)
Benefit obligations at December 31	**$ 7,638**	$ 7,358	**$ 3,171**	$ 2,555
Change in plan assets				
Fair value of plan assets at January 1	**$ 8,583**	$ 9,312	**$ 728**	$ 842
Actual return on plan assets	**(434)**	(26)	**(21)**	21
Acquisition	**1**	62	**—**	—
Employer contributions	**—**	—	**17**	17
Trustee distributions[(c)]	**(18)**	(17)	**—**	—
Settlements paid from plan assets	**(197)**	—	**—**	—
Benefits paid from plan assets	**(688)**	(748)	**(180)**	(152)
Fair value of plan assets at December 31	**$ 7,247**	$ 8,583	**$ 544**	$ 728
Funded status of plans at December 31	**$ (391)(d)**	$ 1,225(d)	**$ (2,627)**	$ (1,827)
Unrecognized transition asset	**(1)**	(1)	**—**	—
Unrecognized prior service cost	**532**	629	**6**	7
Unrecognized actuarial losses	**2,581**	866	**770**	57
Additional minimum liability[(e)]	**(1,663)**	(32)	**—**	—
Prepaid (accrued) benefit cost	**$ 1,058**	$ 2,687	**$ (1,851)**	$ (1,763)
Prepaid (accrued) benefit cost is reflected in the balance sheet as follows:				
Pension asset	**$ 1,654**	$ 2,745	**$ —**	$ —
Payroll and benefits payable	**(5)**	(20)	**(56)**	(27)
Employee benefits	**(591)**	(38)	**(1,795)**	(1,736)

(a) Reflects merger of Transtar benefit plans and LTV's tin mill employee obligations into the main U. S. Steel insurance plan upon acquisition of these businesses. Amount also reflects the recognition of an obligation associated with retiree medical benefits for pre-1989 Lorain Works' retirees which had been assumed by

Republic Technologies Holdings, LLC (Republic). This obligation was recorded in 2001 as a result of Republic's bankruptcy proceedings (see Note 15).

(b) Reflects pension settlements in 2002 as a result of increased lump sum payouts during 2002 primarily due to the completion in June 2002 of the voluntary early retirement program for nonunion employees related to the Separation. Reflects an increase in obligations in 2001 due principally to a nonunion voluntary early retirement program offered in conjunction with the Separation and a shutdown of the majority of the Fairless Works.

(c) Represents transfers of excess pension assets to fund retiree health care benefits accounts under Section 420 of the Internal Revenue Code.

(d) Includes plans that have accumulated benefit obligations in excess of plan assets:

	2002	2001
Aggregate accumulated benefit obligations	**$ (5,075)**	$ (58)
Aggregate projected benefit obligations (PBO)	**(5,227)**	(69)
Aggregate plan assets	**4,479**	—

Of the PBO total, $6 million and $8 million represent the portions of pension benefits applicable to Marathon employees' corporate service with USX Corporation at December 31, 2002 and 2001, respectively. Such amounts will be reimbursed by Marathon and are reflected as long-term receivables from related parties on the balance sheet. The aggregate accumulated benefit obligations in excess of plan assets reflected above are included in the payroll and benefits payable and employee benefits lines on the balance sheet.

(e) Additional minimum liability recorded was offset by the following:

	2002	2001
Intangible asset	**$ 414**	$ —
Accumulated other comprehensive income (losses):		
Beginning of year	**$ (20)**	$ (4)
Change during year (net of tax)	**(742)**	(16)
Change during the year (equity investees) [(1)]	**(14)**	—
Balance at end of year	**$ (776)**	$ (20)

(1) Amount reflects U. S. Steel's portion of the additional minimum pension liability recorded by USS-POSCO Industries, an equity investee.

(In millions)	Pension Benefits			Other Benefits		
	2002	2001	2000	2002	2001	2000
Components of net periodic benefit cost (credit)						
Service cost	**$ 96**	$ 89	$ 76	**$ 18**	$ 15	$ 12
Interest cost	**485**	496	505	**172**	161	147
Expected return on plans assets	**(788)**	(837)	(841)	**(54)**	(60)	(24)
Amortization — net transition gain	**—**	(1)	(67)	**—**	—	—
— prior service costs	**96**	97	98	**2**	4	4
— actuarial (gains) losses	**8**	2	(44)	**—**	(3)	(29)
Multiemployer plans[a]	**—**	—	—	**12**	12	9
Settlement and termination losses[b]	**100**	34	—	**—**	—	—
Net periodic benefit cost (credit)	**$ (3)**	$ (120)	$ (273)	**$ 150**	$ 129	$ 119

(a) Primarily consists of payments to a multiemployer health care benefit plan created by the Coal Industry Retiree Health Benefit Act of 1992 based on assigned beneficiaries receiving benefits. The present value of this unrecognized obligation is broadly estimated to be $76 million, including the effects of future medical inflation, and this amount could increase if additional costs are assigned.

(b) Relates primarily to voluntary early retirement programs.

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Weighted-average actuarial assumptions at December 31:				
Discount rate	**6.25%**	7.00%	**6.25%**	7.00%
Increase in compensation rate	**4.00%**	4.00%	**4.00%**	4.00%
For the year ended December 31:				
Expected annual return on plan assets	**8.80%**	8.90%	**8.00%**	8.00%

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2003. This rate was assumed to decrease gradually to 4.75% for 2010 and remain at that level thereafter. The expected annual return on plan asset assumption, used in the determination of the net periodic benefit cost (credit), will be reduced to 8.2% for 2003.

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(In millions)	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 24	$ (20)
Effect on other postretirement benefit obligations	300	(253)

Selling, general and administrative expenses for 2002 included a pretax settlement loss of $10 million related to retirements of personnel covered under the non tax-qualified pension plan and the executive management supplemental pension program, and a pretax pension settlement loss of $90 million for the nonunion qualified plan.

SFAS No. 87 "Employer's Accounting for Pensions" provides that if at any plan measurement date, the fair value of plan assets is less than the plan's accumulated benefit obligation (ABO), the sponsor must establish a minimum liability at least equal to the amount by which the ABO exceeds the fair value of the plan assets and any pension asset must be removed from the balance sheet. The sum of the liability and pension asset is offset by the recognition of an intangible asset and/or as a direct charge to stockholders' equity, net of tax effects. Such adjustments have no direct impact on earnings per share or cash. As of December 31, 2002, the fair value of plan assets for the U. S. Steel pension plan for union employees was $4,479 million. Based on asset values as of December 31, 2002, the ABO for this plan exceeded the fair value of plan assets by $543 million. Consequently, required minimum liability adjustments were recorded resulting in the recognition of an intangible asset of $414 million and a charge to equity (net of tax) of $748 million at December 31, 2002.

U. S. Steel also contributes to several defined contribution plans for its salaried employees and a small number of wage employees. Company contributions to these plans, which for the most part are based on a percentage of the employees' salary depending on years of service, totaled $14 million in 2002, $13 million in 2001 and $11 million in 2000. Most union employees are eligible to participate in a defined contribution plan where there is no company match on savings. U. S. Steel also maintains a supplemental thrift plan to provide benefits which are otherwise limited by the Internal Revenue Service for qualified plans; company costs under these plans totaled less than $1 million in 2002, 2001 and 2000.

13. Income Taxes

Provisions (benefits) for income taxes were:

(In millions)	2002			2001			2000		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
Federal	**$ (12)**	**$ (28)**	**$ (40)**	$ (326)	$ 38	$ (288)	$ (357)	$ 340	$ (17)
State and local	**—**	**(6)**	**(6)**	(23)	(13)	(36)	(12)	49	37
Foreign	**3**	**(5)**	**(2)**	3	(7)	(4)	—	—	—
Total	**$ (9)**	**$ (39)**	**$ (48)**	$ (346)	$ 18	$ (328)	$ (369)	$ 389	$ 20

A reconciliation of the federal statutory tax rate of 35% to total provisions (benefits) follows:

(In millions)	2002	2001	2000
Statutory rate applied to income (loss) before income taxes	**$ 4**	$ (191)	$ —
Excess percentage depletion	**(1)**	(1)	(3)
Effects of foreign operations, including foreign tax credits	**(39)**	(38)	(5)
State and local income taxes after federal income tax effects	**(4)**	(23)	24
Nontaxable gain from ownership change	**—**	(24)	—
Adjustments of prior years' federal income taxes	**(8)**	(18)	5
Dispositions of investments	**—**	(33)	—
Other	**—**	—	(1)
Total provisions (benefits)	**$ (48)**	$ (328)	$ 20

Deferred tax assets and liabilities resulted from the following:

(In millions) December 31	2002	2001
Deferred tax assets:		
Federal tax loss carryforwards (expiring in 2022)	**$ 27**	$ —
Minimum tax credit carryforwards (no expiration)	**4**	3
State tax loss carryforwards (expiring in 2004 through 2022)	**14**	2
Foreign tax loss carryforwards (no expiration)	**23**	20
Employee benefits	**1,412**	875
Receivables, payables and debt	**57**	99
Expected federal benefit for deducting state deferred income taxes	**25**	27
Contingencies and accrued liabilities	**70**	98
Other deductible assets	**20**	20
Valuation allowances:		
Foreign	**(23)**	(20)
State	**(7)**	(9)
Total deferred tax assets[(a)]	**1,622**	1,115
Deferred tax liabilities:		
Property, plant and equipment	**365**	359
Pension asset	**1,129**	1,095
Inventory	**45**	34
Investments in subsidiaries and equity investees	**56**	67
Other liabilities	**36**	74
Total deferred tax liabilities	**1,631**	1,629
Net deferred tax liabilities	**$ 9**	$ 514

(a) U. S. Steel expects to generate sufficient future taxable income to realize the benefit of its deferred tax assets.

The consolidated tax returns of Marathon for the years 1992 through 2001 are under various stages of audit and administrative review by the IRS. U. S. Steel believes it has made adequate provision for income taxes and interest which may become payable for years not yet settled.

Pretax income in 2002, 2001 and 2000 included $106 million, $103 million and $8 million of income, respectively, attributable to foreign sources.

Undistributed earnings of certain consolidated foreign subsidiaries at December 31, 2002, amounted to approximately $260 million. No provision for deferred income taxes has been made for these subsidiaries because U. S. Steel intends to permanently reinvest such earnings in foreign operations. If such earnings were not permanently reinvested, a U.S. deferred tax liability of approximately $70 million would have been required.

The Slovak Income Tax Act provides an income tax credit which is available to USSK if certain conditions are met. In order to claim the tax credit in any year, 60% of USSK's sales must be export sales and USSK must reinvest the tax credits claimed in qualifying capital expenditures during the five years following the year in which the tax credit is claimed. The provisions of the Slovak Income Tax Act permit USSK to claim a tax credit of 100% of USSK's tax liability for years 2000 through 2004 and 50% for the years 2005 through 2009. Management believes that USSK has fulfilled all of the necessary conditions for claiming the tax credit for 2000 through 2002.

U. S. Steel and Marathon entered into a Tax Sharing Agreement that reflects each party's rights and obligations relating to payments and refunds of income, sales, transfer and other taxes that are attributable to periods beginning prior to and including the Separation Date and taxes resulting from transactions effected in connection with the Separation.

The Tax Sharing Agreement incorporates the general tax sharing principles of the former tax allocation policy. In general, U. S. Steel and Marathon will make payments between them such that, with respect to any consolidated, combined or unitary tax returns for any taxable period or portion thereof ending on or before the Separation Date, the amount of taxes to be paid by each of U. S. Steel and Marathon will be determined, subject to certain adjustments, as if the former groups each filed their own consolidated, combined or unitary tax return. The Tax Sharing Agreement also provides for payments between U. S. Steel and Marathon for certain tax adjustments which may be made after the Separation. Other provisions address, but are not limited to, the handling of tax audits, settlements and return filing in cases where both U. S. Steel and Marathon have an interest in the results of these activities.

A preliminary settlement of $441 million for the calendar year 2001 income taxes, which would have been made in March 2002 under the former tax allocation policy, was made by Marathon to U. S. Steel immediately prior to the Separation in 2001 at a discounted amount to reflect the time value of money. A final settlement for the calendar year 2001 income taxes of $7 million was received in December 2002. The tax allocation policy provides that U. S. Steel receive the benefit of tax attributes (principally net operating losses and various tax credits) that arose out of its business and which were used on a consolidated tax return.

Additionally, pursuant to the Tax Sharing Agreement, U. S. Steel and Marathon have agreed through various representations and covenants to protect the tax-free status of the Separation. To the extent that a breach of a representation or covenant results in corporate tax being imposed, the breaching party, either U. S. Steel or Marathon, will be responsible for the payment of the corporate tax. See further discussion in Note 25.

14. Transactions with Related Parties

Revenues from related parties and receivables from related parties primarily reflect sales of steel products, raw materials, transportation services and fees for providing various management and other support services to equity and certain other investees. Generally, transactions are conducted under long-term market-based contractual arrangements. Total revenues generated by sales and service transactions with equity investees were $905 million, $815 million and $948 million in 2002, 2001 and 2000, respectively. Revenues from related parties and receivables from related parties also include amounts related to the sale of materials, primarily coke by-products, to Marathon. These sales were conducted under terms comparable to those with unrelated parties and amounted to $13 million, $7 million and $17 million in 2002, 2001 and 2000, respectively.

Receivables from related parties at December 31, 2002 and 2001, also included $28 million due from Marathon for tax settlements in accordance with the Tax Sharing Agreement.

Long-term receivables from related parties at December 31, 2002, reflect amounts due from Marathon related to contractual reimbursements for the retirement of participants in the non-qualified employee benefit plans. These amounts will be paid by Marathon as participants retire. At December 31, 2001, long-term receivables from related parties also included certain unreserved retiree medical cost reimbursements from Republic. These receivables were fully reserved and subsequently written off in 2002, as discussed in Note 15.

Accounts payable to related parties reflect the purchase of semi-finished steel products and outside processing services from equity and certain other investees in 2002, and for the first quarter of 2001 and the year 2000 included the purchase of transportation services from Transtar. Purchases from these investees totaled $181 million, $261 million and $566 million in 2002, 2001 and 2000, respectively. U. S. Steel also purchased natural gas and gasoline from Marathon under terms comparable to those with unrelated parties. Total purchases from Marathon were $15 million, $30 million and $60 million in 2002, 2001 and 2000, respectively.

Accounts payable to related parties at December 31, 2002, also included the net present value of the second and final $37.5 million installment of contingent consideration payable to VSZ in July 2003 related to the acquisition of USSK. This payable was reflected as a long-term payable to related parties at December 31, 2001. Accounts payable to related parties at December 31, 2001, also included the net present value of the first $37.5 million installment of contingent consideration paid to VSZ in July 2002 related to the acquisition of USSK, and $54 million due to Marathon that was paid in the first quarter of 2002 in accordance with the terms of the Separation.

The related party activity above includes transactions and related balances with Republic through August 2002, when Republic's operating assets were sold through a bankruptcy proceeding to an unrelated party, and with VSZ through October 2002, when U. S. Steel sold its investment in VSZ. The contingent consideration payable to VSZ related to the acquisition of USSK will remain classified as a related party balance until it is paid.

Under an agreement with PRO-TEC Coating Company (PRO-TEC), U. S. Steel provides exclusive marketing, selling and customer service functions, including invoicing and receivables collection, for substantially all of the products produced by PRO-TEC. U. S. Steel, as PRO-TEC's exclusive sales agent, is responsible for credit risk related to those receivables. Accounts payable to related parties include $42 million and $37 million at December 31, 2002, and December 31, 2001, respectively, related to this agreement with PRO-TEC.

15. Investments and Long-Term Receivables

(In millions) December 31	2002	2001
Equity method investments	**$ 244**	$ 233
Other investments	**38**	49
Receivables due after one year	**4**	2

Mortgages	**19**	17
Split dollar life insurance	**28**	23
Other	**8**	16
Total	**$ 341**	$ 340

Summarized financial information of PRO-TEC, which is accounted for by the equity method of accounting follows:

(In millions)

	2002	2001	2000
Income data — year:			
Revenues and other income	**$ 615**	$ 506	$ 538
Operating income	**93**	60	76
Net income	**51**	16	31
Balance sheet data — December 31:			
Current assets	**$ 126**	$ 103	
Noncurrent assets	**209**	231	
Current liabilities	**52**	52	
Noncurrent liabilities	**96**	106	

Summarized financial information of USS-POSCO Industries, which is accounted for by the equity method of accounting follows:

(In millions)

	2002	2001	2000
Income data — year:			
Revenues and other income	**$ 581**	$ 412	$ 750
Operating income (loss)	**38**	(4)	10
Net income (loss)	**36**	(13)	1
Balance sheet data — December 31:			
Current assets	**$ 178**	$ 165	
Noncurrent assets	**301**	306	
Current liabilities	**175**	278	
Noncurrent liabilities	**104**	9	

Summarized financial information of other investees accounted for by the equity method of accounting follows:

(In millions)

	2002	2001	2000
Income data — year:			
Revenues and other income	**$ 299**	$ 1,326	$ 2,196
Operating income (loss)	**(110)**	(153)	26
Net loss	**(115)**	(211)	(198)
Balance sheet data — December 31:			
Current assets	**$ 63**	$ 437	
Noncurrent assets	**200**	1,067	
Current liabilities	**51**	531	
Noncurrent liabilities	**27**	1,225	

U. S. Steel acquired a 25% interest in VSZ during 2000. VSZ did not provide financial statements prepared in accordance with accounting principles generally accepted in the United States (USGAAP). Although shares of VSZ are traded on the Bratislava Stock Exchange, those securities do not have a readily determinable fair value as defined under USGAAP. Accordingly, U. S. Steel accounted for its investment in VSZ under the cost method of accounting. In October 2002, U. S. Steel granted an option to purchase its shares of VSZ and the shares were subsequently sold. Cash proceeds of $31 million were received in consideration for the option and the sale of the shares, resulting in a pretax gain of $20 million, which is included in net gains on disposal of assets.

U. S. Steel has a 16% investment in Republic which was accounted for under the equity method of accounting until the first quarter of 2001, when investments in and advances to Republic were reduced to zero. Republic filed a voluntary petition for bankruptcy in April 2001 to reorganize under Chapter 11 of the U.S. Bankruptcy Code. Due to Republic's filing for bankruptcy, further deterioration of Republic's financial position and progression in the bankruptcy proceedings, U. S. Steel recorded pretax charges reflected as reductions in revenues of $100 million in 2001 to impair trade accounts receivable from Republic. Additional pretax charges of $42 million in 2001 and $14 million in 2002 were recorded to impair retiree medical claim reimbursements owed by Republic. These charges are reflected in selling, general and administrative expenses. The operating assets of Republic were sold in July 2002 through a bankruptcy court administered auction process. The remaining assets of Republic will be liquidated through

Chapter 11 liquidation proceedings. U. S. Steel received no proceeds from the initial sale of assets and does not expect to receive any proceeds from the liquidation. As a result, U. S. Steel wrote off all receivables from Republic against the associated reserves in the fourth quarter of 2002.

U. S. Steel operates and sells coke and by-products through the Clairton 1314B Partnership, L.P. in which it is the sole general partner. U. S. Steel is responsible for purchasing, operations and product sales and accounts for its 27% interest in the partnership under the equity method of accounting. U. S. Steel's share of profits and losses was 1.75% for the years ended December 31, 2001 and 2000, and through April 16, 2002. U. S. Steel's share of profits and losses was 1.75%, except for its share of depreciation and amortization expense which was 45.75%, from April 17, to December 31, 2002. U. S. Steel's share of all profits and losses increased to 45.75% on January 1, 2003. The partnership at times had operating cash shortfalls in 2002 and in 2001 that were funded with loans from U. S. Steel. There were no outstanding loans with the partnership at December 31, 2002, and $3 million was outstanding at December 31, 2001. An unamortized deferred gain from the formation of the partnership of $150 million is included in deferred credits and other liabilities in the balance sheet. The gain will not be recognized in income as long as U. S. Steel has a commitment to fund cash shortfalls of the partnership. See further discussion in Note 25.

Dividends and partnership distributions received from equity investees were $24 million in 2002, $17 million in 2001 and $10 million in 2000.

For discussion of transactions and related receivables and payable balances between U. S. Steel and its investees, see Note 14.

16. Stockholder Rights Plan

On December 31, 2001, U. S. Steel adopted a Stockholder Rights Plan and declared a dividend distribution of one right for each share of common stock issued pursuant to the Plan of Reorganization in connection with the Separation. Each right becomes exercisable, at a price of $110, after any person or group has acquired, obtained the right to acquire or made a tender or exchange offer for 15% or more of the outstanding voting power represented by the outstanding Voting Stock, except pursuant to a qualifying all-cash tender offer for all outstanding shares of Voting Stock which results in the offeror owning shares of Voting Stock representing a majority of the voting power (other

than Voting Stock beneficially owned by the offeror immediately prior to the offer). If the rights become exercisable, each right will entitle the holder, other than the acquiring person or group, to purchase one one-hundredth of a share of Series A Junior Preferred Stock or, upon the acquisition by any person of 15% or more of the outstanding voting power represented by the outstanding Voting Stock (or, in certain circumstances, other property), common stock having a market value of twice the exercise price. After a person or group acquires 15% or more of the outstanding voting power, if U. S. Steel engages in a merger or other business combination where it is not the surviving corporation or where it is the surviving corporation and the Voting Stock is changed or exchanged, or if 50% or more of U. S. Steel's assets, earnings power or cash flow are sold or transferred, each right will entitle the holder to purchase common stock of the acquiring entity having a market value of twice the exercise price. The rights and the exercise price are subject to adjustment. The rights will expire on December 31, 2011, unless such date is extended or the rights are earlier redeemed by U. S. Steel before they become exercisable. Under certain circumstances, the Board of Directors has the option to exchange one share of the respective class of Voting Stock for each exercisable right.

17. Leases

Future minimum commitments for capital leases (including sale-leasebacks accounted for as financings) and for operating leases having remaining noncancelable lease terms in excess of one year are as follows:

(In millions)	Capital Leases	Operating Leases
2003	$ 13	$ 101
2004	11	108
2005	11	82
2006	11	55
2007	20	42
Later years	54	190
Sublease rentals	—	(79)
Total minimum lease payments	120	$ 499
Less imputed interest costs	38	
Present value of net minimum lease payments included in long-term debt (see Note 11)	$ 82	

Operating lease rental expense:

(In millions)	2002	2001	2000
Minimum rental	**$ 109**	$ 133	$ 132
Contingent rental	**12**	18	17
Sublease rentals	**(18)**	(17)	(6)
Net rental expense	**$ 103**	$ 134	$ 143

U. S. Steel leases a wide variety of facilities and equipment under operating leases, including land and building space, office equipment, production facilities and transportation equipment. Most long-term leases include renewal options and, in certain leases, purchase options. See discussion of residual value guarantees in Note 25.

18. Income Per Common Share

Net income per common share for 2002 is based on the weighted average number of common shares outstanding during the year. Diluted net income per common share in 2002 assumes the exercise of stock options, provided the effect is dilutive.

Prior to December 31, 2001, the businesses comprising U. S. Steel were an operating unit of Marathon and did not have any public equity securities outstanding. In connection with the Separation, U. S. Steel was capitalized through the issuance of 89.2 million shares of common stock. Basic and diluted net income (loss) per share for 2001 and 2000 are calculated by dividing net income (loss) for the period by the number of outstanding common shares at December 31, 2001, the date of the Separation.

Potential common stock related to employee options to purchase 5,024,873 shares of common stock have been excluded from the computation of diluted net income (loss) per share for 2002, and 3,520,000 shares have been excluded for 2001 and 2000 because their effect was antidilutive.

		2002		2001		2000
Computation of Income Per Share						
Net income (loss) (in millions)	**$**	**61**	$	(218)	$	(21)
Weighted average shares outstanding (in thousands):						
Basic		**97,426**		89,223		89,223
Diluted		**97,428**		89,223		89,223
Per share — basic and diluted	**$**	**.62**	$	(2.45)	$	(.24)

19. Stock-Based Compensation Plans

The 2002 Stock Plan, which became effective January 1, 2002, replaced the 1990 Stock Plan as a stock-based compensation plan for key management employees of U. S. Steel. The 2002 Stock Plan authorizes the Compensation and Organization Committee of the board of directors to grant restricted stock, stock options and stock appreciation rights to key management employees. Up to 10 million shares are available for grants during the five-year term of the plan. In addition, awarded shares that do not result in shares being issued are available for subsequent grant, and any ungranted shares from prior years' annual allocations are available for subsequent grants during the years the 2002 Stock Plan is in effect.

Stock options represent the right to purchase shares of stock at the market value of the stock at date of grant. Certain options contain the right to receive cash and/or common stock equal to the excess of the fair market value of shares of common stock, as determined in accordance with the plan, over the option price of shares. Under the 2002 Stock Plan, no stock options may be exercised prior to one year or after eight years from the date of grant. Under the 1990 Stock Plan, stock options expired ten years from the date they were granted.

In connection with the Separation, all options to purchase Steel Stock were converted into options to purchase U. S. Steel common stock with identical terms; the remaining vesting periods and term of the options were continued.

The following is a summary of stock option activity under the former 1990 Stock Plan for 2000 and 2001 and the 2002 Stock Plan for 2002:

	Shares		Price[(a)]
Balance December 31, 1999	2,626,385	$	33.67
Granted	915,470		23.00
Exercised	(400)		24.30
Canceled	(62,955)		38.19
Balance December 31, 2000	3,478,500		30.78
Granted	1,089,555		19.89
Exercised	—		—
Canceled	(89,520)		32.56
Balance December 31, 2001	4,478,535		28.09
Granted	1,825,200		20.42
Exercised	—		—
Canceled	(138,465)		27.31
Balance December 31, 2002	6,165,270		25.84

(a) Weighted-average exercise price.

The following table represents outstanding stock options issued under the 2002 Stock Plan and 1990 Stock Plan at December 31, 2002:

	Outstanding				Exercisable		
Range of Exercise Prices	Number of Shares Under Option	Weighted-Average Remaining Contractual Life		Weighted-Average Exercise Price	Number of Shares Under Option		Weighted Average Exercise Price
$19.89—28.22	4,404,230	7.5 years	$	21.96	2,580,530	$	23.06

31.69—34.44	959,595	3.3	32.53	959,595	32.53
37.28—44.19	801,445	4.1	39.12	801,445	39.12
Total	6,165,270	6.4	25.84	4,341,570	28.12

Restricted stock represents stock granted for such consideration, if any, as determined by the Compensation and Organization Committee, subject to forfeiture provisions and restrictions on transfer. Those restrictions may be removed as conditions such as performance, continuous service and other criteria are met. Restricted stock is issued at the market price per share at the date of grant and vests over service periods that range from one to five years.

The following table presents information on restricted stock grants made under the 2002 Stock Plan for 2002 and the 1990 Stock Plan for 2001 and 2000:

	2002	2001	2000
Number of shares granted	**221,960**	54,372	305,725
Weighted-average grant-date fair value per share	**$ 20.42**	$ 19.89	$ 23.00

U. S. Steel also has a restricted stock plan for certain salaried employees who are not officers of the Corporation. Participants in the plan are awarded restricted stock by the Salary and Benefits Committee based on their performance within certain guidelines. 50% of the awarded stock vests at the end of two years from the date of grant and the remaining 50% vests in four years from the date of grant. Prior to vesting, the employee has the right to vote such stock and receive dividends thereon. The nonvested shares are not transferable and are retained by the Corporation until they vest.

The following table presents information on restricted stock grants under the nonofficer plan:

	2002	2001
Number of shares granted	—	390,119
Weighted-average grant-date fair value per share	$ —	$ 18.97

U. S. Steel has a deferred compensation plan for non-employee directors of its Board of Directors. The plan permits participants to defer up to 100% of their annual retainers in the form of common stock units, and it requires non-employee directors to defer at least half of their annual retainers in the form of common stock units. Common stock units are book entry units equal in value to a share of stock. During 2002, 16,993 units were issued; during 2001, 5,235 units were issued; and during 2000, 4,872 units were issued.

Total stock-based compensation expense was $5 million in 2002, $6 million in 2001 and $1 million in 2000.

20. Property, Plant and Equipment

(In millions)	Useful Lives	December 31 2002	December 31 2001
Land and depletable property	—	**$ 184**	$ 193
Buildings	35 years	**591**	572
Machinery and equipment	4-22 years	**9,195**	9,080
Leased assets	3-25 years	**103**	105
Total		**10,073**	9,950
Less accumulated depreciation, depletion and amortization		**7,095**	6,866
Net		**$ 2,978**	$ 3,084

Amounts in accumulated depreciation, depletion and amortization for assets acquired under capital leases (including sale-leasebacks accounted for as financings) were $95 million and $88 million at December 31, 2002 and 2001, respectively.

On August 14, 2001, U. S. Steel announced its intention to permanently close the pickling, cold rolling and tin mill operations at its Fairless Works. In 2001, a pretax charge of $38 million was recorded related to the shutdown of these operations, of which $18 million is included in depreciation, depletion and amortization, and $20 million is included in cost of revenues. An additional $1 million was recorded in 2002, which is included in cost of sales.

During 2000, U. S. Steel recorded $71 million of impairments relating to coal assets located in West Virginia and Alabama. The impairment was recorded as a result of a reassessment of long-term prospects after adverse geological conditions were encountered. The charge is included in depreciation, depletion and amortization.

21. Sale of Accounts Receivable

On November 28, 2001, U. S. Steel entered into a five-year Receivables Purchase Agreement to sell a revolving interest in eligible trade receivables generated by U. S. Steel and certain of its subsidiaries through a commercial paper conduit program. Qualifying accounts receivables are sold, on a daily basis, without recourse, to U. S. Steel Receivables LLC (USSR), a consolidated wholly owned special purpose entity. USSR then sells an undivided interest in these receivables to certain conduits. The conduits issue commercial paper to finance the purchase of their interest in the receivables. U. S. Steel has agreed to continue servicing the sold receivables at market rates. Because U. S. Steel receives adequate compensation for these services, no servicing asset or liability has been recorded.

Sales of accounts receivable are reflected as a reduction of receivables in the balance sheet and the proceeds received are included in cash flows from operating activities in the statement of cash flows. Under the facility, USSR may sell interests in the receivables up to the lesser of a funding base, comprised of eligible receivables, or $400 million. Generally, the facility provides that as payments are collected from the sold accounts receivables, USSR may elect to have the conduits reinvest the proceeds in new eligible accounts receivable.

During 2002, USSR sold to conduits and subsequently repurchased $320 million of revolving interest in accounts receivable. No sales occurred in 2001. As of December 31, 2002, $343 million was available to be sold under this facility. The net book value of U. S. Steel's retained interest in the receivables represents the best estimate of the fair market value due to the short-term nature of the receivables.

USSR pays the conduits a discount based on the conduits' borrowing costs plus incremental fees. During 2002, U. S. Steel incurred costs of $3 million on the sale of its receivables, while such costs were less than $1 million in 2001. These costs are included in net interest and other financial costs in the statement of operations.

The table below summarizes cash flows from and paid to USSR:

(In millions)	2002	2001
Proceeds from:		
Collections reinvested	**$ 5,114**	$ 415
Securitizations	**—**	—
Servicing fee	**6**	1

The table below summarizes the trade receivables for USSR:

(In millions)	December 31 2002	December 31 2001
Balance of accounts receivable, net, purchased by USSR	**$ 451**	$ 393
Revolving interest sold to conduits	**—**	—
Accounts receivable — net, included in the balance sheet of U. S. Steel	**$ 451**	$ 393

While the term of the facility is five years, the facility also terminates on the occurrence and failure to cure certain events, including, among others, certain defaults with respect to the Inventory Facility and other debt obligations, any failure of USSR to maintain certain ratios related to the collectability of the receivables, and failure to extend the commitments of the commercial paper conduits' liquidity providers which currently terminate on November 26, 2003.

22. Inventories

(In millions) December 31	2002	2001
Raw materials	**$ 228**	$ 184
Semi-finished products	**472**	408
Finished products	**271**	210
Supplies and sundry items	**59**	68
Total	**$ 1,030**	$ 870

At December 31, 2002 and 2001, the LIFO method accounted for 92% and 91%, respectively, of total inventory value. Current acquisition costs were estimated to exceed the above inventory values at December 31 by approximately $310 million in 2002 and $410 million in 2001. Cost of revenues were reduced and income (loss) from operations was improved by $24 million in 2001 and $3 million in 2000 as a result of liquidations of LIFO inventories. The effect of liquidations of LIFO inventories in 2002 was less than $1 million.

Supplies and sundry items inventory in the table above includes $43 million and $45 million of land held for residential/commercial development by U. S. Steel's Real Estate segment as of December 31, 2002 and 2001, respectively.

23. Derivative Instruments

The following table sets forth quantitative information by class of derivative instrument at December 31, 2002 and 2001:

(In millions)	Fair Value Assets (Liabilities)[a]	Carrying Amount Assets (Liabilities)

Non-Hedge Designation:

OTC commodity swaps[b]:		
December 31, 2002	$ **(2)**	$ **(2)**
December 31, 2001	(5)	(5)

(a) The fair value amounts are based on exchange-traded index prices and dealer quotes.
(b) The OTC swap arrangements vary in duration with certain contracts extending into 2004.

24. Fair Value of Financial Instruments

Fair value of the financial instruments disclosed herein is not necessarily representative of the amount that could be realized or settled, nor does the fair value amount consider the tax consequences of realization or settlement. The following table summarizes financial instruments, excluding

derivative financial instruments disclosed in Note 23, by individual balance sheet account. U. S. Steel's financial instruments at December 31, 2002 and 2001, were:

(In millions) December 31	2002 Fair Value	2002 Carrying Amount	2001 Fair Value	2001 Carrying Amount
Financial assets:				
Cash and cash equivalents	**$ 243**	**$ 243**	$ 147	$ 147
Receivables	**805**	**805**	671	671
Receivables from related parties	**129**	**129**	159	159
Investments and long-term receivables	**45**	**44**	42	41
Total financial assets	**$ 1,222**	**$ 1,221**	$ 1,019	$ 1,018
Financial liabilities:				
Accounts payable	**$ 677**	**$ 677**	$ 551	$ 551
Accounts payable to related parties	**90**	**90**	143	143
Accrued interest	**44**	**44**	45	45
Long-term debt (including amounts due within one year)	**1,165**	**1,352**	1,122	1,375
Total financial liabilities	**$ 1,976**	**$ 2,163**	$ 1,861	$ 2,114

Fair value of financial instruments classified as current assets or liabilities approximates carrying value due to the short-term maturity of the instruments. Fair value of investments and long-term receivables was based on discounted cash flows or other specific instrument analysis. The cost method investment in VSZ at December 31, 2001, was excluded from investments and long-term receivables because the fair value was not readily determinable. U. S. Steel is subject to market risk and liquidity risk related to its investments; however, these risks are not readily quantifiable. Fair value of long-term debt instruments was based on market prices where available or current borrowing rates available for financings with similar terms and maturities.

Financial guarantees are U. S. Steel's only unrecognized financial instrument. For details relating to financial guarantees, see Note 25.

25. Contingencies and Commitments

U. S. Steel is the subject of, or party to, a number of pending or threatened legal actions, contingencies and commitments involving a variety of matters, including laws and regulations relating to the environment. Certain of these matters are discussed below. The ultimate resolution of these contingencies could, individually or in the aggregate, be material to the consolidated financial statements. However, management believes that U. S. Steel will remain a viable and competitive enterprise even though it is possible that these contingencies could be resolved unfavorably.

Property taxes — U. S. Steel is a party to several property tax disputes involving its Gary Works property in Indiana, including claims for refunds of approximately $65 million pertaining to tax years 1994-96 and 1999, and assessments of approximately $110 million in excess of amounts paid for the 2000 and 2001 tax years. In addition, interest may be imposed upon any final assessment. The disputes involve property values and tax rates and are in various stages of administrative appeals. U. S. Steel is vigorously defending against the assessments and pursuing its claims for refunds.

Environmental matters — U. S. Steel is subject to federal, state, local and foreign laws and regulations relating to the environment. These laws generally provide for control of pollutants released into the environment and require responsible parties to undertake remediation of hazardous waste disposal sites. Penalties may be imposed for noncompliance. Accrued liabilities for remediation totaled $135 million and $138 million at December 31, 2002 and 2001, respectively. It is not presently possible to estimate the ultimate amount of all remediation costs that might be incurred or the penalties that may be imposed.

For a number of years, U. S. Steel has made substantial capital expenditures to bring existing facilities into compliance with various laws relating to the environment. In 2002 and 2001, such capital expenditures totaled $14 million and $15 million, respectively. U. S. Steel anticipates making additional such expenditures in the future; however, the exact amounts and timing of such expenditures are uncertain because of the continuing evolution of specific regulatory requirements.

Throughout its history, U. S. Steel has sold numerous properties and businesses and has provided various indemnifications with respect to many of the assets that were sold. These indemnifications have been associated with the condition of the property, the approved use, certain representations and warranties, matters of title and environmental matters. While the vast majority of indemnifications have not covered environmental issues, there have been a few transactions in which U. S. Steel indemnified the buyer for non-compliance with past, current and future environmental laws related to existing conditions; however, most recent indemnifications are of a limited nature only applying to non-compliance with past and/or current laws. Some indemnifications only run for a specified period of time after the transactions close and others run indefinitely. The amount of potential liability associated with these transactions is not estimable due to the nature and extent of the unknown conditions related to the properties sold. Aside from approximately $14 million of liabilities already

recorded as a result of these indemnifications due to specific environmental remediation cases (included in the $135 million of accrued liabilities for remediation discussed above), there are no other known liabilities related to these indemnifications.

Guarantees — Guarantees of the liabilities of unconsolidated entities of U. S. Steel totaled $27 million at December 31, 2002, and $32 million at December 31, 2001. In the event that any defaults of guaranteed liabilities occur, U. S. Steel has access to its interest in the assets of the investees to reduce potential losses resulting from these guarantees. As of December 31, 2002, the largest guarantee for a single such entity was $18 million, which represents the maximum exposure to loss under a guarantee of debt service payments of an equity investee. No liability has been recorded for these guarantees as management believes the likelihood of occurrence is remote.

Contingencies related to Separation from Marathon —U. S. Steel was contingently liable for debt and other obligations of Marathon in the amount of approximately $168 million as of December 31, 2002, compared to $359 million at December 31, 2001. In the event of the bankruptcy of Marathon, these obligations for which U. S. Steel is contingently liable may be declared immediately due and payable. If such event occurs, U. S. Steel may not be able to satisfy such obligations. No liability has been recorded for these contingencies as management believes the likelihood of occurrence is remote.

If the Separation is determined to be a taxable distribution of the stock of U. S. Steel, but there is no breach of a representation or covenant by either U. S. Steel or Marathon, U. S. Steel would be liable for any resulting taxes (Separation No-Fault Taxes) incurred by Marathon. U. S. Steel's indemnity obligation for Separation No-Fault Taxes survives until the expiration of the applicable statute of limitations. The maximum potential amount of U. S. Steel's indemnity obligation for Separation No-Fault Taxes at December 31, 2002, is estimated to be approximately $90 million. No liability has been recorded for this indemnity obligation as management believes that the likelihood of the Separation being determined to be a taxable distribution of the stock of U. S. Steel is remote.

Other contingencies — U. S. Steel is contingently liable to its Chairman and Chief Executive Officer for a $3 million retention bonus. The bonus is payable upon the earlier of his retirement from active employment or December 31, 2004, and is subject to certain performance measures.

U. S. Steel has the option, under certain operating lease agreements covering various equipment, to renew the leases or to purchase the equipment during or at the end of the terms of the leases. If U. S. Steel does not exercise the purchase options by the end of the terms of the leases, U. S. Steel guarantees a residual value of the equipment as determined at the lease inception date of each agreement (approximately $51 million at December 31, 2002). No liability has been recorded for these guarantees as either management believes that the potential recovery of value from the equipment when sold is greater than the residual value guarantee, or the potential loss is not probable and/or estimable.

Transtar reorganization — The 2001 reorganization of Transtar was intended to be tax-free for federal income tax purposes, with U. S. Steel and Holdings agreeing through various representations and covenants to protect the reorganization's tax-free status. If the reorganization is determined to be taxable, but there is no breach of a representation or covenant by either U. S. Steel or Holdings, U. S. Steel is liable for 44% of any resulting Holdings taxes (Transtar No-Fault Taxes), and Holdings is responsible for 56% of any resulting U. S. Steel taxes. U. S. Steel's indemnity obligation for Transtar No-Fault Taxes survives until 30 days after the expiration of the applicable statute of limitations. The maximum potential amount of U. S. Steel's indemnity obligation for Transtar No-Fault Taxes at December 31, 2002, is estimated to be approximately $70 million. No liability has been recorded for this indemnity obligation as management believes that the likelihood of the reorganization being determined to be taxable is remote. U. S. Steel can recover all or a portion of any indemnified Transtar

No-Fault Taxes if Holdings receives a future tax benefit as a result of the Transtar reorganization being taxable.

Clairton 1314B partnership — See description of the partnership in Note 15. U. S. Steel has a commitment to fund operating cash shortfalls of the partnership of up to $150 million. Additionally, U. S. Steel, under certain circumstances, is required to indemnify the limited partners if the partnership product sales fail to qualify for the credit under Section 29 of the Internal Revenue Code. This indemnity will effectively survive until the expiration of the applicable statute of limitations. The maximum potential amount of this indemnity obligation at December 31, 2002, including interest and tax gross-up, is approximately $600 million. Furthermore, U. S. Steel under certain circumstances has indemnified the partnership for environmental obligations. See discussion of environmental matters above. The maximum potential amount of this indemnity obligation is not estimable. Management believes that the $150 million deferred gain related to the partnership, which is recorded in deferred credits and other liabilities, is more than sufficient to cover any probable exposure under these commitments and indemnifications.

Self-insurance — U. S. Steel is self-insured for certain liabilities including workers' compensation, auto liability and general liability, within specified deductible and retainage levels. Certain equipment that is leased by U. S. Steel is also self-insured within specified deductible and retainage levels. Liabilities are recorded for workers' compensation and personal injury obligations. Other costs resulting from self-insured losses are charged against income upon occurrence.

U. S. Steel uses surety bonds, trusts and letters of credit to provide whole or partial financial assurance for certain obligations such as workers' compensation. The total amount of active surety bonds, trusts and letters of credit being used for financial assurance purposes is approximately $144 million as of December 31, 2002, which reflects our maximum exposure under these financial guarantees, but not our total exposure for the underlying obligations. Most of the trust arrangements and letters of credit are collateralized by restricted cash that is recorded in other noncurrent assets.

Commitments — At December 31, 2002 and 2001, U. S. Steel's domestic contract commitments to acquire property, plant and equipment totaled $24 million and $28 million, respectively.

USSK has a commitment to the Slovak government for a capital improvements program of $700 million, subject to certain conditions, over a period commencing with the acquisition date of November 24, 2000, and ending on December 31, 2010. The remaining commitments under this capital improvements program as of December 31, 2002 and 2001, were $541 million and $634 million, respectively.

U. S. Steel entered into a 15-year take-or-pay arrangement in 1993, which requires U. S. Steel to accept pulverized coal each month or pay a minimum monthly charge of approximately $1 million. Charges for deliveries of pulverized coal totaled $23 million in 2002, 2001 and 2000. If U. S. Steel elects to terminate the contract early, a maximum termination payment of $82 million as of December 31, 2002, which declines over the duration of the agreement, may be required.

26. Subsequent Events

On January 9, 2003, U. S. Steel announced that it had signed an Asset Purchase Agreement with National Steel Corporation (National) to acquire substantially all of National's steelmaking and finishing assets for approximately $950 million, which includes the assumption of liabilities of approximately $200 million. The closing of the agreement with National was contingent on, among other things, the approval of the U.S. Bankruptcy Court for the Northern District of Illinois, Eastern Division, and the execution and ratification of a new labor agreement with the United Steelworkers of America (USWA) with respect to the steelworkers at the National facilities to be acquired.

On January 30, 2003, National announced that it had signed an agreement with another party, under which National would sell substantially all of its assets, including its pellet-making facility, for $1,125 million, consisting of cash and the assumption of approximately $200 million of liabilities. The closing of the agreement between National and the other party is contingent on, among other things, the approval of the U.S. Bankruptcy Court and the execution and ratification of a new labor agreement with the USWA with respect to the steelworkers at the National facilities to be acquired. The U.S. Bankruptcy Court in Chicago established an auction period for National's assets that began on February 6, 2003, and will end on April 7, 2003.

On February 10, 2003, U. S. Steel announced that it would immediately begin bargaining with the USWA to reach a new, progressive labor contract covering facilities now owned by bankrupt National as well as the USWA-represented plants of U. S. Steel. U. S. Steel remains interested in acquiring the assets of National if U. S. Steel is able to reach a new labor agreement with the USWA for the steelworkers at the National facilities and acquire the assets at a price that U. S. Steel views to be appropriate in light of conditions in the steel and financial markets at the time of the auction. Management cannot assure that U. S. Steel will participate in or prevail at the auction for National's assets.

In February 2003, U. S. Steel sold 5 million shares of 7% Series B Mandatory Convertible Preferred Shares (liquidation preference $50 per share) (Series B Preferred) for net proceeds of $242 million. U. S. Steel also granted the underwriters an over-allotment option to purchase up to an additional 750,000 of Series B Preferred. The Series B Preferred have a dividend yield of 7%, a 20% conversion premium (for an equivalent conversion price of $15.66 common share) and will mandatorily convert into U. S. Steel common shares on June 15, 2006. The net proceeds of the offering will be used for general corporate purposes, including funding working capital, financing potential acquisitions, debt reduction and voluntary contributions to employee benefit plans. The number of common shares that could be issued upon conversion of the 5 million shares of Series B Preferred ranges from approximately 16.0 million shares to 19.2 million shares, based upon the timing of the conversion and the market price of U. S. Steel's common stock.

Selected Quarterly Financial Data (Unaudited)

	2002				**2001**			
(In millions, except per share data)	**4th Qtr.** [(a)]	**3rd Qtr.**	**2nd Qtr.**	**1st Qtr.**	**4th Qtr.**	**3rd Qtr.**	**2nd Qtr.**	**1st Qtr.**
Revenues and other income:								
Revenues	$ **1,852**	$ **1,905**	$ **1,761**	$ **1,431**	$ 1,398	$ 1,645	$ 1,733	$ 1,510
Other income	**47**	**9**	**46**	**3**	16	15	4	54
Total	**1,899**	**1,914**	**1,807**	**1,434**	1,414	1,660	1,737	1,564
Income (loss) from operations	**2**	**140**	**47**	**(61)**	(252)	(25)	(27)	(101)
Net income (loss)	**11**	**106**	**27**	**(83)**	(174)	(23)	(30)	9
Common stock data [(b)]:								
Net income (loss) — per share [(c)]								
— Basic and diluted	$ **.10**	$ **1.04**	$ **.28**	$ **(.93)**	$ (1.95)	$ (.26)	$ (.34)	$ .10
Dividends paid per share	**.05**	**.05**	**.05**	**.05**	.10	.10	.10	.25
Price range of common stock [(d)]								
— Low	**10.87**	**10.66**	**17.22**	**16.36**	13.00	13.08	13.72	14.00
— High	**14.90**	**19.98**	**22.00**	**19.98**	18.75	21.70	22.00	18.00

(a) Income from operations and net income were adjusted by $(3) million and $(1) million, respectively, from amounts reported in our January 28, 2003 earnings release primarily due to the subsequent settlement of a legal contingency. Consequently, basic and diluted net income per share were reduced by $.02.

(b) Dividends and price range information represent Steel Stock in 2001. See Note 1 of the Notes to Financial Statements.

(c) Earnings per share for 2002 is based on the weighted average shares outstanding and for 2001, is based on the initial capitalization of U. S. Steel of 89.2 million shares. See Note 18 of the Notes to Financial Statements.

(d) Composite tape.

Principal Unconsolidated Investees (Unaudited)

		December 31, 2002	
Investee	**Country**	**Ownership**	**Activity**
Acero Prime. S. R. L de CV	Mexico	44%	Steel Processing
Chrome Deposit Corporation	United States	50%	Chrome Coating Services
Clairton 1314B Partnership, L.P.	United States	27%(a)	Coke & Coke By-Products
Delta Tubular Processing	United States	50%	Steel Processing
Double Eagle Steel Coating Company	United States	50%	Steel Processing
Feralloy Processing Company	United States	49%	Steel Processing
Olympic Laser Processing	United States	50%	Steel Processing
PRO-TEC Coating Company	United States	50%	Steel Processing
USS-POSCO Industries	United States	50%	Steel Processing
Worthington Specialty Processing	United States	50%	Steel Processing

(a) Interest in profits and losses was 1.75% through April 16, 2002. From April 17, through December 31, 2002, interest in profits and losses was 1.75% except for depreciation and amortization expense which was 45.75%. The interest in all profits and losses increased to 45.75% on January 1, 2003. See Note 15 of the Notes to Financial Statements.

Supplementary Information on Mineral Reserves Other Than Oil and Gas (Unaudited)

Mineral Reserves

U. S. Steel operates two underground coal mining complexes, the #50 Mine and Pinnacle Preparation Plant in West Virginia, and the Oak Grove Mine and Concord Preparation Plant in Alabama. U. S. Steel also operates one iron ore surface mining complex consisting of the open pit Minntac Mine and Pellet Plant in Minnesota.

Production History

The following table provides a summary, by mining complex, of minerals production in millions of tons for each of the last three years:

	2002	2001	2000
Coal:			
#50 Mine/Pinnacle Preparation Plant	3.5	3.0	3.1
Oak Grove Mine/Concord Preparation Plant	2.0	1.8	2.0
Total coal production	5.5	4.8	5.1
Iron Ore Pellets:			
Minntac Mine and Pellet Plant	16.4	14.2	16.2

Adverse mining conditions in the form of unforeseen geologic conditions encountered at both coal mining operations in the year 2000 resulted in changes to the mining plans in 2001. Coal production was diminished and mining costs were elevated. Force majeure conditions were declared with respect to contracted coal deliveries in 2000 with certain contracts fulfilled by purchased substitutes and other contracts fulfilled by extension of delivery time into 2001. These adverse mining conditions did not affect reserves reported as of December 31, 2001.

No recent adverse events affected iron ore pellet production other than fluctuations in market demand.

Coal Reserves

U. S. Steel had 774.6 million and 774.8 million short tons of recoverable coal reserves classified as proven and probable at December 31, 2002 and 2001, respectively. Proven and probable reserves are defined by sites for inspection, sampling and measurement generally less than one mile apart, such that continuity between points and subsequent economic evaluation can be assured. In 2002, reserves decreased due to production, the sale and lease of reserves to others and engineering revisions.

Independent outside entities have reviewed U. S. Steel's coal reserve estimates on properties comprising approximately 70% of the stated coal reserves.

The following table summarizes our proven and probable coal reserves as of December 31, 2002, the status of the reserves as assigned or unassigned, our property interest in the reserves and certain characteristics of the reserves:

		Reserve Control		Coal Characteristics			
Location	**Proven and Probable Reserves[(a)(b)]**	**Owned**	**Leased**	**Grade**	**Volatility**	**As Received[(c)] BTU Per Pound**	**As Received[(c)] % Sulfur**
Assigned Reserves[(d)]:							
Oak Grove Mine, AL	46.1	46.1	—	Metallurgical	Low	> 12,000	< 1.0%
#50 Mine, WV	81.8	70.2	11.6	Metallurgical	Low	> 12,000	< 1.0%
Total assigned	127.9	116.3	11.6				
Unassigned Reserves[(e)]:							
Alabama	126.4	126.4	—	Metallurgical	Low to High	> 12,000	< 1.0%
Alabama[(b)(f)]	49.2	49.2	—	Steam	Low to High	> 12,000	0.7%-2.5%
Alabama	31.9	—	31.9	Metallurgical	Medium	> 12,000	< 1.0%
Illinois[(f)]	374.8	374.8	—	Steam	High	11,600	2.3%
Indiana, Pennsylvania, Tennessee, West Virginia [(f)]	64.4	64.4	—	Metallurgical/ Steam	Low to High	11,600-13,000	1.0%-3.0%
Total unassigned	646.7	614.8	31.9				
Total Proven and Probable	774.6	731.1	43.5				

(a) The amounts in this column reflect recoverable tons. Recoverable tons represent the amount of product that could be used internally or delivered to a customer after considering mining and preparation losses. Neither inferred reserves nor resources which exist in addition to proven and probable reserves were included in these figures.

(b) All of U. S. Steel's recoverable reserves would be recovered utilizing underground mining methods, with the exception of 19.2 million short tons of owned, unassigned, recoverable, steam grade reserves in Alabama which would be recovered utilizing surface mining methods.

(c) "As received" means the quality parameters stated are within the expected product moisture content and quality values that a customer can reasonably expect to receive upon delivery.

(d) Assigned Reserves means recoverable coal reserves which have been committed by U. S. Steel to our operating mines and plant facilities.

(e) Unassigned Reserves represent coal which has not been committed, and which would require new mines and/or plant facilities before operations could begin on the property.

(f) Represents non-compliance steam coal as defined by Phase II of the Clean Air Act, having sulfur content in excess of 1.2 pounds per million Btu's.

Iron Ore Reserves

U. S. Steel had 764.3 million and 695.4 million short tons of recoverable iron ore reserves classified as proven and probable at December 31, 2002 and 2001, respectively. Proven and probable reserves are defined by sites for inspection, sampling and measurement generally less than 1,000 feet apart, such that continuity between points and subsequent economic evaluation can be assured. Recoverable tons mean the tons of product that can be used internally or delivered to a customer after considering mining and benefication or preparation losses. Neither inferred reserves nor resources which exist in addition to proven and probable reserves were included in these figures. In 2002, reserves increased as reserves acquired through property trades and leases exceeded production.

All 764.3 million tons of proven and probable reserves are assigned, which means that they have been committed by U. S. Steel to its one operating mine, and are of blast furnace pellet grade. U. S. Steel owns 290.8 million of these tons and leases the remaining 473.5 million tons. U. S. Steel does not own, or control by lease, any unassigned iron ore reserves.

Independent outside entities, including lessors, have reviewed U. S. Steel's estimates on approximately 75% of the stated iron ore reserves.

Five-Year Operating Summary

(Thousands of net tons, unless otherwise noted)

	2002	2001	2000	1999	1998
Raw Steel Production					
Gary, IN	**6,669**	**6,114**	**6,610**	**7,102**	**6,468**
Mon Valley, PA	**2,649**	**1,951**	**2,683**	**2,821**	**2,594**
Fairfield, AL	**2,217**	**2,028**	**2,069**	**2,109**	**2,152**
Domestic Facilities	**11,535**	**10,093**	**11,362**	**12,032**	**11,214**
Kosice, Slovak Republic	**4,394**	**4,051**	**382**	**—**	**—**
Total	**15,929**	**14,144**	**11,744**	**12,032**	**11,214**
Raw Steel Capability					
Domestic Facilities	**12,800**	**12,800**	**12,800**	**12,800**	**12,800**
U. S. Steel Kosice(a)	**5,000**	**5,000**	**467**	**—**	**—**
Total	**17,800**	**17,800**	**13,267**	**12,800**	**12,800**
Production as % of total capability — Domestic	**90.1**	**78.9**	**88.8**	**94.0**	**87.6**
— U. S. Steel Kosice	**87.9**	**81.0**	**81.8**	**—**	**—**
Coke Production					
Domestic	**5,104**	**4,647**	**5,003**	**4,619**	**4,835**
U. S. Steel Kosice	**1,653**	**1,555**	**188**	**—**	**—**
Total	**6,757**	**6,202**	**5,191**	**4,619**	**4,835**
Coke Shipments — Domestic					
Trade	**1,698**	**2,070**	**2,069**	**1,694**	**2,562**
Intercompany	**3,487**	**2,661**	**2,941**	**2,982**	**2,228**
Total	**5,185**	**4,731**	**5,010**	**4,676**	**4,790**
Iron Ore Pellet Shipments					
Trade	**3,335**	**2,985**	**3,336**	**3,017**	**4,115**
Intercompany	**12,904**	**11,928**	**11,684**	**12,008**	**11,331**
Total	**16,239**	**14,913**	**15,020**	**15,025**	**15,446**
Coal Shipments					
Trade	**5,140**	**4,561**	**5,741**	**4,891**	**6,056**
Intercompany	**1,816**	**1,975**	**1,980**	**2,033**	**1,614**
Total	**6,956**	**6,536**	**7,721**	**6,924**	**7,670**

Steel Shipments by Product — Domestic Facilities					
Sheet and semi-finished steel products	**7,682**	**6,411**	**7,409**	**8,114**	**7,608**
Plate and tin mill products	**2,218**	**2,368**	**2,202**	**2,105**	**2,475**
Tubular products	**773**	**1,022**	**1,145**	**410**	**603**
Total	**10,673**	**9,801**	**10,756**	**10,629**	**10,686**
Total as % of domestic steel industry	**10.8**	**9.9**	**9.9**	**10.0**	**10.5**
Steel Shipments by Product — U. S. Steel Kosice					
Sheet and semi-finished steel products	**3,207**	**2,937**	**206**	—	—
Plate and tin mill products	**604**	**639**	**99**	—	—
Tubular products	**138**	**138**	**12**	—	—
Total	**3,949**	**3,714**	**317**	—	—

(a) Represents the operations of U. S. Steel Kosice, s.r.o., following the acquisition of the steelmaking operations and related assets of VSZ a.s. on November 24, 2000.

*Five-Year Operating Summary*C O N T I N U E D

(Thousands of net tons, unless otherwise noted)

	2002	2001	2000	1999	1998
Steel Shipments by Market — Domestic Facilities					
Steel service centers	**2,673**	2,421	2,315	2,456	2,563
Transportation	**1,222**	1,143	1,466	1,505	1,785
Further conversion:					
Joint ventures	**1,550**	1,328	1,771	1,818	1,473
Trade customers	**1,311**	1,153	1,174	1,633	1,140
Containers	**863**	779	702	738	794
Construction	**880**	794	936	844	987
Oil, gas and petrochemicals	**647**	895	973	363	509
Export	**501**	522	544	321	382
All other	**1,026**	766	875	951	1,053
Total	**10,673**	9,801	10,756	10,629	10,686
Steel Shipments by Market — U. S. Steel Kosice					
Steel service centers	**613**	492	53	—	—
Transportation	**263**	194	13	—	—
Further conversion:					
Joint ventures	**20**	30	2	—	—
Trade customers	**1,056**	958	70	—	—
Containers	**289**	234	17	—	—
Construction	**1,016**	1,034	82	—	—
Oil, gas and petrochemicals	**32**	168	24	—	—
All other	**660**	604	56	—	—
Total	**3,949**	3,714	317	—	—
Average Steel Price Per Ton					
Flat-rolled Products	**$ 410**	$ 397	$ 427	$ 415	$ 460
Tubular Products	**651**	685	642	529	621
U. S. Steel Kosice	**276**	260	269	—	—

Five-Year Financial Summary(a)

(Dollars in millions, except as noted)

	2002	2001	2000	1999	1998
Revenues and Other Income					
Revenues by product:					
Sheet & semi-finished steel products	**$ 4,048**	$ 3,163	$ 3,288	$ 3,433	$ 3,598

Plate & tin mill products	**1,057**	1,273	977	919	1,164
Tubular products	**554**	755	754	221	382
Raw materials (coal, coke & iron ore)	**502**	485	626	549	744
Other[(b)]	**788**	610	445	414	490
Income (loss) from investees	**33**	64	(8)	(89)	46
Net gains on disposal of assets	**29**	22	46	21	54
Other income (loss)	**43**	3	4	2	(1)
Total revenues and other income	**$ 7,054**	$ 6,375	$ 6,132	$ 5,470	$ 6,477
Income (Loss) From Operations					
Segment income (loss):					
Flat-rolled	**$ (31)**	$ (536)	$ 31	$ 161	$ 311
Tubular	**4**	88	83	(57)	10
USSK	**110**	123	2	—	—
Straightline	**(41)**	(17)	—	—	—
Real Estate	**57**	69	72	54	68
Total reportable segments	**99**	(273)	188	158	389
Other Businesses	**38**	(17)	67	50	170
Special items	**(9)**	(115)	(151)	(58)	20
Total income (loss) from operations	**128**	(405)	104	150	579
Net interest and other financial costs	**115**	141	105	74	42
Income tax provision (benefit)	**(48)**	(328)	20	25	173
Net Income (Loss) [(c)]	**61**	(218)	(21)	44	364
Per common share — basic & diluted	**.62**	(2.45)	(.24)	.49	4.08
Balance Sheet Position at Year-End					
Current assets	**$ 2,440**	$ 2,073	$ 2,717	$ 1,981	$ 1,275
Net property, plant & equipment	**2,978**	3,084	2,739	2,516	2,500
Total assets	**7,977**	8,337	8,711	7,525	6,749
Short-term debt	**26**	32	209	13	25
Other current liabilities	**1,346**	1,226	1,182	1,271	991
Long-term debt	**1,408**	1,434(d)	2,236	902	464
Employee benefits	**2,601**	2,008	1,767	2,245	2,315
Preferred securities	**—**	—	249	249	248
Stockholders' equity[(e)]	**2,027**	2,506	1,919	2,056	2,093
Cash Flow Data					
Net cash from operating activities	**$ 279**	$ 669(f)	$ (627)	$ (80)	$ 380
Capital expenditures	**258**	287	244	287	310
Dividends paid[(g)]	**19**	57	97	97	96
Employee Data					
Total employment costs	**$ 1,744**	$ 1,581(h)	$ 1,197(i)	$ 1,148	$ 1,305
Average domestic employment costs (dollars per hour)	**37.90**	33.88	28.70	28.35	30.42
Average number of domestic employees	**20,351**	21,078	19,353	19,266	20,267
Average number of USSK employees	**15,900**	16,083	16,256(j)	—	—
Number of pensioners at year-end	**88,030**	91,003	94,339	97,102(k)	92,051
Stockholder Data at Year-End [(l)]					
Common shares outstanding (millions)	**102.5**	89.2	88.8	88.4	88.3
Registered shareholders (in thousands)	**50.0**	52.4	50.3	55.6	60.2
Market price of common stock	**$ 13.12**	$ 18.11	$ 18.00	$ 33.00	$ 23.00

(a) See Notes 1 and 2 of the Notes to Financial Statements for discussion of the basis of presentation and the December 31, 2001 Separation from Marathon.
(b) Includes revenue from the sale of steel production by-products; transportation services; steel mill products distribution; the management of mineral resources; the management and development of real estate; and engineering and consulting services.
(c) See Note 18 of the Notes to Financial Statements for the basis of calculating earnings per share.
(d) Reflects the $900 million Value Transfer. See Note 2 of the Notes to Financial Statements.
(e) For periods prior to 2001, amounts represent Marathon's net investment in U. S. Steel.
(f) Reflects $819 million of tax settlements with Marathon. See the statement of cash flows.
(g) Data for periods prior to 2002 pertains to USX—U. S. Steel Group common stock.
(h) Includes LTV Corporation's tin mill products business and Transtar, Inc. subsidiaries from dates of acquisition, March 1, 2001 and March 23, 2001, respectively.
(i) Includes USSK from date of acquisition on November 24, 2000.
(j) Represents average head count from the date of acquisition.
(k) Includes approximately 8,000 surviving spouse beneficiaries added to the U. S. Steel pension plan in 1999.
(l) Stockholder data prior to December 31, 2001, pertains to USX-U. S. Steel Group common stock.

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

Not applicable.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the directors of U. S. Steel required by this item is incorporated and made part hereof by reference to the material appearing under the heading "Election of Directors" in U. S. Steel's Proxy Statement for the 2003 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year.

The executive officers of U. S. Steel or its subsidiaries and their ages as of March 1, 2003, are as follows:

Charles G. Carson, III	61	Vice President—Environmental Affairs
Roy G. Dorrance	57	Vice Chairman and Chief Operating Officer
James D. Garraux	50	Vice President—Employee Relations
Charles C. Gedeon	62	Executive Vice President—Raw Materials and Transportation
John H. Goodish	54	Executive Vice President—International and Diversified Businesses
Gretchen R. Haggerty	47	Executive Vice President, Treasurer and Chief Financial Officer
J. Paul Kadlic	61	Executive Vice President—Sheet & Tin Products
Dan D. Sandman	54	Vice Chairman and Chief Legal & Administrative Officer, General Counsel and Secretary
Larry G. Schultz	53	Vice President & Controller
Terrence D. Straub	57	Senior Vice President—Public Policy and Governmental Affairs
John P. Surma, Jr.	48	President
Stephan K. Todd	57	Vice President—Law
Thomas J. Usher	60	Chairman of the Board of Directors and Chief Executive Officer

With the exception of Mr. Surma, all of the executive officers mentioned above have held responsible management or professional positions with U. S. Steel or its subsidiaries for more than the past five years. Mr. Surma was Assistant to the Chairman of USX Corporation effective September 1, 2001 and had been the President of Marathon Ashland Petroleum LLC ("MAP") since January 2001. Prior to that, Mr. Surma served as the Senior Vice President, Supply & Transportation for MAP, the President of Speedway SuperAmerica LLC, and was named Senior Vice President, Finance & Accounting for Marathon Oil Company in 1997. Immediately prior to joining Marathon Oil Company, he was a partner with Price Waterhouse LLP.

U. S. Steel has adopted a Code of Ethical Business Conduct that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. U. S. Steel will provide a copy free of charge. To obtain a copy, contact our Office of The Corporate Secretary, United States Steel Corporation, 600 Grant Street, Pittsburgh, Pennsylvania 15219-2800 (telephone: 412-433-4801). The Code of Ethical Business Conduct is also available through the Company's web site at *www.ussteel.com*.

Item 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated and made part hereof by reference to the material appearing under the heading "Executive Compensation" in U. S. Steel's Proxy Statement for the 2003 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated and made part hereof by reference to the material appearing under the heading "Security Ownership of Directors and Executive Officers" in U. S. Steel's Proxy Statement for the 2003 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by this item is incorporated and made part hereof by reference to the material appearing under the heading "Transactions" in U. S. Steel's Proxy Statement for the 2003 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year.

Item 14. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Within 90 days before filing this report, management evaluated the effectiveness of the design and operation of U. S. Steel's disclosure controls and procedures. These disclosure controls and procedures are the controls and other procedures that were designed to ensure that information required to be disclosed in reports that are filed or submitted to the SEC is: (1) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (2) recorded, processed, summarized and reported within the time periods specified in applicable law and regulations. Based on this evaluation, U. S. Steel's Chief Executive Officer and Chief Financial Officer concluded that, as of the date of their evaluation, U. S. Steel's disclosure controls and procedures were effective.

Internal Controls

Since the date of the evaluation described above, there have not been any significant changes in U. S. Steel's internal accounting controls or in other factors that could significantly affect those controls.

Item 15. **EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K**

A. Documents Filed as Part of the Report

1. Financial Statements
   Financial Statements filed as part of this report are included in Item 8—Financial Statements and Supplementary Data beginning on page F-1.

2. Financial Statement Schedules and Supplementary Data
   Schedule II — Valuation and Qualifying Accounts and Reserves is included on page 67. All other schedules are omitted because they are not applicable or the required information is contained in the applicable financial statements or notes thereto.

   Report of Independent Accountants on Financial Statement Schedules is included on page 68.

   Supplementary Data —
   Disclosures About Forward-Looking Statements are provided beginning on page 73.

B. Reports on Form 8-K

Form 8-K dated October 16, 2002, reporting under Item 5. Other Events, the filing of the October 16, 2002 press release titled "U. S. Steel Signs Letter of Intent to Sell Raw Materials and Transportation Businesses."

Form 8-K dated October 21, 2002, reporting under Item 5. Other Events, the filing of the October 21, 2002, U. S. Steel Earnings Release.

Form 8-K dated January 9, 2003, reporting under Item 5. Other Events, the filing of the January 9, 2003 press release titled "U. S. Steel to Acquire National Steel Assets."

Form 8-K dated January 28, 2003, reporting under Item 5. Other Events, the filing of the January 28, 2003, U. S. Steel Earnings Release.

Form 8-K dated February 3, 2003, reporting under Item 5. Other Events, the filing of the February 3, 2003 press release titled "U. S. Steel Announces $200 Million Mandatory Convertible Preferred Share Offering."

Form 8-K dated February 4, 2003, reporting under Item 5. Other Events, the filing of the underwriting agreement that U. S. Steel executed and delivered on February 4, 2003, with J.P. Morgan Securities Inc., as the bookrunning manager and the filing of the press release titled "U. S. Steel Prices $250 Million Mandatory Convertible Preferred Shares."

Form 8-K dated February 10, 2003, reporting under Item 5. Other Events, the filing of the February 10, 2003 press release titled "U. S. Steel and USWA Begin Negotiations for National Steel and U. S. Steel Represented Facilities."

C. Exhibits

Exhibit No.

3.		**Articles of Incorporation and By-Laws**	
	(a)	United States Steel Corporation Certificate of Incorporation dated December 31, 2001	Incorporated by reference to Exhibit 3(a) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.
	(b)	United States Steel Corporation By-Laws, dated April 30, 2002	Incorporated by reference to Exhibit 5 to United State Steel Corporation's Form 8-A filed on February 6, 2003.
4.		**Instruments Defining the Rights of Security Holders, Including Indentures**	
	(a)	Credit Agreement dated as of November 30, 2001, with amendments dated August 13, 2002, and December 18, 2002	
	(b)	Security Agreement dated as of November 30, 2001 among United States Steel LLC and JPMorgan Chase Bank, as Collateral Agent	Incorporated by reference to Exhibit 4(b) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.
	(c)	Intercreditor Agreement dated as of November 30, 2001 by and among JPMorgan Chase Bank, as a Funding Agent; the Bank of Nova Scotia, as a Funding Agent and as Receivables Collateral Agent; JPMorgan Chase Bank, as Lender Agent; U. S. Steel Receivables LLC, as Transferor; and United States Steel LLC, as Originator, as Initial Servicer and as Borrower	Incorporated by reference to Exhibit 4(c) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.

	(d)	Rights Agreement, dated as of December 31, 2001, between United States Steel Corporation and Mellon Investor Services, L.L.C., as Rights Agent	Incorporated by reference to Exhibit 4 to United States Steel Corporation's Form 8-A/A filed on December 31, 2001.
	(e)	Form of Indenture among United States Steel LLC, Issuer; USX Corporation, Guarantor; and the Bank of New York, Trustee	Incorporated by reference to Exhibit 4.1 to United States Steel LLC's Registration Statement on Form S-4/A (File No. 333-71454) filed on November 1, 2001.

(f)	Indenture dated July 27, 2001 among United States Steel LLC and United States Steel Financing Corp., Co-Issuers; USX Corporation, Guarantor; and the Bank of New York, Trustee regarding $10^3/4$% Notes Due August 1, 2008	Incorporated by reference to Exhibit 4(f) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.
(g)	First Supplemental Indenture, dated November 26, 2001 to the Indenture dated July 27, 2001 among United States Steel LLC and United States Steel Financing Corp., Co-Issuers; USX Corporation, Guarantor; and the Bank of New York, Trustee regarding $10^3/4$% Notes Due August 1, 2008	Incorporated by reference to Exhibit 4(g) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.
(h)	Certificate of Designation respecting the Series A Junior Preferred Stock	Incorporated by reference to Exhibit 4(h) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.
(i)	Certificate of Designation respecting the 7% Series B Mandatory Convertible Preferred Shares	

Certain long-term debt instruments are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. U. S. Steel agrees to furnish to the Commission on request a copy of any instrument defining the rights of holders of long-term debt of U. S. Steel and of any subsidiary for which consolidated or unconsolidated financial statements are required to be filed.

10. Material Contracts

(a)	United States Steel Corporation 2002 Stock Plan	
(b)	United States Steel Corporation Senior Executive Officer Annual Incentive Compensation Plan	
(c)	United States Steel Corporation Annual Incentive Compensation Plan	Incorporated by reference to Exhibit 10(c) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.
(d)	United States Steel Corporation Non-Officer Restricted Stock Plan	Incorporated by reference to Exhibit 10(d) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.
(e)	United States Steel Corporation Executive Management Supplemental Pension Program	Incorporated by reference to Exhibit 10(e) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.
(f)	United States Steel Corporation Supplemental Thrift Program	Incorporated by reference to Exhibit 10(f) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.
(g)	United States Steel Corporation Deferred Compensation Plan for Non-Employee Directors	Incorporated by reference to Exhibit 10(g) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.
(h)	Form of Severance Agreements between the Corporation and its Officers	Incorporated by reference to Exhibit 10(h) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.

(i)	Retention Agreement between United States Steel Corporation and Thomas J. Usher, executed August 8, 2001	Incorporated by reference to Exhibit 10(i) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.
(j)	Agreement between United States Steel Corporation and John P. Surma, executed December 21, 2001	Incorporated by reference to Exhibit 10(j) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.
(k)	Retention Agreement between United States Steel Corporation and Dan D. Sandman, executed September 14, 2001	Incorporated by reference to Exhibit 10(k) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.
(l)	Tax Sharing Agreement between USX Corporation (renamed Marathon Oil Corporation) and United States Steel Corporation	Incorporated by reference to Exhibit 99.3 to United States Steel Corporation's Form 8-K dated December 31, 2001.
(m)	Financial Matters Agreement between USX Corporation (renamed Marathon Oil Corporation) and United States Steel Corporation	Incorporated by reference to Exhibit 99.5 to United States Steel Corporation's Form 8-K dated December 31, 2001.
(n)	Amended and Restated Receivables Purchase Agreement, dated November 28, 2001 among U. S. Steel Receivables, as Seller; United States Steel LLC, as initial Servicer; the persons party Hereto as CP Conduit Purchasers, Committed Purchasers and Funding Agents and The Bank of Nova Scotia, as Collateral Agent	Incorporated by reference to Exhibit 10(n) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.

(o)	Purchase and Sale Agreement dated November 28, 2001 among United States Steel LLC, as initial Servicer and as Originator; and U. S. Steel Receivables LLC as purchaser and contributee	Incorporated by reference to Exhibit 10(o) to United States Steel Corporation's Form 10-K for the year ended December 31, 2001.
(p)	First Amendment dated May 6, 2002, and Second Amendment dated November 27, 2002, to Amended and Restated Receivables Purchase Agreement, dated November 28, 2001 among U. S. Steel Receivables as Seller; United States Steel LLC as initial Servicer; the persons party Hereto as CP Conduit Purchasers, Committed Purchasers and Funding Agents and The Bank of Nova Scotia, as Collateral Agent	
(q)	Employment and Consulting Agreement between United States Steel Corporation and Thomas J. Usher, executed February 13, 2003	

12.1. Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
12.2. Computation of Ratio of Earnings to Fixed Charges
21. List of Subsidiaries
23. Consent of PricewaterhouseCoopers LLP
24. Powers of Attorney

99.1.	**Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
99.2.	**Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
99.3.	**Supplemental Statistics—2002**
99.4.	**Supplemental Statistics—2001**

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(Millions of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions(a)	Balance at End of Period
Year ended December 31, 2002:					
Reserves deducted in the balance sheet from the assets to which they apply:					
Allowance for doubtful accounts	$ 165	$ 29	$ —	$ 137	$ 57
Investments and long-term receivables reserve	75	6	—	79	2
Deferred tax valuation allowance:					
State	9	—	6(b)	9	6
Foreign	20	—	3(c)	—	23
Year ended December 31, 2001:					
Reserves deducted in the balance sheet from the assets to which they apply:					
Allowance for doubtful accounts	$ 57	$ 112	$ 1	$ 5	$ 165
Investments and long-term receivables reserve	38	38	—	1	75
Deferred tax valuation allowance:					
State	34	—	28(c)	53(d)	9
Foreign	21	—	—	1	20
Year ended December 31, 2000:					
Reserves deducted in the balance sheet from the assets to which they apply:					
Allowance for doubtful accounts	$ 10	$ 11	$ 37(e)	$ 1	$ 57
Investments and long-term receivables reserve	3	36(f)	—	1	38
Deferred tax valuation allowance:					
State	41	—	—	7	34
Foreign	—	—	21(g)	—	21

(a) Deductions for the allowance for doubtful accounts and long-term receivables include amounts written off as uncollectible, net of recoveries. Unless otherwise noted, reductions in the tax valuation allowances reflect changes in the amount of deferred taxes expected to be realized, resulting in credits to the provision for income taxes.

(b) Reflects valuation allowance charged to equity established for deferred tax assets relating to minimum pension liability adjustments.

(c) Reflects valuation allowances established for deferred tax assets generated in the current period, primarily related to net operating losses.

(d) The reduction in the valuation allowance is related to net operating losses previously attributed to United States Steel which were retained by Marathon in connection with the Separation. The transfer of net operating losses and the related valuation allowance was recorded as an adjustment to Marathon's net investment.

(e) Includes $36 million relating to the acquisition of U. S. Steel Kosice, s.r.o.

(f) Includes $36 million classified as income (loss) from investees relating to notes receivable from an equity investee.

(g) Relates to the acquisition of U. S. Steel Kosice, s.r.o.

Report of Independent Accountants on
Financial Statement Schedules

To the Stockholders of United States Steel Corporation:

Our audits of the consolidated financial statements referred to in our report dated February 25, 2003, included in this Annual Report on Form 10-K also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ *PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
February 25, 2003

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity indicated on March 10, 2003.

UNITED STATES STEEL CORPORATION

By: /s/ *Larry G. Schultz*

Larry G. Schultz
Vice President & Controller

Signature	Title
/s/ *Thomas J. Usher* **Thomas J. Usher**	Chairman of the Board of Directors and Chief Executive Officer and Director
* **John P. Surma, Jr.**	President and Director
/s/ *Gretchen R. Haggerty* **Gretchen R. Haggerty**	Executive Vice President, Treasurer and Chief Financial Officer
/s/ *Larry G. Schultz* **Larry G. Schultz**	Vice President & Controller
* **J. Gary Cooper**	Director
* **Robert J. Darnall**	Director
* **Roy G. Dorrance**	Vice Chairman and Chief Operating Officer and Director
* **Shirley Ann Jackson**	Director
* **Charles R. Lee**	Director
* **Frank J. Lucchino**	Director
* **Dan D. Sandman**	Vice Chairman and Chief Legal & Administrative Officer, General Counsel and Secretary and Director
* **Seth E. Schofield**	Director
* **Douglas C. Yearley**	Director

*By: /s/ *Gretchen R.Haggerty*

Gretchen R. Haggerty, Attorney-in-Fact

CERTIFICATIONS

I, Thomas J. Usher, certify that:

1. I have reviewed this annual report on Form 10-K of the United States Steel Corporation;

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

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

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

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

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

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

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

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

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

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

March 10, 2003 By: /s/ Thomas J. Usher

Thomas J. Usher
Chairman of the Board of Directors
and Chief Executive Officer

I, Gretchen R. Haggerty, certify that:

1. I have reviewed this annual report on Form 10-K of the United States Steel Corporation;

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

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

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

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

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

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

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

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

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

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

March 10, 2003 By: /s/ Gretchen R. Haggerty

Gretchen R. Haggerty
Executive Vice President, Treasurer
and Chief Financial Officer

GLOSSARY OF CERTAIN DEFINED TERMS

The following definitions apply to terms used in this document:

Acero Prime	Acero Prime, S.R.L. de CV
ABO	accumulated benefit obligation
APA	Asset Purchase Agreement with National
CAA	Clean Air Act
CAMU	Corrective Action Management Unit
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
CITT	Canadian International Trade Tribunal
CMS	Corrective Measure Study
CWA	Clean Water Act
DESCO	Double Eagle Steel Coating Company
DOJ	U.S. Department of Justice
EPA	U.S. Environmental Protection Agency
EU	European Union
FASB	Financial Accounting Standards Board
Flat-Rolled	Flat-Rolled Products Segment
Kobe	Kobe Steel, Ltd.
IDEM	Indiana Department of Environmental Management
LAER	Lowest Achievable Emission Rate
MACT	Maximum Achievable Control Technology
Marathon	Marathon Oil Corporation
Minntac	U. S. Steel's iron ore operations at Mt. Iron, Minnesota
National	National Steel Corporation
NOV	Notice of Violation
NPDES	National Pollutant Discharge Elimination System
OECD	Organization for Economic Cooperation and Development
OPEB	other postretirement benefits
PADEP	Pennsylvania Department of Environmental Protection
PADER	Pennsylvania Department of Environmental Resources
PHS	Polskie Huty Stali S.A.
POSCO	Pohang Iron & Steel Co., Ltd.
PRO-TEC	PRO-TEC Coating Company, U. S. Steel and Kobe Steel Ltd. joint venture
PRP	potentially responsible party
RCRA	Resource Conservation and Recovery Act
RFI	RCRA Facility Investigation
Real Estate	USS Real Estate Segment
Republic	Republic Technologies International, LLC
Sartid	Sartid a.d., an integrated steel company in Serbia
Senior Notes	U. S. Steel's $10^3/4$% Senior Notes due 2008
Separation	United States Steel being spun-off from USX Corporation (renamed Marathon Oil Corporation)
Series B Preferred	U. S. Steel's 7% Series B Mandatory Convertible Preferred Shares
SFAS	Statement of Financial Accounting Standards
Steel Stock	USX—U. S. Steel Group Common Stock
Straightline	Straightline Source Segment
1314B Partnership	Clairon 1314B Partnership, L.P.
TFS	tin free steel
Trust Preferred Securities	6.75% Convertible Quarterly Income Preferred Securities of USX Capital Trust I
Tubular	Tubular Products Segment
USS-POSCO	USS-POSCO Industries, U. S. Steel and Pohang Iron & Steel Co., Ltd.
	joint venture
USS Mining	U. S. Steel Mining LLC
USSK	U. S. Steel Kosice Segment
USSR	U. S. Steel Receivables LLC
USWA	United Steelworkers of America
VEBA	Voluntary Employee Benefit Association
WTO	World Trade Organization

SUPPLEMENTARY DATA
DISCLOSURES ABOUT FORWARD-LOOKING STATEMENTS

U. S. Steel includes forward-looking statements concerning trends, market forces, commitments, material events or other contingencies potentially affecting the Company in reports filed with the Securities and Exchange Commission, external documents or oral presentations. In order to take advantage of "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, U. S. Steel is filing the following cautionary language identifying important factors (though not necessarily all such factors) that could cause actual outcomes to differ materially from information set forth in forward-looking statements made by, or on behalf of, U. S. Steel and its representatives.

Cautionary Language Concerning Forward-Looking Statements

Forward-looking statements with respect to U. S. Steel may include, but are not limited to, comments about general business strategies, financing decisions, projections of levels of revenues, income from operations or income from operations per ton, net income or earnings per share; levels of capital, environmental or maintenance expenditures; the success or timing of completion of ongoing or anticipated capital or maintenance projects; levels of raw steel production capability, prices, production, shipments, or labor and raw material costs; the acquisition, idling, shutdown or divestiture of assets or businesses; the effect of restructuring or reorganization of business components; the effect of potential steel industry consolidation; the effect of potential judicial proceedings on the business and financial condition; the effects of actions of third parties such as competitors, or foreign, federal, state or local regulatory authorities; and the effects of import quotas, tariffs and other protectionist measures on USSK.

Forward-looking statements typically contain words such as "anticipates," "believes," "estimates," "expects," "forecasts," "predicts" or "projects," or variations of these words, suggesting that future outcomes are uncertain. The following discussion is intended to identify important factors (though not necessarily all such factors) that could cause future outcomes to differ materially from those set forth in forward-looking statements with respect to U. S. Steel.

Liquidity Factors

U. S. Steel's ability to finance its future business requirements through internally generated funds, proceeds from the sale of stock, borrowings and other external financing sources is affected by its performance (as measured by various factors, including cash provided from operating activities), the state of worldwide debt and equity markets, investor perceptions and expectations of past and future performance and actions, the overall U.S. financial climate, and, in particular, with respect to borrowings, by U. S. Steel's outstanding debt, credit ratings by investor services and compliance with covenants associated with outstanding debt. To the extent that U. S. Steel Management's assumptions concerning these factors prove to be inaccurate, U. S. Steel's liquidity position could be materially adversely affected.

Market Factors

U. S. Steel's expectations as to levels of production and revenues, gross margins, income from operations and income from operations per ton are based upon assumptions as to future product prices and mix, and levels of raw steel production capability, production and shipments. These assumptions may prove to be inaccurate.

The steel industry is characterized by excess world supply which has restricted the ability of U. S. Steel and the industry to raise prices during periods of economic growth and resist price decreases during economic contraction.

Domestic flat-rolled steel supply has increased in recent years with the completion and start-up of minimills that are less expensive to build than integrated facilities, and are typically staffed by non-unionized work forces with lower total labor costs and more flexible work rules. Through the use of thin slab casting technology, minimill competitors are increasingly able to compete directly with integrated producers of higher value-added products. Such competition could adversely affect U. S. Steel's future product prices and shipment levels.

USSK does business primarily in Central and Western Europe and is subject to market conditions in those areas which are influenced by many of the same factors which affect domestic markets, as well as matters peculiar to international markets such as quotas and tariffs. USSK is affected by the worldwide overcapacity in the steel industry and the cyclical nature of demand for steel products and that demand's sensitivity to worldwide general economic conditions. In particular, USSK is subject to economic conditions and political factors in Europe, which if changed could negatively affect its results of operations and cash flow. Political factors include, but are not limited to, taxation, nationalization, inflation, currency fluctuations, increased regulation, and quotas, tariffs and other protectionist measures. USSK is also subject to foreign currency exchange risks because its revenues are primarily in euros and its costs are primarily in Slovak koruna and U. S. dollars.

The domestic steel industry has, in the past, been adversely affected by unfairly traded imports. Steel imports to the United States accounted for an estimated 27%, 24% and 27% of the domestic steel market in 2002, 2001 and 2000, respectively. Foreign competitors typically have lower labor costs, and are often owned, controlled or subsidized by their governments, allowing their production and pricing decisions to be influenced by political and economic policy considerations as well as prevailing market conditions. Levels of imported steel following government action on Section 201 activities could adversely affect future market prices and demand levels for domestic steel.

U. S. Steel also competes in many markets with producers of substitutes for steel products, including aluminum, cement, composites, glass, plastics and wood. The emergence of additional substitutes for steel products could adversely affect future prices and demand for steel products.

The businesses of U. S. Steel are aligned with cyclical industries such as the automotive, appliance, containers, construction and energy industries. As a result, future downturns in the U.S. economy or any of these industries could adversely affect the profitability of U. S. Steel.

Operating and Cost Factors

The operations of U. S. Steel are subject to planned and unplanned outages due to maintenance, equipment malfunctions or work stoppages; and various hazards, including explosions, fires and severe weather conditions, which could disrupt operations or the availability of raw materials, resulting in reduced production volumes and increased production costs.

Labor costs for U. S. Steel are affected by collective bargaining agreements. U. S. Steel entered into a five year contract with the United Steelworkers of America ("USWA"), effective August 1, 1999, covering approximately 14,500 employees. The contract provided for increases in hourly wages phased over the term of the agreement beginning in 2000 as well as pension and benefit improvements for active and retired employees and spouses that will result in higher labor and benefit costs for U. S. Steel each year throughout the term of the contract. On February 10, 2003, U. S. Steel announced that it would immediately begin bargaining with the USWA to reach a new, progressive labor contract covering facilities now owned by bankrupt National Steel Corporation as well as the USWA-represented plants of U. S. Steel. In addition, most USSK employees are represented by OZ Metalurg, which on February 16, 2001 signed a Collective Labor Agreement with USSK which, for nonwage issues, covers the years 2001 to 2004. An amendment to this agreement was executed in January 2003, which covers all 2003 wage issues. Wage issues for the remainder of the term of the Collective Labor Agreement are expected to be renegotiated annually. The agreement includes

improvements in the employees' social and wage benefits and work conditions. To the extent that increased costs are not recoverable through the sales prices of products, future income from operations would be adversely affected.

Future net periodic benefit costs (credits) for pensions and other postretirement benefits can be volatile and are dependent upon the future marketplace performance of plan assets; changes in actuarial assumptions regarding such factors as selection of a discount rate, the expected rate of return on plan assets and escalation of retiree health care costs; plan amendments affecting benefit payout levels; and profile changes in the beneficiary populations being valued. Changes in the assumptions or differences between actual and expected changes in the present value of liabilities or assets of U. S. Steel's plans could cause net periodic benefit costs to increase or decrease materially from year to year. Income from operations for U. S. Steel included periodic pension credits of $3 million, $120 million and $273 million in 2002, 2001 and 2000, respectively, and included $138 million, $117 million and $110 million of expense for retiree medical and life insurance (excluding multiemployer plans) in 2002, 2001 and 2000, respectively. Based on preliminary actuarial information for 2003, the Company expects annual net periodic pension costs to be $65 million and annual retiree medical and life insurance costs (excluding multiemployer plans) to be $203 million. To the extent that these costs increase in the future, income from operations would be adversely affected.

U. S. Steel's underfunded benefit obligations for retiree medical and life insurance were $2.6 billion and $1.8 billion at year-end 2002 and 2001, respectively. Also, the funded status of the projected pension benefit obligation declined from an overfunded position of $1.2 billion at year-end 2001 to an underfunded position of $0.4 billion at year-end 2002. To the extent that competitors do not provide similar benefits, or have been relieved of obligations to provide such benefits following bankruptcy reorganization, the competitive position of U. S. Steel may be adversely affected, depending on cash funding requirements. Preliminary funding valuations of the pension plan for union employees as of December 31, 2002, indicate that the plan will not require cash funding for the 2003 plan year. However, cash funding in 2004 and beyond for this pension plan could be required, the level of which depends upon various factors such as future asset performance, the level of interest rates used to measure ERISA minimum funding levels, the impacts of business acquisitions or sales, union negotiated changes and future government regulation. U. S. Steel may also make voluntary contributions in one or more future periods in order to mitigate potentially larger required contributions in later years. Any such funding requirements could have an unfavorable impact on U. S. Steel's debt covenants, borrowing arrangements and cash flows.

Legal and Environmental Factors

The profitability of U. S. Steel's operations could be affected by a number of contingencies, including legal actions. The ultimate resolution of these contingencies could, individually or in the aggregate, be material to the U. S. Steel financial statements.

The businesses of U. S. Steel are subject to numerous environmental laws. Certain current and former U. S. Steel operating facilities have been in operation for many years and could require significant future accruals and expenditures to meet existing and future requirements under these laws. To the extent that competitors are not required to undertake equivalent costs in their operations, the competitive position of U. S. Steel could be adversely affected.

For further discussion of certain of the factors described herein, and their potential effects on the businesses of U. S. Steel, see Item 1. Business, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

CREDIT AGREEMENT

dated as of

November 30, 2001

among

UNITED STATES STEEL LLC

THE LENDERS PARTY HERETO

THE LC ISSUING BANKS PARTY HERETO

JPMORGAN CHASE BANK,
as Administrative Agent, Collateral Agent and Swingline Lender

GENERAL ELECTRIC CAPITAL CORPORATION,
as Documentation Agent and Co-Collateral Agent

and

PNC BANK, NATIONAL ASSOCIATION and
FOOTHILL CAPITAL CORPORATION,
as Co-Syndication Agents

J.P. MORGAN SECURITIES INC.,
as Lead Arranger and Bookrunner

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CREDIT AGREEMENT dated as of November 30, 2001 among UNITED STATES STEEL LLC, the LENDERS party hereto, the LC ISSUING BANKS party hereto, JPMORGAN CHASE BANK, as Administrative Agent, Collateral Agent and Swingline Lender, and GENERAL ELECTRIC CAPITAL CORPORATION, as Documentation Agent and Co-Collateral Agent.

WHEREAS, the Borrower desires to borrow funds and obtain letters of credit under this Agreement for general corporate purposes, including working capital;

WHEREAS, the Borrower is willing to secure (i) its obligations under this Agreement and (ii) certain other obligations under interest rate hedging arrangements and other arrangements entered into with certain Lenders, by granting Liens on certain of its assets to the Collateral Agent as provided in the Security Documents; and

WHEREAS, the Lenders and the LC Issuing Banks are willing to make loans or issue or participate in letters of credit hereunder, and those Lenders who are counterparties to the interest rate hedging arrangements and other arrangements referred to above are willing to enter into or maintain them, under the terms and conditions set forth in this Agreement and the Security Documents;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.01. *Defined Terms.* As used in this Agreement, the following terms have the meanings specified below:

"**Adjusted LIBO Rate**" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Adjustment.

"**Administrative Agent**" means JPMorgan Chase Bank, in its capacity as administrative agent under the Loan Documents, and its successors in such capacity.

"**Administrative Questionnaire**" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"**Affiliate**" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls, or is Controlled by or under common Control with such specified Person.

"**Agents**" means the Administrative Agent, the Documentation Agent, the Collateral Agent and the Co-Collateral Agent.

"**Alternate Base Rate**" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus $^{1}/_{2}$ of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate will be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"**Applicable Rate**" means for any day:

(a) with respect to any Revolving Loan or Swingline Loan that is a Base Rate Loan, the applicable rate per annum set forth in the Pricing Schedule in the row opposite the caption "Base Rate Margin" and in the column corresponding to the "Pricing Level" that applies for such day;

(b) with respect to any Revolving Loan that is a Eurodollar Loan, the applicable rate per annum set forth in the Pricing Schedule in the row opposite the caption "Euro-Dollar Margin" and in the column corresponding to the "Pricing Level" that applies for such day;

(c) with respect to the commitment fees payable hereunder, the applicable rate per annum set forth in the Pricing Schedule in the row opposite the caption "Commitment Fee Rate" and in the column corresponding to the "Pricing Level" that applies for such day;

In each case, the "Applicable Rate" will be based on the Senior Debt Rating as of the most recent determination date;*provided* that:

(i) on the Effective Date, the "Applicable Rates" for purposes of clauses (a), (b)and (c) above will be the applicable rates per annum set forth in the Pricing Schedule and corresponding to Level III Pricing;

(ii) at any time when an Event of Default has occurred and is continuing, such Applicable Rates will be those set forth in the Pricing Schedule and corresponding to the Pricing Level in effect for such day plus 2.00%; and

(iii) at the option of the Administrative Agent (or at the request of the Required Lenders), if the Borrower fails to deliver consolidated financial statements to the Administrative Agent as and when required by Section 5.01(a)(i) or Section 5.01(a)(ii), such Applicable Rates will be those set forth in the Pricing Schedule and corresponding to Level V Pricing during the period from the expiration of the time specified for such delivery until such financial statements are so delivered.

"**Arranger**" means J.P. Morgan Securities Inc., in its capacity as arranger of the credit facility provided under this Agreement.

"**Assignment**" means an assignment and assumption agreement entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"**Availability Block**" means (i) at all times prior to the date on which the Borrower has delivered to the Administrative Agent the financial statements required pursuant to Section 5.01(a)(ii) relating to the Fiscal Quarter ending September 30, 2002 (the "**Specified Financial Delivery Date**"), an amount equal to the sum of (x) an amount equal to 25% of the aggregate amount of the Commitments plus (y) the aggregate amount of Total Spin-Off Proceeds that have not been applied in accordance with Section 6.04 to permanently reduce Debt of the Borrower and (ii) at all times from and after such Specified Financial Delivery Date, an amount equal to zero.

"Availability Reserves" means, as of any date of determination, such reserves in amounts as the Collateral Agent may from time to time establish (upon ten business days' notice to the Borrower in the case of new reserve categories established after the Effective Date and formula changes) and revise (upward or downward) in good faith in accordance with its customary credit policies: (i) to reflect events, conditions, contingencies or risks which, as reasonably determined by the Collateral Agent, do or are reasonably likely to materially adversely affect either (a) the Collateral or its value or (b) the security interests and other rights of the Collateral Agent or any Lender in the Collateral (including the enforceability, perfection and priority thereof) or (ii) to reflect the Collateral Agent's reasonable belief that any collateral report or financial information furnished by or on behalf of the Borrower is or may have been incomplete, inaccurate or misleading in any material respect or (iii) in respect of any state of facts which the Collateral Agent reasonably determines in good faith constitutes a Default or an Event of Default; provided that, at any date of determination (unless and until otherwise determined by the Collateral Agent), "**Availability Reserves**" shall include (a) a reserve equal to two times the most current month-end liability to Outside Processor, Third-Party Warehouseman and Borrower Joint Venture locations holding Eligible Inventory, (b) a reserve for obligations secured by Liens on Collateral for which UCC financing statements are filed, (c) a reserve for permitted Liens and (d) a reserve for claims secured by purchase money liens.

"**Available Inventory**" means, at any time the sum of:

(a) the lesser of (i) 65% of Eligible Finished Goods Inventory and (ii) the product of (x) 85% of the net recovery rates as determined by

an independent appraisal multiplied by (y) Eligible Finished Goods Inventory; plus

(b) the lesser of (i) 60% of Eligible Semi-Finished Goods and Scrap Inventory and (ii) the product of (x) 85% of the net recovery rates as determined by an independent appraisal multiplied by (y) Eligible Semi-Finished Goods and Scrap Inventory; plus

(c) the lesser of (i) 25% of Eligible Raw Materials Inventory and (ii) the product of (x) 85% of the net recovery rates as determined by an independent appraisal multiplied by (y) Eligible Raw Materials Inventory.

"**Available Receivables**" means, at any time, a percentage (not to exceed 85%) of the difference of (i) Eligible Receivables minus (ii) a Dilution Reserve, such percentage and such Dilution Reserve to be determined by the Collateral Agent in its sole discretion (taking into consideration actual dilution) upon the completion of collateral review field work to be performed subsequent to the termination of the Effective Date Receivables Financing.

"**Base Rate**", when used with respect to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"**Board of Directors**" means, the Board of Directors of the Borrower or any committee thereof duly authorized to act on behalf of such Board of Directors.

"**Borrower**" means United States Steel LLC, a Delaware limited liability company, and its successors (including United States Steel Corporation upon consummation of the reorganization of United States Steel LLC in corporate form under such name).

"**Borrower Joint Venture**" means any joint venture in which the Borrower holds, or acquires after the Effective Date, a direct or indirect equity interest.

"**Borrowing**" means Loans of the same Interest Type made, converted or continued on the same day and, in the case of Eurodollar Loans, as to which the same Interest Period is in effect. The term "Borrowing" does not apply to a Swingline Loan.

"**Borrowing Base**" means, at any time, subject to adjustment as provided in Section 5.09(b), an amount equal to the sum of (i) Available Inventory *less* (ii) Availability Reserves *less* (iii) the aggregate outstanding amount (calculated as the Mark-to-Market Value) of the Derivative Obligations of the Borrower that

constitute Secured Derivative Obligations (as defined in the Security Agreement), up to a maximum amount of $25,000,000 *plus* (iv) Available Receivables if the Effective Date Receivables Financing shall have terminated (and the obligations in respect thereof paid in full) and not been replaced with another Receivables Financing on terms (other than terms relating to pricing or reserve percentages or similar financial terms) satisfactory to the Administrative Agent (it being understood that such Available Receivables shall exclude all Receivables that have become Transferred Receivables (as defined in the Security Agreement) at the time of, or prior to, such termination of the Effective Date Receivables Financing). Standards of eligibility and reserves and advance rates of the Borrowing Base may be revised and adjusted from time to time by the Collateral Agent in its sole discretion (subject to Section 9.02(b)(viii) hereof), with any such changes in such standards to be effective three Business Days after delivery of notice thereof to the Borrower.

"**Borrowing Base Certificate**" means a certificate, duly executed and certified as accurate and complete by a Financial Officer of the Borrower, appropriately completed and substantially in the form of Exhibit D-1 (or, at any time when such certificate is required to be delivered on a bi-weekly basis pursuant to Section 5.01(b), substantially in the form of Exhibit D-2) together with all attachments and supporting documentation (i) as contemplated thereby, (ii) as outlined on Schedule 1 to Exhibit D-1 and (iii) as reasonably requested by the Collateral Agent.

"**Borrowing Request**" means a request by the Borrower for a Borrowing in accordance with Section 2.03.

"**Business Day**" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; *provided* that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"**Capital Expenditures**" means, for any period, the additions to property, plant and equipment and other capital expenditures of the Borrower and its Restricted Subsidiaries that are (or would be) set forth as capital expenditures in a consolidated statement of cash flows of the Borrower and its Restricted Subsidiaries for such period prepared in accordance with GAAP

"**Capital Lease Obligations**" of any Person means obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required under GAAP to be classified and accounted for as capital leases on a balance sheet of such Person. The amount of such obligations will be the capitalized amount thereof determined in accordance with GAAP.

"**Cash Collateral Account**" has the meaning specified in Section 1 of the Security Agreement.

"**Change in Control**" means the occurrence of any of the following:

(a) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for the purposes of this clause (a) such person shall be deemed to have "beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of either the aggregate ordinary voting power or the aggregate equity value represented by the issued and outstanding Equity Interests in the Borrower;

(b) individuals who constituted the Board of Directors of the Borrower at any given time (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Borrower as approved by a vote of 66-$^{2}/_{3}$ % of the directors of the Borrower then still in office who were either directors at such time or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office;

(c) the adoption of a plan relating to the liquidation or dissolution of the Borrower; or

(d) the merger or consolidation of the Borrower with or into another Person or the merger of another Person with or into the Borrower, or the sale of all or substantially all the assets of the Borrower (determined on a consolidated basis) to another Person, other than a merger or consolidation transaction in which holders of Equity Interests representing 100% of the ordinary voting power represented by the Equity Interests in the Borrower immediately prior to such transaction (or other securities into which such securities are converted as part of such merger or consolidation transaction) own directly or indirectly at least a majority of the ordinary voting power represented by the Equity Interests in the surviving Person in such merger or consolidation transaction issued and outstanding immediately after such transaction and in substantially the same proportion as before the transaction.

"**Change in Law**" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after such date or (c) compliance by any Lender or the LC Issuing Bank (or, for

purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or the LC Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after such date.

"**Co-Collateral Agent**" means General Electric Capital Corporation, in its capacity as co-collateral agent for the Lenders under the Loan Documents, and its successors in such capacity.

"**Collateral**" means any and all "Collateral", as defined in any Security Document.

"**Collateral Access Agreement**" means an agreement substantially in the form of Exhibit F-1 or Exhibit F-2.

"**Collateral Agent**" means JPMorgan Chase Bank, in its capacity as collateral agent for the Lenders under the Loan Documents, and its successors in such capacity.

"**Collateral Requirement**" means the requirement that:

(a) the Administrative Agent (i) shall have received a counterpart of the Security Agreement duly executed and delivered by JPMorgan Chase Bank, as Collateral Agent, and (ii) shall have received from the Borrower a counterpart of the Security Agreement duly executed and delivered on behalf of the Borrower;

(b) all documents and instruments, including Uniform Commercial Code financing statements, required by law or reasonably requested by the Collateral Agent to be filed, registered or recorded to create the Liens intended to be created by the Security Documents and perfect or record such Liens to the extent, and with the priority, required by the Security Documents, shall have been filed, registered or recorded or delivered to the Collateral Agent for filing, registration or recording;

(c) the Borrower shall have obtained all consents and approvals required to be obtained by it in connection with the execution and delivery of all Security Documents to which it is a party, the performance of its obligations thereunder and the granting of the Liens granted by it thereunder;

(d) the Borrower shall have taken all other action required under the Security Documents to perfect, register and/or record the Liens granted by it thereunder; and

(e) the Administrative Agent shall have received a fully executed copy of the Intercreditor Agreement.

"**Commitment**" means, with respect to each Lender, the commitment, if any, of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.08 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment pursuant to which such Lender shall have assumed its initial Commitment, as applicable. The initial aggregate amount of the Commitments is $400,000,000.

"**Consolidated Cash Interest Expense**" means, for any period, the amount by which:

(a) the sum of (i) the interest expense (including imputed interest expense in respect of Capital Lease Obligations) of the Borrower and its Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP, (ii) any interest accrued during such period, in respect of Debt of the Borrower or any Restricted Subsidiary, that is required under GAAP to be capitalized rather than included in consolidated interest expense for such period, and (iii) to the extent not included in cash interest expense for such period pursuant to subclause (i) of this clause (a), cash payments (if any) made during such period in respect of obligations referred to in clause (b)(ii) below that were amortized or accrued in a previous period, exceeds

(b) the sum of (i) to the extent included in such consolidated interest expense for such period, non-cash amounts attributable to amortization of financing costs paid in a previous period, (ii) to the extent included in such consolidated interest expense for such period, non-cash amounts attributable to amortization of debt discount or accrued interest payable in kind for such period and (iii) the interest income of the Borrower and its Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"**Consolidated EBITDA**" means, for any period, the sum of (a) Consolidated Net Income for such period, minus (b) to the extent included in calculating such Consolidated Net Income (and without duplication), any gains for such period, plus (c) each of the following (without duplication) to the extent deducted in calculating such Consolidated Net Income;

(i) all income tax expense of the Borrower and its Restricted Subsidiaries for such period;

(ii) Consolidated Cash Interest Expense for such period;

(iii) depreciation, depletion and amortization expense of the Borrower and its Restricted Subsidiaries for such period (excluding amortization expense attributable to any prepaid operating activity item that was paid in cash in a prior period); and

(iv) all other non-cash charges of the Borrower and its Restricted Subsidiaries for such period (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period); and in each case, with respect to any period prior to the Separation, as such amounts are attributed to the U.S. Steel Group. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and non-cash charges of, a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion) that the net income of such Restricted Subsidiary is included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be dividended to the Borrower by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders.

"**Consolidated Net Income**" means, for any period, the net income or loss of the Borrower and its Restricted Subsidiaries for such period determined on a consolidated basis in accordance with GAAP (and calculated for any period prior to the Separation as net income or loss attributed to the U.S. Steel Group for such period); *provided* that there shall be excluded (a) the income of any Person (except the Borrower and its Restricted Subsidiaries) in which any other Person (except the Borrower, a Restricted Subsidiary or a director holding qualifying shares in compliance with applicable law) owns an Equity Interest, except to the extent that dividends or other distributions were actually paid by such Person to the Borrower or any Restricted Subsidiary during such period, and (b) the income or loss of any Person accrued before (i) the date it becomes a Restricted Subsidiary, (ii) the date it is merged into or consolidated with the Borrower or any Restricted Subsidiary or (iii) the date its assets are acquired by the Borrower or any Restricted Subsidiary.

"**Control**" means possession, directly or indirectly, of the power (a) to vote 30% or more of any class of voting securities of a Person or (b) to direct or

cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise. "**Controlling**" and "**Controlled**" have meanings correlative thereto.

"**Debt**" of any Person means, without duplication:

(a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind,

(b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments,

(c) all obligations of such Person on which interest charges are customarily paid (other than obligations where interest is levied only on late or past due amounts),

(d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person,

(e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business),

(f) all Debt of others secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Debt secured thereby has been assumed,

(g) all Guarantees by such Person of Debt of others,

(h) all Capital Lease Obligations of such Person,

(i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty,

(j) all capital stock of such Person which is required to be redeemed or is redeemable at the option of the holder if certain events or conditions occur or exist or otherwise,

(k) the aggregate amount advanced by buyers or lenders with respect to all Receivables Financings, net of repayments or recoveries through liquidation of the assets transferred pursuant to such Receivables Financing, and

(l) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances.

The Debt of any Person shall include the Debt of any other entity (including any partnership in which such Person is a general partner) to the extent that such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent that contractual provisions binding on the holder of such Debt provide that such Person is not liable therefor.

Notwithstanding the foregoing, the term "Debt" will exclude (x) any indebtedness for which Marathon Oil Corporation indemnifies the Borrower pursuant to the terms of the Financial Matters Agreement, so long as such indebtedness (i) has not been refinanced and (ii) Marathon Oil Corporation has an Investment Grade Rating from both Moody's and S&P and (y) Industrial Revenue Bond Obligations to the extent the Borrower (i) has delivered to the holders of such obligations an irrevocable notice of redemption or directed delivery of such a notice and (ii) has set aside cash or U.S. Government Obligations, pursuant to a defeasance mechanism or otherwise, sufficient to redeem such obligations. As used herein, the term "U.S. Government Obligations" shall refer to direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereon) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

Notwithstanding the foregoing, in connection with the purchase by the Borrower or any Restricted Subsidiary of any business, the term "Debt" will exclude post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid when due.

"**Default**" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"**Derivative Obligations**" has the meaning specified in Section 1 of the Security Agreement.

"**Designated Lender**" means, with respect to any Designating Lender, an Eligible Designee designated by it pursuant to Section 9.05(a) as a Designated Lender for purposes of this Agreement.

"**Designating Lender**" means, with respect to each Designated Lender, the Lender that designated such Designated Lender pursuant to Section 9.05(a).

"**Dilution Reserve**" means a reserve amount to be determined by the Collateral Agent in its sole discretion upon the completion of collateral review

field work to be performed subsequent to the termination of the Effective Date Receivables Financing.

"**Documentation Agent**" means General Electric Capital Corporation in its capacity as documentation agent for the Lenders under the Loan Documents, and its successors in such capacity.

"**dollars**" or "**$**" refers to lawful money of the United States.

"**Domestic Subsidiary**" means each Subsidiary that is not a Foreign Subsidiary.

"**Effective Date**" means the date on which each of the conditions specified in Section 4.01 is satisfied (or waived in accordance with Section 9.02).

"**Effective Date Receivables Financing**" means the Receivables Financing of the Borrower that is in effect on the Effective Date, as amended, supplemented or modified from time to time (subject to Section 5.13 hereof), and as such receivables financing may be renewed, extended or rolled over on substantially the same terms as are in effect on the Effective Date; *provided* that the Debt arising from the Effective Date Receivables Financing shall comply with the limitations set forth in Section 6.06(g).

"**Eligible Designee**" means a special purpose corporation that (i) is organized under the laws of the United States or any state thereof, (ii) is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business and (iii) issues (or the parent of which issues) commercial paper rated at least A-1 or the equivalent thereof by S&P or P-1 or the equivalent thereof by Moody's.

"**Eligible Finished Goods Inventory**" means all Finished Goods Inventory that is Eligible Inventory.

"**Eligible Inventory**" means at any date of determination thereof, the aggregate value (as reflected on the plant level records of the Borrower and consistent with the Borrower's current and historical accounting practices whereby manufactured items are valued at pre-determined costs and purchased items are valued at rolling average actual cost) at such date of all Qualified Inventory owned by the Borrower and located in any jurisdiction in the United States of America as to which appropriate UCC financing statements have been filed (or delivered to the Collateral Agent for filing pursuant to Section 4.01(h) naming the Borrower as "debtor" and JPMorgan Chase Bank as Collateral Agent, as "secured party," adjusted on any date of determination to exclude, without duplication, all Qualified Inventory that is Ineligible Inventory, minus all Valuation Reserves.

"**Eligible Raw Materials Inventory**" means all Raw Materials Inventory that is Eligible Inventory.

"**Eligible Receivables**" means at any date of determination thereof, the aggregate value (determined on a basis consistent with GAAP and the Borrower's then current and historical accounting practices) of all Qualified Receivables of the Borrower, net of (x) any amounts in respect of sales, excise or similar taxes included in such Receivables and (y) returns, discounts, claims, credits and allowances of any nature at any time issued, owing, granted, outstanding available or claimed (calculated without duplication of deductions taken pursuant to the exclusion of "Ineligible Receivables" as described below), adjusted on any date of determination to exclude, without duplication, all Qualified Receivables that are Ineligible Receivables.

"**Eligible Semi-Finished Goods and Scrap Inventory**" means all Semi-Finished Goods and Scrap Inventory that is Eligible Inventory.

"**Environmental Laws**" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, the preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or the effects of the environment on health and safety.

"**Environmental Liability**" means any liability, contingent or otherwise (including any liability for damages, costs of remediation, fines, penalties or indemnities), of the Borrower directly or indirectly resulting from or based on (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Material, (c) exposure to any Hazardous Material, (d) the release or threatened release of any Hazardous Material into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"**Equity Interests**" means (i) shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person or (ii) any warrants, options or other rights to acquire such shares or interests.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"**ERISA Affiliate**" means any trade or business (whether or not incorporated) that, together with the Borrower or any Subsidiary, is treated as a single employer under Section 414(b) or (c) of the Internal Revenue Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Internal

Revenue Code, is treated as a single employer under Section 414 of the Internal Revenue Code.

"**ERISA Event**" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (except an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Internal Revenue Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Internal Revenue Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any ERISA Affiliate of any liability with respect to withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"**Eurodollar**", when used with respect to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"**Events of Default**" has the meaning specified in Article 7.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended from time to time.

"**Excluded Taxes**" means, with respect to any Lender Party or other recipient of a payment made by or on account of any obligation of the Borrower hereunder:

(a) income or franchise taxes imposed on (or measured by) its net income, receipts, capital or net worth by the United States (or any jurisdiction within the United States, except to the extent that such jurisdiction within the United States imposes such taxes solely in connection with such Lender Party's enforcement of its rights or exercise of its remedies under the Loan Documents), or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located;

(b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction described in clause (a) above; and

(c) in the case of a Foreign Lender, any withholding tax that (i) is in effect and would apply to amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement or designates a new lending office or (ii) is attributable to such Foreign Lender's failure to comply with Section 2.17(e).

Notwithstanding the foregoing, a withholding tax will not be an "Excluded Tax" to the extent that (A) it is imposed on amounts payable to a Foreign Lender by reason of an assignment made to such Foreign Lender at the Borrower's request pursuant to Section 2.19(b), (B) it is imposed on amounts payable to a Foreign Lender by reason of any other assignment and does not exceed the amount for which the assignor would have been indemnified pursuant to Section 2.17(a) or (C) in the case of designation of a new lending office, it does not exceed the amount for which such Foreign Lender would have been indemnified if it had not designated a new lending office.

"**Exposure**" means, with respect to any Lender at any time, the sum of (i) the aggregate outstanding principal amount of such Lender's Revolving Loans and (ii) such Lender's LC Exposure and Swingline Exposure at such time.

"**Facility Availability**" means, at any time, an amount equal to (i) the lesser of (x) the aggregate amount of the Lenders' Commitments at such time and (y) the Borrowing Base, at such time, *less* (ii) the Total Outstanding Amount at such time, *less* (iii) the Availability Block at such time.

"**Federal Funds Effective Rate**" means, for any day, the weighted average (rounded upwards, if necessary, to the next $^{1}/_{100}$ of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published on such Business Day, the average (rounded upwards, if necessary, to the next $^{1}/_{100}$ of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"**Federal Reserve Board**" means the Board of Governors of the Federal Reserve System of the United States.

"**Financial Matters Agreement**" means the Financial Matters Agreement to be dated as of the date of the Separation between the Borrower and Marathon Oil Corporation.

"**Financial Officer**" means the chief financial officer, treasurer, any assistant treasurer, the controller or any assistant controller of the Borrower.

"**Financing Transactions**" means the execution, delivery and performance by the Borrower of the Loan Documents to which it is to be a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"**Finished Goods Inventory**" means finished goods to be sold by the Borrowers in the ordinary course of business, including plates, finished tubes, tin plates and finished sheets, but excluding Semi-Finished Goods and Scrap Inventory and Raw Materials Inventory.

"**Fiscal Quarter**" means a fiscal quarter of the Borrower.

"**Fiscal Year**" means a fiscal year of the Borrower.

"**Foreign Lender**" means any Lender that is organized under the laws of a jurisdiction outside the United States.

"**Foreign Subsidiary**" means a Subsidiary (which may be a corporation, limited liability company, partnership or other legal entity) organized under the laws of a jurisdiction outside the United States, and conducting substantially all its operations outside the United States.

"**GAAP**" means generally accepted accounting principles as in effect from time to time in the United States, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of USX Corporation and its consolidated Subsidiaries delivered to the Lenders.

"**Governmental Authority**" means the government of the United States, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"**Guarantee**" by any Person (the "**guarantor**") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Debt or other obligation of any other Person (the "**primary obligor**") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation or to purchase (or advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Debt or other obligation of

the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Debt or other obligation; *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business.

"**Hazardous Materials**" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"**Hedging Agreement**" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest rate, currency exchange rate or commodity price hedging arrangement.

"**Indemnified Taxes**" means all Taxes except Excluded Taxes.

"**Industrial Revenue Bond Obligations**" means an obligation to a state or local government unit that secures the payment of bonds issued by a state or local government unit or any obligation under the Financial Matters Agreement relating to Industrial Revenue Bond Obligations or any Debt incurred to refinance, in whole or in part, such obligations.

"**Ineligible Inventory**" means all Qualified Inventory described in one or more of the following clauses, without duplication:

(a) Qualified Inventory that is not subject to a perfected first priority Lien in favor of the Collateral Agent or that is subject to any Lien other than the Liens permitted pursuant to Section 6.02; or

(b) Qualified Inventory that is not located at or in transit to property that is either owned or leased by the Borrower; *provided* that any Qualified Inventory located at or in transit to property that is leased by the Borrower shall be deemed "Ineligible Inventory" pursuant to this clause (b) unless the Borrower shall have delivered to the Collateral Agent a Collateral Access Agreement (or, if applicable, a landlord waiver in form and substance satisfactory to the Collateral Agent) with respect to such leased location; and *provided further* that any Qualified Inventory located at or in transit to a Third-Party Location shall not be deemed "Ineligible Inventory" pursuant to this clause (b) on any date of determination if (w) the value of such Qualified Inventory on such date of determination (as reflected on the plant level records of the Borrower and consistent with the Borrower's current and historical accounting practices whereby

manufactured items are valued at pre-determined costs and purchased items are valued at rolling average actual cost) is greater than $500,000, (x) the Borrower shall have delivered to the Collateral Agent a Collateral Access Agreement with respect to such Third-Party Location, (y) the aggregate number of Third-Party Locations designated by the Borrower as eligible locations in respect of which Qualified Inventory shall be excluded from "Ineligible Inventory" in reliance on this clause (b) does not exceed 60 on such date of determination and (z) in the case of any Third Party Location owned or leased by a Borrower Joint Venture, the terms of the joint venture arrangements in respect of such Borrower Joint Venture are satisfactory to the Collateral Agent and the Lenders; or

(c) Qualified Inventory that is on consignment and Qualified Inventory subject to a negotiable document of title (as defined in the Uniform Commercial Code as in effect from time to time in the State of New York); or

(d) Qualified Inventory located on the premises of customers or vendors (other than Outside Processors); or

(e) Qualified Inventory comprised of Finished Goods Inventory and Semi-Finished Goods and Scrap Inventory that has been written down pursuant to the Borrower's existing accounting procedures (as such existing accounting procedures are set forth in Schedule 1.01 hereto); *provided*, however, that the scrap value of such Qualified Inventory will be included in the calculation of "Eligible Inventory"; or

(f) Qualified Inventory that consists of maintenance spare parts; or

(g) Qualified Inventory that is classified as supplies, and sundry in the Borrower's historical and current accounting records, including, but not limited to, fuel oil, coal chemicals, metal products, miscellaneous, non-LIFO inventory, store supplies, cleaning mixtures, lubricants and the like; or

(h) Qualified Inventory that is billed not shipped Inventory; or

(i) Qualified Inventory considered non-conforming, which shall mean, on any date, all inventory classified as "non-prime" or "seconds" or other "off-spec" Inventory, to the extent that such Qualified Inventory exceeds 3% of Total Qualified Inventory; *provided* that the scrap value of such Qualified Inventory shall be included in the calculation of Eligible Inventory. For purposes of this clause (i), "**Total Qualified Inventory**" means all Raw Materials Inventory, Finished Goods Inventory and Semi-Finished Goods and Scrap Inventory; or

(j) Qualified Inventory that is not located in the United States; or

(k) Qualified Inventory that is not owned solely by the Borrower, or as to which the Borrower does not have good, valid and marketable title thereto; or

(l) intercompany profit included in the value of Qualified Inventory; or

(m) Qualified Inventory that consists of scale, slag and other by-products; or

(n) Qualified Inventory that consists of raw materials other than iron ore, coke, coal, scrap, limestone, other alloys and fluxes; or

(o) Qualified Inventory that does not otherwise conform to the representations and warranties contained in this Agreement or the other Loan Documents; or

(p) depreciation included in the value of Qualified Inventory; or

(q) non-production costs included in the value of Qualified Inventory; or

(r) slabs that are more than two months old and other semi-finished and finished goods that are more than eight months old*provided* that the scrap value of such inventory shall be included in the calculation of Eligible Inventory; or

(s) such other Qualified Inventory as may be deemed ineligible by the Collateral Agent from time to time in its sole discretion.

"**Ineligible Receivables**" shall be determined by the Collateral Agent in its sole discretion upon the completion of collateral review field work to be performed subsequent to the termination of the Effective Date Receivables Financing and shall include such ineligibles based on traditional asset based lending concepts, and any other ineligibles as may be deemed appropriate at the sole discretion of the Collateral Agent.

"**Information Memorandum**" means the Confidential Information Memorandum dated October 4, 2001 relating to the Borrower and the Financing Transactions.

"**Intercreditor Agreement**" means the Intercreditor Agreement dated as of November 30, 2001 among JPMorgan Chase Bank, as a Funding Agent, The Bank of Nova Scotia, as a Funding Agent and as Receivables Collateral Agent, JPMorgan Chase Bank, as Lender Agent, U.S. Steel Receivables LLC, as Transferor, and United States Steel LLC, as Originator, as Initial Servicer and as Borrower, as acknowledged and agreed by the Administrative Agent, the Collateral Agent and the Co-Collateral Agent, substantially in the form of Exhibit E.

"**Interest Election**" means an election by the Borrower to change or continue the Interest Type of a Borrowing in accordance with Section 2.07.

"**Interest Payment Date**" means (a) with respect to any Base Rate Loan, the last day of each March, June, September and December, (b) with respect to any Swingline Loan, the day on which such Loan is required to be repaid and (c) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, if such Interest Period is longer than three months, each day during such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"**Interest Period**" means, with respect to any Eurodollar Borrowing, the period beginning on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect; *provided* that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be deemed to be the effective date of the most recent conversion or continuation of such Borrowing.

"**Interest Type**", when used with respect to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"**Internal Revenue Code**" means the Internal Revenue Code of 1986, as amended from time to time.

"**Inventory**" has the meaning set forth in Article 9 of the Uniform Commercial Code as in effect from time to time in the State of New York.

"**Investment Grade Rating**" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P.

"**LC Disbursement**" means a payment made by the LC Issuing Bank in respect of a drawing under a Letter of Credit.

"**LC Exposure**" means, at any time, the sum of (a) the aggregate undrawn amount of all Letters of Credit outstanding at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Revolving Lender at any time will be its Percentage of the total LC Exposure at such time.

"**LC Issuing Bank**" means JPMorgan Chase Bank, PNC Bank, National Association, Mellon Bank, N.A. and any other Lender that may agree to issue letters of credit hereunder, in each case in its capacity as an issuer of a Letter of Credit, and their respective successors in such capacity as provided in Section 2.05(i). The LC Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by its Affiliates, in which case the term "LC Issuing Bank" shall include each such Affiliate with respect to Letters of Credit issued by it.

"**LC Reimbursement Obligations**" means, at any time, all obligations of the Borrower to reimburse the LC Issuing Bank for amounts paid by it in respect of drawings under Letters of Credit, including any portion of such obligations to which Lenders have become subrogated by making payments to the LC Issuing Bank pursuant to Section 2.05(e).

"**Lender Affiliate**" means, (a) with respect to any Lender, (i) an Affiliate of such Lender or (ii) any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by such Lender or an Affiliate of such Lender and (b) with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

“**Lender Parties**” means the Lenders, the LC Issuing Bank and the Agents.

“**Lenders**” means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment, other than any such Person that ceases to be a party hereto pursuant to an Assignment.

Unless the context requires otherwise, the term “Lenders” includes the Swingline Lender.

“**Letter of Credit**” means any letter of credit issued pursuant to this Agreement.

“**Leverage Ratio**” means, on any day, the ratio of (a) Total Debt as of such day to (b) Consolidated EBITDA for the period of four consecutive Fiscal Quarters (subject to Section 6.15) ended on such day (or, if such day is not the last day of a Fiscal Quarter, ended on the last day of the Fiscal Quarter most recently ended before such day).

“**LIBO Rate**” means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Dow Jones Market Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days before the beginning of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. If such rate is not available at such time for any reason, then the “LIBO Rate” with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days before the beginning of such Interest Period.

“**Lien**” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“**Loan Documents**” means this Agreement, any promissory note issued by the Borrower pursuant to Section 2.09(e) and the Security Documents.

“**Loans**” means loans made by the Lenders to the Borrower pursuant to this Agreement. Unless the context requires otherwise, the term “Loans” includes Swingline Loans.

“**Lorain Merger**” means the proposed merger of Lorain Tubular Company LLC with and into the Borrower.

“**Marathon Oil Corporation**” means Marathon Oil Corporation, a Delaware corporation (currently named USX Corporation), together with its successors.

“**Mark-to-Market Value**” has the meaning specified in Section 1 of the Security Agreement.

“**Material Adverse Effect**” means a material adverse effect on (a) the business, operations, properties, assets, financial condition, contingent liabilities or material agreements of the Borrower and its Subsidiaries taken as a whole, (b) the ability of the Borrower to perform any of its obligations under any Loan Document or (c) the rights of or benefits available to any Lender Party under, or the validity or enforceability of, any Loan Document.

“**Material Debt**” means Debt (other than obligations in respect of the Loans and Letters of Credit), or obligations in respect of one or more Hedging Agreements, of any one or more of the Borrower and its Restricted Subsidiaries in an aggregate principal amount exceeding $20,000,000. For purposes of determining Material Debt, the “principal amount” of the obligations of the Borrower or any Restricted Subsidiary in respect of any Hedging Agreement at any time will be the maximum aggregate amount (after giving effect to any netting agreements) that the Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

“**Maturity Date**” means December 31, 2004 (or, if such day is not a Business Day with respect to Eurodollar Loans, the next preceding day that is a Business Day with respect to Eurodollar Loans).

“**Maximum Facility Availability**” means, at any date, an amount equal to the sum of (a) the lesser of (i) the aggregate amount of the Lenders’ Commitments on such date and (ii) the Borrowing Base on such date, *less* (b) the Availability Block on such date.

“**Moody’s**” means Moody’s Investors Service, Inc.

“**Multiemployer Plan**” means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“**Other Taxes**” means any and all present or future recording, stamp, documentary, excise, transfer, sales, property or similar taxes, charges or levies arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Loan Document.

“**Outside Processor**” means any Person that provides processing services with respect to Qualified Inventory owned by the Borrower and on whose

premises Qualified Inventory is located, which premises are neither owned nor leased by the Borrower.

“**Participants**” has the meaning specified in Section 9.04(e).

“**PBGC**” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“**Percentage**” means, with respect to any Lender, the percentage of the total Commitments represented by such Lender’s Commitment. If the Commitments have terminated or expired, the Percentages will be determined based on the Commitments most recently in effect, adjusted to give effect to any assignments.

“**Perfection Certificate**” means a certificate in the form of Exhibit A to the Security Agreement or any other form approved by the Administrative Agent.

“**Permitted Investments**” means any of the following: (i) any investment in direct obligations of the United States of America or any agency thereof; (ii) investments in time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by any Lender or a bank or trust company which is organized under the laws of the United States of America, any State thereof or any foreign country recognized by the United States of America, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of $50,000,000 (or the foreign currency equivalent thereof) and whose long-term debt is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor; (iii) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (i) above entered into with a Lender or a bank meeting the qualifications described in clause (ii) above; (iv) investments in commercial paper, maturing not more than 90 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Borrower) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the times as of which any investment therein is made of “P-1” (or higher) by Moody’s or “A-1” (or higher) by S&P; (v) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or “A” by Moody’s; (vi) overnight investments with banks rated “B” or better by Fitch, Inc.; (vii) in the case of a Restricted Subsidiary that is a Foreign Subsidiary, investments of the type and maturity described in clauses (i) through (vi) above of foreign obligors, which investments or obligors (or the parents of such obligors)

have ratings described in such clauses or equivalent ratings from comparable foreign rating agencies; and (viii) deposits in Slovak financial institutions that do not at any time exceed $5,000,000 in the aggregate.

“**Permitted Liens**” means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.05;

(b) carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.05;

(c) pledges and deposits made in the ordinary course of business in compliance with workers’ compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, and Liens imposed by statutory or common law relating to banker’s liens or rights of setoff or similar rights relating to deposit accounts, in each case in the ordinary course of business;

(e) Liens arising in the ordinary course of business in favor of issuers of documentary letters of credit;

(f) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article 7; and

(g) easements, zoning restrictions, rights-of-way, licenses, reservations, minor irregularities of title and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligation and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or any Restricted Subsidiary;

provided that the term “Permitted Liens” shall not include any Lien that secures Debt.

“**Person**” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“**Plan**” means any employee pension benefit plan (except a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Internal Revenue Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) a “contributing sponsor” as defined in Section 4001(a)(13) of ERISA.

“**Pricing Schedule**” means the Pricing Schedule attached hereto.

“**Prime Rate**” means, for any day, the rate of interest per annum then most recently publicly announced by JPMorgan Chase Bank as its prime rate in effect at its principal office in New York City. Each change in the Prime Rate will be effective for purposes hereof from and including the date such change is publicly announced as being effective.

“**Qualified Inventory**” means all Raw Materials Inventory, Semi-Finished Goods and Scrap Inventory and Finished Goods Inventory held by the Borrower in the normal course of business and owned solely by the Borrower (per plant level records whereby manufactured items are valued at pre-determined costs and purchased items are valued at rolling average actual cost).

“**Qualified Receivables**” means all Receivables that are directly created by the Borrower in the ordinary course of business arising out of the sale of goods or rendition of services by the Borrower, which are at all times acceptable to the Collateral Agent in all respects in the exercise of its reasonable judgment and the customary credit policies of the Collateral Agent.

“**Rating Agency**” means each of S&P and Moody’s.

“**Raw Materials Inventory**” means any raw materials used or consumed in the manufacture or production of other inventory including, without limitation, iron ore and sinter, coke, coal, limestone and other alloys and fluxes, but excluding steel scrap and iron scrap (it being understood that steel scrap and iron scrap shall be included in Inventory not constituting “Raw Materials”).

“**Receivables**” means any account (as defined in the Uniform Commercial Code as in effect from time to time in the State of New York) and any other right, title or interest which, in accordance with GAAP, would be included in receivables on a consolidated balance sheet of the Borrower.

“**Receivables Financing**” means any receivables securitization program or other type of accounts receivable financing transaction by the Borrower or any of its Restricted Subsidiaries; *provided* that substantially all Debt incurred in connection therewith (other than Debt of a Special Purpose Financing Subsidiary) arises from a transfer of accounts receivable which is intended by the parties thereto to be treated as a sale.

"**Receivables Purchase Agreement**" means the Amended and Restated Receivables Purchase Agreement dated as of November 28, 2001 among U.S. Steel Receivables LLC, as seller, the Borrower, as initial servicer and in its individual capacity, The Bank of Nova Scotia, as collateral agent, JPMorgan Chase Bank, as a committed purchaser and a funding agent, and the various other Persons from time to time party thereto, as amended, supplemented or modified from time to time (subject to Section 5.13 hereof), entered into in connection with the Effective Date Receivables Financing.

"**Register**" has the meaning specified in Section 9.04(c).

"**Regulation U**" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"**Related Parties**" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and its Affiliates.

"**Required Lenders**" means, at any time, Lenders having aggregate Exposures and unused Commitments representing more than 50% of the sum of all Exposures and unused Commitments at such time; *provided* that the "Required Lenders" shall be comprised of a minimum of three Lenders.

"**Restricted Debt**" means Debt of the Borrower or any Restricted Subsidiary, the payment, prepayment, redemption, purchase or defeasance of which is restricted under Section 6.08.

"**Restricted Payment**" means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interest in the Borrower, or any payment (whether in cash, securities or other property) or incurrence of an obligation by the Borrower or any of its Restricted Subsidiaries, including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Equity Interest in the Borrower (including, for this purpose, any payment in respect of any Equity Interest under a Synthetic Purchase Agreement).

"**Restricted Subsidiary**" means any Subsidiary that is not an Unrestricted Subsidiary.

"**Revolving Availability Period**" means the period from and including the Effective Date to but excluding the Maturity Date (or, if earlier, the date on which all outstanding Commitments terminate).

"**Revolving Loan**" means a Loan made pursuant to Section 2.02.

"**S&P**" means Standard & Poor's.

"**SEC**" means the Securities and Exchange Commission.

"**Secured Obligations**" has the meaning specified in Section 1 of the Security Agreement.

"**Secured Parties**" has the meaning specified in Section 1 of the Security Agreement.

"**Security Agreement**" means the Security Agreement among the Borrower and the Collateral Agent, substantially in the form of Exhibit C.

"**Security Documents**" means the Security Agreement, the Intercreditor Agreement and each other security agreement, instrument or document executed and delivered pursuant to Section 5.12 to secure any of the Secured Obligations.

"**Semi-Finished Goods and Scrap Inventory**" means semi-finished goods produced by the Borrower in the ordinary course of business, including slabs, blooms, coiled strip, black plate, sheets hot rolled and cold rolled, unfinished tubes, scrap and pig iron.

"**Senior Debt Rating**" means a rating of the Borrower's senior long-term debt which is not secured or supported by a guarantee, letter of credit or other form of credit enhancement; *provided* that if a Senior Debt Rating by a Rating Agency is required to be at or above a specified level and such Rating Agency shall have changed its system of classifications after the date hereof, the requirement will be met if the Senior Debt Rating by such Rating Agency is at or above the new rating which most closely corresponds to the specified level under the old rating system; and *provided further* that the Senior Debt Rating in effect on any date is that in effect at the close of business on such date.

"**Senior Unsecured Debt**" means the $10^{3}/_{4}$ % Senior Notes due August 1, 2008 issued by the Borrower before the Effective Date in the aggregate principal amount of $535,000,000 and the Debt represented thereby.

"**Senior Unsecured Debt Documents**" means the indenture under which the Senior Unsecured Debt is issued and all other instruments, agreements and other documents evidencing or governing the Senior Unsecured Debt or providing for any Guarantee or other right in respect thereof.

"**Separation**" means the separation of the Borrower from USX Corporation pursuant to an Agreement and Plan of Reorganization to be entered into among USX Corporation, the Borrower and certain of its Subsidiaries, as described in USX Corporation's 2000 Form 10-K, USX Corporation's Latest Form 10-Q and USX Corporation's Latest Proxy Statement.

"**Significant Subsidiary**" of any Person means any subsidiary of such Person, whether now or hereafter owned, formed or acquired which, at the time of determination is a "significant subsidiary" of such Person, as such term is defined on the date of this Agreement in Regulation S-X of the SEC (a copy of which is attached as Exhibit G), except that "5 percent" will be substituted for "10 percent" in each place where it appears in such definition of "significant subsidiary"; *provided however*, that an Unrestricted Subsidiary of the Borrower shall not be a "Significant Subsidiary".

"**Special Purpose Financing Subsidiary**" means a Subsidiary of the Borrower which is a special-purpose company created and used solely for purposes of effecting a Receivables Financing.

"**Statutory Reserve Adjustment**" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Federal Reserve Board to which the Administrative Agent is subject with respect to eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in

Regulation D of the Federal Reserve Board). Such reserve percentages will include those imposed pursuant to such Regulation D. Eurodollar Loans will be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Adjustment will be adjusted automatically on and as of the effective date of any change in any applicable reserve percentage.

"**StraightLine Line of Business**" means the division of the Borrower known as "Straightline" or "Straightline Source" that sells steel products via the internet.

"**subsidiary**" means, with respect to any Person (the "**parent**") at any date, (a) any corporation, limited liability company, partnership or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date and (b) any other corporation, limited liability company, partnership or other entity (i) of which securities or other ownership interests (x) representing more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership voting interests or (y) otherwise having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions, are, as of such date, owned, controlled or held, or (ii) that is otherwise Controlled (pursuant to clause (b) of the definition of "Control") as of such date, by the parent and/or one or more of its subsidiaries.

"**Subsidiary**" means any subsidiary of the Borrower.

"**Swingline Exposure**" means, at any time, the aggregate outstanding principal amount of the Swingline Loans at such time. The Swingline Exposure of any Lender at any time will be its Percentage of the total Swingline Exposure at such time.

"**Swingline Lender**" means JPMorgan Chase Bank, in its capacity as the lender of Swingline Loans hereunder.

"**Swingline Loan**" means a Loan made pursuant to Section 2.04.

"**Synthetic Purchase Agreement**" means any swap, derivative or other agreement or combination of agreements pursuant to which the Borrower or a Restricted Subsidiary is or may become obligated to make (i) any payment in connection with the purchase by any third party, from a Person other than the Borrower or a Restricted Subsidiary, of any Equity Interest or Restricted Debt or (ii) any payment (other than on account of a permitted purchase by it of any Equity Interest or Restricted Debt) the amount of which is determined by reference to the price or value at any time of any Equity Interest or Restricted Debt; *provided* that no phantom stock or similar plan providing for payments only to current or former directors, officers or employees of the Borrower or its Restricted Subsidiaries (or their heirs or estates) will be deemed to be a Synthetic Purchase Agreement.

"**Taxes**" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"**Third-Party Location**" means any property that is either owned or leased by (a) a Third-Party Warehouseman, (b) an Outside Processor, or (c) a Borrower Joint Venture.

"**Third-Party Warehouseman**" means any Person on whose premises Qualified Inventory is located, which premises are neither owned nor leased by the Borrower, any customer of or vendor to the Borrower, or an Outside Processor.

"**Total Debt**" means, as of any date, the sum of (a) the aggregate principal amount of Debt of the Borrower and its Restricted Subsidiaries outstanding as of such date, in the amount that would be reflected on a balance sheet prepared as of such date on a consolidated basis in accordance with GAAP, and (b) the aggregate principal amount of Debt of the Borrower and its Restricted Subsidiaries outstanding as of such date that is not required to be reflected on a balance sheet in accordance with GAAP, determined on a consolidated basis.

"**Total Outstanding Amount**" means, at any date, the aggregate Exposures of all Lenders at such date.

"**Total Spin-Off Proceeds**" has the meaning set forth in Section 6.04.

"**Transaction Liens**" means the Liens on Collateral granted by the Borrower under the Security Documents.

"**Tubular Line of Business**" means the business of Lorain Tubular Company LLC and any other assets and liabilities of the Borrower or any of its Restricted Subsidiaries primarily related to their tubular products business.

"**United States**" means the United States of America.

"**Unrestricted Subsidiary**" means any Subsidiary designated by the Borrower's board of directors as an Unrestricted Subsidiary pursuant to Section 5.14 subsequent to the date of this Agreement.

"**USSK**" means U.S. Steel Košice, s.r.o., a company organized under the laws of the Slovak Republic.

"**U.S. Steel Group**" means the group of businesses of USX Corporation that is primarily engaged in the production and sale of steel mill products, coke, and taconite pellets and that has been reported as the "U.S. Steel Group" in USX Corporation's reports on Forms 10-K and 10-Q filed with the SEC.

"**USX Corporation**" means USX Corporation, a Delaware corporation, and its successors.

"**USX Corporation's Latest Form 10-Q**" means USX Corporation's quarterly report on Form 10-Q for the quarter ended September 30, 2001, as filed with the SEC pursuant to the Exchange Act.

"**USX Corporation's Latest Proxy Statement**" means USX Corporation's proxy statement on Form 8-K as filed with the SEC on September 20, 2001.

"**USX Corporation's 2000 Form 10-K**" means USX Corporation's annual report on Form 10-K for 2000, as filed with the SEC pursuant to the Exchange Act.

"**Valuation Reserves**" means the sum of the following:

(a) a favorable variance reserve for variances between pre-determined cost and actual costs;

(b) a calculated revaluation reserve, as determined by the Collateral Agent in its sole discretion;

(c) a reserve for costs incurred at headquarters which are allocated to Inventory;

(d) a lower of cost or market reserve which includes all Inventory sold for less than pre-determined cost as deemed appropriate by the Collateral Agent in its sole discretion;

(e) a reserve for iron ore transportation costs, as determined by the Collateral Agent in its sole discretion; and

(f) such other reserves as may be deemed appropriate by the Collateral Agent from time to time in their sole discretion.

"**Withdrawal Liability**" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02. *Classification of Loans and Borrowings.* For purposes of this Agreement, Loans and Borrowings may be classified by Interest Type (e.g., a "Eurodollar Loan" or a "Eurodollar Borrowing").

Section 1.03. *Terms Generally.* The definitions of terms herein (including those incorporated by reference to another document) apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun includes the corresponding masculine, feminine and neuter forms. The words "**include**", "**includes**" and "**including**" shall be deemed to be followed by the phrase "**without limitation**". The word "**will**" shall be construed to have the same meaning and effect as the word "**shall**". Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "**herein**", "**hereof**" and "**hereunder**", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the word "**property**" shall be construed to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 1.04. *Accounting Terms; Changes in GAAP.* Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP as in effect from time to time; *provided* that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment of any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment of any provision hereof for such purpose), regardless of whether such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be applied on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE 2
THE CREDITS

Section 2.01. *Commitments.* (a) Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrower from time to time during the Revolving Availability Period in an aggregate principal amount that will not at any time result in (A) such Lender's Exposure exceeding its Commitment or (B) the Total Outstanding Amount exceeding the Maximum Facility Availability then in effect. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

(b) The Commitments of the Lenders are several, i.e., the failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder, and no Lender shall be responsible for any other Lender's failure to make Loans as and when required hereunder.

Section 2.02. *Revolving Loans.* (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Loans of the same Interest Type made by the Lenders ratably in accordance with their respective Commitments, as the Borrower may request (subject to Section 2.14) in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan. Any exercise of such option shall not affect the Borrower's obligation to repay such Loan as provided herein.

(b) At the beginning of each Interest Period for any Eurodollar Borrowing, the aggregate amount of such Borrowing shall be an integral multiple of $1,000,000 and not less than $5,000,000. When each Base Rate Borrowing is made, the aggregate amount of such Borrowing shall be an integral multiple of $1,000,000 and not less than $5,000,000; *provided* that a Base Rate Borrowing

may be in an aggregate amount that (i) is equal to the entire unused balance of the Commitments or (ii) is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.05(e). Borrowings of more than one Interest Type may be outstanding at the same time; *provided* that there shall not at any time be more than a total of seven Eurodollar Borrowings outstanding.

(c) Notwithstanding any other provision hereof, the Borrower will not be entitled to request, or to elect to convert or continue, any Eurodollar Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

Section 2.03. *Requests to Borrow Revolving Loans.* To request a Revolving Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of a Base Rate Borrowing, not later than 12:00 noon, New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of such Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be a Base Rate Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.06.

If no election as to the Interest Type of a Borrowing is specified, the requested Borrowing will be a Base Rate Borrowing. If no Interest Period with respect to a requested Eurodollar Borrowing is specified, the Borrower will be deemed to have selected an Interest Period of one month's duration. Promptly after it receives a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender as to the details of such Borrowing Request and the amount of such Lender's Loan to be made pursuant thereto.

Section 2.04. *Swingline Loans.* (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Revolving Availability Period, in each case in an amount that (i) is an integral multiple of $100,000 and not less than $250,000, (ii) will not result in the aggregate outstanding principal amount of all Swingline Loans exceeding $25,000,000 and (iii) will not result in the Total Outstanding Amount exceeding the Maximum Facility Availability then in effect; *provided* that the Swingline Lender will not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy or e-mail transmission), not later than 3:00 p.m., New York City time, on the proposed date of borrowing. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent shall promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the Borrower's general deposit account with the Swingline Lender (or, if such Swingline Loan is made to finance the reimbursement of an LC Disbursement as provided in Section 2.05(e), by remittance to the LC Issuing Bank) by 5:00 p.m., New York City time, on the requested date of such Swingline Loan. Each Swingline Loan shall bear interest at the rate specified in Section 2.13(c).

(c) The Borrower unconditionally promises to pay to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the first day after such Swingline Loan is made that is the 15th or last day of a calendar month and is one Business Day after such Swingline Loan is made; *provided* that on each day that a Borrowing of Revolving Loans is made, the Borrower shall repay all Swingline Loans that were outstanding when such Borrowing was requested.

(d) The Borrower will have the right at any time to prepay any Swingline Loan in full or in part in an amount that is an integral multiple of $100,000 and not less than $250,000. The Borrower shall notify the Swingline Lender and the Administrative Agent, by telephone (confirmed by telecopy or e-mail transmission), of the date and amount of any such prepayment not later than 12:00 noon on the date of prepayment. Each such prepayment shall be made directly to the Swingline Lender and shall be accompanied by accrued interest on the amount prepaid.

(e) The Swingline Lender may, by written notice given to the Administrative Agent not later than 3:00 p.m., New York City time, on any

Business Day, require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans then outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly after it receives such notice, the Administrative Agent shall notify each Lender as to the details thereof and such Lender's Percentage of such aggregate amount of Swingline Loans. Each Lender agrees, upon receipt of such notification, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Percentage of such aggregate amount of Swingline Loans. Each Lender's obligation to acquire participations in Swingline Loans pursuant to this subsection is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or any reduction or termination of the Commitments, and each payment by a Lender to acquire such participations shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this subsection by wire transfer of immediately available funds, in the same manner as provided in Section 2.06 with respect to Loans made by such Lender (and Section 2.06(b) shall apply, *mutatis mutandis*, to the payment obligations of the Lenders under this subsection), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participations in Swingline Loans acquired pursuant to this subsection, and thereafter payments in respect of such Swingline Loans shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or any other party on behalf of the Borrower) in respect of a Swingline Loan after the Swingline Lender receives the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent, which shall promptly remit any such amounts received by it to the Lenders that shall have made payments pursuant to this subsection and to the Swingline Lender, as their interests may appear. The purchase of participations in Swingline Loans pursuant to this subsection will not relieve the Borrower of any default in the payment thereof.

Section 2.05. *Letters of Credit.* (a) *General*. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit for its own account, in a form reasonably acceptable to the Administrative Agent and the LC Issuing Bank, from time to time during the Revolving Availability Period. If the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the LC Issuing Bank relating to any Letter of Credit are not consistent with the terms and conditions of this Agreement, the terms and conditions of this Agreement shall control.

(b) *Notice of Issuance, Amendment, Renewal or Extension; Certain Conditions.* To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand

deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the LC Issuing Bank) to the LC Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the requested date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with Section 2.05(c)), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the LC Issuing Bank, the Borrower also shall submit a letter of credit application on the LC Issuing Bank's standard form (with such changes as are agreed by such LC Issuing Bank and the Borrower) in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension, (i) the LC Exposure will not exceed $75,000,000 and (ii) the Total Outstanding Amount will not exceed the Maximum Facility Availability then in effect.

(c) *Expiration Date*. Each Letter of Credit shall expire at or before the close of business on the earlier of (i) the date that is eighteen months after such Letter of Credit is issued (or, in the case of any renewal or extension thereof, eighteen months after such renewal or extension) and (ii) the date that is five Business Days before the Maturity Date.

(d) *Participations.* Effective upon the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the LC Issuing Bank or the Lenders, the LC Issuing Bank grants to each Lender, and each Lender acquires from the LC Issuing Bank, a participation in such Letter of Credit equal to such Lender's Percentage of the aggregate amount available to be drawn thereunder. Pursuant to such participations, each Lender agrees to pay to the Administrative Agent, for the account of the LC Issuing Bank, such Lender's Percentage of (i) each LC Disbursement made by the LC Issuing Bank and not reimbursed by the Borrower on the date due as provided in Section 2.05(e) and (ii) any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender's obligation to acquire participations and make payments pursuant to this subsection is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or any reduction or termination of the Commitments, and each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) *Reimbursement*. If the LC Issuing Bank makes any LC Disbursement under a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying an amount equal to such LC Disbursement to the Administrative Agent not later than 12:00 noon, New York City time, on the day that such LC Disbursement is made, if the Borrower receives notice of such LC Disbursement before 10:00 a.m., New York City time, on such day, or, if such notice has not been received by the Borrower before such time on such day, then not later than 12:00 noon, New York City time, on (i) the Business Day that the Borrower receives such notice, if such notice is received before 10:00 a.m., New York City time, on the day of receipt, or (ii) the next Business Day, if such notice is not received before such time on the day of receipt; *provided* that, if such LC Disbursement is at least $250,000, the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.04 that such payment be made with the proceeds of a Base Rate Revolving Loan or a Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting Base Rate Revolving Loan or Swingline Loan. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Percentage thereof. Promptly after it receives such notice, each Lender shall pay to the Administrative Agent its Percentage of the payment then due from the Borrower, in the same manner as is provided in Section 2.06 with respect to Loans made by such Lender (and Section 2.06(b) shall apply, *mutatis mutandis*, to such payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the LC Issuing Bank the amounts so received by it from the Lenders. If a Lender makes a payment pursuant to this subsection to reimburse the LC Issuing Bank for any LC Disbursement (other than by funding Base Rate Revolving Loans as contemplated above), (i) such payment will not constitute a Loan and will not relieve the Borrower of its obligation to reimburse such LC Disbursement and (ii) such Lender will be subrogated to its pro rata share of the LC Issuing Bank's claim against the Borrower for such reimbursement. Promptly after the Administrative Agent receives any payment from the Borrower pursuant to this subsection, the Administrative Agent will distribute such payment to the LC Issuing Bank or, if Lenders have made payments pursuant to this subsection to reimburse the LC Issuing Bank, then to such Lenders and the LC Issuing Bank as their interests may appear.

(f) *Obligations Absolute.* The Borrower's obligation to reimburse LC Disbursements as provided in Section 2.05(e) shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any

statement therein being untrue or inaccurate in any respect, (iii) payment by the LC Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. None of the Administrative Agent, the Lenders, the LC Issuing Bank and their respective Related Parties shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the LC Issuing Bank; *provided* that the foregoing shall not excuse the LC Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the LC Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. In the absence of gross negligence or wilful misconduct on the part of the LC Issuing Bank (as finally determined by a court of competent jurisdiction), the LC Issuing Bank shall be deemed to have exercised care in each such determination. Without limiting the generality of the foregoing, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the LC Issuing Bank may, in its sole discretion, either (A) accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or (B) refuse to accept and make payment upon such documents if such documents do not strictly comply with the terms of such Letter of Credit.

(g) *Disbursement Procedures*. The LC Issuing Bank shall, promptly after its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The LC Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether the LC Issuing Bank has made or will make an LC Disbursement pursuant thereto; *provided* that any failure to give or delay in giving such notice will not relieve the Borrower of its obligation to reimburse the LC Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) *Interim Interest*. Unless the Borrower reimburses an LC Disbursement in full on the day it is made, the unpaid amount thereof shall bear

interest, for each day from and including the day on which such LC Disbursement is made to but excluding the day on which the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to Base Rate Revolving Loans; *provided* that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to Section 2.05(e), then Sections 2.13(d)and 2.13(e) shall apply. Interest accrued pursuant to this subsection shall be for the account of the LC Issuing Bank, except that a pro rata share of interest accrued on and after the day that any Lender reimburses the LC Issuing Bank for a portion of such LC Disbursement pursuant to Section 2.05(e) shall be for the account of such Lender.

(i) *Replacement of LC Issuing Bank*. The LC Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced LC Issuing Bank and the successor LC Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement. At the time any such replacement becomes effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced LC Issuing Bank pursuant to Section 2.12(b). On and after the effective date of any such replacement, (i) the successor LC Issuing Bank will have all the rights and obligations of the LC Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "LC Issuing Bank" will be deemed to refer to such successor or to any previous LC Issuing Bank, or to such successor and all previous LC Issuing Banks, as the context shall require. After an LC Issuing Bank is replaced, it will remain a party hereto and will continue to have all the rights and obligations of an LC Issuing Bank under this Agreement with respect to Letters of Credit issued by it before such replacement, but will not be required to issue additional Letters of Credit.

(j) *Cash Collateralization*. If an Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposures representing more than 50% of the total LC

Exposure) demanding the deposit of cash collateral pursuant to this subsection, the Borrower shall deposit in its Cash Collateral Account an amount in cash equal to 102% of the total LC Exposure as of such date plus any accrued and unpaid interest thereon; *provided* that the obligation to deposit such cash collateral will become effective immediately, and such deposit will become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (i) or (j) of Article 7. Any amount so deposited (including any earnings thereon) will be withdrawn from the Borrower's Cash Collateral Account by the Administrative Agent and applied to pay LC Reimbursement Obligations as they become due; *provided* that (i) if at any time all Events of Default have been cured or waived, such amount, to the extent not theretofore so applied, (and excluding amounts required to be deposited in the Cash Collateral Account pursuant to Section 2.10(b) or Section 5.12(b)) will be returned to the Borrower upon its

request and (ii) if at any time the maturity of the Loans has been accelerated, such amount (to the extent not theretofore so applied or returned) will be applied to pay the Secured Obligations as provided in Section 7 of the Security Agreement.

Section 2.06. *Funding of Revolving Loans.* (a) Each Lender making a Revolving Loan hereunder shall wire the principal amount thereof in immediately available funds, by 1:00 p.m., New York City time, on the proposed date of such Loan, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent shall make such funds available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City and designated by the Borrower in the applicable Borrowing Request; *provided* that Base Rate Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.05(e) will be remitted by the Administrative Agent to the LC Issuing Bank.

(b) Unless the Administrative Agent receives notice from a Lender before the proposed date of any Borrowing that such Lender will not make its share of such Borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.06(a) and may, in reliance on such assumption, make a corresponding amount available to the Borrower. In such event, if a Lender has not in fact made its share of such Borrowing available to the Administrative Agent, such Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the day such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate reasonably determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to Base Rate Loans. If such Lender pays such amount to the Administrative Agent, such amount shall constitute such Lender's Loan included in such Borrowing.

Section 2.07. *Interest Elections.* (a) Each Borrowing of Revolving Loans initially shall be of the Interest Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Interest Type or, in the case of a Eurodollar Borrowing, to continue such Borrowing for one or more additional Interest Periods, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent thereof by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting that a Borrowing of the Interest Type resulting from such election be made on the effective date of such election. Each such telephonic Interest Election shall be irrevocable and shall be confirmed promptly by hand delivery, telecopy or e-mail transmission to the Administrative Agent of a written Interest Election in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election shall specify the following information in compliance with Section 2.02 and subsection (e) of this Section:

(i) the Borrowing to which such Interest Election applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be a Base Rate Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is to be a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of "Interest Period".

If an Interest Election requests a Eurodollar Borrowing but does not specify an Interest Period, the Borrower will be deemed to have selected an Interest Period of one month's duration.

(d) Promptly after it receives an Interest Election, the Administrative Agent shall advise each Lender as to the details thereof and such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election with respect to a Eurodollar Borrowing before the end of an Interest Period applicable thereto, such Borrowing (unless repaid) will be converted to a Base Rate Borrowing at the end of such Interest Period. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing, (i) no outstanding

Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) each Eurodollar Borrowing (unless repaid) will be converted to a Base Rate Borrowing at the end of the Interest Period applicable thereto on the date of such notice.

Section 2.08. *Termination or Reduction of Commitments.* (a) Unless previously terminated, the Commitments will terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; *provided* that (i) the amount of each reduction of the Commitments shall be an integral multiple of $1,000,000 and not less than $5,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect thereto and to any concurrent prepayment of Revolving Loans pursuant to Section 2.10, the total Exposures would exceed the total Commitments.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under Section 2.08(b), at least three Business Days before the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly after it receives any such notice, the

Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section will be irrevocable; *provided* that any such notice terminating the Commitments may state that it is conditioned on the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or before the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments will be permanent and will be made ratably among the Lenders in accordance with their respective Commitments.

Section 2.09. *Payment at Maturity; Evidence of Debt*. (a) The Borrower unconditionally promises to pay to the Administrative Agent on the Maturity Date, for the account of each Lender, the then unpaid principal amount of such Lender's Revolving Loans.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Interest Type thereof and each Interest Period (if any) applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each

Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to subsections (b) and (c) of this Section shall be *prima facie* evidence of the existence and amounts of the obligations recorded therein; *provided* that any failure by any Lender or the Administrative Agent to maintain such accounts or any error therein shall not affect the Borrower's obligation to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.10. *Optional and Mandatory Prepayments*. (a) *Optional Prepayments*. The Borrower will have the right at any time to prepay any Borrowing in whole or in part, subject to the provisions of this Section.

(b) *Mandatory Prepayments*. If at any date the Total Outstanding Amount exceeds the Maximum Facility Availability calculated as of such date, then not later than the next succeeding Business Day, the Borrower shall be required to prepay the Loans (or, if no Loans are outstanding, deposit cash in the Cash Collateral Account to cash collateralize Letter of Credit liabilities) in an amount equal to such excess until the Total Outstanding Amount, net of the amount of cash collateral deposited in the Cash Collateral Account, does not exceed the Maximum Facility Availability.

(c) *Allocation of Prepayments*. Before any optional or mandatory prepayment of Borrowings hereunder, the Borrower shall select the Borrowing or Borrowings to be prepaid and shall specify such selection in the notice of such prepayment pursuant to Section 2.10(f).

(d) *Partial Prepayments*. Each partial prepayment of a Borrowing shall be in an amount that would be permitted under Section 2.02(b) for a Borrowing of the same Interest Type, except as needed to apply fully the required amount of a mandatory prepayment. Each partial prepayment of a Borrowing shall be applied ratably to the Loans included in such Borrowing.

(e) *Accrued Interest*. Each prepayment of a Borrowing shall be accompanied by accrued interest to the extent required by Section 2.11 or Section 2.13.

(f) *Notice of Prepayments*. The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy or e-mail transmission) of any prepayment of any Borrowing hereunder (i) in the case of a Eurodollar Borrowing, not later than 12:00 noon, New York City time, three Business Days before the date of prepayment and (ii) in the case of a Base Rate Borrowing, not later than 12:00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date, the principal amount of each Borrowing or portion thereof to be prepaid and, in the case of a mandatory prepayment, a reasonably detailed calculation of the amount of such prepayment; *provided* that, if a notice of optional prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.08(c), then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.08(c). Promptly after it receives any such notice, the Administrative Agent shall advise the Lenders of the contents thereof.

Section 2.11. *Change in Control*. (a) If a Change in Control of the Borrower shall occur, the Borrower will, within one Business Day after the occurrence thereof, give the Administrative Agent notice thereof, and the Administrative Agent shall promptly notify each Lender thereof. Such notice shall describe in reasonable detail the facts and circumstances giving rise thereto and the date of such Change in Control and each Lender may, by notice to the Borrower and the Administrative Agent (a "**Termination Notice**") given not later than ten days after the date of such Change of Control, terminate its Commitment, which shall be terminated, and declare any Loans made by it (together with accrued interest thereon) and any other amounts payable hereunder for its account to be, and such Loans and such amounts shall become, due and payable, in each case on the day following delivery of such Termination Notice (or if such day is not a Business Day, the next succeeding Business Day), without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

(b) If the Commitment of any Lender is terminated pursuant to this Section at a time when any Letter of Credit is outstanding, then (i) such Lender shall remain responsible to the LC Issuing Bank with respect to such Letter of Credit to the same extent as if its Commitment had not terminated and (ii) the Borrower shall pay to such Lender an amount in immediately available funds (which funds shall be held as collateral pursuant to arrangements satisfactory to such Lender) equal to such Lender's Percentage of the aggregate amount available for drawing under all Letters of Credit outstanding at such time.

(c) If the Commitment of any Lender is terminated pursuant to this Section at a time when any Swingline Loan is outstanding, then (i) such Lender shall remain responsible to the Swingline Lender with respect to such Swingline Loan to the same extent as if its Commitment had not terminated and (ii) the Borrower shall pay to such Lender an amount in immediately available funds (which funds shall be held as collateral pursuant to arrangements satisfactory to such Lender) equal to such Lender's Percentage of the aggregate outstanding principal amount of such Swingline Loan at such time.

Section 2.12. *Fees*. (a) The Borrower shall pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue at the Applicable Rate on the average daily unused amount of each Commitment of such Lender during the period from and including the Effective Date to the date on which such Commitment terminates. Accrued commitment fees will be payable in arrears on the last day of March, June, September and December of each year and the day when the Commitments terminate, commencing on the first such day to occur after the date hereof. All commitment fees will be computed on the basis of a year of 360 days and will be payable for the actual number of days elapsed (including the first day but excluding the last day). For purposes of computing commitment fees, a Lender's Commitment will be deemed to be used to the extent of its outstanding Revolving Loans and LC Exposure (and its Swingline Exposure will be disregarded for such purpose).

(b) The Borrower shall pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue for each day, at the Applicable Rate that applies to Eurodollar Revolving Loans, on the amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) on such day, during the period from the Effective Date to the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the LC Issuing Bank a fronting fee, which shall accrue at the rate or rates per annum separately agreed upon by the Borrower and such LC Issuing Bank on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from the Effective Date to the later of the date on which the Commitments terminate and the date on which there ceases to be any LC Exposure, as well as the fees separately agreed upon by the Borrower and such LC Issuing Bank with respect to issuing, amending, renewing or extending any Letter of Credit or processing drawings thereunder. Participation fees and fronting fees accrued through the last day of March, June, September and December of each year will be payable on the third Business Day following such last day, commencing on the first such date to occur after the Effective Date; *provided* that all such fees accrued to the date on which the Commitments terminate will be payable on such date, and any such fees accruing after such date will be payable on demand. Any other fees payable to the LC

Issuing Bank pursuant to this subsection will be payable within 10 days after demand. All such participation fees and fronting fees will be computed on the basis of a year of 360 days and will be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrower shall pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon by the Borrower and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the LC Issuing Bank, in the case of fees payable to it) for distribution, in the case of commitment fees and participation fees, to the Lenders entitled thereto. Fees paid shall not be refundable under any circumstances.

Section 2.13. *Interest.* (a) The Loans comprising each Base Rate Borrowing shall bear interest for each day at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest for each Interest Period in effect for such Borrowing at the Adjusted LIBO Rate for such Interest Period plus the Applicable Rate.

(c) The Swingline Loans shall bear interest at the rate applicable to Base Rate Revolving Loans.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate that would, in the absence of an Event of Default, be otherwise applicable to such Loan as provided in the preceding subsections of this Section or (ii) in the case of any other amount, 2% plus the rate that would, in the absence of an Event of Default, be applicable to Base Rate Revolving Loans, as provided in subsection (a) of this Section.

(e) Interest accrued on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and upon termination of the Commitments; *provided* that (i) interest accrued pursuant to Section 2.13(d) shall be payable on demand, (ii) upon any repayment of any Loan (except a prepayment of a Base Rate Revolving Loan before the end of the Revolving Availability Period), interest accrued on the principal amount repaid shall be payable on the date of such repayment and (iii) upon any conversion of a Eurodollar Loan before the end of the current Interest Period therefor, interest accrued on such Loan shall be payable on the effective date of such conversion.

(f) All interest hereunder will be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate will be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case will be payable for the actual number of days elapsed (including the first day but excluding the last day). Each applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Administrative Agent, and its determination thereof will be conclusive absent manifest error.

Section 2.14. *Alternate Rate of Interest.* If before the beginning of any Interest Period for a Eurodollar Borrowing:

(i) deposits in dollars in the applicable amounts are not being offered by the Administrative Agent in the London interbank market for such Interest Period; or

(ii) Lenders having 50% or more of the aggregate principal amount of the Loans to be included in such Borrowing advise the Administrative Agent that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining such Loans for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing will be ineffective and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing will be made as a Base Rate Borrowing.

Section 2.15. *Increased Costs.* (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the LC Issuing Bank; or

(ii) impose on any Lender or the LC Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to

make Eurodollar Loans) or to increase the cost to such Lender or the LC Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce any amount received or receivable by such Lender or the LC Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrower shall pay to such Lender or the LC Issuing Bank, as the case may be, such additional amount or amounts as will compensate it for such additional cost incurred or reduction suffered.

(b) If any Lender or the LC Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the LC Issuing Bank's capital or on the capital of such Lender's or the LC Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the LC Issuing Bank, to a level below that which such Lender or the LC Issuing Bank or such Lender's or the LC Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the LC Issuing Bank's policies and the policies of such Lender's or the LC Issuing Bank's holding company with respect to capital adequacy), then from time to time following receipt of the certificate referred to in subsection (c) of this Section, the Borrower shall pay to such Lender or the LC Issuing Bank, as the case may be, such additional amount or amounts as will compensate it or its holding company for any such reduction suffered.

(c) A certificate of a Lender or the LC Issuing Bank setting forth the amount or amounts necessary to compensate it or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. Each such certificate shall contain a representation and warranty on the part of the Lender to the effect that such Lender has complied with its obligations pursuant to Section 2.19 hereof in an effort to eliminate or reduce such amount. The Borrower shall pay such Lender or the LC Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay by any Lender or the LC Issuing Bank to demand compensation pursuant to this Section will not constitute a waiver of its right to demand such compensation; *provided* that the Borrower will not be required to compensate a Lender or the LC Issuing Bank pursuant to this Section for any increased cost or reduction incurred more than 180 days before it notifies the Borrower of the Change in Law giving rise to such increased cost or reduction and of its intention to claim compensation therefor. However, if the Change in Law giving rise to such increased cost or reduction is retroactive, then the 180-day period referred to above will be extended to include the period of retroactive effect thereof.

Section 2.16. *Break Funding Payments.* If (a) any principal of any Eurodollar Loan is repaid on a day other than the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) any Eurodollar Loan is converted on a day other than the last day of an Interest Period applicable thereto, (c) the Borrower fails to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.10(f) and is revoked in accordance therewith), or (d) any Eurodollar Loan is assigned on a day other than the last day of an Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then the Borrower shall compensate each Lender for its loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost and expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the end of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have begun on the date of such failure), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the beginning of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

Section 2.17. *Taxes.* (a) All payments by the Borrower under the Loan Documents shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; *provided* that, if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable will be increased as necessary so that, after all required deductions (including deductions applicable to additional sums payable under this Section) are made, each relevant Lender Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify each Lender Party, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by such Lender Party with respect to any payment by or

obligation of the Borrower under the Loan Documents (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of any such payment delivered to the Borrower by a Lender Party on its own behalf, or by the Administrative Agent on behalf of a Lender Party, shall be conclusive absent manifest error. If the Borrower has indemnified any Lender Party pursuant to this Section 2.17(c), such Lender Party shall take such steps as the Borrower shall reasonably request (at the Borrower's expense) to assist the Borrower in recovering the Indemnified Taxes or Other Taxes and any penalties or interest attributable thereto; *provided* that no Lender Party shall be required to take any action pursuant to this Section 2.17(c) unless, in the judgment of such Lender Party, such action (i) would not subject such Lender Party to any unreimbursed cost or expense and (ii) would not otherwise be disadvantageous to such Lender Party.

(d) As soon as practicable after the Borrower pays any Indemnified Taxes or Other Taxes to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the laws of the United States, or any treaty to which the United States is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate. If any such Foreign Lender becomes subject to any Tax because it fails to comply with this subsection as and when prescribed by applicable law, the Borrower shall take such steps (at such Foreign Lender's expense) as such Foreign Lender shall reasonably request to assist such Foreign Lender to recover such Tax.

Section 2.18. *Payments Generally; Pro Rata Treatment; Sharing of Set-offs.* (a) The Borrower shall make each payment required to be made by it under the Loan Documents (whether of principal, interest or fees, or reimbursement of LC Disbursements, or amounts payable under Section 2.15, 2.16 or 2.17 or otherwise) before the time expressly required under the relevant Loan Document for such payment (or, if no such time is expressly required, before 12:00 noon, New York City time), on the date when due, in immediately available funds, without set-off or counterclaim. Any amount received after such time on any day may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at One Chase Manhattan Plaza, 8th Floor, New York, NY 10081, except payments to be made directly to the LC Issuing Bank or the Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto and payments pursuant to other Loan Documents shall be made to the Persons specified therein. The Administrative Agent shall distribute any such payment received by it for the account of any other Person to the appropriate recipient promptly after receipt thereof. Unless otherwise specified herein, if any payment under any Loan Document shall be due on a day that is not a Business Day, the date for payment will be extended to the next succeeding Business Day and, if such payment accrues interest, interest thereon will be payable for the period of such extension. All payments under each Loan Document shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or any of its participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and participations in LC Disbursements and Swingline Loans; *provided* that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this subsection shall not apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as

consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this subsection shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless, before the date on which any payment is due to the Administrative Agent for the account of one or more Lender Parties hereunder, the Administrative Agent receives from the Borrower notice that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance on such assumption, distribute to each relevant Lender Party the amount due to it. In such event, if the Borrower has not in fact made such payment, each Lender Party severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender Party with interest thereon, for each day from and including the day such amount is distributed to it to but excluding the day it repays the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender fails to make any payment required to be made by it pursuant to Section 2.04(e), 2.05(d), 2.05(e), 2.06(b), 2.18(d) or 9.03(c), the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

Section 2.19. *Lender's Obligation to Mitigate; Replacement of Lenders* (a) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use all commercially reasonable efforts to mitigate or eliminate the amount of such compensation or additional amount, including without limitation, by designating a different lending office for funding or booking its Loans hereunder or by assigning its rights and obligations hereunder to another of its offices, branches or affiliates; *provided* that no Lender shall be required to take any action pursuant to this Section 2.19(a) unless, in the judgment of such Lender, such designation or assignment or other action (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future, (ii) would not subject such Lender to any unreimbursed cost or expense and (iii) would not otherwise be disadvantageous to such Lender. The Borrower

shall pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided* that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Commitment is being assigned, the LC Issuing Bank and the Swingline Lender), which consents shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a material reduction in such compensation or payments. A Lender shall not be required to make any such assignment if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment cease to apply.

Section 2.20. *Optional Increase in Commitments.* At any time, if no Default shall have occurred and be continuing (or would result after giving effect thereto), the Borrower, may, if it so elects, increase the aggregate amount of the Commitments (each such increase to be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000), either by designating a financial institution not theretofore a Lender to become a Lender (such designation to be effective only with the prior written consent of the Administrative Agent and each LC Issuing Bank, which consent will not be unreasonably withheld or delayed, and only if such financial institution accepts a Commitment in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000), or by agreeing with an existing Lender that such Lender's Commitment shall be increased. Upon execution and delivery by the Borrower and such Lender or other financial institution of an instrument (a "**Commitment Acceptance**") in form reasonably satisfactory to the Administrative Agent, such existing Lender shall have a Commitment as therein set forth or such other financial institution shall become a Lender with a

Commitment as therein set forth and all the rights and obligations of a Lender with such a Commitment hereunder; *provided*:

(a) that the Borrower shall provide prompt notice of such increase to the Administrative Agent, who shall promptly notify the Lenders;

(b) that the Borrower shall have delivered to the Administrative Agent a copy of the Commitment Acceptance;

(c) that the amount of such increase, together with all other increases in the aggregate amount of the Commitments pursuant to this Section 2.20 since the date of this Agreement, does not exceed $150,000,000;

(d) that, before and after giving effect to such increase, the representations and warranties of the Borrower contained in Article 3 of this Agreement shall be true and correct; and

(e) that the Administrative Agent shall have received such evidence (including an opinion of Borrower's counsel) as it may reasonably request to confirm the Borrower's due authorization of the transactions contemplated by this Section 2.20 and the validity and enforceability of the obligations of the Borrower resulting therefrom.

On the date of any such increase, the Borrower shall be deemed to have represented to the Administrative Agent and the Lenders that the conditions set forth in clauses (a) through (e) above have been satisfied.

Upon any increase in the aggregate amount of the Commitments pursuant to this Section 2.20:

(x) within five Domestic Business Days, in the case of any Base Rate Borrowings then outstanding, and at the end of the then current Interest Period with respect thereto, in the case of any Eurodollar Borrowings then outstanding, the Borrower shall prepay such Borrowing in its entirety and, to the extent the Borrower elects to do so and subject to the conditions specified in Article 4, the Borrower shall reborrow Loans from the Lenders in proportion to their respective Commitments after giving effect to such increase, until such time as all outstanding Loans are held by the Lenders in such proportion; and

(y) each existing Lender whose Commitment has not increased pursuant to this Section 2.20 (each, a '**Non-Increasing Lender**") shall be deemed, without further action by any party hereto, to have sold to each Lender whose Commitment has been assumed or increased under this Section 2.20 (each, an "**Increased Commitment Lender**"), and each Increased Commitment Lender shall be deemed, without further action by

any party hereto, to have purchased from each Non-Increasing Lender, a participation (on the terms specified in Section 2.05 and 2.04, respectively) in each outstanding Letter of Credit and each Swingline Loan in which such Non-Increasing Lender has acquired a participation in an amount equal to such Increased Commitment Lender's Percentage thereof, until such time as all LC Exposures and Swingline Exposures are held by the Lenders in proportion to their respective Commitments after giving effect to such increase.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lender Parties that:

Section 3.01. *Organization; Powers.* The Borrower and each of its Restricted Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where failures to do so, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

Section 3.02. *Authorization; Enforceability.* The Financing Transactions to be entered into by the Borrower are within its corporate, limited liability company or similar company powers and have been duly authorized by all necessary corporate, limited liability company (or similar) action and, if required, stockholder or equity holder action. This Agreement has been duly executed and delivered by the Borrower and constitutes, and each other Loan Document to which the Borrower is to be a party, when executed and delivered by the Borrower, will constitute, a legal, valid and binding obligation of the Borrower, as the case may be, in each case enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 3.03. *Governmental Approvals; No Conflicts.* The Financing Transactions (a) do not require any consent or approval of, registration or filing with, or other action by, any Governmental Authority, except (i) such as have been obtained or made and are in full force and effect and (ii) filings necessary to perfect the Transaction Liens, (b) will not violate any applicable law or regulation or the charter, by-laws, limited liability company agreement or other organizational documents of the Borrower or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of its properties,

or give rise to a right thereunder to require the Borrower to make any payment, and (d) will not result in the creation or imposition of any Lien (other than the Transaction Liens) on any property of the Borrower.

Section 3.04. *Financial Statements; No Material Adverse Change.* (a) The Borrower has heretofore furnished to the Lenders (i) USX Corporation's 2000 Form 10-K containing the audited consolidated balance sheet of the U.S. Steel Group as of December 31, 2000 and the related consolidated statements of income and cash flows for the Fiscal Year then ended, reported on by PricewaterhouseCoopers LLP, independent public accountants, and (ii) USX Corporation's Latest Form 10-Q containing the unaudited consolidated balance sheet of the U.S. Steel Group as of September 30, 2001 and the related consolidated statements of income and cash flows for the Fiscal Quarter then ended and for the portion of the Fiscal Year then ended, all certified by its chief financial officer. Such financial statements present fairly, in all material respects, the consolidated financial position of the U.S. Steel Group as of such dates and its consolidated results of operations and cash flows for such periods in accordance with GAAP, subject to normal year-end adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) The Borrower has heretofore furnished to the Lenders its pro forma consolidated balance sheet as of June 30, 2001, prepared giving effect to the Financing Transactions as if the Financing Transactions had occurred on such date. Such pro forma consolidated balance sheet (i) has been prepared in good faith based on the same assumptions used to prepare the pro forma financial statements included in the Information Memorandum (which assumptions are believed by the Borrower to be reasonable), (ii) is based on the best information available to the Borrower after due inquiry, (iii) accurately reflects all adjustments necessary to give effect to the Financing Transactions and (iv) presents fairly, in all material respects, the pro forma consolidated financial position of the Borrower and its Subsidiaries as of June 30, 2001 as if the Financing Transactions had occurred on such date.

(c) Since December 31, 2000, there has been no material adverse change in the business, operations, properties, assets, financial condition, contingent liabilities or material agreements of the Borrower and its Subsidiaries, taken as a whole, except as disclosed prior to the Effective Date in USX Corporation's 2000 Form 10-K, USX Corporation's Latest Form 10-Q or USX Corporation's Latest Proxy Statement.

Section 3.05. *Security Documents.* The Security Documents create valid security interests in the Collateral purported to be covered thereby, which security interests are and will remain perfected security interests, prior to all other Liens, other than Liens permitted under Section 6.02. Each of the representations and

warranties made by the Borrower in the Security Documents to which it is a party is true and correct in all material respects.

Section 3.06. *Borrower's Subsidiaries.* As of the Effective Date, the Borrower has no Subsidiaries other than those set forth on Schedule 3.06. Each Subsidiary identified on Schedule 3.06 is a Restricted Subsidiary.

Section 3.07. *Litigation and Environmental Matters.* (a) Except as set forth in (i) USX Corporation's 2000 Form 10-K, (ii) USX Corporation's Latest Form 10-Q, (iii) USX Corporation's Latest Proxy Statement, (iv) USX Corporation's quarterly reports on Form 10-Q for the quarters ended March 31, 2001 and June 30, 2001, as filed with the SEC pursuant to the Exchange Act or (v) the Borrower's and USX Corporation's registration statement on Form S-4, as filed with the SEC on October 12, 2001, there is no action, suit, arbitration proceeding or other proceeding, inquiry or investigation, at law or in equity, before or by any arbitrator or Governmental Authority pending against the Borrower or of which the Borrower has otherwise received official notice or which, to the knowledge of the Borrower, is threatened against the Borrower (i) as to which there is a reasonable possibility of an unfavorable decision, ruling or finding which would reasonably be expected to result in a Material Adverse Effect or (ii) that involves any of the Loan Documents or the Financing Transactions.

(b) Except as set forth in USX Corporation's 2000 Form 10-K, USX Corporation's Latest Form 10-Q or USX Corporation's Latest Proxy Statement, the Borrower does not presently anticipate that remediation costs and penalties associated with any Environmental Law, to the extent not previously provided for, will have a Material Adverse Effect.

Section 3.08. *Compliance with Laws and Agreements.* The Borrower is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property (including (i) all Environmental Laws, (ii) ERISA, (iii) applicable laws, regulations and orders dealing with intellectual property, and (iv) the Fair Labor Standards Act and other applicable law dealing with such matters) and all indentures, agreements and other instruments binding on it or its property, except where failures to do so, in the aggregate, would not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

Section 3.09. *Investment and Holding Company Status.* The Borrower is not (a) an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended or (b) a "holding company" or "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.

Section 3.10. *ERISA.* No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect.

Section 3.11. *Regulation U.* Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U).

Section 3.12. *Disclosure.* The Borrower has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which it is subject, and all other matters known to it, that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect. The Information Memorandum and any other written information (other than projected financial information) set forth in (a) USX Corporation's Proxy Statement on Form 14A filed with the SEC on September 20, 2001, (b) the Borrower's Confidential Offering Circulars dated July 24, 2001 and September 6, 2001 relating to the Borrower's 10-$^{3}/_{4}$% Senior Notes, (c) the Borrower's roadshow materials presented in connection with its July, 2001 and September, 2001 offering of 10-$^{3}/_{4}$ Senior Notes, (d) a presentation prepared for the proposed members of the Lender syndicate and (vi) materials regarding the Borrower's inventory that has been made available by or on behalf of the Borrower to the Arranger, any Agent or any Lender in connection with the negotiation of this Agreement or any other Loan Document or delivered hereunder or thereunder, is complete and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made; *provided* that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based on assumptions believed to be reasonable at the time.

Section 3.13. *Senior Debt.* The Secured Obligations constitute "Secured Indebtedness" and "Senior Indebtedness" under and as defined in the Senior Unsecured Debt Documents.

Section 3.14. *Processing of Receivables.* In the ordinary course of its business, the Borrower processes its accounts receivable in a manner such that (i) each payment received by the Borrower in respect of accounts receivables is allocated to a specifically identified invoice or invoices, which invoice or invoices corresponds to a particular account receivable owing to the Borrower and (ii) if, at any time, less than 100% of the accounts receivables to the Borrower are included

in a Receivables Financing, payments received in respect of those accounts receivable included in a Receivables Financing would be identifiable and separable from payments received in respect of accounts receivable not so included in a Receivables Financing.

Section 3.15. *Senior Unsecured Debt Documents.* The Borrower has heretofore furnished to the Lenders true and correct copies of all Senior Unsecured Debt Documents.

Section 3.16. *Solvency.* Immediately after the Financing Transactions to occur on the Effective Date are consummated and after giving effect to the application of the proceeds of each Loan made on the Effective Date and after giving effect to the application of the proceeds of each Loan made on any other date, (a) the fair value of the assets of the Borrower, at a fair valuation, will exceed its debts and liabilities, subordinated, contingent or otherwise; (b) the Borrower will be able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (c) the Borrower will not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and proposed to be conducted after the Effective Date.

ARTICLE 4
CONDITIONS

Section 4.01. *Effective Date.* The obligations of the Lenders to make Loans and of the LC Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received counterparts hereof signed by the Borrower and each of the Lenders listed on the signature pages hereof (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telex, facsimile or other written confirmation from such party that it has executed a counterpart hereof).

(b) The Administrative Agent shall have received favorable written opinions (in each case, addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Berry & Associates, special counsel for the Borrower, and the General Counsel or an Assistant General Counsel of the Borrower, (i) which opinions are substantially in the form of Exhibit B-1 and Exhibit B-2, respectively, and (ii) covering such other matters relating to the Borrower, the Loan Documents or the Financing

Transactions as the Required Lenders shall reasonably request. The Borrower requests such counsel to deliver such opinion.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Borrower, the authorization for and validity of the Financing Transactions and any other legal matters relating to the Borrower, the Loan Documents or the Financing Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in clause (a), (b) and (c) of Section 4.03.

(e) The fact that the Required Lenders shall not have notified the Administrative Agent of their determination that, since December 31, 2000, any event, development or circumstance has occurred that has had or would reasonably be expected to have a Material Adverse Effect, other than those events, developments and circumstances that have been disclosed (i) to the Administrative Agent in writing or (ii) in USX Corporation's 2000 Form 10-K, USX Corporation's Latest Form 10-Q, USX Corporation's Latest Proxy Statement or the Borrower's and USX Corporation's registration statement on Form S-4 filed on October 12, 2001.

(f) The fact that neither the Arranger nor the Administrative Agent shall have become aware of any information or other matter affecting the Borrower or the Financing Transactions which was in existence prior to the date of this Agreement and is inconsistent in a material and adverse manner with any such information or other matter disclosed to them prior to the date of this Agreement.

(g) The Borrower shall have paid all fees and other amounts due and payable to the Lender Parties on or before the Effective Date, including, to the extent invoiced, all out-of-pocket expenses (including fees, charges and disbursements of counsel) required to be reimbursed or paid by the Borrower under the Loan Documents.

(h) The Collateral Requirement shall have been satisfied and the Administrative Agent shall have received a completed Perfection Certificate dated the Effective Date and signed by a Financial Officer or other executive officer of the Borrower, together with all attachments contemplated thereby, including the results of a search of the Uniform

Commercial Code (or equivalent) filings made with respect to the Borrower in the jurisdictions contemplated by the Perfection Certificate and copies of the financing statements (or similar documents) disclosed by such search and evidence reasonably satisfactory to the Administrative Agent that the Liens indicated by such financing statements (or similar documents) are permitted by Section 6.02 or have been released.

(i) The Administrative Agent shall have received evidence reasonably satisfactory to it that all insurance required by Section 5.07 is in effect.

(j) All consents and approvals required to be obtained from any Governmental Authority or other Person in connection with the Financing Transactions shall have been obtained and be in full force and effect, except where failure to obtain such approval or consent would not have a Material Adverse Effect.

(k) The Lenders shall have received (i) a monthly computation of the Borrower's liquidity position (including cash, receivables, inventory and borrowings) for each month of Fiscal Year 2001 that ends at least 20 days prior to the date of this Agreement, (ii) a business plan for each Fiscal Year that begins during the term of this Agreement (including financial forecasts on a quarterly basis for Fiscal Year 2001 and Fiscal Year 2002 and on an annual basis for each Fiscal Year thereafter) and (iii) a written analysis of the business and prospects of the Borrower and its Subsidiaries for the term of this Agreement, all in form and substance reasonably satisfactory to the Lenders in their good faith judgment.

(l) The Administrative Agent shall have received a completed Borrowing Base Certificate dated the Effective Date and signed by a Financial Officer.

(m) The Administrative Agent shall have completed all such field exams as it deems reasonably necessary or desirable, and shall have received evidence satisfactory to it that the Collateral Agent and Co-Collateral Agent and their respective designated representatives shall have completed all such field exams and received all such inventory appraisals from independent appraisers as the Collateral Agent and Co-Collateral Agent deem reasonably necessary or desirable.

(n) The Administrative Agent shall have received evidence satisfactory to it that the Effective Date Receivables Financing shall have been consummated prior to or concurrently with the occurrence of the Effective Date.

Promptly after the Effective Date occurs, the Administrative Agent shall notify the Borrower and the Lenders thereof, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the LC Issuing Bank to issue Letters of Credit shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) before 5:00 p.m., New York City time, on December 3, 2001 (and, if any such condition is not so satisfied or waived, the Commitments shall terminate at such time).

Section 4.02. *Conditions to Initial Utilization.* The obligation of each Lender to make a Loan on the occasion of the initial Borrowing, the obligation of the Swingline Lender to make the initial Swingline Loan (if such initial Swingline Loan is made prior to the occasion of the initial Borrowing and the issuance of the initial Letter of Credit) and the obligation of the LC Issuing Bank to issue the initial Letter of Credit (if such initial Letter of Credit is issued prior to the occasion of the initial Borrowing and the making of the initial Swingline Loan), are each subject to the satisfaction of the following conditions:

(a) The Effective Date shall have occurred.

(b) The Administrative Agent shall have received evidence satisfactory to it that the Lorain Merger shall have been consummated.

(c) The Administrative Agent shall have received evidence satisfactory to it that the Separation shall have been completed ((x) without the requirement of any Borrowing or Swingline Loan being made or any Letter of Credit (other than Letters of Credit in an aggregate amount not in excess of $15,000,000) being issued hereunder, (y) with trade payables being paid currently and expenses and liabilities being paid in the ordinary course of business and (z) without acceleration of sales), and the Borrower shall no longer be a subsidiary of USX Corporation.

(d) After giving effect to the consummation of the Lorain Merger and the Separation, the Borrowing Base, as set forth in the most recent Borrowing Base Certificate (dated within 30 days of the date of such initial Borrowing, Swingline Loan or Letter of Credit), shall not be less than $325,000,000.

(e) The Administrative Agent shall have received evidence satisfactory to it that the Borrower's contemplated tax settlement with Marathon Oil Corporation shall have been consummated and shall have resulted in a value transfer to the Borrower (in the form of a reduction in Debt attributed to the Borrower) in an amount equal to or greater than $300,000,000.

Section 4.03. *Conditions to Each Utilization.* The obligation of each Lender to make a Loan on the occasion of any Borrowing (including the initial Borrowing), the obligation of the Swingline Lender to make any Swingline Loan (including the initial Swingline Loan) and the obligation of the LC Issuing Bank to issue, amend, renew or extend any Letter of Credit (including the initial Letter of Credit), are each subject to receipt of the Borrower's request therefor in accordance herewith and to the satisfaction of the following conditions:

(a) Immediately after giving effect to such Borrowing or Swingline Loan or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

(b) The representations and warranties of the Borrower set forth in the Loan Documents shall be true on and as of the date of such Borrowing or Swingline Loan or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable.

(c) Immediately before and after such Borrowing or Swingline Loan is made, or such Letter of Credit is issued, amended, renewed or extended, as applicable, the Total Outstanding Amount will not exceed the Maximum Facility Availability.

Each Borrowing, each Swingline Loan and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in clauses (a), (b) and (c) of this Section.

ARTICLE 5
AFFIRMATIVE COVENANTS

Until all the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or been cancelled and all LC Disbursements have been reimbursed, the Borrower covenants and agrees with the Lenders that:

Section 5.01. *Financial Statements and Other Information.* (a) The Borrower will furnish to the Administrative Agent (for delivery to each Lender):

(i) as soon as available and in any event within 90 days after the end of each Fiscal Year, its audited consolidated balance sheet as of the end of such Fiscal Year and the related statements of income and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all reported on by

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PricewaterhouseCoopers LLC or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) as presenting fairly in all material respects the financial position, results of operations and cash flows of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP;

(ii) as soon as available and in any event within 45 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, its consolidated balance sheet as of the end of such Fiscal Quarter and the related statements of income and cash flows for such Fiscal Quarter and for the then elapsed portion of such Fiscal Year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous Fiscal Year, all certified by a Financial Officer as (x) reflecting all adjustments (which adjustments are normal and recurring unless otherwise disclosed) necessary for a fair presentation of the results for the period covered and (y) having been prepared in accordance with the applicable rules of the SEC;

(iii) as soon as available and in any event within 30 days after the end of each fiscal month (x) its shipment and average selling price data for such month and for the then elapsed portion of the Fiscal Year and (y) the additional monthly financial information described in (and substantially in the form of) Schedule 5.01, certified as to accuracy by a Financial Officer;

(iv) concurrently with each delivery of financial statements under clause (i) or (ii) above, a certificate of a Financial Officer (x) certifying as to whether a Default has occurred and is continuing and, if a Default has occurred and is continuing, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (y) setting forth reasonably detailed calculations demonstrating compliance with Sections 6.12 through 6.14, inclusive, and (z) stating whether any change in GAAP or in the application thereof has become effective since the date of the Borrower's most recent audited financial statements referred to in Section 3.04 or delivered pursuant to this Section and, if any such change has become effective, specifying the effect of such change on the financial statements accompanying such certificate;

(v) concurrently with each delivery of financial statements under clause (i) above, a certificate of the accounting firm that reported on such financial statements stating whether during the course of their examination of such financial statements they obtained knowledge of any

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Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(vi) no later than 45 days after the beginning of each Fiscal Year, a detailed consolidated budget for such Fiscal Year (which budget shall (A) include a projected consolidated balance sheet and related statements of projected operations and cash flows as of the end of and for such Fiscal Year, a projected Borrowing Base as of the last day of each Fiscal Quarter in such Fiscal Year, and projected levels of Facility Availability as of the last day of each Fiscal Quarter in such Fiscal Year, and (B) set forth the assumptions used in preparing such budget) and, promptly when available, any significant revisions of such budget;

(vii) promptly after the same become publicly available, copies of all periodic and other material reports and proxy statements filed by the Borrower or any Restricted Subsidiary with the SEC, or any Governmental Authority succeeding to any or all of the functions of the SEC;

(viii) concurrently with each delivery of financial statements under clause (i) or (ii) above, the related consolidating financial statements reflecting the adjustments necessary to eliminate the accounts of Unrestricted Subsidiaries (if any) from such consolidated financial statements;

(ix) promptly upon the effectiveness of any material amendment or modification of, or any waiver of the rights of the Borrower or any Restricted Subsidiary under, (A) any Senior Unsecured Debt Document, (B) the certificate of formation, limited liability company agreement, certificate of incorporation, by-laws or other organizational documents of the Borrower or any Restricted Subsidiary or (C) any document evidencing any Receivables Financing, written notice of such amendment, modification or waiver describing in reasonable detail the purpose and substance thereof; and

(x) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower and its Restricted Subsidiaries, or compliance with the terms of any Loan Document, as the Administrative Agent or any Lender may reasonably request.

Information required to be delivered pursuant to Sections 5.01(a)(i), 5.01(a)(ii) or 5.01(a)(vii) above shall be deemed to have been delivered on the date on which the Borrower provides notice to the Administrative Agent that such information has been posted on the Borrower's website on the Internet at the website address

listed on the signature pages hereof, at sec.gov/edaux/searches.htm or at another website identified in such notice and accessible by the Lenders without charge; *provided* that (i) such notice may be included in a certificate delivered pursuant to Section 5.01(a)(iv) and (ii) the Borrower shall deliver paper copies of the information referred to in Sections 5.01(a)(i), 5.01(a)(ii) and 5.01(a)(vii) to the Administrative Agent for any Lender which requests such delivery.

(b) *Borrowing Base Reports.* The Borrower will furnish to the Administrative Agent, the Collateral Agent and the Co-Collateral Agent (and the Administrative Agent shall thereafter deliver to each Lender):

(i) as soon as available and in any event within 15 days after the end of each calendar month, a completed Borrowing Base Certificate (accompanied by supporting documentation and supplemental reporting) calculating and certifying the Borrowing Base as of the end of such calendar month, signed on behalf of the Borrower by a Financial Officer and in form and substance satisfactory to the Collateral Agent; *provided* that such Borrowing Base Certificate (accompanied by supporting documentation and supplemental reporting) shall be furnished to the Administrative Agent, the Collateral Agent and the Co-Collateral Agent as soon as available and in any event within two Business Days after the end of each period of two calendar weeks (each such biweekly period deemed, for purposes hereof, to end on a Friday) at the end of which Facility Availability (calculated, for purposes of this Section 5.01(b)(i), without giving effect to the Availability Block) is less than $100,000,000; and;

(ii) within two Business Days of any request therefor, such other information in such detail concerning the amount, composition and manner of calculation of the Borrowing Base as any Lender may reasonably request.

Section 5.02. *Notice of Material Events.* The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Restricted Subsidiary or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liabilities of the Borrower and its Restricted Subsidiaries in an aggregate amount exceeding $50,000,000;

(d) the occurrence of any change in the Borrower's Senior Debt Ratings by either Moody's or S&P; and

(e) any other development that results in, or would reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 5.03. *Information Regarding Collateral.* (a) The Borrower will furnish to the Administrative Agent prompt written notice of any change in (i) the Borrower's corporate name or any trade name used to identify it in the conduct of its business or the Borrower's chief executive office, its principal place of business, or any office or facility at which Collateral owned by it is located (including the establishment of any such new office or facility), (ii) the Borrower's identity or corporate structure, (iii) the Borrower's State Organizational Identification Number (or Charter Number) and (iv) the Borrower's Federal Taxpayer Identification Number. The Borrower will not effect or permit any change referred to in the preceding sentence unless all filings have been made under the Uniform Commercial Code and all other actions have been taken that are required so that such change will not at any time adversely affect the validity, perfection or priority of any Transaction Lien on any of the Collateral. The Borrower will also promptly notify the Administrative Agent if any material portion of the Collateral is damaged or destroyed.

(b) Each year, at the time annual financial statements with respect to the preceding Fiscal Year are delivered pursuant to Section 5.01(a)(i), the Borrower will deliver to the Administrative Agent a certificate of a Financial Officer and the chief legal officer (or other in-house counsel) of the Borrower (i) setting forth the information required pursuant to Sections A.1, A.2 and B.1 of the Perfection Certificate or confirming that there has been no change in such information since the date of the Perfection Certificate delivered on the Effective Date or the date of the most recent certificate delivered pursuant to this subsection and (ii) certifying that all Uniform Commercial Code financing statements (including fixture filings, as applicable) or other appropriate filings, recordings or registrations, including all refilings, rerecordings and reregistrations, containing a description of the Collateral have been filed of record in each appropriate office in each jurisdiction identified pursuant to clause (i) above to the extent necessary to protect and perfect the Transaction Liens for a period of at least 18 months after the date of such certificate (except as noted therein with respect to any continuation statements to be filed within such period).

(c) The Borrower will furnish to the Administrative Agent, the Collateral Agent and the Co-Collateral Agent prompt written notice of the occurrence of any "Termination Event" (as defined in the Effective Date Receivables Financing). From and after the occurrence of any such Termination Event, the Borrower shall furnish to the Administrative Agent and the Collateral Agent a daily written report reflecting then current amortization of the Effective Date Receivables Financing. On any date when the Effective Date Receivables Financing shall have terminated and the payment of all obligations owing by the Borrower and its Subsidiaries in respect thereof shall have been paid in full, the Borrower shall provide prompt written notice thereof to the Administrative Agent, the Collateral Agent and the Co-Collateral Agent.

(d) Upon the request of any Lender, the Borrower will furnish to the Collateral Agent copies of any servicer reports that have been furnished to JPMorgan Chase Bank or The Bank of Nova Scotia, in their respective capacities as agents, under the Effective Date Receivables Financing.

Section 5.04. *Existence; Conduct of Business.* The Borrower will, and will cause each of its Subsidiaries (other than any Unrestricted Subsidiary) to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges, franchises, patents, copyrights, trademarks and trade names material to the conduct of its business; *provided* that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.03.

Section 5.05. *Payment of Obligations.* The Borrower will, and will cause each of its Subsidiaries (other than any Unrestricted Subsidiary) to, pay all of its material Debt and other material obligations, including Tax liabilities, before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP, (c) such contest effectively suspends collection of the contested obligation and the enforcement of any Lien securing such obligation and (d) the failure to make payment pending such contest would not reasonably be expected to result in a Material Adverse Effect.

Section 5.06. *Maintenance of Properties.* The Borrower will, and will cause each of its Subsidiaries (other than any Unrestricted Subsidiary) to, maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted.

Section 5.07. *Insurance.* (a) The Borrower will, and will cause each of its Subsidiaries (other than any Unrestricted Subsidiary) to maintain, at its sole cost and expense, insurance coverage (x) as in effect on the date of the Agreement and described in Schedule 5.07 or (y) otherwise with financially sound and reputable

insurers (which insurers shall be reasonably acceptable to the Administrative Agent, the Collateral Agent and the Co-Collateral Agent) in such amounts, and with such deductibles (including provisions for self-insurance), as are set forth on Schedule 5.07 hereof. If at any time the Borrower is unable to maintain (or cause to be maintained) such insurance coverage with the deductibles shown on Schedule 5.07 at favorable premiums, it shall so advise the Administrative Agent, the Collateral Agent and the Co-Collateral Agent in writing at least 30 days prior to the expiration of the then current policy (enclosing with such notice copies of any proposals from insurers regarding the insurance coverage in question as well as the Borrower's recommendations with respect thereto). The Administrative Agent shall promptly (but in no event later than 15 days from receipt of such notice) advise the Borrower of the requirements of the Administrative Agent (which requirements shall be determined in good faith by mutual agreement among the Administrative Agent, the Collateral Agent and the Co-Collateral Agent) regarding such insurance coverage, and the Borrower shall be bound to adhere to such requirements. If the Borrower at any time or times hereafter fails to obtain or maintain the insurance coverage required pursuant to this Section 5.07 or to pay all premiums relating thereto, the Collateral Agent may at any time or times thereafter obtain and maintain such required insurance coverage and pay such premiums and take such other actions with respect thereto that the Collateral Agent deems reasonably advisable. The Collateral Agent shall not have any obligation to obtain insurance for the Borrower or any of its Subsidiaries or to pay any premiums therefor. By doing so, the Collateral Agent shall not be deemed to have waived any Default arising from failure of the Borrower to maintain (or cause to be maintained) such insurance or to pay (or cause to be paid) any premiums therefor. All sums so disbursed, including reasonable attorneys' fees, court costs and other charges related thereto, shall be payable on demand by the Borrower to the Administrative Agent and shall be additional obligations hereunder secured by the Collateral. The Collateral Agent and the Co-Collateral Agent reserve the right at any time upon any change in the Borrower's risk profile to require additional insurance coverages and limits of insurance to, in such Agents' reasonable opinion, adequately protect the interests of the Lender Parties in all or any portion of the Collateral.

(b) Property damage policies maintained with respect to any Collateral shall be endorsed or otherwise amended to include a lenders' loss payable clause, in each case in favor of the Collateral Agent and providing for losses thereunder to be payable to the Collateral Agent or its designee as loss payee and (ii) a provision to the effect that none of the Administrative Agent, the Collateral Agent, the Co-Collateral Agent nor any other Lender Party shall be a coinsurer. Commercial general liability policies shall be endorsed to name the Collateral Agent as an additional insured. Each such policy referred to in this subsection also shall provide that it shall not be canceled, modified or not renewed (i) by reason of nonpayment of premium except upon at least 10 days' prior written notice thereof by the insurer to the Collateral Agent (giving the Collateral Agent

the right to cure defaults in the payment of premiums) or (ii) for any other reason except upon at least 30 days' prior written notice thereof by the insurer to the Collateral Agent. The Borrower shall deliver to the Collateral Agent, prior to the cancellation, modification or nonrenewal of any such policy of insurance, a copy of a renewal or replacement policy (or other evidence of renewal of a policy previously delivered to the Collateral Agent) together with evidence reasonably satisfactory to the Collateral Agent of payment of the premium therefor.

Section 5.08. *Casualty and Condemnation.* The Borrower will furnish to the Administrative Agent, the Collateral Agent and the Lenders prompt written notice of any casualty or other insured damage to any material portion of the Collateral or the commencement of any action or proceeding for the taking of any Collateral or any part thereof or interest therein under power of eminent domain or by condemnation or similar proceeding.

Section 5.09. *Proper Records; Rights to Inspect and Appraise.* (a) The Borrower will, and will cause each of its Subsidiaries (other than any Unrestricted Subsidiary) to, keep proper books of record and account in which complete and correct entries are made of all transactions relating to its business and activities. The Borrower will, and will cause each of its Subsidiaries (other than any Unrestricted Subsidiary) to, permit any representatives designated by the Administrative Agent, the Collateral Agent, the Co-Collateral Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

(b) The Borrower will, and will cause each of its Subsidiaries (other than any Unrestricted Subsidiary) to, permit the Collateral Agent and/or the Co-Collateral Agent and any representatives designated by either of them (including any consultants, accountants, lawyers and appraisers retained by the Collateral Agent) to conduct collateral reviews and evaluations and appraisals of the assets included in the Borrowing Base and the Borrower's computation of the Borrowing Base, all at such reasonable times and as often as reasonably requested. The Borrower shall pay the documented fees and expenses of employees of the Collateral Agent (including reasonable and customary internally allocated fees of such employees incurred in connection with periodic collateral evaluations and appraisals and internally allocated monitoring fees associated with the Collateral Agent's "collateral agent services group" or similar body) or any representatives (including any inventory appraisal firm) retained by the Collateral Agent to conduct any such evaluation or appraisal; *provided* the Borrower shall not be required to pay such fees and expenses of collateral reviews and appraisals performed by the Collateral Agent and the Co-Collateral Agent, except (i) in respect of one such collateral review and one such appraisal performed by the Collateral Agent (or, at the option of the Co-Collateral Agent,

by the Collateral Agent and the Co-Collateral Agent together) in any calendar year, and (ii) in respect of up to four such collateral reviews and four such appraisals performed by the Collateral Agent (or, at the option of the Co-Collateral Agent, by the Collateral Agent and the Co-Collateral Agent together) at such times as Facility Availability (calculated for purposes hereof without giving effect to the Availability Block) is less than $100,000,000, and (iii) in respect of any such collateral reviews and such collateral appraisals performed by the Collateral Agent and the Co-Collateral Agent during the continuance of a Default or Event of Default; and *provided further* that the Borrower shall not be required to pay the fees and expenses of inventory appraisal firms hired by the Collateral Agent, except (i) in respect of one inventory appraisal per calendar year during the term of this Agreement, (ii) in respect of up to four inventory appraisals per calendar year at such times as Facility Availability (calculated for this purpose without giving effect to the Availability Block) is less than $100,000,000, and (iii) in respect of any one or more additional inventory appraisals conducted at the request of the Collateral Agent during the continuance of a Default or Event of Default. The Collateral Agent, the Co-Collateral Agent and any representative designated by either of them to conduct such collateral reviews, evaluations and appraisals shall, during any review, inspection or other activity performed at any of the Borrower's plant sites, (x) be accompanied at all times by a plant safety representative (and the Borrower hereby agrees to cause such a plant safety representative to be available for such purpose at such reasonable hours as may be requested and upon reasonable prior notice) and (y) comply at all times with the Borrower's rules regarding safety and security to the extent that the Collateral Agent, Co-Collateral Agent or representative has been notified of such rules. In connection with any collateral monitoring or review and appraisal relating to the computation of the Borrowing Base, the Borrower shall make adjustments to the Borrowing Base (which may include maintaining additional reserves or modifying the eligibility criteria for components of the Borrowing Base) to the extent required by the Collateral Agent or the Required Lenders as a result of any such monitoring, review or appraisal. The Collateral Agent and the Co-Collateral Agent shall furnish to the Administrative Agent (for delivery to each Lender) a copy of the final written collateral review or appraisal report prepared in connection with such monitoring, review or appraisal.

Section 5.10. *Compliance with Laws.* The Borrower will, and will cause each of its Subsidiaries (other than any Unrestricted Subsidiary) to, comply with all laws, rules, regulations and orders of any Governmental Authority (including all Environmental Laws and ERISA and the respective rules and regulations thereunder) applicable to it or its property, other than such laws, rules or regulations (a) the validity or applicability of which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings or (b) the failure to comply with which cannot reasonably be expected to result in a Material Adverse Effect.

Section 5.11. *Use of Proceeds and Letters of Credit.* The proceeds of the Revolving Loans and Swingline Loans will be used only to finance the general corporate purposes (including working capital needs) of the Borrower. No part of the proceeds of any Loan will be used, directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Federal Reserve Board, including Regulations T, U and X. Letters of Credit will be requested and used only to finance the general corporate purposes (including working capital needs) of the Borrower, and will not be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Federal Reserve Board, including regulations T, U and X.

Section 5.12. *Further Assurances.* (a) The Borrower will execute and deliver any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements and other documents), that may be required under any applicable law, or that the Administrative Agent, the Collateral Agent or the Required Lenders may reasonably request, to cause the Collateral Requirement to be and remain satisfied, all at the Borrower's expense. The Borrower will provide to the Collateral Agent, from time to time upon request, evidence reasonably satisfactory to the Collateral Agent as to the perfection and priority of the Transaction Liens created or intended to be created by the Security Documents.

(b) If, on the date when all of the Commitments are terminated (whether pursuant to Section 2.08 or otherwise), any Letter of Credit remains outstanding, the Borrower shall deposit in the Cash Collateral Account on such date an amount in cash equal to 102% of the total LC Exposure as of such date plus any accrued and unpaid interest thereon. Any amount so deposited (including any earnings thereon) will be withdrawn from the Cash Collateral Account by the Administrative Agent and applied to pay LC Reimbursement Obligations as they become due; *provided* that at such time as all outstanding Letters of Credit have expired, and all LC Reimbursement Obligations (plus accrued and unpaid interest thereon) have been paid in full, such amount, to the extent not therefore applied, shall be returned to the Borrower.

Section 5.13. *Amendments to Effective Date Receivables Financing.* The Borrower shall (a) provide the Administrative Agent and the Collateral Agent with written notice of any proposed amendment, modification or other change to, and each consent to a departure from, the terms or provisions of the Effective Date Receivables Financing and (b) promptly following the effectiveness thereof, provide the Administrative Agent and the Collateral Agent with a copy of each such amendment, modification or other change to, and each such consent to a departure from, the terms or provisions of the Effective Date Receivables Financing. The Borrower shall not, without the prior written consent of the Required Lenders, amend, modify or otherwise change or obtain a consent to a departure from (i) the definitions of "USS Credit Agreement" or "USS Security

Agreement" contained in the Receivables Purchase Agreement or (ii) any other provision of (including by the addition of a provision) the Effective Date Receivables Financing which could in any way impair the interests of the Lender Parties in the Collateral.

Section 5.14. *Designation of Subsidiaries.* The Borrower's board of directors may at any time designate any Restricted Subsidiary as an Unrestricted Subsidiary or any Unrestricted Subsidiary as a Restricted Subsidiary; *provided* that (i) immediately before and after such designation, no Default shall have occurred and be continuing (including, without limitation, any Default as a result of a breach of the covenants set forth in Sections 6.01, 6.02 and 6.04), (ii) immediately after giving effect to such designation, the Borrower shall be in compliance, on a pro forma basis, with the covenants set forth in Section 6.13 and Section 6.14 (and, as a condition precedent to the effectiveness of any such designation, the Borrower shall deliver to the Administrative Agent a copy of the board resolution giving effect to such designation and a certificate of a Financial Officer setting forth in reasonable detail the calculations demonstrating such compliance), (iii) no Subsidiary may be designated as an Unrestricted Subsidiary under this Agreement unless it is, or will concurrently become, an "Unrestricted Subsidiary" as defined in, and for all purposes of, the Senior Unsecured Debt Documents and (iv) no Unrestricted Subsidiary may be designated as a Restricted Subsidiary under this Agreement unless it is, or will concurrently become, a "Restricted Subsidiary" as defined in, and for all purposes of, the Senior Unsecured Debt Documents. The designation of any Restricted Subsidiary as an Unrestricted Subsidiary shall constitute an investment by the Borrower therein at the date of designation in an amount equal to the net book value of the Borrower's investment therein. The designation of any Unrestricted Subsidiary as a Restricted Subsidiary shall constitute the incurrence at the time of designation of any Debt or Liens of such Subsidiary existing at such time.

ARTICLE 6
NEGATIVE COVENANTS

Until all the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or been cancelled and all LC Disbursements have been reimbursed, the Borrower covenants and agrees with the Lenders that:

Section 6.01. *Debt; Certain Equity Securities.* (a) The Borrower will not create, incur, assume or permit to exist any Debt, except:

(i) Debt created under the Loan Documents;

(ii) other Debt that would be permitted to be incurred by the Borrower pursuant to and in accordance with Section 4.12(b) of the Senior Unsecured Debt Documents (as such Senior Unsecured Debt Documents are in effect on the date of this Agreement, and without giving effect to any suspension or release of the Borrower's obligation to comply with such Section 4.12(b) which may occur pursuant to Section 4.9 of the Senior Unsecured Debt Documents); and

(iii) other unsecured Debt in an aggregate principal amount not exceeding $100,000,000 at any time outstanding, to the extent that the Borrower would be permitted to incur such Debt pursuant to and in accordance with Section 4.12(a) of the Senior Unsecured Debt Documents (as such Senior Unsecured Debt Documents are in effect on the date of this Agreement, and without giving effect to any suspension or release of the Borrower's obligation to comply with such Section 4.12(a) which may occur pursuant to Section 4.9 of the Senior Unsecured Debt Documents); *provided* that all such Debt is on terms and conditions and subject to covenants that, taken as a whole, are no more restrictive than the terms, conditions and covenants contained in this Agreement; and *provided further* that the aggregate principal amount of all such Debt having a final maturity date on or before the Maturity Date does not exceed $25,000,000;

provided that, notwithstanding anything to the contrary in this Section 6.08(a), the Borrower will not create, incur, assume or permit to exist any Debt arising from a Receivables Financing, except to the extent that the aggregate amount of such Debt, together with the aggregate amount of Debt incurred by Restricted Subsidiaries in reliance on Section 6.06(g), does not exceed $600,000,000 (it being understood that for purposes of determining the amount of Debt arising in connection with a Receivables Financing, Debt arising from transactions among the Borrower and its Subsidiaries in connection therewith shall be disregarded).

(b) The Borrower will not issue any preferred stock or other preferred Equity Interests, which in either case, is subject to mandatory redemption at any time prior to the first anniversary of the Maturity Date.

Section 6.02. *Liens.* The Borrower will not, and will not permit any of its Subsidiaries (other than any Unrestricted Subsidiary) to, create or permit to exist any Lien on any property now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(i) Liens on Collateral granted by the Borrower under the Security Documents;

(ii) Permitted Liens;

(iii) any Lien on any property of the Borrower or any Restricted Subsidiary existing on the date hereof and listed in Schedule 6.02;*provided* that (A) such Lien shall not apply to any other property of the Borrower or any Restricted Subsidiary and (B) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(iv) any Lien existing on any property or asset before the acquisition thereof by the Borrower or any Restricted Subsidiary or existing on any property or asset of any Person that first becomes a Restricted Subsidiary after the date hereof before the time such Person becomes a Restricted Subsidiary; *provided* that (A) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Restricted Subsidiary, as the case may be, (B) such Lien will not apply to any other property or asset of the Borrower or any Restricted Subsidiary and (C) such Lien will secure only those obligations which it secures on the date of such acquisition or the date such Person first becomes a Restricted Subsidiary, as the case may be, and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(v) Liens on fixed or capital assets acquired, constructed or improved by the Borrower or any Restricted Subsidiary;*provided* that (A) the Debt secured by such liens is permitted by Section 6.01, (B) such Liens and the Debt secured thereby are incurred before or within 90 days after such acquisition or the completion of such construction or improvement, (C) the Debt secured thereby does not exceed 90% of the cost of acquiring, constructing or improving such fixed or capital assets and (D) such Liens will not apply to any other property of the Borrower or any Restricted Subsidiary;

(vi) Liens to secure a Debt owing to the Borrower;

(vii) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by a Lien permitted by any of clauses (iii), (iv) or (v) of this Section; *provided* that such Debt is not increased (except by the amount of fees, expenses and premiums required to be paid in connection with such refinancing, extension, renewal or refunding) and is not secured by any additional assets;

(viii) Liens securing Debt arising out of a Receivables Financing;

(ix) Liens securing industrial revenue or pollution control bonds issued by the Borrower (or prior to the Separation, by USX Corporation)*provided, however*, that such Liens relate solely to the project being financed and are removed within 90 days following completion of the project being financed; and

(x) Liens not otherwise permitted by the foregoing clauses of this Section 6.02 on assets not constituting Collateral, securing Debt in an aggregate principal amount at any time outstanding not to exceed $10,000,000.

Section 6.03. *Fundamental Changes.* (a) The Borrower will not, and will not permit any of its Subsidiaries (other than any Unrestricted Subsidiary) to, merge into or consolidate with any other Person, or liquidate or dissolve, or permit any other Person to merge into or consolidate with it, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, (i) any Person organized under the laws of the United States of America or one of its States or the District of Columbia may merge into the Borrower in a transaction in which the Borrower is the surviving corporation, (ii) any Person (other than the Borrower) organized under the laws of the United States of America or one of its States or the District of Columbia may merge into any Restricted Subsidiary in a transaction in which the surviving entity is a Restricted Subsidiary and, (iii) any Restricted Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders; *provided* that, if any such merger involves a Person that is not a wholly owned Subsidiary immediately before such merger, such merger shall not be permitted unless also permitted by Section 6.04.

(b) Neither the Borrower nor any Subsidiary (other than a Special Purpose Financing Subsidiary or any Unrestricted Subsidiary) will engage to any material extent in any business except businesses of the types conducted by the Borrower and its respective Subsidiaries on the date of this Agreement and businesses reasonably related, ancillary or complementary thereto.

Section 6.04. *Investments, Loans, Advances, Guarantees and Acquisitions.* (a) The Borrower will not, and will not permit any of its Subsidiaries (other than an Unrestricted Subsidiary) to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Subsidiary before such merger) any Equity Interest in or evidence of indebtedness or other security (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loan or advance to, Guarantee any obligation of, or make or permit to exist any investment or other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except:

(i) Permitted Investments and investments in cash;

(ii) investments existing on the date of this Agreement, which investments (other than investments that, individually, do not exceed $10,000,000) are listed in Schedule 6.04;

(iii) investments by the Borrower and its Restricted Subsidiaries in Equity Interests in their respective Restricted Subsidiaries (or in any Person that will, upon the making of such investment, become a Restricted Subsidiary); *provided* that the aggregate amount of investments by the Borrower in, and loans and advances by the Borrower to, and Guarantees by the Borrower of Debt of, Restricted Subsidiaries permitted solely in reliance on this clause (iii), taken together with the aggregate amount of loans and advances made by the Borrower to Restricted Subsidiaries in reliance on clause (iv), shall not exceed an amount at any time outstanding equal to 5% of the Borrower's Net Worth (and, for purposes hereof, the "**Borrower's Net Worth**" at any date shall be equal to the shareholders' equity of the Borrower (other than any amount attributable to stock which is required to be redeemed or is redeemable at the option of the holder, if certain events or conditions occur or exist or otherwise) as determined by reference to the financial statements of the Borrower then most recently delivered pursuant to Section 5.01(a)(i) or Section 5.01(a)(ii));

(iv) loans or advances made by the Borrower to any Restricted Subsidiary or made by any Restricted Subsidiary to the Borrower or any other Restricted Subsidiary; *provided* that the amount of such loans and advances made by the Borrower to Restricted Subsidiaries shall be subject to the limitation set forth in clause 6.04(a)(iii) above and *provided further* that the amount of such loans and advances made by a Restricted Subsidiary to another Restricted Subsidiary shall be subject to the limitations set forth in Section 6.06(c) and Section 6.06(e);

(v) investments by the Borrower in one or more Restricted Subsidiaries (or in any Person that will, upon the making of such investment, become a Restricted Subsidiary) in connection with the Borrower's sale or spin-off of all or part of one or more lines of business (including, without limitation, the Borrower's Tubular Line of Business and/or the Borrower's StraightLine Lines of Business); *provided* that (x) such sale or spin-off actually occurs within 360 days following the date of any such investment, (y) the Leverage Ratio will not exceed 3.75:1.00 on a pro forma basis after giving effect to such spin-off and (z) the Borrower has delivered to the Administrative Agent financial projections (in form and substance satisfactory to the Administrative Agent) demonstrating compliance, after giving effect to such spin-off, with Sections 6.13 and 6.14 through and including September 30, 2002;

(vi) investments by the Borrower or a Restricted Subsidiary in a Restricted Subsidiary in respect of ordinary cash management activities;

(vii) so long as no Default has occurred and is continuing, investments by the Borrower or a Restricted Subsidiary in one or more Restricted Subsidiaries, Unrestricted Subsidiaries (which investments in Unrestricted Subsidiaries include, in accordance with Section 5.14, any designation of a Subsidiary as an Unrestricted Subsidiary) or any other Person; *provided* that the aggregate amount of all investments permitted by this clause (vii) (excluding investments in Unrestricted Subsidiaries where the consideration consists of Equity Interests of the Borrower, to the extent of such Equity Interest consideration) shall not exceed $20,000,000 at any time outstanding;

(viii) Guarantees constituting Debt permitted by Section 6.01 and Section 6.06;*provided* that the aggregate principal amount of Debt of Subsidiaries that is Guaranteed by the Borrower shall be subject to the limitation set forth in clause 6.04(a)(iii) above;

(ix) investments received in connection with (x) the bankruptcy, reorganization or recapitalization of, or settlement of delinquent accounts and disputes with, customers and suppliers or (y) foreclosure by the Borrower or any of its Restricted Subsidiaries with respect to any secured investment or other transfer of title with respect to any secured investment in default, in each case in the ordinary course of business;

(x) receivables owing to the Borrower or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include such concessionary trade terms as the Borrower or any such Restricted Subsidiary deems reasonable under the circumstances;

(xi) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(xii) loans or advances to employees made in the ordinary course of business consistent with past practices of the Borrower or such Restricted Subsidiary;

(xiii) investments in stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Borrower or any Restricted Subsidiary or in satisfaction of judgments;

(xiv) investments in any Person to the extent such investment represents the non-cash portion of the consideration received for an asset sale permitted under Section 6.05(b), (e) or (f);

(xv) loans or advances to USS/POSCO Industries for repairs of damages and business interruption caused by the fire that occurred on May 31, 2001 in an aggregate amount not to exceed $25,000,000; *provided* that to the extent such loans or advances are not repaid with the proceeds of insurance on or before June 30, 2003, (A) any such loans or advances made by the Borrower shall be subject to the limitations set forth in Section 6.01 and (B) any such loans or advances made by a Restricted Subsidiary shall be subject to the limitations set forth in Section 6.06(c);

(xvi) investments in the Borrower;

(xvii) investments in any Person if, as a result of such investment, such other Person is merged with or consolidated into, or transfers or conveys all or substantially all its assets to, the Borrower or a Restricted Subsidiary, in each case subject to the limitations set forth in Section 6.04(b); and

(xviii) Receivables Financings otherwise permitted under this Agreement.

provided that the foregoing shall not prohibit a spin-off of a portion (not to exceed 25%) of the Borrower's Tubular Line of Business if (A) of the aggregate gross proceeds from such spin-off transaction (the "**Total Spin-Off Proceeds**"), at least 75% is in the form of cash or cash equivalents ('**Cash Spin-Off Proceeds**"), (B) Cash Spin-Off Proceeds are applied to permanently reduce Debt of the Borrower to the extent the Borrower elects and (C) an amount equal to the excess of (1) the Total Spin-Off Proceeds over (2) the amount of Cash Spin-Off Proceeds applied within 45 days after receipt thereof to permanently reduce Debt of the Borrower, shall increase the amount of the Availability Block (in accordance with the definition of "Availability Block" set forth in Section 1.01).

(b) The Borrower will not, and will not permit any of its Subsidiaries (other than an Unrestricted Subsidiary) to make any material acquisition unless (i) immediately before and after giving effect thereto, no Default shall have occurred and be continuing, (ii) in the case of any acquisition of a Person, such acquisition is non-hostile, (iii) the assets received by the Borrower or its Restricted Subsidiary in connection therewith are used or usable in the same line of business in which the Borrower or such Restricted Subsidiary have previously been engaged, (iv) immediately before and after giving effect thereto, Facility Availability is at least $100,000,000 and (v) immediately before and after giving effect thereto, the Borrower would be in pro forma compliance with the covenants set forth in Sections 6.13 and 6.14 (calculated giving effect to such acquisition as if it had been consummated on the first day of the fiscal period with respect to which such covenant is calculated).

Section 6.05. *Asset Sales.* The Borrower will not, and will not permit any of its Subsidiaries (other than any Unrestricted Subsidiary) to, sell, transfer, lease or otherwise dispose of any property, including any Equity Interest owned by it, nor will any Subsidiary (other than an Unrestricted Subsidiary) issue any additional Equity Interest in such Subsidiary, except:

(a) sales of inventory, used or surplus equipment and Permitted Investments in the ordinary course of business;

(b) sales, transfers and other dispositions to the Borrower or a Restricted Subsidiary; *provided* that the aggregate fair market value of all assets sold or otherwise transferred to a Foreign Subsidiary in reliance on this clause (b) shall not exceed $50,000,000; and *provided further* that any sales, transfers or dispositions involving a Restricted Subsidiary are entered into in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and on fair and reasonable terms and conditions no less favorable to the Borrower or such Subsidiary as the terms and conditions which would apply in a comparable transaction on an arm's length basis with a Person other than a Subsidiary or Affiliate of the Borrower;

(c) transfers of assets in connection with a Receivables Financing that is otherwise permitted under this Agreement;

(d) sales, transfers and other dispositions of assets (except Equity Interests in a Restricted Subsidiary) that are not permitted by any other clause of this Section; *provided* that the aggregate fair market value of all assets sold, transferred or otherwise disposed of in reliance on this clause shall not exceed $25,000,000 during any Fiscal Year;

(e) sale of real property in the ordinary course of business;

(f) sales of real property that has not been used by the Borrower or any Restricted Subsidiary in the production of steel or steel products at any time within 90 days prior to the date of sale;

(g) sales that are permitted pursuant to Section 6.04(a)(v); and

(h) Sale-Leaseback Transactions permitted pursuant to Section 6.07.

provided that all sales, transfers, leases and other dispositions permitted by this Section (except those permitted by clause (b), (e) or (f) above) shall be made for fair value and solely for cash consideration and *provided further* that any sale of real property having a value in excess of $10,000,000 that is permitted by clause (e) or (f) of this Section shall be made for fair value and for at least 10% cash consideration.

Section 6.06. *Subsidiary Debt.* The Borrower will not permit any of its Restricted Subsidiaries to incur or otherwise be liable in respect of any Debt other than:

(a) Debt of such Restricted Subsidiary existing on the date of this Agreement and identified on Schedule 6.06, and refinancings, extensions, renewals or refundings of such Debt that do not increase the outstanding principal amount thereof or result in an earlier maturity date or decreased weighted average life thereof;

(b) Debt of such Restricted Subsidiary owing to the Borrower;

(c) Debt of such Restricted Subsidiary owing to a Domestic Subsidiary that is a Restricted Subsidiary; *provided* that the aggregate amount for all Subsidiaries of all Debt permitted by this clause (c) shall not exceed $50,000,000 at any time outstanding and *provided further* that the aggregate amount for all Foreign Subsidiaries of all Debt permitted by this clause (c) shall not exceed $25,000,000 at any time outstanding;

(d) Debt of such Restricted Subsidiary in respect of capital leases; *provided* that the aggregate amount for all Restricted Subsidiaries of all such Debt permitted by this clause (d) shall not exceed $20,000,000;

(e) Debt of such Restricted Subsidiary owing to a Foreign Subsidiary that is a Restricted Subsidiary; *provided* that the aggregate amount for all Restricted Subsidiaries (other than Foreign Subsidiaries) of all such Debt shall not exceed $5,000,000;

(f) Debt of any Person that first becomes a Restricted Subsidiary after the date of this Agreement; *provided* that (i) such Debt exists at the time such Person first becomes a Restricted Subsidiary and is not created in contemplation of or in connection with such Person becoming a Restricted Subsidiary and (ii) the aggregate principal amount of Debt permitted by this clause (f) shall not exceed $50,000,000 at any time outstanding;

(g) Debt arising from Receivables Financings; *provided* that the aggregate amount for all Restricted Subsidiaries of such Debt shall not exceed $600,000,000 (it being understood that for purposes of determining

the amount of Debt arising in connection with a Receivables Financing, Debt arising from transactions among the Borrower and its Subsidiaries in connection therewith shall be disregarded);

(h) Debt of any Restricted Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations and any Debt assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets before the acquisition thereof, and extensions, renewals and replacements of any such Debt that do not increase the outstanding principal amount thereof or result in an earlier maturity date or decreased weighted average life thereof; *provided* that (A) such Debt is incurred before or within 90 days after such acquisition or the completion of such construction or improvement and (B) the aggregate principal amount of Debt permitted by this clause (h) shall not exceed $25,000,000 at any time outstanding;

(i) Debt of such Subsidiary owing to another Subsidiary in respect of ordinary cash management activities; and

(j) Debt of USSK incurred pursuant to one or more working capital facilities in an aggregate amount not to exceed $50,000,000 at any time outstanding.

Section 6.07. *Sale and Leaseback Transactions.* The Borrower will not, and will not permit any of its Subsidiaries (other than any Unrestricted Subsidiary) to, enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred (a "**Sale-Leaseback Transaction**"), except for Sale-Leaseback Transactions, that, considered in the aggregate with all Sale-Leaseback Transactions engaged in by the Borrower and its Restricted Subsidiaries during the term of this Agreement, do not involve properties having a fair market value in excess of $150,000,000; *provided* that all obligations under such sale-leaseback agreements shall constitute Debt for purposes of calculating compliance with the covenants set forth in this Article 6.

Section 6.08. *Restricted Payments.* The Borrower will not, and will not permit any of its Restricted Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, unless (a) Facility Availability is equal to or greater than $100,000,000 (both immediately before and after giving effect to such Restricted Payment) and (b) the Borrower is in compliance with the covenants set forth in Sections 6.13 and 6.14 immediately before and after giving

effect to such Restricted Payment; *provided* that, notwithstanding the foregoing, the Borrower may (i) pay regular quarterly dividends on its capital stock in an aggregate amount not exceeding $40,000,000 in any Fiscal Year and (ii) make other Restricted Payments in the ordinary course of business as required pursuant to and in accordance with the Borrower's stock option plans or other benefit plans for management and/or employees of the Borrower.

Section 6.09. *Transactions with Affiliates.* The Borrower will not, and will not permit any of its Subsidiaries (other than any Unrestricted Subsidiary) to, directly or indirectly, pay any funds to or for the account of, make any investment (whether by acquisition of stock or indebtedness, by loan, advance, transfer of property, Guarantee or other agreement to pay, purchase or service, directly or indirectly, any Debt, or otherwise) in, Guarantee any Debt of, sell, lease or otherwise transfer any property to, or purchase, lease or otherwise acquire any property or services from, or otherwise engage in or effect any other transaction with, any of its Affiliates; *provided* that this Section 6.09 shall not prohibit:

(i) the Borrower or any of its Restricted Subsidiaries from performing its respective obligations under the agreements and transactions described on Schedule 6.09;

(ii) the Borrower or any of its Restricted Subsidiaries from entering into transactions with any Affiliate if such transactions are entered into in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and on fair and reasonable terms and conditions no less favorable to the Borrower or such Subsidiary as the terms and conditions which would apply in a comparable transaction on an arm's length basis with a Person other than an Affiliate or a Subsidiary; and

(iii) Restricted Payments permitted by 6.08, so long as, immediately after giving effect thereto, no Default shall have occurred and be continuing.

Section 6.10. *Restrictive Agreements.* The Borrower will not and will not permit any of its Subsidiaries (other than any Unrestricted Subsidiary) to, directly or indirectly, enter into or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition on (a) the ability of the Borrower or any Restricted Subsidiary to create or permit to exist any Lien on any of its property or (b) the ability of any Restricted Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Borrower or any other Restricted Subsidiary or to Guarantee Debt of the Borrower or any other Restricted Subsidiary; *provided* that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by any Loan Document, any Senior Unsecured Debt Document or any document

evidencing any Receivables Financing, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof and identified on Schedule 6.10 (but shall apply to any amendment or modification expanding the scope of, or any extension or renewal of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, *provided* that such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) clause (a) of this Section shall not apply to restrictions or conditions imposed by any agreement relating to secured Debt permitted by this Agreement if such restrictions or conditions apply only to the property securing such Debt and (v) clause (a) of this Section shall not apply to customary provisions in leases and other contracts restricting the assignment thereof.

Section 6.11. *Designation of Unrestricted Subsidiaries.* The Borrower will not cause or permit any Subsidiary that is a Restricted Subsidiary on the date of this Agreement to be designated as or otherwise become an Unrestricted Subsidiary.

Section 6.12. *Capital Expenditures.* The Borrower will not permit the aggregate amount of Capital Expenditures made by the Borrower and its Restricted Subsidiaries (other than Foreign Subsidiaries) in any Fiscal Year referred to below (or other fiscal period referred to below) to exceed the sum of:

(i) $145,000,000 (in the case of the period of two consecutive Fiscal Quarters ending December 31, 2001), $380,000,000 (in the case of the Fiscal Year ending December 31, 2002), $340,000,000 (in the case of the Fiscal Year ending December 31, 2003) or $400,000,000 (in the case of the Fiscal Year ending December 31, 2004); *plus*

(ii) for each Fiscal Year ending after December 31, 2001, the amount (if any) by which (x) the amount of Capital Expenditures for the immediately preceding Fiscal Year (or other fiscal period specified in clause (i)) permitted pursuant to clause (i) above (without including any carryover amount from any prior Fiscal Year or fiscal period) exceeded (y) the amount of Capital Expenditures actually made during such immediately preceding Fiscal Year (or other fiscal period specified in clause (i));

provided that, in any Fiscal Year ending after December 31, 2001, the aggregate amount of Capital Expenditures made by the Borrower and its Restricted Subsidiaries (other than Foreign Subsidiaries) may exceed the sum determined pursuant to clauses (i) and (ii) above for such Fiscal Year (such sum, the "**General CapEx Limit**" for such Fiscal Year) by an aggregate amount not to exceed $75,000,000, if (but only to the extent that) immediately after giving effect

to each Capital Expenditure that would, taken together with all prior Capital Expenditures made by the Borrower and its Restricted Subsidiaries (other than Foreign Subsidiaries) during such Fiscal Year, exceed the General CapEx Limit, Facility Availability would be greater than $200,000,000.

Section 6.13. *Interest Expense Coverage Ratio.* At the last day of any Fiscal Quarter ending during any period set forth below, the Borrower will not permit the ratio of (a) Consolidated EBITDA to (b) Consolidated Cash Interest Expense, in each case for any period of four consecutive Fiscal Quarters (subject to Section 6.15) ending on such date, to be less than the ratio set forth below opposite such period:

Period	Ratio

September 30, 2002 - March 30, 2003	2.00:1.00
March 31, 2003 and thereafter	2.50:1.00

Section 6.14. *Leverage Ratio.* The Borrower will not permit the Leverage Ratio at any time during any period set forth below to exceed the ratio set forth opposite such period:

Period	**Ratio**
September 30, 2002 - December 30, 2002	6.00:1.00
December 31, 2002 - March 30, 2003	5.50:1.00
March 31, 2003 - June 29, 2003	5.00:1.00
June 30, 2003 - September 29, 2003	4.50:1.00
September 30, 2003 - March 30, 2004	4.00:1.00
March 31, 2004 and thereafter	3.75:1.00

Section 6.15. *Periods of Less Than Four Fiscal Quarters.* If any determination hereunder is required by the terms hereof to be made for a period of four consecutive Fiscal Quarters at a time when fewer than four full Fiscal Quarters have elapsed since the Effective Date, such determination shall be made for the period elapsed from the first day of the first Fiscal Quarter beginning after the Effective Date through the last day of the most recent Fiscal Quarter then ended (annualized on a simple arithmetic basis, if such determination is to be used in a ratio with a balance sheet item).

Section 6.16. *Hedging Agreements.* The Borrower will not, and will not permit any of its Subsidiaries (other than any Unrestricted Subsidiary) to, enter into any Hedging Agreement, except Hedging Agreements entered into in the ordinary course of business to hedge or mitigate risks to which the Borrower or any of its Restricted Subsidiaries is exposed in the conduct of its business or the management of its liabilities.

Section 6.17. *Environmental Matters.* The Borrower will, and will cause each of its Subsidiaries (other than any Unrestricted Subsidiary) to, comply with all applicable Environmental Laws except where failure to do so, individually or in the aggregate, does not, and would not reasonably be expected to, have a material adverse effect on the Borrower's ability to perform its obligations under any Loan Document or impose any liability on any Lender.

Section 6.18. *Amendment of Material Documents.* The Borrower will not, and will not permit any of its Subsidiaries (other than, with respect to clause (b) hereof, any Unrestricted Subsidiary) to, without the prior written consent of the Required Lenders, amend, modify or waive any of its rights under (a) any Senior Unsecured Debt Document or (b) its certificate of formation, limited liability company agreement, certificate of incorporation, by-laws or other organizational documents, in each case in any manner that would reasonably be expected to be adverse to the Lender Parties.

ARTICLE 7
EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any LC Reimbursement Obligation when the same shall become due, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay when due any interest on any Loan or any fee or other amount (except an amount referred to in clause (a) above) payable under any Loan Document, and such failure shall continue unremedied for a period of five days;

(c) any representation, warranty or certification made or deemed made by or on behalf of the Borrower or any Restricted Subsidiary in or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect when made or deemed made and, if the circumstances giving rise to such false or misleading representation or warranty are susceptible to being cured in all material respects, such false or misleading representation or warranty shall not be cured in all material respects for five days after the earlier to occur of (i) the date on which an officer of the Borrower shall obtain

knowledge thereof, or (ii) the date on which written notice thereof shall have been given to the Borrower by the Administrative Agent;

(d) the Borrower shall fail to observe or perform any covenant or agreement contained in Section 5.01(a)(ii), Section 5.01(a)(iv), Section 5.02, Section 5.03(c), Section 5.04, Sections 5.06 through Section 5.08, Sections 5.11 through 5.14 or in Article 6;

(e) the Borrower shall fail to observe or perform (i) any covenant or agreement contained in Section 5.01(b) or Section 5.03(d) and such failure shall continue for 3 days after the earlier of notice of such failure to the Borrower from the Administrative Agent or knowledge of such failure by an officer of the Borrower, or (ii) any covenant or agreement contained in Section 5.01(a)(i), Section 5.01(a)(iii), Sections 5.01(a)(v), through 5.01(a)(x), Section 5.03(a), Section 5.03(b), and such failure shall continue for ten days after the earlier of notice of such failure to the Borrower from the Administrative Agent or knowledge of such failure by an officer of the Borrower;

(f) the Borrower shall fail to observe or perform any provision of any Loan Document (other than those failures covered by clauses (a), (b), (d) and (e) of this Article 7) and such failure shall continue for 30 days after the earlier of notice of such failure to the Borrower from the Administrative Agent or knowledge of such failure by an officer of the Borrower;

(g) the Borrower or any of its Restricted Subsidiaries shall fail to make a payment or payments (whether of principal or interest and regardless of amount) in respect of any Material Debt when the same shall become due, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(h) any event or condition occurs that (i) results in any Material Debt becoming due before its scheduled maturity or (ii) enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of Material Debt or any trustee or agent on its or their behalf to cause any Material Debt to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, before its scheduled maturity or (iii) results in the termination of or enables one or more banks or financial institutions to terminate commitments to provide in excess of $20,000,000 aggregate principal amount of credit to the Borrower and/or its Restricted Subsidiaries; *provided* that, in the case of any event described in clauses (ii) or (iii) that would permit Material Debt to be accelerated or would permit termination of such commitments only after the lapse of a cure period, so long as the Borrower has notified the

Administrative Agent immediately upon occurrence of such event, such event shall give rise to an Event of Default hereunder upon expiration of such cure period;

(i) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any of its Significant Subsidiaries or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any of its Significant Subsidiaries or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(j) the Borrower or any of its Significant Subsidiaries shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any the Borrower or any of its Significant Subsidiaries or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(k) the Borrower or any of its Significant Subsidiaries shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(l) one or more judgments for the payment of money in an aggregate amount exceeding $20,000,000 shall be rendered against the Borrower or any of its Significant Subsidiaries and shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any asset of the Borrower or any of its Significant Subsidiaries to enforce any such judgment;

(m) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events

that have occurred, would reasonably be expected to result in a Material Adverse Effect;

(n) any Lien purported to be created under any Security Document shall cease to be, or shall be asserted by the Borrower not to be, a valid and perfected Lien on any Collateral, with the priority required by the applicable Security Document, except as a result of a sale or other disposition of the applicable Collateral in a transaction permitted under the Loan Documents; or

(o) the Effective Date Receivables Financing (or any replacement Receivables Financing entered into in accordance with this Agreement and on terms satisfactory to the Administrative Agent) shall have been terminated, whether voluntarily or otherwise; *provided* that any such termination of the Effective Date Receivables Financing (or any such replacement Receivables Financing) shall not constitute an Event of Default hereunder if (a) the Effective Date Receivables Financing (or such replacement Receivables Financing) has been replaced with another Receivables Financing on terms satisfactory to the Administrative Agent or (b) Facility Availability (calculated on the date of termination of the Effective Date Receivables Financing) is equal to or greater than 125% of the aggregate amount of the outstandings under the Effective Date Receivables Financing (or such replacement Receivables Financing) (calculated immediately before giving effect to its termination);

then, and in every such event (except an event with respect to the Borrower described in clause (h) or (i) above), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are waived by the Borrower; and in the case of any event with respect to the Borrower described in clause (h) or (i) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are waived by the Borrower. Additionally, and without limiting the generality of the foregoing, on each Business Day during a Sweep Period (as defined in the Security Agreement),

the Collateral Agent may apply funds on deposit in the Cash Collateral Account in accordance with Section 5(f) of the Security Agreement.

ARTICLE 8
THE AGENTS

Section 8.01. *Appointment and Authorization.* Each Lender Party irrevocably appoints each Agent as its agent and authorizes each Agent to take such actions as agent on its behalf and to exercise such powers as are delegated to the Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

Section 8.02. *Rights and Powers as a Lender.* Each Agent shall, in its capacity as a Lender, have the same rights and powers as any other Lender and may exercise or refrain from exercising the same as though it were not one of the Agents. Each Agent and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or Affiliate of the Borrower as if it were not an Agent hereunder.

Section 8.03. *Limited Duties and Responsibilities.* None of the Agents shall have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) none of the Agents shall be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) none of the Agents shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that such Agent is required in writing to exercise by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth in the Loan Documents, none of the Agents shall have any duty to disclose, or shall be liable for any failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the Agent or any of its Affiliates in any capacity. None of the Agents shall be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or wilful misconduct. Each Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to such Agent by the Borrower or a Lender, and none of the Agents shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article 4 or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Agent.

Section 8.04. *Authority to Rely on Certain Writings, Statements and Advice*. Each Agent shall be entitled to rely on, and shall not incur any liability for relying on, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. Each Agent also may rely on any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. Each Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 8.05. *Sub-Agents and Related Parties*. Each Agent may perform any and all its duties and exercise its rights and powers by or through one or more sub-agents appointed by it. Each Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding Sections of this Article shall apply to any such sub-agent and to the Related Parties of each Agent and any such sub-agent, and shall apply to activities in connection with the syndication of the credit facilities provided for herein as well as activities as an Agent hereunder.

Section 8.06. *Resignation; Successor Agents*. Subject to the appointment and acceptance of a successor Agent as provided in this Section, any Agent may resign at any time (and, upon the request of the Required Lenders, JPMorgan Chase Bank will so resign) by notifying the Lenders, the LC Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor Agent; *provided* that consultation with the Borrower shall not be required if an Event of Default shall have occurred and be continuing. If no successor Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders and the LC Issuing Bank, appoint a successor Agent which shall be a bank or financial institution with an office in New York, New York, or an Affiliate of any such bank or financial institution. Upon acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. The fees payable by the

Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed by the Borrower and such successor Agent. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Agent was acting as an Agent hereunder.

Section 8.07. *Credit Decisions by Lenders*. Each Lender acknowledges that it has, independently and without reliance on any Agent or any other Lender Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance on any Agent or any other Lender Party and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based on this Agreement, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

Section 8.08. *Agents' Fees*. The Borrower shall pay to each Agent for its own account fees in the amounts and at the times previously agreed upon by the Borrower and such Agent.

Section 8.09. *Documentation Agent and Co-Collateral Agent*. General Electric Capital Corporation, in its capacities as Documentation Agent and Co-Collateral Agent, shall not have any duties or obligations of any kind under this Agreement.

ARTICLE 9
MISCELLANEOUS

Section 9.01. *Notices*. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower, to it at 600 Grant Street, Room 1325, Pittsburgh, Pennsylvania 15219, Attention of Treasurer (Facsimile No. (412) 433-4567);

(b) if to the Administrative Agent, to JPMorgan Chase Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Linda D. Hill (Facsimile No.

212-552-7490; with a copy to JPMorgan Chase Bank, 270 Park Avenue, 21st Floor, New York, New York 10017, Attention of James Ramage (Facsimile No. (212) 270-4724);

(c) if to the Collateral Agent, to JPMorgan Chase Bank, 270 Park Avenue, 29th Floor, New York, New York 10017, Attention of Laura Orsini-Tramontana (Facsimile No. (212) 270-7449);

(d) if to the Co-Collateral Agent, to General Electric Capital Corporation, 800 Connecticut Avenue, Two North, Norwalk, Connecticut 06854, Attention of Account Manager B United States Steel (Facsimile No. (203) 852-3660);

(e) if to JPMorgan Chase Bank, as LC Issuing Bank, to it at 270 Park Avenue, 21st Floor, New York, NY 10017, Attention of Carlos Morales (Facsimile No. (212) 270-4724); if to PNC Bank, National Association, as LC Issuing Bank, to it at Firstside Center, 500 First Avenue, 3rd Floor, Pittsburgh, PA 15219, Attention of Ruth Plecenik (Facsimile No. (412) 768–6118); if to Mellon Bank, N.A., as LC Issuing Bank, to it at 500 Ross Street, 8th Floor, Pittsburgh, PA 15262–0001, Attention of Joe Borello (Facsimile No. (412) 236-3437);

(f) if to the Swingline Lender, to it at One Chase Manhattan Plaza, 8th Fl, New York, NY 10081, Attention of Linda D. Hill (Facsimile No. (212) 552-7490);

(g) if to any other Lender, to it at its address (or facsimile number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the Administrative Agent and the Borrower. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement will be deemed to have been given on the date of receipt.

Section 9.02. *Waivers; Amendments.* (a) No failure or delay by any Lender Party in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Lender Parties under the Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by

subsection (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, neither the making of a Loan nor the issuance, amendment, renewal or extension of a Letter of Credit shall be construed as a waiver of any Default, regardless of whether any Lender Party had notice or knowledge of such Default at the time.

(b) No Loan Document or provision thereof may be waived, amended or modified except, in the case of this Agreement, by an agreement or agreements in writing entered into by the Borrower and the Required Lenders or, in the case of any other Loan Document, by an agreement or agreements in writing entered into by the parties thereto with the consent of the Required Lenders; *provided* that no such agreement shall:

(i) increase the Commitment of any Lender without its written consent;

(ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fee payable hereunder, without the written consent of each Lender Party affected thereby;

(iii) postpone the maturity of any Loan, or the required date of any mandatory payment of principal (including without limitation pursuant to Section 2.10(b), or the required date of reimbursement of any LC Disbursement, or any date for the payment of any interest or fee payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender Party affected thereby;

(iv) change Section 2.18(b) or 2.18(c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender;

(v) change any provision of this Section or the percentage set forth in the definition of "Required Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders required to take any action thereunder, without the written consent of each Lender;

(vi) release all or any substantial portion of the Collateral from the Transaction Liens, without the written consent of each Lender (it being understood that, for purposes of this Section 9.02(b)(vi), a release of Collateral comprising 10% or more of the Borrowing Base in effect on the date of such release shall constitute release of a substantial portion of Collateral);

(vii) reduce the amount of the Availability Block, without the written consent of each Lender;

(viii) increase the Borrowing Base advance rates, eliminate or reduce Availability Reserves or otherwise cause the Borrowing Base to be increased, without the written consent of Lenders having aggregate Exposures and unused Commitments representing at least 85% of the sum of all Exposures and unused Commitments at such time;

(ix) increase the aggregate amount of the Commitments by an amount in excess of the amount permitted pursuant to Section 2.20(c), or amend Section 2.20(c) to permit increases in the aggregate Commitments in excess of an aggregate amount equal to $150,000,000 during the term of this Agreement, without the written consent of Lenders having aggregate Exposures and unused Commitments representing at least 75% of the sum of all Exposures and unused Commitments at such time; or

(x) unless signed by a Designated Lender or its Designating Lender, subject such Designated Lender to any additional obligation or affect its rights hereunder (unless the rights of all the Lenders are similarly affected); and

provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of any Agent, the LC Issuing Bank or the Swingline Lender without its prior written consent; and *provided further* that neither a reduction or termination of Commitments pursuant to Section 2.08 or 2.11, nor an increase in Commitments pursuant to Section 2.20, constitutes an amendment, waiver or modification for purposes of this Section 9.02.

(c) Notwithstanding the foregoing, if the Required Lenders enter into or consent to any waiver, amendment or modification pursuant to subsection (b) of this Section, no consent of any other Lender will be required if, when such waiver, amendment or modification becomes effective, (i) the Commitment of each Lender not consenting thereto terminates and (ii) all amounts owing to it or accrued for its account hereunder are paid in full.

Section 9.03. *Expenses; Indemnity; Damage Waiver.* (a) The Borrower shall pay (i) all reasonable and documented out-of-pocket expenses incurred by each Agent and its Affiliates, including the reasonable fees, charges and disbursements of Davis Polk & Wardwell, special counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Loan Documents and any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable and documented out-of-pocket expenses incurred by the LC Issuing

Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by any Lender Party, including the fees, charges and disbursements of any counsel for any Lender Party, in connection with the enforcement or protection of its rights in connection with the Loan Documents (including its rights under this Section), the Letters of Credit or the Loans, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of the Letters of Credit or the Loans.

(b) The Borrower shall indemnify each of the Lender Parties and their respective Related Parties (each such Person being called an "**Indemnitee**") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any other agreement or instrument contemplated hereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Financing Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the LC Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Borrower or any Subsidiary, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; *provided* that (i) such indemnity shall not be available to any Indemnitee to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from such Indemnitee's gross negligence or wilful misconduct; (ii) such indemnity shall not be available to any Indemnitee for losses, claims, damages, liabilities or related expenses arising out of a proceeding in which such Indemnitee and the Borrower are adverse parties to the extent that the Borrower prevails on the merits, as determined by a court of competent jurisdiction (it being understood that nothing in this Agreement shall preclude a claim or suit by the Borrower against any Indemnitee for such Indemnitee's failure to perform any of its obligations to the Borrower under the Loan Documents); (iii) the Borrower shall not, in connection with any such proceeding or related proceedings in the same jurisdiction and in the absence of conflicts of interest, be liable for the fees and expenses of more than one law firm at any one time for the Indemnitees (which law firm shall be selected (x) by mutual agreement of the Administrative Agent and the Borrower or (y) if no such agreement has been reached following the Administrative Agent's good faith consultation with the Borrower with respect thereto, by the

Administrative Agent in its sole discretion); (iv) each Indemnitee shall give the Borrower (x) prompt notice of any such action brought against such Indemnitee in connection with a claim for which it is entitled to indemnity under this Section and (y) an opportunity to consult from time to time with such Indemnitee regarding defensive measures and potential settlement; and (v) the Borrower shall not be obligated to pay the amount of any settlement entered into without its written consent (which consent shall not be unreasonably withheld).

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to any Agent, the LC Issuing Bank or the Swingline Lender under subsection (a) or (b) of this Section, each Lender severally agrees to pay to such Agent, the LC Issuing Bank or the Swingline Lender, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against such Agent, the LC Issuing Bank or the Swingline Lender in its capacity as such. For purposes hereof, a Lender's "**pro rata share**" shall be determined based on its share of the sum of the total Exposures and unused Commitments at the time.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and each hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Financing Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable within five Business Days after written demand therefor.

Section 9.04. *Successors and Assigns*. (a) The provisions of this Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the LC Issuing Bank that issues any Letter of Credit), except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (except the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the LC Issuing Bank that issues any Letter of Credit) and, to the extent expressly provided herein, the Related Parties of the Lender Parties) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of any Commitment it has at the time and any Loans at the time owing to it); *provided* that:

(i) except in the case of an assignment to a Lender or a Lender Affiliate, each of the Borrower and the Administrative Agent (and, in the case of an assignment of all or a portion of a Commitment or any Lender's obligations in respect of its LC Exposure or Swingline Exposure, the LC Issuing Bank and the Swingline Lender) must give their prior written consent to such assignment (which consents shall not be unreasonably withheld);

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(iii) unless each of the Borrower and the Administrative Agent otherwise consent, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date on which the relevant Assignment is delivered to the Administrative Agent) shall not be less than $5,000,000; *provided* that this clause (iii) shall not apply to an assignment to a Lender or a Lender Affiliate or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans;

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment, together with a processing and recordation fee of $3,500; *provided* that only one such fee shall be due in respect of a simultaneous assignment to more than one Lender Affiliate; and

(v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent a completed Administrative Questionnaire;

and *provided further* that any consent of the Borrower otherwise required under this subsection shall not be required if an Event of Default has occurred and is continuing. Subject to acceptance and recording thereof pursuant to subsection (d) of this Section, from and after the effective date specified in each Assignment the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment, be released from its obligations under this Agreement (and, in the case of an Assignment covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to

be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in New York City a copy of each Assignment delivered to it and a register for the recordation of the names and addresses of the Lenders, their respective Commitments and the principal amounts of the Loans and LC Disbursements owing to each Lender pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive (absent manifest error), and the parties hereto may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by any party hereto at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in subsection (b) of this Section and any written consent to such assignment required by subsection (b) of this Section, the Administrative Agent shall accept such Assignment and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this subsection.

(e) Any Lender may, without the consent of the Borrower or any other Lender Party, sell participations to one or more banks or other entities ("**Participants**") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans owing to it); *provided* 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 and (iii) the Borrower and the other Lender Parties shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in clause (i), (ii), (iii) or (vii) of the first proviso to Section 9.02(b) that affects such

Participant. Subject to subsection (f) of this Section, each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.09 as though it were a Lender, *provided* that such Participant agrees to be subject to Section 2.18(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; *provided* that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 9.05. *Designated Lenders*. (a) Subject to the provisions of this Section 9.05(a), any Lender may from time to time elect to designate an Eligible Designee to provide all or a portion of the Loans to be made by such Lender pursuant to this Agreement; *provided* that such designation shall not be effective unless the Borrower and the Administrative Agent consent thereto. When a Lender and its Eligible Designee shall have signed an agreement substantially in the form of Exhibit H hereto (a "**Designation Agreement**") and the Borrower and the Administrative Agent shall have signed their respective consents thereto, such Eligible Designee shall become a Designated Lender for purposes of this Agreement. The Designating Lender shall thereafter have the right to permit such Designated Lender to provide all or a portion of the loans to be made by such Designating Lender pursuant to Section 2.01 and the making of such Loans or portions thereof shall satisfy the obligation of the Designating Lender to the same extent, and as if, such Loans or portion thereof were made by the Designating Lender. As to any Loans or portion thereof made by it, each Designated Lender shall have all the rights that a Lender making such Loans or portion thereof would have had under this Agreement and otherwise; *provided* that (x) its voting rights under this Agreement shall be exercised solely by its Designating Lender and (y) its Designating Lender shall remain solely responsible to the other parties hereto

for the performance of its obligations under this Agreement, including its obligations in respect of the Loans or portion thereof made by it. No additional promissory note shall be required to evidence Loans or portions thereof made by a Designated Lender; and the Designating Lender shall be deemed to hold any promissory note issued pursuant to Section 2.09(c) as agent for its Designated Lender to the extent of the Loans or portion thereof funded by such Designated Lender. Each Designating Lender shall act as administrative agent for its Designated Lender and give and receive notices and other communications on its behalf. Any payments for the account of any Designated Lender shall be paid to its Designating Lender as administrative agent for such Designated Lender and neither the Borrower nor the Administrative Agent shall be responsible for any Designating Lender's application of such payments. In addition, any Designated Lender may (i) with notice to, but without the prior written consent of, the Borrower or the Administrative Agent, assign all or portions of its interest in any Loans to its Designating Lender or to any financial institutions consented to by the Borrower and the Administrative Agent providing liquidity and/or credit facilities to or for the account of such Designated Lender to support the funding of Loans or portions thereof made by such Designated Lender and (ii) disclose on a confidential basis any non-public information relating to its Loans or portions thereof to any rating agency, commercial paper dealer or provider of any guarantee, surety, credit or liquidity enhancement to such Designated Lender.

(b) Each party to this Agreement agrees that it will not institute against, or join any other Person in instituting against, any Designated Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding or other proceeding under any federal or state bankruptcy or similar law, for one year and a day after all outstanding senior indebtedness of such Designated Lender is paid in full. The Designating Lender for each Designated Lender agrees to indemnify, save, and hold harmless each other party hereto for any loss, cost, damage and expense arising out of its inability to institute any such proceeding against such Designated Lender. This Section 9.05(b) shall survive the termination of this Agreement.

Section 9.06. *Survival*. All covenants, agreements, representations and warranties made by the Borrower in the Loan Documents and in certificates or other instruments delivered in connection with or pursuant to the Loan Documents shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Lender Party may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as any principal of or accrued interest on any Loan or any fee or other amount payable hereunder is outstanding and unpaid or any Letter of Credit is outstanding or any Commitment has not

expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article 8 shall survive and remain in full force and effect regardless of the consummation of the Financing Transactions, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

Section 9.07. *Counterparts; Integration; Effectiveness*. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Article 4.01, this Agreement (i) will become effective when the Administrative Agent shall have signed this Agreement and received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto and (ii) thereafter will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy will be effective as delivery of a manually executed counterpart of this Agreement.

Section 9.08. *Severability.* If any provision of any Loan Document is invalid, illegal or unenforceable in any jurisdiction then, to the fullest extent permitted by law, (i) such provision shall, as to such jurisdiction, be ineffective to the extent (but only to the extent) of such invalidity, illegality or unenforceability, (ii) the other provisions of the Loan Documents shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Lender Parties in order to carry out the intentions of the parties thereto as nearly as may be possible and (iii) the invalidity, illegality or unenforceability of any such provision in any jurisdiction shall not affect the validity, legality or enforceability of such provision in any other jurisdiction.

Section 9.09. *Right of Setoff.* If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any obligations of the Borrower now or hereafter existing hereunder and held by such Lender, irrespective of whether or not such Lender shall have made any demand hereunder and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender may have.

Section 9.10. *Governing Law; Jurisdiction; Consent to Service of Process.* (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) The Borrower irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any relevant appellate court, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each party hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by law, in such Federal court. Each party hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in any Loan Document shall affect any right that any Lender Party may otherwise have to bring any action or proceeding relating to any Loan Document against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to any Loan Document in any court referred to in subsection (b) of this Section. Each party hereto irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of any such suit, action or proceeding in any such court.

(d) Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in any Loan Document will affect the right of any party hereto to serve process in any other manner permitted by law.

Section 9.11. *WAIVER OF JURY TRIAL.* EACH PARTY HERETO WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT OR ANY TRANSACTION CONTEMPLATED THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO

ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 9.12. *Headings*. Article and Section headings and the Table of Contents herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 9.13. *Confidentiality*. Each Lender Party agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedy hereunder or any suit, action or proceeding relating to any Loan Document or the enforcement of any right thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any actual or prospective assignee of or Participant in any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information either (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to any Lender Party on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "**Information**" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to any Lender Party on a nonconfidential basis before disclosure by the Borrower; *provided* that, in the case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential.

Section 9.14. *Interest Rate Limitation*. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts that are treated as interest on such Loan under applicable law (collectively the "**Charges**"), shall exceed the maximum lawful rate (the "**Maximum Rate**") that may be contracted for, charged or otherwise received by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable

to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such Lender shall have received such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of payment.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

UNITED STATES STEEL LLC

By: /s/ Gretchen R. Haggerty
Name: Gretchen R. Haggerty
Title: Vice President-Accounting & Finance

JPMORGAN CHASE BANK, as
Administrative Agent, Collateral Agent,
Swingline Lender, and Lender

By: /s/ James H. Ramage
Name: James H. Ramage
Title: Managing Director

GENERAL ELECTRIC CAPITAL
CORPORATION, as Documentation
Agent, Co-Collateral Agent, and Lender

By: /s/ Christopher Cox
Name: Christopher Cox
Title: Duly Authorized Signatory

FOOTHILL CAPITAL CORPORATION, as
Co-Syndication Agent and Lender

By: /s/ Sanat Amladi
Name: Sanat Amladi
Title: Assistant Vice President

PNC BANK, NATIONAL ASSOCIATION,
as Co-Syndication Agent and Lender

By: /s/ David B. Gookin
Name: David B. Gookin
Title: Vice President

MELLON BANK, N.A.

By: /s/ Robert J. Reichenbach
Name: Robert J. Reichenbach
Title: Vice President

CREDIT SUISSE FIRST BOSTON

By: /s/ Paul L. Colon
Name: Paul L. Colon
Title: Vice President

By: /s/ Vanessa Gomez
Name: Vanessa Gomez
Title: Associate

GMAC CAPITAL COMMERCIAL CREDIT LLC

By: /s/ Frank Imperato

Name: Frank Imperato
Title: Senior Vice President

HELLER FINANCIAL INC.

By: /s/ Alfred J. Scoyni
Name: Alfred J. Scoyni
Title: Vice President

THE BANK OF NEW YORK

By: /s/ Walter C. Parelli
Name: Walter C. Parelli
Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ M.D. Smith
Name: M.D. Smith
Title: Agent

GOLDMAN SACHS CREDIT PARTNERS L.P.

By: /s/ Robert Wagner
Name: Robert Wagner
Title: Authorized Signatory

NATIONAL CITY BANK

By: /s/ William R. McDonnell
Name: William R. McDonnell
Title: Vice President

THE NORTHERN TRUST COMPANY

By: /s/ Craig L. Smith
Name: Craig L. Smith
Title: Vice President

AMENDMENT AND WAIVER TO CREDIT AGREEMENT

AMENDMENT AND WAIVER dated as of August 13, 2002 to the Credit Agreement dated as of November 30, 2001 (the "**Credit Agreement**") among UNITED STATES STEEL CORPORATION (formerly known as United States Steel LLC) (the "**Borrower**"), the LENDERS party thereto (the "**Lenders**"), the LC ISSUING BANKS party thereto, JPMORGAN CHASE BANK, as Administrative Agent (the "**Administrative Agent**"), Collateral Agent and Swingline Lender, GENERAL ELECTRIC CAPITAL CORPORATION, as Documentation Agent and Co-Collateral Agent, and PNC BANK, NATIONAL ASSOCIATION and FOOTHILL CAPITAL CORPORATION, as Co-Syndication Agents.

W I T N E S S E T H :

The parties hereto agree as follows:

SECTION 1. *Defined Terms; References.* Unless otherwise specifically defined herein, each term used herein that is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall, after this Amendment and Waiver becomes effective, refer to the Credit Agreement as amended hereby.

SECTION 2. *Certain Amendments*. (a) New Definitions. Section 1.01 of the Credit Agreement is amended by inserting each of the following new definitions in alphabetical order therein:

"**FAS 143**" means United States Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations.

"**Mining Business Asset Sale**" means the sale by the Borrower and certain of its Subsidiaries of all of their respective coal and related mining operating assets.

(b) Definition of Consolidated Net Income. The definition of "Consolidated Net Income" in Section 1.01 of the Credit Agreement is amended by adding to the end of such definition the following *proviso:*

" ; and *provided further* that, for purposes of determining compliance with Sections 6.13 and 6.14, Consolidated Net Income shall be calculated (x) to exclude all amounts that would be included therein solely as a result of the adoption and subsequent application of FAS 143, and to include all amounts that would have been included therein if not for the adoption of FAS 143 and (y) from and after consummation of the Mining Business Asset

Sale, without reflecting the accounting changes required under (and excluding the one-time non-cash extraordinary loss recognized pursuant to) the Coal Industry Retiree Health Act of 1992, but including amounts in respect of future period cash obligations to the extent such amounts would have been included therein prior to consummation of the Mining Business Asset Sale."

(c) Definition of Debt. The definition of "Debt" in Section 1.01 of the Credit Agreement is amended by:

(i) adding to the end of clause (a) thereof the following parenthetical: "(other than unspent cash deposits held in escrow by or in favor of such Person, or in a segregated deposit account controlled by such Person, in each case in the ordinary course of business to secure the performance obligations of, or damages owing from, one or more third parties)"; and

(ii) adding to the end of clause (i) thereof the following parenthetical: "(other than cash collateralized letters of credit to secure the performance of workers' compensation, unemployment insurance, other social security laws or regulations, bids, trade contracts, leases, environmental and other statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case, obtained in the ordinary course of business)".

SECTION 3. *Certain Waivers*. (a) The Lenders party hereto hereby waive compliance with the provisions of Section 6.05 of the Credit Agreement solely to the extent necessary to permit the Borrower and its Subsidiaries (as appropriate) to consummate (i) the Mining Business Asset Sale and (ii) the sale of all of the shares of capital stock of VSZ akciová spolocnost Košice ("VSZ ") owned by the Borrower and its Subsidiaries.

(b) Except as provided in subsection (a) above, this Section 3 shall not operate as a waiver of any right, remedy, power or privilege of the Lenders under any Loan Document or of any other term or condition of any Loan Document.

SECTION 4. *Representations of Borrower.* The Borrower represents and warrants that (i) the representations and warranties of the Borrower set forth in Article 3 of the Credit Agreement will be true on and as of the Amendment and Waiver Effective Date and (ii) no Default will have occurred and be continuing on such date.

SECTION 5. *Governing Law.* This Amendment and Waiver shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 6. *Counterparts.* This Amendment and Waiver may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 7. *Effectiveness.* This Amendment and Waiver shall become effective as of the date hereof (the "**Amendment and Waiver Effective Date**") on the date when the Administrative Agent shall have received from each of the Borrower and the Required Lenders a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Administrative Agent) that such party has signed a counterpart hereof.

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

UNITED STATES STEEL CORPORATION (formerly known as United States Steel LLC)

By: /s/ G. R. Haggerty
Name: Gretchen R. Haggerty
Title Senior Vice President & Treasurer

JPMORGAN CHASE BANK

By: /s/ James H. Ramage
Name: James H. Ramage
Title: Managing Director

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ Donald J. Cavanagh
Name: Donald J. Cavanagh
Title: Duly Authorized Signatory

FOOTHILL CAPITAL CORPORATION

By: /s/ Mike Baranowski
Name: Mike Baranowski
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Peter A. Yanief
Name: Peter A. Yanief
Title: Assistant Vice President

MELLON BANK, N.A.

By: /s/ Robert J. Reichenbach
Name: Robert J. Reichenbach
Title: Vice President

CREDIT SUISSE FIRST BOSTON

By: /s/ Paul L. Colon
Name: Paul L. Colón
Title: Vice President

By: /s/ Vanessa Gomez
Name: Vanessa Gomez
Title: Associate

GMAC CAPITAL COMMERCIAL CREDIT LLC

By: /s/ Daniel J. Murray
Name: Daniel J. Murray
Title: Senior Vice President

HELLER FINANCIAL INC.

By: /s/ Dwayne L. Coker
Name: Dwayne L. Coker
Title: Duly Authorized Signer

THE BANK OF NEW YORK

By: /s/ Russell A. Burr
Name: Russell A. Burr
Title: Senior Vice President

THE BANK OF NOVA SCOTIA

By: /s/ N. Bell
Name: N. Bell
Title: Senior Manager

FIRST COMMONWEALTH BANK

By: /s/ Paul J. Oris
Name: Paul J. Oris
Title: Vice President

NATIONAL CITY BANK

By: /s/ James C. Ritchie
Name: James C. Ritchie
Title: Vice President

THE NORTHERN TRUST COMPANY

By: /s/ Craig Smith
Name: Craig Smith
Title: Vice President

AMENDMENT NO. 2 TO CREDIT AGREEMENT

SECOND AMENDMENT dated as of December 18, 2002 (this "**Amendment**") to the Credit Agreement dated as of November 30, 2001 (as amended prior to the date hereof, the "**Credit Agreement**") among UNITED STATES STEEL CORPORATION (formerly known as United States Steel LLC) (the "**Borrower**"), the LENDERS party thereto (the "**Lenders**"), the LC ISSUING BANKS party thereto, JPMORGAN CHASE BANK, as Administrative Agent (the "**Administrative Agent**"), Collateral Agent and Swingline Lender, GENERAL ELECTRIC CAPITAL CORPORATION, as Documentation Agent and Co-Collateral Agent, and PNC BANK, NATIONAL ASSOCIATION and FOOTHILL CAPITAL CORPORATION, as Co-Syndication Agents.

W I T N E S S E T H :

The parties hereto agree as follows:

SECTION 1. *Defined Terms; References.* Unless otherwise specifically defined herein, each term used herein that is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall, after this Amendment becomes effective, refer to the Credit Agreement as amended hereby.

SECTION 2. *Certain New Definitions.* Section 1.01 of the Credit Agreement is amended by inserting each of the following new definitions in alphabetical order therein:

"**National Steel Acquisition**" means the proposed acquisition of the National Steel Assets by the Borrower and/or one or more of its Restricted Subsidiaries in a sale pursuant to Section 363 of Title 11 of the United States Code.

"**National Steel Assets**" means the steel-making and related assets of National Steel Corporation and certain of its subsidiaries identified on Schedule 1.01(b) hereto.

"**Post-National Borrowing Base Calculation**" has the meaning specified in Section 6.04(a)(xx).

"**Post-National Liquidity Availability**" means, at any time, an amount equal to the sum of (x) the Facility Availability plus (y) the aggregate committed availability under the Effective Date Receivables Financing, in each case determined at the time of (and immediately after giving effect to) consummation of the National Steel Acquisition.

"**Sartid**" means Sartid a.d. (in bankruptcy), a company organized under the laws of Serbia and certain of its subsidiaries.

"**Sartid Acquisition Sub**" means a Foreign Subsidiary (which may be designated an Unrestricted Subsidiary in accordance with Section 5.14) that has been, or will be, newly formed for the purpose of the proposed indirect acquisition by the Borrower of Sartid and matters incident thereto (including, without limitation, financing the acquisition and improvement of, and funding working capital for, Sartid).

"**Timberlands Contribution**" means one or more proposed contributions by the Borrower to one or more of its employee benefit plans of certain timberlands and related real property located in Alabama and Tennessee and having an aggregate value not in excess of $150 million.

SECTION 3. *Debt Covenant.* Section 6.01(a)(iii) of the Credit Agreement is amended by deleting the reference therein to "$100,000,000", and substituting therefor a reference to "$450,000,000".

SECTION 4. *Investments and Acquisitions Covenant.* Section 6.04(a) of the Credit Agreement is amended by (i) deleting the word "and" at the end of clause (xvii) thereof; (ii) deleting the period at the end of clause (xviii) thereof, and substituting therefor a semicolon; and (iii) adding the following new clauses at the end of clause (xviii) (and immediately before the *proviso*):

"(xix) investments by the Borrower and its Restricted Subsidiaries in the Sartid Acquisition Sub and/or in Sartid (including Guarantees by the Borrower and its Restricted Subsidiaries of Debt of the Sartid Acquisition Sub and/or Sartid); *provided* that such investments are made (and such Guarantees are issued) in connection with the acquisition, financing and operations of Sartid and the aggregate amount of all such investments (including such Guarantees) permitted by this clause (xix) does not exceed $50,000,000 in the aggregate during the term of this Agreement; and

(xx) investments in the National Steel Assets pursuant to the National Steel Acquisition; *provided* that prior to the date on which any such investment is made, the Administrative Agent shall have received either (i) evidence satisfactory to it that the Post-National Liquidity Availability will be equal to or greater than $300,000,000 or (ii) in the event that the Borrower has not delivered appropriate documentation reflecting inclusion in the Borrowing Base of the National Steel Assets comprised of Available Inventory and Available Receivables (such documentation, collectively, the "**Post-National Borrowing Base Calculation**"), a written notice from the Collateral Agent and the Co-Collateral Agent to the effect that each is satisfied, in its sole discretion, that such Post-National Borrowing Base Calculation will be delivered within a reasonable period of time (as determined in the sole discretion of

the Collateral Agent and the Co-Collateral Agent) and will demonstrate that the Post-National Liquidity Availability will be equal to or greater than $300,000,000;"

SECTION 5. *Asset Sales Covenant.* Section 6.05 of the Credit Agreement is amended by: (i) deleting the word "and" at the end of clause (g); (ii) deleting the period at the end of clause (h), and substituting therefor a semicolon; (iii) deleting the parenthetical that appears in the *proviso* and reads "(except those permitted by clause (b), (e) or (f) above)", and substituting therefor a parenthetical that reads "(except those permitted by clause (b), (e), (f) or (i) above)", and (iv) adding the following new clause immediately after clause (h) (and immediately before the *proviso*):

"and (i) transfers of assets pursuant to the Timberlands Contribution;"

SECTION 6. *Transactions With Affiliates Covenant.* Section 6.09 of the Credit Agreement is amended by: (i) deleting the word "and" at the end of clause (ii) thereof; (ii) deleting the period at the end of clause (iii) thereof, and substituting therefor a semicolon; and (iii) adding the following new clause immediately after clause (iii) thereof:

"and (iv) the consummation of the Timberlands Contribution."

SECTION 7. *Capital Expenditures Covenant.* Section 6.12 of the Credit Agreement is amended by (i) deleting the reference therein to "$340,000,000", and substituting therefor a reference to "$515,000,000"; (ii) deleting the reference therein to "$400,000,000", and substituting therefor a reference to "$525,000,000"; and (iii) inserting immediately after the words "*provided* that," the following:

"(x) so long as the National Steel Acquisition has not been consummated in accordance with the terms of this Agreement, the reference to "$515,000,000" in clause (i) above shall be deemed instead to be a reference to "$340,000,000" and the reference to "$525,000,000" in clause (i) above shall be deemed instead to be a reference to "$400,000,000" and (y)"

SECTION 8. *Addition of Schedule 1.01(b).* The Credit Agreement is amended by adding Schedule 1.01(b) hereto as Schedule 1.01(b) to the Credit Agreement.

SECTION 9. *Representations of Borrower.* The Borrower represents and warrants that (i) the representations and warranties of the Borrower set forth in Article 3 of the Credit Agreement will be true on and as of the Second Amendment Effective Date and (ii) no Default will have occurred and be continuing on such date.

SECTION 10. *Governing Law.* This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 11. *Counterparts.* This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 12. *Effectiveness.* This Amendment shall become effective as of the date hereof on the date when the Administrative Agent shall have received from each of the Borrower and the Required Lenders a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Administrative Agent) that such party has signed a counterpart hereof (the "**Second Amendment Effective Date**"); provided, however, that this Amendment shall become void immediately and automatically at 11:59 p.m. (New York City time) on December 20, 2002 unless the Administrative Agent shall have received an amendment fee for the account of each Lender which shall have approved this Amendment on or prior to such date in an amount equal to 0.20% of such Lender's total Commitment on such date.

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

UNITED STATES STEEL CORPORATION (formerly known as United States Steel LLC)

By: /s/ G. R. Haggerty
Name: Gretchen R. Haggerty
Title Senior Vice President & Treasurer

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ Timothy Cauon
Name: Timothy Cauon
Title: Duly Authorized Signatory

FOOTHILL CAPITAL CORPORATION

By: /s/ Mike Baranowski
Name: Mike Baranowski
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ David B. Gookin
Name: David B. Gookin
Title: Vice President

MELLON BANK, N.A.

By: /s/ Robert J. Reichenbach
Name: Robert J. Reichenbach
Title: Vice President

CREDIT SUISSE FIRST BOSTON

By: /s/ Bill O'Daly
Name: Bill O'Daly
Title: Director

By: /s/ Cassandra Droogan
Name: Cassandra Droogan
Title: Associate

GMAC COMMERCIAL CREDIT LLC

By: /s/ Daniel J. Murray
Name: Daniel J. Murray
Title: Senior Vice President

HELLER FINANCIAL INC.

By: /s/ Dwayne L. Coker
Name: Dwayne L. Coker
Title: Duly Authorized Signer

THE BANK OF NEW YORK

By: /s/ Walter C. Parelli
Name: Walter C. Parelli
Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ N. Bell
Name: N. Bell
Title: Senior Manager

FIRST COMMONWEALTH BANK

By: /s/ Paul J. Oris
Name: Paul J. Oris
Title: Vice President

NATIONAL CITY BANK

By: /s/ Tom R. Poe
Name: Tom R. Poe
Title: SVP

THE NORTHERN TRUST COMPANY

By: /s/ Craig Smith
Name: Craig Smith
Title: Vice President

Schedule 1.01(b)

Assets to be Acquired from National Steel Corporation

All right, title and interest of National Steel Corporation and its wholly owned subsidiaries listed below under the caption "Selling Subsidiaries" (collectively, the "**Seller**") in the facilities and entities listed below under the caption "Assets" including: all real, property, buildings, structures, fixtures and improvements; all rights, privileges, easements, licenses, hereditaments and other appurtenances relating thereto; all equipment, machinery, vehicles, locomotives, rolling stock furniture, fixtures and improvements and tooling located thereon or otherwise owned used or held by Seller used or held for use in the steel business; all inventories of raw materials, slabs, works in process, finished products, goods, spare parts, replacement and component parts, and office and other supplies located on the real property or owned, used or held for use, by the Seller in the steel business; all patents, trademarks, copyrights, software source codes and other intellectual property related to any of the foregoing; all permits and licenses related to the foregoing; and all accounts receivable.

Assets

1. Great Lakes Operation, #1 Quality Drive, Ecorse, Michigan 48229
2. Midwest Operation, 6300 U.S. Highway 12, Portage, Indiana 46368
3. Granite City Operation, 1951 State Street, Granite City, Illinois 62040
4. National Steel Corporation Headquarters, 4100 Edison Lakes Parkway, Mishawaka, Indiana 46545
5. ProCoil Processing Center, 5260 Haggerty Road South, Canton, Michigan 48188
6. ProCoil Distribution Center, 5100 Haggerty Road South, Canton, Michigan 48188
7. Coke Oven Battery B at the Granite City Operation
8. Technical Research Center, Trenton, Michigan
9. Seller's 100% interest in Delray Connecting Railroad LLC, Ecorse
10. Seller's interest in the Electrolytic Galvanizing Line Facility at the Great Lakes Operation
11. Seller's interest in the Continuous Caster and Ladle-Metallurgy Facilities at the Great Lakes Operation
12. Seller's interest in Double G Coatings, L.P.
13. Seller's interest in Steel Health Resources LLC
14. Seller's interest in NSL Inc.

Selling Subsidiaries (State of Incorporation)

1. D.W. Pipeline Company, (Michigan).
2. Granite Intake Corporation, (Delaware).
3. National Acquisition Corporation, (Delaware).
4. National Caster Acquisition Corporation,(Delaware).
5. National Caster Operating Company, (Delaware).
6. National Casting Corporation, (Delaware).
7. National Coating Limited Corporation, (Delaware).
8. National Coating Line Corporation (Delaware).
9. National Materials Procurement Corporation (Illinois).
10. National Pickle Line Corporation (Delaware.)
11. NS Holdings Corporation, (Delaware).
12. ProCoil Corporation, (Delaware).

CERTIFICATE OF DESIGNATION
OF
7.00% SERIES B MANDATORY CONVERTIBLE PREFERRED SHARES
OF
UNITED STATES STEEL CORPORATION

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

UNITED STATES STEEL CORPORATION, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that the following resolution was duly adopted by the executive committee of the Board of Directors of the Corporation (the "Board of Directors") at a meeting of the executive committee of the Board of Directors held on February 4, 2003:

RESOLVED, that pursuant to the authority conferred upon the Board of Directors by the provisions of the Corporation's Certificate of Incorporation, and by the Board of Directors upon the executive committee of the Board of Directors, the executive committee of the Board of Directors hereby creates a series of 5,750,000 shares of 7.00% Series B Mandatory Convertible Preferred Shares without par value and hereby fixes the number, designation, relative rights, preferences and limitations of the 7.00% Series B Mandatory Convertible Preferred Shares as follows (certain capitalized terms being herein used as defined in Section (10) below):

1. Designation and Number of Shares. Out of the 14,000,000 shares of preferred stock of the Corporation authorized by the Certificate of Incorporation of the Corporation, 5,750,000 shall be, and be designated as, 7.00% Series B Mandatory Convertible Preferred Shares without par value (hereinafter referred to as this "Series"). The number of authorized shares of this Series may be reduced by further resolution adopted by the Board of Directors and by filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized, but the number of authorized shares of this Series shall not be increased.

2. Ranking. This Series shall rank, with respect to dividends and distributions upon the liquidation, winding-up or dissolution of the Corporation (i) senior to (a) the Common Stock, par value $1.00 per share, of the Corporation (the "Common Stock") and (b) to each other class or series of stock of the Corporation (including any series of preferred stock established

after February 4, 2003 by the Board of Directors) the terms of which do not expressly provide that it ranks senior to or on a parity with this Series as to dividends and distributions upon the liquidation, winding-up or dissolution of the Corporation and (ii) junior to any equity security, the terms of which expressly provide that such class or series will rank senior to this Series as to dividends and distributions upon liquidation, winding-up or dissolution of the Corporation.

3. Dividends.

(i) General. The dividend rate on shares of this Series shall be $3.50 per annum, provided that the initial dividend on this Series for the dividend period commencing on February 10, 2003, to but excluding June 15, 2003, will be $1.206 per share, in each case subject to adjustment as provided in Section 12(ii) hereof. Cumulative cash dividends shall be payable quarterly when, as and if declared by the Board of Directors of the Corporation or a duly authorized committee thereof, out of the assets of the Corporation legally available therefor on the 15th calendar day (or the following business day if the 15th is not a business day) of March, June, September and December (each such date being referred to herein as a "Dividend Payment Date"), provided, that the initial dividend shall be payable, if declared, on June 15, 2003. The amount of dividends payable on each share of this Series for each quarterly period thereafter shall be computed by dividing the annual dividend rate by four. The amount of dividends payable for any other period that is shorter or longer than a dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

A dividend period is the period ending on the day before a Dividend Payment Date and beginning on the preceding Dividend Payment Date or, if none, the date of issue. Dividends payable, if declared, on a Dividend Payment Date shall be payable to Holders (as defined below) of record as they appear on the stock register of the Corporation on the record date, which shall be the close of business on the first calendar day of the calendar month in which the applicable Dividend Payment Date falls (each, a "Dividend Record Date").

Dividends on this Series shall be cumulative if the Corporation fails to declare or pay one or more dividends on this Series in any amount, whether or not the earnings or financial condition of the Corporation were sufficient to pay such dividends in whole or in part.

Holders of shares of this Series shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of the then applicable full dividends calculated pursuant to this Section 3(i) (including accrued dividends, if any) on shares of this Series. No interest or sum of money in lieu of interest shall be payable in respect of any dividend or payment which may be in arrears.

Dividends in arrears on this Series not declared for payment or paid on any Dividend Payment Date may be declared by the Board of Directors of the Corporation or a duly authorized committee thereof and paid on any date fixed by the Board of Directors of the Corporation or a duly authorized committee thereof, whether or not a Dividend Payment Date, to the Holders of record of the shares of this Series, as they appear on the stock register of the Corporation on a record date selected by the Board of Directors of the Corporation or a duly authorized committee thereof, which shall be not more than 60 days prior to the date fixed for such dividend payment.

(ii) Payment Restrictions. The Corporation may not declare or pay any dividend or make any distribution of assets (other than dividends paid or other distributions made in capital stock of the Corporation ranking junior to this Series as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up and cash in lieu of fractional shares in connection with any such dividend or distribution) on, or redeem, purchase or otherwise acquire (except upon conversion or exchange for capital stock of the Corporation ranking junior to this Series as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up and cash in lieu of fractional shares in connection with any such conversion or exchange), the Corporation's Common Stock or any other stock of the Corporation ranking junior to this Series as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up, unless all accrued and unpaid dividends on this Series for all prior dividend periods have been or contemporaneously are declared and paid and the full quarterly dividend on this Series for the current dividend period has been or contemporaneously is declared and set apart for payment.

Whenever all accrued and unpaid dividends on this Series for all prior dividend periods are not paid in full, the Corporation may not redeem, purchase or otherwise acquire (except upon conversion or exchange for capital stock of the Corporation ranking junior to this Series as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up and cash in lieu of fractional shares in connection with any such conversion or exchange), other capital stock of the Corporation then outstanding ranking on a parity with this Series as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up, including this Series.

4. Liquidation Preference.

In the event of any liquidation, dissolution or winding-up of the Corporation, the Holders of shares of this Series shall be entitled to receive out of the assets of the Corporation legally available for distribution to stockholders, before any distribution of assets is made on the Common Stock of the Corporation or any other class or series of stock of the Corporation ranking junior to this Series as to the distribution of assets upon liquidation, dissolution or winding-up, a liquidating distribution, in the amount of $50 per share, subject to adjustment as provided in Section 12(ii) hereof, plus an amount equal to the sum of all accrued and unpaid dividends (whether or not earned or declared) for the portion of the then-current dividend period until the payment date and all dividend periods prior thereto.

Neither the sale nor transfer of all or substantially all of the property or business of the Corporation, nor the merger or consolidation of the Corporation into or with any other corporation, nor the merger or consolidation of any other corporation into or with the Corporation shall constitute a liquidation, dissolution or winding-up, for the purposes of the foregoing paragraph. After the payment to the Holders of the shares of this Series of the full preferential amounts provided for above, the Holders of the shares of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

In the event the assets of the Corporation available for distribution to the Holders of the shares of this Series upon any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such

Holders are entitled as provided above, no such distribution shall be made on account of any other stock of the Corporation ranking on a parity with this Series as to the distribution of assets upon such liquidation, dissolution or winding-up, unless a pro rata distribution is made on this Series and such other stock of the Corporation, with the amount allocable to each series of such stock determined on the basis of the aggregate liquidation preference of the outstanding shares of each series and distributions to the shares of each series being made on a pro rata basis.

5. Voting Rights.

(i) The Holders of shares of this Series shall have no voting rights, except as set forth below or as expressly required by applicable law. In exercising any such vote, each outstanding share of this Series shall be entitled to one vote.

(ii) If the equivalent of six quarterly dividends payable, whether consecutively or not, on this Series or any other class or series of preferred stock ranking on a parity with this Series as to the payment of dividends has not been paid, the number of directors of the Corporation shall be increased by two (without duplication of any increase, resulting from the same failure to pay dividends, made pursuant to the terms of any other series of preferred stock of the Corporation ranking on a parity with this Series as to payment of dividends and which does not have a separate class vote and upon which like voting rights have been conferred and are exercisable (this Series, together with such other class or classes, the “Electing Preferred Shares”)), and the Holders of this Series, voting as a single class with the holders of shares of any such other class of preferred stock, shall have the exclusive right to vote for and to elect such two directors at any meeting of stockholders of the Corporation at which directors are to be elected held during the period such dividends remain in arrears. Each class or series of preferred stock entitled to vote for the additional directors shall have a number of votes proportionate to the aggregate liquidation preference of its outstanding shares. Such voting right shall continue until full cumulative dividends for all past dividend periods on all such preferred stock of the Corporation, including any shares of this Series, have been paid or declared and set apart for payment. Any such elected directors shall serve until the Corporation’s next annual meeting of stockholders (notwithstanding that prior to the end of such term the right to elect directors shall cease to exist) or until their respective successors shall be elected and qualify.

(iii) Whenever such exclusive voting right shall vest, it may be exercised initially either at a special meeting of Holders of Electing Preferred Shares or at any annual stockholders’ meeting, but thereafter it shall be exercised only at annual stockholders’ meetings. Any director who shall have been elected by the Holders of Electing Preferred Shares as a class pursuant to this Section 5 may be removed at any time, either for or without cause by, and only by, the affirmative votes of the Holders of record of a majority of the outstanding shares of Electing Preferred Shares given at a special meeting of such stockholders called for such purpose, and any vacancy created by such removal may also be filled at such meeting. Any vacancy caused by the death or resignation of a director who shall have been elected by the Holders of Electing Preferred Shares as a class pursuant to this Section 5 may be filled only by the Holders of outstanding Electing Preferred Shares at a meeting called for such purpose.

Any meeting of the Holders of outstanding Electing Preferred Shares entitled to vote as a class for the election or removal of directors shall be held at the place at which the last

annual meeting of stockholders was held. At such meeting, the presence in person or by proxy of the Holders of a majority of the outstanding shares of all outstanding Electing Preferred Shares shall be required to constitute a quorum; in the absence of a quorum, a majority of the Holders present in person or by proxy shall have the power to adjourn the meeting from time to time without notice, other than announcement at the meeting, until a quorum shall be present.

(iv) So long as any shares of this Series is outstanding, the affirmative vote or consent of the Holders of at least 66-2/3% of the outstanding shares of this Series will be required for any amendment of the Certificate of Incorporation of the Corporation (or any certificate supplemental thereto, including any Certificate of Designation or any similar document relating to any series of Preferred Stock) that will adversely affect the powers, preferences, privileges or rights of this Series. The affirmative vote or consent of the Holders of at least 66-2/3% of the outstanding shares of this Series and any other series of the preferred stock of the Corporation ranking on a parity with this Series as to payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up, voting as a single class without regard to series, will be required (a) to issue, authorize or increase the authorized amount of, or issue or authorize any obligation or security convertible into or evidencing a right to purchase, any additional class or series of stock ranking prior to this Series as to payment of dividends or the distribution of assets upon liquidation, dissolution or winding-up or (b) to reclassify any authorized stock of the Corporation into any class or series of stock or any obligation or security convertible into or evidencing a right to purchase such stock ranking prior to this Series as to payment of dividends or the distribution of assets upon liquidation, dissolution or winding-up; provided that such vote will not be required for the Corporation to issue, authorize or increase the authorized amount of, or issue or authorize any obligation or security convertible into or evidencing a right to purchase, any stock ranking on a parity with or junior to this Series as to payment of dividends and the distribution of assets upon liquidation, dissolution or winding-up.

6. Mandatory Conversion.

(i) Each share of this Series will automatically convert (unless previously converted at the option of the Holder in accordance with Section 7, or a Merger Early Settlement has occurred in accordance with Section 8) on June 15, 2006 or any New Conversion Date, if a Conversion Date Deferral has occurred in accordance with Section 6(ii) (the “Conversion Date”), into a number of newly issued shares of Common Stock equal to the Conversion Rate (as defined in Section 9 below). Dividends on the shares of this Series shall cease to accrue and such shares of this Series shall cease to be outstanding on the Conversion Date. The Corporation shall make such arrangements as it deems appropriate for the issuance of certificates, if any, representing Common Stock, and for the payment of cash in respect of accrued and unpaid dividends (whether or not earned or declared) on this Series, if any, or cash in lieu of fractional shares of Common Stock, if any, in exchange for and contingent upon surrender of certificates representing the shares of this Series (if such shares are held in certificated form). The Corporation may defer the payment of dividends on the Common Stock issuable upon conversion of shares of this Series and the voting thereof until, and make such payment and voting contingent upon, the surrender of the certificates representing the shares of this Series, provided that the Corporation shall give the Holders of the shares of this Series such notice of any such actions as the Corporation deems appropriate and upon such surrender such Holders shall be entitled to receive such dividends declared and paid on such Common Stock subsequent to the Conversion Date. Amounts payable in cash in respect of the shares of this Series or in respect of such Common Stock shall not bear interest. Transfer or similar taxes in connection with the issuance of Common Stock to any person other than the Holder will be paid by the Holder.

(ii) If the Board of Directors of the Corporation makes a determination in good faith that the payment in cash on June 15, 2006 in respect of all accrued and unpaid dividends on this Series would breach any of the terms of, or constitute a default under, the terms of the Corporation's 10 ¾% Senior Notes due August 1, 2008 (the "Senior Notes"), the Conversion Date shall be deferred (a "Conversion Date Deferral") and the Corporation shall provide prompt notice of such deferral to each Holder, but no earlier than 60 days before June 15, 2006. The Corporation shall also deliver a copy of such notice to the Transfer Agent. Each such notice shall contain the calculations setting forth the Board of Directors' determination as to the potential breach or default of the Senior Notes. Subsequent to any Conversion Date Deferral, promptly after any determination by the Board of Directors of the Corporation in good faith that the payment of cash in respect of all accrued and unpaid dividends on this Series would not breach any of the terms of, or constitute a default under, the terms of the Senior Notes, the Board of Directors shall declare a new conversion date (the "New Conversion Date"). Upon such declaration, the Corporation shall provide notice of the New Conversion Date to each Holder at least 30 days but not more than 60 days before the New Conversion Date. The New Conversion Date shall be the first Dividend Payment Date that is at least 30 days after the delivery of such notice. The Corporation shall also deliver a copy of such notice to the Transfer Agent. Delivery of notice of a Conversion Date Deferral or the New Conversion Date may be satisfied by publishing such notice in an Authorized Newspaper on a Business Day. Notwithstanding any Conversion Date Deferral, dividends shall continue to accrue on this Series until conversion.

7. Early Conversion at the Option of the Holder.

(i) Shares of this Series are convertible, in whole or in part, at the option of the Holders thereof ("Optional Conversion"), at any time prior to the Conversion Date, into shares of Common Stock at a rate of 3.1928 shares of Common Stock for each share of this Series, subject to adjustment as set forth in Section 9(ii) below.

(ii) Optional Conversion of shares of this Series may be effected by delivering certificates evidencing such shares (if such shares are held in certificated form), together with written notice of conversion and a proper assignment of such certificates to the Corporation or in blank (and, if applicable, payment of an amount equal to the dividend payable on such shares), to the office of the Transfer Agent (as defined below) for this Series or to any other office or agency maintained by the Corporation for that purpose and otherwise in accordance with Optional Conversion procedures established by the Corporation. Each Optional Conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the foregoing requirements shall have been satisfied.

(iii) Holders of shares of this Series at the close of business on a Dividend Record Date shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the Optional Conversion of such shares following such Dividend Record Rate and prior to such Dividend Payment Date. However, shares of this Series

surrendered for Optional Conversion after the close of business on a Dividend Record Date and before the opening of business on the next succeeding Dividend Payment Date must be accompanied by payment in cash of an amount equal to the dividend payable on such shares on such Dividend Payment Date. Except as provided above, upon any Optional Conversion of shares of this Series, the Corporation shall make no payment or allowance for unpaid preferred dividends, whether or not in arrears, on such shares of this Series as to which Optional Conversion has been effected or for dividends or distributions on the Common Stock issued upon such Optional Conversion.

8. Early Conversion Upon Cash Merger.

(i) In the event of a merger or consolidation of the Corporation of the type described in Section 9(iii) in which the shares of Common Stock outstanding immediately prior to such merger or consolidation are exchanged for consideration consisting of at least 30% cash or cash equivalents (any such event, a "Cash Merger"), then the Corporation (or the successor to the Corporation hereunder) shall be required to offer the Holder of each share of this Series the right to convert shares of this Series prior to the Conversion Date ("Merger Early Settlement") as provided herein. On or before the fifth Business Day after the consummation of a Cash Merger, the Corporation or, at the request and expense of the Corporation, the Transfer Agent, shall give all Holders notice of the occurrence of the Cash Merger and of the right of Merger Early Settlement arising as a result thereof. The Corporation shall also deliver a copy of such notice to the Transfer Agent. Each such notice shall contain:

(a) the date, which shall be not less than 20 nor more than 30 calendar days after the date of such notice, on which the Merger Early Settlement will be effected (the "Merger Early Settlement Date");

(b) the date, which shall be on or one Business Day prior to the Merger Early Settlement Date, by which the Merger Early Settlement right must be exercised;

(c) the Conversion Rate in effect immediately before such Cash Merger and the kind and amount of securities, cash and other property receivable by the Holder upon conversion of shares of this Series pursuant to Section 9(iii); and

(d) the instructions a Holder must follow to exercise the Merger Early Settlement right.

(ii) To exercise a Merger Early Settlement right, a Holder shall deliver to the Transfer Agent at the Corporate Trust Office (as defined below) by 5:00 p.m., New York City time on or one Business Day before the date by which the Merger Settlement right must be exercised as specified in the notice, the certificate(s) (if such shares are held in certificated form) evidencing the shares of this Series with respect to which the Merger Early Settlement right is being exercised duly endorsed for transfer to the Corporation or in blank with a written notice to the Corporation stating the Holder's intention to convert early in connection with the Cash Merger and providing the Corporation with payment instructions.

(iii) On the Merger Early Settlement Date, the Corporation shall deliver or cause to be delivered the net cash, securities and other property to be received by such exercising

Holder determined by assuming the Holder had converted, immediately before the Cash Merger at the Conversion Rate (as adjusted pursuant to Section 9(ii)), the shares of this Series for which such Merger Early Settlement right was exercised into shares of Common Stock. In the event a Merger Early Settlement right shall be exercised by a Holder in accordance with the terms hereof, all references herein to Conversion Date shall be deemed to refer to such Merger Early Settlement Date.

(iv) Upon a Merger Early Settlement, the Transfer Agent shall, in accordance with the instructions provided by the Holder thereof on the notice provided to the Corporation as set forth in paragraph (ii) above deliver to the Holder such net cash, securities or other property issuable upon such Merger Early Settlement together with payment in lieu of any fraction of a share, as provided herein.

(v) In the event that Merger Early Settlement is effected with respect to shares of this Series representing less than all the shares of this Series held by a

Holder, upon such Merger Early Settlement the Corporation (or the successor to the Corporation hereunder) shall execute and the Transfer Agent shall authenticate, countersign and deliver to the Holder thereof, at the expense of the Corporation, a certificate evidencing the shares as to which Merger Early Settlement was not effected.

9. Definition of Conversion Rate; Anti-dilution Adjustments

(i) The "Conversion Rate" is equal to (a) if the Average Market Price (as defined below) is greater than or equal to $15.66 (the "Threshold Appreciation Price"), 3.1928 shares of Common Stock per share of this Series, (b) if the Average Market Price is less than the Threshold Appreciation Price, but is greater than $13.05, the number of shares of Common Stock per share of this Series that equals $50 divided by the Average Market Price, and (c) if the Average Market Price is equal to or less than $13.05, 3.8314 shares of Common Stock per share of this Series, in each case subject to adjustment as provided in Section 9(ii) (and in each case rounded upward or downward to the nearest 1/10,000th of a share).

(ii) Upon the occurrence of any of the following events, (x) the formula for determining the Conversion Rate, (y) the number of shares of Common Stock to be delivered on an early conversion as set forth in Sections 7 or 8 and (z) the number of shares of Common Stock to be delivered on mandatory conversion if there has been a Conversion Date Deferral as set forth in Section 6(ii), shall each be subject to the following adjustments (in the case of clauses (y) and (z), as though references to the Conversion Rate were replaced with references to the number of shares of Common Stock to be delivered on such conversion):

(a) Stock Dividends. In case the Corporation shall pay or make a dividend or other distribution on the shares of Common Stock in Common Stock, the Conversion Rate, as in effect at the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by dividing such Conversion Rate by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution,

such increase to become effective immediately after the opening of business on the day following the date fixed for such determination.

(b) Stock Purchase Rights. In case the Corporation shall issue (other than pursuant to a dividend reinvestment, share purchase or similar plan) rights, options or warrants to all holders of its Common Stock (not being available on an equivalent basis to Holders of the shares of this Series upon conversion) entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price (as defined below) per share of the Common Stock on the date fixed for the determination of stockholders entitled to receive such rights, options or warrants, the Conversion Rate in effect at the opening of business on the day following the date fixed for such determination shall be increased by dividing such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such Current Market Price and the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase, such increase to become effective immediately after the opening of business on the day following the date fixed for such determination.

(c) Stock Splits; Reverse Splits. In case outstanding shares of Common Stock shall be subdivided or split into a greater number of shares of Common Stock, the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision or split becomes effective shall be proportionately increased, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately reduced, such increase or reduction, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision, split or combination becomes effective.

(d) Debt or Asset Distributions. (1) In case the Corporation shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness or assets (including securities, but excluding any rights, options or warrants referred to in paragraph (b) of this Section 9(ii), any dividend or distribution paid exclusively in cash and any dividend, shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit in the case of a Spin-Off referred to in the next subparagraph, or distribution referred to in paragraph (a) of this Section 9(ii)), the Conversion Rate shall be increased by dividing the Conversion Rate in effect immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution by a fraction, the numerator of which shall be the Current Market Price per share of the Common Stock on the date fixed for such determination less the then fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution filed with the Transfer Agent) of the portion of the assets or evidences of

indebtedness so distributed applicable to one share of Common Stock and the denominator of which shall be such Current Market Price per share of Common Stock, such adjustment to become effective immediately prior to the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such distribution. In any case in which this subparagraph (d)(1) is applicable, subparagraph (d)(2) of this Section 9(ii) shall not be applicable.

(2) In the case of a Spin-Off, the Conversion Rate in effect immediately before the close of business on the record date fixed for determination of stockholders entitled to receive that distribution will be increased by multiplying the Conversion Rate by a fraction, the numerator of which is the Current Market Price per share of Common Stock plus the Fair Market Value (as defined below) of the portion of those shares of Capital Stock or similar equity interests so distributed applicable to one share of Common Stock and the denominator of which is the Current Market Price per share of Common Stock. Any adjustment to the Conversion Rate under this subparagraph (d)(2) will occur at the earlier of (A) the tenth Trading Day from, and including the effective date of, the Spin-Off and (B) the date of the securities being offered in the Initial Public Offering of the Spin-Off, if that Initial Public Offering is effected simultaneously with the Spin-Off.

(e) Cash Distributions. In case the Corporation shall (1) by dividend or otherwise, distribute to all holders of its Common Stock cash (excluding any cash that is distributed in a Reorganization Event to which Section 9(iii) applies or as part of a distribution referred to in paragraph (d) of this Section 9(ii)) in an aggregate amount that combined together with (2) the aggregate amount of any other distributions to all holders of its Common Stock made exclusively in cash within the 12 months preceding the date of payment of such distribution and in respect of which no adjustment pursuant to this paragraph (e) or paragraph (f) of this Section 9(ii) has been made and (3) the aggregate of any such cash plus the fair market value, as of the date of the expiration of the tender or exchange offer referred to below (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution), of the consideration payable in respect of any tender or exchange offer by the Corporation or any of its subsidiaries for all or any portion of the Common Stock concluded within the 12 months preceding the date of payment of the distribution described in clause (1) of this paragraph (e) and in respect of which no adjustment pursuant to this paragraph (e) or paragraph (f) of this Section 9(ii) has been made, exceeds 15% of the product of the Current Market Price (as defined below) per share of Common Stock on the date for the determination of Holders of Common Stock entitled to receive such distribution times the number of shares of Common Stock outstanding on such date, then and in each such case, immediately after the close of business on such date for determination, the Conversion Rate shall be increased so that the same shall equal the rate determined by dividing the Conversion Rate in effect immediately prior to the close of business on the date fixed for determination of the stockholders entitled to receive such distribution by a fraction (A) the numerator of which shall be equal to the Current Market Price per share of Common Stock on the date fixed for such determination less an amount equal to the quotient of (x) the combined amount distributed or payable in the transactions described in clauses (1), (2) and (3) of this paragraph (e) and (y) the number of shares of Common Stock outstanding on such date for determination and (B) the denominator of which shall be equal to the Current Market Price per share of Common Stock on such date for determination.

(f) Tender Offers. In case (1) a tender or exchange offer made by the Corporation or any subsidiary of the Corporation for all or any portion of the Common Stock shall expire and such tender or exchange offer (as amended upon the expiration thereof) shall require the payment to holders (based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of Purchased Shares (as defined below)) of an aggregate consideration having a fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) that combined together with (2) the aggregate of such payment plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution), as of the expiration of such tender or exchange offer, of consideration payable in respect of any other tender or exchange offer by the Corporation or any subsidiary of the Corporation for all or any portion of the Common Stock expiring within the 12 months preceding the expiration of such tender or exchange offer and in respect of which no adjustment pursuant to paragraph (e) of this Section 9(ii) or this paragraph (f) has been made and (3) the aggregate amount of any distributions to all Holders of the Corporation's Common Stock made exclusively in cash within the 12 months preceding the expiration of such tender or exchange offer and in respect of which no adjustment pursuant to paragraph (e) of this Section 9(ii) or this paragraph (f) has been made, exceeds 15% of the product of the Current Market Price per share of Common Stock as of the last time (the "Expiration Time") tenders could have been made pursuant to such tender or exchange offer (as it may be amended) times the number of shares of Common Stock outstanding (including any tendered shares) on the Expiration Time, then, and in each such case, immediately prior to the opening of business on the day after the date of the Expiration Time, the Conversion Rate shall be adjusted so that the same shall equal the rate determined by dividing the Conversion Rate immediately prior to the close of business on the date of the Expiration Time by a fraction (A) the numerator of which shall be equal to (x) the product of (I) the Current Market Price per share of Common Stock on the date of the Expiration Time and (II) the number of shares of Common Stock outstanding (including any tendered shares) on the Expiration Time less (y) the amount of cash plus the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the transactions described in clauses (1), (2) and (3) of this paragraph (f) (assuming in the case of clause (1) the acceptance, up to any maximum specified in the terms of the tender or exchange offer, of Purchased Shares), and (B) the denominator of which shall be equal to the product of (x) the Current Market Price per share of Common Stock as of the Expiration Time and (y) the number of shares of Common Stock outstanding (including any tendered shares) as of the Expiration Time less the number of all shares validly tendered and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares").

(g) Reclassification. The reclassification of Common Stock into securities including securities other than Common Stock (other than any reclassification upon a Reorganization Event to which Section 9(iii) applies) shall be deemed to involve (1) a distribution of such securities other than Common Stock to all Holders of Common Stock

(and the effective date of such reclassification shall be deemed to be "the date fixed for the determination of stockholders entitled to receive such distribution" and the "date fixed for such determination" within the meaning of paragraph (d) of this Section 9(ii)), and (2) a subdivision, split or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision or split becomes effective" or "the day upon which such combination becomes effective," as the case may be, and "the day upon which such subdivision, split or combination becomes effective" within the meaning of paragraph (c) of this Section 9(ii)).

(h) Calculation of Adjustments. All adjustments to the Conversion Rate shall be calculated to the nearest 1/10,000th of a share of Common Stock (or if there is not a nearest 1/10,000th of a share to the next lower 1/10,000th of a share). No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% therein; provided, that any adjustments which by reason of this subparagraph are not required to be made shall be carried forward and taken into account in any subsequent adjustment. If an adjustment is made to the Conversion Rate pursuant to paragraph (a), (b), (c), (d), (e), (f), (g) or (i) of this Section 9(ii), an adjustment shall also be made to the Average Market Price solely to determine which of clauses (a), (b) or (c) of the definition of Conversion Rate will apply on the Conversion Date. Such adjustment shall be made by multiplying the Average Market Price by a fraction, the numerator of which shall be the Conversion Rate immediately after such adjustment pursuant to paragraph (a), (b), (c) (d), (e), (f), (g) or (i) of this Section 9(ii) and the denominator of which shall be the Conversion Rate immediately before such adjustment; provided, that if such adjustment to the Conversion Rate is required to be made pursuant to the occurrence of any of the events contemplated by paragraph (a), (b), (c), (d), (e), (f) or (g) of this Section 9(ii) during the period taken into consideration for determining the Average Market Price, appropriate and customary adjustments shall be made to the Conversion Rate.

(i) Increase of Conversion Rate. The Corporation may make such increases in the Conversion Rate, in addition to those required by this Section 9(ii), as it considers to be advisable in order to avoid or diminish any income tax to any Holders of Common Stock resulting from any dividend or distribution of stock or issuance of rights or warrants to purchase or subscribe for stock or from any event treated as such for income tax purposes or for any other reasons. The Corporation shall have the power to resolve any ambiguity or correct any error in this Section 9(ii) and its action in so doing, as evidenced by a resolution of the Board of Directors, shall be final and conclusive.

(j) Notice of Adjustment. Whenever the Conversion Rate is adjusted in accordance with Section 9(ii), the Corporation shall: (i) forthwith compute the Conversion Rate in accordance with Section 9(ii), and prepare and transmit to the Transfer Agent an Officer's Certificate setting forth the Conversion Rate, the method of calculation thereof in reasonable detail, and the facts requiring such adjustment and upon which such adjustment is based; and (ii) as soon as practicable following the occurrence of an event that requires an adjustment to the Conversion Rate pursuant to Sections 9(ii)

(or if the Corporation is not aware of such occurrence, as soon as practicable after becoming so aware) provide a written notice to the Holders of this Series of the occurrence of such event and a statement setting forth in reasonable detail the method by which the adjustment to the Conversion Rate was determined and setting forth the adjusted Conversion Rate.

(iii) In the event of:

(a) any consolidation or merger of the Corporation with or into another person (other than a merger or consolidation in which the Corporation is the surviving corporation and in which the Common Stock outstanding immediately prior to the merger or consolidation is not exchanged for cash, securities or other property of the Corporation or another corporation); or

(b) any sale, transfer, lease or conveyance to another person of the property of the Corporation as an entirety or substantially as an entirety; or

(c) any statutory exchange of securities of the Corporation with another person (other than in connection with a merger or acquisition) (any such event, a "Reorganization Event"):

each share of this Series outstanding immediately prior to such Reorganization Event shall, after such Reorganization Event, be convertible solely into the kind and amount of securities, cash and other property receivable in such Reorganization Event (without any interest thereon, and without any right to dividends or distribution thereon that have a record date that is prior to the Conversion Date) by a holder of the number of shares of Common Stock (including fractional shares for this purpose) into which such share of this Series (x) might have been converted immediately prior to such Reorganization Event pursuant to Section 7(i), in the case of any conversion of a share of this Series at the option of the Holder thereof, or (y) would have been converted pursuant to Section 6(i) if the Conversion Date had occurred immediately prior to such Reorganization Event, in the case of the mandatory conversion of a share of this Series on the Conversion Date, assuming in each case that such holder of such shares of Common Stock (1) is not a person with which the Corporation consolidated or into which the Corporation merged or which merged into the Corporation or to which such sale or transfer was made, as the case may be (any such person, a "Constituent Person"), or an Affiliate (as defined below) of a Constituent Person to the extent such Reorganization Event provides for different treatment of Common Stock held by Affiliates of the Corporation and non-Affiliates, and (2) failed to exercise his rights of election, if any, as to the kind or amount of securities, cash and other property receivable upon such Reorganization Event (provided that if the kind or amount of securities, cash and other property receivable upon such Reorganization Event is not the same for each share of Common Stock held immediately prior to such Reorganization Event by other than a Constituent Person or an Affiliate thereof and in respect of which such rights of election shall not have been exercised ("Non-electing Share"), then for the purpose of this Section 9(iii) the kind and amount of securities, cash and other property receivable upon such Reorganization Event by each Non-electing Share shall be deemed to be the kind and amount so receivable per share by a plurality of the Non-electing Shares).

In the event of such a Reorganization Event, the person formed by such consolidation, merger or exchange or the person which acquires the assets of the Corporation shall execute and deliver to the Transfer Agent an agreement supplemental hereto providing that the Holder of each share of this Series shall have the rights provided by this Section 9(iii). Such supplemental agreement shall provide for adjustments which, for events subsequent to the effective date of such supplemental agreement, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 9. The above provisions of this Section 9(iii) shall similarly apply to successive Reorganization Events.

10. Definitions.

(i) "Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act of 1933, as amended, or any successor rule thereunder.

(ii) "Authorized Newspaper" means a newspaper customarily published at least once a day for at least five days in each calendar week and of general circulation in New York City. Such publication (which may be in different newspapers) is expected to be made in the Eastern edition of *The Wall Street Journal*.

(iii) The "Average Market Price" means the average of the Closing Prices (as defined below) per share of the Common Stock on each of the 20 consecutive Trading Days (as defined below) ending on the third Trading Day immediately preceding (a) June 15, 2006 or, if earlier, the date immediately prior to a Reorganization Event with respect to a conversion pursuant to Section 6 or (b) the date immediately prior to a Cash Merger with respect to a conversion pursuant to Section 8.

(iv) "Business Day" means any day other than a Saturday or Sunday or any other day on which banks in The City of New York are authorized or required by law or executive order to close.

(v) The "Closing Price" of the Common Stock or any securities distributed in a Spin-Off, as the case may be, on any date of determination means the closing sale price (or, if no closing price is reported the last reported sale price) per share on the New York Stock Exchange ("NYSE") on such date or, if such security is not quoted for trading on NYSE on any such date, as reported in the composite transactions for the principal United States securities exchange on which such security is so listed or quoted, or if such security is not so listed or quoted on a United States national or regional securities exchange, as reported by NYSE, or, if such security is not so reported, the last quoted bid price for the such security in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or, if such bid price is not available, the market value of such security on such date as determined by a nationally recognized independent investment banking firm retained for this purpose by the Corporation.

(vi) "Corporate Trust Office" means the principal corporate trust office of the Transfer Agent at which, at any particular time, its corporate trust business shall be administered.

(vii) "Current Market Price" means (a) on any day the average of the Closing Prices for the five consecutive Trading Days preceding the earlier of the day preceding the day in question and the day before the "ex date" with respect to the issuance or distribution requiring

computation, (b) in the case of any Spin-Off that is effected simultaneously with an Initial Public Offering of the securities being distributed in the Spin-Off, the Closing Price of the Common Stock on the Trading Day on which the initial public offering price of the securities being distributed in the Spin-Off is determined, and (c) in the case of any other Spin-Off, the average of the Closing Prices of the Common Stock over the first 10 Trading Days after the effective date of such Spin-Off. For purposes of this paragraph, the term "ex date," when used with respect to any issuance or distribution, shall mean the first date on which the Common Stock trades regular way on such exchange or in such market without the right to receive such issuance or distribution.

(viii) "Fair Market Value" means (a) in the case of any Spin-Off that is effected simultaneously with an Initial Public Offering of such securities, the initial public offering price of those securities, and (b) in the case of any other Spin-Off, the average of the Closing Prices of those securities over the first 10 Trading Days after the effective date of such Spin-Off.

(ix) "Holder" means the person in whose name any shares of this Series are registered in the books and records of the Corporation.

(x) "Initial Public Offering" means the first time securities of the same class or type as the securities being distributed in the Spin-Off are offered to the public for cash.

(xi) "Spin-Off" means a dividend or other distribution of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit of the Corporation.

(xii) "Trading Day" means a day on which the Common Stock (A) is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business and (B) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Stock.

(xiii) "Transfer Agent" shall be the Shareholder Services Division of the Corporation unless and until a successor is selected by the Corporation, and then such successor.

11. Fractional Shares.

No fractional Common Stock shall be issued upon the conversion of any shares of this Series. In lieu of any fraction of a share of Common Stock that would otherwise be issuable in respect of the aggregate number of shares of this Series surrendered by the same Holder upon a conversion as described in Sections 7(i), 8 or 9(i), such Holder shall have the right to receive an amount in cash (computed to the nearest cent) equal to the same fraction of (a) in the case of Section 9(i), the Current Market Price or (b) in the case of Sections 7(i) or 8, the Closing Price of the Common Stock determined as of the second Trading Day immediately preceding the effective date of conversion.

12. Miscellaneous.

(i) Procedures for conversion of shares of this Series, in accordance with Sections 6, 7 or 8, not held in certificated form will be governed by arrangements among the depositary, participants and persons that may hold beneficial interests through participants designed to permit conversion without the physical movement of certificates. Payments, transfers, deliveries, exchanges and other matters relating to beneficial interests in global security certificates may be subject to various policies and procedures adopted by the depositary from time to time.

(ii) The liquidation preference and the annual dividend rate set forth herein, each shall be subject to equitable adjustment whenever there shall occur a stock split, combination, reclassification or other similar event involving this Series. Such adjustments shall be determined in good faith by the Board of Directors and submitted by the Board of Directors to the Transfer Agent.

(iii) For the purposes of Section 9, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Corporation will not pay any dividend or make any distribution with respect to shares held in treasury.

(iv) If the Corporation shall take any action affecting the Common Stock, other than action described in Section 9, that in the opinion of the Board of Directors would materially adversely affect the conversion rights of the Holders of the shares of this Series, then (x) the Conversion Rate, (y) the number of shares of Common Stock to be delivered on an early conversion as set forth in Sections 7 or 8 and/or (z) the number of shares of Common Stock to be delivered on mandatory conversion if there has been a Conversion Date Deferral as set forth in Section 6(ii) may each be adjusted, to the extent permitted by law, in such manner, if any, and at such time, as the Board of Directors may determine to be equitable in the circumstances.

(v) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Common Stock for the purpose of effecting conversion of this Series, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of this Series not theretofore converted. For purposes of this Section 12(v), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of this Series shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(vi) The Corporation covenants that any shares of Common Stock issued upon conversion of shares of this Series shall be validly issued, fully paid and non-assessable.

(vii) The Corporation shall endeavor to list the shares of Common Stock required to be delivered upon conversion of shares of this Series, prior to such delivery, upon each national securities exchange or quotation system, if any, upon which the outstanding shares of Common Stock are listed at the time of such delivery.

(viii) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock or other securities or property on conversion of shares of this Series pursuant thereto; provided, however,

that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock or other securities or property in a name other than that of the Holder of this Series to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax or established, to the reasonable satisfaction of the Corporation, that such tax has been paid.

(ix) This Series is not redeemable.

(x) All shares of this Series shall be deemed outstanding, except from the date of registration of transfer, all shares of this Series held of record by the Corporation or any subsidiary of the Corporation.

(xi) Whenever possible, each provision hereof shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision hereof is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or otherwise adversely affecting the remaining provisions hereof. If a court of competent jurisdiction should determine that a provision hereof would be valid or enforceable if a period of time were extended or shortened or a particular percentage were increased or decreased, then such court may make such change as shall be necessary to render the provision in question effective and valid under applicable law.

(xii) This Series may be issued in fractions of a share which shall entitle the Holder, in proportion to such Holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and have the benefit of all other rights of Holders of this Series.

(xiii) Subject to applicable escheat laws, any monies set aside by the Corporation in respect of any payment with respect to shares of this Series, or dividends thereon, and unclaimed at the end of two years from the date upon which such payment is due and payable shall revert to the general funds of the Corporation, after which reversion the Holders of such shares shall look only to the general funds of the Corporation for the payment thereof. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time.

(xiv) Except as may otherwise be required by law, the shares of this Series shall not have any voting powers, preferences and relative, participating, optional or other special rights, other than those specifically set forth in this Certificate of Designation.

(xv) The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

(xvi) If any of the voting powers, preferences and relative participating, optional and other special rights of this Series and qualifications, limitations and restrictions thereof set forth herein is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other voting powers, preferences and relative participating, optional and other special rights of this Series and qualifications, limitations and restrictions thereof set forth herein that can be given effect without the invalid, unlawful or unenforceable voting powers, preferences and relative participating, optional and other special rights of this Series and qualifications, limitations and restrictions thereof shall, nevertheless, remain in full force and effect, and no voting powers, preferences and relative participating, optional or other special rights of this Series and qualifications, limitations and restrictions thereof herein set forth shall be deemed dependent upon any other such voting powers, preferences and relative participating, optional or other special rights of this Series and qualifications limitations and restrictions thereof unless so expressed herein.

(xvii) Shares of this Series that have been issued and reacquired in any manner, including shares purchased or exchanged or converted, shall (upon compliance with any applicable provisions of the laws of Delaware) have the status of authorized but unissued shares of preferred stock of the Corporation undesignated as to series and may be designated or redesignated and issued or reissued, as the case may be, as part of any series of preferred stock of the Corporation, provided that any issuance of such shares as this Series must be in compliance with the terms hereof.

(xviii) If any certificates of shares of this Series shall be mutilated, lost, stolen or destroyed, the Corporation shall issue, in exchange and in substitution for and upon cancellation of the mutilated certificates of shares of this Series, or in lieu of and substitution for certificates of this Series lost, stolen or destroyed, a new certificate of this Series and of like tenor and representing an equivalent amount of shares of this Series, but only upon receipt of evidence of such loss, theft or destruction of such certificate of this Series and indemnity, if requested, satisfactory to the Corporation and the Transfer Agent. The Corporation is not required to issue any certificates representing shares of this Series on or after the Conversion Date. In place of the delivery of a replacement certificate following the Conversion Date, the Transfer Agent, upon delivery of the evidence and indemnity described above, will deliver shares of Common Stock pursuant to the terms of this Series evidenced by the certificate.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation to be signed in its name and on its behalf as of this 6th day of February, 2003 by a duly authorized officer of the Corporation.

UNITED STATES STEEL CORPORATION

/s/ Gretchen R. Haggerty
By: G. R. Haggerty
Title: Senior Vice President & Treasurer

Exhibit 10(a)

UNITED STATES STEEL CORPORATION 2002 STOCK PLAN

1. Objectives. The United States Steel Corporation 2002 Stock Plan (the "Plan") is designed:

(a) to promote the long-term financial interests and growth of the Corporation and subsidiaries by attracting and retaining management personnel with the training, experience and ability to enable them to make a substantial contribution to the success of the Corporation's businesses;

(b) to motivate management personnel by means of growth-related incentives to achieve long-range growth goals; and

(c) to further the identity of interests of participants with those of the stockholders of the Corporation through opportunities for increased stock ownership in the Corporation.

2. Definitions.

(a) Board. The Board of Directors of United States Steel Corporation;

(b) Committee. The Compensation & Organization Committee of the Board of Directors of United States Steel Corporation, which will consist of not less than three directors of the Corporation who are appointed by the Board of Directors and who will satisfy the definition of "non-employee director" under Rule 16b-3 promulgated under the Securities Exchange Act of 1934 or any successor rule. In addition, in order to be a member of the Committee, a director must be an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder;

(c) Corporation. United States Steel Corporation (USS) and its (1) wholly-owned and partially-owned subsidiaries including limited liability companies ("Subsidiaries") and wholly-owned and partially-owned subsidiaries, direct and indirect, of Subsidiaries, and (2) joint ventures included within USS or any entity described in (1) above;

(d) Fair Market Value. Such value of a Share as reported for stock exchange transactions and determined in accordance with any applicable resolutions or regulations of the Committee in effect at the relevant time;

(e) Grant. A Grant made under the Plan to a Participant in the form of an Option, Restored Option, Stock Appreciation Right or Restricted Stock or any combination thereof;

(f) Participant. An employee of the Corporation to whom a Grant is made;

(g) Share. A share of Steel Stock, which may be authorized but unissued or issued and reacquired; and

(h) Steel Stock. United States Steel Corporation Common Stock, par value $1.00.

3. Eligibility. Employees of the Corporation eligible for a Grant under the Plan are all executive officers and others in responsible positions whose performance, in the judgment of the Committee, affects the Corporation's success.

4. Administration. The Plan shall be administered by the Committee in accordance with Rule 16b-3 promulgated under the Securities Exchange Act of 1934 or any successor rule. The Committee shall determine the type or types of Grants to be made to each Participant and shall set forth in such Grant the terms, conditions and limitations applicable to it, including provisions relating to change in control of the Corporation. Grants may be made singly, in combination or in tandem. The Committee shall have full and exclusive power to interpret the Plan, to adopt rules, regulations and guidelines relating to the Plan, to grant waivers of Plan restrictions, other than the restrictions described in Paragraph 10, and to make all of the determinations necessary for its administration.

5. Shares Subject to the Plan. Up to 10,000,000 Shares shall be available for Grants while the Plan is in effect. In addition, Shares related to Grants that are forfeited, terminated, cancelled, expire unexercised, settled in cash in lieu of stock or in such manner that all or some of the Shares covered by a Grant are not issued to a Participant shall immediately become available for Grants, and these Shares, as well as any unused portion of the percentage limit of Shares in any calendar year, shall be carried forward and available for Grants in succeeding calendar years. During any calendar year, no Participant shall be awarded Grants pursuant to Paragraphs 7, 8, 9 and 10 hereof with respect to more than 800,000 Shares of stock.

6. Delegation of Authority. The Committee may delegate to the Stock Option Officer and to other senior officers of the Corporation its duties under the Plan subject to such conditions and limitations as the Committee shall prescribe except that only the Committee may designate and make Grants to Participants who are subject to Section 16 of the Securities Exchange Act of 1934.

7. Option. A right to purchase a specified number of Shares at not less than 100% of Fair Market Value on the date of the Grant. All Options will be Non-Qualified Options. Full payment for Shares purchased shall be made at the time of the exercise of the Option, in whole or in part. Payment of the purchase price shall be made in cash or in such other form as the Committee may approve, including Shares valued at the Fair Market Value of the Shares on the date of exercising the Option. No Option shall have a term exceeding eight years from the date of grant or be exercisable prior to the expiration of one year from the date of grant, and, without prior stockholder approval, no Option shall be repriced either by lowering the exercise price of a previously granted Option or by cancelling and regranting the Option except as provided for in Paragraph 13.

8. Restored Option. An Option issued as a result of the exercise of an Option for which the purchase price is paid wholly in previously owned Shares of the stock of the underlying Option. Upon such an exercise, a Restored Option shall be granted with respect to Shares of the stock of the underlying Option, equal to the number of Shares actually used to exercise the underlying Option or portion thereof plus any Shares withheld for the payment of taxes. A Restored Option (1) shall have an Option price equal to the Fair Market Value of the stock of the underlying Option on the date of exercise, (2) shall have the same expiration date as the underlying Option and (3) shall not be exercisable prior to the expiration of one year from the date of grant. Grants and exercises of Restored Options shall be subject to such other restrictions as shall be determined by the Committee.

9. Stock Appreciation Right. A right to receive a payment in cash and/or Shares equal to the excess of the Fair Market Value of a Share on the date the Stock Appreciation Right (SAR) is exercised over the Fair Market Value of a Share at the date of the SAR Grant for a specified number of Shares; provided, that for any SAR exercised during the 10-business-day period beginning on the third business day following the release of USS's quarterly earnings, the Committee may, in its sole discretion, establish a uniform Fair Market Value of a Share for such period which shall not be more than the highest daily Fair Market Value and shall not be less than the lowest daily Fair Market Value during such 10-business-day period. No Stock Appreciation Right shall be exercisable prior to the expiration of one year from the date of grant. "Business

day” shall mean all calendar days except Saturdays, Sundays and national holidays.

10. Restricted Stock. An award of Shares for no cash consideration, if permitted by applicable law, or for such other consideration as determined by the Committee. Each award shall be subject to: the condition that the Participant’s continuous service with the Corporation continue for at least one year following the date of such award; vesting restrictions based on achievement of business objectives, Corporation performance and other criteria; and provisions for forfeiture and non-transfer. Subject to such forfeiture and transfer restriction provisions as may be established by the Committee, any Participant receiving an award shall have all the rights of a stockholder of the Corporation with respect to Shares of Restricted Stock, including the right to vote the Shares and the right to receive any cash dividends thereon. During the period January 1, 2002 through December 31, 2006, no more than 1,400,000 Shares of Restricted Stock shall be granted.

Each award of Restricted Stock under this Plan shall remain unvested until the Committee vests the Shares based upon the specific performance measures outlined in the table below. The Committee has the authority to adopt, in accordance with regulations established under the Code, applicable target levels under these performance measures and the percentage of Restricted Stock to be vested for attaining these target levels. The Committee reserves the right to reduce the percentage of Restricted Shares to be vested for a Participant. Shares of Restricted Stock under this Plan will be vested only after the Committee certifies in writing that the applicable performance measures have been satisfied. No Shares of Restricted Stock shall be vested prior to the expiration of one year from the date of grant. In the case of a change in control of the Corporation, all restrictions shall terminate.

Income from operations as % of capital employed
Income from operations per ton shipped
Operating cash flow as % of capital employed
Safety performance

11. Assumptions and Conversions. Options and restored options to purchase USX-U. S. Steel Group Common Stock and stock appreciation rights with respect to USX-U. S. Steel Group Common Stock that were granted under the USX Corporation 1990 Stock Plan and that remain unexercised on December 31, 2001, shall, effective January 1, 2002, be assumed by the Corporation and shall be deemed to constitute Options and Restored Options to purchase, and Stock Appreciation Rights with respect to Shares, and shall be subject to the same terms and conditions as the options, restored options and stock appreciation rights being assumed. The Options and Restored Options will cover the same number of Shares and have the same exercise prices as the options and restored options to purchase shares of USX-U. S. Steel Group Common Stock that are being assumed, provided that the number of Shares and/or the exercise prices will be adjusted by the Committee, if necessary, so that (i) the aggregate intrinsic value of the Options and Restored Options on January 1, 2002 is not greater than the aggregate intrinsic value of the options and restored options being assumed immediately before January 1, 2002, and (ii) the ratio of the exercise price per share to the market value per share is not reduced. Any such adjustments will be based on the closing price per share of USX-U. S. Steel Group Common Stock on the last trading day before January 1, 2002 relative to the opening price per share of Shares on the next trading day. These assumptions shall not represent Grants under Paragraph 5 or 10 hereof. Also, Shares of Restricted Stock into which restricted shares of USX-U. S. Steel Group Common Stock awarded under the USX Corporation 1990 Stock Plan are converted on January 1, 2002 shall be subject to the same terms and conditions as the restricted shares being converted.

12. Transfer. No Grant may be assigned, pledged or transferred other than by will or by the laws of descent and distribution and during a Participant’s lifetime shall be exercisable only by the Participant or his or her guardian or legal representative.

13. Adjustments. In the event of any change in the outstanding common stock of USS by reason of a stock split, stock dividend, stock combination or reclassification, recapitalization or merger, or similar event, the Committee may adjust appropriately the number of Shares available for or covered by Grants and Share prices related to outstanding Grants and make such other revisions to outstanding Grants as it deems are equitably required.

14. Tax Withholding. The Corporation shall have the right to deduct applicable taxes from any cash payment under this Plan which are required to be withheld and further to condition the obligation to deliver or the vesting of Shares under this Plan upon the Participant paying USS such amount as it may request to satisfy any liability for applicable withholding taxes. Participants may elect to have USS withhold Shares to satisfy all or part of their withholding liability in the manner and to the extent provided for by the Committee at the time of such election.

15. Amendments. The Committee shall have the authority to make such amendments to any terms and conditions applicable to outstanding Grants as are consistent with this Plan provided that, except for adjustments under Paragraph 13 hereof, no such action shall modify such Grant in a manner adverse to the Participant without the Participant’s consent except as such modification is provided for or contemplated in the terms of the Grant.

The Board may amend, suspend or terminate the Plan except that no such action may be taken (other than as provided in Paragraph 13) which would, without stockholder approval, increase the aggregate number of Shares available for Grants under the Plan; decrease the price of Options, Restored Options or SARs; change the requirements relating to the Committee; or extend the term of the Plan.

16. Effective and Termination Dates. Subject to approval by the stockholders, the Plan shall be effective on January 1, 2002 and shall terminate on December 31, 2006, subject to earlier termination by the Board pursuant to Paragraph 15.

Exhibit 10(b)

United States Steel Corporation Senior Executive Officer
Annual Incentive Compensation Plan

1. Purpose

The objectives of the Senior Executive Officer Annual Incentive Compensation Plan (the “Plan”) are to advance the interests of the Corporation by providing Plan Participants with annual incentive opportunities linked directly to specific results. It is intended that the Plan will:

(a) reinforce the Corporation’s goal-setting and strategic planning process,

(b) recognize the efforts of senior executive officers in achieving objectives, and

(c) aid in attracting and retaining competent senior executive officers, thus ensuring the long-range success of the Corporation.

2. Definitions

The following definitions will apply:

Award -	An award granted under the Senior Executive Officer Annual Incentive Compensation Plan.
Board -	The Board of Directors of United States Steel Corporation.
Committee -	The Compensation & Organization Committee of the Board of Directors of United States Steel Corporation, which will consist of not less than three directors of the Corporation who are appointed by the Board of Directors and who will not be and will not have been an officer or an employee of the Corporation. In addition, in order to be a member of the Committee, a director must be an “outside director” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations thereunder.
Corporation -	United States Steel Corporation, together with any 80% or more owned subsidiary companies.
Participant -	A senior executive officer who is eligible to receive incentive compensation under the Plan.

3. Administration

The Committee will administer the Plan and will make all other determinations necessary under the Plan. Determinations made by the Committee will be final and binding upon Participants and their legal representatives and, in the case of deceased Participants, upon their executors, administrators, estates, beneficiaries, heirs and legatees. The terms and provisions of the Plan will be construed under and controlled by the law of the Commonwealth of Pennsylvania.

4. Participants

Participants in the Plan are employees who served the Corporation in one of the positions listed below for at least a portion of the year for which Awards are made:

Chairman
Chief Executive Officer
President
Vice Chairmen
Chief Operating Officer
Chief Financial Officer
Chief Legal Officer
Executive Vice Presidents
Senior Vice Presidents

Awards made to individuals who die (in which case the Award will be made to the estate of the Participant) or retire during the year will be prorated based on the period of active employment. An employee who is a participant in any other cash incentive plan for a year or portion thereof may not participate in the Plan for the same year or portion thereof.

5. Determination of Awards

Each Award granted under the Plan will be based upon the performance of the Corporation. Performance will be evaluated using the specific performance measures outlined in the table below. The Committee has the authority to adopt, in accordance with regulations established under the Code, applicable target levels under these performance measures and the amounts to be awarded for attaining these target levels.

The Committee reserves the right to reduce the amount of an Award or eliminate an Award that would otherwise be payable to a Participant under the Plan. In no event will the amount of an Award payable to a Participant for a year exceed $3.0 million.

Applicable Performance Measures
Income From Operations
Steel Shipments
Worker Safety (Injury Frequency Rate)
Toxic Emissions Improvements

Work Force Diversity

Common Stock Performance

6. Payment of Awards

Awards can be paid under the Plan only after the Committee certifies in writing that the applicable performance measures have been satisfied.

The Compensation Committee may permit deferral of receipt of all or any portion of an Award granted under the Plan for such period and under such conditions as the Committee may determine, including the payment of interest at a reasonable rate.

No Award will be paid to a Participant who quits or is discharged prior to payment of an Award.

Unless receipt is deferred, an Award will be paid in cash as soon as practicable following the determination of Awards. Awards are subject to income and payroll tax withholding.

Awards will not be considered as part of the Participant’s salary and will not be used in the calculation of any other pay, allowance or benefit except for provisions as stated under the Supplemental Pension Program.

7. Effective Date

Subject to approval by a majority of votes present in person or represented by proxy and entitled to vote on October 25, 2001, this Plan will have an effective date of January 1, 2002.

Exhibit 10(p)

FIRST AMENDMENT TO THE AMENDED
AND RESTATED RECEIVABLES PURCHASE AGREEMENT

THIS FIRST AMENDMENT, TO THE AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT, dated as of May 6, 2002 (this "Amendment"), is entered into by and among U.S. STEEL RECEIVABLES LLC, a Delaware limited liability company, as Seller (the "Seller"), UNITED STATES STEEL CORPORATION (as successor in interest to United States Steel LLC), a Delaware corporation as initial Servicer (in such capacity, together with its successors and permitted assigns in such capacity, the "Servicer"), each FUNDING AGENT listed on the signature pages hereto on behalf of their respective CP Conduit Purchasers and Committed Purchasers (collectively, the "Funding Agents") and THE BANK OF NOVA SCOTIA, a Canadian chartered bank acting through its New York Agency, as Collateral Agent for the CP Conduit Purchasers and Committed Purchasers (in such capacity, together with its successors and assigns in such capacity, the "Collateral Agent"). Capitalized terms used and not otherwise defined herein are used as defined in the Amended and Restated Receivables Purchase Agreement, dated as of November 28, 2001 (the "Agreement"), among the Seller, the Servicer, the CP Conduit Purchasers from time to time party thereto, the Committed Purchasers from time to time party thereto, the Funding Agents and the Collateral Agent.

WHEREAS, the parties hereto desire to amend the Agreement in certain respects as provided herein;

NOW THEREFORE, in consideration of the premises and other material covenants contained herein, the parties hereto agree as follows:

SECTION 1. Amendments.

A. Section 1.6(b) of the Agreement is hereby amended and restated in its entirety to read as follows:

"b. If at any time the Seller shall wish to cause the reduction of Capital of the Purchased Interest (but not to commence the liquidation, or reduction to zero, of the entire Capital of the Purchased Interest), the Seller may do so as follows:

(i) the Seller shall give each Funding Agent and the Servicer at least two Business Days' prior written notice thereof (including the amount of such proposed reduction and the proposed date on which such reduction will commence);

(ii) on the proposed date of commencement of such reduction and on each day thereafter, the Servicer shall cause Collections not to be reinvested pursuant to Section 1.4 or 1.5, as applicable, until the amount thereof not so reinvested shall equal the desired amount of reduction; and

(iii) the Servicer shall hold such Collections in trust in the Concentration Account (or, if required pursuant to Section 1.5, transfer to the Collection Account) for the benefit of the Purchasers, for payment to each applicable Funding Agent ratably (according to the outstanding Net Investment of each Purchaser relating to such Funding Agent) on the next Settlement Date immediately following the current Settlement Period, and the Capital (and each applicable Net Investment) of the Purchased Interest shall be deemed reduced in the amount to be paid to the Funding Agents only when in fact finally so paid;

provided, that:

(A) notwithstanding the requirement to make such a payment on a Settlement Date as described in clause (iii) above, the Seller may, prior to the occurrence and continuation of any Termination Event, so long as sufficient funds have been retained or deposited in the Collection Account therefor (including out of any funds of the Seller deposited therein and available therefor at such time), and so long as the Seller has provided each Funding Agent at least two Business Days prior written notice thereof (such notice to be received on or prior to 11:00 a.m. (New York Time) on such Business Day), make the payments (in accordance with such clause (iii) above, other than the requirement that such payments be made on a Settlement Date) to reduce the Capital (and each applicable Net Investment), on any day during such related Settlement Period prior to such Settlement Date, and shall (x) on the date of such payments, to the extent that any applicable Purchaser is funding its Net Investment (or any portion thereof) at such time through a source of funds which matures or is maturing on such date, pay to such Purchaser (or the applicable Funding Agent on its behalf) in respect of the accrued and unpaid Discount on such source of funds at such time, an amount equal to such Purchaser's ratable share of the Discount (with respect to such source of funds) being held by the Servicer or the Collateral Agent for the benefit of all Purchasers in respect of the aggregate Discount pursuant to Section 1.4 or 1.5, as the case may be, and (y) on the next succeeding Settlement Date relating to any applicable Net Investment for any Purchaser, pay to such Purchaser the amount, if any, of additional Discount related to the applicable Net Investment (or portion thereof) so reduced (and with respect to which the related source of funds therefor does not mature on the date of such repayment as described in clause (x) above), that would have accrued on such Net Investment (or portion thereof) through the maturity date of such related source of funds, or the portion so reduced (such amount, the applicable "Breakage Fee") (as notified to the Seller in writing on or prior to such Settlement Date by the applicable Funding Agent for such Purchaser) and payable at the time and in the same order of priority that Discount is payable on such date pursuant to Section 1.4 or 1.5, as the case may be; it being understood that any Purchaser who receives a Breakage Fee pursuant to clause (y) above on any Settlement Date, shall (or shall cause the applicable Funding Agent on its behalf), on or prior to the second Business Day following such Settlement Date on which such Breakage Fee was received, pay to the Seller an amount equal to the income, if any, received by such Purchaser (up to an amount not exceeding the applicable Breakage Fee paid with respect thereto), from investing the amounts received by it from the Seller to so reduce such Net

Investment (or portion thereof) in accordance with this paragraph (A), as determined by the applicable Funding Agent, which determination shall be binding and conclusive absent manifest error. In addition, if any such reduction payment is made prior to the related Settlement Date, the amount of any such reduction shall be not less than $5,000,000 (with respect to payments made to any Purchaser) and shall be an integral multiple of $1,000,000, and the Net Investment of any Purchaser after giving effect to such reduction, if not reduced to zero, shall be not less than $5,000,000 and shall be in an integral multiple of $500,000 and

(B) the Seller shall choose a reduction amount, and the date of commencement thereof, so that to the extent practicable such reduction shall commence and conclude in the same Settlement Period."

B. The term "Termination Fee" for all purposes of the Agreement and the other Transaction Documents, is hereby replaced with the term "Yield Protection Fee" in any place where it appears throughout such documents, and Exhibit I to the Agreement is hereby amended by amending and restating the definition of "Yield Protection Fee" (and placing it in the appropriate alphabetical order) in its entirety to read as follows:

""Yield Protection Fee" means, for any Settlement Period, with respect to any Net Investment, to the extent that (i) any payments are made by the Seller to a Purchaser (including payments made in accordance with the proviso in Section 1.6(b)(iii)) in respect of such Net Investment hereunder prior to the applicable maturity date of any Notes or other instruments or obligations used or incurred by such Purchaser to fund or maintain such Net Investment or (ii) any failure by the Seller to borrow, continue or prepay any Net Investment on the date specified in the related purchase notice delivered pursuant to Section 1.2 of the Agreement, the amount, if any, of the additional Discount related to such Net Investment that would have accrued through the maturity date of such Notes or other instruments or obligations on the portion thereof for which payments were received from the Seller (or with respect to which the Seller failed to borrow such amounts); it being understood that any Purchaser who receives any Yield Protection Fee as part of the Discount payable to it on any Settlement Date, shall (or shall cause the applicable Funding Agent on its behalf), on or prior to the second Business Day following such Settlement Date on which such Yield Protection Fee was received, pay to the Seller an amount equal to the income, if any, received by such Purchaser (up to an amount not exceeding the applicable Yield Protection Fee paid with respect thereto), from investing the amounts received by it from the Seller to so reduce such Net Investment (or portion thereof) or such amounts not so borrowed, as determined by the applicable Funding Agent, which determination shall be binding and conclusive absent manifest error."

C. The definition of "Discount" in Exhibit I to the Agreement is hereby amended and restated in its entirety to read as follows:

""Discount" means:

(a) for the Portion of Capital for any Settlement Period to the extent the applicable Purchaser will be funding such Portion of Capital during such Settlement Period through the issuance of Notes:

CPR x C x ED/360 + YPF

(b) for the Portion of Capital for any Settlement Period to the extent the Issuer will not be funding such Portion of Capital during such Settlement Period through the issuance of Notes:

AR x C x ED/Year + YPF

where:

AR	=	the applicable Alternate Rate for the Portion of Capital for such Settlement Period,
C	=	the relevant Portion of Capital during such Settlement Period,
CPR	=	the applicable CP Rate for the Portion of Capital,
ED	=	the actual number of days during such Settlement Period,
Year	=	if such Portion of Capital is funded based upon: (i) the Eurodollar Rate, 360 days, and (ii) the Base Rate, 365 or 366 days, as applicable, and
YPF	=	the Yield Protection Fee, if any, for the Portion of Capital for such Settlement Period;

provided, however, that during the occurrence and continuance of a Termination Event, the CP Rate shall not be available and Discount for the Portion of Capital shall be determined for each day in a Settlement Period using a rate equal to 2.00% per annum above the Eurodollar Rate (or, if for any reason, the Eurodollar Rate is not then available, the Base Rate) in effect on such day; provided, further, that no provision of the Agreement shall require the payment or permit the collection of Discount in excess of the maximum permitted by applicable law; and provided further, that Discount for the Portion of Capital shall not be considered paid by any distribution to the extent that at any time all or a portion of such distribution is rescinded or must otherwise be returned for any reason."

SECTION 2. Agreement in Full Force and Effect as Amended.

Except as specifically amended hereby, the Agreement shall remain in full force and effect. All references to the Agreement shall be deemed to mean the Agreement as modified hereby. This Amendment shall not constitute a novation of the Agreement, but shall constitute

an amendment thereof. The parties hereto agree to be bound by the terms and conditions of the Agreement, as amended by this Amendment, as though such terms and conditions were set forth herein.

SECTION 3. Miscellaneous.

A. This Amendment may be executed in any number of counterparts, and by the different parties hereto on the same or separate counterparts, each of which when so executed and delivered shall be deemed to be an original instrument but all of which together shall constitute one and the same agreement. The effectiveness of this Amendment is subject to the condition precedent that the Collateral Agent and the Funding Agents shall have received counterparts of this Amendment, duly executed by all parties hereto.

B. The descriptive headings of the various sections of this Amendment are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

C. This Amendment may not be amended or otherwise modified except as provided in the Agreement.

D. Each of the Collateral Agent and the Funding Agents do not waive and have not waived, and hereby expressly reserve, its right at any time to take any and all actions, and to exercise any and all remedies, authorized or permitted under the Agreement, as amended, or any of the other Transaction Documents, or available at law or equity or otherwise.

E. Any provision in this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

F. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING, WITHOUT LIMITATION, SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATION LAW).

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

UNITED STATES STEEL CORPORATION,
as initial Servicer

By: /s/ Gretchen R. Haggerty
Name: Gretchen R. Haggerty
Title: Senior Vice President & Controller

By: /s/ David C. Greiner
Name: David C. Greiner
Title: Assistant Treasurer

U.S. STEEL RECEIVABLES LLC, as Seller

By: /s/ David C. Greiner
Name: David C. Greiner
Title: Treasurer

FUNDING AGENTS AND PURCHASERS:

THE BANK OF NOVA SCOTIA, as a Committed Purchaser for Liberty Street Funding Corp., and as Funding Agent for Liberty Street Funding Corp. and The Bank of Nova Scotia, as Purchasers

By: /s/ Norman Last
Name: Norman Last
Title: Managing Director

LIBERTY STREET FUNDING CORP.,
as a CP Conduit Purchaser

By: /s/ Bernard J. Angelo
Name: Bernard J. Angelo
Title: Vice President

JPMORGAN CHASE BANK, as a Committed Purchaser for Delaware Funding Corporation and JPMorgan Chase Bank, as Purchasers

By: /s/ Bradley S. Schwartz
Name: Bradley S. Schwartz
Title: Managing Director

JPMORGAN CHASE BANK, as a Funding Agent for Delaware Funding Corporation

By: /s/ Christopher Lew
Name: Christopher Lew
Title: Assistant Vice President

JPMORGAN CHASE BANK, as attorney- in-fact for Delaware Funding Corporation, as a CP Conduit Purchaser

By: /s/ Bradley S. Schwartz
Name: Bradley S. Schwartz
Title: Managing Director

COLLATERAL AGENT:

THE BANK OF NOVA SCOTIA,
as Collateral Agent

By: /s/ Norman Last
Name: Norman Last
Title: Managing Director

SECOND AMENDMENT TO THE AMENDED
AND RESTATED RECEIVABLES PURCHASE AGREEMENT

THIS SECOND AMENDMENT TO THE AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT, dated as of November 27, 2002 (this "Amendment"), is entered into by and among U.S. STEEL RECEIVABLES LLC, a Delaware limited liability company, as seller (the "Seller"), UNITED STATES STEEL CORPORATION (formerly known as United States Steel LLC), a Delaware corporation as initial Servicer (in such capacity, together with its successors and permitted assigns in such capacity, the "Servicer"), each FUNDING AGENT listed on the signature pages hereto on behalf of their respective CP Conduit Purchasers and Committed Purchasers (collectively, the "Funding Agents") and THE BANK OF NOVA SCOTIA, a Canadian chartered bank acting through its New York Agency, as Collateral Agent for the CP Conduit Purchasers and Committed Purchasers (in such capacity, together with it successors and assigns in such capacity, the "Collateral Agent"). Capitalized terms used and not otherwise defined herein are used as defined in the Amended and Restated Receivables Purchase Agreement, dated as of November 28, 2001 (as amended through the date hereof, the "Agreement"), among the Seller, the Servicer, the CP Conduit Purchasers from time to time party thereto, the Committed Purchasers from time to time party thereto, the Funding Agents and the Collateral Agent.
x

WHEREAS, the parties hereto desire to amend the Agreement in certain respects as provided herein;

NOW THEREFORE, in consideration of the premises and other material covenants contained herein, the parties hereto agree as follows:

SECTION 1. Amendment.

A. The clause (a) of the definition of "Alternate Rate" in Exhibit I to the Agreement is hereby amended by replacing "2.0%" therein with "2.50%".

SECTION 2. Agreement in Full Force and Effect as Amended.

Except as specifically amended hereby, the Agreement shall remain in full force and effect. All references to the Agreement shall be deemed to mean the Agreement as modified hereby. This Amendment shall not constitute a novation of the Agreement, but shall constitute an amendment thereof. The parties hereto agree to be bound by the terms and conditions of the Agreement, as amended by this Amendment, as though such terms and conditions were set forth herein.

SECTION 3. Miscellaneous.

A. This Amendment may be executed in any number of counterparts, and by the different parties hereto on the same or separate counterparts, each of which when so executed and delivered shall be deemed to be an original instrument but all of which together shall constitute one and the same agreement. The effectiveness of this Amendment is subject to the condition precedent that the Collateral Agent and the Funding Agents shall have received counterparts of this Amendment, duly executed by all parties hereto.

B. The descriptive headings of the various sections of this Amendment are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

C. This Amendment may not be amended or otherwise modified except as provided in the Agreement.

D. Each of the Collateral Agent and the Funding Agents do not waive and have not waived, and hereby expressly reserve, its right at any time to take any and all actions, and to exercise any and all remedies, authorized or permitted under the Agreement, as amended, or any of the other Transaction Documents, or available at law or equity or otherwise.

E. Any provision in this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

F. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING, WITHOUT LIMITATION, SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATION LAW).

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

UNITED STATES STEEL CORPORATION,
as initial Servicer

By: /s/ G. R. Haggerty
Name: G. R. Haggerty
Title: Senior Vice President & Treasurer

By: /s/ L. T. Brockway
Name: L. T. Brockway
Title: Assistant Treasurer

U.S. STEEL RECEIVABLES LLC, as Seller

By: /s/ L. T. Brockway
Name: L. T. Brockway
Title: Vice President

FUNDING AGENTS AND PURCHASERS:

THE BANK OF NOVA SCOTIA, as a Committed Purchaser for Liberty Street Funding Corp., and as Funding Agent for Liberty Street Funding Corp. and The Bank of Nova Scotia, as Purchasers

By: /s/ Norman Last
Name: Norman Last
Title: Managing Director

LIBERTY STREET FUNDING CORP.,
as a CP Conduit Purchaser

By: /s/ Andrew L. Stidd
Name: Andrew L. Stidd
Title: President

JPMORGAN CHASE BANK, as a Committed Purchaser for Delaware Funding Corporation and JPMorgan Chase Bank, as Purchasers

By: /s/ Bradley S. Schwartz
Name: Bradley S. Schwartz
Title: Managing Director

JPMORGAN CHASE BANK, as a Funding Agent for Delaware Funding Corporation

By: /s/ Christopher Lew
Name: Christopher Lew
Title: Assistant Vice President

JPMORGAN CHASE BANK, as attorney-in-fact for Delaware Funding Corporation, as a CP Conduit Purchaser

By: /s/ Bradley S. Schwartz
Name: Bradley S. Schwartz
Title: Managing Director

COLLATERAL AGENT:

THE BANK OF NOVA SCOTIA,
as Collateral Agent

By: /s/ Norman Last
Name: Norman Last
Title: Managing Director

Exhibit 10(q)

EMPLOYMENT AND CONSULTING AGREEMENT

AGREEMENT by and between UNITED STATES STEEL CORPORATION (the "Corporation"), and Thomas J. Usher ("Mr. Usher"), dated as of February 13, 2003 (the "Agreement").

The Board of Directors of the Corporation (the "Board") has determined that it is in the best interests of the Corporation and its shareholders to assure that the Corporation will have the continued guidance and direction of Mr. Usher, both before and after his retirement from active employment; and Mr. Usher is willing to commit to render services to the Corporation pursuant to the terms and conditions set forth below in this Agreement.

1. Periods of this Agreement. This Agreement provides for the continued relationship of the Corporation and Mr. Usher for three successive periods. These three periods are: (a) the Employment Period, which shall extend from the date of this Agreement until Mr. Usher's retirement as an employee of the Corporation, to be not later than April 30, 2007; (b) the Chairmanship Period, which shall extend from the end of the Employment Period through April 30, 2007, on which date Mr. Usher shall retire from the Board; and (c) the Consulting Period, which shall extend from May 1, 2007 through April 30, 2009.

2. Employment Period. During the Employment Period, Mr. Usher shall continue to serve as Chairman of the Board of Directors & Chief Executive Officer of the Corporation. He shall receive an annual salary and shall continue to be eligible for bonuses under the Senior Executive Officer Annual Incentive Compensation Plan. He shall not receive any new grants of stock options or restricted stock other than as provided in this Agreement. As of the date of this Agreement, Mr. Usher shall receive a grant of options for 800,000 shares of the Corporation's common stock under the 2002 Stock Plan. The options shall have a term of eight years and a grant price equal to the average of the high and the low New York Stock Exchange trading prices on the date of this Agreement. In addition, he shall surrender as of the date of this Agreement all of his restricted shares of the Corporation's common stock (except those which are eligible for vesting in May 2003) and shall receive 150,000 shares of phantom stock (i.e., book entry units, each representing a share of the Corporation's common stock), which shall be paid to Mr. Usher as follows: Within five business days after each of the first and second anniversary dates of the date of this Agreement, Mr. Usher shall receive a cash payment in an amount equal to the fair market value of 75,000 of such shares. For this purpose, "fair market value" shall be defined as the average of the high and low New York Stock Exchange trading prices on the relevant anniversary date.

3. Chairmanship Period. During the Chairmanship Period, Mr. Usher shall serve as the non-executive Chairman of the Board of Directors of the Corporation. He shall receive for such service an annual retainer fee equal in amount to his annualized monthly salary in effect at the time of his retirement as an employee of the Corporation. Such retainer fee shall be paid on a quarterly basis with such quarterly payment to be made at the beginning of each three-month period. During this period, Mr. Usher shall not be eligible for awards under the Senior Executive Officer Annual Incentive Compensation Plan.

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4. Consulting Period. During the Consulting Period, Mr. Usher shall serve as a consultant to the Corporation and receive an annual consulting fee equal to half his annualized monthly salary in effect at the time of his retirement as an employee of the Corporation. Such consulting fee shall be paid on a quarterly basis with such quarterly payment made at the beginning of each three-month period.

5. Working Condition Fringes and Other Benefits. During both the Chairmanship Period and the Consulting Period, Mr. Usher shall be entitled to the same working condition fringes and other benefits as those provided to him by the Corporation during the Employment Period.

6. Pension Calculation. If Mr. Usher elects to receive his benefits under the non tax-qualified pension programs sponsored by the Corporation in the form of a lump sum distribution, upon retirement such benefits shall be calculated as if his total pension benefits were determined using the applicable interest rates and mortality tables in effect for retirements on January 31, 2003, instead of the applicable interest rates and mortality tables in effect at the date of his retirement. This provision supersedes the Corporation's obligation under the August 8, 2001 agreement between USX Corporation (now Marathon Oil Corporation ("Marathon")) and Mr. Usher (the "Retention Agreement") with respect to the non tax-qualified pension plans sponsored by the Corporation but will have no impact on the obligation of Marathon under the terms of the Retention Agreement.

7. Agreement Not to Compete. Mr. Usher shall not become employed by, act as a director or consultant for, or otherwise provide any services for any competitor of the Corporation through April 30, 2010.

8. Change in Control. The benefits of the Severance Agreement between the Corporation and Mr. Usher dated August 31, 2001, or their equivalent as appropriately calculated during the Employment Period, shall continue in effect until the end of the Employment Period.

9. Termination of Agreement. This Agreement shall be terminated as of the effective date of any of the following actions or events. (a) The Board may terminate this Agreement at any time by causing the Corporation to pay to Mr. Usher the present value of the remaining amounts to be paid and the value of the working condition fringes and other benefits to be provided during the three periods outlined in paragraph 1 of this Agreement. (b) The Board may terminate this Agreement for cause, i.e., in the event of illegal conduct, gross misconduct, incapacity, or failure to satisfy the requirements of paragraph 7 above by Mr. Usher, thereby relieving the Corporation of any obligation to pay such remaining amounts. (c) Upon Mr. Usher's death, this Agreement shall immediately terminate, and the Corporation shall pay to Mr. Usher's surviving spouse, or his estate if there is no surviving spouse, the annual compensation, retainer fee, or consulting fee.

10. Previous Agreements Superseded. This Agreement supersedes all previous agreements between the Corporation (and its predecessors) and Mr. Usher, as far as the Corporation's obligations are concerned, with the following exceptions: (a) the benefits of the Severance Agreement described in section 8 above shall remain in effect, and (b) the retention bonus payable by the Corporation to Mr. Usher at the end of 2004

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pursuant to the Retention Agreement shall be payable upon Mr. Usher's retirement as an employee of the Corporation, provided that the performance measures required for such payment in sub-paragraphs 2(b)(i)(A), (B) and (C), and in paragraph 2(b)(ii) (adjusted, if necessary, for the shorter time period) of such agreement, in the judgment of the Compensation & Organization Committee, are met.

Agreed to and accepted this 13th day of February, 2003.

UNITED STATES STEEL CORPORATION

By /s/ Seth E. Schofield
Seth E. Schofield
On behalf of the Compensation
Committee of United States Steel
Corporation

/s/ Thomas J. Usher
Thomas J. Usher

Exhibit 12.1

United States Steel Corporation, LLC
Computation of Ratio of Earnings to Combined Fixed Charges
And Preferred Stock Dividends
Unaudited
(Dollars in Millions)

	Year Ended December 31 2002	2001	2000	1999	1998
Portion of rentals representing interest	$ 34	$ 45	$ 48	$ 46	$ 52
Capitalized interest	6	1	3	6	6
Other interest and fixed charges	136	153	115	75	47
Pretax earnings which would be required to cover preferred stock dividend requirements of parent	—	12	12	14	15
Combined fixed charges and preferred Stock dividends (A)	$ 176	$ 211	$ 178	$ 141	$ 120
Earnings-pretax income with applicable adjustments (B)	$ 183	$ (387)	$ 187	$ 295	$ 618
Ratio of (B) to (A)	1.04	*** (a)	1.05	2.10	5.15

(a) Earnings did not cover fixed charges and preferred stock dividends by $598 million in 2001

Exhibit 12.2

United States Steel Corporation, LLC
Computation of Ratio of Earnings to Fixed Charges
Unaudited
(Dollars in Millions)

	Year Ended December 31				
	2002	**2001**	**2000**	**1999**	**1998**
Portion of rentals representing interest	$ 34	$ 45	$ 48	$ 46	$ 52
Capitalized interest	6	1	3	7	6
Other interest and fixed charges	136	153	115	74	47
Total fixed charges (A)	$ 176	$ 199	$ 166	$ 127	$ 105
Earnings - pretax income with applicable adjustments (B)	$ 183	$ (387)	$ 187	$ 295	$ 618
Ratio of (B) to (A)	1.04	*** (a)	1.13	2.33	5.89

(a) Earnings did not cover fixed charges by $586 million in 2001

Exhibit 21

The following is a list of U. S. Steel's subsidiaries at December 31, 2002, other than certain subsidiaries that did not in the aggregate constitute a significant subsidiary.

Subsidiary	State or Country of Incorporation
Birmingham Southern Railroad Company	Alabama
Elgin, Joliet and Eastern Railway Company	Delaware
Fairfield Southern Company, Inc.	Delaware
McKeesport Connecting Railroad Company	Delaware
Mobile River Terminal Company	Alabama
Pitcal, Inc.	Delaware
The Lake Terminal Railroad Company	Delaware
Tracks Traffic and Management Services, Inc.	Delaware
Transtar Logistics, LLC	Delaware
Transtar, Inc.	Delaware
UEC Technologies, LLC	Delaware
Union Railroad Company	Delaware
U. S. Steel Kosice, s.r.o.	Slovak Republic
U. S. Steel Mining Company, LLC	Delaware
U. S. Steel Receivables LLC	Delaware
USS Coal Sales, LLC	Delaware
USS Galvanizing, Inc.	Delaware
USS Portfolio Delaware, Inc.	Delaware
USX Global Holdings I B. V.	The Netherlands
Warrior and Gulf Navigation Company	Delaware
Walzwerke Finow Gmbh	Germany

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the registration statements listed below of our reports dated February 25, 2003, relating to the financial statements and financial statement schedule of United States Steel Corporation, which appear in this Form 10-K.

On Form S-3:		**Relating to:**
File No.	333-75148	United States Steel Corporation Dividend Reinvestment and Stock Purchase Plan
	333-84200	United States Steel Corporation Debt Securities, Preferred Stock and Depository Shares, Common Stock and Warrants Registration Statement
	333-99273	United States Steel Corporation Debt Securities, Preferred Stock and Depository Shares, Common Stock, Warrants, Stock Purchase Units and Stock Purchase Contracts Registration Statement

On Form S-8:		**Relating to:**
File No.	033-60667	United States Steel Corporation Parity Investment Bonus
	333-36840	United States Steel Corporation Savings Fund Plan for Salaried Employees
	333-76392	United States Steel Corporation Non-Officer Restricted Stock Plan
	333-76394	United States Steel Corporation 2002 Stock Plan
	333-99257	United States Steel Corporation Savings Fund Plan for Salaried Employees

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
March 10, 2003

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned does hereby make, constitute and appoint

T. J. Usher, J. P. Surma, Jr., G. R. Haggerty and Larry G. Schultz or any one of them, my true and lawful attorneys-in-fact to sign and execute for me and on my behalf United States Steel Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission, and any and all amendments to such report to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, in such form as they or any one or more of them may approve, and to do any and all other acts which said attorneys-in-fact may deem necessary or desirable to enable United States Steel Corporation to comply with said Act and the rules and regulations thereunder.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 25th day of February, 2003.

/s/ J. Gary Cooper
J. Gary Cooper

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned does hereby make, constitute and appoint

T. J. Usher, J. P. Surma, Jr., G. R. Haggerty and L. G. Schultz or any one of them, my true and lawful attorneys-in-fact to sign and execute for me and on my behalf United States Steel Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission, and any and all amendments to such report to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, in such form as they or any one or more of them may approve, and to do any and all other acts which said attorneys-in-fact may deem necessary or desirable to enable United States Steel Corporation to comply with said Act and the rules and regulations thereunder.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 25th day of February, 2003.

/s/ Robert J. Darnall
Robert J. Darnall

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned does hereby make, constitute and appoint

T. J. Usher, J. P. Surma, Jr., G. R. Haggerty and L. G. Schultz or any one of them, my true and lawful attorneys-in-fact to sign and execute for me and on my behalf United States Steel Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission, and any and all amendments to such report to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, in such form as they or any one or more of them may approve, and to do any and all other acts which said attorneys-in-fact may deem necessary or desirable to enable United States Steel Corporation to comply with said Act and the rules and regulations thereunder.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 25th day of February, 2003.

/s/ Roy G. Dorrance
Roy G. Dorrance

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned does hereby make, constitute and appoint

T. J. Usher, J. P. Surma, Jr., G. R. Haggerty and L. G. Schultz or any one of them, my true and lawful attorneys-in-fact to sign and execute for me and on my behalf United States Steel Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission, and any and all amendments to such report to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, in such form as they or any one or more of them may approve, and to do any and all other acts which said attorneys-in-fact may deem necessary or desirable to enable United States Steel Corporation to comply with said Act and the rules and regulations thereunder.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 25th day of February, 2003.

/s/ Shirley A. Jackson
Shirley A. Jackson

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned does hereby make, constitute and appoint

T. J. Usher, J. P. Surma, Jr., G. R. Haggerty and L. G. Schultz or any one of them, my true and lawful attorneys-in-fact to sign and execute for me and on my behalf United States Steel Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission, and any and all amendments to such report to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, in such form as they or any one or more of them may approve, and to do any and all other acts which said attorneys-in-fact may deem necessary or desirable to enable United States Steel Corporation to comply with said Act and the rules and regulations thereunder.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 25th day of February, 2003.

/s/ Charles R. Lee
Charles R. Lee

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned does hereby make, constitute and appoint

T. J. Usher, J. P. Surma, Jr., G. R. Haggerty and L. G. Schultz or any one of them, my true and lawful attorneys-in-fact to sign and execute for me and on my behalf United States Steel Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission, and any and all amendments to such report to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, in such form as they or any one or more of them may approve, and to do any and all other acts which said attorneys-in-fact may deem necessary or desirable to enable United States Steel Corporation to comply with said Act and the rules and regulations thereunder.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 25th day of February, 2003.

/s/ Frank J. Lucchino
Frank J. Lucchino

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned does hereby make, constitute and appoint

T. J. Usher, J. P. Surma, Jr., G. R. Haggerty and L. G. Schultz or any one of them, my true and lawful attorneys-in-fact to sign and execute for me and on my behalf United States Steel Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission, and any and all amendments to such report to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, in such form as they or any one or more of them may approve, and to do any and all other acts which said attorneys-in-fact may deem necessary or desirable to enable United States Steel Corporation to comply with said Act and the rules and regulations thereunder.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 25th day of February, 2003.

/s/ Dan D. Sandman
Dan D. Sandman

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned does hereby make, constitute and appoint

T. J. Usher, J. P. Surma, Jr., G. R. Haggerty and L. G. Schultz or any one of them, my true and lawful attorneys-in-fact to sign and execute for me and on my behalf United States Steel Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission, and any and all amendments to such report to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, in such form as they or any one or more of them may approve, and to do any and all other acts which said attorneys-in-fact may deem necessary or desirable to enable United States Steel Corporation to comply with said Act and the rules and regulations thereunder.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 25th day of February, 2003.

/s/ Seth E. Schofield

Seth E. Schofield

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned does hereby make, constitute and appoint

T. J. Usher, G. R. Haggerty and L. G. Schultz or any one of them, my true and lawful attorneys-in-fact to sign and execute for me and on my behalf United States Steel Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission, and any and all amendments to such report to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, in such form as they or any one or more of them may approve, and to do any and all other acts which said attorneys-in-fact may deem necessary or desirable to enable United States Steel Corporation to comply with said Act and the rules and regulations thereunder.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 25th day of February, 2003.

/s/ John P. Surma, Jr.

John P. Surma, Jr.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned does hereby make, constitute and appoint

T. J. Usher, J. P. Surma, Jr., G. R. Haggerty and L. G. Schultz or any one of them, my true and lawful attorneys-in-fact to sign and execute for me and on my behalf United States Steel Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 to be filed with the Securities and Exchange Commission, and any and all amendments to such report to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, in such form as they or any one or more of them may approve, and to do any and all other acts which said attorneys-in-fact may deem necessary or desirable to enable United States Steel Corporation to comply with said Act and the rules and regulations thereunder.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 25th day of February, 2003.

/s/ Douglas C. Yearley

Douglas C. Yearley

Exhibit 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of United States Steel Corporation (the "Corporation") on Form 10-K for the period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas J. Usher, Chairman of the Board of Directors and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

By /s/ Thomas J. Usher
Thomas J. Usher
Chairman of the Board of Directors and Chief Executive Officer

March 10, 2003

Exhibit 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of United States Steel Corporation (the "Corporation") on Form 10-K for the period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gretchen R. Haggerty, Executive Vice President, Treasurer, and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

By /s/ Gretchen R. Haggerty
Gretchen R. Haggerty
Executive Vice President, Treasurer, and Chief Financial Officer

March 10, 2003

Exhibit 99.3

UNITED STATES STEEL CORPORATION
SUPPLEMENTAL STATISTICS (Unaudited)
2002

(Dollars in millions)	Quarter Ended March 31	Quarter Ended June 30	Quarter Ended Sept. 30	Quarter Ended Dec. 31	Year Ended Dec. 31
INCOME (LOSS) FROM OPERATIONS					
Flat-rolled Products	$ (74)	$ (26)	$ 61	$ 8	$ (31)
Tubular Products	3	6	4	(9)	4
U. S. Steel Kosice	(1)	26	40	45	110
Straightline	(8)	(9)	(11)	(13)	(41)
Real Estate	10	12	15	20	57
Other Businesses	(11)	23	26	—	38
Income (Loss) from Operations before special items	(81)	32	135	51	137
Special Items:					
Pension settlement loss	—	(10)	—	(90)	(100)
Asset impairments—receivables	—	(14)	—	—	(14)
Costs related to Fairless shutdown	(1)	—	—	—	(1)
Federal excise tax refund	—	33	3	2	38
Insurance recoveries related to USS-POSCO fire	12	6	2	19	39
Gain on VSZ share sale	—	—	—	20	20
Reversal of litigation accrual	9	—	—	—	9
Total Income (Loss) from Operations	$ (61)	$ 47	$ 140	$ 2	$ 128
CAPITAL EXPENDITURES					
Flat-rolled Products	$ 11	$ 6	$ 6	$ 19	$ 42
Tubular Products	5	10	13	24	52
U. S. Steel Kosice	17	17	11	52	97
Straightline	3	2	2	1	8
Real Estate	—	1	—	—	1
Other Businesses	20	12	14	12	58
Total	$ 56	$ 48	$ 46	$ 108	$ 258
DEPRECIATION, DEPLETION AND AMORTIZATION					
Flat-rolled Products	$ 52	$ 54	$ 51	$ 47	$ 204
Tubular Products	3	2	3	2	10
U. S. Steel Kosice	9	10	10	12	41
Straightline	1	1	1	1	4
Real Estate	—	—	1	—	1
Other Businesses	23	22	23	22	90
Total Depreciation, Depletion and Amortization	$ 88	$ 89	$ 89	$ 84	$ 350

Exhibit 99.4

UNITED STATES STEEL CORPORATION
SUPPLEMENTAL STATISTICS (Unaudited)
2001

(Dollars in millions)	Quarter Ended March 31	Quarter Ended June 30	Quarter Ended Sept. 30	Quarter Ended Dec. 31	Year Ended Dec. 31
INCOME (LOSS) FROM OPERATIONS					
Flat-rolled Products	$ (142)	$ (143)	$ (97)	$ (154)	$ (536)
Tubular Products	26	35	18	9	88
U. S. Steel Kosice	41	41	39	2	123
Straightline	—	—	(10)	(7)	(17)
Real Estate	17	25	13	14	69
Other Businesses	(39)	23	21	(22)	(17)
Income (Loss) from Operations before special items	(97)	(19)	(16)	(158)	(290)
Special Items:					
Asset impairments—receivables	(74)	—	—	(72)	(146)
Asset impairments—intangible assets	—	—	—	(20)	(20)
Costs related to Separation	—	(8)	(1)	(16)	(25)
Costs related to Fairless shutdown	—	—	(29)	(9)	(38)
Insurance recoveries related to USS-POSCO fire	—	2	21	23	46
Gain on Transtar reorganization	70	(2)	—	—	68
Total Income (Loss) from Operations	$ (101)	$ (27)	$ (25)	$ (252)	$ (405)
CAPITAL EXPENDITURES					
Flat-rolled Products	$ 16	$ 83	$ 12	$ 18	$ 129
Tubular Products	—	—	—	5	5
U. S. Steel Kosice	5	9	17	30	61
Straightline	—	—	14	5	19
Real Estate	—	—	1	1	2
Other Businesses	16	12	12	31	71
Total	$ 37	$ 104	$ 56	$ 90	$ 287
DEPRECIATION, DEPLETION AND AMORTIZATION					
Flat-rolled Products	$ 47	$ 46	$ 47	$ 40	$ 180
Tubular Products	1	4	2	4	11
U. S. Steel Kosice	9	9	10	10	38
Straightline	—	—	—	1	1
Real Estate	—	—	1	—	1
Other Businesses	16	20	22	17	75
Total Segment Depreciation	$ 73	$ 79	$ 82	$ 72	$ 306
Not allocated to segment:					
Asset impairments—intangible asset	—	—	—	20	20
Depreciation costs related to Fairless Shutdown	—	—	12	6	18
Total Depreciation, Depletion and Amortization	$ 73	$ 79	$ 94	$ 98	$ 344